



ANNUAL FINANCIAL REPORT
DECEMBER 31, 2013

CITY OF THIEF RIVER FALLS
P.O. BOX 528 MINNESOTA, 56701

INTRODUCTORY SECTION

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

*Annual
Financial Report
Year Ended December 31, 2013*

Prepared By
Office of City Administrator

Lisa Johnson
Finance Director

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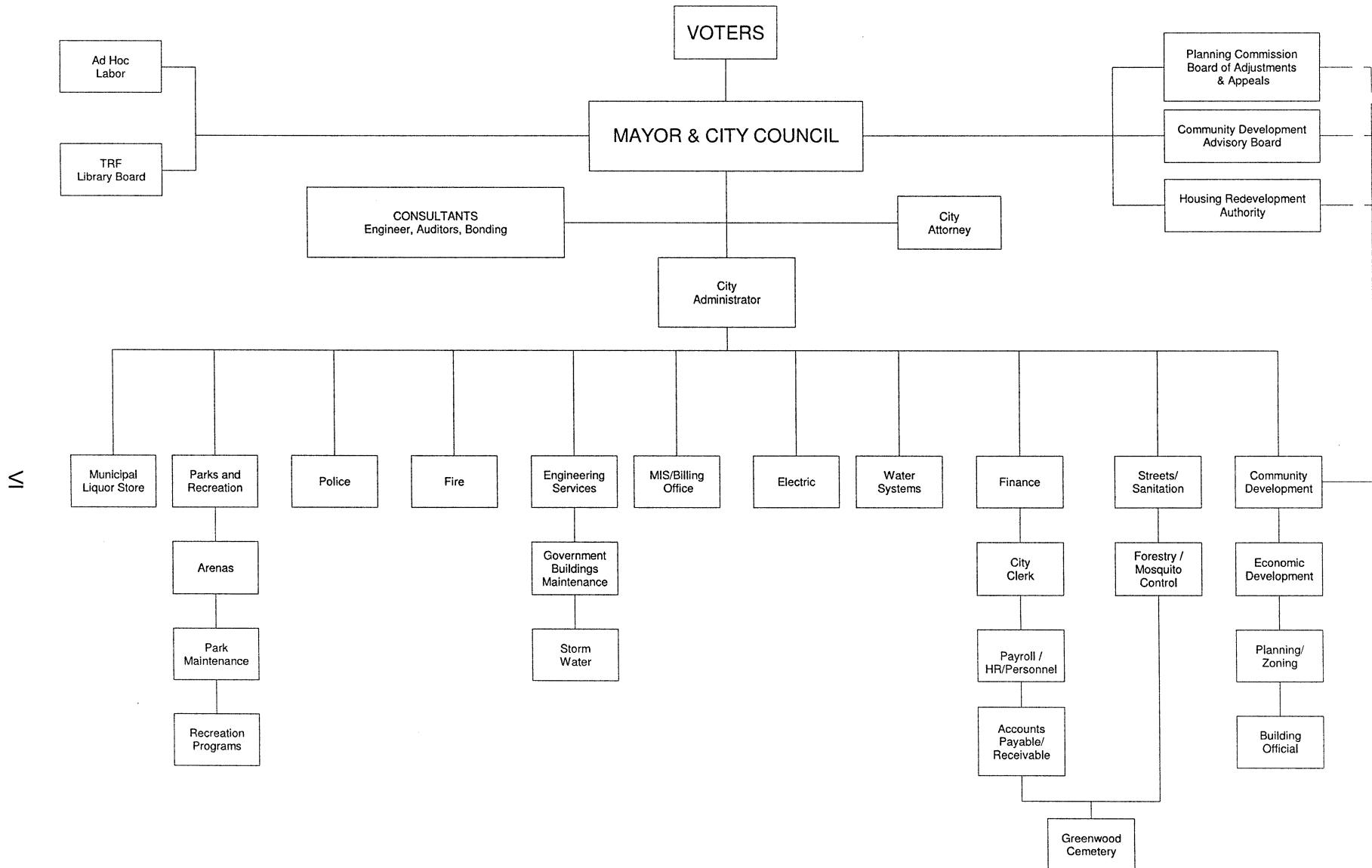
2013**Term Expires**

Mayor	Jim Dagg	2014
Council Member:		
First Ward (Vice Mayor)	Glen Kajewski	2014
Second Ward	Don Sollom	2016
Third Ward	Edwin Dale Hahn	2014
Fourth Ward	Gerald Brown	2016
Fifth Ward	Joseph Haj	2014
At Large	Elvera Cullen	2014
At Large	Ken Schmalz	2016
City Administrator	Larry Kruse	
Finance Director	Lisa Johnson	
City Attorneys	Ihle & Sparby, P.A.	
Certified Public Accountants	Brady, Martz & Associates, P.C..	

2014**Term Expires**

Mayor	Jim Dagg	2014
Council Member:		
First Ward (Vice Mayor)	Glen Kajewski	2014
Second Ward	Don Sollom	2016
Third Ward	Edwin Dale Hahn	2014
Fourth Ward	Gerald Brown	2016
Fifth Ward	Rachel Prudhomme	2014
At Large	Elvera Cullen	2014
At Large	Ken Schmalz	2016
City Administrator	Larry Kruse	
Finance Director	Lisa Johnson, (Through April 2014) Angela Philipp, (Effective May 2014)	
City Attorneys	Ihle & Sparby, P.A.	
Certified Public Accountants	Brady, Martz & Associates, P.C..	

CITY OF THIEF RIVER FALLS - ORGANIZATIONAL CHART



FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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OTHER OFFICES: Grand Forks, Minot, Bismarck, Dickinson, ND

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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

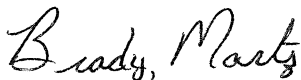
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Thief River Falls, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of passenger facility charges and related expenditures are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local governments, and Non-Profit Organization* and as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and are also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and the schedule of passenger facility charges and related expenditures 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, on our consideration of the City of Thief River Falls, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

June 9, 2014

**CITY OF THIEF RIVER FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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 assets of the City exceeded its liabilities by \$51.1 million. Of this amount, \$10.4 million may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$3,527,254.
- The City's governmental funds reported combined ending fund balances of \$6,822,511. Of the total fund balance amount, \$552,261 is restricted, \$2,238,637 is committed, \$1,552,706 is assigned, and \$2,478,907 is unassigned.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was 33.8% of total general fund expenditures of \$7,339,977.

Using the Financial Section of This Annual Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The notes to the basic financial statements provide information that is essential to full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Statement of Net Position and Statement of Activities

Our analysis of the City of Thief River Falls begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes to net position. You can think of the City's net position – the difference between assets and liabilities – as a way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net position are one indicator of whether the City's *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the *overall health* of the City of Thief River Falls.

Fund Financial Statements

Our analysis of the City of Thief River Falls' major fund begins with the funds' financial statements and provides detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the city council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (i.e. donations received). The City of Thief River Falls' three kinds of funds – *governmental, proprietary, and fiduciary* – use different accounting approaches.

**CITY OF THIEF RIVER FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013**

Governmental Funds – Most of the City of Thief River Falls' basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general governmental operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in reconciliation after the fund statements.

The City maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, CDAB revolving loan fund, and Greenwood Street underpass project which are considered major funds. Data from the other 20 individual governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – When the City of Thief River Falls charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary or enterprise funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements, but we provide more detail and additional information, such as cash flows, for proprietary funds.

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its liquor dispensary, electric, storm sewer, and water systems. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its services provided to other departments or funds, on a cost reimbursement basis. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary Funds – 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 statement because the resources of those funds are *not* available to support the City of Thief River Falls' own 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 Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF THIEF RIVER FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013**

Government-wide Financial Analysis

Over time, net position serves as a useful indicator of the City's financial position. The City of Thief River Falls' assets exceeded liabilities by \$51,141,968. The largest portion of the City's net position (approximately 76 percent) reflects its investment in capital assets (i.e. land, buildings, infrastructure, and equipment); net of related debt to acquire those assets. It should be noted that this amount is not available for future spending. Although the City of Thief River Falls' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Approximately 20 percent of the City's net position is unrestricted. The unrestricted net position amount of \$10,450,703 as of December 31, 2013, may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 10,345,182	\$ 8,408,295	\$ 8,209,966	\$ 6,817,175	\$ 18,555,148	\$ 15,225,470
Capital Assets	29,889,393	27,566,977	18,797,636	17,612,894	48,687,029	45,179,871
Total Assets	<u>40,234,575</u>	<u>35,975,272</u>	<u>27,007,602</u>	<u>24,430,069</u>	<u>67,242,177</u>	<u>60,405,341</u>
Long-term Liabilities	5,849,338	4,252,166	6,668,907	5,785,541	12,518,245	10,037,707
Other Liabilities	1,424,432	1,042,363	2,157,532	1,710,557	3,581,964	2,752,920
Total Liabilities	<u>7,273,770</u>	<u>5,294,529</u>	<u>8,826,439</u>	<u>7,496,098</u>	<u>16,100,209</u>	<u>12,790,627</u>
Net Position						
Net Investment in Capital Assets	25,501,639	24,788,309	13,211,323	12,553,523	38,712,962	37,341,832
Restricted	1,626,963	965,044	351,340		1,978,303	965,044
Unrestricted	5,832,203	4,927,390	4,618,500	4,380,448	10,450,703	9,307,838
Total Net Position	<u>\$ 32,960,805</u>	<u>\$ 30,680,743</u>	<u>\$ 18,181,163</u>	<u>\$ 16,933,971</u>	<u>\$ 51,141,968</u>	<u>\$ 47,614,714</u>

Governmental Activities

The net position of the governmental activities increased by \$2,280,062. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – totaled \$5,832,203 as of December 31, 2013.

Business-Type Activities

The net position of our business-type activities increased by \$1,247,192. Unrestricted net position for the City's business-type activities totaled \$4,618,500 as of December 31, 2013.

**CITY OF THIEF RIVER FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Fees, Charges, Fines and Other	\$ 2,184,726	\$ 2,272,569	\$ 20,837,642	\$ 19,669,895	\$ 23,022,368	\$ 21,942,464
Operating Grants and Contributions	560,775	348,422			560,775	348,422
Capital Grants and Contributions	4,770,645	1,985,021	307,495		5,078,140	1,985,021
General Revenues						
Taxes	2,026,537	1,871,809			2,026,537	1,871,809
Unrestricted State Aid	2,630,076	2,630,629			2,630,076	2,630,629
Unrestricted Investment Earnings	106,664	132,939	18,914	51,625	125,578	184,564
Gain on Sale of Capital Assets	70,100	28,700	8,034		78,134	28,700
Other General Revenue	216,819	40,889			216,819	40,889
Total Revenues	<u>12,566,342</u>	<u>9,310,978</u>	<u>21,172,085</u>	<u>19,721,520</u>	<u>33,738,427</u>	<u>29,032,498</u>
Expenses						
General Government	1,546,092	1,553,318			1,546,092	1,553,318
Public Safety	2,590,016	2,566,561			2,590,016	2,566,561
Streets and Sanitation	4,095,631	2,113,160			4,095,631	2,113,160
Culture and Recreation	2,140,719	2,160,416			2,140,719	2,160,416
Economic Development	343,884	217,618			343,884	217,618
Interest on Long-term Debt	67,906	70,747			67,906	70,747
Liquor Dispensary			4,078,467	4,025,774	4,078,467	4,025,774
Electric Utility			12,742,804	12,340,507	12,742,804	12,340,507
Storm Water Utility			153,968	186,722	153,968	186,722
Water Systems Utility			2,451,686	2,536,838	2,451,686	2,536,838
Total Expenses	<u>10,784,248</u>	<u>8,681,820</u>	<u>19,426,925</u>	<u>19,089,841</u>	<u>30,211,173</u>	<u>27,771,661</u>
Change in Net Position Before Transfers	1,782,094	629,158	1,745,160	631,679	3,527,254	1,260,837
Transfers	497,968	966,477	(497,968)	(966,477)		
Change in Net Position	<u>2,280,062</u>	<u>1,595,635</u>	<u>1,247,192</u>	<u>(334,798)</u>	<u>3,527,254</u>	<u>1,260,837</u>
Net Position - January 1	<u>30,680,743</u>	<u>29,085,108</u>	<u>16,933,971</u>	<u>17,268,769</u>	<u>47,614,714</u>	<u>46,353,877</u>
Net Position - December 31	<u>\$ 32,960,805</u>	<u>\$ 30,680,743</u>	<u>\$ 18,181,163</u>	<u>\$ 16,933,971</u>	<u>\$ 51,141,968</u>	<u>\$ 47,614,714</u>

**CITY OF THIEF RIVER FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013**

Governmental Activities

The City's governmental activities revenue increased by \$3,255,364. The major factors contributing to this overall increase are the increase in capital grants and contributions for the Greenwood Street Underpass and the 2013 Utility Improvement project.

The City's governmental activities expenses increased by \$2,102,428. The major factors contributing to this increase are:

- The street and sanitation expenditures increased because of the 2013 Utilities Improvement Project.
- The majority of the Greenwood Street Underpass project is completed.

Business-Type Activities

Revenues – The City's business-type revenues increased by \$1,450,565. The City had water, wastewater, and electric utility rate increases in 2013 and there was special assessment revenue from the 2013 Utility Improvement project.

Expenses – The City's business-type expenses increased by \$337,084.

Financial Analysis of the City's Funds

	Major Funds				Percentage
	Fund Balance / Net Position		Increase	Increase	
	12/31/2013	12/31/2012	(Decrease)	(Decrease)	
Governmental Funds					
General	\$ 2,501,777	\$ 2,259,866	\$ 241,911		11%
CDAB Revolving Loan	2,082,202	2,062,155	20,047		1%
Greenwood Street Underpass	33,200	(731,618)	764,818		105%
Proprietary Funds					
Liquor Dispensary	1,735,454	1,619,841	115,613		7%
Electric Utility	6,208,679	6,122,373	86,306		1%
Water Systems Utility	7,314,217	6,598,231	715,986		11%

The City's general fund balance increased this year due to close scrutiny and diligence of department supervisors to adhere to budgets and an increase in building permit revenue due to major construction projects.

General Fund Budgetary Highlights

Over the course of the year, the City of Thief River Falls revised the City's budget once. The City annually reviews revenues and expenditures in comparison to budget, taking into account activity that was unknown when budgets were set in December of the previous year. The City's general fund budget was adjusted to reflect actions taken by the City Council.

**CITY OF THIEF RIVER FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013**

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$48,687,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and park facilities.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 613,565	\$ 613,565	\$ 425,232	\$ 425,232	\$ 1,038,797	\$ 1,038,797
Construction In Progress	140,494	3,575,187	1,032,851	75,807	1,173,345	3,650,994
Buildings & Improvements	13,217,042	12,458,485	3,721,865	3,874,971	16,938,907	16,333,456
Improvements Other than Buildings	14,889,890	10,126,924	12,881,909	12,482,894	27,771,799	22,609,818
Machinery & Equipment	1,028,402	792,816	735,779	753,990	1,764,181	1,546,806
Total	<u>\$ 29,889,393</u>	<u>\$ 27,566,977</u>	<u>\$ 18,797,636</u>	<u>\$ 17,612,894</u>	<u>\$ 48,687,029</u>	<u>\$ 45,179,871</u>

Major changes in capital assets during the current fiscal year included the following:

- The City's 2013 Improvement Project included water mains, underground conduit, and sanitary sewer replacements totaling \$1,014,000.
- Construction was substantially completed on the Greenwood Street Underpass which totaled \$5,640,000.
- The Carnegie Library was completed with a cost of \$1,200,000.
- A fire truck was purchased for \$319,000.

Additional information on the City's capital assets can be found in Note 8 of this report.

