

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

YEAR ENDED DECEMBER 31, 2015

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

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THIEF RIVER FALLS, MINNESOTA**

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INTRODUCTORY SECTION

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

**ORGANIZATION SCHEDULE
DECEMBER 31, 2015**

<u>Position</u>	<u>City Council</u>	<u>Term Expires</u>
Mayor	Brian D. Holmer	2016
Council Member:		
First Ward (Vice Mayor)	Curt Howe	2018
Second Ward	Don Sollom	2016
Third Ward	Josh Hagen	2018
Fourth Ward	Jerald Brown	2016
Fifth Ward	Rachel Prudhomme	2018
At Large	Steve Narverud	2018
At Large	Ken Schmalz ¹	2016
City Administrator	Larry Kruse ²	Indefinite
Finance Director	Angela Philipp	Indefinite

¹ Replaced by James Strandlie on March 1, 2016.

² Replaced by Rodney Otterness on May 1, 2016.

FINANCIAL SECTION



Hoffman, Philipp, & Knutson, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@mncable.net

INDEPENDENT AUDITOR'S REPORT

City Council
City of Thief River Falls

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of and for the year ended December 31, 2015, 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 of material misstatement.

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

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the Notes to the Financial Statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Thief River Falls's basic financial statements. The introductory section, the supplementary information, the other schedules section, and the statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory, other schedules, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2016, on our consideration of the City of Thief River Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Knutson". The signature is written in a cursive, flowing style.

Hoffman, Philipp, & Knutson, PLLC

July 25, 2016



City of Thief River Falls

FINANCE DIRECTOR

405 Third Street East • PO Box 528
Thief River Falls MN 56701-0528

PHONE: 218-681-2943

FAX: 218-681-6223

email: aphilipp@citytrf.net

www.citytrf.net

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of the City of Thief River Falls offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Thief River Falls for the fiscal year ended December 31, 2015. 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

During the current year, the City of Thief River Falls adopted the accounting principles discussed in further detail in the Notes to the Financial Statements. Such accounting principles have been adopted prospectively, and therefore, comparative information in this section has not been restated to reflect the effect of the adoption of these accounting principles.

The total net position of governmental activities is \$32,409,825, of which \$28,159,954 is the net investment in capital assets, \$1,913,844 is restricted for debt service and economic development, and \$2,336,027 is unrestricted. The total net position of governmental activities decreased by \$1,550,738 for the year ended December 31, 2015, as a result of the implementation of GASB 68 recognizing a net pension liability amount of \$3,373,964, and a net pension asset amount of \$202,487.

The total net position of business-type activities is \$17,743,328, of which \$12,139,667 is the net investment in capital assets and \$5,603,661 is unrestricted. The total net position of business-type activities decreased by \$1,376,293 in 2015, as a result of the implementation of GASB 68 recognizing a net pension liability amount of \$1,725,934.

At the close of 2015, the City's General Fund reported an ending fund balance of \$2,771,056, an increase of \$435,712, from the prior year. Of the total fund balance amount, \$184,556 is formally committed for specific purposes, and \$2,586,500 is noted as unassigned fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Thief River Falls, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions.

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

The City reports four governmental fund types: General, Special Revenue, Debt Service, and Capital Projects. Information is presented separately in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the CDAB Revolving Loan Special Revenue Fund, and the 2015 Street and Utilities Capital Projects Fund, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined in a single, aggregated

presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the notes to the financial statements.

The City of Thief River Falls adopts annual budgets for the General Fund and the CDAB Revolving Loan Special Revenue Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with their budgets.

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$49,915,884 at the close of 2015. The largest portion of the City's net position (approximately 81 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 4 percent of the City's net position is restricted for economic development and debt service, and approximately 15 percent is unrestricted. The unrestricted net position amount of \$7,702,419 as of December 31, 2015, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$1,602,774, from the prior year, primarily as a result of state funding for infrastructure improvements. Total liabilities increased by \$4,855,839 from the prior year, primarily due to the issuance of bonds and the recognition of net pension liability. This resulted in a decreased net position of \$2,927,031 from the prior year.

