

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

YEAR ENDED DECEMBER 31, 2018



Hoffman, Philipp, & Knutson, PLLC

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

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## **INTRODUCTORY SECTION**

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

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2018**

<u>Position</u>	<u>City Council</u>	<u>Term Expires</u>
Mayor	Brian D. Holmer	2020
Council Member:		
First Ward	Curtis Howe	2022
Second Ward	Don Sollom	2020
Third Ward	Mike Lorenson	2022
Fourth Ward (Vice Mayor)	Jerald Brown	2020
Fifth Ward	Rachel Prudhomme	2022
At Large	Steve Narverud	2022
At Large	Jason Aarestad	2020
City Administrator	Rodney Otterness <sup>1</sup>	Indefinite
Finance Director <sup>2</sup>	Angela Philipp	Indefinite

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<sup>1</sup> Replaced by interim Angie Philipp on 1/1/19 and appointed 4/1/19.

<sup>2</sup> Finance Director position replaced with City Accountant position effective 4/1/19.

## **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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of December 31, 2018, 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.

## **Emphasis of Matter – Change in Accounting Principle**

As discussed in the Notes to Financial Statements, in 2018 the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

## **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' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019, 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*

Hoffman, Philipp, & Knutson, PLLC  
July 30, 2019



# City of Thief River Falls

CITY ADMINISTRATOR

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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, 2018. 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 \$38,675,757, of which \$26,102,425 is the net investment in capital assets, \$3,798,864 is restricted for debt service and economic development, and \$8,774,468 is unrestricted. The total net position of governmental activities increased by \$5,797,801 for the year ended December 31, 2018, as a result of transfers from business-type activities.

The total net position of business-type activities is \$14,118,290, of which \$8,248,469 is the net investment in capital assets, \$15,787 is restricted for electric surplus, and \$5,854,034 is unrestricted. The total net position of business-type activities decreased by \$5,962,936 in 2018, as a result of transfers to governmental activities.

At the close of 2018, the City's General Fund reported an ending fund balance of \$6,346,289, an increase of \$4,146,638 from the prior year. Of the total fund balance amount, \$3,576,104 is the assigned fund balance, and \$2,770,185 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 deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the 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, the 2018 Maintenance Facility Capital Projects Fund, and the 2018 Street and Utilities Capital Projects Fund, all of which are considered to be major funds. 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 the major Special Revenue Funds, and budgetary comparison schedules have been provided to demonstrate compliance with the budgets.

**Proprietary Funds** The City maintains five proprietary funds. 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.

**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 \$52,794,047 at the close of 2018. The largest portion of the City's net position (approximately 65 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. Seven percent of the City's net position is restricted for debt service, economic development, and electric surplus, and approximately 28 percent is unrestricted. The unrestricted net position amount of \$14,628,502 as of December 31, 2018, 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 \$6,270,206 from the prior year, primarily as a result of the purchase and construction of capital assets. Deferred outflows related to pensions and OPEB decreased by \$1,430,967. Total liabilities increased by \$5,580,247 from the prior year, primarily due to the issuance of debt. Deferred inflows related to pensions decreased by \$575,873. This resulted in a decreased net position of \$165,135 from the prior year.

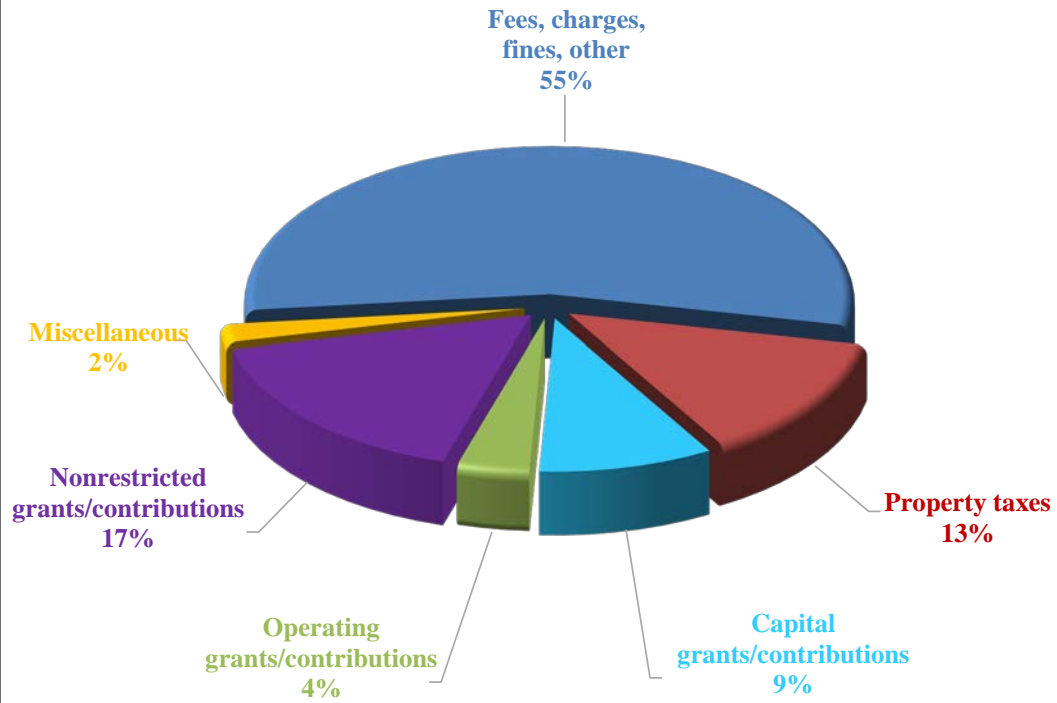
## NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 16,188,265	\$ 12,844,942	\$ 9,648,009	\$ 12,504,109	\$ 25,836,274	\$ 25,349,051
Capital assets	38,184,496	33,436,598	25,574,141	24,539,056	63,758,637	57,975,654
Total assets	\$ 54,372,761	\$ 46,281,540	\$ 35,222,150	\$ 37,043,165	\$ 89,594,911	\$ 83,324,705
Deferred outflows of resources	\$ 3,166,327	\$ 4,257,147	\$ 620,829	\$ 960,976	\$ 3,787,156	\$ 5,218,123
Other liabilities	\$ 889,753	\$ 653,568	\$ 1,853,209	\$ 2,084,585	\$ 2,742,962	\$ 2,738,153
Long-term liabilities outstanding	13,785,753	12,231,380	18,961,461	14,951,932	32,747,214	27,183,312
Total liabilities	\$ 14,675,506	\$ 12,884,948	\$ 20,814,670	\$ 17,036,517	\$ 35,490,176	\$ 29,921,465
Deferred inflows of resources	\$ 4,187,825	\$ 4,775,783	\$ 898,483	\$ 886,398	\$ 5,086,308	\$ 5,662,181
Net position						
Net investment in capital assets	\$ 26,102,425	\$ 27,021,598	\$ 8,248,469	\$ 12,209,755	\$ 34,350,894	\$ 39,231,353
Restricted	3,798,864	3,007,243	15,787	15,788	3,814,651	3,023,031
Unrestricted	8,774,468	2,849,115	5,854,034	7,855,683	14,628,502	10,704,798
Total net position	\$ 38,675,757	\$ 32,877,956	\$ 14,118,290	\$ 20,081,226	\$ 52,794,047	\$ 52,959,182

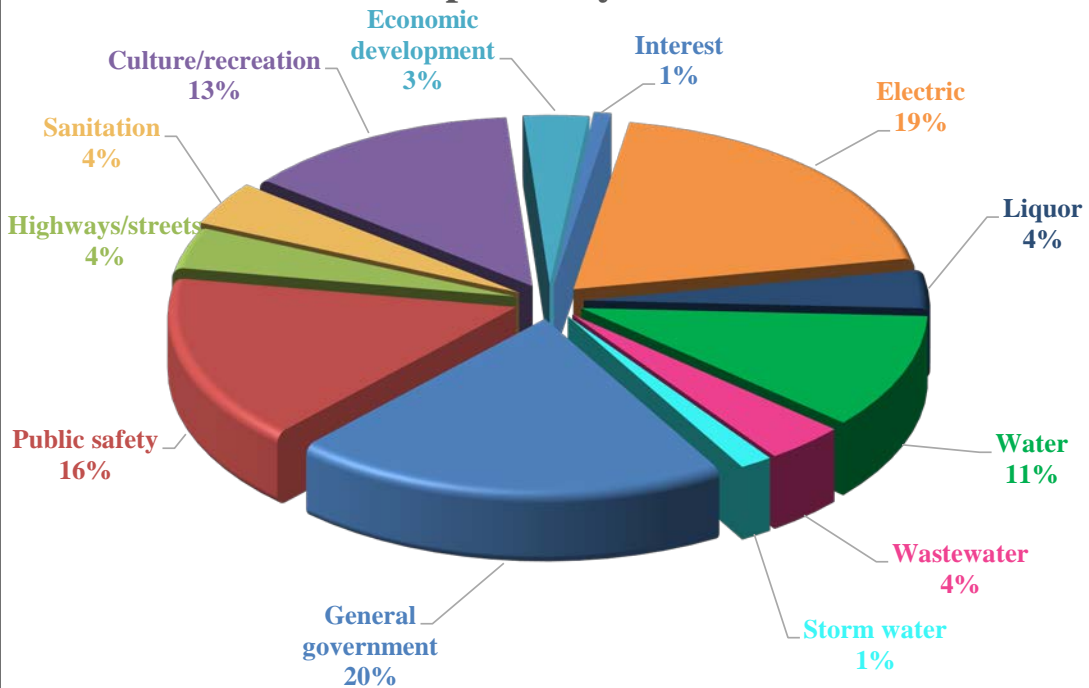
## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 2,982,506	\$ 3,484,499	\$ 24,136,988	\$ 22,763,641	\$ 27,119,494	\$ 26,248,140
Operating grants and contributions	705,779	694,399	-	-	705,779	694,399
Capital grants and contributions	1,696,143	948,193	4,902	5,544	1,701,045	953,737
General Revenues and Transfers						
Property taxes	2,448,291	2,403,705	-	-	2,448,291	2,403,705
Franchise Tax	367,353	211,829	-	-	367,353	211,829
Grants and contributions not restricted to specific programs	3,093,314	3,002,226	-	-	3,093,314	3,002,226
Investment earnings	126,673	38,652	100,111	57,846	226,784	96,498
Miscellaneous	88,771	-	263,475	486,987	352,246	486,987
Transfers	7,320,614	867,731	(7,320,614)	(867,731)	-	-
Proceeds from sale of assets	-	1,368,062	-	-	-	1,368,062
Total revenues	\$ 18,829,444	\$ 13,019,296	\$ 17,184,862	\$ 22,446,287	\$ 36,014,306	\$ 35,465,583
Expenses						
General government	\$ 4,339,346	\$ 2,812,715	\$ -	\$ -	\$ 4,339,346	\$ 2,812,715
Public safety	3,353,243	3,538,649	-	-	3,353,243	3,538,649
Highways and streets	832,309	2,870,989	-	-	832,309	2,870,989
Sanitation	873,945	893,556	-	-	873,945	893,556
Culture and recreation	2,801,440	2,541,220	-	-	2,801,440	2,541,220
Economic development	658,599	552,079	-	-	658,599	552,079
Interest	172,761	135,566	-	-	172,761	135,566
Electric	-	-	15,299,643	13,745,213	15,299,643	13,745,213
Liquor	-	-	4,345,170	4,180,895	4,345,170	4,180,895
Water	-	-	2,369,609	1,976,273	2,369,609	1,976,273
Wastewater	-	-	809,329	831,731	809,329	831,731
Stormwater	-	-	324,047	180,866	324,047	180,866
Total expenses	\$ 13,031,643	\$ 13,344,774	\$ 23,147,798	\$ 20,914,978	\$ 36,179,441	\$ 34,259,752
Increase (decrease) in net position	\$ 5,797,801	\$ (325,478)	\$ (5,962,936)	\$ 1,531,309	\$ (165,135)	\$ 1,205,831
Net position, January 1	32,877,956	33,203,434	20,081,226	18,549,917	52,959,182	51,753,351
Net position, December 31	\$ 38,675,757	\$ 32,877,956	\$ 14,118,290	\$ 20,081,226	\$ 52,794,047	\$ 52,959,182

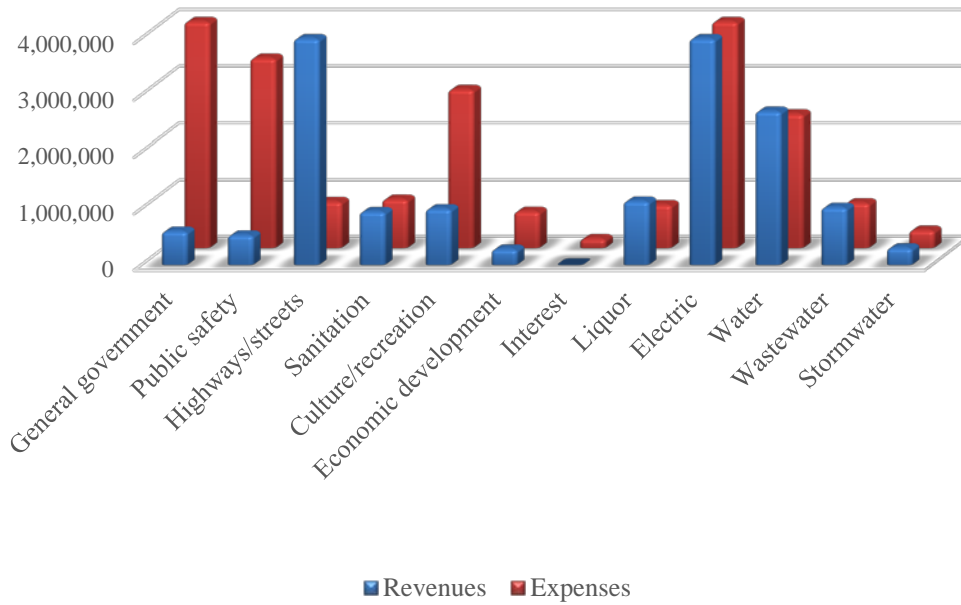
## Revenues by Source



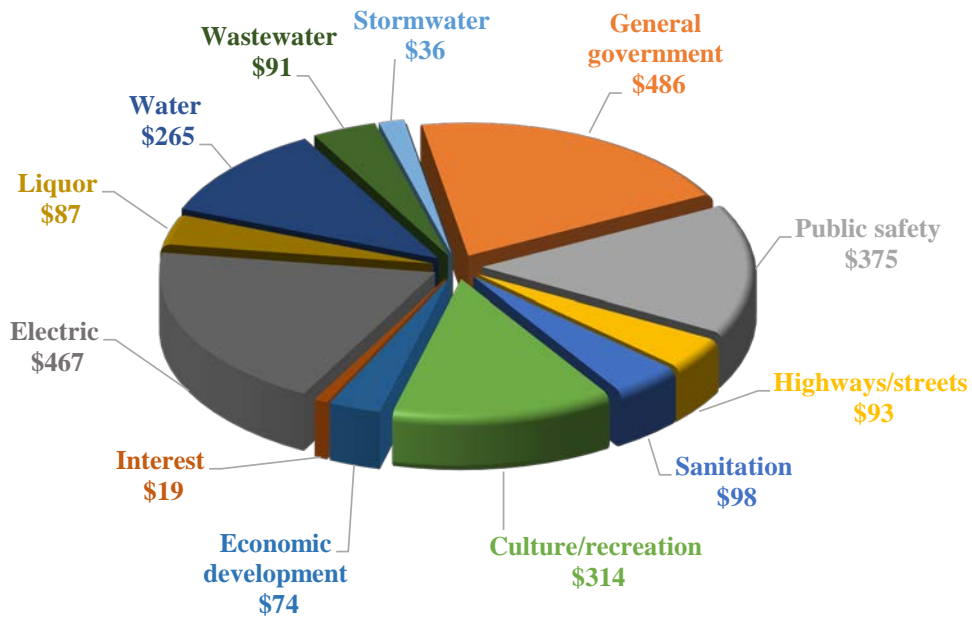
## Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 8,931 Population as of December 31, 2018





## **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 2018, the City's governmental funds reported combined ending fund balances of \$12,168,113. Of this amount, approximately three percent constitutes non-spendable fund balance, 28 percent constitutes legally or contractually restricted fund balance, four percent constitutes formally committed fund balance, 45 percent constitutes specifically assigned fund balance, and 20 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 \$6,346,289. The General Fund's assigned fund balance was \$3,576,104 and unassigned fund balance was \$2,770,185. 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 2018. Total fund balance represents 67 percent of total General Fund expenditures.

In 2018, the fund balance amount in the General Fund increased by \$4,146,638. This increase is attributed to the Revolving Capital Fund and Internal Service Fund closing into the General Fund.

The fund balance amount in the 2018 Maintenance Facility Capital Project Fund decreased by \$168,177 due to construction expenditures.

The fund balance amount in the 2018 Street and Utilities Capital Project Fund decreased by \$125,173, primarily due to construction expenditures.

### **Proprietary Funds**

The Liquor Enterprise Fund reported an operating income in 2018 of \$345,183, 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 2018 of \$329,864, mainly because purchased power cost did not increase as much as anticipated.

The Water Enterprise Fund reported an operating income in 2018 of \$677,467, as a result of user fees in excess of operating costs from the anticipation of construction projects scheduled for 2018.

The Wastewater Enterprise Fund reported an operating income in 2018 of \$200,011, indicating that it is charging for products and services at a profitable margin for this type of business.

The Storm Water Enterprise Fund reported an operating loss in 2018 of \$112,095, indicating that it is not charging for products and services at a margin designed to exceed expenses.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were more than overall final budgeted revenues by \$356,537, with the largest variance in intergovernmental and miscellaneous revenues. Actual expenditures were more than overall final budgeted expenditures by \$240,235, primarily as a result of unbudgeted capital outlay. There were no budget amendments in 2018.