Long-Term Debt

At year-end, the City of Thief River Falls had \$10.4 million in bonds and other long-term debt outstanding.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 3,515,000	\$ 1,740,000	\$	\$	\$ 3,515,000	\$ 1,740,000
Revenue Bonds	875,000	1,030,000	5,992,753	5,128,043	6,867,753	6,158,043
Note Payable	8,333	33,333			8,333	33,333
Total	<u>\$ 4,398,333</u>	<u>\$ 2,803,333</u>	<u>\$ 5,992,753</u>	<u>\$ 5,128,043</u>	<u>\$ 10,391,086</u>	<u>\$ 7,931,376</u>

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. This statutory debt limitation is two percent of the City's market value and, at the end of 2013, overall debt of the City is well below the two percent debt limit.

The City issued \$1,950,000 in G.O. Bonds in 2013 to finance street reconstruction and improvements within the City.

The City also issued a \$1,235,000 G.O. Water Revenue Bond for utility construction projects.

Additional information on the City's long-term debt can be found in Note 9 of this report.

**CITY OF THIEF RIVER FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013**

Economic Factors and Next Year's Budget

The City of Thief River Falls' elected officials considered many factors when setting the fiscal year 2014 budget, rates, and fees that will be charged for the business-type activities. The major factor considered when adopting the general fund budget was the uncertainty of the City's local government aid, and the City continues to look for ways to streamline operations without having an adverse impact on services provided. The City formally adopted the 2014 budget on December 17, 2013. For the ninth consecutive year the City did not increase the property tax levy. The 2014 property tax levy will be at 0%.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the City of Thief River Falls' finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Thief River Falls City Administrator's Office at 405 Third Street East, P.O. Box 528, Thief River Falls, Minnesota, 56701, (218) 681-2943, or admin@citytrf.net

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

Exhibit A-1

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 6,692,288	\$ 4,349,440	\$ 11,041,728
Cash with Fiscal Agent		330,583	330,583
Receivables			
Accounts (Net Allowance)	191,491	1,504,991	1,696,482
Interest	10,671	3,050	13,721
Taxes	54,489		54,489
Special Assessments	952,852	170,624	1,123,476
Notes (Net Allowance)	1,585,331		1,585,331
Loans		36,451	36,451
Internal Balances	(712,970)	712,970	
Due from Other Governments	1,554,731		1,554,731
Prepaid Expenses	9,267		9,267
Inventory (Net Allowance)	7,032	1,101,857	1,108,889
Capital Assets			
Land	613,565	425,232	1,038,797
Construction in Progress	140,494	1,032,851	1,173,345
Buildings and Improvements	19,013,519	7,460,930	26,474,449
Improvements Other than Buildings	20,938,180	33,869,146	54,807,326
Machinery and Equipment	4,342,378	4,776,973	9,119,351
Less: Accumulated Depreciation	(15,158,743)	(28,767,496)	(43,926,239)
Total Capital Assets, Net of Depreciation	29,889,393	18,797,636	48,687,029
TOTAL ASSETS	40,234,575	27,007,602	67,242,177
LIABILITIES			
Accounts Payable	772,457	1,701,155	2,473,612
Accrued Payroll Liabilities	146,582	61,589	208,171
Accrued Interest Payable	19,400	56,100	75,500
Due to Other Governments	469,848	122,632	592,480
Customer Deposits		216,056	216,056
Unearned Revenue	16,145		16,145
Noncurrent Liabilities			
Due Within One Year	531,954	496,702	1,028,656
Due in More than One Year	4,541,784	5,921,105	10,462,889
Net Other Postemployment Benefit Liability	775,600	251,100	1,026,700
TOTAL LIABILITIES	7,273,770	8,826,439	16,100,209
NET POSITION			
Net Investment in Capital Assets	25,501,639	13,211,323	38,712,962
Restricted for Debt Service	1,082,066		1,082,066
Restricted for TIF District	93,080		93,080
Restricted for Capital Projects	451,817	351,340	803,157
Unrestricted	5,832,203	4,618,500	10,450,703
TOTAL NET POSITION	\$ 32,960,805	\$ 18,181,163	\$ 51,141,968

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 1,546,092	\$ 192,050	\$ 18,031	\$ 30,730	\$ (1,305,281)		\$ (1,305,281)
Public Safety	2,590,016	330,204	185,660		(2,074,152)		(2,074,152)
Streets and Sanitation	4,095,631	856,378	165,355	4,659,309	1,585,411		1,585,411
Culture and Recreation	2,140,719	719,603		80,606	(1,340,510)		(1,340,510)
Economic Development	343,884	86,491	191,729		(65,664)		(65,664)
Interest on Long-term Debt	67,906				(67,906)		(67,906)
Total Governmental Activities	<u>10,784,248</u>	<u>2,184,726</u>	<u>560,775</u>	<u>4,770,645</u>	<u>(3,268,102)</u>		<u>(3,268,102)</u>
Business-type Activities:							
Liquor Dispensary	4,078,467	4,562,505				484,038	484,038
Electric Utility	12,742,804	13,387,925				645,121	645,121
Storm Water Utility	153,968	157,496				3,528	3,528
Water Systems Utility	2,451,686	2,729,716		307,495		585,525	585,525
Total Business-type Activities	<u>19,426,925</u>	<u>20,837,642</u>		<u>307,495</u>		<u>1,718,212</u>	<u>1,718,212</u>
Total Government	<u>\$ 30,211,173</u>	<u>\$ 23,022,368</u>	<u>\$ 560,775</u>	<u>\$ 5,078,140</u>	<u>(3,268,102)</u>	<u>1,718,212</u>	<u>(1,549,890)</u>
General Revenues:							
Taxes - Property					1,765,186		1,765,186
Taxes - Lodging					128,632		128,632
Taxes - Franchise Fees					132,719		132,719
Unrestricted State Aid					2,630,076		2,630,076
Unrestricted Investment Earnings					106,664	18,914	125,578
Other General Revenue					216,819		216,819
Gain on Sale of Capital Asset					70,100	8,034	78,134
Transfers					497,968	(497,968)	
Total General Revenues and Transfers					<u>5,548,164</u>	<u>(471,020)</u>	<u>5,077,144</u>
Change in Net Position					2,280,062	1,247,192	3,527,254
Net Position - January 1					30,680,743	16,933,971	47,614,714
Net Position - December 31					<u>\$ 32,960,805</u>	<u>\$ 18,181,163</u>	<u>\$ 51,141,968</u>

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Exhibit A-3

	<u>General Fund</u>	<u>CDAB Revolving Loan</u>	<u>Greenwood Street Underpass Project</u>	<u>Other Governmental Funds Exhibit B-1</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 2,846,126	\$ 752,737	\$	\$ 1,882,313	\$ 5,481,176
Receivables					
Accounts (Net Allowance)	171,723			1,025	172,748
Interest	1,831	5,184		2,186	9,201
Taxes - Current	48,817			5,672	54,489
Taxes - Delinquent	39,300			2,800	42,100
Special Assessments					
Delinquent				9,397	9,397
Deferred	204,526			738,929	943,455
Notes (Net Allowance)		1,201,161		384,170	1,585,331
Due from Other Governments	14,055	143,394	1,397,282		1,554,731
Prepaid Expenses		9,267			9,267
TOTAL ASSETS	<u>\$ 3,326,378</u>	<u>\$ 2,111,743</u>	<u>\$ 1,397,282</u>	<u>\$ 3,026,492</u>	<u>\$ 9,861,895</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 416,547	\$ 13,396	\$ 224,193	\$ 67,241	\$ 721,377
Accrued Payroll Liabilities	146,197			324	146,521
Due to Other Funds			236,255	2,469	238,724
Due to Other Governments	18,031		451,817		469,848
Unearned Revenue		16,145			16,145
Total Liabilities	<u>580,775</u>	<u>29,541</u>	<u>912,265</u>	<u>70,034</u>	<u>1,592,615</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	243,826		451,817	751,126	1,446,769
Total Deferred Inflows of Resources	<u>243,826</u>	<u></u>	<u>451,817</u>	<u>751,126</u>	<u>1,446,769</u>
FUND BALANCES					
Restricted for:					
TIF District				93,080	93,080
Debt Service				459,181	459,181
Committed for:					
Economic Development		2,082,202			2,082,202
Perpetual Care				156,435	156,435
Assigned for:					
Park	19,504				19,504
Cemetery				126,504	126,504
Capital Project			33,200	1,373,498	1,406,698
Unassigned	2,482,273			(3,366)	2,478,907
Total Fund Balances	<u>2,501,777</u>	<u>2,082,202</u>	<u>33,200</u>	<u>2,205,332</u>	<u>6,822,511</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,326,378</u>	<u>\$ 2,111,743</u>	<u>\$ 1,397,282</u>	<u>\$ 3,026,492</u>	<u>\$ 9,861,895</u>

See Notes to the Financial Statements.

**CITY OF THIEF RIVER FALLS, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Exhibit A-4

Total fund balances - governmental funds	\$ 6,822,511
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	44,993,619
Less: accumulated depreciation	(15,104,226)
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General Obligation Bonds	(4,390,000)
Less: Issuance Discount (to be amortized as interest expense)	10,579
Other Long-Term Obligations	(8,333)
Net Other Postemployment Benefit Liability	(775,600)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(19,400)
Compensated absence payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(685,984)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,404,669
Internal service fund is used by management to account for its services provided to other departments or funds, on a cost reimbursement basis. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.	712,970
Net Position - governmental activities	<u>\$ 32,960,805</u>

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit A-5

	<u>General Fund</u>	<u>CDAB Revolving Loan</u>	<u>Greenwood Street Underpass Project</u>	<u>Other Governmental Funds Exhibit B-2</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,708,716	\$	\$	\$ 317,822	\$ 2,026,538
Special Assessments	54,987			181,389	236,376
Licenses and Permits	202,251				202,251
Intergovernmental - Federal	87,096	191,729	2,570,787		2,849,612
Intergovernmental - State	2,786,244		1,286,749	189,783	4,262,776
Charges for Services	1,814,996			48,825	1,863,821
Fines and Forfeitures	46,441				46,441
Miscellaneous					
Contributions	16,575			30,762	47,337
Investment Earnings	35,511	30,622		28,021	94,154
Other Receipts	198,163	21,344		67,404	286,911
Total Revenues	<u>6,950,980</u>	<u>243,695</u>	<u>3,857,536</u>	<u>864,006</u>	<u>11,916,217</u>
EXPENDITURES					
Current					
General Government	1,221,210			244,396	1,465,606
Public Safety	2,473,560			2,378	2,475,938
Streets and Sanitation	1,603,646			16,223	1,619,869
Culture and Recreation	1,684,840			5,033	1,689,873
Economic Development	143,356	223,648			367,004
Debt Service					
Principal	25,000			330,000	355,000
Interest	1,430			63,388	64,818
Bond and Other Fees				7,042	7,042
Capital Outlay					
General Government				22,531	22,531
Public Safety	2,000			257,296	259,296
Streets and Sanitation			4,516,591	924,592	5,441,183
Culture and Recreation	184,935				184,935
Total Expenditures	<u>7,339,977</u>	<u>223,648</u>	<u>4,516,591</u>	<u>1,872,879</u>	<u>13,953,095</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(388,997)</u>	<u>20,047</u>	<u>(659,055)</u>	<u>(1,008,873)</u>	<u>(2,036,878)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	1,003,395		30,000	383,589	1,416,984
Sale of Capital Asset				70,100	70,100
Debt Issued			1,385,000	565,000	1,950,000
Bond Premium			8,873	3,523	12,396
Transfers Out	(372,487)			(60,937)	(433,424)
Total Other Financing Sources (Uses)	<u>630,908</u>		<u>1,423,873</u>	<u>961,275</u>	<u>3,016,056</u>
NET CHANGE IN FUND BALANCES	241,911	20,047	764,818	(47,598)	979,178
FUND BALANCE, JANUARY 1	<u>2,259,866</u>	<u>2,062,155</u>	<u>(731,618)</u>	<u>2,252,930</u>	<u>5,843,333</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2,501,777</u>	<u>\$ 2,082,202</u>	<u>\$ 33,200</u>	<u>\$ 2,205,332</u>	<u>\$ 6,822,511</u>

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Exhibit A-6

Total net change in fund balances - governmental funds	\$ 979,178
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	3,473,995
Depreciation expense	(1,151,579)
Proceeds from long-term debt provide current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(1,950,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	355,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(15,486)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	544,399
In the statement of activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	11,914
Internal service fund is used by management to account for its services provided to other departments or funds, on a cost reimbursement basis. The net revenue of certain activities of the internal service fund is reported with governmental activities.	32,641
Change in net position - governmental activities	\$ <u>2,280,062</u>

See Notes to the Financial Statements.

**CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2013**

Exhibit A-7

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 1,419,275	\$ 1,419,275	\$ 1,447,365	\$ 28,090
Franchise Tax - Cable	58,000	58,000	63,300	5,300
Franchise Tax - Gas	69,500	69,500	69,419	(81)
Lodging Tax	98,000	98,000	128,632	30,632
	<u>1,644,775</u>	<u>1,644,775</u>	<u>1,708,716</u>	<u>63,941</u>
Special Assessments	<u>24,225</u>	<u>24,225</u>	<u>54,987</u>	<u>30,762</u>
Licenses and Permits				
Business Licenses and Permits	37,107	37,107	39,818	2,711
Non-Business Licenses and Permits	77,790	77,790	162,433	84,643
	<u>114,897</u>	<u>114,897</u>	<u>202,251</u>	<u>87,354</u>
Intergovernmental				
Federal	11,500	92,106	87,096	(5,010)
State				
Local Governmental Aid	2,418,906	2,418,906	2,418,906	
Local Performance Aid	1,200	1,200		(1,200)
MV Credit and Other Credits	5,500	5,500	69	(5,431)
Police Aid	110,000	110,000	114,999	4,999
Firefighting Aid	45,000	47,000	65,597	18,597
PERA Rate Increase Aid	21,320	21,320	21,318	(2)
State Urban Street Maintenance	162,000	162,000	165,355	3,355
	<u>2,775,426</u>	<u>2,858,032</u>	<u>2,873,340</u>	<u>15,308</u>
Charges for Services				
General Government	92,647	92,647	115,364	22,717
Police Department	37,950	37,950	51,692	13,742
Fire Department	66,150	66,150	71,959	5,809
Streets and Sanitation	873,700	873,700	856,378	(17,322)
Parks and Recreation				
Arenas	698,134	698,134	610,888	(87,246)
Other	89,250	89,250	108,715	19,465
	<u>1,857,831</u>	<u>1,857,831</u>	<u>1,814,996</u>	<u>(42,835)</u>
Fines and Forfeitures	<u>47,000</u>	<u>47,000</u>	<u>46,441</u>	<u>(559)</u>
Miscellaneous				
Investment Earnings	33,900	33,900	35,511	1,611
Contributions		16,575	16,575	
Other	10,000	133,100	198,163	65,063
	<u>43,900</u>	<u>183,575</u>	<u>250,249</u>	<u>66,674</u>
Total Revenues	<u>6,508,054</u>	<u>6,730,335</u>	<u>6,950,980</u>	<u>220,645</u>

cont.

See Notes to the Financial Statements.

**CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2013**

Exhibit A-7

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
General Government				
Current				
Mayor and Council	180,373	180,373	210,031	29,658
City Administrator	478,565	478,565	467,508	(11,057)
Assessor	37,000	37,000	36,880	(120)
Independent Auditors	11,300	11,300	11,403	103
Legal Services	80,580	80,580	97,784	17,204
Insurance	222,130	222,130	219,059	(3,071)
MIS/GIS	14,000	14,000	14,000	
Building Maintenance	105,920	125,920	136,981	11,061
Other General Government	12,200	19,700	27,564	7,864
	<u>1,142,068</u>	<u>1,169,568</u>	<u>1,221,210</u>	<u>51,642</u>
Public Safety				
Current				
Police Protection	1,685,858	1,685,858	1,636,204	(49,654)
Fire Protection	691,090	705,645	716,166	10,521
Building Official	112,975	112,975	121,190	8,215
Capital Outlay - Police Protection	12,500			
Capital Outlay - Fire Protection		2,000	2,000	
	<u>2,502,423</u>	<u>2,506,478</u>	<u>2,475,560</u>	<u>(30,918)</u>
Streets and Sanitation				
Current				
Streets and Sanitation	1,305,720	1,305,720	1,298,190	(7,530)
Street Lighting	148,129	148,129	152,954	4,825
Engineering	149,820	149,820	152,502	2,682
	<u>1,603,669</u>	<u>1,603,669</u>	<u>1,603,646</u>	<u>(23)</u>
Culture and Recreation				
Current				
Parks and Recreation	479,071	521,125	518,640	(2,485)
Arenas	930,916	930,916	955,301	24,385
Library	181,563	188,563	188,149	(414)
Senior Citizen Program	22,750	22,750	22,750	
Capital Outlay				
Parks and Recreation	17,000	139,787	139,673	(114)
Library	35,000	35,000	45,262	10,262
	<u>1,666,300</u>	<u>1,838,141</u>	<u>1,869,775</u>	<u>31,634</u>

cont.

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

Exhibit A-7

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Economic Development	190,425	190,425	143,356	(47,069)
	<u>190,425</u>	<u>190,425</u>	<u>143,356</u>	<u>(47,069)</u>
Debt Service				
Principal	25,000	25,000	25,000	
Interest			1,430	1,430
	<u>25,000</u>	<u>25,000</u>	<u>26,430</u>	<u>1,430</u>
Total Expenditures	<u>7,129,885</u>	<u>7,333,281</u>	<u>7,339,977</u>	<u>6,696</u>
REVENUES UNDER EXPENDITURES	(621,831)	(602,946)	(388,997)	213,949
OTHER FINANCING SOURCES (USES)				
Transfers In	977,577	997,677	1,003,395	5,718
Transfers Out	<u>(353,817)</u>	<u>(372,487)</u>	<u>(372,487)</u>	
Total Other Financing Sources (Uses)	<u>623,760</u>	<u>625,190</u>	<u>630,908</u>	<u>5,718</u>
NET CHANGE IN FUND BALANCES	1,929	22,244	241,911	219,667
FUND BALANCE, JANUARY 1	<u>2,259,866</u>	<u>2,259,866</u>	<u>2,259,866</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 2,261,795</u>	<u>\$ 2,282,110</u>	<u>\$ 2,501,777</u>	<u>\$ 219,667</u>

See Notes to the Financial Statements.

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CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

Exhibit A-8

	Business-type Activities - Enterprise Funds					Governmental
	Liquor Dispensary	Electric Utility	Water Systems Utility	Nonmajor Storm Water Utility	Total	Internal Service Fund
ASSETS						
CURRENT ASSETS						
Cash and Investments	\$ 1,158,638	\$ 1,357,187	\$ 1,398,384	\$ 435,231	\$ 4,349,440	\$ 1,211,112
Cash with Fiscal Agent			330,583		330,583	
Accounts Receivable (Net of Allowance)	2,936	1,252,590	236,334	13,131	1,504,991	18,743
Special Assessments - Current			12,307		12,307	
Interest Receivable	1,159	1,252	199	440	3,050	1,470
Loan Receivable		36,451			36,451	
Due from Other Funds		46,342			46,342	238,724
Inventory (Net Allowance)	505,276	498,236	98,345		1,101,857	7,032
Total Current Assets	1,668,009	3,192,058	2,076,152	448,802	7,385,021	1,477,081
NONCURRENT ASSETS						
Special Assessments - Noncurrent			158,317		158,317	
Advances to Other Funds		114,579			114,579	
CAPITAL ASSETS						
Land	178,942	53,052	193,238		425,232	
Construction In Progress		61,354	971,497		1,032,851	
Buildings and Improvements	722,295	799,030	5,939,605		7,460,930	
Improvements Other than Buildings		12,638,657	18,712,352	2,518,137	33,869,146	
Machinery and Equipment	95,077	1,527,812	2,964,133	189,951	4,776,973	54,517
Less: Accumulated Depreciation	(509,007)	(10,406,240)	(16,906,571)	(945,678)	(28,767,496)	(54,517)
Total Capital Assets (Net of Accumulated Depreciation)	487,307	4,673,665	11,874,254	1,762,410	18,797,636	
Total Noncurrent Assets	487,307	4,788,244	12,032,571	1,762,410	19,070,532	
Total Assets	2,155,316	7,980,302	14,108,723	2,211,212	26,455,553	1,477,081

cont.

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

Exhibit A-8

	Business-type Activities - Enterprise Funds					Governmental Activities
	Liquor Dispensary	Electric Utility	Water Systems Utility	Nonmajor Storm Water Utility	Total	Internal Service Fund
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	264,228	1,042,914	392,976	1,037	1,701,155	51,080
Accrued Payroll Liabilities	9,972	31,775	19,510	332	61,589	61
Accrued Interest Payable			56,100		56,100	
Compensated Absences Payable	15,000	50,000	25,000		90,000	
Due to Other Funds			46,342		46,342	
Due to Other Governments	41,011	81,167	454		122,632	
Customer Deposits		216,056			216,056	
Bonds Payable - Current			406,702		406,702	
Total Current Liabilities	330,211	1,421,912	947,084	1,369	2,700,576	51,141
NONCURRENT LIABILITIES						
Advances from Other Funds			114,579		114,579	
Compensated Absences Payable	55,851	216,111	118,193		390,155	
Revenue Bonds Payable (Net of Discount)			5,530,950		5,530,950	
Net Other Postemployment Benefit Liability	33,800	133,600	83,700		251,100	
Total Noncurrent Liabilities	89,651	349,711	5,847,422		6,286,784	
Total Liabilities	419,862	1,771,623	6,794,506	1,369	8,987,360	51,141
NET POSITION						
Net Investment in Capital Assets	487,307	4,673,665	6,287,941	1,762,410	13,211,323	
Restricted for Capital Project			351,340		351,340	
Unrestricted	1,248,147	1,535,014	674,936	447,433	3,905,530	1,425,940
Total Net Position	\$ 1,735,454	\$ 6,208,679	\$ 7,314,217	\$ 2,209,843	17,468,193	\$ 1,425,940
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					712,970	
Net position of business-type activities					\$ 18,181,163	

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit A-9

	Business-type Activities - Enterprise Funds					Governmental Activities
	Liquor Dispensary	Electric Utility	Water Systems Utility	Nonmajor Storm Water Utility	Total	Internal Service Fund
OPERATING REVENUES						
Sales	\$ 4,561,396	\$	\$	\$	\$ 4,561,396	\$
Cost of Sales	3,470,342				3,470,342	
Gross Profit	1,091,054				1,091,054	
Charges for Services		12,875,567	2,675,453	157,496	15,708,516	598,216
Miscellaneous	1,109	512,358	54,263		567,730	
Total Operating Revenues	1,092,163	13,387,925	2,729,716	157,496	17,367,300	598,216
OPERATING EXPENSES						
Salaries and Wages	295,019	997,576	616,064	26,860	1,935,519	7,064
Employee Benefits and Payroll Taxes	103,435	285,848	190,448	7,065	586,796	1,053
Purchased Power		10,335,845			10,335,845	
Supplies	14,021	76,807	408,000	12,771	511,599	91,405
Utilities	25,399	48,936	265,326	209	339,870	
Other Services and Charges		105,293			105,293	
Repairs and Maintenance	13,988	163,022	217,163	7,509	401,682	41,949
Advertising	51,130				51,130	
Insurance	18,685	65,600	49,390		133,675	390,558
License, Tax, and Other	66,626	298,432	81,071	23,074	469,203	
Depreciation	23,972	382,636	496,420	76,481	979,509	
Total Operating Expenses	612,275	12,759,995	2,323,882	153,969	15,850,121	532,029
Operating Income	479,888	627,930	405,834	3,527	1,517,179	66,187

cont.

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit A-9

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Liquor Dispensary	Electric Utility	Water Systems Utility	Nonmajor Storm Water Utility	
				Total	
NONOPERATING REVENUE (EXPENSE)					
Investment Earnings	4,002	5,542	5,315	1,519	16,378
Gain (Loss) on Disposal of Capital Asset		8,034	(8,478)		(444)
Special Assessments			307,495		307,495
Interest Expense			(131,080)		(131,080)
Total Nonoperating Revenue (Expense)	<u>4,002</u>	<u>13,576</u>	<u>173,252</u>	<u>1,519</u>	<u>5,078</u>
Net Income before Transfers and Contributions	483,890	641,506	579,086	5,046	1,709,528
Capital Contribution			191,000	291,600	482,600
Transfers In					14,117
Transfers Out	<u>(368,277)</u>	<u>(555,200)</u>	<u>(54,100)</u>		<u>(977,577)</u>
Change in Net Position	115,613	86,306	715,986	296,646	65,282
NET POSITION, JANUARY 1	<u>1,619,841</u>	<u>6,122,373</u>	<u>6,598,231</u>	<u>1,913,197</u>	<u>1,360,658</u>
NET POSITION, DECEMBER 31	<u>\$ 1,735,454</u>	<u>\$ 6,208,679</u>	<u>\$ 7,314,217</u>	<u>\$ 2,209,843</u>	<u>\$ 1,425,940</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>32,641</u>	
Change in net position of business-type activities				<u>\$ 1,247,192</u>	

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit A-10

	Business-type Activities - Enterprise Funds					Governmental Activities
	Liquor Dispensary	Electric Utility	Water Systems Utility	Nonmajor Storm Water Utility	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 4,563,605	\$ 13,248,604	\$ 2,706,566	\$ 157,622	\$ 20,676,397	\$
Receipts from Interfund Services Provided						593,402
Payments to Suppliers	(3,718,867)	(11,014,176)	(1,005,417)	(44,700)	(15,783,160)	(478,781)
Payments to Employees	(389,398)	(1,282,988)	(799,777)	(33,996)	(2,506,159)	(8,056)
Net Cash Provided by Operating Activities	<u>455,340</u>	<u>951,440</u>	<u>901,372</u>	<u>78,926</u>	<u>2,387,078</u>	<u>106,565</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Customer Loans Made		(10,077)			(10,077)	
Customer Loans Repayments		50,217			50,217	
Special Assessments Received			12,308		12,308	
Change in Interfund Loans		47,161	(47,161)			711,276
Transfers from Other Funds						14,117
Transfers to Other Funds	(368,277)	(555,200)	(54,100)		(977,577)	(20,100)
Net Cash Used by Noncapital Financing Activities	<u>(368,277)</u>	<u>(467,899)</u>	<u>(88,953)</u>		<u>(925,129)</u>	<u>705,293</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Capital Debt			1,242,913		1,242,913	
Special Assessments Received			173,793		173,793	
Purchase of Capital Assets		(739,466)	(637,519)		(1,376,985)	
Cash with Fiscal Agent			(2,150)		(2,150)	
Payment of Long-Term Debt			(370,290)		(370,290)	
Interest on Long-Term Debt			(125,722)		(125,722)	
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>(739,466)</u>	<u>281,025</u>		<u>(458,441)</u>	

cont.

See Notes to the Financial Statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit A-10

	Business-type Activities - Enterprise Funds					Governmental Activities
	Liquor Dispensary	Electric Utility	Water Systems Utility	Nonmajor Storm Water Utility	Total	Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment Earnings	4,010	6,390	5,619	1,770	17,789	5,310
Net Cash Provided by Investing Activities	4,010	6,390	5,619	1,770	17,789	5,310
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,073	(249,535)	1,099,063	80,696	1,021,297	817,168
CASH AND CASH EQUIVALENTS, JANUARY 1	1,067,565	1,606,722	299,321	354,535	3,328,143	393,944
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,158,638	\$ 1,357,187	\$ 1,398,384	\$ 435,231	\$ 4,349,440	\$ 1,211,112
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income	\$ 479,888	\$ 627,930	\$ 405,834	\$ 3,527	\$ 1,517,179	\$ 66,187
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	23,972	382,636	496,420	76,481	979,509	
Change in:						
Receivables	632	(163,793)	(23,244)	126	(186,279)	(4,814)
Inventory	(51,860)	(3,390)	(15,329)		(70,579)	3,944
Accounts Payable	(6,816)	83,149	30,862	(1,137)	106,058	41,187
Accrued Payroll Liabilities	2,245	5,471	3,426	(71)	11,071	61
Compensated Absences	6,711	(5,535)	3,009		4,185	
Due to Other Governments	468	6,472	94		7,034	
Customer Deposits		18,000			18,000	
Net Other Postemployment Benefit Obligation	100	500	300		900	
Total Adjustments	(24,548)	323,510	495,538	75,399	869,899	40,378
Net Cash Provided by Operating Activities	\$ 455,340	\$ 951,440	\$ 901,372	\$ 78,926	\$ 2,387,078	\$ 106,565
NONCASH CAPITAL ACTIVITIES						
Acquisition of Capital Asset from Capital Contribution	\$	\$	\$ 191,000	\$ 291,600	\$ 482,600	\$
Acquisition of Capital Asset through Accounts Payable			305,111		305,111	

See Notes to the Financial Statements.

**CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - POLICE RELIEF ASSOCIATION RETIREMENT SYSTEM PENSION TRUST FUND
DECEMBER 31, 2013**

Exhibit A-11

ASSETS

Cash and Investments	\$	65,815
Interest Receivable		78
Prepaid Benefits		<u>1,562</u>
Total Assets		<u>67,455</u>

NET POSITION

Held in Trust for Pension Benefits	\$	<u><u>67,455</u></u>
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See Notes to the Financial Statements.

**CITY OF THIEF RIVER FALLS, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - POLICE RELIEF ASSOCIATION RETIREMENT SYSTEM PENSION TRUST FUND
YEAR ENDED DECEMBER 31, 2013**

Exhibit A-12

ADDITIONS

Contributions: Employer	\$ 5,389
Investment Earnings	<u>269</u>
Total Additions	<u>5,658</u>

DEDUCTIONS

Benefits	<u>21,880</u>
Total Deductions	<u>21,880</u>
Change in Net Position	(16,222)
NET POSITION, JANUARY 1	<u>83,677</u>
NET POSITION, DECEMBER 31	<u>\$ 67,455</u>

See Notes to the Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Thief River Falls was incorporated June 1, 1874, and is a fourth class statutory city under Minnesota Statutes with a Council-Mayor form of government.

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's ***Codification of Governmental Accounting and Financial Reporting Standards*** (GASB Codification). The City's significant accounting policies are described below.

A. Financial Reporting Entity

The City of Thief River Falls was organized November 4, 1896, pursuant to 1895 Minnesota Laws, Chapter 8. The City became an optional Plan A statutory city pursuant to 1973 Minnesota Laws, Article II, Section 4, effective January 1, 1975. The City operates under a Mayor-Council form of government and provides the following services authorized by Statute: public safety (police and fire), highways and streets, sanitation, electric, water and wastewater utilities, culture and recreation, municipal liquor dispensary, planning and zoning, and general administrative services. The City is located in Northwestern Minnesota with a population of approximately 8,636.

For financial reporting purposes, the City of Thief River Falls primary government includes all funds, elected officials, departments, boards, commissions, and authorities that make up the City's legal entity.

Component units are legally separated entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants which purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *CDAB revolving loan fund* accounts for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

The *Greenwood Street underpass project fund* accounts for financial resources to be used for construction of the Greenwood Street underpass and roundabout.

The government reports the following major proprietary funds:

The *liquor dispensary fund* is used to account for revenues and expenses to operate the municipal liquor store.