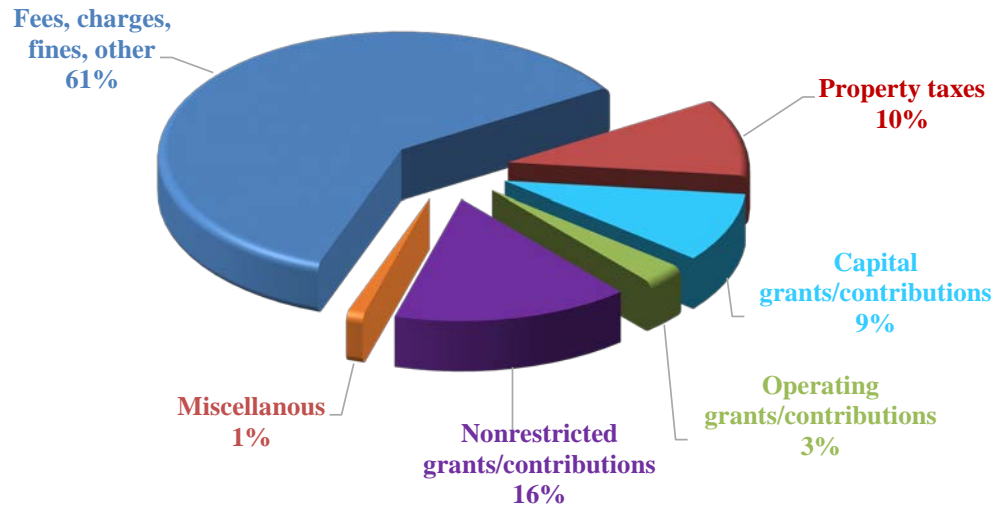
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 10,342,159	\$ 11,448,303	\$ 9,734,351	\$ 8,935,779	\$ 20,076,510	\$ 20,384,082
Capital assets	33,269,954	30,842,407	19,597,559	20,114,760	52,867,513	50,957,167
Total assets	\$ 43,612,113	\$ 42,290,710	\$ 29,331,910	\$ 29,050,539	\$ 72,944,023	\$ 71,341,249
Deferred outflows - pensions	\$ 689,613	\$ -	\$ 240,290	\$ -	\$ 929,903	\$ -
Other liabilities	\$ 1,288,636	\$ 2,202,145	\$ 1,716,009	\$ 1,964,546	\$ 3,004,645	\$ 4,166,691
Long-term liabilities outstanding	10,165,470	6,128,002	9,946,789	7,966,372	20,112,259	14,094,374
Total liabilities	\$ 11,454,106	\$ 8,330,147	\$ 11,662,798	\$ 9,930,918	\$ 23,116,904	\$ 18,261,065
Deferred inflows - pensions	\$ 437,795	\$ -	\$ 166,074	\$ -	\$ 603,869	\$ -
Net position						
Net investment in capital assets	\$ 28,159,954	\$ 26,147,458	\$ 12,139,667	\$ 13,146,651	\$ 40,299,621	\$ 39,294,109
Restricted	1,913,844	2,368,030	-	332,692	1,913,844	2,700,722
Unrestricted	2,336,027	5,445,075	5,603,661	5,640,278	7,939,688	11,085,353
Total net position	\$ 32,409,825	\$ 33,960,563	\$ 17,743,328	\$ 19,119,621	\$ 50,153,153	\$ 53,080,184