## 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, 2018, amounted to \$63,758,637 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was nine percent. This increase was primarily due to the purchase and construction of capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 784,917	\$ 796,391	\$ 421,613	\$ 396,194	\$ 1,206,530	\$ 1,192,585
Construction in progress	8,166,831	546,013	41,216	3,071,049	8,208,047	3,617,062
Buildings	12,187,303	11,747,006	2,945,820	931,343	15,133,123	12,678,349
Infrastructure	15,285,222	18,847,255	21,002,102	15,699,112	36,287,324	34,546,367
Machinery and equipment	1,760,223	1,499,933	1,163,390	4,441,358	2,923,613	5,941,291
Total capital assets	<u>\$ 38,184,496</u>	<u>\$ 33,436,598</u>	<u>\$ 25,574,141</u>	<u>\$ 24,539,056</u>	<u>\$ 63,758,637</u>	<u>\$ 57,975,654</u>

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

### Long-Term Debt

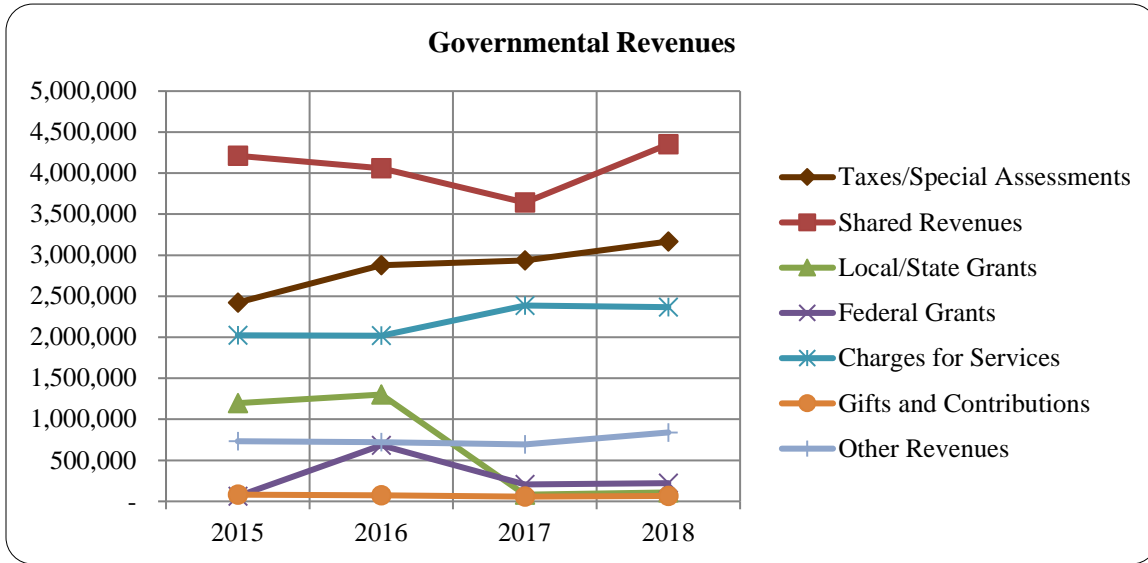
At the end of the current fiscal year, the City had total debt outstanding of \$25,017,762 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
G.O. Bonds	\$ 8,760,000	\$ 6,415,000	\$ -	\$ -	\$ 8,760,000	\$ 6,415,000
G.O. Revenue Bonds	-	-	16,257,762	12,142,060	16,257,762	12,142,060
	<u>\$ 8,760,000</u>	<u>\$ 6,415,000</u>	<u>\$ 16,257,762</u>	<u>\$ 12,142,060</u>	<u>\$ 25,017,762</u>	<u>\$ 18,557,060</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 2018, the City's estimated market value was \$489,998,000 with overall debt of 1.47 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 5.3 percent as of December 31, 2018. This is higher than the statewide rate of 3.2 percent and the national average rate of 3.7 percent.
- According to the League of Minnesota Cities, Thief River Falls' population as of December 31, 2018, was 8,931, an increase of 358 since the 2010 census of 8,573.
- On December 18, 2018, the City of Thief River Falls set its 2019 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](mailto:aphilipp@citytrf.net).

## **BASIC FINANCIAL STATEMENTS**

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

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 12,245,150	\$ 5,911,130	\$ 18,156,280
Cash with fiscal agent	102,651	-	102,651
Taxes receivable			
Current	36,541	-	36,541
Prior	74,460	-	74,460
Special assessments receivable			
Current	4,127	-	4,127
Prior	17,801	185	17,986
Accounts receivable	199,732	2,109,950	2,309,682
Accrued interest receivable	7,678	7,199	14,877
Due from other governments	279,000	-	279,000
Inventory	51,069	1,204,475	1,255,544
Loans receivable (net)	889,964	-	889,964
Internal balances	(325,935)	325,935	-
Net pension asset	235,540	-	235,540
Special assessments receivable - noncurrent	2,370,487	89,135	2,459,622
Capital assets			
Non-depreciable	8,951,748	462,829	9,414,577
Depreciable - net of accumulated depreciation	29,232,748	25,111,312	54,344,060
<b>Total Assets</b>	<b>\$ 54,372,761</b>	<b>\$ 35,222,150</b>	<b>\$ 89,594,911</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 3,135,685	\$ 613,725	\$ 3,749,410
Related to other post-employment benefits	30,642	7,104	37,746
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,166,327</b>	<b>\$ 620,829</b>	<b>\$ 3,787,156</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 467,455	\$ 1,084,039	\$ 1,551,494
Salaries payable	261,832	149,316	411,148
Due to other governments	74,978	164,937	239,915
Accrued interest payable	85,488	220,766	306,254
Customer deposits	-	234,151	234,151
Long-term liabilities			
Due within one year	1,287,300	1,335,466	2,622,766
Due in more than one year	12,498,453	17,637,531	30,135,984
<b>Total Liabilities</b>	<b>\$ 14,675,506</b>	<b>\$ 20,826,206</b>	<b>\$ 35,501,712</b>
<b><u>Deferred Inflows of Resources</u></b>			
Related to pensions	<b>\$ 4,187,825</b>	<b>\$ 898,483</b>	<b>\$ 5,086,308</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 26,102,425	\$ 8,248,469	\$ 34,350,894
Amounts restricted for			
Debt service	1,668,195	-	1,668,195
Economic development	2,130,669	-	2,130,669
Electric surplus	-	15,787	15,787
Unrestricted amounts	8,774,468	5,854,034	14,628,502
<b>Total Net Position</b>	<b>\$ 38,675,757</b>	<b>\$ 14,118,290</b>	<b>\$ 52,794,047</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Fees, Charges, Fines and Other</u>	<u>Operating Grants and Contributions</u>
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 4,339,346	\$ 605,649	\$ 575
Public safety	3,353,243	294,682	244,210
Highways and streets	832,309	37,307	253,516
Sanitation	873,945	995,540	-
Culture and recreation	2,801,440	977,447	20,677
Economic development	658,599	71,881	186,801
Interest	172,761	-	-
<b>Total governmental activities</b>	<b>\$ 13,031,643</b>	<b>\$ 2,982,506</b>	<b>\$ 705,779</b>
<b>Business-type activities</b>			
Electric	\$ 15,299,643	\$ 15,523,038	\$ -
Liquor	4,345,170	4,690,353	-
Water	2,369,609	2,719,355	-
Wastewater	809,329	992,290	-
Storm Water	324,047	211,952	-
<b>Total business-type activities</b>	<b>\$ 23,147,798</b>	<b>\$ 24,136,988</b>	<b>\$ -</b>
<b>Total Primary Government</b>	<b>\$ 36,179,441</b>	<b>\$ 27,119,494</b>	<b>\$ 705,779</b>

**General revenues and transfers**

Property taxes  
Franchise tax  
Grants and contributions not restricted to specific programs  
Investment earnings  
Miscellaneous  
Transfers

**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		Total
	Governmental Activities	Business-Type Activities	
\$ -	\$ (3,733,122)	\$ -	\$ (3,733,122)
-	(2,814,351)	-	(2,814,351)
1,661,045	1,119,559	-	1,119,559
-	121,595	-	121,595
6,379	(1,796,937)	-	(1,796,937)
28,719	(371,198)	-	(371,198)
-	(172,761)	-	(172,761)
<b>\$ 1,696,143</b>	<b>\$ (7,647,215)</b>	<b>\$ -</b>	<b>\$ (7,647,215)</b>
\$ -	\$ -	\$ 223,395	\$ 223,395
-	-	345,183	345,183
-	-	349,746	349,746
4,902	-	187,863	187,863
-	-	(112,095)	(112,095)
<b>\$ 4,902</b>	<b>\$ -</b>	<b>\$ 994,092</b>	<b>\$ 994,092</b>
<b>\$ 1,701,045</b>	<b>\$ (7,647,215)</b>	<b>\$ 994,092</b>	<b>\$ (6,653,123)</b>
	\$ 2,448,291	\$ -	\$ 2,448,291
	367,353	-	367,353
	3,093,314	-	3,093,314
	126,673	100,111	226,784
	88,771	263,475	352,246
	7,320,614	(7,320,614)	-
	<b>\$ 13,445,016</b>	<b>\$ (6,957,028)</b>	<b>\$ 6,487,988</b>
	<b>\$ 5,797,801</b>	<b>\$ (5,962,936)</b>	<b>\$ (165,135)</b>
	<b>32,877,956</b>	<b>20,081,226</b>	<b>52,959,182</b>
	<b>\$ 38,675,757</b>	<b>\$ 14,118,290</b>	<b>\$ 52,794,047</b>

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

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General	2018 Maintenance Facility Capital Projects	2018 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
<b><u>Assets</u></b>					
<b>Assets</b>					
Cash and pooled investments	\$ 6,611,539	\$ 716,870	\$ -	\$ 4,916,741	\$ 12,245,150
Cash with fiscal agent	-	-	-	102,651	102,651
Taxes receivable		-	-		
Current	32,734	-	-	3,807	36,541
Prior	64,073	-	-	10,387	74,460
Special assessments receivable		-	-		
Current	-	-	-	4,127	4,127
Prior	6,640	-	-	11,161	17,801
Accounts receivable	199,732	-	-	-	199,732
Interest receivable	5,013	-	-	2,665	7,678
Due from other governments	-	-	279,000	-	279,000
Loans receivable	517,599	-	-	372,365	889,964
Inventory	51,069	-	-	-	51,069
Special assessments receivable - noncurrent	13,144	-	-	2,357,343	2,370,487
<b>Total Assets</b>	<b>\$ 7,501,543</b>	<b>\$ 716,870</b>	<b>\$ 279,000</b>	<b>\$ 7,781,247</b>	<b>\$ 16,278,660</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 217,533	\$ 5,828	\$ 224,788	\$ 19,306	\$ 467,455
Salaries payable	261,287	-	-	545	261,832
Due to other funds	-	-	227,072	98,863	325,935
Due to other governments	74,978	-	-	-	74,978
<b>Total Liabilities</b>	<b>\$ 553,798</b>	<b>\$ 5,828</b>	<b>\$ 451,860</b>	<b>\$ 118,714</b>	<b>\$ 1,130,200</b>
<b>Deferred Inflows of Resources</b>					
Taxes	\$ 64,073	\$ -	\$ -	\$ 10,387	\$ 74,460
Loans	517,599	-	-	-	517,599
Special assessments	19,784	-	-	2,368,504	2,388,288
<b>Total Deferred Inflows of Resources</b>	<b>\$ 601,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,378,891</b>	<b>\$ 2,980,347</b>



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

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General	2018 Maintenance Facility Capital Projects	2018 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
<b>Fund Balances</b>					
Nonspendable					
Loans receivable	\$ -	\$ -	\$ -	\$ 413,739	\$ 413,739
Restricted for					
Debt service	-	-	-	1,668,195	1,668,195
Economic development	-	-	-	1,604,056	1,604,056
TIF district	-	-	-	112,874	112,874
Committed to					
K-9 Unit	-	-	-	11,235	11,235
Perpetual care	-	-	-	174,473	174,473
Train canopy	-	-	-	37,835	37,835
Splash park	-	-	-	8,783	8,783
Swimming pool	-	-	-	246,245	246,245
Assigned to					
General government	2,746,291	-	-	172,553	2,918,844
Public safety	436,388	-	-	-	436,388
Highways and streets	48,365	-	-	-	48,365
Sanitation	63,821	-	-	-	63,821
Culture and recreation	216,452	-	-	-	216,452
Capital projects	-	711,042	-	947,471	1,658,513
Economic development	64,787	-	-	-	64,787
Unassigned	2,770,185	-	(172,860)	(113,817)	2,483,508
<b>Total Fund Balances</b>	<b>\$ 6,346,289</b>	<b>\$ 711,042</b>	<b>\$ (172,860)</b>	<b>\$ 5,283,642</b>	<b>\$ 12,168,113</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,501,543</b>	<b>\$ 716,870</b>	<b>\$ 279,000</b>	<b>\$ 7,781,247</b>	<b>\$ 16,278,660</b>

**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, 2018**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>12,168,113</b>
<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>		38,184,496
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.</p>		2,980,347
<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	\$ (931,752)	
Other post employment benefits	(1,025,658)	
Accrued interest payable	(85,488)	
General obligation bonds payable	<u>(8,876,222)</u>	(10,919,120)
<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	\$ 3,135,685	
Deferred inflows of resources related to pensions	(4,187,825)	
Net pension asset	235,540	
Net pension liability	<u>(2,921,479)</u>	<u>(3,738,079)</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>38,675,757</u></b>

**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, 2018**

	General	2018 Maintenance Facility Capital Project	2018 Street and Utilities Capital Project	Other Governmental Funds (Statement 2)	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 2,132,905	\$ -	\$ -	\$ 678,183	\$ 2,811,088
Special assessments	23,835	-	-	332,029	355,864
Licenses and permits	444,049	-	-	-	444,049
Intergovernmental	3,562,861	-	279,000	839,032	4,680,893
Charges for services	2,336,332	-	-	29,650	2,365,982
Fines and forfeitures	50,618	-	-	-	50,618
Investment earnings	50,114	43,090	4,336	29,133	126,673
Gifts and contributions	20,677	-	-	45,171	65,848
Miscellaneous	158,126	-	-	60,353	218,479
<b>Total Revenues</b>	<b>\$ 8,779,517</b>	<b>\$ 43,090</b>	<b>\$ 283,336</b>	<b>\$ 2,013,551</b>	<b>\$ 11,119,494</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,321,691	\$ -	\$ -	\$ 483,710	\$ 1,805,401
Public safety	3,270,580	-	-	12,363	3,282,943
Highways and streets	772,799	-	-	-	772,799
Sanitation	901,141	-	-	-	901,141
Culture and recreation	2,265,982	-	-	41,291	2,307,273
Economic development	410,763	-	-	247,836	658,599
<b>Debt service</b>					
Principal retirement	-	-	-	610,000	610,000
Interest	-	-	-	154,262	154,262
<b>Capital outlay</b>					
Public safety	107,966	-	-	-	107,966
Highways and streets	208,822	-	3,239,004	18,701	3,466,527
Culture and recreation	142,557	4,103,369	-	233,347	4,479,273
Economic development	-	-	-	26,397	26,397
<b>Total Expenditures</b>	<b>\$ 9,402,301</b>	<b>\$ 4,103,369</b>	<b>\$ 3,239,004</b>	<b>\$ 1,827,907</b>	<b>\$ 18,572,581</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (622,784)</b>	<b>\$ (4,060,279)</b>	<b>\$ (2,955,668)</b>	<b>\$ 185,644</b>	<b>\$ (7,453,087)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 4,819,422	\$ 3,892,102	\$ 1,043,234	\$ 837,954	\$ 10,592,712
Transfers out	(50,000)	-	(8,983)	(2,398,672)	(2,457,655)
Proceeds from issuance of debt	-	-	1,796,244	1,159,432	2,955,676
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 4,769,422</b>	<b>\$ 3,892,102</b>	<b>\$ 2,830,495</b>	<b>\$ (401,286)</b>	<b>\$ 11,090,733</b>
<b>Net Change in Fund Balance</b>	<b>\$ 4,146,638</b>	<b>\$ (168,177)</b>	<b>\$ (125,173)</b>	<b>\$ (215,642)</b>	<b>\$ 3,637,646</b>
<b>Fund Balance - January 1</b>	<b>2,199,651</b>	<b>\$ 879,219</b>	<b>\$ (47,687)</b>	<b>5,499,284</b>	<b>8,530,467</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,346,289</b>	<b>\$ 711,042</b>	<b>\$ (172,860)</b>	<b>\$ 5,283,642</b>	<b>\$ 12,168,113</b>

**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, 2018**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 3,637,646**

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	\$	10,744,754	
Current year depreciation		(1,458,488)	
Net book value of assets disposed		<u>(4,538,368)</u>	4,747,898

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			365,738
---	--	--	---------

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	\$	420,000	
General obligation revenue bonds		190,000	
Proceeds from issuance of debt		<u>(2,955,676)</u>	(2,345,676)

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	\$	(1,372)	
Accrued interest payable		(20,547)	
Compensated absences payable		(108,811)	
Other post employment benefits		<u>(73,758)</u>	(204,488)

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.

408,929

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.

(812,246)

**Change in net position of governmental activities (Exhibit 2) \$ 5,797,801**

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

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

	<u>Liquor Enterprise</u>	<u>Electric Enterprise</u>	<u>Water Enterprise</u>	<u>Wastewater Enterprise</u>	<u>Nonmajor Storm Water Enterprise</u>	<u>Total</u>
<b><u>Assets</u></b>						
<b>Current Assets</b>						
Cash and pooled investments	\$ 1,073,225	\$ 1,851,732	\$ 1,916,701	\$ 912,719	\$ 156,753	\$ 5,911,130
Special assessments receivable - prior	-	-	-	185	-	185
Accounts receivable	1,839	1,820,538	209,683	60,278	17,612	2,109,950
Interest receivable	1,476	1,980	2,484	945	314	7,199
Due from other funds	-	-	367,151	-	-	367,151
Inventory	602,270	497,797	104,408	-	-	1,204,475
<b>Total Current Assets</b>	<b>\$ 1,678,810</b>	<b>\$ 4,172,047</b>	<b>\$ 2,600,427</b>	<b>\$ 974,127</b>	<b>\$ 174,679</b>	<b>\$ 9,600,090</b>
<b>Noncurrent Assets</b>						
Special assessments receivable - noncurrent	\$ -	\$ -	\$ -	\$ 89,135	\$ -	\$ 89,135
Capital assets						
Non-depreciable	178,942	24,014	107,407	152,466	-	462,829
Depreciable - net of accumulated depreciation	231,043	5,015,913	13,903,630	3,920,443	2,040,283	25,111,312
<b>Total Noncurrent Assets</b>	<b>\$ 409,985</b>	<b>\$ 5,039,927</b>	<b>\$ 14,011,037</b>	<b>\$ 4,162,044</b>	<b>\$ 2,040,283</b>	<b>\$ 25,663,276</b>
<b>Total Assets</b>	<b>\$ 2,088,795</b>	<b>\$ 9,211,974</b>	<b>\$ 16,611,464</b>	<b>\$ 5,136,171</b>	<b>\$ 2,214,962</b>	<b>\$ 35,263,366</b>
<b><u>Deferred Outflows of Resources</u></b>						
Related to pensions	\$ 93,619	\$ 322,466	\$ 104,021	\$ 93,619	\$ -	\$ 613,725
Related to other post-employment benefits	-	7,104	-	-	-	7,104
<b>Total Deferred Outflows of Resources</b>	<b>\$ 93,619</b>	<b>\$ 329,570</b>	<b>\$ 104,021</b>	<b>\$ 93,619</b>	<b>\$ -</b>	<b>\$ 620,829</b>
<b><u>Liabilities</u></b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 90,360	\$ 981,253	\$ 11,024	\$ 76	\$ 1,326	\$ 1,084,039
Compensated absences payable	86,087	182,613	49,435	33,033	-	351,168
Salaries payable	26,489	81,631	26,610	14,233	353	149,316
Interest payable	-	99,683	112,778	8,305	-	220,766
Due to other governments	44,929	116,631	1,277	2,100	-	164,937
Due to other funds	-	-	-	41,216	-	41,216
GO revenue bonds payable	-	270,000	630,200	84,098	-	984,298
Customer deposits payable	-	234,151	-	-	-	234,151
<b>Total Current Liabilities</b>	<b>\$ 247,865</b>	<b>\$ 1,965,962</b>	<b>\$ 831,324</b>	<b>\$ 183,061</b>	<b>\$ 1,679</b>	<b>\$ 3,229,891</b>
<b>Noncurrent Liabilities</b>						
Other post employment benefits	\$ 38,200	\$ 148,900	\$ 28,100	\$ 29,700	\$ -	\$ 244,900
Compensated absences payable	17,578	53,320	8,424	12,852	-	92,174
Net pension liability	294,078	1,012,935	326,753	294,078	-	1,927,844
GO revenue bonds payable (net)	-	4,301,116	10,247,758	823,739	-	15,372,613
<b>Total Noncurrent Liabilities</b>	<b>\$ 349,856</b>	<b>\$ 5,516,271</b>	<b>\$ 10,611,035</b>	<b>\$ 1,160,369</b>	<b>\$ -</b>	<b>\$ 17,637,531</b>
<b>Total Liabilities</b>	<b>\$ 597,721</b>	<b>\$ 7,482,233</b>	<b>\$ 11,442,359</b>	<b>\$ 1,343,430</b>	<b>\$ 1,679</b>	<b>\$ 20,867,422</b>
<b><u>Deferred Inflows of Resources</u></b>						
Related to pensions	\$ 137,057	\$ 472,084	\$ 152,285	\$ 137,057	\$ -	\$ 898,483
<b><u>Net Position</u></b>						
Net investment in capital assets	\$ 409,985	\$ 500,927	\$ 2,120,327	\$ 3,176,947	\$ 2,040,283	\$ 8,248,469
Restricted for electric surplus	-	15,787	-	-	-	15,787
Unrestricted amounts	1,037,651	1,070,513	3,000,514	572,356	173,000	5,854,034
<b>Total Net Position</b>	<b>\$ 1,447,636</b>	<b>\$ 1,587,227</b>	<b>\$ 5,120,841</b>	<b>\$ 3,749,303</b>	<b>\$ 2,213,283</b>	<b>\$ 14,118,290</b>