The *electric utility fund* is used to account for revenues and expenses to operate the electrical services to the City's residents.

The *water systems utility fund* is used to account for revenues and expenses to operate the water and wastewater services to the City's residents.

Additionally, the government reports the following fund types:

The *internal service fund* account for inter-departmental distribution for services provided to other departments or funds, on a cost reimbursement basis.

The *fiduciary fund* is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs.

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.

**CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund.

E. 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 investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

F. Fiscal Agent

The City Council has authorized the Northwest Minnesota Multi-County Housing and Redevelopment Authority to administer the SCDP projects. The Northwest Minnesota Multi-County Housing and Redevelopment Authority's fiscal year ends June 30th. Included in the Due from Other Governments is the cash held by Northwest Minnesota Multi-County Housing and Redevelopment Authority of \$129,998.

G. Investments

The cash balances of substantially all funds are pooled and deposited by the Finance Director for the purpose of operating activities. Excess cash deposits are invested by individual funds for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Investment earnings on cash and pooled investments are allocated to funds with deposits. Pooled investment earnings for 2013 were \$34,440.

H. Accounts Receivable

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.

I. Revenue Recognition – Electric and Water

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. The City maintains 30 meter books. Meters are read between the 21st of the previous month and 19th of the current month. Invoices are mailed on the 1st of the month and are due on the 10th.

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

J. Property Taxes

Property taxes are set by the city council in December each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the City. Such taxes become receivables of the City as of January 1.

Property taxes are payable in equal installments by property owners to the county as follows: Personal Property - February 28 and June 30; and Real Property - May 15 and October 15. The county remits the collections to the City and other taxing districts three times a year, in January, June, and November.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. The receivable is fully offset by an allowance for delinquent taxes as it is not available to finance current expenditures.

K. Special Assessments Receivable

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.

Deferred - assessment installments that will be billed to property owners in future years.

Special assessments receivables not expected to be collected within one year are \$984,000.

L. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances from/to other funds" (the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

M. Inventories

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used. All inventories are valued at cost using the first-in/first-out (FIFO) method.

N. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, improvements other than buildings (which includes infrastructure), and machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure 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 one year, except land and construction in progress which are capitalized regardless of cost. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40-75
Buildings and improvements	25-50
Improvements other than buildings	10-20
Machinery and equipment	5-10

O. 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.

P. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Q. Sales Tax

Sales taxes collected from customers and remitted to taxing authorities are excluded from revenues and cost of sales, respectively.

R. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

S. Deferred Outflows/Inflows of Resources

In additions of assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

The City has one of which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, and state-aid advances. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

For the year ended December 31, 2013, the City implemented GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

T. Fund Balance

The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Nonspendable - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - consists of amounts a government intends to use for a specific purpose. These constraints are established by the Council and/or management. The Council delegates the power to assign fund balances to the City Administrator and Finance Officer, jointly.

Unassigned – consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use 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.

The City will strive to maintain a minimum unassigned general fund balance of 35% of the annual budget.

U. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital asset, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

V. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

NOTE 2. DEFICIT FUND BALANCES

The 2016 Greenwood Street realignment fund had a deficit fund balance of \$3,366 as of December 31, 2013. The deficit is expected to be eliminated through future revenues or transfers from the general fund.

NOTE 3. LEGAL COMPLIANCE-BUDGETS

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.

By September 15 of each year, the city council drafts a preliminary budget. Public hearings are held if required. The final budget is approved by December 20 and a certified levy is sent to Pennington County.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservation of fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Legal debt obligation indentures determine the appropriate level of debt service tax levies for the debt service funds. Supplementary budgets are adopted for the proprietary funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operations and capital maintenance and are not reflected in the financial statements. The City does not adopt a budget for the special revenue funds.

The legal level of budgetary control is at the department level for the general fund and the fund level for other funds. Monitoring of budgets is maintained at the expenditure category level (i.e., salary and wages, payroll taxes and fringe benefits, supplies purchased, services purchased, other charges, and capital outlay) within each program. All amounts over budget have been approved by the city council through the disbursement process.

NOTE 4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2013, expenditures exceeded appropriations by \$6,696 in the general fund. The over expenditures were funded by greater than expected revenue.

NOTE 5. DEPOSITS AND INVESTMENTS

The pooled cash and investments account is comprised of the following:

Cash and Investments	
Governmental Funds	\$ 5,481,176
Proprietary Funds	5,560,552
Fiduciary Funds	65,815
	<u>\$ 11,107,543</u>
Deposits	
Cash, Checking, Certificates of Deposits, and Change Funds	\$ 7,742,612
Investments	3,364,931
	<u>\$ 11,107,543</u>

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

As of December 31, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
External Investment Pool - 4M Fund		\$ 2,376,562
Federal National Mortgage Association	11/15/2022	216,927
Federal National Mortgage Association	12/13/2023	578,336
Federal National Mortgage Association	11/21/2024	193,106
		<u>\$ 3,364,931</u>

The 4-M Fund is regulated under the guidelines of Minnesota State Statutes Section 118A and investments are managed in accordance with SEC regulation 2A7. The fair value of the position in the 4-M Plus Fund is the same as the value of the pool shares.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The City may invest idle funds as authorized in Minnesota Statutes, as follows:

- a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

As of December 31, 2013, the City's investments in the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation were rated AA+ by Standard & Poor's and AAA by Moody's Investor Service.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in the Federal National Mortgage Association. This investment is 29.4% of the City's total investments.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy for custodial credit risk. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the city council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of December 31, 2013, the City was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the 4-M Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

NOTE 6. NOTES RECEIVABLE

The City has various notes receivable from individuals and organizations at December 31, 2013, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
CDAB Revolving Loan Fund - Economic Development Loans	2014 - 2022	0.0 – 4.00%	\$1,313,333
Revolving Capital Outlay Fund – Development Loan	2014 - 2022	3.5%	<u>384,170</u>
			<u>\$1,697,503</u>

The provision for uncollectible was \$112,172.

NOTE 7. LOAN RECEIVABLE

The City has various loan receivables from individuals and organizations at December 31, 2013, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
Electric Utility Fund - Dual Heat Loans	2014 – 2018	0.0 – 5.00%	\$36,451

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

NOTE 8. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 613,565	\$	\$	\$ 613,565
Construction In Progress	3,575,187	133,149	3,567,842	140,494
Total Capital Assets, not being depreciated	4,188,752	133,149	3,567,842	754,059
Capital Assets, being depreciated:				
Buildings and Improvements	17,811,803	1,201,716		19,013,519
Improvements Other Than Buildings	15,652,918	5,285,262		20,938,180
Machinery and Equipment	3,920,668	495,651	73,941	4,342,378
Total Capital Assets, being depreciated	37,385,389	6,982,629	73,941	44,294,077
Less Accumulated Depreciation for:				
Buildings and Improvements	5,353,318	443,159		5,796,477
Improvements Other Than Buildings	5,525,994	522,296		6,048,290
Machinery and Equipment	3,127,852	249,189	63,065	3,313,976
Total Accumulated Depreciation	14,007,164	1,214,644	63,065	15,158,743
Total Capital Assets, being depreciated, net	23,378,225	5,767,985	10,876	29,135,334
Governmental Activities Capital Assets, net	\$ 27,566,977	\$ 5,901,134	\$ 3,578,718	\$ 29,889,393
<u>Business-type Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 425,232	\$	\$	\$ 425,232
Construction in Progress	75,807	957,044		1,032,851
Total Capital Assets, not being depreciated	501,039	957,044		1,458,083
Capital Assets, being depreciated:				
Buildings and Improvements	7,460,930			7,460,930
Improvements Other Than Buildings	32,784,597	1,084,549		33,869,146
Machinery and Equipment	4,796,054	148,103	167,184	4,776,973
Total Capital Assets, being depreciated	45,041,581	1,232,652	167,184	46,107,049
Less Accumulated Depreciation for:				
Buildings and Improvements	3,585,959	153,106		3,739,065
Improvements Other Than Buildings	20,301,703	685,534		20,987,237
Machinery and Equipment	4,042,064	140,869	141,739	4,041,194
Total Accumulated Depreciation	27,929,726	979,509	141,739	28,767,496
Total Capital Assets, being depreciated, net	17,111,855	253,143	25,445	17,339,553
Business-type Activities Capital Assets, net	\$ 17,612,894	\$ 1,210,187	\$ 25,445	\$ 18,797,636

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Governmental	\$ 62,108
Public Safety	111,583
Streets and Sanitation, including Depreciation of General Infrastructure Assets	576,867
Culture and Recreation	464,086
Total Depreciation Expense – Governmental Activities	<u>\$1,214,644</u>
Business-type Activities:	
Liquor Dispensary	\$ 23,972
Electric Utility	382,636
Water Systems Utility	496,420
Storm Water Utility	76,481
Total Depreciation Expense – Business-type Activities	<u>\$ 979,509</u>

NOTE 9. LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$4,240,000. During the year general obligation bonds totaling 1,950,000 were issued to finance a construction project.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligations issued for General Government are payable from the debt service funds primarily through special assessments and property taxes levied and collected. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0.5 to 4.38%	\$3,515,000

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

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 205,000	\$ 57,557
2015	225,000	71,743
2016	230,000	68,565
2017	240,000	65,020
2018	240,000	61,161
2019-2023	1,290,000	232,819
2024-2028	945,000	79,902
2029	140,000	2,065
	<u>\$ 3,515,000</u>	<u>\$ 638,832</u>

Revenue Bonds. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of general obligation revenue bonds issued in prior years was \$7,385,525. During the year general obligation revenue bonds totaling \$1,235,000 were issued to finance utility improvements. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	3.63 to 3.88%	\$875,000
Business-type Activities	.5 to 4.20%	3,332,753
Business-type Activities – Refunding	2.00 to 3.2%	2,660,000

Revenue bonds payable for governmental activities and business-type activities are presented in the financial statements net of bond discount of \$10,579 and \$55,101, respectively.

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 160,000	\$ 29,518	\$ 406,702	\$ 139,048
2015	170,000	23,537	478,155	141,936
2016	175,000	17,285	499,648	132,071
2017	180,000	10,739	511,184	121,797
2018	190,000	3,682	517,763	110,355
2018-2022			2,524,301	349,790
2023-2027			880,000	99,639
2028-2030			175,000	5,034
	<u>\$ 875,000</u>	<u>\$ 84,761</u>	<u>\$ 5,992,753</u>	<u>\$ 1,099,670</u>

Other Long-term Obligations. The City entered into a note with the City of Red Lake Falls for \$225,000.

Notes payable and capital lease currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0.0 %	\$ 8,333

Annual debt service requirements to maturity for other long-term obligations are as follows:

Year Ending December 31	Governmental Activities Principal
2014	\$ 8,333

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds Payable					
G.O. Bonds	\$ 1,740,000	\$ 1,950,000	\$ 175,000	\$ 3,515,000	\$ 205,000
G.O. State-Aid Street Bonds	1,030,000		155,000	875,000	160,000
Less: Deferred Amounts on Premium (Discounts)	(24,665)	12,396	(1,690)	(10,579)	(2,379)
Total Bonds Payable	<u>2,745,335</u>	<u>1,962,396</u>	<u>328,310</u>	<u>4,379,421</u>	<u>362,621</u>
Other Long-term Obligations					
Notes Payable	<u>33,333</u>		<u>25,000</u>	<u>8,333</u>	<u>8,333</u>
Total Other Long-term Obligations	<u>33,333</u>		<u>25,000</u>	<u>8,333</u>	<u>8,333</u>
Compensated Absences	<u>700,698</u>	<u>340,257</u>	<u>354,971</u>	<u>685,984</u>	<u>161,000</u>
Governmental Activity Long-term Liabilities	<u>\$ 3,479,366</u>	<u>\$ 2,302,653</u>	<u>\$ 708,281</u>	<u>\$ 5,073,738</u>	<u>\$ 531,954</u>
<u>Business-type Activities</u>					
Bonds Payable					
Revenue Bonds	\$ 5,128,043	\$ 1,235,000	\$ 370,290	\$ 5,992,753	\$ 406,702
Less: Deferred Amounts on Premium (Discounts)	(68,672)	7,913	(5,658)	(55,101)	
Total Bonds Payable	<u>5,059,371</u>	<u>1,242,913</u>	<u>364,632</u>	<u>5,937,652</u>	<u>406,702</u>
Compensated Absences	<u>475,970</u>	<u>188,094</u>	<u>183,909</u>	<u>480,155</u>	<u>90,000</u>
Business-type Activity Long-term Liabilities	<u>\$ 5,535,341</u>	<u>\$ 1,431,007</u>	<u>\$ 548,541</u>	<u>\$ 6,417,807</u>	<u>\$ 496,702</u>

In the governmental activities, compensated absences are generally liquidated by the general fund.

See the Schedule of Indebtedness for detail and payment provisions.

NOTE 10. JOINT VENTURES

Multi-Events Center

A Joint Powers Board was formed in the fall of 1995 for the purpose of coordinating the funding, design, and development of a Multi-Events Center. The current members of the Joint Powers Board are the City of Thief River Falls, Pennington County, School District No. 564, and Northland Community & 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. Phases 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, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013**

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.

NOTE 11. 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 in Thief River Falls, Minnesota.

NOTE 12. EMPLOYEE FLEXIBLE BENEFIT PLAN

The City has an IRS Section 125 Flexible Benefit Plan to enable City employees to use pre-tax dollars for certain health related expenses. The City's plan is administered by a private business firm which issues the expense reimbursement checks and is responsible for compliance with all IRS regulations.

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through the City's collective bargaining agreements with employee groups. At December 31, 2013, 36 retired employees and spouses were eligible to participate. In as much as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

Funding Policy. Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The City provides postemployment healthcare benefits to qualifying retirees in the amount of \$100 per month with a maximum of 60 months of contributions. The City was able to grandfather this postemployment benefit out of all the City's collective bargaining agreements for future hires.

The City may contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2013, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$134,165 {\$18,007 City paid premiums and \$116,158 implicit subsidy}. These costs are recognized as an expense when claims or premiums are paid.

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

Annual OPEB Cost and Net OPEB Obligation. For 2013, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Plan were as follows:

	2013
Annual Required Contribution	\$ 156,105
Interest on Net OPEB Obligation	40,920
Adjustment to Annual Required Contribution	(59,160)
Annual OPEB cost	137,865
Contributions or Payments Made	(134,165)
Increase in Net OPEB Obligation	3,700
Net OPEB Obligation, Beginning of Year	1,023,000
Net OPEB Obligation, End of Year	\$ 1,026,700

Percentage of Annual OPEB Cost Contributed 97%

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 137,865	\$ 134,165	97 %	\$ 1,026,700
12/31/2012	137,760	121,560	88	1,023,000
12/31/2011	137,158	109,358	80	1,006,800
12/31/2010	494,100	201,000	41	979,000
12/31/2009	499,700	182,900	37	685,900

Funded Status and Funding Progress. The funded status of the Plan as of January 1, 2011, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 1,473,348
Actuarial Value of Assets	
Unfunded AAL (UAAL)	\$ 1,473,348
Funded Ratio	0%
Covered Payroll	\$ 4,687,712
UAAL as % of Covered Payroll	31%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs, trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the City and plan members. 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, 2011 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 4% 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 4%. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and

**CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013**

are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 5% to 10% for healthcare related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

NOTE 14. DEFINED BENEFIT PENSION PLANS

Substantially all employees of the City are required by state law to belong to the pension plan administered by the Public Employees Retirement Association (PERA), which is administered on a statewide basis.