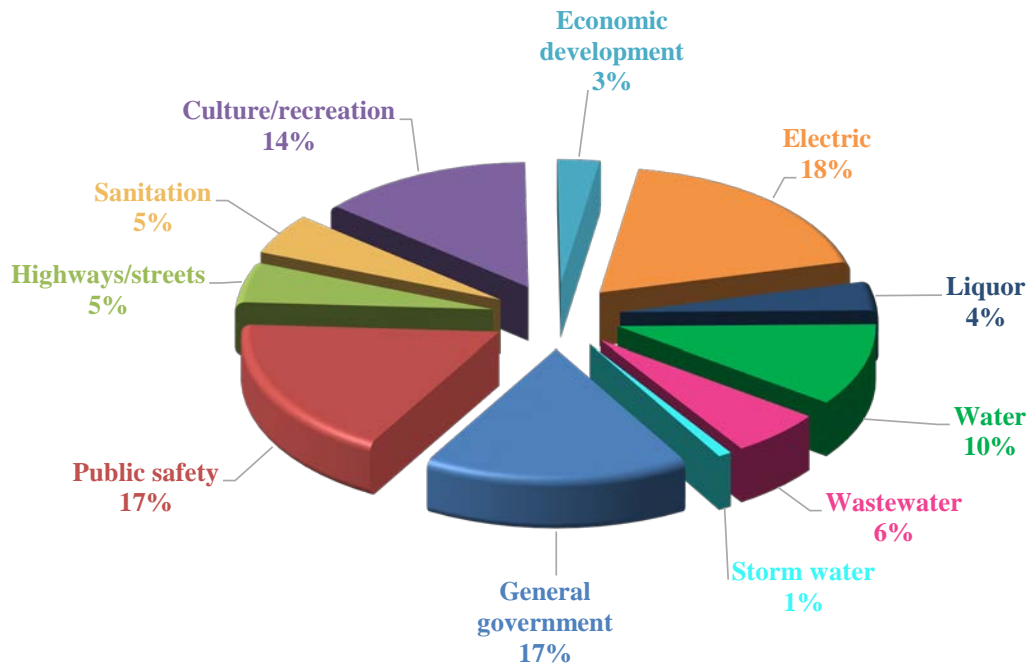
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 3,340,657	\$ 2,119,415	\$ 22,388,100	\$ 22,100,752	\$ 25,728,757	\$ 24,220,167
Operating grants and contributions	533,066	957,805	-	-	533,066	957,805
Capital grants and contributions	1,710,253	1,453,943	11,901	141,390		
General Revenues and Transfers						
Property taxes	1,969,527	2,015,096	-	-	1,969,527	2,015,096
Grants and contributions not restricted to specific programs	2,969,872	3,231,411	-	39,760	2,969,872	3,271,171
Miscellaneous	189,366	95,116	24,807	-	214,173	95,116
Transfers	1,141,804	1,042,500	(1,141,804)	(1,042,500)	-	-
Total revenues	\$ 11,854,545	\$ 10,915,286	\$ 21,283,004	\$ 21,239,402	\$ 33,137,549	\$ 32,154,688
Expenses						
General government	\$ 2,893,467	\$ 1,764,593	\$ -	\$ -	\$ 2,893,467	\$ 1,764,593
Public safety	3,057,716	2,833,677	-	-	3,057,716	2,833,677
Highways and streets	891,613	-	-	-	891,613	-
Sanitation	886,085	-	-	-	886,085	-
Culture and recreation	2,371,008	2,302,396	-	-	2,371,008	2,302,396
Economic development	355,401	748,114	-	-	355,401	748,114
Streets and sanitation	-	2,157,917	-	-	-	-
Interest	116,544	108,831	-	-	116,544	108,831
Utility	-	-	16,725,088	16,191,570	16,725,088	16,191,570
Liquor	-	-	4,334,295	4,109,374	4,334,295	4,109,374
Total expenses	\$ 10,571,834	\$ 9,915,528	\$ 21,059,383	\$ 20,300,944	\$ 31,631,217	\$ 28,058,555
Increase (decrease) in net position	\$ 1,282,711	\$ 999,758	\$ 223,621	\$ 938,458	\$ 1,506,332	\$ 4,096,133
Net position, January 1, as previously reported	\$ 33,960,563	\$ 32,960,805	\$ 19,119,621	\$ 18,181,163	\$ 53,080,184	\$ 51,141,968
Prior period adjustment	(2,833,449)	-	(1,599,914)	-	(4,433,363)	-
Net position, January 1, as restated	\$ 31,127,114	\$ 32,960,805	\$ 17,519,707	\$ 18,181,163	\$ 48,646,821	\$ 51,141,968
Net position, December 31	\$ 32,409,825	\$ 33,960,563	\$ 17,743,328	\$ 19,119,621	\$ 50,153,153	\$ 53,080,184