**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, 2018**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total
<b>Sales and Cost of Goods Sold</b>						
Sales	\$ 4,690,353	\$ 15,010,628	\$ -	\$ -	\$ -	\$ 19,700,981
Cost of goods sold	(3,568,237)	(11,032,324)	-	-	-	(14,600,561)
<b>Gross Profit</b>	<b>\$ 1,122,116</b>	<b>\$ 3,978,304</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,100,420</b>
<b>Operating Revenues</b>						
Charges for services	\$ -	\$ -	\$ 2,693,602	\$ 978,490	\$ 211,952	\$ 3,884,044
Miscellaneous	-	512,410	25,753	13,800	-	551,963
<b>Operating Revenues</b>	<b>\$ -</b>	<b>\$ 512,410</b>	<b>\$ 2,719,355</b>	<b>\$ 992,290</b>	<b>\$ 211,952</b>	<b>\$ 4,436,007</b>
<b>Total Gross Profit and Operating Revenues</b>	<b>\$ 1,122,116</b>	<b>\$ 4,490,714</b>	<b>\$ 2,719,355</b>	<b>\$ 992,290</b>	<b>\$ 211,952</b>	<b>\$ 9,536,427</b>
<b>Operating Expenses</b>						
Personnel services	\$ 501,753	\$ 1,421,536	\$ 633,505	\$ 422,647	\$ 39,418	\$ 3,018,859
Professional services	-	159,329	-	-	-	159,329
Advertising	61,083	-	-	-	-	61,083
Chemicals	36,330	-	324,248	-	-	360,578
Fuel	-	-	8,583	-	-	8,583
Insurance	26,739	52,757	21,585	16,885	-	117,966
License and permits	59,730	-	29,274	11,111	10,243	110,358
Repairs and maintenance	7,960	449,993	199,580	25,454	17,387	700,374
Supplies	14,116	308,864	51,026	31,846	2,341	408,193
Utilities	31,411	68,776	242,075	75,279	643	418,184
Miscellaneous	12,378	66,716	20,993	14,609	1,049	115,745
Bad debts	787	-	-	-	-	787
Other services and charges	-	994,178	55,781	2,474	-	1,052,433
Depreciation	24,646	638,701	455,238	191,974	252,966	1,563,525
<b>Total Operating Expenses</b>	<b>\$ 776,933</b>	<b>\$ 4,160,850</b>	<b>\$ 2,041,888</b>	<b>\$ 792,279</b>	<b>\$ 324,047</b>	<b>\$ 8,095,997</b>
<b>Operating Income (Loss)</b>	<b>\$ 345,183</b>	<b>\$ 329,864</b>	<b>\$ 677,467</b>	<b>\$ 200,011</b>	<b>\$ (112,095)</b>	<b>\$ 1,440,430</b>
<b>Nonoperating Revenues (Expenses)</b>						
Special assessments	\$ -	\$ -	\$ -	\$ 4,902	\$ -	\$ 4,902
Investment earnings	15,325	19,887	51,910	9,873	3,116	100,111
Miscellaneous	2,947	117,764	11,727	36,587	94,450	263,475
Interest expense	-	(106,469)	(327,721)	(17,050)	-	(451,240)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 18,272</b>	<b>\$ 31,182</b>	<b>\$ (264,084)</b>	<b>\$ 34,312</b>	<b>\$ 97,566</b>	<b>\$ (82,752)</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 363,455</b>	<b>\$ 361,046</b>	<b>\$ 413,383</b>	<b>\$ 234,323</b>	<b>\$ (14,529)</b>	<b>\$ 1,357,678</b>
Transfers in	-	-	40,982	-	-	40,982
Transfers out	(431,307)	(4,550,493)	(580,235)	(532,970)	(43,092)	(6,138,097)
<b>Change in Net Position</b>	<b>\$ (67,852)</b>	<b>\$ (4,189,447)</b>	<b>\$ (125,870)</b>	<b>\$ (298,647)</b>	<b>\$ (57,621)</b>	<b>\$ (4,739,437)</b>
<b>Net Position - January 1</b>	<b>1,515,488</b>	<b>5,776,674</b>	<b>5,246,711</b>	<b>4,047,950</b>	<b>2,270,904</b>	<b>18,857,727</b>
<b>Net Position - December 31</b>	<b>\$ 1,447,636</b>	<b>\$ 1,587,227</b>	<b>\$ 5,120,841</b>	<b>\$ 3,749,303</b>	<b>\$ 2,213,283</b>	<b>\$ 14,118,290</b>

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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
Increase (Decrease) in Cash and Cash Equivalents**

	Liquor Dispensary	Electric Enterprise	Water Enterprise
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 4,691,052	\$ 15,523,038	\$ 2,719,355
Payments to employees	(473,823)	(1,443,082)	(481,703)
Payments to suppliers	(3,818,771)	(13,584,224)	(782,906)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 398,458</b>	<b>\$ 495,732</b>	<b>\$ 1,454,746</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Special assessments received	\$ -	\$ -	\$ -
Transfers from other funds	-	275,225	-
Transfers to other funds	(431,307)	(4,196,551)	(37,753)
Proceeds from issuance of debt	-	3,600,000	-
Purchase of capital assets	(21,999)	(1,032,368)	(1,258,827)
Loan payments received	-	117,764	-
Principal paid on debt	-	(105,000)	(622,050)
Interest paid on debt	-	(106,469)	(351,288)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (453,306)</b>	<b>\$ (1,447,399)</b>	<b>\$ (2,269,918)</b>
<b>Cash Flows from Investing Activities</b>			
Investment earnings received	\$ 15,325	\$ 19,887	\$ 25,716
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (39,523)</b>	<b>\$ (931,780)</b>	<b>\$ (789,456)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>1,112,748</b>	<b>2,783,512</b>	<b>2,706,157</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 1,073,225</b>	<b>\$ 1,851,732</b>	<b>\$ 1,916,701</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 345,183	\$ 329,864	\$ 677,467
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities</b>			
Depreciation expense	\$ 24,646	\$ 638,701	\$ 455,238
Decrease (increase) in assets			
Accounts receivable	(575)	(396,431)	(9,877)
Inventory	7,991	(101,800)	35,343
Due from other funds	-	-	420,591
Increase (decrease) in liabilities			
Accounts payable	(58,497)	(65,406)	(256,261)
Salaries payable	13,025	38,087	10,987
Due to other funds	-	-	-
Due to other governments	2,094	9,317	(1,157)
Compensated absences payable	10,590	8,177	(4,979)
Customer deposits payable	-	13,185	-
Other post employment benefit obligation	3,800	7,596	2,800
Net pension liability	50,201	14,442	124,594
<b>Total adjustments</b>	<b>\$ 53,275</b>	<b>\$ 165,868</b>	<b>\$ 777,279</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 398,458</b>	<b>\$ 495,732</b>	<b>\$ 1,454,746</b>

**EXHIBIT 9**

Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total
\$ 992,290	\$ 211,952	\$ 24,137,687
(344,300)	(39,418)	(2,782,326)
(122,830)	(31,309)	(18,340,040)
<b>\$ 525,160</b>	<b>\$ 141,225</b>	<b>\$ 3,015,321</b>
\$ 4,902	\$ -	\$ 4,902
-	-	275,225
(32,218)	(209,092)	(4,906,921)
-	-	3,600,000
(229,696)	(137,087)	(2,679,977)
-	-	117,764
(80,712)	-	(807,762)
(13,454)	-	(471,211)
<b>\$ (351,178)</b>	<b>\$ (346,179)</b>	<b>\$ (4,867,980)</b>
\$ 9,873	\$ 3,116	\$ 73,917
<b>\$ 183,855</b>	<b>\$ (201,838)</b>	<b>\$ (1,778,742)</b>
<b>728,864</b>	<b>358,591</b>	<b>7,689,872</b>
<b>\$ 912,719</b>	<b>\$ 156,753</b>	<b>\$ 5,911,130</b>
\$ 200,011	\$ (112,095)	\$ 1,440,430
\$ 191,974	\$ 252,966	\$ 1,563,525
12,112	(87)	(394,858)
-	-	(58,466)
-	-	420,591
(14,833)	296	(394,701)
5,010	172	67,281
41,216	-	41,216
738	(27)	10,965
(6,771)	-	7,017
-	-	13,185
3,000	-	17,196
92,703	-	281,940
<b>\$ 325,149</b>	<b>\$ 253,320</b>	<b>\$ 1,574,891</b>
<b>\$ 525,160</b>	<b>\$ 141,225</b>	<b>\$ 3,015,321</b>



**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, 2018**

Assets

Cash and pooled investments	\$	42,430
Accrued interest receivable		39
Prepaid benefits		<u>925</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>43,394</u></b>

Net Position

Amounts held in trust for pool participants	<u>\$</u>	<u>43,394</u>
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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, 2018**

<u>Additions</u>		
Contributions		\$ 9,613
Investment earnings		400
		<hr/>
<b>Total Additions</b>		<b>\$ 10,013</b>
<u>Deductions</u>		
Benefit payments		10,728
		<hr/>
<b>Change in net position</b>		<b>\$ (715)</b>
<b>Net Position--January 1</b>		<b>44,109</b>
		<hr/>
<b>Net Position--December 31</b>		<b>\$ 43,394</b>
		<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, 2018

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 joint ventures as described in Note IX.

The Thief River Falls Firemen's Relief Association (FRA) 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 FRA's pension benefits is included in the General Fund. The FRA 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 property taxes, grants, donations, subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

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 2018 Maintenance Facility Capital Projects Fund accounts for and reports all financial resources of planned maintenance facility projects not accounted for in another fund.

The 2018 Street and Utilities Capital Projects Fund accounts for and reports all financial resources of planned street and utility projects 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.

**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 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 to account for and report on the operations of the storm water service system. Financing is provided by charges to residents for services.

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.

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. Intergovernmental revenues, 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 (Continued)

D. 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 for the purpose of increasing earning through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2018, based on market prices. Investment earnings are allocated to the funds with deposits. Pooled investment earnings were \$50,114. Total investment earnings for 2018 were \$118,597.

3. Investments

The City's investment policy is established and may be amended by its Council 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, 2018, 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, 2018, the annual money-weighted rate of return on City investments, net of investment expense, was 1.40 percent.

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

I. Summary of Significant Accounting Policies

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

4. Fiscal Agent

The City Council has authorized the Northwest Minnesota Multi-City Housing and Redevelopment Authority to administer the Small Cities Community Development Block Grant Program 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 \$102,651 as of December 31, 2018.

5. 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 2018, and deferred special assessments collectible in 2019 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 21<sup>st</sup> of the previous month and 19<sup>th</sup> of the current month. Invoices are mailed on the 1<sup>st</sup> of the month and are due on the 10<sup>th</sup>.

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

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

6. Inventory

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

7. Capital Assets

Capital assets, which include land, construction in progress, infrastructure, buildings, 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 acquisition cost at the date of acquisition.

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.

Construction in progress consists of street and utility projects, the arena and maintenance building projects, the train canopy, and a waste water force main improvement.

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	25-50
Machinery and equipment	5-10

8. 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 other post-employment benefits (OPEB) and 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

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

8. 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 taxes and special assessments receivable, 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.

9. 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.

10. Other Postemployment Benefits (OPEB)

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at December 31, 2017. The General Fund, Liquor, Electric, Water, and Wastewater Enterprise Funds are typically used to liquidate governmental other postemployment benefits payable.

11. 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.

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

I. Summary of Significant Accounting Policies

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

11. Long-Term Obligations (Continued)

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.

12. Pensions

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

For purposes of measuring the net pension (asset) liability, 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 (FRA) Plan, information about the Plan's fiduciary net position and additions to/deductions from the Thief River Falls FRA 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.

13. 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.

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

I. Summary of Significant Accounting Policies

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

13. Net Position and Fund Balance (Continued)

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

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, 2018.

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

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

14. 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, 2018: The 2016 Street and Utilities Capital Projects Fund of \$95,116, the 2018 Street and Utilities Capital Projects Fund of \$172,860, and the 2019 Street and Utilities Capital Projects Fund of \$18,701. These deficits will be eliminated with future collections.

B. Tax Abatement Programs

The City has two tax abatement programs, both of which are part of the City's area housing development projects.

On August 3, 2015, the City Council approved revisions to the City Tax Abatement Program in response to a request from developers for relief in establishing new plats, new lot developments, and ultimately new homes in the City of Thief River Falls. The Tax Abatement Program operates under the Tax Abatement Authority in Minnesota Statute §§469.1813-1815, and provides for the abatement of property taxes for a three to seven-year period, and applies to new single-family residential construction only. This Abatement Program replaces the previous Abatement Program and is for the period from July 1, 2015 to December 31, 2020.

On August 3, 2015, the Thief River Falls City Council approved a tax abatement for construction of 104 units of market rate rental housing by DW Jones (Developer), pursuant to Minnesota Statutes §§469.1812-1815. The abatement period is for a maximum of four years specifically with respect to property taxes payable in 2018 through 2021.

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

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, 2018, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 12,245,150
Cash with fiscal agent	102,651
Business-type Activities	
Cash and pooled investments	5,911,130
Fiduciary Activities	
Cash and pooled investments	42,430
Total Cash and Investments	\$ 18,301,361
Petty cash and change funds	\$ 11,480
Cash with fiscal agent	102,651
Checking	885,412
Certificates of deposit	100,000
Negotiable certificates of deposit	6,142,468
Money market funds	11,059,350
Total deposits and cash on hand	\$ 18,301,361

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, 2018, the City’s deposits were not exposed to custodial credit risk.

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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;
- (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, 2018, the City had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Money Market Funds	\$ 11,059,350	\$ 11,059,350	\$ -	\$ -
Negotiable Certificates of Deposit	6,142,468	2,613,499	3,241,141	287,828
Total Investments	<u>\$ 17,201,818</u>	<u>\$ 13,672,849</u>	<u>\$ 3,241,141</u>	<u>\$ 287,828</u>
	100%	79%	19%	2%

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 did not have exposure to credit risk as of December 31, 2018.

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, 2018.

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	\$ 6,142,468	36%
Money Market Funds	11,059,350	64%
Total:	\$ 17,201,818	

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.

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fair Value Hierarchy (Continued)

	December 31, 2018	Fair Value Measurements Using	
		Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Negotiable Certificates of Deposits	\$ 6,142,468	\$ -	\$ 6,142,468
Money Market Funds	11,059,350	11,059,350	-
Total Investments	<u>\$ 17,201,818</u>	<u>\$ 11,059,350</u>	<u>\$ 6,142,468</u>

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices. The City had no Level 3 investments.