A. Public Employees Retirement Association

Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of services.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin. The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plan equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. The City of Thief River Falls is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERP members, 7.25% for Coordinated Plan GERP members, and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$263,077, \$257,396, and \$264,425, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012, and 2011 were \$187,199, \$190,056, and \$182,307, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

B. City of Thief River Falls Police Relief Association

Plan Description

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

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

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, 2007, by Van Iwaarden Associates. The City's tax levies to the Police Relief Association for the years ending December 31, 2013, 2012, and 2011, were \$5,389, \$5,389, and \$5,389, respectively.

NOTE 15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2013, is as follows:

Due from / to other funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Inter-Department Distribution*	Greenwood Street Underpass	\$ 236,255
Inter-Department Distribution*	Nonmajor Governmental Fund	2,469
Electric Utility	Water Systems Utility	<u>46,342</u>
Total Due From/To Other Funds		<u>\$ 285,066</u>

* Internal Service Fund

The amount payable to the electric utility fund is the current portion of the interfund loan to the water systems utility fund. The remaining balance is to cover a cash deficit on December 31, 2013 in the funds.

Advance to / from other funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Electric Utility	Water Systems Utility	<u>\$ 114,579</u>

CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

The amount payable to the electric utility fund is a working capital loan. The current portion for the loan is reported as a due from/to other funds.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Liquor Dispensary	\$ 368,277
General	Electric Utility	555,200
General	Water Systems Utility	54,100
General	Inter-Department Distribution*	20,100
General	Nonmajor Governmental Fund	5,718
Greenwood Street Underpass	General	30,000
Nonmajor Governmental Fund	General	328,370
Inter-Department Distribution*	General	14,117
Nonmajor Governmental Fund	Nonmajor Governmental Fund	55,219
Total Transfers		<u>\$ 1,431,101</u>

Transfers are used to: 1) move unrestricted revenues to finance various programs that the government must account for in other funds, and 2) close out two capital project funds.

NOTE 16. CLAIMS AND JUDGMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2013, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 17. COMMITTED CONTRACTS

At December 31, 2013, the City had construction commitments of \$418,621 for the Greenwood Street underpass, \$534,202 for the 2013 Street project, and \$178,052 for the trail project.

NOTE 18. 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, 2013, there was one issue outstanding with a remaining principal balance of \$2,160,000.

NOTE 19. 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.

NOTE 20. NEW PRONOUNCEMENTS

GASB Statement 67, *Financial Reporting for Pension Plans*. The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. GASB 67 is effective for periods beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement—Determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

Management has not yet determined the effect these Statements will have on the City's financial statements.

CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2011	\$	\$ 1,473,348	\$ 1,473,348	0.0 %	\$ 4,687,712	31 %
1/1/2008		4,945,515	4,945,515	0.0	4,426,074	112

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

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**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

Exhibit B-1

	Special Revenue Funds Exhibit B-3	Debt Service Funds Exhibit B-5	Capital Project Funds Exhibit B-7	Total Nonmajor Governmental Funds Exhibit A-3
ASSETS				
Cash and Investments	\$ 439,709	\$ 453,116	\$ 989,488	\$ 1,882,313
Accounts Receivable			1,025	1,025
Interest Receivable	416	393	1,377	2,186
Taxes Receivable - Current		5,672		5,672
Taxes Receivable - Delinquent		2,800		2,800
Special Assessments Receivable				
Delinquent		9,397		9,397
Deferred		632,887	106,042	738,929
Notes Receivable			384,170	384,170
TOTAL ASSETS	\$ 440,125	\$ 1,104,265	\$ 1,482,102	\$ 3,026,492
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 63,782	\$	\$ 3,459	\$ 67,241
Accrued Payroll Liabilities	324			324
Due to Other Funds			2,469	2,469
Total Liabilities	64,106		5,928	70,034
Deferred Inflows of Resources				
Deferred Revenue		645,084	106,042	751,126
Total Deferred Inflows of Resources		645,084	106,042	751,126
Fund Balance				
Restricted for TIF District	93,080			93,080
Restricted for Debt Service		459,181		459,181
Committed for Perpetual Care	156,435			156,435
Assigned for Cemetery	126,504			126,504
Assigned for Capital Project			1,373,498	1,373,498
Unassigned			(3,366)	(3,366)
Total Fund Balance	376,019	459,181	1,370,132	2,205,332
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 440,125	\$ 1,104,265	\$ 1,482,102	\$ 3,026,492

CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit B-2

	Special Revenue Funds Exhibit B-4	Debt Service Funds Exhibit B-6	Capital Project Funds Exhibit B-8	Total Nonmajor Governmental Funds Exhibit A-5
REVENUES				
Property Taxes	\$ 217,648	\$ 100,174	\$	\$ 317,822
Special Assessments		149,133	32,256	181,389
Intergovernmental				
State Aid		189,783		189,783
Charges for Services	48,825			48,825
Miscellaneous				
Contributions	30		30,732	30,762
Investment Earnings	1,435	10,751	15,835	28,021
Other Receipts			67,404	67,404
Total Revenues	<u>267,938</u>	<u>449,841</u>	<u>146,227</u>	<u>864,006</u>
EXPENDITURES				
Current				
General Government	236,960		7,436	244,396
Public Safety			2,378	2,378
Streets and Sanitation			16,223	16,223
Culture and Recreation			5,033	5,033
Debt Service				
Principal		330,000		330,000
Interest		63,388		63,388
Bond and Other Fees		7,042		7,042
Capital Outlay				
General Government			22,531	22,531
Public Safety			257,296	257,296
Streets and Sanitation			924,592	924,592
Total Expenditures	<u>236,960</u>	<u>400,430</u>	<u>1,235,489</u>	<u>1,872,879</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>30,978</u>	<u>49,411</u>	<u>(1,089,262)</u>	<u>(1,008,873)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		9,353	374,236	383,589
Sale of Capital Asset	70,100			70,100
Debt Issued			565,000	565,000
Bond Premium			3,523	3,523
Transfers Out		(45,866)	(15,071)	(60,937)
Total Other Financing Sources (Uses)	<u>70,100</u>	<u>(36,513)</u>	<u>927,688</u>	<u>961,275</u>
NET CHANGE IN FUND BALANCES	101,078	12,898	(161,574)	(47,598)
FUND BALANCE, JANUARY 1	<u>274,941</u>	<u>446,283</u>	<u>1,531,706</u>	<u>2,252,930</u>
FUND BALANCE, DECEMBER 31	<u>\$ 376,019</u>	<u>\$ 459,181</u>	<u>\$ 1,370,132</u>	<u>\$ 2,205,332</u>

CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2013

Exhibit B-3

	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	Greenwood Cemetery	Total Nonmajor Special Revenue Funds
ASSETS									
Cash and Investments	\$ 5,221	\$	\$ 18,511	\$ 14,227	\$ 9,659	\$ 92,965	\$ 14,873	\$ 284,253	\$ 439,709
Interest Receivable	3	4	13	10	6	73	7	300	416
TOTAL ASSETS	<u>\$ 5,224</u>	<u>\$ 4</u>	<u>\$ 18,524</u>	<u>\$ 14,237</u>	<u>\$ 9,665</u>	<u>\$ 93,038</u>	<u>\$ 14,880</u>	<u>\$ 284,553</u>	<u>\$ 440,125</u>
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts Payable	\$ 5,222	\$	\$ 18,509	\$ 14,227	\$ 9,662	\$	\$ 14,872	\$ 1,290	\$ 63,782
Accrued Payroll Liabilities								324	324
Total Liabilities	<u>5,222</u>		<u>18,509</u>	<u>14,227</u>	<u>9,662</u>		<u>14,872</u>	<u>1,614</u>	<u>64,106</u>
Fund Balance									
Restricted for TIF District	2	4	15	10	3	93,038	8		93,080
Committed for Perpetual Care								156,435	156,435
Assigned for Cemetery								126,504	126,504
Total Fund Balance	<u>2</u>	<u>4</u>	<u>15</u>	<u>10</u>	<u>3</u>	<u>93,038</u>	<u>8</u>	<u>282,939</u>	<u>376,019</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,224</u>	<u>\$ 4</u>	<u>\$ 18,524</u>	<u>\$ 14,237</u>	<u>\$ 9,665</u>	<u>\$ 93,038</u>	<u>\$ 14,880</u>	<u>\$ 284,553</u>	<u>\$ 440,125</u>

CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit B-4

	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	Greenwood Cemetery	Total Nonmajor Special Revenue Funds
REVENUES									
Property Taxes	\$ 13,529	\$ 10,499	\$ 54,709	\$ 41,326	\$ 25,734	\$ 38,824	\$ 33,027	\$	\$ 217,648
Charges for Services								48,825	48,825
Miscellaneous									
Contributions								30	30
Investment Earnings	10	13	46	34	20	252	23	1,037	1,435
Total Revenues	<u>13,539</u>	<u>10,512</u>	<u>54,755</u>	<u>41,360</u>	<u>25,754</u>	<u>39,076</u>	<u>33,050</u>	<u>49,892</u>	<u>267,938</u>
EXPENDITURES									
Current									
General Government	13,540	10,513	54,756	41,360	25,755		33,052	57,984	236,960
Total Expenditures	<u>13,540</u>	<u>10,513</u>	<u>54,756</u>	<u>41,360</u>	<u>25,755</u>		<u>33,052</u>	<u>57,984</u>	<u>236,960</u>
REVENUES OVER (UNDER)									
EXPENDITURES	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>		<u>(1)</u>	<u>39,076</u>	<u>(2)</u>	<u>(8,092)</u>	<u>30,978</u>
OTHER FINANCING SOURCES									
Sale of Capital Asset								70,100	70,100
Total Other Financing Sources								<u>70,100</u>	<u>70,100</u>
NET CHANGE IN FUND BALANCES	(1)	(1)	(1)		(1)	39,076	(2)	62,008	101,078
FUND BALANCE, JANUARY 1	<u>3</u>	<u>5</u>	<u>16</u>	<u>10</u>	<u>4</u>	<u>53,962</u>	<u>10</u>	<u>220,931</u>	<u>274,941</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 15</u>	<u>\$ 10</u>	<u>\$ 3</u>	<u>\$ 93,038</u>	<u>\$ 8</u>	<u>\$ 282,939</u>	<u>\$ 376,019</u>

**CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICES FUNDS
DECEMBER 31, 2013**

Exhibit B-5

	<u>2001 Refunding Bonds</u>	<u>2008 State Aid Street Bonds</u>	<u>2011 Improve- ment Bonds</u>	<u>2012 Improve- ment Bonds</u>	<u>2013 Improve- ment Bonds</u>	<u>Total Nonmajor Debt Service Funds</u>
ASSETS						
Cash and Investments	\$ 129,322	\$ 913	\$ 174,981	\$ 132,260	\$ 15,640	\$ 453,116
Interest Receivable	57	1	182	141	12	393
Taxes Receivable - Current	5,672					5,672
Taxes Receivable - Delinquent	2,800					2,800
Special Assessments Receivable						
Delinquent	9,397					9,397
Deferred	1,331		134,497	269,670	227,389	632,887
TOTAL ASSETS	<u>\$ 148,579</u>	<u>\$ 914</u>	<u>\$ 309,660</u>	<u>\$ 402,071</u>	<u>\$ 243,041</u>	<u>\$ 1,104,265</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenue	\$ 13,528	\$	\$ 134,497	\$ 269,670	\$ 227,389	\$ 645,084
Total Deferred Inflows of Resources	<u>13,528</u>		<u>134,497</u>	<u>269,670</u>	<u>227,389</u>	<u>645,084</u>
FUND BALANCE						
Restricted for Debt Service	135,051	914	175,163	132,401	15,652	459,181
Total Fund Balance	<u>135,051</u>	<u>914</u>	<u>175,163</u>	<u>132,401</u>	<u>15,652</u>	<u>459,181</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 148,579</u>	<u>\$ 914</u>	<u>\$ 309,660</u>	<u>\$ 402,071</u>	<u>\$ 243,041</u>	<u>\$ 1,104,265</u>

CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICES FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit B-6

	2001 Refunding Bonds	2008 State Aid Street Bonds	2011 Improve- ment Bonds	2012 Improve- ment Bonds	2013 Improve- ment Bonds	Total Nonmajor Debt Service Funds
REVENUES						
Property Taxes	\$ 100,174	\$	\$	\$	\$	\$ 100,174
Special Assessments	25,105		18,366	44,187	61,475	149,133
Intergovernmental - State Aid		189,783				189,783
Investment Earnings	9,661	5	629	413	43	10,751
Total Revenues	<u>134,940</u>	<u>189,788</u>	<u>18,995</u>	<u>44,600</u>	<u>61,518</u>	<u>449,841</u>
EXPENDITURES						
Principal	135,000	155,000	40,000			330,000
Interest	8,153	34,783	13,500	6,952		63,388
Bond and Other Fees	431	495	366	5,750		7,042
Total Expenditures	<u>143,584</u>	<u>190,278</u>	<u>53,866</u>	<u>12,702</u>		<u>400,430</u>
REVENUES OVER (UNDER) EXPENDITURES	(8,644)	(490)	(34,871)	31,898	61,518	49,411
OTHER FINANCING SOURCES (USES)						
Transfers In				9,353		9,353
Transfers Out					(45,866)	(45,866)
Total Other Financing Sources (Uses)				<u>9,353</u>	<u>(45,866)</u>	<u>(36,513)</u>
NET CHANGE IN FUND BALANCES	(8,644)	(490)	(34,871)	41,251	15,652	12,898
FUND BALANCE, JANUARY 1	<u>143,695</u>	<u>1,404</u>	<u>210,034</u>	<u>91,150</u>		<u>446,283</u>
FUND BALANCE, DECEMBER 31	<u>\$ 135,051</u>	<u>\$ 914</u>	<u>\$ 175,163</u>	<u>\$ 132,401</u>	<u>\$ 15,652</u>	<u>\$ 459,181</u>

**CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2013**

Exhibit B-7

	<u>Revolving Capital Outlay</u>	<u>Swimming Pool</u>	<u>Carnegie Library Restoration</u>	<u>Multi- Events Center</u>	<u>2013 Utility Improve- ment</u>	<u>2016 Greenwood Realignment</u>	<u>Total Nonmajor Capital Project Funds</u>
ASSETS							
Cash and Investments	\$ 723,654	\$ 237,112	\$ 956	\$ 27,766	\$	\$	\$ 989,488
Accounts Receivable			1,025				1,025
Interest Receivable	731	262	19	29	336		1,377
Special Assessments - Deferred	106,042						106,042
Notes Receivable	384,170						384,170
TOTAL ASSETS	<u>\$ 1,214,597</u>	<u>\$ 237,374</u>	<u>\$ 2,000</u>	<u>\$ 27,795</u>	<u>\$ 336</u>	<u>\$</u>	<u>\$ 1,482,102</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 226	\$	\$ 2,000	\$	\$ 336	\$ 897	\$ 3,459
Due to Other Funds						2,469	2,469
Total Liabilities	<u>226</u>		<u>2,000</u>		<u>336</u>	<u>3,366</u>	<u>5,928</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred Revenue	106,042						106,042
Total Deferred Inflows of Resources	<u>106,042</u>						<u>106,042</u>
FUND BALANCE							
Assigned for Capital Project	1,108,329	237,374		27,795			1,373,498
Unassigned						(3,366)	(3,366)
Total Fund Balance	<u>1,108,329</u>	<u>237,374</u>		<u>27,795</u>		<u>(3,366)</u>	<u>1,370,132</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,214,597</u>	<u>\$ 237,374</u>	<u>\$ 2,000</u>	<u>\$ 27,795</u>	<u>\$ 336</u>	<u>\$</u>	<u>\$ 1,482,102</u>