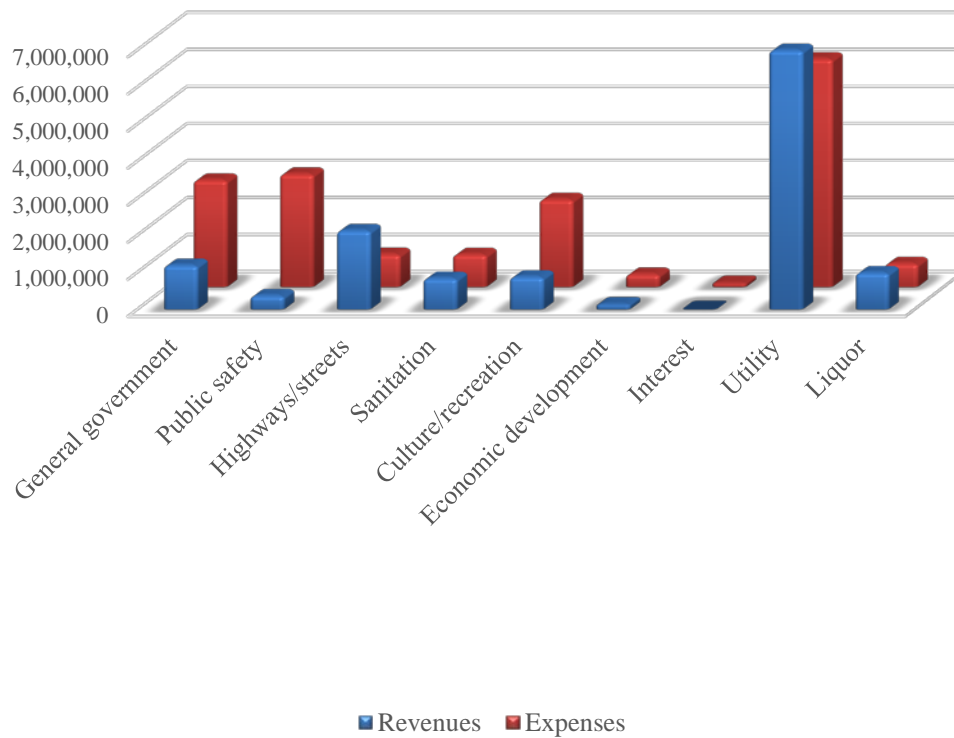
Revenues by Source



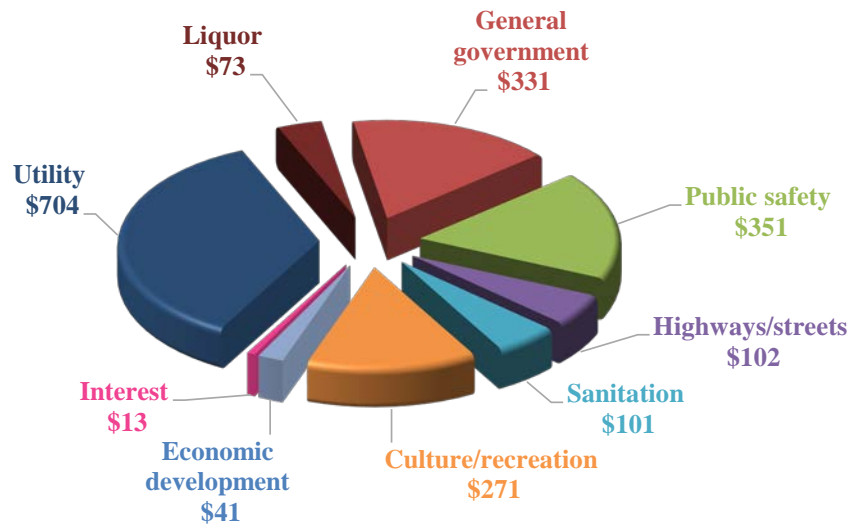
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 8,752 Population as of April 1, 2015



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

At the end of 2015, the City's governmental funds reported combined ending fund balances of \$6,456,199. Of this amount, approximately 13 percent constitutes nonspendable fund balance, 11 percent constitutes legally or contractually restricted fund balance, 25 percent constitutes formally committed fund balance, 24 percent constitutes specifically assigned fund balance, and 27 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$2,771,056. The General Fund's committed fund balance was \$184,556 and unassigned fund balance was \$2,586,500. The General Fund has no unrestricted fund balance. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures for 2015. Total fund balance represents 34 percent of total General Fund expenditures.

In 2015, the fund balance amount in the General Fund increased by \$435,712. This increase is primarily attributed to the transfers in from the enterprise funds.

The fund balance of the CDAB Revolving Loan Special Revenue Fund increased \$5,186 from the prior year as a result of investment earnings and loan repayments received.

The fund balance of the 2015 Street and Utilities Capital Project Fund decreased \$548,509 due to construction costs.

Proprietary Funds

The Liquor Enterprise Fund reported an operating income in 2015 of \$411,006, indicating that it is charging for products and services at a normal margin for this type of business.

The Electric Enterprise Fund reported an operating income in 2015 of \$532,041, mainly because purchased power cost did not increase as anticipated.

The Water Enterprise Fund reported an operating income in 2015 of \$846,245, as a result of user fees in excess of operating costs.

The Wastewater Enterprise Fund reported an operating loss in 2015 of \$301,417, due to the separation of the fund from the Water Systems Enterprise Fund which resulted in the identification of insufficient rates in relation to operating costs.

The Storm Water Enterprise Fund reported an operating income in 2015 of \$12,297, as a result of user fees consistent with operating costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was an amendment to the original budget as approved for 2015, due to the separation of the street and sanitation departments. There was a reclassification of the streets expenditures budget which was an increase, and the sanitation expenditures budget which was a decrease, of \$619,386.

Actual revenues were more than overall final budgeted revenues by \$618,008, with the variance in intergovernmental revenues. Actual expenditures were more than overall final budgeted expenditures by

\$223,938, primarily as a result of unbudgeted severance pay and capital outlay, premium salaries for public safety, and unbudgeted loan financing from the Revolving Capital Fund.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounted to \$52,867,513 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately four percent. This increase was primarily due to the street and utilities construction in progress, completed road projects added to infrastructure, and various equipment purchases.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 835,467	\$ 804,606	\$ 425,232	\$ 425,232	\$ 1,260,699	\$ 1,229,838
Construction in progress	3,203,987	646,150	-	1,503,130	3,203,987	2,149,280
Buildings and improvements	12,384,180	12,769,036	3,413,918	3,568,798	15,798,098	16,337,834
Infrastructure	15,619,186	15,473,602	15,059,031	13,866,293	30,678,217	29,339,895
Machinery and equipment	1,227,134	1,149,013	699,378	751,307	1,926,512	1,900,320
Total capital assets	<u>\$ 33,269,954</u>	<u>\$ 30,842,407</u>	<u>\$ 19,597,559</u>	<u>\$ 20,114,760</u>	<u>\$ 52,867,513</u>	<u>\$ 50,957,167</u>

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

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$12,567,892 which is backed by the full faith and credit of the government.