2. Receivables

Receivables as of December 31, 2018, 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	\$ 111,001	\$ -
Special assessments	2,392,415	2,370,487
Accounts	199,732	-
Accrued interest	7,678	-
Loans	889,964	779,971
Due from other governments	279,000	-
Total Governmental Activities	<u>\$ 3,879,790</u>	<u>\$ 3,150,458</u>
Business-Type Activities		
Special assessments	\$ 89,320	\$ 89,135
Accounts	2,109,750	-
Accrued interest	7,199	-
Total Business-Type Activities	<u>\$ 2,206,269</u>	<u>\$ 89,135</u>



**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, 2018, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 796,391	\$ 18,826	\$ 30,300	\$ 784,917
Construction in progress	546,013	7,620,818	-	8,166,831
<b>Total capital assets not depreciated</b>	<b>\$ 1,342,404</b>	<b>\$ 7,639,644</b>	<b>\$ 30,300</b>	<b>\$ 8,951,748</b>
Capital assets being depreciated				
Infrastructure	\$ 27,316,475	\$ 1,041,881	\$ 4,160,371	\$ 24,197,985
Buildings	19,301,376	1,086,017	194,211	20,193,182
Machinery and equipment	5,518,432	977,212	1,341,274	5,154,370
<b>Total capital assets being depreciated</b>	<b>\$ 52,136,283</b>	<b>\$ 3,105,110</b>	<b>\$ 5,695,856</b>	<b>\$ 49,545,537</b>
Less: accumulated depreciation for				
Infrastructure	\$ 8,469,220	\$ 612,123	\$ 168,580	\$ 8,912,763
Buildings	7,554,370	477,770	26,261	8,005,879
Machinery and equipment	4,018,499	368,595	992,947	3,394,147
<b>Total accumulated depreciation</b>	<b>\$ 20,042,089</b>	<b>\$ 1,458,488</b>	<b>\$ 1,187,788</b>	<b>\$ 20,312,789</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 32,094,194</b>	<b>\$ 1,646,622</b>	<b>\$ 4,508,068</b>	<b>\$ 29,232,748</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 33,436,598</b>	<b>\$ 9,286,266</b>	<b>\$ 4,538,368</b>	<b>\$ 38,184,496</b>

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 396,194	\$ 34,000	\$ 8,581	\$ 421,613
Construction in progress	4,441,358	1,281,483	5,681,625	41,216
<b>Total capital assets not depreciated</b>	<b>\$ 4,837,552</b>	<b>\$ 1,315,483</b>	<b>\$ 5,690,206</b>	<b>\$ 462,829</b>
Capital assets being depreciated				
Buildings	\$ 6,953,182	\$ 7,233	\$ 8,880	\$ 6,951,535
Infrastructure	39,772,560	7,038,624	1,264,163	45,547,021
Machinery and equipment	5,151,481	1,118,147	1,824,861	4,444,767
<b>Total capital assets being depreciated</b>	<b>\$ 51,877,223</b>	<b>\$ 8,164,004</b>	<b>\$ 3,097,904</b>	<b>\$ 56,943,323</b>
Less: accumulated depreciation for				
Buildings	\$ 3,882,133	\$ 132,314	\$ 8,732	\$ 4,005,715
Infrastructure	24,073,448	840,090	15,319	24,898,219
Machinery and equipment	4,220,138	424,751	1,363,512	3,281,377
<b>Total accumulated depreciation</b>	<b>\$ 32,175,719</b>	<b>\$ 1,397,155</b>	<b>\$ 1,387,563</b>	<b>\$ 32,185,311</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 19,701,504</b>	<b>\$ 6,766,849</b>	<b>\$ 1,710,341</b>	<b>\$ 24,758,012</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 24,539,056</b>	<b>\$ 8,082,332</b>	<b>\$ 7,400,547</b>	<b>\$ 25,220,841</b>

**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	\$	670,534
Public safety		81,544
Highways and streets		139,423
Sanitation		43,796
Culture and recreation		523,191
Total Depreciation Expense - Governmental Activities	\$	1,458,488
Business-Type Activities		
Liquor	\$	23,129
Electric		693,764
Water		407,598
Wastewater		185,905
Storm water		86,759
Total Depreciation Expense - Business-Type Activities	\$	1,397,155

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of due to/from other funds as of December 31, 2018, is as follows:

Receivable Fund	Payable Fund	Amount	
2019 Street & Utilities Capital Projects Fund	Water Enterprise Fund	\$ 3,747	Operating transfer
Wastewater Enterprise Fund	Water Enterprise Fund	41,216	Operating transfer
2016 Street & Utilities Capital Projects Fund	Water Enterprise Fund	95,116	Operating transfer
2018 Street & Utilities Capital Projects Fund	Water Enterprise Fund	227,072	Operating transfer
Total Due To/From Other Funds		\$ 367,151	

**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, 2018, consisted of the following operating transfers:

To Greenwood Cemetery Special Revenue Fund from General Fund	\$ 50,000	Operating transfer
To 2018 Highway 1 Improvements Capital Projects Fund from 2018 Street and Utility Capital Projects Fund	8,983	To close fund
To General Fund from Interdepartment Distribution Fund	2,037,942	To close fund
To General Fund from Revolving Capital Outlay Capital Projects Fund	1,662,793	To close fund
To Slow Second Mortgage Special Revenue Fund from Revolving Loan Special Revenue Fund	434,817	To split fund
To NW MN HRA Revolving Loan Fund from Revolving Loan Special Revenue Fund	253,574	To split fund
To 2017 Debt Service Fund from 2017 Street and Utility Capital Projects Fund	15,000	To close fund
To General Fund from Electric Enterprise Fund	617,409	Administration reimbursement
To 2018 Maintenance Facility Capital Projects Fund from Electric Enterprise Fund	3,892,102	To move debt to correct fund
To Multi Event Center Special Revenue Fund from Multi Event Center Capital Projects Fund	32,488	To close fund
To Water Enterprise Fund from Electric Enterprise Fund	40,982	Reimbursements
To General Fund from Liquor Enterprise Fund	431,307	Administration reimbursements
To General Fund from Water Enterprise Fund	37,753	Reimbursements
To 2018 Street and Utility Capital Projects Fund from Water Enterprise Fund	542,482	To move debt to correct fund
To 2016 Street and Utility Capital Projects Fund from Storm Water Enterprise Fund	43,092	Share of project expense
To General Fund from Waste Water Enterprise Fund	28,423	Reimbursements
	3,795	To close fund
To 2018 Street and Utility Capital Projects Fund from Waste Water Enterprise Fund	<u>500,752</u>	To move debt to correct fund
Total Interfund Transfers	<u>\$ 10,633,694</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 \$10,696,350 with a remaining commitment of \$1,234,093.

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. The final payment on this bond was paid in April, 2018 in the amount of \$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, 2018, is \$375,000.

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, 2018, is \$505,000.

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, 2018, is \$435,000.

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, 2018, is \$1,060,000.

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, 2018, is \$525,000.

**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, 2018 is \$675,000.

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, 2018 is \$935,000.

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, 2018 is \$1,295,000.

City of Thief River Falls General Obligation Bonds, Series 2018A represent debt incurred for arena equipment. The arena portion of these bonds have an original issue amount of \$1,155,000, carry a net interest rate of 3.00 percent, and are due in annual payments from the 2018 Arena Project Capital Projects Fund of \$110,000 to \$145,000 through February 1, 2028. The balance due on these bonds at December 31, 2018 is \$1,155,000.

City of Thief River Falls General Obligation Bonds, Series 2018B represent debt incurred specific street and water projects. The street portion of these bonds have an original issue amount of \$1,800,000, carry a net interest rate of 3.00 to 3.25 percent, and are due in annual payments from the 2018 Street and Utility Capital Projects Fund of \$120,000 to \$175,000 through February 1, 2031. The balance due on these bonds at December 31, 2018 is \$1,800,000.

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, 2018, is \$59,298.

**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 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 1.65 to 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, 2018, is \$435,000.

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 2.0 to 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, 2018, is \$1,355,000.

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 .65 to 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, 2018, is \$135,000.

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 .50 to 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, 2018, is \$320,000.

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 to 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, 2018, is \$945,000.

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 1.25 to 3.00 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, 2018, is \$95,000.

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 Enterprise Funds. They carry a net interest rate of 2 to 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, 2018 is

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

\$446,000 from the Water Enterprise Fund and \$669,000 from the Electric Enterprise Fund, with the total balance due of \$1,115,000.

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 .8 to 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, 2018 is \$540,000.

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 1.658 percent, and are due in annual payments from the Wastewater and Water Enterprise Funds of \$12,950 to \$34,650 through February 1, 2032. The balance due on these bonds at December 31, 2018 is \$406,350 from the Water Enterprise Fund, and \$238,650 from the Wastewater Enterprise Fund, with the total balance due of \$645,000.

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, 2018 is \$5,510,000.

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, 2018 is \$180,000.

City of Thief River Falls General Obligation Bonds, Series 2018B, represent debt incurred for water and wastewater system improvements. These bonds have an original issue amount of \$1,055,000, and are split between the Water and Wastewater Enterprise Funds. They carry a net interest rate of 3 to 3.5 percent and are due in annual principal payments from the Water Enterprise Fund of between \$26,000 and \$44,200 and Wastewater Enterprise Fund of between \$24,000 and \$40,800 through February 1, 2034. The balance due on these bonds at December 31, 2018, is \$548,600 from the Water Enterprise Fund and \$506,400 from the Wastewater Enterprise Fund, with the total balance due of \$1,055,000.

City of Thief River Falls General Obligation Bonds, Series 2018A represent debt incurred for a electric improvements. The electric portion of these bonds have an original issue amount of \$3,870,000, carry a net interest rate of 3 to 4 percent, and are due in annual payments from the Electric Enterprise Fund of \$165,000 to \$265,000 through February 1, 2038. The balance due on these bonds at December 31, 2018 is \$3,870,000.

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements for general obligation bonds for the year ended December 31, 2018, 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>
2019	\$ 525,000	\$ 200,024	\$ 984,298	\$ 519,186
2020	775,000	216,783	1,000,000	461,231
2021	800,000	198,141	1,020,000	435,383
2022	815,000	177,834	1,035,000	408,050
2023	850,000	155,679	725,000	381,902
2024-2028	3,995,000	432,783	3,980,000	1,556,218
2029-2033	1,000,000	36,278	3,280,000	994,222
2034-2038	-	-	2,840,000	486,405
2038-2042	-	-	1,395,000	95,967
Total	<u>\$ 8,760,000</u>	<u>\$ 1,417,522</u>	<u>\$ 16,259,298</u>	<u>\$ 5,338,564</u>

Changes in Long Term Liabilities

Governmental Activities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
G.O. Improvement Bonds	\$ 6,225,000	\$ 2,955,000	\$ 420,000	\$ 8,760,000	\$ 525,000
G.O. State-Aid Street Bonds	190,000	-	190,000	-	-
Compensated Absences	822,941	380,688	271,877	931,752	762,300
OPEB	951,900	104,400	-	1,056,300	-
Net Pension Liability	3,923,945	-	1,002,466	2,921,479	-
Governmental Activities Long-Term Liabilities	<u>\$ 12,113,786</u>	<u>\$ 3,440,088</u>	<u>\$ 1,884,343</u>	<u>\$ 13,669,531</u>	<u>\$ 1,287,300</u>



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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Changes in Long Term Liabilities (Continued)

Business-Type Activities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Revenue Bonds	\$ 12,025,000	\$ 4,925,000	\$ 750,000	\$ 16,200,000	\$ -
MPFA Loans	117,060	-	57,762	59,298	-
Compensated Absences	436,325	167,294	173,129	430,490	338,316
OPEB	220,600	24,300	-	244,900	-
Net Pension Liability	2,072,042	-	144,198	1,927,844	-
Business-Type Activities					
Long-Term Liabilities	<u>\$ 14,871,027</u>	<u>\$ 5,116,594</u>	<u>\$ 1,125,089</u>	<u>\$ 18,862,532</u>	<u>\$ 338,316</u>

D. Deferred Inflows of Resources

Deferred inflows of resources in the governmental funds consist of taxes, special assessments, and loans receivable, not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2018, are summarized below by fund:

	Taxes	Special Assessments	Loans Receivable	Total
Major governmental funds				
General	\$ 64,073	\$ 19,784	\$ 517,599	\$ 601,456
Debt Service	10,387	2,368,504	-	2,378,891
Total	<u>\$ 74,460</u>	<u>\$ 2,388,288</u>	<u>\$ 517,599</u>	<u>\$ 2,980,347</u>

IV. Other Post-Employment Benefits – (OPEB)

A. Plan Description

The City of Thief River Falls provides a single-employer defined benefit healthcare plan to eligible retirees and their dependents. 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. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

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

B. 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, 2018 actuarial valuation, there were 120 participants in the plan including 34 retirees.

C. Fund Status and Funding Progress

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.

D. 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, 2018 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 3.31% 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 6.9% 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.

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

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

E. OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2018, the City recognized OPEB expense of \$140,476.

At December 31, 2018, the City of Thief River Falls reported its proportionate share of OPEB’s deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ -
Change of assumptions	37,746	-
Net difference between projected and actual investment earnings	-	-
Contributions between measurement date and reporting date	TBD	N/A
Total	\$ 37,746	\$ -

Amounts reported as deferred (inflows) outflows of resources related to OPEB’s will be recognized in OPEB expense as follows:

	Year ended December 31:	Future Recognition
2019	\$	5,518
2020	\$	5,518
2021	\$	5,518
2022	\$	5,518
2023	\$	5,518
Thereafter	\$	10,156

Under GASB 75 paragraph 44, employer contributions made after the December 31, 2017 measurement date and on or before the December 31, 2018 reporting date must be disclosed as Deferred Outflows of Resources. If the contribution amount is not available at the time of this report, “TBD” is shown temporarily.

F. OPEB Liability Sensitivity

The following presents the total OPEB Liability of the City, calculated using the discount rate previously disclosed, as well as what the City’s total OPEB Liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

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

IV. Other Post-Employment Benefits – (OPEB)

F. OPEB Liability Sensitivity (Continued)

Sensitivity Analysis (in Thousands)			
OPEB Liability (Asset) at Different			
Discount Rates			
OPEB Sensitivity			
1% Lower	2.31%	\$	1,391,632
Current Discount Rat	3.31%	\$	1,301,183
1% Higher	4.31%	\$	1,215,994

G. OPEB Trend Rates

The following presents the total OPEB liability of the City, calculated using the health care cost-trend previously disclosed, as well as what the City’s total OPEB Liability would be if it were calculated using health care trend rates tat are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

OPEB Trend Rates		
OPEB Liability (Asset) at Healthcare Trend Rates		
1% Lower	\$	1,175,399
Current Discount Rate	\$	1,303,183
1% Higher	\$	1,447,336

V. Defined Benefit Pension Plans

A. Plan Descriptions

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.

Firefighters of the City of Thief River Falls are members of the Thief River Falls Firemen’s Relief Association (FRA). The FRA is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statues, Chapter 69, Chapter 424A, and the FRA’s by-laws. As of December 31, 2018, membership includes 25 active participants and 1 deferred members entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

1. General Employees Retirement Plan

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

V. Defined Benefit Pension Plans

A. Plan Descriptions (Continued)

2. Public Employees 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.

3. Firefighters' Relief Association (FRA) Pension Plan

As of December 31, 2018, the plan covered 25 active firefighters and 1 inactive member entitled to future benefits. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G. All investments undertaken by the plan are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

B. Benefits Provided

Retirement plans provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

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

V. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

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

3. Firefighters' Relief Association (FRA) Plan Benefits

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 FRA shall become permanently or totally disabled, the FRA 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**

V. Defined Benefit Pension Plans

B. Benefits Provided

3. Firefighters' Relief Association (FRA) Plan Benefits (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 FRA qualifies for these benefits.

C. 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 Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2018. The City of Thief River Falls was required to contribute 7.50 percent for Coordinated Plan members. The City of Thief River Falls's contributions to the General Employees Fund for the year ended December 31, 2018, were \$295,391. 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 and the City of Thief River Falls was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City of Thief River Falls's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$265,594. The City of Thief River Falls's contributions were equal to the required contributions as set by state statute.

3. Firefighters' Relief Association (FRA) Plan 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 FRA 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:

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

V. Defined Benefit Pension Plans

C. Contributions

3. Firefighters' Relief Association (FRA) Plan Contributions (Continued)

	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 FRA for the year ended December 31, 2018. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2018, there was no statutorily-required City contributions to the plan.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2018, the City of Thief River Falls reported a liability of \$3,267,531 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota 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 \$107,124. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The City of Thief River Falls's proportionate share 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, 2017 through June 30, 2018. At June 30, 2018, the City of Thief River Falls's proportionate share was .0589 percent which was a decrease of .0033 percent from its proportion measured as of June 30, 2017.

Proportionate share of the net pension liability	\$	3,267,531
State of Minnesota's proportionate share of the net pension liability associated with the City of Thief River Falls		107,124
Total	\$	3,374,655

There were no provision changes during the measurement period.



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

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2018, the City of Thief River Falls recognized pension expense of \$136,829 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Thief River Falls recognized an additional \$24,981 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, 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	\$ 91,115	\$ 104,198
Changes in actuarial assumptions	341,279	381,222
Net collective difference between projected and actual investment earnings investment earnings	457,851	778,456
Changes in proportion	-	258,977
Contributions paid to PERA subsequent to the measurement date	<u>149,967</u>	<u>-</u>
Total	<u>\$ 1,040,212</u>	<u>\$ 1,522,853</u>

\$149,967 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, 2019. 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>
2019	\$ 33,924
2020	\$ (271,590)
2021	\$ (326,743)
2022	\$ (68,199)

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

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2018, The City of Thief River Falls reported a liability of \$1,581,791 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Thief River Falls’s proportionate share 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, 2017, through June 30, 2018, relative to the total employer contributions received from all PERA’s participating employers. At June 30, 2018, the City of Thief River Falls’s proportionate share was .001484 percent which was a decrease of .0016 percent from its proportionate share measured as of June 30, 2017. The City of Thief River Falls also recognized \$13,356 for the year ended December 31, 2018 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 begin contribution \$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, 2018, the City of Thief River Falls recognized pension expense of \$139,678 for its proportionate share of the Police and Fire Plan’s pension expense.

As of December 31, 2018, 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	\$ 64,153	\$ 394,850
Changes in actuarial assumptions	2,001,014	2,353,138
Net collective difference between projected and actual investment earnings investment earnings	425,024	754,157
Changes in proportion	3,600	44,756
Contributions paid to PERA subsequent to the measurement date	<u>137,213</u>	<u>-</u>
Total	<u>\$ 2,631,004</u>	<u>\$ 3,546,901</u>

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

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$137,213 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, 2019. 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:
2019	\$ (41,818)
2020	\$ (116,148)
2021	\$ (237,448)
2022	\$ (649,277)
2023	\$ (8,819)

3. Firefighters' Relief Association (FRA) Plan Pension Costs

At December 31, 2018, the City of Thief River Falls reported a net pension asset of \$235,540 for the FRA plan. The net pension asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by an actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/2017	\$ 800,674	\$ 1,096,247	\$ (295,573)
Changes for the Year:			
Service Cost	44,234	-	44,234
Interest Cost	38,144	-	38,144
Contributions - State and Local	-	73,412	(73,412)
Net Investment Income	-	(49,067)	49,067
Other Additions	-	100	(100)
Benefit payments	(83,750)	(83,750)	-
Administrative expense	-	(2,100)	2,100
Net Changes	\$ (1,372)	\$ (61,405)	\$ 60,033
Balance End of Year 12/31/2018	\$ 799,302	\$ 1,034,842	\$ (235,540)

Plan provisions are as in effect on the valuation date.

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

V. Defined Benefit Pension Plans

D. Pension Costs

3. Firefighters' Relief Association (FRA) Plan Pension Costs (Continued)

As a result of its requirement to contribute to the FRA, the City recognized expense of \$0 for the year ended December 31, 2018. At December 31, 2018, 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	\$ -	\$ 8,949
Changes in actuarial assumptions	-	7,605
Net difference between projected and actual investment earnings	78,194	-
Total	<u>\$ 78,194</u>	<u>\$ 16,554</u>

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:
2019	\$ 23,326
2020	14,630
2021	12,186
2022	16,964
2023	(2,772)
Thereafter	(2,694)

Total Pension Expense

The total pension expense for all plans recognized by the City of Thief River Falls for the year ended December 31, 2018, was \$276,507.

E. Actuarial Assumptions

Public Employees Retirement Association

The total pension liability in the June 30, 2018, actuarial valuation determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Salary 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

E. Actuarial Assumptions

Public Employees Retirement Association (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the result of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

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

Police and Fire Fund

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

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

V. Defined Benefit Pension Plans

E. Actuarial Assumptions (Continued)

Firefighters' Relief Association (FRA) Plan

The actuarial total pension liability was determined as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/2016
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.

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

- Retirement eligibility at age of 50 or 20 years of service
- Investment Rate of Return 4.75%
- Salary increases 2.50% per year

There were no changes in actuarial assumptions in 2018.

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, 2018 are summarized in the following table:

Asset Class	Allocation at December 31, 2018	Long-term Expected Real Rate of Return	Long-term Expected Nominal Rate of Return
Domestic equity	20.14%	5.39%	8.14%
International equity	5.59%	5.20%	7.95%
Fixed income	60.39%	1.98%	4.73%
Real estate and alternatives	7.00%	4.25%	7.00%
Cash and equivalents	13.81%	0.79%	3.54%
Total	100.00%		5.73%
Reduced for assumed investment expense			-1.00%
Net assumed invest return (rounded to 1/4%)			4.75%

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

V. Defined Benefit Pension Plans (Continued)

F. Discount Rate

1. General Employees Fund and Police and Fire Fund Discount Rates

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current pan 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.