CITY OF THIEF RIVER FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit B-8

	<u>Revolving Capital Outlay</u>	<u>Swimming Pool</u>	<u>Carnegie Library Restoration</u>	<u>Multi- Events Center</u>	<u>2012 Utility Improve- ment</u>	<u>2013 Utility Improve- ment</u>	<u>2016 Greenwood Realignment</u>	<u>Total Nonmajor Capital Project Funds</u>
REVENUES								
Special Assessments	\$ 32,256	\$	\$	\$	\$	\$	\$	\$ 32,256
Miscellaneous								
Contributions			30,732					30,732
Investment Earnings	14,688	905	66	100	76			15,835
Other Receipts			1,025	10,100		56,279		67,404
Total Revenues	<u>46,944</u>	<u>905</u>	<u>31,823</u>	<u>10,200</u>	<u>76</u>	<u>56,279</u>		<u>146,227</u>
EXPENDITURES								
Current								
General Government			7,436					7,436
Public Safety	2,378							2,378
Streets and Sanitation	16,223							16,223
Culture and Recreation				5,033				5,033
Capital Outlay								
General Government			22,531					22,531
Public Safety	257,296							257,296
Streets and Sanitation	146,989				16,296	757,941	3,366	924,592
Total Expenditures	<u>422,886</u>		<u>29,967</u>	<u>5,033</u>	<u>16,296</u>	<u>757,941</u>	<u>3,366</u>	<u>1,235,489</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(375,942)</u>	<u>905</u>	<u>1,856</u>	<u>5,167</u>	<u>(16,220)</u>	<u>(701,662)</u>	<u>(3,366)</u>	<u>(1,089,262)</u>
OTHER FINANCING SOURCES (USES)								
Transfers In	228,370					145,866		374,236
Debt Issued						565,000		565,000
Bond Premium						3,523		3,523
Transfers Out			(5,718)		(9,353)			(15,071)
Total Other Financing Sources (Uses)	<u>228,370</u>		<u>(5,718)</u>		<u>(9,353)</u>	<u>714,389</u>		<u>927,688</u>
NET CHANGE IN FUND BALANCES	<u>(147,572)</u>	<u>905</u>	<u>(3,862)</u>	<u>5,167</u>	<u>(25,573)</u>	<u>12,727</u>	<u>(3,366)</u>	<u>(161,574)</u>
FUND BALANCE, JANUARY 1	<u>1,255,901</u>	<u>236,469</u>	<u>3,862</u>	<u>22,628</u>	<u>25,573</u>	<u>(12,727)</u>		<u>1,531,706</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,108,329</u>	<u>\$ 237,374</u>	<u>\$</u>	<u>\$ 27,795</u>	<u>\$</u>	<u>\$</u>	<u>\$ (3,366)</u>	<u>\$ 1,370,132</u>

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SUPPLEMENTARY SCHEDULES

These supplementary schedules are included to provide management additional information for financial analysis.

**CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF FUND BALANCE OR NET POSITION
YEAR ENDED DECEMBER 31, 2013**

Exhibit B-9

	Beginning Balance	Revenue	Expenditure	Transfer In	Transfer Out	Sale of Capital Asset	Capital Contribution	Bond Issued (Net of Discount)	Ending Balance
Governmental Funds									
General Fund	\$ 2,259,866	\$ 6,950,980	\$ 7,339,977	\$ 1,003,395	\$ 372,487	\$	\$	\$	\$ 2,501,777
Special Revenue Funds									
CDAB Revolving Loan	2,062,155	243,695	223,648						2,082,202
TIF District 1-1	3	13,539	13,540						2
TIF District 1-3	5	10,512	10,513						4
TIF District 1-4	16	54,755	54,756						15
TIF District 1-5	10	41,360	41,360						10
TIF District 1-6	4	25,754	25,755						3
TIF District 1-7	53,962	39,076							93,038
TIF District 1-8	10	33,050	33,052						8
Greenwood Cemetery	220,931	49,892	57,984			70,100			282,939
Total Special Revenue Funds	2,337,096	511,633	460,608			70,100			2,458,221
Debt Service Funds									
2001 Refunding Bonds	143,695	134,940	143,584						135,051
2008 State Aid Street Bonds	1,404	189,788	190,278						914
2011 Improvement Bonds	210,034	18,995	53,866						175,163
2012 Improvement Bonds	91,150	44,600	12,702	9,353					132,401
2013 Improvement Bonds		61,518			45,866				15,652
Total Debt Service Funds	446,283	449,841	400,430	9,353	45,866				459,181
Capital Projects Funds									
Revolving Capital Outlay	1,255,901	46,944	422,886	228,370					1,108,329
Swimming Pool	236,469	905							237,374
Carnegie Library Restoration	3,862	31,823	29,967		5,718				
Multi-Events Center	22,628	10,200	5,033						27,795
2012 Improvement Project	25,573	76	16,296		9,353				
2013 Utility Improvement	(12,727)	56,279	757,941	145,866				568,523	
Greenwood Street Underpass Project	(731,618)	3,857,536	4,516,591	30,000				1,393,873	33,200
2016 Greenwood Realignment			3,366						(3,366)
Total Capital Projects Funds	800,088	4,003,763	5,752,080	404,236	15,071			1,962,396	1,403,332
Total Governmental Funds	5,843,333	11,916,217	13,953,095	1,416,984	433,424	70,100		1,962,396	6,822,511
Proprietary Funds									
Enterprise Funds									
Liquor Dispensary	1,619,841	4,566,507	4,082,617		368,277				1,735,454
Electric Utility	6,122,373	13,401,501	12,759,995		555,200				6,208,679
Water Systems Utility	6,598,231	3,034,048	2,454,962		54,100		191,000		7,314,217
Storm Water Utility	1,913,197	159,015	153,969				291,600		2,209,843
Total Enterprise Funds	16,253,642	21,161,071	19,451,543		977,577		482,600		17,468,193
Internal Service Fund									
Inter-Department Distribution	1,360,658	603,294	532,029	14,117	20,100				1,425,940
Total Proprietary Funds	17,614,300	21,764,365	19,983,572	14,117	997,677		482,600		18,894,133
Total Governmental and Proprietary Funds	\$ 23,457,633	\$ 33,680,582	\$ 33,936,667	\$ 1,431,101	\$ 1,431,101	\$ 70,100	\$ 482,600	\$ 1,962,396	\$ 25,716,644

**CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED DECEMBER 31, 2013**

Exhibit B-10

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 01-01-2013	Issued 2013	Retired 2013	Balance 12-31-2013	Principal Due in 2014	Interest Due in 2014
G.O. Bonds										
G.O. Bonds of 2001	4.38%	2001	2014	2,755,000	\$ 255,000	\$	\$ 135,000	\$ 120,000	\$ 120,000	\$ 2,625
G.O. Bonds of 2011	0.65 - 3.2%	2011	2014/24	690,000	690,000		40,000	650,000	55,000	13,191
G.O. Bonds of 2012	0.5 - 2.1%	2012	2014/25	795,000	795,000			795,000	30,000	10,352
G.O. Bonds of 2013 A	2.0-2.95%	2013	2015/29	1,385,000		1,385,000		1,385,000		22,272
G.O. Bonds of 2013 A	2.0-2.95%	2013	2015/29	795,000		565,000		565,000		9,117
Total General Obligation Bonds					<u>1,740,000</u>	<u>1,950,000</u>	<u>175,000</u>	<u>3,515,000</u>	<u>205,000</u>	<u>57,557</u>
G.O. Revenue Bonds										
G.O. Wastewater Treatment Bonds of 1998	2.79%	1998	2014/19	925,525	383,043		50,290	332,753	51,702	8,926
G.O. Water Revenue Bonds of 2009	2.75 to 4.2%	2009	2014/30	640,000	595,000		25,000	570,000	25,000	20,554
G.O. State-Aid Street Bonds of 2008A	3.63 to 3.89%	2008	2014/18	1,630,000	1,030,000		155,000	875,000	160,000	29,518
G.O. Water Revenue Bonds, Series 2010A	2 to 3.2%	2010	2014/23	3,510,000	3,470,000		285,000	3,185,000	290,000	78,265
G.O. Water Revenue Bonds 2011	0.65 - 3.2%	2011	2014/27	210,000	210,000		10,000	200,000	10,000	4,627
G.O. Water Revenue Bonds 2012	0.5 - 2.2%	2012	2014/28	470,000	470,000			470,000	30,000	6,810
G.O. Water Revenue Bonds 2013A	2.0-2.95%	2013	2015/29	1,235,000		1,235,000		1,235,000		19,866
Total G.O. Revenue Bonds					<u>6,158,043</u>	<u>1,235,000</u>	<u>525,290</u>	<u>6,867,753</u>	<u>566,702</u>	<u>168,566</u>
Other Long-term Obligations										
Notes Payable - City of Red Lake Falls	0.0%	2004	2014	225,000	33,333		25,000	8,333	8,333	
Total Note Payable					<u>33,333</u>		<u>25,000</u>	<u>8,333</u>	<u>8,333</u>	
Total					<u>\$ 7,931,376</u>	<u>\$ 3,185,000</u>	<u>\$ 725,290</u>	<u>\$ 10,391,086</u>	<u>\$ 780,035</u>	<u>\$ 226,123</u>

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STATISTICAL SECTION

This part of the City of Thief River Falls' 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 government's overall financial health.

Contents	Page
Financial Trends	57
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	63
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	68
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	73
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

CITY OF THIEF RIVER FALLS, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Table 1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital										
Assets										
Restricted	\$ 13,788,889	\$ 16,627,455	\$ 17,798,926	\$ 21,656,970	\$ 22,201,668	\$ 22,985,884	\$ 23,182,797	\$ 22,452,913	\$ 24,788,309	\$ 25,501,639
Unrestricted	2,788,556	1,610,654	3,204,526	2,754,361	3,177,016	2,251,266	237,862	582,405	965,044	1,626,963
Total Governmental Activities Net Position	<u>\$ 4,077,909</u>	<u>4,225,296</u>	<u>2,825,669</u>	<u>3,068,978</u>	<u>3,328,476</u>	<u>3,623,457</u>	<u>5,639,102</u>	<u>6,049,790</u>	<u>4,927,390</u>	<u>5,832,203</u>
Total Governmental Activities Net Position	<u>\$ 20,655,354</u>	<u>\$ 22,463,405</u>	<u>\$ 23,829,121</u>	<u>\$ 27,480,309</u>	<u>\$ 28,707,160</u>	<u>\$ 28,860,607</u>	<u>\$ 29,059,761</u>	<u>\$ 29,085,108</u>	<u>\$ 30,680,743</u>	<u>\$ 32,960,805</u>
Business-type Activities										
Net Investment in Capital										
Assets										
Restricted	\$ 20,412,487	\$ 20,254,244	\$ 20,043,061	\$ 21,329,383	\$ 21,818,392	\$ 21,166,640	\$ 21,614,090	\$ 12,740,230	\$ 12,553,523	\$ 13,211,323
Unrestricted	3,648,100	3,769,521	3,688,538	3,656,341	3,216,452	4,109,502	2,864,141	2,811,505	4,380,448	351,340
Total Business-type Activities Net Position	<u>\$ 24,060,587</u>	<u>\$ 24,023,765</u>	<u>\$ 23,731,599</u>	<u>\$ 24,985,724</u>	<u>\$ 25,034,844</u>	<u>\$ 25,276,142</u>	<u>\$ 25,246,035</u>	<u>\$ 17,268,769</u>	<u>\$ 16,933,971</u>	<u>\$ 18,181,163</u>
Total Business-type Activities Net Position	<u>\$ 24,060,587</u>	<u>\$ 24,023,765</u>	<u>\$ 23,731,599</u>	<u>\$ 24,985,724</u>	<u>\$ 25,034,844</u>	<u>\$ 25,276,142</u>	<u>\$ 25,246,035</u>	<u>\$ 17,268,769</u>	<u>\$ 16,933,971</u>	<u>\$ 18,181,163</u>
Primary Government										
Net Investment in Capital										
Assets										
Restricted	\$ 34,201,376	\$ 36,881,699	\$ 37,841,987	\$ 42,986,353	\$ 44,020,060	\$ 44,152,524	\$ 44,796,887	\$ 35,193,143	\$ 37,341,832	\$ 38,712,962
Unrestricted	2,788,556	1,610,654	3,204,526	2,754,361	3,177,016	2,251,266	3,102,003	3,393,910	965,044	1,978,303
Total Primary Government Net Position	<u>\$ 7,726,009</u>	<u>7,994,817</u>	<u>6,514,207</u>	<u>6,725,319</u>	<u>6,544,928</u>	<u>7,732,959</u>	<u>6,406,906</u>	<u>7,766,824</u>	<u>9,307,838</u>	<u>10,450,703</u>
Total Primary Government Net Position	<u>\$ 44,715,941</u>	<u>\$ 46,487,170</u>	<u>\$ 47,560,720</u>	<u>\$ 52,466,033</u>	<u>\$ 53,742,004</u>	<u>\$ 54,136,749</u>	<u>\$ 54,305,796</u>	<u>\$ 46,353,877</u>	<u>\$ 47,614,714</u>	<u>\$ 51,141,968</u>

**CITY OF THIEF RIVER FALLS, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Table 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 ¹	2011	2012	2013
EXPENSES										
Governmental Activities:										
General Government	\$ 874,244	\$ 921,449	\$ 1,314,530	\$ 1,250,085	\$ 1,425,166	\$ 1,369,826	\$ 1,428,138	\$ 1,298,280	\$ 1,553,318	\$ 1,546,092
Public Safety	1,986,602	2,066,642	2,085,784	2,243,552	2,228,669	2,321,143	2,371,514	2,610,266	2,566,561	2,590,016
Streets and Sanitation	1,086,432	895,772	849,504	1,341,802	1,547,142	1,281,558	2,062,252	3,011,296	2,113,160	4,095,631
Culture and Recreation	1,453,149	2,080,076	2,033,291	2,054,538	2,254,305	2,174,876	2,057,967	2,086,941	2,160,416	2,140,719
Economic Development	152,001	138,720	463,243	424,617	387,872	269,582	390,385	740,503	217,618	343,884
Interest on Long-term Debt	237,308	241,331	124,067	101,041	83,272	109,554	82,772	68,469	70,747	67,906
Total Governmental Activities Expenses	5,789,736	6,343,990	6,870,419	7,415,635	7,926,426	7,526,539	8,393,028	9,815,755	8,681,820	10,784,248
Business-type Activities:										
Liquor Dispensary	2,817,039	2,980,680	3,185,450	3,309,389	3,592,991	3,685,485	3,769,294	3,815,258	4,025,774	4,078,467
Water Utility	1,614,742	1,641,173	1,780,474	1,841,839	2,012,129	1,963,180				
Electric Utility	7,340,612	7,487,595	7,642,035	8,198,620	8,612,790	9,041,284	9,969,930	11,974,715	12,340,507	12,742,804
Wastewater Utility	623,089	619,130	627,553	647,903	691,349	743,671				
Sanitation Utility	594,976	641,781	680,508	720,279	739,551	732,457				
Airport	534,632	579,921	840,252	837,853	803,438	770,937	732,007	10,279,332		
Storm Water Utility	122	79,256	112,140	125,826	132,386	124,687	137,326	160,472	186,722	153,968
Water Systems Utility							2,630,700	2,678,518	2,536,838	2,451,686
Total Business-type Activities Expenses	13,525,212	14,029,536	14,868,412	15,681,709	16,584,634	17,061,701	17,239,257	28,908,295	19,089,841	19,426,925
Total Primary Government Expenses	\$ 19,314,948	\$ 20,373,526	\$ 21,738,831	\$ 23,097,344	\$ 24,511,060	\$ 24,588,240	\$ 25,632,285	\$ 38,724,050	\$ 27,771,661	\$ 30,211,173
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services										
General Government	\$ 277,402	\$ 291,391	\$ 292,610	\$ 182,488	\$ 171,836	\$ 190,646	\$ 125,944	\$ 160,709	\$ 195,179	\$ 192,050
Public Safety	211,266	222,504	205,678	273,900	228,100	220,295	231,094	225,001	380,851	330,204
Streets and Sanitation							849,580	934,382	859,450	856,378
Culture and Recreation	630,717	749,182	657,599	742,386	868,541	733,787	702,717	772,106	754,940	719,603
Other Activities	190,717	193,267	134,152	237,709	305,170	229,727	81,887	254,005	82,149	86,491
Operating Grants and Contributions	801,763	809,826	769,921	669,508	487,835	405,936	750,955	682,911	348,422	560,775
Capital Grants and Contributions	757,185	1,360,691	1,028,375	1,797,636	2,879,028	689,249	68,983	1,534,845	1,985,021	4,770,645
Total Governmental Activities Program Revenue	2,869,050	3,626,861	3,088,335	3,903,627	4,940,510	2,469,640	2,811,160	4,563,959	4,606,012	7,516,146
Business-type Activities:										
Charges for Services										
Liquor Dispensary	3,076,658	3,256,268	3,485,834	3,633,872	3,958,940	4,054,881	4,132,681	4,216,697	4,482,994	4,562,505
Water Utility	1,455,624	1,448,558	1,552,233	1,549,500	1,598,034	1,677,589				
Electric Utility	7,335,465	7,799,018	8,144,272	8,236,616	8,951,395	10,029,879	10,580,571	12,262,023	12,382,669	13,387,925
Wastewater Utility	519,425	518,556	522,245	530,422	552,658	545,826				
Sanitation Utility	675,220	684,769	731,020	731,281	758,266	762,659				

cont.