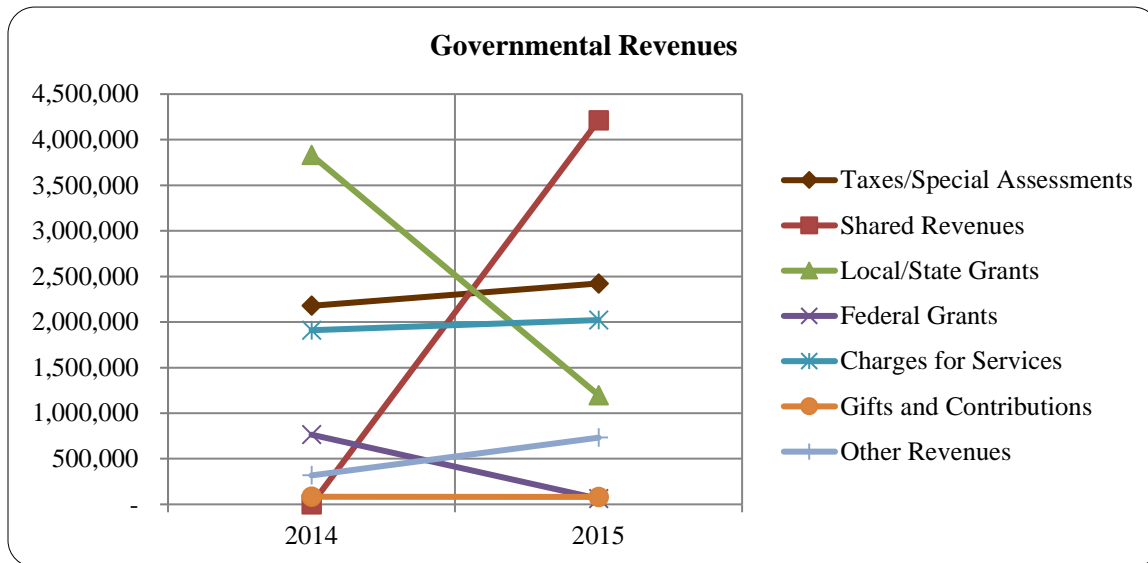
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
G.O. Bonds	\$ 4,565,000	\$ 3,995,000	\$ 1,967,892	\$ 1,615,000	\$ 6,532,892	\$ 5,610,000
G.O. Revenue Notes	545,000	715,000	5,490,000	5,711,051	6,035,000	6,426,051
	<u>\$ 5,110,000</u>	<u>\$ 4,710,000</u>	<u>\$ 7,457,892</u>	<u>\$ 7,326,051</u>	<u>\$ 12,567,892</u>	<u>\$ 12,036,051</u>

Minnesota Statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2015, overall debt of the City is below the three percent debt limit.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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



- Specific unemployment statistics for the City of Thief River Falls are not available. However, the unemployment rate for Pennington County was 7.4 percent as of December 31, 2015. This is higher than the statewide rate of 3.7 percent and the national average rate of 5.0 percent.
- Thief River Falls' population as of December 31, 2015, was 8,752, an increase of 179 since the 2010 census of 8,573.
- On December 15, 2015, the City of Thief River Falls set its 2016 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the City of Thief River Falls for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Thief River Falls Administrator's Office at 405 Third Street East, P.O. Box 548, Thief River Falls, Minnesota 56623, (218)681-2943, or admin@citytrf.net.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 6,448,097	\$ 5,934,784	\$ 12,382,881
Cash with fiscal agent	133,033	334,733	467,766
Taxes receivable			
Current	42,223	-	42,223
Prior	36,916	-	36,916
Special assessments receivable			
Current	31,956	1,758	33,714
Prior	18,098	13,126	31,224
Accounts receivable	326,593	1,586,782	1,913,375
Accrued interest receivable	9,605	4,255	13,860
Due from other governments	1,509,666	-	1,509,666
Inventory	3,673	1,095,909	1,099,582
Loans receivable (net)	931,889	8,680	940,569
Internal balances	(638,448)	638,448	-
Net pension asset	202,487	-	202,487
Special assessments receivable - noncurrent	1,286,371	115,876	1,402,247
Capital assets			
Non-depreciable	4,039,454	425,232	4,464,686
Depreciable - net of accumulated depreciation	29,230,500	19,172,327	48,402,827
Total Assets	\$ 43,612,113	\$ 29,331,910	\$ 72,944,023
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 689,613	\$ 240,290	\$ 929,903
<u>Liabilities</u>			
Accounts payable	\$ 348,441	\$ 1,217,268	\$ 1,565,709
Salaries payable	140,380	77,858	218,238
Contracts payable	132,735	-	132,735
Demand waiver reserve	-	16,543	16,543
Due to other governments	19,532	140,237	159,769
Accrued interest payable	40,591	42,722	83,313
State Aid Advance	606,957	-	606,957
Customer deposits	-	221,381	221,381
Long-term liabilities			
Due within one year	614,695	830,286	1,444,981
Due in more than one year	9,550,775	9,116,503	18,667,278
Total Liabilities	\$ 11,454,106	\$ 11,662,798	\$ 23,116,904
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 437,795	\$ 166,074	\$ 603,869
<u>Net Position</u>			
Net investment in capital assets	\$ 28,159,954	\$ 12,139,667	\$ 40,299,621
Amounts restricted for			
Debt service	498,374	-	498,374
Economic development	1,415,470	-	1,415,470
Unrestricted amounts	2,336,027	5,603,661	7,939,688
Total Net Position	\$ 32,409,825	\$ 17,743,328	\$ 50,153,153