2. Firefighters' Relief Association (FRA) Plan 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 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 Analysis (in Thousands)			Sensitivity Analysis (in Thousands)		
Net Pension Liability (Asset) at Different Discount Rates			Net Pension Liability (Asset) at Different Discount Rates		
General Employees Fund			Police and Fire Fund		
1% Lower	6.50%	\$ 5,310,155	1% Lower	6.50%	\$ 3,391,459
Current Discount Rate	7.50%	\$ 3,267,531	Current Discount Rate	7.50%	\$ 1,581,791
1% Higher	8.50%	\$ 1,581,402	1% Higher	8.50%	\$ 85,271

The following presents the City's proportionate share of the net pension asset of the FRA, calculated using the discount rate of 4.75 percent, as well as what the FRA'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:

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

V. Defined Benefit Pension Plans

G. Pension Liability Sensitivity (Continued)

	<u>1% Decrease (3.75%)</u>	<u>Discount Rate (4.75%)</u>	<u>1% Increase (5.75%)</u>
Total Pension Liability	\$ 818,515	\$ 799,302	\$ 780,378
Plan Fiduciary Net Position	<u>1,034,842</u>	<u>1,034,842</u>	<u>1,034,842</u>
Net Pension Liability (Asset)	<u>\$ (216,327)</u>	<u>\$ (235,540)</u>	<u>\$ (254,464)</u>

H. Pension Plan Fiduciary Net Position

1. General Employees Fund and Police and Fire Fund

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

2. Firefighters' Relief Association (FRA)

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

	Measurement Period Ending and Fiscal Year Ending	
	<u>12/31/2018</u>	<u>12/31/2017</u>
<b>Assets</b>		
Cash and deposits	\$ 6,871	\$ 4,436
Money market funds and interest-bearing cash	134,092	136,538
Total cash	<u>\$ 140,963</u>	<u>\$ 140,974</u>
Cash position of mutual funds	<u>\$ 1,707</u>	<u>\$ 3,835</u>
Receivables		
Contributions	<u>\$ 2,000</u>	<u>\$ 3,000</u>
Investments		
Domestic equity	\$ 207,989	\$ 230,499
International equity	57,719	68,638
Fixed income	623,720	640,597
Real estate and alternatives	744	8,704
Total investments	<u>\$ 890,172</u>	<u>\$ 948,438</u>
<b>Total assets</b>	<u><b>\$ 1,034,842</b></u>	<u><b>\$ 1,096,247</b></u>
<b>Net position restricted for pensions</b>	<u><b>\$ 1,034,842</b></u>	<u><b>\$ 1,096,247</b></u>



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

V. Defined Benefit Pension Plans

H. Pension Plan Fiduciary Net Position

2. Firefighters' Relief Association (FRA) (Continued)

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

	Measurement Period Ending and Fiscal Year Ending	
	12/31/2018	12/31/2017
<b>Additions</b>		
Contributions		
State aid	\$ 73,412	\$ 73,872
Investment income		
Net appreciation in fair value of investments	\$ (76,851)	\$ 52,293
Interest and dividends	27,784	28,275
Net investment income	\$ (49,067)	\$ 70,735
Other additions (e.g. receivables)	100	-
<b>Total additions</b>	<b>\$ 24,445</b>	<b>\$ 144,607</b>
<b>Deductions</b>		
Benefit payments		
Lump sums	\$ (83,750)	\$ (61,100)
Administrative expense	(2,100)	(2,550)
<b>Total deductions</b>	<b>\$ (85,850)</b>	<b>\$ (63,650)</b>
<b>Net increase in net pension</b>	<b>\$ (61,405)</b>	<b>\$ 80,957</b>
<b>Net position restricted for pensions</b>		
Beginning of year	<b>\$ 1,096,247</b>	<b>\$ 1,015,290</b>
End of year	<b>\$ 1,034,842</b>	<b>\$ 1,096,247</b>
<b>Investment return for the measurement year</b>		
a. Net investment income	\$ (49,067)	\$ 70,735
b. Beginning balance	1,096,247	1,015,290

Detailed information about the FRA pension plan's fiduciary net position is available in a separately issued actuarial valuation report. That report may be obtained from the Thief River Falls City Administrator.

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

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 five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (.25) of the assets in each member's account annually.

Total contributions made by the City of Thief River Falls during fiscal year 2018 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 935	\$ 935	5%	5%	5%

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 FRA 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.

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

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.

IX. Joint Ventures

A. Multi-Events Center

A Joint Powers Board was formed in 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.

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

IX. Joint Ventures (Continued)

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, 2018

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.

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, 2018, there were two issues outstanding with an aggregate remaining principal balance of \$4,949,207.

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,129,074	\$ 2,129,074	\$ 2,132,905	\$ 3,831
Special assessments	2,900	2,900	23,835	20,935
Licenses and permits	294,585	294,585	444,049	149,464
Intergovernmental	3,491,216	3,491,216	3,562,861	71,645
Charges for services	2,420,505	2,420,505	2,336,332	(84,173)
Fines and forfeitures	45,000	45,000	50,618	5,618
Investment earnings	8,700	8,700	50,114	41,414
Gifts and contributions	-	-	20,677	20,677
Miscellaneous	31,000	31,000	158,126	127,126
<b>Total Revenues</b>	<b>\$ 8,422,980</b>	<b>\$ 8,422,980</b>	<b>\$ 8,779,517</b>	<b>\$ 356,537</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Mayor/council	\$ 96,560	\$ 96,560	\$ 94,636	\$ 1,924
Administration	653,958	653,958	590,550	63,408
Professional services	11,340	11,340	12,405	(1,065)
Assessor	37,800	37,800	37,360	440
Elections	18,200	18,200	15,831	2,369
Legal	95,030	95,030	101,853	(6,823)
Buildings and grounds	114,577	114,577	103,271	11,306
Insurance	230,000	230,000	223,890	6,110
MIS/GIS	83,230	83,230	148,115	(64,885)
Other general government	14,307	14,307	(6,220)	20,527
<b>Total general government</b>	<b>\$ 1,355,002</b>	<b>\$ 1,355,002</b>	<b>\$ 1,321,691</b>	<b>\$ 33,311</b>
<b>Public safety</b>				
Police	\$ 2,164,002	\$ 2,164,002	\$ 2,235,236	\$ (71,234)
Fire	741,115	741,115	762,377	(21,262)
Fire relief association	68,000	68,000	72,412	(4,412)
Emergency management	2,000	2,000	16,272	(14,272)
Building official	147,049	147,049	184,283	(37,234)
<b>Total public safety</b>	<b>\$ 3,122,166</b>	<b>\$ 3,122,166</b>	<b>\$ 3,270,580</b>	<b>\$ (148,414)</b>
<b>Highways and streets</b>				
Street department	\$ 701,710	\$ 701,710	\$ 613,878	\$ 87,832
Street lighting	171,239	171,239	158,921	12,318
<b>Total highways and streets</b>	<b>\$ 872,949</b>	<b>\$ 872,949</b>	<b>\$ 772,799</b>	<b>\$ 100,150</b>

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

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (continued)</b>				
<b>Sanitation</b>				
Sanitation	\$ 967,433	\$ 967,433	\$ 901,141	\$ 66,292
<b>Total sanitation</b>	<b>\$ 967,433</b>	<b>\$ 967,433</b>	<b>\$ 901,141</b>	<b>\$ 66,292</b>
<b>Culture and recreation</b>				
Arena	\$ 1,362,967	\$ 1,362,967	\$ 1,362,543	\$ 424
Parks	728,219	728,219	647,809	80,410
Library	244,200	244,200	229,073	15,127
Senior citizen program	26,380	26,380	26,557	(177)
<b>Total culture and recreation</b>	<b>\$ 2,361,766</b>	<b>\$ 2,361,766</b>	<b>\$ 2,265,982</b>	<b>\$ 95,784</b>
<b>Economic development</b>				
Community services	\$ 326,750	\$ 326,750	\$ 272,155	\$ 54,595
Other economic development	120,000	120,000	138,608	(18,608)
<b>Total economic development</b>	<b>\$ 446,750</b>	<b>\$ 446,750</b>	<b>\$ 410,763</b>	<b>\$ 35,987</b>
<b>Total current</b>	<b>\$ 9,126,066</b>	<b>\$ 9,126,066</b>	<b>\$ 8,942,956</b>	<b>\$ 183,110</b>
<b>Capital outlay</b>				
Public safety	\$ 36,000	\$ 36,000	\$ 107,966	\$ (71,966)
Highways and streets	-	-	208,822	(208,822)
Culture and recreation	-	-	142,557	(142,557)
<b>Total capital outlay</b>	<b>\$ 36,000</b>	<b>\$ 36,000</b>	<b>\$ 459,345</b>	<b>\$ (423,345)</b>
<b>Total Expenditures</b>	<b>\$ 9,162,066</b>	<b>\$ 9,162,066</b>	<b>\$ 9,402,301</b>	<b>\$ (240,235)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (739,086)</b>	<b>\$ (739,086)</b>	<b>\$ (622,784)</b>	<b>\$ 116,302</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 1,114,892	\$ 1,114,892	\$ 4,819,422	\$ 3,704,530
Transfers out	257,968	257,968	(50,000)	(307,968)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,372,860</b>	<b>\$ 1,372,860</b>	<b>\$ 4,769,422</b>	<b>\$ 3,396,562</b>
<b>Net Change in Fund Balance</b>	<b>\$ 633,774</b>	<b>\$ 633,774</b>	<b>\$ 4,146,638</b>	<b>\$ 3,512,864</b>
<b>Fund Balance - January 1</b>	<b>2,199,651</b>	<b>2,199,651</b>	<b>2,199,651</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,833,425</b>	<b>\$ 2,833,425</b>	<b>\$ 6,346,289</b>	<b>\$ 3,512,864</b>

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

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
2018 STREET AND UTILITIES CAPITAL PROJECT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 279,000	\$ 279,000	\$ 279,000	\$ -
Investment earnings	-	-	4,336	4,336
<b>Total Revenues</b>	<b>\$ 279,000</b>	<b>\$ 279,000</b>	<b>\$ 283,336</b>	<b>\$ 4,336</b>
<b>Capital outlay</b>				
Highways and streets	4,715,000	4,715,000	3,239,004	1,475,996
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (4,436,000)</b>	<b>\$ (4,436,000)</b>	<b>\$ (2,955,668)</b>	<b>\$ 1,480,332</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 23,000	\$ 23,000	\$ 1,043,234	\$ 1,020,234
Transfers out	-	-	(8,983)	(8,983)
Proceeds from issuance of debt	4,589,455	4,589,455	1,796,244	(2,793,211)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 4,612,455</b>	<b>\$ 4,612,455</b>	<b>\$ 2,830,495</b>	<b>\$ (1,781,960)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 176,455</b>	<b>\$ 176,455</b>	<b>\$ (125,173)</b>	<b>\$ (301,628)</b>
<b>Fund Balance - January 1</b>	<b>(47,687)</b>	<b>(47,687)</b>	<b>(47,687)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 128,768</b>	<b>\$ 128,768</b>	<b>\$ (172,860)</b>	<b>\$ (301,628)</b>



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

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
2018 MAINTENANCE FACILITY CAPITAL PROJECT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 43,090	\$ 43,090
<b>Capital outlay</b>				
Culture and recreation	4,535,000	4,535,000	4,103,369	431,631
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (4,535,000)</b>	<b>\$ (4,535,000)</b>	<b>\$ (4,060,279)</b>	<b>\$ 474,721</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,890,000	3,890,000	3,892,102	2,102
<b>Net Change in Fund Balance</b>	<b>\$ (645,000)</b>	<b>\$ (645,000)</b>	<b>\$ (168,177)</b>	<b>\$ 476,823</b>
<b>Fund Balance - January 1</b>	<b>879,219</b>	<b>879,219</b>	<b>879,219</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 234,219</b>	<b>\$ 234,219</b>	<b>\$ 711,042</b>	<b>\$ 476,823</b>

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

**Schedule 4**

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS  
OTHER POST-EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$131,086
Interest	447,884
Differences between expected and actual experience	-
Changes of assumption or other inputs	43,264
Benefit payments	(93,551)
<b>Net change in total OPEB liability</b>	\$528,683
<b>Total OPEB Liability - Beginning</b>	1,712,500
<b>Total OPEB Liability - Ending</b>	\$2,241,183
Covered-employee payroll	\$5,949,458
Total OPEB liability (asset) as a percentage of covered-employee payroll	37.67%

*Note: This schedule is intended to present 10 years and will be completed as information becomes available.*

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

**Schedule 5**

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2018	\$ 295,391	\$ 295,391	\$ -	\$ 3,944,767	7.5%
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**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2018	\$ 265,594	\$ 265,594	\$ -	\$ 1,639,464	16.2%
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%

*Note: These schedules are intended to present 10 years and will be completed as information becomes available.*

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

Schedule 6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</b>	<b>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</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2018	0.0589%	\$ 3,267,531	\$ 107,124	\$ 3,374,655	\$ 3,963,131	82.45%	79.53%
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**

<b>Fiscal Year Ending</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</b>	<b>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</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2018	0.1484%	\$ 1,581,791	\$ 13,356	\$ 1,595,147	\$ 1,263,596	125.18%	88.84%
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%

*Note: These schedules are intended to present 10 years and will be completed as information becomes available.*

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

Schedule 7

**VOLUNTEER FIREFIGHTER RETIREMENT PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SCHEDULE OF CONTRIBUTIONS**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
December 31, 2018	\$ -	\$ -	\$ -	N/A	N/A
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**

<b>Fiscal Year Ending</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Covered- Employee Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2018	100%	\$ (235,540)	N/A	N/A	129.47%
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%

*Note: This schedule is intended to present 10 years and will be completed as information becomes available.*

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Professional services	\$ 12,405	\$ 11,340	\$ (1,065)
Legal	101,853	95,030	(6,823)
MIS/GIS	148,115	83,230	(64,885)
Public safety			
Police	2,235,236	2,164,002	(71,234)
Fire	762,377	741,115	(21,262)
Fire relief association	72,412	68,000	(4,412)
Emergency management	16,272	2,000	(14,272)
Building official	184,283	147,049	(37,234)
Culture and recreation			
Senior citizen program	26,557	26,380	(177)
Economic development			
Other economic development	138,608	120,000	(18,608)
Capital outlay			
Public safety	107,966	36,000	(71,966)
Highways and streets	208,822	-	(208,822)
Culture and recreation	142,557	-	(142,557)

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

III. Other Postemployment Benefits (OPEB) Liability

In 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. See the Notes to the Financial Statements for additional information regarding the City's other post-employment benefits.

GASB 75 requires that "The total OPEB liability should be determined by (a) an actuarial valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end."

Liabilities to measure OPEB liability were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques per GASB 75 option (b) above.

A. Significant Assumptions

1. General Employees

- Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

2. Police and Fire

- Mortality rates were based on the RP-2000 mortality tables with projected mortality improvements based on scale AA, and other adjustments.

B. Health Care Cost Trend Rate

Actual premium increase rates for FY2017 and 6.90% for FY2018, gradually decreasing over several decades to an ultimate rate of 4.40% in FY2074 and later years.

In addition, the medical trend rates above were increased to reflect the projected effect of the Affordable Care Act's excise tax on high cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.38% beginning calendar year 2030 for plans other than Medicare plans.

IV. Public Employees Retirement Association (PERA)

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.

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

IV. Public Employees Retirement Association (PERA)

Net Pension Liability (Continued)

A. General Employees Fund

1. 2018 Changes in Actuarial Assumptions

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

2. 2017 Changes

a. Changes in Plan Provisions

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

b. 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.

3. 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.



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

IV. Public Employees Retirement Association (PERA)

Net Pension Liability

A. General Employees Fund (Continued)

4. 2015 Changes

a. 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.

b. Changes in Plan Provisions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

B. Police and Fire Fund

1. 2018 Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

2. 2017 Changes in Actuarial Assumptions

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

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

IV. Public Employees Retirement Association (PERA)

Net Pension Liability

B. Police and Fire Fund

2. 2017 Changes in Actuarial Assumptions (Continued)

- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The Single Discount Rate was changed from 5.60 percent per annum to 7.50 percent per annum.

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

4. 2015 Changes

a. Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

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

IV. Public Employees Retirement Association (PERA)

Net Pension Liability

B. Police and Fire Fund

4. 2015 Changes (Continued)

b. Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

**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 River Falls Estates. Financing is provided by tax increment assigned to economic development.

The TIF District 1-12 Special Revenue Fund is used to account for and report the financial activities of the Riverwalk Flats. Financing is provided by tax increment assigned to economic development.

The CDAB Revolving Loan Special Revenue Fund is used to account and report financial transactions of the community development revolving loan program administered by the Community Development Advisory Board. Financing is provided by Community Development Block Grant funds.

The Northwest Minnesota Housing Revolving Loan Special Revenue Fund is used to account and report financial transactions of the Revolving Loan Program. Financing is provided by Small Cities Community Development Block Grant loans.

The Slow-Second Mortgage Loan Special Revenue Fund is used to account and report financial transactions of the Slow-Second Mortgage Loan Program. Financing is provided by Slow-Second mortgage repayments.

The Multi-Events Center Special Revenue Fund is used to account for and report the financial transactions 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.

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

**NONMAJOR GOVERNMENTAL FUNDS**

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 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.

**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.

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

**NONMAJOR GOVERNMENTAL FUNDS**

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.

The 2018 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2018, issued for street improvements. Financing is provided by special assessments restricted for debt service.

**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. This fund was closed in 2018.

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 funds 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 Arena Project Capital Projects Fund is used to account for and report the financial resources of the 2018 arena project. Financing is provided by the issuance of debt.

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.