CITY OF THIEF RIVER FALLS, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Table 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 ¹	2011	2012	2013
Airport	150,384	155,501	156,394	161,263	162,994	152,711	153,059	8,788		
Storm Water Utility	61,458	148,929	151,737	154,618	154,740	157,146	157,835	156,336	159,061	157,496
Water Systems Utility							2,286,949	2,422,943	2,645,171	2,729,716
Operating Grants and Contributions	83,451	64,738	225,014	673,861	125,082	140,882	181,061	19,797		
Capital Grants and Contributions	539,741	305,424					907,743	2,467,050		307,495
Total Business-type Activities										
Program Revenue	13,897,426	14,381,761	14,968,749	15,671,433	16,262,109	17,521,573	18,399,899	21,553,634	19,669,895	21,145,137
Total Primary Government Program Revenues	\$ 16,766,476	\$ 18,008,622	\$ 18,057,084	\$ 19,575,060	\$ 21,202,619	\$ 19,991,213	\$ 21,211,059	\$ 26,117,593	\$ 24,275,907	\$ 28,661,283
Net (Expense) / Revenue										
Governmental Activities	\$ (2,920,686)	\$ (2,717,129)	\$ (3,782,084)	\$ (3,512,008)	\$ (2,985,916)	\$ (5,056,899)	\$ (5,581,868)	\$ (5,251,796)	\$ (4,075,808)	\$ (3,268,102)
Business-type Activities	372,214	352,225	100,337	(10,276)	(322,525)	459,872	1,160,642	(7,355,661)	580,054	1,718,212
Total Primary Government Net (Expense) / Revenue	\$ (2,548,472)	\$ (2,364,904)	\$ (3,681,747)	\$ (3,522,284)	\$ (3,308,441)	\$ (4,597,027)	\$ (4,421,226)	\$ (12,607,457)	\$ (3,495,754)	\$ (1,549,890)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities:										
Taxes										
Property Taxes	\$ 1,625,875	\$ 1,666,860	\$ 1,650,906	\$ 1,654,233	\$ 1,602,798	\$ 1,571,788	\$ 1,597,409	\$ 1,564,852	\$ 1,750,669	\$ 1,765,186
Taxes- Lodging										128,632
Franchise Fees	102,216	104,387	104,734	108,449	113,444	115,664	114,454	122,133	121,140	132,719
Unrestricted State Aid	2,028,218	2,202,420	2,369,450	2,535,825	2,460,664	2,951,529	2,646,152	2,649,976	2,630,629	2,630,076
Unrestricted Investment Earnings	58,688	94,832	249,680	287,467	268,552	135,425	112,185	151,147	132,939	106,664
Gain on Sale of Capital Assets			28,000			35,850	33,201	40,000	28,700	70,100
Other General Revenue			37,091	36,532	17,928	131,019	26,985	38,575	40,889	216,819
Transfers	507,850	456,681	485,620	(1,095,331)	(250,619)	269,071	1,149,695	710,460	966,477	497,968
Extraordinary Item			700,000							
Total Governmental Activities	4,322,847	4,525,180	5,625,481	3,527,175	4,212,767	5,210,346	5,680,081	5,277,143	5,671,443	5,548,164
Business-type Activities:										
Unrestricted Investment Earnings	88,889	67,634	168,970	176,588	121,026	50,497	59,887	88,855	51,625	18,914
Gain on Sale of Capital Assets				(7,518)						8,034
Transfers	(507,850)	(456,681)	(485,620)	1,095,331	250,619	(269,071)	(1,149,695)	(710,460)	(966,477)	(497,968)
Total Business-type Activities	(418,961)	(389,047)	(316,650)	1,264,401	371,645	(218,574)	(1,089,808)	(621,605)	(914,852)	(471,020)
Total Primary Government	\$ 3,903,886	\$ 4,136,133	\$ 5,308,831	\$ 4,791,576	\$ 4,584,412	\$ 4,991,772	\$ 4,590,273	\$ 4,655,538	\$ 4,756,591	\$ 5,077,144
CHANGE IN NET POSITION										
Governmental Activities	\$ 1,402,161	\$ 1,808,051	\$ 1,843,397	\$ 15,167	\$ 1,226,851	\$ 153,447	\$ 98,213	\$ 25,347	\$ 1,595,635	\$ 2,280,062
Business-type Activities	(46,747)	(36,822)	(216,313)	1,254,125	49,120	241,298	70,834	(7,977,266)	(334,798)	1,247,192
Total Primary Government	\$ 1,355,414	\$ 1,771,229	\$ 1,627,084	\$ 1,269,292	\$ 1,275,971	\$ 394,745	\$ 169,047	\$ (7,951,919)	\$ 1,260,837	\$ 3,527,254

¹Effective January 1, 2010 the City combined the Water and Wastewater Funds into the Water Systems Fund; and combined the Sanitation Fund into the General

**CITY OF THIEF RIVER FALLS, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Table 3

Fiscal Year	Property Tax	Lodging Tax	Franchise Tax		Total
			Cable	Gas	
2004	\$ 1,625,875	\$	\$ 36,069	\$ 66,147	\$ 1,728,091
2005	1,666,860		38,081	66,306	1,771,247
2006	1,650,906		40,003	64,731	1,755,640
2007	1,654,233		43,350	65,098	1,762,681
2008	1,602,798		46,155	67,289	1,716,242
2009	1,571,788		49,957	65,707	1,687,452
2010	1,597,409		53,298	61,156	1,711,863
2011	1,564,852		55,460	66,673	1,686,985
2012	1,750,669		58,204	62,936	1,871,809
2013	1,765,186	128,632	63,300	69,419	2,026,537

**CITY OF THIEF RIVER FALLS, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Table 4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable								\$ 3,060	\$	
Committed								36,830		
Assigned								29,982	19,504	19,504
Unassigned								1,958,088	2,240,362	2,482,273
Total General Fund								<u>\$ 2,027,960</u>	<u>\$ 2,259,866</u>	<u>\$ 2,501,777</u>
All Other Governmental Funds										
Restricted								\$ 372,362	\$ 500,293	\$ 552,261
Committed								2,180,287	2,214,960	2,238,637
Assigned								2,119,781	1,612,559	1,533,202
Unassigned								(4,399)	(744,345)	(3,366)
Total All Other Governmental Funds								<u>\$ 4,668,031</u>	<u>\$ 3,583,467</u>	<u>\$ 4,320,734</u>
General Fund										
Reserved	\$ 112,107	\$ 159,856	\$ 168,451	\$ 153,689	\$ 166,642	\$ 165,847	\$ 51,506			
Unreserved	<u>1,601,813</u>	<u>1,744,605</u>	<u>1,140,046</u>	<u>1,436,336</u>	<u>1,175,648</u>	<u>1,525,515</u>	<u>1,715,703</u>			
Total General Fund	<u>\$ 1,713,920</u>	<u>\$ 1,904,461</u>	<u>\$ 1,308,497</u>	<u>\$ 1,590,025</u>	<u>\$ 1,342,290</u>	<u>\$ 1,691,362</u>	<u>\$ 1,767,209</u>			
All Other Governmental Funds										
Reserved	\$ 2,491,733	\$ 855,587	\$ 1,674,664	\$ 1,573,235	\$ 1,698,297	\$ 1,870,640	\$ 1,687,268			
Unreserved, reported in:										
Special Revenue Funds	465,942	1,925,573	2,086,446	2,345,413	2,192,243	2,025,581	2,482,085			
Capital Projects Funds	<u>3,669</u>	<u>(16,946)</u>	<u>(1,088)</u>	<u>(628,307)</u>	<u>1,036,590</u>		<u>24,243</u>			
Total All Other Governmental Funds	<u>\$ 2,961,344</u>	<u>\$ 2,764,214</u>	<u>\$ 3,760,022</u>	<u>\$ 3,290,341</u>	<u>\$ 4,927,130</u>	<u>\$ 3,896,221</u>	<u>\$ 4,193,596</u>			

**CITY OF THIEF RIVER FALLS, MINNESOTA
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Table 5

	2004	2005	2006	2007	2008	2009	2010 ¹	2011	2012	2013
REVENUE										
Taxes	\$ 1,728,091	\$ 1,771,247	\$ 1,755,640	\$ 1,762,681	\$ 1,716,242	\$ 1,687,453	\$ 1,711,863	\$ 1,686,986	\$ 1,871,810	\$ 2,026,538
Special Assessments	387,894	256,888	458,832	912,502	915,244	211,406	136,526	232,315	229,687	236,376
Licenses and Permits	111,924	150,305	138,895	107,619	109,965	101,073	132,423	113,706	278,985	202,251
Intergovernmental	2,858,324	2,848,633	3,364,099	3,789,912	4,257,263	4,463,938	3,181,709	4,078,810	4,153,368	7,112,388
Charges for Services	992,745	1,163,771	1,093,567	1,140,915	1,290,281	1,088,827	1,774,318	1,955,365	1,879,514	1,863,821
Fines and Forfeitures	66,075	63,607	57,577	66,636	53,720	44,363	44,848	47,412	45,163	46,441
Miscellaneous										
Contributions	372,102	303,093	214,606	313,906	174,324	124,288	283,540	522,073	434,253	47,337
Investment Earnings	53,157	73,638	197,876	240,503	239,216	121,175	118,035	147,165	122,332	94,154
Other Receipts	95,908	909,419	37,091	93,363	77,493	395,143	19,424	208,959	48,981	286,911
Total Revenue	<u>6,666,220</u>	<u>7,540,601</u>	<u>7,318,183</u>	<u>8,428,037</u>	<u>8,833,748</u>	<u>8,237,666</u>	<u>7,402,686</u>	<u>8,992,791</u>	<u>9,064,093</u>	<u>11,916,217</u>
EXPENDITURES										
General Government	790,615	781,666	1,249,410	1,189,792	1,190,900	1,176,110	1,238,417	1,323,743	1,487,807	1,465,606
Public Safety	1,943,328	1,926,278	1,994,050	2,096,658	2,137,877	2,187,310	2,247,566	2,347,102	2,424,496	2,475,938
Streets and Sanitation	652,310	741,021	719,021	747,973	770,474	827,819	1,499,503	1,533,169	1,586,731	1,619,869
Culture and Recreation	1,390,625	1,585,569	1,543,892	1,567,384	1,720,531	1,664,276	1,564,335	1,654,288	1,667,713	1,689,873
Economic Development	152,001	138,720	462,638	421,951	380,925	265,757	382,086	740,808	207,861	367,004
Other										
Debt Service										
Principal	1,168,574	771,134	796,323	696,734	502,378	523,264	694,885	341,544	351,500	355,000
Interest	237,308	241,331	133,067	103,241	75,572	117,655	96,064	70,472	69,557	64,818
Bond and Other Fees			2,369	2,368	1,931	1,606	856	856	1,171	7,042
Capital Outlay	<u>1,446,701</u>	<u>1,612,353</u>	<u>1,370,089</u>	<u>2,409,354</u>	<u>2,924,442</u>	<u>2,707,327</u>	<u>488,648</u>	<u>1,914,368</u>	<u>3,899,757</u>	<u>5,907,945</u>
Total Expenditures	<u>7,781,462</u>	<u>7,798,072</u>	<u>8,270,859</u>	<u>9,235,455</u>	<u>9,705,030</u>	<u>9,471,124</u>	<u>8,212,360</u>	<u>9,926,350</u>	<u>11,696,593</u>	<u>13,953,095</u>
Revenues Over (Under) Expenditures	(1,115,242)	(257,471)	(952,676)	(807,418)	(871,282)	(1,233,458)	(809,674)	(933,559)	(2,632,500)	(2,036,878)
OTHER FINANCING SOURCES (USES)										
Transfers In	1,071,225	725,070	2,293,491	1,104,622	1,780,690	1,251,379	1,884,671	1,377,808	1,350,412	1,416,984
Transfers Out	(598,352)	(474,188)	(979,744)	(598,401)	(1,140,334)	(699,758)	(734,976)	(390,063)	(383,935)	(433,424)
Sale of Capital Asset							33,201		28,700	70,100
Lease/Bond Sale Proceeds	<u>340,000</u>			<u>113,044</u>	<u>1,619,980</u>			<u>681,000</u>	<u>784,665</u>	<u>1,962,396</u>
Total Other Financing Sources (Uses)	<u>812,873</u>	<u>250,882</u>	<u>1,313,747</u>	<u>619,265</u>	<u>2,260,336</u>	<u>551,621</u>	<u>1,182,896</u>	<u>1,668,745</u>	<u>1,779,842</u>	<u>3,016,056</u>
Net Change In Fund Balances	<u>\$ (302,369)</u>	<u>\$ (6,589)</u>	<u>\$ 361,071</u>	<u>\$ (188,153)</u>	<u>\$ 1,389,054</u>	<u>\$ (681,837)</u>	<u>\$ 373,222</u>	<u>\$ 735,186</u>	<u>\$ (852,658)</u>	<u>\$ 979,178</u>
Debt Service as a percentage of Noncapital Expenditures	29%	20%	16%	13%	9%	10%	11%	5%	6%	4%

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

**CITY OF THIEF RIVER FALLS, MINNESOTA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Table 6

Fiscal Year	Property Tax		Lodging Tax		Franchise Tax		Total
					Cable	Gas	
2004	\$	1,625,875	\$		\$ 36,069	\$ 66,147	\$ 1,728,091
2005		1,666,860			38,081	66,306	1,771,247
2006		1,650,906			40,003	64,731	1,755,640
2007		1,654,233			43,350	65,098	1,762,681
2008		1,602,798			46,155	67,289	1,716,242
2009		1,571,789			49,957	65,707	1,687,453
2010		1,597,409			53,298	61,156	1,711,863
2011		1,564,853			55,460	66,673	1,686,986
2012		1,750,670			58,204	62,936	1,871,810
2013		1,765,187		128,632	63,300	69,419	2,026,538

CITY OF THIEF RIVER FALLS, MINNESOTA
ASSESSED TAX CAPACITY AND ESTIMATED MARKET VALUE OF ALL TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table 7