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

		Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
	Expenses		
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 2,893,467	\$ 1,123,364	\$ 74,277
Public safety	3,057,716	183,729	192,948
Highways and streets	891,613	298,712	265,841
Sanitation	886,085	843,753	-
Culture and recreation	2,371,008	875,436	-
Economic development	355,401	15,663	-
Interest	116,544	-	-
Total governmental activities	\$ 10,571,834	\$ 3,340,657	\$ 533,066
Business-type activities			
Electric	\$ 13,788,039	\$ 14,422,957	\$ -
Liquor	4,334,295	4,687,724	-
Water	1,782,408	2,448,445	-
Wastewater	1,008,694	670,730	-
Storm Water	145,947	158,244	-
Total business-type activities	\$ 21,059,383	\$ 22,388,100	\$ -
Total Primary Government	\$ 31,631,217	\$ 25,728,757	\$ 533,066
General revenues and transfers			
Property taxes			
Franchise tax			
Grants and contributions not restricted to specific programs			
Investment earnings			
Insurance dividends			
Transfers			
Total general revenues and transfers			
Change in net position			
Net Position - January 1, as previously reported			
Prior period adjustment			
Net Position - January 1, as restated			
Net Position - December 31			

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (1,695,826)	\$ -	\$ (1,695,826)
-	(2,681,039)	-	(2,681,039)
1,571,118	1,244,058	-	1,244,058
-	(42,332)	-	(42,332)
7,150	(1,488,422)	-	(1,488,422)
131,985	(207,753)	-	(207,753)
-	(116,544)	-	(116,544)
\$ 1,710,253	\$ (4,987,858)	\$ -	\$ (4,987,858)
\$ -	\$ -	\$ 634,918	\$ 634,918
-	-	353,429	353,429
-	-	666,037	666,037
11,901	-	(326,063)	(326,063)
-	-	12,297	12,297
\$ 11,901	\$ -	\$ 1,340,618	\$ 1,340,618
\$ 1,722,154	\$ (4,987,858)	\$ 1,340,618	\$ (3,647,240)
	\$ 1,969,527	\$ -	\$ 1,969,527
	145,082	-	145,082
	2,969,872	-	2,969,872
	44,284	24,652	68,936
	-	155	155
	1,141,804	(1,141,804)	-
	\$ 6,270,569	\$ (1,116,997)	\$ 5,153,572
	\$ 1,282,711	\$ 223,621	\$ 1,506,332
	\$ 33,960,563	\$ 19,119,621	\$ 53,080,184
	(2,833,449)	(1,599,914)	(4,433,363)
	31,127,114	17,519,707	48,646,821
	\$ 32,409,825	\$ 17,743,328	\$ 50,153,153

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

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	CDAB Revolving Loan Special Revenue	2015 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>					
Assets					
Cash and pooled investments	\$ 3,117,692	\$ 1,097,473	\$ -	\$ 2,912,908	\$ 7,128,073
Cash with fiscal agent	-	133,033	-	-	133,033
Taxes receivable					
Current	41,319	-	-	904	42,223
Prior	34,783	-	-	2,133	36,916
Special assessments receivable					
Current	42	-	-	31,914	31,956
Prior	2,339	-	-	15,759	18,098
Accounts receivable	106,828	-	206,372	2,500	315,700
Interest receivable	1,444	4,596	-	2,397	8,437
Due from other funds	-	-	-	146,940	146,940
Due from other governments	61,510	-	1,448,156	-	1,509,666
Loans receivable	-	855,689	-	76,200	931,889
Special assessments receivable - noncurrent	53,446	-	-	1,232,925	1,286,371
Total Assets	\$ 3,419,403	\$ 2,090,791	\$ 1,654,528	\$ 4,424,580	\$ 11,589,302
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Cash overdraft	\$ -	\$ -	\$ 2,010,034	\$ 252,563	\$ 2,262,597
Accounts payable	252,121	47	3,649	90,814	346,631
Contracts payable	-	-	132,735	-	132,735
Salaries payable	139,339	-	-	671	140,010
Due to other funds	146,940	-	-	-	146,940
Due to other governments	19,379	-	-	97	19,476
State aid advance	-	-	-	606,957	606,957
Total Liabilities	\$ 557,779	\$ 47	\$ 2,146,418	\$ 951,102	\$ 3,655,346
Deferred Inflows of Resources					
Taxes	\$ 34,783	\$ -	\$ -	\$ 2,133	\$ 36,916
Loans	55,785	-	-	76,200	131,985
Special assessments	-	-	-	1,248,694	1,248,694
Municipal state aid	-	-	60,162	-	60,162
Total Deferred Inflows of Resources	\$ 90,568	\$ -	\$ 60,162	\$ 1,327,027	\$ 1,477,757