The 2019 Street and Utilities Capital Projects Fund is used to account for and report the financial resources of the 2019 street and utilities improvement projects. 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, 2018**

	<b>Special Revenue Funds (Statement 3)</b>	<b>Debt Service Funds (Statement 5)</b>	<b>Capital Projects Funds (Statement 7)</b>	<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,072,607	\$ 1,661,607	\$ 1,182,527	\$ 4,916,741
Cash with fiscal agent	102,651	-	-	102,651
Taxes receivable				
Current	1,346	2,461	-	3,807
Prior	-	10,387	-	10,387
Special assessments receivable				
Current	-	4,127	-	4,127
Prior	-	11,161	-	11,161
Interest receivable	2,351	-	314	2,665
Loans receivable	372,365	-	-	372,365
Special assessments receivable - noncurrent	-	2,357,343	-	2,357,343
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 2,551,320</b>	<b>\$ 4,047,086</b>	<b>\$ 1,182,841</b>	<b>\$ 7,781,247</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,352	\$ -	\$ 14,954	\$ 19,306
Salaries payable	545	-	-	545
Due to other funds	-	-	98,863	98,863
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 4,897</b>	<b>\$ -</b>	<b>\$ 113,817</b>	<b>\$ 118,714</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>				
Taxes	\$ -	\$ 10,387	\$ -	\$ 10,387
Special assessments	-	2,368,504	-	2,368,504
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ 2,378,891</b>	<b>\$ -</b>	<b>\$ 2,378,891</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>				
Nonspendable for loans receivable	\$ 413,739	\$ -	\$ -	\$ 413,739
Restricted for				
Debt service	-	1,668,195	-	1,668,195
Economic development	1,604,056	-	-	1,604,056
TIF district	112,874	-	-	112,874
Committed to				
K-9 Unit	11,235	-	-	11,235
Perpetual care	174,473	-	-	174,473
Train canopy	37,835	-	-	37,835
Splash park	-	-	8,783	8,783
Swimming pool	-	-	246,245	246,245
Assigned to				
General government	172,553	-	-	172,553
Capital projects	19,658	-	927,813	947,471
Unassigned	-	-	(113,817)	(113,817)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>\$ 2,546,423</b>	<b>\$ 1,668,195</b>	<b>\$ 1,069,024</b>	<b>\$ 5,283,642</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,551,320</b>	<b>\$ 4,047,086</b>	<b>\$ 1,182,841</b>	<b>\$ 7,781,247</b>
	<hr/>	<hr/>	<hr/>	<hr/>



**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, 2018**

	Special Revenue Funds (Statement 4)	Debt Service Funds (Statement 6)	Capital Projects Funds (Statement 8)	Total NonMajor Governmental Funds (Exhibit 5)
<b>Revenues</b>				
Taxes	\$ 355,809	\$ 322,374	\$ -	\$ 678,183
Special assessments	-	309,641	22,388	332,029
Charges for services	29,650	-	-	29,650
Intergovernmental	186,801	193,681	458,550	839,032
Investment earnings	24,181	-	4,952	29,133
Gifts and contributions	38,792	-	6,379	45,171
Miscellaneous	60,353	-	-	60,353
<b>Total Revenues</b>	<b>\$ 695,586</b>	<b>\$ 825,696</b>	<b>\$ 492,269</b>	<b>\$ 2,013,551</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 483,710	\$ -	\$ -	\$ 483,710
Public safety	12,363	-	-	12,363
Culture and recreation	31,070	-	10,221	41,291
Economic development	247,836	-	-	247,836
<b>Total current</b>	<b>\$ 774,979</b>	<b>\$ -</b>	<b>\$ 10,221</b>	<b>\$ 785,200</b>
<b>Debt service</b>				
Principal retirement	\$ -	\$ 610,000	\$ -	\$ 610,000
Interest	-	154,262	-	154,262
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ 764,262</b>	<b>\$ -</b>	<b>\$ 764,262</b>
<b>Capital outlay</b>				
Highways and streets	\$ -	\$ -	\$ 18,701	\$ 18,701
Culture and recreation	-	-	233,347	233,347
Economic development	26,397	-	-	26,397
<b>Total capital outlay</b>	<b>\$ 26,397</b>	<b>\$ -</b>	<b>\$ 252,048</b>	<b>\$ 278,445</b>
<b>Total Expenditures</b>	<b>\$ 801,376</b>	<b>\$ 764,262</b>	<b>\$ 262,269</b>	<b>\$ 1,827,907</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (105,790)</b>	<b>\$ 61,434</b>	<b>\$ 230,000</b>	<b>\$ 185,644</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 770,879	\$ 15,000	\$ 52,075	\$ 837,954
Transfers out	(688,391)	-	(1,710,281)	(2,398,672)
Proceeds from issuance of debt	-	-	1,159,432	1,159,432
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 82,488</b>	<b>\$ 15,000</b>	<b>\$ (498,774)</b>	<b>\$ (401,286)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (23,302)</b>	<b>\$ 76,434</b>	<b>\$ (268,774)</b>	<b>\$ (215,642)</b>
<b>Fund Balance - January 1, as restated</b>	<b>2,569,725</b>	<b>1,591,761</b>	<b>1,337,798</b>	<b>5,499,284</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,546,423</b>	<b>\$ 1,668,195</b>	<b>\$ 1,069,024</b>	<b>\$ 5,283,642</b>

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

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	TIF District 1-1	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7
<b>Assets</b>						
Cash and pooled investments	\$ 18,702	\$ 28,595	\$ 25,993	\$ 25,036	\$ 7,034	\$ 5,814
Cash with fiscal agent	-	-	-	-	-	-
Taxes receivable						
Current	-	-	1,346	-	-	-
Interest receivable	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 18,702</b>	<b>\$ 28,595</b>	<b>\$ 27,339</b>	<b>\$ 25,036</b>	<b>\$ 7,034</b>	<b>\$ 5,814</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries payable	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred Inflows of Resources</b>						
Nonspendable for loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for						
Economic development	-	-	-	-	-	-
TIF district	18,702	28,595	27,339	25,036	7,034	5,814
Committed to						
K-9 Unit	-	-	-	-	-	-
Train canopy	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-
Assigned to						
General government	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>\$ 18,702</b>	<b>\$ 28,595</b>	<b>\$ 27,339</b>	<b>\$ 25,036</b>	<b>\$ 7,034</b>	<b>\$ 5,814</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,702</b>	<b>\$ 28,595</b>	<b>\$ 27,339</b>	<b>\$ 25,036</b>	<b>\$ 7,034</b>	<b>\$ 5,814</b>

Statement 3

TIF District 1-8	TIF District 1-9	TIF District 1-12	CDAB Revolving Loan	Northwest Minnesota Housing Revolving Loan	Slow-Second Mortgage Loan	Multi-Events Center	Greenwood Cemetery	Train Canopy	TRF Area K-9	Total (Statement 1)
\$ 162	\$ 216	\$ (24)	\$ 1,264,879	\$ -	\$ 276,008	\$ 19,633	\$ 351,415	\$ 37,785	\$ 11,359	\$ 2,072,607
-	-	-	-	102,651	-	-	-	-	-	102,651
-	-	-	-	-	-	-	-	-	-	1,346
-	-	-	1,553	-	339	25	373	50	11	2,351
-	-	-	142,709	69,980	159,676	-	-	-	-	372,365
<b>162</b>	<b>216</b>	<b>(24)</b>	<b>1,409,141</b>	<b>172,631</b>	<b>436,023</b>	<b>19,658</b>	<b>351,788</b>	<b>37,835</b>	<b>11,370</b>	<b>2,551,320</b>
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,217	\$ -	\$ 135	\$ 4,352
-	-	-	-	-	-	-	545	-	-	545
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,762	\$ -	\$ 135	\$ 4,897
\$ -	\$ -	\$ -	\$ 158,566	\$ 77,756	\$ 177,417	\$ -	\$ -	\$ -	\$ -	\$ 413,739
-	-	-	1,250,575	94,875	258,606	-	-	-	-	1,604,056
162	216	(24)	-	-	-	-	-	-	-	112,874
-	-	-	-	-	-	-	-	-	11,235	11,235
-	-	-	-	-	-	-	-	37,835	-	37,835
-	-	-	-	-	-	-	174,473	-	-	174,473
-	-	-	-	-	-	-	172,553	-	-	172,553
-	-	-	-	-	-	19,658	-	-	-	19,658
<b>162</b>	<b>216</b>	<b>(24)</b>	<b>1,409,141</b>	<b>172,631</b>	<b>436,023</b>	<b>19,658</b>	<b>347,026</b>	<b>37,835</b>	<b>11,235</b>	<b>2,546,423</b>
<b>162</b>	<b>216</b>	<b>(24)</b>	<b>1,409,141</b>	<b>172,631</b>	<b>436,023</b>	<b>19,658</b>	<b>351,788</b>	<b>37,835</b>	<b>11,370</b>	<b>2,551,320</b>

**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, 2018**

	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
<b>Revenues</b>							
Taxes	\$ 15,508	\$ 11,443	\$ 63,984	\$ 49,624	\$ 31,216	\$ 77,134	\$ 30,856
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-
Gifts and contributions	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 15,508</b>	<b>\$ 11,443</b>	<b>\$ 63,984</b>	<b>\$ 49,624</b>	<b>\$ 31,216</b>	<b>\$ 77,134</b>	<b>\$ 30,856</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	\$ 7,858	\$ 1,077	\$ 62,638	\$ 49,624	\$ 31,216	\$ 77,134	\$ 30,856
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Economic development	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 7,858</b>	<b>\$ 1,077</b>	<b>\$ 62,638</b>	<b>\$ 49,624</b>	<b>\$ 31,216</b>	<b>\$ 77,134</b>	<b>\$ 30,856</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 7,650</b>	<b>\$ 10,366</b>	<b>\$ 1,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 7,650</b>	<b>\$ 10,366</b>	<b>\$ 1,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance - January 1</b>	<b>11,052</b>	<b>18,229</b>	<b>25,993</b>	<b>25,036</b>	<b>7,034</b>	<b>5,814</b>	<b>162</b>
<b>Fund Balance - December 31</b>	<b>\$ 18,702</b>	<b>\$ 28,595</b>	<b>\$ 27,339</b>	<b>\$ 25,036</b>	<b>\$ 7,034</b>	<b>\$ 5,814</b>	<b>\$ 162</b>

**Statement 4**

TIF District 1-9	TIF District 1-11	TIF District 1-12	CDAB Revolving Loan	Northwest Minnesota Housing Revolving Loan	Slow-Second Mortgage Loan	Mult-Events Center	Greenwood Cemetery	Train Canopy	TRF Area K-9	Total (Statement 2)
\$ 54,510	\$ 21,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 355,809
-	-	50,000	15,000	121,801	-	-	-	-	-	186,801
-	-	-	-	-	-	-	29,650	-	-	29,650
-	-	-	15,745	-	3,764	240	3,801	526	105	24,181
-	-	-	-	-	-	-	575	28,719	9,498	38,792
-	-	-	3,868	23,410	-	18,000	15,075	-	-	60,353
<b>\$ 54,510</b>	<b>\$ 21,534</b>	<b>\$ 50,000</b>	<b>\$ 34,613</b>	<b>\$ 145,211</b>	<b>\$ 3,764</b>	<b>\$ 18,240</b>	<b>\$ 49,101</b>	<b>\$ 29,245</b>	<b>\$ 9,603</b>	<b>\$ 695,586</b>
\$ 54,510	\$ 21,534	\$ 50,024	\$ -	\$ -	\$ -	\$ -	\$ 97,239	\$ -	\$ -	\$ 483,710
-	-	-	-	-	-	-	-	-	12,363	12,363
-	-	-	19,124	226,154	2,558	31,070	-	-	-	31,070
-	-	-	-	-	-	-	-	-	-	247,836
-	-	-	-	-	-	-	-	26,397	-	26,397
<b>\$ 54,510</b>	<b>\$ 21,534</b>	<b>\$ 50,024</b>	<b>\$ 19,124</b>	<b>\$ 226,154</b>	<b>\$ 2,558</b>	<b>\$ 31,070</b>	<b>\$ 97,239</b>	<b>\$ 26,397</b>	<b>\$ 12,363</b>	<b>\$ 801,376</b>
\$ -	\$ -	\$ (24)	\$ 15,489	\$ (80,943)	\$ 1,206	\$ (12,830)	\$ (48,138)	\$ 2,848	\$ (2,760)	\$ (105,790)
\$ -	\$ -	\$ -	\$ -	\$ 253,574	\$ 434,817	\$ 32,488	\$ 50,000	\$ -	\$ -	\$ 770,879
-	-	-	(688,391)	-	-	-	-	-	-	(688,391)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (688,391)</b>	<b>\$ 253,574</b>	<b>\$ 434,817</b>	<b>\$ 32,488</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,488</b>
\$ -	\$ -	\$ (24)	\$ (672,902)	\$ 172,631	\$ 436,023	\$ 19,658	\$ 1,862	\$ 2,848	\$ (2,760)	\$ (23,302)
216	-	-	2,082,043	-	-	-	345,164	34,987	13,995	2,569,725
<b>\$ 216</b>	<b>\$ -</b>	<b>\$ (24)</b>	<b>\$ 1,409,141</b>	<b>\$ 172,631</b>	<b>\$ 436,023</b>	<b>\$ 19,658</b>	<b>\$ 347,026</b>	<b>\$ 37,835</b>	<b>\$ 11,235</b>	<b>\$ 2,546,423</b>

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

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>2008</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<u>State Aid Street Bonds</u>	<u>Improvement Bonds</u>	<u>Improvement Bonds</u>	<u>Improvement Bonds</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 33,886	\$ 62,994	\$ 67,563	\$ 33,897
Taxes receivable				
Current	-	-	-	-
Prior	-	-	-	-
Special assessments receivable				
Current	-	28	2,790	-
Prior	-	455	2,564	681
Special assessments receivable - noncurrent	-	63,055	143,087	142,148
<b>Total Assets</b>	<b><u>\$ 33,886</u></b>	<b><u>\$ 126,532</u></b>	<b><u>\$ 216,004</u></b>	<b><u>\$ 176,726</u></b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Deferred Inflows of Resources</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	63,510	145,651	142,830
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ -</u></b>	<b><u>\$ 63,510</u></b>	<b><u>\$ 145,651</u></b>	<b><u>\$ 142,830</u></b>
<b>Fund Balances</b>				
Restricted for debt service	\$ 33,886	\$ 63,022	\$ 70,353	\$ 33,896
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 33,886</u></b>	<b><u>\$ 126,532</u></b>	<b><u>\$ 216,004</u></b>	<b><u>\$ 176,726</u></b>

*Statement 5*

2013 Greenwood Improvement Bonds	2014 Improvement Bonds	2015 Improvement Bonds	2016 Improvement Bonds	2017 Improvement Bonds	2018 Improvement Bonds	Total (Statement 1)
\$ 659,746	\$ 161,722	\$ 288,797	\$ 118,499	\$ 208,400	\$ 26,103	\$ 1,661,607
2,461	-	-	-	-	-	2,461
10,387	-	-	-	-	-	10,387
186	-	927	-	196	-	4,127
3,635	-	1,539	549	1,738	-	11,161
-	90,600	324,992	572,242	378,084	643,135	2,357,343
<b>\$ 676,415</b>	<b>252,322</b>	<b>616,255</b>	<b>691,290</b>	<b>588,418</b>	<b>669,238</b>	<b>\$ 4,047,086</b>
\$ 10,387	-	-	-	-	-	\$ 10,387
3,635	90,600	326,530	572,791	379,822	643,135	2,368,504
<b>\$ 14,022</b>	<b>90,600</b>	<b>326,530</b>	<b>572,791</b>	<b>379,822</b>	<b>643,135</b>	<b>\$ 2,378,891</b>
\$ 662,393	161,722	289,725	118,499	208,596	26,103	\$ 1,668,195
<b>\$ 676,415</b>	<b>252,322</b>	<b>616,255</b>	<b>691,290</b>	<b>588,418</b>	<b>669,238</b>	<b>\$ 4,047,086</b>

**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, 2018**

	2008 State Aid Street Bonds	2011 Improvement Bonds	2012 Improvement Bonds	2013 Improvement Bonds	2013 Greenwood Improvement Bonds
<b>Revenues</b>					
Taxes	\$ -	\$ 53,000	\$ 41,000	\$ 23,900	\$ 14,183
Special assessments	-	19,456	31,151	21,971	198
Intergovernmental	193,681	-	-	-	-
<b>Total Revenues</b>	<b>\$ 193,681</b>	<b>\$ 72,456</b>	<b>\$ 72,151</b>	<b>\$ 45,871</b>	<b>\$ 14,381</b>
<b>Debt service</b>					
Principal retirement	\$ 190,000	\$ 55,000	\$ 65,000	\$ 35,000	\$ 85,000
Interest	3,681	10,822	8,930	12,438	29,992
<b>Total Expenditures</b>	<b>\$ 193,681</b>	<b>\$ 65,822</b>	<b>\$ 73,930</b>	<b>\$ 47,438</b>	<b>\$ 114,992</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 6,634</b>	<b>\$ (1,779)</b>	<b>\$ (1,567)</b>	<b>\$ (100,611)</b>
<b>Other Financing Sources</b>					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 6,634</b>	<b>\$ (1,779)</b>	<b>\$ (1,567)</b>	<b>\$ (100,611)</b>
<b>Fund Balance - January 1</b>	<b>33,886</b>	<b>56,388</b>	<b>72,132</b>	<b>35,463</b>	<b>763,004</b>
<b>Fund Balance - December 31</b>	<b>\$ 33,886</b>	<b>\$ 63,022</b>	<b>\$ 70,353</b>	<b>\$ 33,896</b>	<b>\$ 662,393</b>



**Statement 6**

2014 Improvement Bonds	2015 Improvement Bonds	2016 Improvement Bonds	2017 Improvement Bonds	2018 Improvement Bonds	Total (Statement 2)
\$ 34,700	\$ 21,040	\$ 38,674	\$ 95,877	\$ -	\$ 322,374
16,422	45,287	69,331	79,722	26,103	309,641
-	-	-	-	-	193,681
<b>51,122</b>	<b>66,327</b>	<b>108,005</b>	<b>175,599</b>	<b>26,103</b>	<b>\$ 825,696</b>
\$ 55,000	\$ 60,000	\$ 65,000	\$ -	\$ -	\$ 610,000
13,690	13,376	22,658	38,675	-	154,262
<b>68,690</b>	<b>73,376</b>	<b>87,658</b>	<b>38,675</b>	<b>-</b>	<b>\$ 764,262</b>
\$ (17,568)	\$ (7,049)	\$ 20,347	\$ 136,924	\$ 26,103	\$ 61,434
\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ 15,000
\$ (17,568)	\$ (7,049)	\$ 20,347	\$ 151,924	\$ 26,103	\$ 76,434
<b>179,290</b>	<b>296,774</b>	<b>98,152</b>	<b>56,672</b>	<b>-</b>	<b>1,591,761</b>
<b>\$ 161,722</b>	<b>\$ 289,725</b>	<b>\$ 118,499</b>	<b>\$ 208,596</b>	<b>\$ 26,103</b>	<b>\$ 1,668,195</b>

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

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Swimming Pool</b>	<b>Splash Park</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 245,942	\$ 8,772
Interest receivable	303	11
	<b>\$ 246,245</b>	<b>\$ 8,783</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balances</b>		
<b>Committed for</b>		
Splash Park	\$ -	\$ 8,783
Swimming Pool	246,245	-
Assigned for capital projects	-	-
Unassigned	-	-
	<b>\$ 246,245</b>	<b>\$ 8,783</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 246,245</b>	<b>\$ 8,783</b>

Statement 7

<u>2016</u> <u>Street and Utilities</u>	<u>2018</u> <u>Arena Project</u>	<u>2019</u> <u>Street &amp; Utilities</u>	<u>Total</u> <u>(Statement 1)</u>
\$ -	\$ 927,813	\$ -	\$ 1,182,527
-	-	-	314
<u>\$ -</u>	<u>\$ 927,813</u>	<u>-</u>	<u>\$ 1,182,841</u>
\$ -	\$ -	\$ 14,954	\$ 14,954
95,116	-	3,747	98,863
<u>\$ 95,116</u>	<u>\$ -</u>	<u>18,701</u>	<u>\$ 113,817</u>
\$ -	\$ -	-	\$ 8,783
-	-	-	246,245
-	927,813	-	927,813
(95,116)	-	(18,701)	(113,817)
<u>\$ (95,116)</u>	<u>\$ 927,813</u>	<u>(18,701)</u>	<u>\$ 1,069,024</u>
<u>\$ -</u>	<u>\$ 927,813</u>	<u>-</u>	<u>\$ 1,182,841</u>