Fiscal Year Ended December 31	Real Property		Personal Property		Total		Tax Capacity as a Percentage of Estimated Market Value
	Assessed Tax Capacity	Estimated Market Value	Assessed Tax Capacity	Estimated Market Value	Assessed Tax Capacity	Estimated Market Value	
2004	2,405,554	210,261,600	64,183	3,466,800	2,469,737	213,728,400	1.16
2005	2,548,327	224,716,700	68,118	3,652,700	2,616,445	228,369,400	1.15
2006	2,704,217	240,591,500	62,118	3,353,400	2,766,335	243,944,900	1.13
2007	2,896,671	255,002,400	64,426	3,482,200	2,961,097	258,484,600	1.15
2008	3,293,479	293,021,800	60,787	3,303,700	3,354,266	296,325,500	1.13
2009	3,541,387	314,974,400	57,686	3,124,300	3,599,073	318,098,700	1.13
2010	3,604,785	320,208,800	57,338	3,112,900	3,662,123	323,321,700	1.13
2011	3,823,002	329,725,500	57,358	3,051,000	3,880,360	332,776,500	1.17
2012	3,353,671	337,303,800	60,739	3,220,100	3,414,410	340,523,900	1.00
2013	3,623,535	363,005,300	61,053	3,239,000	3,684,588	366,244,300	1.01

Source: Pennington County Auditor

**CITY OF THIEF RIVER FALLS, MINNESOTA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Table 8

Fiscal Year	City	Overlapping Rates					Total Direct and Overlapping Rates
		Pennington County	Thief River Falls School District No. 564	Red Lake Watershed District	Northwest Regional Development Commission	Northwest Minnesota Multi-County HRA	
2004	69.610 %	91.998 %	25.032 %	4.965 %	0.406 %	1.252 %	193.263 %
2005	66.701	88.995	29.365	4.973	0.399		190.433
2006	61.801	87.804	32.292	5.010	0.392	1.120	188.419
2007	56.581	88.484	31.446	5.044	0.367		181.922
2008	48.935	81.276	30.044	4.821	0.321	0.352	165.749
2009	43.967	78.737	27.645	4.996	0.311	0.398	156.054
2010	43.210	75.194	30.047	5.047	0.300	0.368	154.166
2011	40.478	70.787	29.385	5.114	0.026	0.413	146.203
2012	46.041	76.407	42.569	5.872	0.283	0.475	171.647
2013	42.746	72.243	40.336	5.374	0.257	0.401	161.357

Source: Pennington County Auditor

**CITY OF THIEF RIVER FALLS, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR**

Table 9

Taxpayer	2013		Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Rank	
Individual	\$ 122,914	1	3.46 %
MeritCare Medical Group	107,292	2	3.02
Wal-Mart RE Business Trust	102,086	3	2.88
Arctic Cat, Inc.	67,621	4	1.91
Minnkota Power Co-op	33,950	5	0.96
Valley Markets Inc.	31,896	6	0.90
Gersham Properties LLC	30,520	7	0.86
MN Energy Resources Corp	30,174	8	0.85
Northwest Beverage, Inc.	28,972	9	0.82
Minnesota Greenleaf LLP	28,316	10	0.80
	<u>\$ 583,741</u>		<u>16.45 %</u>

Source: Pennington County Auditor

**CITY OF THIEF RIVER FALLS, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Table 10

Fiscal Year Ended December 31	Levy for Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	1,719,174	1,690,563	98.34	27,704	1,718,267	99.95 %
2005	1,745,177	1,720,995	98.61	22,956	1,743,951	99.93
2006	1,709,623	1,682,961	98.44	25,414	1,708,375	99.93
2007	1,675,430	1,651,661	98.58	21,810	1,673,471	99.88
2008	1,641,922	1,610,911	98.11	29,090	1,640,001	99.88
2009	1,582,406	1,552,954	98.14	26,062	1,579,016	99.79
2010	1,582,406	1,556,855	98.39	20,248	1,577,103	99.66
2011	1,516,778	1,494,773	98.55	15,444	1,510,217	99.57
2012	1,516,778	1,493,982	98.50	16,908	1,510,890	99.61
2013	1,516,778	1,499,188	98.84			

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

Table 11

Fiscal Year	Governmental Activities						Business-type Activities	Total Primary Government	Per Capita ¹
	General Obligation Improvement Bonds	Revenue Bonds	Purchase Agreements	Notes Payable	Capital Lease	Litigation Settlement	Revenue Bonds		
2004	\$ 2,945,000	\$	\$ 1,064,717	\$	\$	\$ 735,000	\$ 4,883,415	9,628,132	\$ 1,140.64
2005	2,330,000		943,583	208,333		700,000	4,681,834	8,863,750	1,050.08
2006	1,685,000		817,261	183,333			4,537,196	7,222,790	848.84
2007	1,150,000		685,526	158,333	108,044		4,324,610	6,426,513	754.73
2008	815,000	1,630,000	548,148	133,333	103,044		4,105,825	7,335,350	864.71
2009	630,000	1,465,000	404,884	108,333	98,044		4,520,811	7,227,072	848.04
2010	510,000	1,325,000		83,333	93,044		7,799,537	9,810,914	1,144.39
2011	1,075,000	1,180,000		58,333	46,500		7,751,958	10,111,791	1,177.57
2012	1,740,000	1,030,000		33,333			5,128,043	7,931,376	918.40
2013	3,515,000	875,000		8,333			5,992,753	10,391,086	1,203.23

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

¹ See the Schedule of Demographic and Economic Statistics (Table 16) for personal income and population data.

Population data for 2013 was unavailable at time of report so the 2012 population was used to calculate 2013.

CITY OF THIEF RIVER FALLS, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 12

Fiscal Year	General Obligation Improvement Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Market Value ¹	Per Capita ²
2004	\$ 2,945,000	\$ 857,895	\$ 2,087,105	0.98 %	\$ 247.26
2005	2,330,000	791,442	1,538,558	0.67	182.27
2006	1,685,000	539,783	1,145,217	0.47	134.59
2007	1,150,000	351,043	798,957	0.31	93.82
2008	815,000	214,432	600,568	0.20	70.80
2009	630,000	166,177	463,823	0.15	54.42
2010	510,000	155,835	354,165	0.11	41.31
2011	1,075,000	343,143	731,857	0.22	85.23
2012	1,740,000	446,283	1,293,717	0.38	149.81
2013	3,515,000	459,181	3,055,819	0.84	353.85

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

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

² Population data can be found in the Schedule of Demographic and Economic Statistics (Table 16).
 Data was not available at time of report for 2013, so the 2012 population was used for 2013.

**CITY OF THIEF RIVER FALLS, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2012**

Table 13

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Thief River Falls School District No. 564	\$ 55,959,458	38.6 %	\$ 21,600,351
Pennington County	2,758,000	36.0	<u>992,880</u>
Subtotal, Overlapping Debt			22,593,231
City of Thief River Falls Direct Debt	10,391,085	100	<u>10,391,085</u>
Total Direct and Overlapping Debt			<u><u>\$ 32,984,316</u></u>

Source: Pennington County Auditor

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

**CITY OF THIEF RIVER FALLS, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Table 14

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 4,274,568	\$ 4,567,388	\$ 4,878,898	\$ 4,878,898	\$ 5,926,510	\$ 6,361,986	\$ 6,466,434	\$ 6,655,530	\$ 6,810,478	\$ 7,324,886
Total Net Debt Applicable to Limit	<u>1,634,310</u>	<u>1,660,282</u>	<u>810,167</u>	<u>761,476</u>	<u>594,097</u>	<u>420,832</u>	<u>151,377</u>	<u>85,101</u>	<u>25,218</u>	<u>1,393,333</u>
Legal Debt Margin	<u>\$ 2,640,258</u>	<u>\$ 2,907,106</u>	<u>\$ 4,068,731</u>	<u>\$ 4,117,422</u>	<u>\$ 5,332,413</u>	<u>\$ 5,941,154</u>	<u>\$ 6,315,057</u>	<u>\$ 6,570,429</u>	<u>\$ 6,785,260</u>	<u>\$ 5,931,553</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	38.23 %	36.35 %	16.61 %	15.61 %	10.02 %	6.61 %	2.34 %	1.28 %	0.37 %	19.02 %

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2013

Assessed Value	\$ 366,244,300
Debt Limit (2% of Total Assessed Value)	7,324,886
Debt Applicable to Limit:	
General Obligation Debt	1,393,333
Less: Amount Set aside for Repayment of General Obligation Debt	<u>0</u>
Total Net Debt Applicable to Limit	<u>1,393,333</u>
Legal Debt Margin	<u>\$ 5,931,553</u>

**CITY OF THIEF RIVER FALLS, MINNESOTA
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Table 15

Water Revenue Bonds							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2004	\$ 1,459,129	\$ 1,030,186	\$ 428,943	\$ 150,000	\$ 135,375	1.50	
2005	1,452,206	1,034,386	417,820	165,000	160,759	1.28	
2006	1,558,478	1,183,286	375,192	170,000	182,337	1.06	
2007	1,551,545	1,262,491	289,054	170,000	176,783	0.83	
2008	1,598,034	1,455,979	142,055	175,000	157,660	0.43	
2009	1,677,589	1,412,246	265,343	180,000	141,878	0.82	

Wastewater Revenue Bonds							
Fiscal Year	Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2004	\$ 537,392	\$ 438,782	\$ 98,610	\$ 39,190	\$ 21,438	1.63	
2005	535,300	435,971	99,329	40,292	20,337	1.64	
2006	565,289	453,064	112,225	41,422	19,205	1.85	
2007	583,248	480,054	103,194	42,587	15,741	1.77	
2008	591,727	517,083	74,644	43,784	16,344	1.24	
2009	560,985	563,789	(2,804)	45,014	15,214	(0.05)	

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

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

¹Effective January 1, 2010 the City combined the water and wastewater funds into the water systems fund.

**CITY OF THIEF RIVER FALLS, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Table 16

Fiscal Year	City Population ¹	Pennington County			Pennington County	
		Personal Income ²	Population ²	Per Capita Income ²	Total Employment ³	Unemployment Rate ³
2004	8,441	431,253,000	13,551	31,824	7,701	6.4 %
2005	8,441	457,687,000	13,593	33,671	7,838	5.6
2006	8,509	456,919,000	13,742	33,250	8,080	5.4
2007	8,515	492,748,000	13,736	35,873	8,140	8.7
2008	8,483	532,000,000	13,694	38,849	7,976	8.4
2009	8,522	542,000,000	13,738	39,453	8,610	8.3
2010	8,573	578,000,000	13,930	41,493	8,296	8.5
2011	8,587	602,008,000	14,018	42,945	8,888	5.9
2012	8,636	701,124,000	14,074	49,817	8,931	6.3
2013	Data Unavailable	Data Unavailable	Data Unavailable	Data Unavailable	8,885	5.4

¹ U.S. Census and Minnesota State Demographic Center

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

³ MN Department of Employment and Economic Development

**CITY OF THIEF RIVER FALLS, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Table 17

Employer	2013		2004	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Digi-Key Corporation	2,547	28.67 %	1,170	15.19 %
Arctic Cat, Incorporated	1,172	13.19	1,500	19.48
Sandford Health - Thief River Falls	600	6.75	632	8.21
Seven Clans Casino Hotel & Indoor Waterpark	500	5.63	400	5.19
Thief River Falls School District No. 564	350	3.94	340	4.42
Northern Pride, Inc.	200	2.25	225	2.92
Northland Community & Technical College	165	1.86	175	2.27
Pennington County	130	1.46	235	3.05
City of Thief River Falls	102	1.15	115	1.49
Dean Foods	75	0.84	100	1.30
	<u>5,841</u>	<u>65.74</u>	<u>4,892</u>	<u>63.52</u>

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

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OTHER REPORT SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor
and Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

We have audited, 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 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, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2014.

Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 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 study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Thief River Falls, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 of Thief River Falls' noncompliance with the above referenced provisions.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

June 9, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor
and Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Thief River Falls, Minnesota's basic financial statements and have issued our report thereon dated June 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Thief River Falls, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Thief River Falls, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Thief River Falls, Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

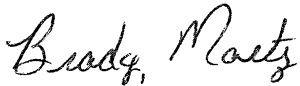
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Thief River Falls, Minnesota's 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

June 9, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Honorable Mayor and
Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Thief River Falls, Minnesota's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Thief River Falls' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Thief River Falls, Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the City of Thief River Falls, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate

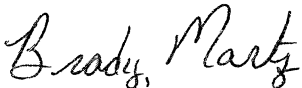
in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

June 9, 2014

CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Amount</u>
<u>U.S. Department of Transportation</u>			
Passed-Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	SP 170-115-012	\$ 2,570,787
Highway Planning and Construction	20.205	SP 170-090-001	80,606
Total CFDA Number 20.205			<u>2,651,393</u>
 Airport Improvement Program	 20.106	 SP 5701-72	 <u>1,426</u>
 Total U.S. Department of Transportation			 <u>2,652,819</u>
<u>U.S. Department of Commerce</u>			
Passed-Through Blandin Foundation			
ARRA Broadband Technologies Opportunities Program	11.557		4,731
<u>U.S. Department of Agriculture</u>			
Passed-Through Minnesota Department of Natural Resources			
Cooperative Forestry Assistance	10.664		2,000
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership	16.607		1,125
<u>U.S. Department of Homeland Security - Transportation</u>			
<u>Security Administration</u>			
Law Enforcement Officer Reimbursement Agreement Program	97.090		1,940
<u>U.S. Department of Housing and Urban Development</u>			
Passed-Through Minnesota Department of Employment			
and Economic Development			
Community Development Block Grant	14.228	CDAP-11-0049-0-FY12	<u>186,997</u>
 Total			 \$ <u>2,849,612</u>

See accompanying note to the schedule of expenditures of federal awards.

**CITY OF THIEF RIVER FALLS, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Thief River Falls and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x no

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes x no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

20.205 Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

There are no findings which are required to be reported under this section.

Section III-Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

**CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

There are no findings which are required to be reported under this section.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGES AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH PASSENGER FACILITY CHARGE GUIDE FOR PUBLIC AGENCIES**

To the Honorable Mayor
and Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

Report on Compliance for Passenger Facility Charges Program

We have audited the compliance of the City of Thief River Falls, Minnesota, with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide") for its passenger facility charge program for the year ended December 31, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants pertaining to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the City of Thief River Falls, Minnesota's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Thief River Falls, Minnesota's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the City of Thief River Falls, Minnesota's compliance with those requirements.

Opinion on the Passenger Facility Charges Program

In our opinion, the City of Thief River Falls, Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect to the passenger facility charge program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

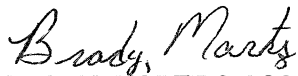
The management of the City of Thief River Falls, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program. In planning and performing our audit, we considered the City of Thief River Falls, Minnesota's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide"). Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information of the Board of Commissioners, management, and the Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

June 9, 2014

CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF PASSENGER FACILITY CHARGES AND RELATED EXPENDITURES
YEAR ENDED AND EACH QUARTER FROM JANUARY 2013 THROUGH DECEMBER 31, 2013

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
Balance, January 1, 2013	\$	\$	\$	\$	\$
Passenger Facility Charges	2,016	2,205	2,449	2,512	9,182
Disbursements	<u>(2,016)</u>	<u>(2,205)</u>	<u>(2,449)</u>	<u>(2,512)</u>	<u>(9,182)</u>
Balance, December 31, 2013	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PASSENGER FACILITY CHARGE PROGRAM
DECEMBER 31, 2013

I. Summary of Auditors' Results

- i) An unmodified report was issued on the December 31, 2013 financial statements of the City of Thief River Falls, Minnesota.
 - ii) No noncompliance, which is material to the financial statements, was disclosed by the audit.
 - iii) An unmodified opinion was issued on compliance for the passenger facility charge program.
- II. There were no findings related to the financial statements, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.
- III. There were no findings related to the *Passenger Facility Charge Audit Guide for Public Agencies*, which are required to be reported.