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

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	CDAB Revolving Loan Special Revenue	2015 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
Fund Balances					
Nonspendable					
Loans receivable	\$ -	\$ 855,689	\$ -	\$ -	\$ 855,689
Restricted for					
Debt service	-	-	-	498,529	498,529
TIF district	-	-	-	180,415	180,415
Committed to					
Airport	29,053	-	-	-	29,053
Carnegie building	25,454	-	-	-	25,454
Economic development	-	1,235,055	-	-	1,235,055
Insurance	43,884	-	-	-	43,884
Parks	86,165	-	-	-	86,165
Perpetual care	-	-	-	166,049	166,049
Train canopy	-	-	-	6,746	6,746
Assigned to					
Capital projects	-	-	-	1,467,953	1,467,953
Cemetery	-	-	-	90,696	90,696
Unassigned	2,586,500	-	(552,052)	(263,937)	1,770,511
Total Fund Balances	\$ 2,771,056	\$ 2,090,744	\$ (552,052)	\$ 2,146,451	\$ 6,456,199
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,419,403</u>	<u>\$ 2,090,791</u>	<u>\$ 1,654,528</u>	<u>\$ 4,424,580</u>	<u>\$ 11,589,302</u>

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

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balances - total governmental funds (Exhibit 3)	\$ 6,456,199
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	33,269,954
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,477,757
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences payable	\$ (829,823)
Other post employment benefits	(865,200)
Accrued interest payable	(40,591)
General obligation bonds payable	<u>(5,096,483)</u> (6,832,097)
Net pension liability and related outflows/inflows of resources represent the allocation of the pension obligations of the statewide plans to the City. Such balances are not reported in the governmental funds:	
Deferred outflows of resources related to pensions	\$ 689,613
Deferred inflows of resources related to pensions	(437,795)
Net pension asset	202,487
Net pension liability	<u>(3,373,964)</u> (2,919,659)
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.	<u>957,671</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 32,409,825</u>

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

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	CDAB Revolving Loan Special Revenue	2015 Street and Utilities Capital Project	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues					
Taxes	\$ 1,707,802	\$ -	\$ -	\$ 369,891	\$ 2,077,693
Special assessments	33,906	-	-	311,668	345,574
Licenses and permits	237,660	-	-	-	237,660
Intergovernmental	3,535,348	-	1,387,994	548,265	5,471,607
Charges for services	1,993,619	-	-	28,305	2,021,924
Fines and forfeitures	49,664	-	-	-	49,664
Investment earnings	9,246	5,659	-	22,273	37,178
Gifts and contributions	74,277	-	-	7,150	81,427
Miscellaneous	130,006	9,362	207,068	60,684	407,120
Total Revenues	\$ 7,771,528	\$ 15,021	\$ 1,595,062	\$ 1,348,236	\$ 10,729,847
Expenditures					
Current					
General government	\$ 1,354,352	\$ -	\$ -	\$ 293,728	\$ 1,648,080
Public safety	2,811,896	-	-	-	2,811,896
Highways and streets	751,227	-	-	-	751,227
Sanitation	846,276	-	-	-	846,276
Culture and recreation	1,908,649	-	-	10,196	1,918,845
Economic development	267,881	9,835	-	76,200	353,916
Debt service					
Principal retirement	-	-	-	395,000	395,000
Interest	-	-	2,334	107,856	110,190
Capital outlay					
General government	37,807	-	-	-	37,807
Public safety	65,472	-	-	-	65,472
Highways and streets	-	-	2,930,030	365,768	3,295,798
Culture and recreation	85,224	-	-	214,682	299,906
Economic development	-	-	-	11,900	11,900
Total Expenditures	\$ 8,128,784	\$ 9,835	\$ 2,932,364	\$ 1,475,330	\$ 12,546,313
Excess of Revenues Over (Under) Expenditures	\$ (357,256)	\$ 5,186	\$ (1,337,302)	\$ (127,094)	\$ (1,816,466)
Other Financing Sources (Uses)					
Transfers in	\$ 1,120,221	\$ -	\$ -	\$ 271,360	\$ 1,391,581
Transfers out	(327,253)	-	(6,207)	(34,453)	(367,913)
Proceeds from issuance of debt	-	-	795,000	-	795,000
Total Other Financing Sources (Uses)	\$ 792,968	\$ -	\$ 788,793	\$ 236,907	\$ 1,818,668
Net Change in Fund Balance	\$ 435,712	\$ 5,186	\$ (548,509)	\$ 109,813	\$ 2,202
Fund Balance - January 1	2,335,344	2,085,558	(3,543)	2,036,638	6,453,997
Fund Balance - December 31	\$ 2,771,056	\$ 2,090,744	\$ (552,052)	\$ 2,146,451	\$ 6,456,199