**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, 2018**

	Revolving Capital Outlay	Swimming Pool	Splash Park	Multi-Events Center	2015 Street and Utilities
<b>Revenues</b>					
Special assessments	\$ 22,388	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Investment earnings	-	3,106	118	-	-
Gifts and contributions	-	-	6,379	-	-
<b>Total Revenues</b>	<b>\$ 22,388</b>	<b>\$ 3,106</b>	<b>\$ 6,497</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenditures</b>					
<b>Current</b>					
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 10,221
<b>Capital Outlay</b>					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,221</b>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>\$ 22,388</b>	<b>\$ 3,106</b>	<b>\$ 6,497</b>	<b>\$ -</b>	<b>\$ (10,221)</b>
<b>Other Financing Sources</b>					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(1,662,793)	-	-	(32,488)	-
Proceeds from issuance of debt	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,662,793)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (32,488)</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,640,405)</b>	<b>\$ 3,106</b>	<b>\$ 6,497</b>	<b>\$ (32,488)</b>	<b>\$ (10,221)</b>
<b>Fund Balance - January 1</b>	<b>1,640,405</b>	<b>243,139</b>	<b>2,286</b>	<b>32,488</b>	<b>10,221</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>\$ 246,245</b>	<b>\$ 8,783</b>	<b>\$ -</b>	<b>\$ -</b>

Statement 8

2016 Street and Utilities	2017 Street and Utilities	2018 Arena Project	2018 Highway 1 Improvements	2019 Street & Utilities	Total (Statement 2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,388
443,550	15,000	-	-	-	458,550
-	-	1,728	-	-	4,952
-	-	-	-	-	6,379
<b>\$ 443,550</b>	<b>\$ 15,000</b>	<b>\$ 1,728</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 492,269</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,221
-	-	-	-	-	-
-	-	233,347	-	18,701	18,701
-	-	-	-	-	233,347
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 233,347</b>	<b>\$ -</b>	<b>\$ 18,701</b>	<b>\$ 262,269</b>
<b>\$ 443,550</b>	<b>\$ 15,000</b>	<b>\$ (231,619)</b>	<b>\$ -</b>	<b>\$ (18,701)</b>	<b>\$ 230,000</b>
\$ 43,092	\$ -	\$ -	\$ 8,983	\$ -	\$ 52,075
-	(15,000)	-	-	-	(1,710,281)
-	-	1,159,432	-	-	1,159,432
<b>\$ 43,092</b>	<b>\$ (15,000)</b>	<b>\$ 1,159,432</b>	<b>\$ 8,983</b>	<b>\$ -</b>	<b>\$ (498,774)</b>
\$ 486,642	\$ -	\$ 927,813	\$ 8,983	\$ (18,701)	\$ (268,774)
(581,758)	-	-	(8,983)	-	1,337,798
<b>\$ (95,116)</b>	<b>\$ -</b>	<b>\$ 927,813</b>	<b>\$ -</b>	<b>\$ (18,701)</b>	<b>\$ 1,069,024</b>

## **OTHER SCHEDULES**

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

**Schedule 8**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Shared Revenue**

**State**

Fire Relief Association supplemental benefit	\$	1,000
Fire state aid		72,412
Highway users tax		1,069,526
Local government aid		3,056,996
PERA rate reimbursement		21,318
Police state aid		131,226
		131,226

**Total Shared Revenue** **\$ 4,352,478**

**Grants**

**Local**

Northwest Minnesota Foundation	\$	6,582
Local		15,000
		15,000

**Total Local Grants** **\$ 21,582**

**State**

**Minnesota Department of**

Employment and Economic Development	\$	50,000
Housing Finance Agency		15,000
Peace Officer Standards & Training Board (POST)		16,269
Public Safety		5,403
		5,403

**Total State Grants** **\$ 86,672**

**Federal**

Department of		
Housing and Urban Development	\$	121,801
Justice		1,820
Transportation		29,890
Homeland Security		66,650
		66,650

**Total Federal Grants** **\$ 220,161**

**Total Grants** **\$ 328,415**

**Total Intergovernmental Revenue** **\$ 4,680,893**

## **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>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>
<b>Governmental Activities</b>							
Net Investment in Capital Assets	\$ 22,985,884	\$	23,182,797	\$	22,452,913	\$	24,788,309
Restricted	2,251,266		237,862		582,405		965,044
Unrestricted	3,623,457		5,639,102		6,049,790		4,927,390
<b>Total Governmental Activities Net Position</b>	<b>\$ 28,860,607</b>	<b>\$</b>	<b>29,059,761</b>	<b>\$</b>	<b>29,085,108</b>	<b>\$</b>	<b>30,680,743</b>
<b>Business-type Activities</b>							
Net Investment in Capital Assets	\$ 21,166,640	\$	21,614,090	\$	12,740,230	\$	12,553,523
Restricted	-		2,864,141		2,811,505		-
Unrestricted	4,109,502		767,804		1,717,034		4,380,448
<b>Total Business-type Activities Net Position</b>	<b>\$ 25,276,142</b>	<b>\$</b>	<b>25,246,035</b>	<b>\$</b>	<b>17,268,769</b>	<b>\$</b>	<b>16,933,971</b>
<b>Total Government</b>							
Net Investment in Capital Assets	\$ 44,152,524	\$	44,796,887	\$	35,193,143	\$	37,341,832
Restricted	2,251,266		3,102,003		3,393,910		965,044
Unrestricted	7,732,959		6,406,906		7,766,824		9,307,838
Total Primary							
<b>Total Net Position</b>	<b>\$ 54,136,749</b>	<b>\$</b>	<b>54,305,796</b>	<b>\$</b>	<b>46,353,877</b>	<b>\$</b>	<b>47,614,714</b>

***Table 1***

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 25,501,639	\$ 26,147,458	\$ 28,159,954	\$ 29,313,095	\$ 27,021,598	\$ 26,102,425
1,626,963	2,368,030	1,913,844	1,351,401	3,007,243	3,798,864
5,832,203	5,445,075	2,336,027	2,538,937	2,849,115	8,774,468
<b>\$ 32,960,805</b>	<b>\$ 33,960,563</b>	<b>\$ 32,409,825</b>	<b>\$ 33,203,433</b>	<b>\$ 32,877,956</b>	<b>\$ 38,675,757</b>
\$ 13,211,323	\$ 13,146,651	\$ 12,139,667	\$ 13,474,842	\$ 12,209,755	\$ 8,248,469
351,340	332,692	-	-	15,788	15,787
4,618,500	5,640,278	5,603,661	5,075,075	7,855,683	5,854,034
<b>\$ 18,181,163</b>	<b>\$ 19,119,621</b>	<b>\$ 17,743,328</b>	<b>\$ 18,549,917</b>	<b>\$ 20,081,226</b>	<b>\$ 14,118,290</b>
\$ 38,712,962	\$ 39,294,109	\$ 40,299,621	\$ 42,787,937	\$ 39,231,353	\$ 34,350,894
1,978,303	2,700,722	1,913,844	1,351,401	3,023,031	3,814,651
10,450,703	11,085,353	7,939,688	7,614,012	10,704,798	14,628,502
<b>\$ 51,141,968</b>	<b>\$ 53,080,184</b>	<b>\$ 50,153,153</b>	<b>\$ 51,753,350</b>	<b>\$ 52,959,182</b>	<b>\$ 52,794,047</b>

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

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

	<u>2009</u>	<u>2010<sup>1</sup></u>	<u>2011</u>	<u>2012<sup>2</sup></u>
<b>EXPENSES</b>				
<b>Governmental Activities:</b>				
General Government	\$ 1,369,826	\$ 1,428,138	\$ 1,298,280	\$ 1,553,318
Public Safety	2,321,143	2,371,514	2,610,266	2,566,561
Highways and Streets	-	-	-	-
Streets and Sanitation	1,281,558	2,062,252	3,011,296	2,113,160
Sanitation	-	-	-	-
Culture and Recreation	2,174,876	2,057,967	2,086,941	2,160,416
Economic Development	269,582	390,385	740,503	217,618
Interest on Long-term Debt	109,554	82,772	68,469	70,747
<b>Total Governmental Activities</b>	<b>\$ 7,526,539</b>	<b>\$ 8,393,028</b>	<b>\$ 9,815,755</b>	<b>\$ 8,681,820</b>
<b>Business-type Activities:</b>				
Liquor Dispensary	\$ 3,685,485	\$ 3,769,294	\$ 3,815,258	\$ 4,025,774
Water Utility	1,963,180	-	-	-
Electric Utility	9,041,284	9,969,930	11,974,715	12,340,507
Wastewater Utility	743,671	-	-	-
Sanitation Utility	732,457	-	-	-
Airport	770,937	732,007	10,279,332	-
Storm Water Utility	124,687	137,326	160,472	186,722
Water Systems Utility	-	2,630,700	2,678,518	2,536,838
<b>Total Business-type Activities</b>	<b>\$ 17,061,701</b>	<b>\$ 17,239,257</b>	<b>\$ 28,908,295</b>	<b>\$ 19,089,841</b>
<b>Total Expenses</b>	<b>\$ 24,588,240</b>	<b>\$ 25,632,285</b>	<b>\$ 38,724,050</b>	<b>\$ 27,771,661</b>
<b>PROGRAM REVENUES</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services</b>				
General Government	\$ 190,646	\$ 125,944	\$ 160,709	\$ 195,179
Public Safety	220,295	231,094	225,001	380,851
Highways and Streets	-	-	-	-
Streets and Sanitation	-	849,580	934,382	859,450
Sanitation	-	-	-	-
Culture and Recreation	733,787	702,717	772,106	754,940
Other Activities	229,727	81,887	254,005	82,149
Operating Grants and Contributions	405,936	750,955	682,911	348,422
Capital Grants and Contributions	689,249	68,983	1,534,845	1,985,021
<b>Total Governmental Activities</b>	<b>\$ 2,469,640</b>	<b>\$ 2,811,160</b>	<b>\$ 4,563,959</b>	<b>\$ 4,606,012</b>
<b>Business-type Activities:</b>				
<b>Charges for Services</b>				
Liquor Dispensary	\$ 4,054,881	\$ 4,132,681	\$ 4,216,697	\$ 4,482,994
Water Utility	1,677,589	-	-	-
Electric Utility	10,029,879	10,580,571	12,262,023	12,382,669
Wastewater Utility	545,826	-	-	-
Sanitation Utility	762,659	-	-	-
Airport	152,711	153,059	8,788	-

**Table 2**

	<b>2013</b>	<b>2014</b>	<b>2015<sup>3</sup></b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$	1,546,092	\$ 1,764,593	\$ 2,893,467	\$ 2,524,756	\$ 2,812,715	\$ 4,339,346
	2,590,016	2,833,677	3,057,716	3,733,004	3,538,649	3,353,243
	-	-	891,613	1,655,387	2,870,989	832,309
	4,095,631	2,157,917	-	-	-	-
	-	-	886,085	899,489	893,556	873,945
	2,140,719	2,302,396	2,371,008	2,533,258	2,541,220	2,801,440
	343,884	748,114	355,401	1,247,170	552,079	658,599
	67,906	108,831	116,544	130,924	135,566	172,761
<b>\$</b>	<b>10,784,248</b>	<b>\$ 9,915,528</b>	<b>\$ 10,571,834</b>	<b>\$ 12,723,988</b>	<b>\$ 13,344,774</b>	<b>\$ 13,031,643</b>
\$	4,078,467	\$ 4,109,374	\$ 4,334,295	\$ 4,235,155	\$ 4,180,895	\$ 4,345,170
	-	-	1,782,408	1,956,647	1,976,273	2,369,609
	12,742,804	13,536,511	13,788,039	13,470,384	13,745,213	15,299,643
	-	-	1,008,694	865,938	831,731	809,329
	-	-	-	-	-	-
	-	-	-	-	-	-
	153,968	135,806	145,947	139,871	180,866	324,047
	1,451,686	2,519,253	-	-	-	-
<b>\$</b>	<b>18,426,925</b>	<b>\$ 20,300,944</b>	<b>\$ 21,059,383</b>	<b>\$ 20,667,995</b>	<b>\$ 20,914,978</b>	<b>\$ 23,147,798</b>
<b>\$</b>	<b>29,211,173</b>	<b>\$ 30,216,472</b>	<b>\$ 31,631,217</b>	<b>\$ 33,391,983</b>	<b>\$ 34,259,752</b>	<b>\$ 36,179,441</b>
\$	192,050	\$ 186,619	\$ 1,123,364	\$ 506,643	\$ 357,811	\$ 605,649
	330,204	243,765	183,729	197,948	219,565	294,682
	-	-	298,712	263,101	263,150	37,307
	856,378	836,365	-	-	-	-
	-	-	843,753	849,254	940,374	995,540
	719,603	821,970	875,436	885,270	1,020,599	977,447
	86,491	30,696	15,663	37,325	683,000	71,881
	560,775	957,805	533,066	516,004	694,399	705,779
	4,770,645	1,453,943	1,710,253	3,353,913	948,193	1,696,143
<b>\$</b>	<b>7,516,146</b>	<b>\$ 4,531,163</b>	<b>\$ 5,583,976</b>	<b>\$ 6,609,458</b>	<b>\$ 5,127,091</b>	<b>\$ 5,384,428</b>
\$	4,562,505	\$ 4,567,025	\$ 4,687,724	\$ 4,650,648	\$ 4,538,364	\$ 4,690,353
	-	-	2,448,445	2,441,482	2,632,047	2,719,355
	13,387,925	14,340,839	14,422,957	14,346,060	14,441,869	15,523,038
	-	-	682,631	881,655	964,000	992,290
	-	-	-	-	-	-
	-	-	-	-	-	-

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

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

	<u>2009</u>	<u>2010<sup>1</sup></u>	<u>2011</u>	<u>2012<sup>2</sup></u>
Storm Water Utility	\$ 157,146	\$ 157,835	\$ 156,336	\$ 159,061
Water Systems Utility	-	2,286,949	2,422,943	2,645,171
Operating Grants and Contributions	140,882	181,061	19,797	-
Capital Grants and Contributions	-	907,743	2,467,050	-
<b>Total Business-type Activities</b>	<b>\$ 16,117,321</b>	<b>\$ 20,604,422</b>	<b>\$ 19,779,378</b>	<b>\$ 19,282,952</b>
<b>Total Revenues</b>	<b>\$ 21,057,831</b>	<b>\$ 23,074,062</b>	<b>\$ 22,590,538</b>	<b>\$ 23,846,911</b>
<b>Net (Expense) / Revenue</b>				
Governmental Activities	\$ (5,056,899)	\$ (5,581,868)	\$ (5,251,796)	\$ (4,075,808)
Business-type Activities	459,872	1,160,642	(7,355,661)	580,054
<b>Total Net (Expense) / Revenue</b>	<b>\$ (4,597,027)</b>	<b>\$ (4,421,226)</b>	<b>\$ (12,607,457)</b>	<b>\$ (3,495,754)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
<b>Governmental Activities:</b>				
Taxes				
Property Taxes	\$ 1,571,788	\$ 1,597,409	\$ 1,564,852	\$ 1,750,669
Taxes- Lodging	-	-	-	-
Franchise Fees	115,664	114,454	122,133	121,140
Grants not restricted to specific programs	2,951,529	2,646,152	2,649,976	2,630,629
Unrestricted Investment Earnings	135,425	112,185	151,147	132,939
Gain on Sale of Capital Assets	35,850	33,201	40,000	28,700
Other General Revenue	131,019	26,985	38,575	40,889
Transfers	269,071	1,149,695	710,460	966,477
<b>Total Governmental Activities</b>	<b>\$ 5,210,346</b>	<b>\$ 5,680,081</b>	<b>\$ 5,277,143</b>	<b>\$ 5,671,443</b>
<b>Business-type Activities:</b>				
Unrestricted Investment Earnings	\$ 50,497	\$ 59,887	\$ 88,855	\$ 51,625
Other General Revenue	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-
Transfers	(269,071)	(1,149,695)	(710,460)	(966,477)
<b>Total Business-type Activities</b>	<b>\$ (218,574)</b>	<b>\$ (1,089,808)</b>	<b>\$ (621,605)</b>	<b>\$ (914,852)</b>
<b>Total General Revenues</b>	<b>\$ 4,991,772</b>	<b>\$ 4,590,273</b>	<b>\$ 4,655,538</b>	<b>\$ 4,756,591</b>
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	\$ 153,447	\$ 98,213	\$ 25,347	\$ 1,595,635
Business-type Activities	241,298	70,834	(7,977,266)	(334,798)
<b>Total Change in Net Position</b>	<b>\$ 394,745</b>	<b>\$ 169,047</b>	<b>\$ (7,951,919)</b>	<b>\$ 1,260,837</b>

<sup>1</sup>Effective 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.

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

<sup>3</sup>Effective 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)

<b>2013</b>	<b>2014</b>	<b>2015<sup>3</sup></b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 157,496	\$ 157,942	\$ 158,244	\$ 163,147	\$ 187,361	\$ 211,952
2,729,716	3,034,946	-	-	-	-
-	-	-	-	-	-
307,495	141,390	-	3,710	5,544	4,902
<b>\$ 20,060,370</b>	<b>\$ 21,284,708</b>	<b>\$ 19,066,108</b>	<b>\$ 22,486,702</b>	<b>\$ 192,905</b>	<b>\$ 14,898,545</b>
<b>\$ 24,666,382</b>	<b>\$ 28,800,854</b>	<b>\$ 23,597,271</b>	<b>\$ 28,070,678</b>	<b>\$ 192,905</b>	<b>\$ 18,802,172</b>
\$ (3,268,102)	\$ (5,384,365)	\$ (5,384,365)	\$ (6,114,530)	\$ (8,217,683)	\$ (7,647,215)
1,718,212	1,941,198	(1,234,836)	1,818,707	1,854,207	994,092
<b>\$ (1,549,890)</b>	<b>\$ (3,443,167)</b>	<b>\$ (6,619,201)</b>	<b>\$ (4,295,823)</b>	<b>\$ (6,363,476)</b>	<b>\$ (6,653,123)</b>
\$ 1,765,186	\$ 1,744,667	\$ 1,811,021	\$ 2,215,619	\$ 2,285,390	\$ 2,448,291
128,632	136,503	158,506	119,025	118,315	143,154
132,719	133,926	145,082	191,046	211,829	224,199
2,630,076	3,102,887	2,969,872	2,984,925	3,002,226	3,093,314
106,664	128,524	44,284	41,653	38,652	126,673
70,100	29,751	-	-	1,368,062	-
216,819	65,365	-	-	-	88,771
497,968	1,042,500	1,141,804	1,114,419	867,731	7,320,614
<b>\$ 5,548,164</b>	<b>\$ 6,384,123</b>	<b>\$ 6,270,569</b>	<b>\$ 6,666,687</b>	<b>\$ 7,892,205</b>	<b>\$ 13,445,016</b>
\$ 18,914	\$ 39,760	\$ 24,652	\$ 34,987	\$ 57,846	\$ 100,111
-	-	155	67,314	486,987	263,475
8,034	-	-	-	-	-
(497,968)	(1,042,500)	(1,141,804)	(1,114,419)	(867,731)	(7,320,614)
<b>\$ (471,020)</b>	<b>\$ (1,002,740)</b>	<b>\$ (1,116,997)</b>	<b>\$ (1,012,118)</b>	<b>\$ (322,898)</b>	<b>\$ (6,957,028)</b>
<b>\$ 5,077,144</b>	<b>\$ 5,381,383</b>	<b>\$ 5,153,572</b>	<b>\$ 5,654,569</b>	<b>\$ 7,569,307</b>	<b>\$ 6,487,988</b>
\$ 2,280,062	\$ 999,758	\$ 886,204	\$ 552,157	\$ (325,478)	\$ 5,797,801
1,247,192	938,458	(2,351,833)	806,589	1,531,309	(5,962,936)
<b>\$ 3,527,254</b>	<b>\$ 1,938,216</b>	<b>\$ (1,465,629)</b>	<b>\$ 1,358,746</b>	<b>\$ 1,205,831</b>	<b>\$ (165,135)</b>

**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	
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
2018	2,448,291	143,154	77,793	146,406	2,815,644



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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Fund</b>				
Nonspendable			\$ 3,060	\$ -
Committed			36,830	-
Assigned			29,982	19,504
Unassigned			1,958,088	2,240,362
<b>Total General Fund</b>			<b>\$ <u>2,027,960</u></b>	<b>\$ <u>2,259,866</u></b>
<b>All Other Governmental Funds</b>				
Nonspendable			\$ -	\$ -
Restricted			372,362	500,293
Committed			2,180,287	2,214,960
Assigned			2,119,781	1,612,559
Unassigned			(4,399)	(744,345)
<b>Total All Other Governmental Funds</b>			<b>\$ <u>4,668,031</u></b>	<b>\$ <u>3,583,467</u></b>
<b>General Fund</b>				
Reserved	\$ 165,847	\$ 51,506		
Unreserved	1,525,515	1,715,703		
<b>Total General Fund</b>	<b>\$ <u>1,691,362</u></b>	<b>\$ <u>1,767,209</u></b>		
<b>All Other Governmental Funds</b>				
Reserved	\$ 1,870,640	\$ 1,687,268		
Unreserved, reported in:				
Special Revenue Funds	2,025,581	2,482,085		
Capital Projects Funds	-	24,243		
<b>Total All Other Governmental Funds</b>	<b>\$ <u>3,896,221</u></b>	<b>\$ <u>4,193,596</u></b>		

**Table 4**

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	184,556	203,984	-	-
19,504	86,476	-	-	305,191	3,576,104
2,482,273	2,248,868	2,586,500	2,115,511	1,894,460	2,770,185
<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>	<u>\$ 6,346,289</u>
\$ -	\$ -	\$ 855,689	\$ 751,897	\$ 651,561	\$ 413,739
552,261	532,864	678,944	1,351,401	3,115,779	3,385,125
2,238,637	2,247,083	1,407,850	1,400,191	465,920	478,571
1,533,202	1,660,730	1,558,649	2,129,173	2,735,984	1,831,066
<u>(3,366)</u>	<u>(322,024)</u>	<u>(815,989)</u>	<u>(714,018)</u>	<u>(638,428)</u>	<u>(286,677)</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>	<u>\$ 5,821,824</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)**

	<b>2009</b>	<b>2010<sup>1</sup></b>	<b>2011</b>	<b>2012</b>
<b>REVENUES</b>				
Taxes	\$ 1,687,453	\$ 1,711,863	\$ 1,686,986	\$ 1,871,810
Special Assessments	211,406	136,526	232,315	229,687
Licenses and Permits	101,073	132,423	113,706	278,985
Intergovernmental	4,463,938	3,181,709	4,078,810	4,153,368
Charges for Services	1,088,827	1,774,318	1,955,365	1,879,514
Fines and Forfeitures	44,363	44,848	47,412	45,163
Miscellaneous				
Contributions	124,288	283,540	522,073	434,253
Investment Earnings	121,175	118,035	147,165	122,332
Other Receipts	395,143	19,424	208,959	48,981
<b>Total Revenues</b>	<b>\$ 8,237,666</b>	<b>\$ 7,402,686</b>	<b>\$ 8,992,791</b>	<b>\$ 9,064,093</b>
<b>EXPENDITURES</b>				
General Government	\$ 1,176,110	\$ 1,238,417	\$ 1,323,743	\$ 1,487,807
Public Safety	2,187,310	2,247,566	2,347,102	2,424,496
Streets and Sanitation	827,819	1,499,503	1,533,169	1,586,731
Highways and Streets	-	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	1,664,276	1,564,335	1,654,288	1,667,713
Economic Development	265,757	382,086	740,808	207,861
Other	-	-	-	-
Debt Service				
Principal	523,264	694,885	341,544	351,500
Interest and Fees	119,261	96,920	71,328	70,728
Capital Outlay	2,707,327	488,648	1,914,368	3,899,757
<b>Total Expenditures</b>	<b>\$ 9,471,124</b>	<b>\$ 8,212,360</b>	<b>\$ 9,926,350</b>	<b>\$ 11,696,593</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (1,233,458)</b>	<b>\$ (809,674)</b>	<b>\$ (933,559)</b>	<b>\$ (2,632,500)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 1,251,379	\$ 1,884,671	\$ 1,377,808	\$ 1,350,412
Transfers Out	(699,758)	(734,976)	(390,063)	(383,935)
Sale of Capital Asset	-	33,201	-	28,700
Lease/Bond Sale Proceeds	-	-	681,000	784,665
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 551,621</b>	<b>\$ 1,182,896</b>	<b>\$ 1,668,745</b>	<b>\$ 1,779,842</b>
<b>Net Change In Fund Balance</b>	<b>\$ (681,837)</b>	<b>\$ 373,222</b>	<b>\$ 735,186</b>	<b>\$ (852,658)</b>

Debt Service as a percentage of

Noncapital Expenditures	10%	11%	5%	6%
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<sup>1</sup>Effective 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.

<sup>2</sup>Effective 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**

	<b>2013</b>	<b>2014</b>	<b>2015 <sup>2</sup></b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$	2,026,538	\$ 2,015,096	\$ 2,077,693	\$ 2,503,819	\$ 2,604,417	\$ 2,811,088
	236,376	162,763	345,574	373,940	332,751	355,864
	202,251	109,171	237,660	202,948	120,308	444,049
	7,112,388	4,595,548	5,471,607	6,045,997	3,928,282	4,680,893
	1,863,821	1,910,094	2,021,924	2,018,923	2,386,711	2,365,982
	46,441	53,032	49,664	49,152	67,410	50,618
	47,337	83,301	81,427	74,583	57,306	65,848
	94,154	98,357	37,178	38,071	33,057	126,673
	286,911	56,948	407,120	432,160	473,083	218,479
\$	<b><u>11,916,217</u></b>	<b><u>9,084,310</u></b>	<b><u>10,729,847</u></b>	<b><u>11,739,593</u></b>	<b><u>10,003,325</u></b>	<b><u>11,119,494</u></b>
\$	1,465,606	\$ 1,685,396	\$ 1,648,080	\$ 1,845,977	\$ 1,670,141	\$ 1,805,401
	2,475,938	2,690,498	2,811,896	2,955,612	3,122,606	3,282,943
	1,619,869	1,543,829	-	-	-	-
	-	-	751,227	787,971	857,296	772,799
	-	-	846,276	840,942	852,130	901,141
	1,689,873	1,897,125	1,908,649	2,022,756	2,015,255	2,307,273
	367,004	720,150	353,916	1,245,318	552,079	658,599
	-	-	10,196	-	-	-
	355,000	373,333	395,000	455,000	535,000	610,000
	71,860	91,997	110,190	113,834	125,220	154,262
	5,907,945	2,254,945	3,710,883	2,979,316	2,474,276	8,080,163
\$	<b><u>13,953,095</u></b>	<b><u>11,257,273</u></b>	<b><u>12,546,313</u></b>	<b><u>13,246,726</u></b>	<b><u>12,204,003</u></b>	<b><u>18,572,581</u></b>
\$	<b>(2,036,878)</b>	<b>(2,172,963)</b>	<b>(1,816,466)</b>	<b>(1,507,133)</b>	<b>(2,200,678)</b>	<b>(7,453,087)</b>
\$	1,416,984	\$ 1,510,510	\$ 1,391,581	\$ 2,028,596	\$ 1,772,589	\$ 10,592,712
	(433,424)	(413,958)	(367,913)	(1,030,079)	(1,021,565)	(2,457,655)
	70,100	29,747	-	-	1,368,062	-
	1,962,396	678,150	795,000	1,053,708	1,369,317	2,955,676
\$	<b><u>3,016,056</u></b>	<b><u>1,804,449</u></b>	<b><u>1,818,668</u></b>	<b><u>2,052,225</u></b>	<b><u>3,488,403</u></b>	<b><u>11,090,733</u></b>
\$	<b><u>979,178</u></b>	<b><u>(368,514)</u></b>	<b><u>2,202</u></b>	<b><u>545,092</u></b>	<b><u>1,287,725</u></b>	<b><u>3,637,646</u></b>
	6%	5%	6%	6%	7%	8%

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

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

<b>Fiscal Year Ended December 31</b>	<b>Real Property</b>		<b>Personal Property</b>	
	<b>Assessed Tax Capacity</b>	<b>Estimated Market Value</b>	<b>Assessed Tax Capacity</b>	<b>Estimated Market Value</b>
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
2018	5,063,356	484,039,400	114,791	5,958,600

Source: Pennington County Auditor

**Table 6**

	<b>Total</b>		
	<b>Assessed Tax Capacity</b>	<b>Estimated Market Value</b>	<b>Tax Capacity as a Percentage of Estimated Market Value</b>
\$	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
	5,178,147	489,998,000	1.06

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

*Table 7*

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

<b>Fiscal Year</b>	<b>City</b>	<b>Overlapping Rates</b>					<b>Total Direct and Overlapping Rates</b>
		<b>Pennington County</b>	<b>Thief River Falls School District No. 564</b>	<b>Red Lake Watershed District</b>	<b>Northwest Regional Development Commission</b>	<b>Northwest Minnesota Multi-County HRA</b>	
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
2018	42.861	66.058	33.887	5.220	0.198	0.441	148.667

Source: Pennington County Auditor

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

*Table 8*

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR**

<b>Taxpayer</b>	<b>2018</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
DK Real Estate Holdings LLC	\$ 146,035	1	3.50 %
MeritCare Medical Group	128,412	2	3.08
Wal-Mart RE Business Trust	122,038	3	2.93
West River Falls Estates, LLC	101,148	4	2.43
Arctco	90,073	5	2.16
MN Energy Resources Corp	80,918	6	1.94
Sanford Medical Center	69,163	7	1.66
3 GEN Properties LLC	39,210	8	0.94
Minnesota Greenleaf LLP	38,038	9	0.91
Minnkota Power Co-op	37,890	10	0.91
	<b>\$ 852,925</b>		<b>20.46 %</b>

Source: Pennington County Auditor



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

**Table 9**

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

<b>Fiscal Year Ended December 31</b>	<b>Levy for Fiscal Year</b>	<b>Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
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 %	14,515	1,971,631	99.22 %
2018	2,115,918	2,084,383	98.51 %	21,187	2,105,570	99.51 %

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		
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
2018	8,760,000	-	-	-	-	1,269,298	14,990,000	25,019,298	2,801

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**

<b>Fiscal Year</b>	<b>General Obligation Improvement Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Market Value<sup>1</sup></b>	<b>Per Capita</b>
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
2018	8,760,000	1,661,607	7,098,393	1.47%	794

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

<sup>1</sup> 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, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Thief River Falls School District No. 564	\$ 47,899,458	36.01%	\$ 17,248,595
Pennington County	17,188,000	32.99%	<u>5,670,321</u>
<b>Total Overlapping Debt</b>			<b>22,918,916</b>
City of Thief River Falls Direct Debt	25,019,298	100.00%	<u>25,019,298</u>
<b>Total Direct and Overlapping Debt</b>			<b>\$ <u>47,938,214</u></b>

Source: Pennington County Auditor

<sup>1</sup> 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 6,361,986	\$ 6,466,434	\$ 6,655,530	\$ 6,810,478
Total Net Debt Applicable to Limit	<u>420,832</u>	<u>151,377</u>	<u>85,101</u>	<u>25,218</u>
<b>Legal Debt Margin</b>	<b><u>\$ 5,941,154</u></b>	<b><u>\$ 6,315,057</u></b>	<b><u>\$ 6,570,429</u></b>	<b><u>\$ 6,785,260</u></b>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	6.61%	2.34%	1.28%	0.37%

*Table 13*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	7,324,886	\$ 7,717,494	\$ 8,093,484	\$ 8,691,862	\$ 9,288,806	\$ 9,799,960
	<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>1,060,000</u>
\$	<u><u>5,931,553</u></u>	<u><u>6,332,494</u></u>	<u><u>6,783,484</u></u>	<u><u>7,461,862</u></u>	<u><u>8,143,806</u></u>	<u><u>8,739,960</u></u>
	19.02%	17.95%	16.19%	14.15%	12.33%	10.82%

**LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2018**

<b>Assessed Value</b>	<b>\$ 489,998,000</b>
<b>Debt Limit (2% of Total Assessed Value)</b>	<b>\$ 9,799,960</b>
<b>Debt Applicable to Limit:</b>	
General Obligation Debt	\$ 1,060,000
Less: Amount Set aside for Repayment of General Obligation Debt	<u>0</u>
<b>Total Net Debt Applicable to Limit</b>	<b>\$ <u>1,060,000</u></b>
<b>Legal Debt Margin</b>	<b>\$ <u><u>8,739,960</u></u></b>

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

*Table 14*

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

<b>Water Revenue Bonds<sup>2</sup></b>								
<b>Fiscal Year</b>	<b>Water Charges and Other</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>		
				<b>Principal</b>	<b>Interest</b>			
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		
2018	2,719,355	2,041,888	677,467	622,050	319,571	0.72		

<b>Wastewater Revenue Bonds<sup>2</sup></b>								
<b>Fiscal Year</b>	<b>Wastewater Charges and Other</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>		
				<b>Principal</b>	<b>Interest</b>			
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		
2018	992,290	792,279	200,011	80,712	13,664	2.12		

<b>Water Systems Revenue Bonds<sup>1</sup></b>								
<b>Fiscal Year</b>	<b>Water Charges and Other</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>		
				<b>Principal</b>	<b>Interest</b>			
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.

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

<sup>2</sup>Effective 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**

<b>Fiscal Year</b>	<b>City Population<sup>1</sup></b>	<b>Pennington County</b>			<b>Pennington County</b>	
		<b>Personal Income<sup>2</sup></b>	<b>Population<sup>2</sup></b>	<b>Per Capita Income<sup>2</sup></b>	<b>Total Employment<sup>3</sup></b>	<b>Unemployment Rate<sup>3</sup></b>
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	726,364,000	14,238	51,016	9,127	5.6 %
2018	8,940	Data Unavailable	14,178	Data Unavailable	10,125	4.9 %

<sup>1</sup> U.S. Census and Minnesota State Demographic Center

<sup>2</sup> U.S. Department of Commerce Bureau of Economic Analysis

<sup>3</sup> 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>2018</u>		<u>2009</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Digi-Key Corporation	4,000	43.83 %	2,103	26.37 %
Arctic Cat, Incorporated	1,500	16.43 %	1,463	18.34 %
Sandford Health - Thief River Falls	600	6.57 %	-	- %
Merit Care - Thief River Falls	-	- %	552	6.92 %
Seven Clans Casino Hotel & Indoor Waterpark	310	3.40 %	504	6.32 %
Thief River Falls School District No. 564	450	4.93 %	329	4.12 %
Northern Pride, Inc.	180	1.97 %	185	2.32 %
Northland Community & Technical College	166	1.82 %	161	2.02 %
Pennington County	142	1.56 %	122	1.53 %
Hugos	150	1.64 %	-	- %
Dean Foods	-	- %	102	1.28 %
City of Thief River Falls	89	- %	105	- %
	<u>7,587</u>	<u>82.14 %</u>	<u>5,626</u>	<u>69.22 %</u>

Source: Minnesota Department of Employment & Economic Development - Community Profile

## **MANAGEMENT AND COMPLIANCE SECTION**

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



Hoffman, Philipp, & Knutson, PLLC

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2019.

**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 a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 2016-001 that we consider to be a significant deficiency.

### **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*, except as described in the accompanying Schedule of Findings and Responses as item 2018-001. 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

July 30, 2019

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

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

**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 Administrator's Response:** *The City is aware of this and will provide oversight where needed.*

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

**II. OTHER FINDINGS AND RECOMMENDATIONS**

**MINNESOTA LEGAL COMPLIANCE**

**ITEM ARISING THIS YEAR**

**Finding Number: 2018-001**

**Finding Title: Contract Compliance**

**Criteria:** Minnesota statutes contain requirements for the contracting processes used by local governments.

**Condition:** The City was not in compliance with the following State of Minnesota contracting and bid law requirements:

- **Contract Language:** Minn. Stat. § 471.425, subd. 4a., requires that the contract between the government entity and a prime contractor contain language that requires the prime contractor to pay subcontractors within ten days of receipt of payment from the government entity or pay interest at the rate of 1.5 percent per month or any part of a month. The City did not include this specific language in the contract with the prime contractor.
- **Responsible Contractor Requirement:** Minn. Stat. § 16C.285 requires that the contractor submit a verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3. The City did not have the required form from the contractor on file.

**Context:** Widseth Smith & Nolting conducted the procurement of the contract.

**Effect:** Noncompliance with Minn. Stat. § 471.425 and § 16C.285.

**Cause:** The City does not administer many contracts outside of the City Engineer's office. They relied upon Widseth Smith & Nolting to oversee this process.

**Recommendation:** We recommend the City abide by the existing procedures that include contracting requirements so those overseeing the contracting process will be informed of the statutory requirements to ensure compliance with applicable statutes for all future contracts.

**City Administrator's Response:** *The City will continuously review it's process for contracting requirements to ensure compliance.*



# City of Thief River Falls

CITY ADMINISTRATOR

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## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

**Finding Number: 2016-001**

**Finding Title: Segregation of Duties**

**Name of Contact Person Responsible for Corrective Action:** City Council and management.

**Corrective Action Planned:** The City of Thief River Falls is aware of the segregation of duties issue. Management will implement oversight procedures where and whenever possible.

**Anticipated Completion Date:** *Ongoing. 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.*

**Finding Number: 2018-001**

**Finding Title: Contract Compliance**

**Name of Contact Person Responsible for Corrective Action:** City Council and management.

**Corrective Action Planned:** The City of Thief River Falls will abide by the existing procedures that include contracting requirements so those overseeing the contracting process will be informed of the statutory requirements to ensure compliance with applicable statutes for all future contracts.

**Anticipated Completion Date:** *December 31, 2019.*



# City of Thief River Falls

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## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

**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, 2016, and 2017 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:** 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.