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

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balance - total governmental funds (Exhibit 5) **\$ 2,202**

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 4,366,957	
Current year depreciation	(1,286,255)	
Net book value of assets disposed	(653,155)	2,427,547

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

Change in deferred inflows of resources	(648,501)
---	-----------

The repayment of the principal of long-term debt consumes the current financial resources
of governmental funds, however, the transaction has no effect on net position.

Principal repayments	
General obligation bonds	\$ 225,000
General obligation revenue bonds	170,000
Proceeds from issuance of bonds	(795,000)
	(400,000)

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as expenditures in
governmental funds.

Change in	
Amortization of discounts	\$ (1,533)
Accrued interest payable	(4,821)
Compensated absences payable	(246,971)
Other post employment benefits	(15,000)
	(268,325)

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

(86,210)

The 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.

255,998

Change in net position of governmental activities (Exhibit 2) **\$ 1,282,711**

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

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
<u>Assets</u>							
Current Assets							
Cash and pooled investments	\$ 1,182,585	\$ 2,136,032	\$ 1,305,120	\$ 708,422	\$ 602,625	\$ 5,934,784	\$ 1,582,621
Cash with fiscal agent	-	-	334,733	-	-	334,733	-
Special assessments receivable - current	-	-	-	1,758	-	1,758	-
Special assessments receivable - prior	-	-	-	13,126	-	13,126	-
Accounts receivable	2,573	1,323,375	186,136	61,523	13,175	1,586,782	10,893
Interest receivable	1,043	1,348	473	894	497	4,255	1,168
Loans receivable	-	8,680	-	-	-	8,680	-
Due from other funds	-	67,775	-	-	-	67,775	-
Inventory	526,737	451,994	117,178	-	-	1,095,909	3,673
Total Current Assets	\$ 1,712,938	\$ 3,989,204	\$ 1,943,640	\$ 785,723	\$ 616,297	\$ 9,047,802	\$ 1,598,355
Noncurrent Assets							
Special assessments receivable - noncurrent	\$ -	\$ -	\$ -	\$ 115,876	\$ -	\$ 115,876	\$ -
Capital assets							
Non-depreciable	178,942	53,052	81,988	111,250	-	425,232	-
Depreciable - net of accumulated depreciation	274,642	5,165,341	8,150,684	3,942,931	1,638,729	19,172,327	-
Total Noncurrent Assets	\$ 453,584	\$ 5,218,393	\$ 8,232,672	\$ 4,170,057	\$ 1,638,729	\$ 19,713,435	\$ -
Total Assets	\$ 2,166,522	\$ 9,207,597	\$ 10,176,312	\$ 4,955,780	\$ 2,255,026	\$ 28,761,237	\$ 1,598,355
<u>Deferred Outflows of Resources</u>							
Related to pensions	\$ 37,693	\$ 146,059	\$ 28,269	\$ 28,269	\$ -	\$ 240,290	\$ -
<u>Liabilities</u>							
Current Liabilities							
Accounts payable	\$ 139,756	\$ 1,028,512	\$ 37,930	\$ 10,519	\$ 551	\$ 1,217,268	\$ 1,810
Compensated absences payable	15,450	122,425	13,645	14,118	-	165,638	-
Salaries payable	12,937	42,697	11,372	10,554	298	77,858	370
Interest payable	-	8,316	30,922	3,484	-	42,722	-
Demand waiver reserve	-	16,543	-	-	-	16,543	-
Due to other governments	43,753	93,242	1,675	1,567	-	140,237	56
Due to other funds	-	-	67,775	-	-	67,775	-
GO revenue bonds payable	-	93,000	507,000	64,648	-	664,648	-
Customer deposits payable	-	221,381	-	-	-	221,381	-
Total Current Liabilities	\$ 211,896	\$ 1,626,116	\$ 670,319	\$ 104,890	\$ 849	\$ 2,614,070	\$ 2,236
Noncurrent Liabilities							
Other post employment benefits	\$ 31,300	\$ 122,000	\$ 23,650	\$ 23,650	\$ -	\$ 200,600	\$ -
Compensated absences payable	93,067	173,023	114,606	33,100	-	413,796	-
Net pension liability	270,735	1,049,097	203,051	203,051	-	1,725,934	-
GO revenue bonds payable (net)	-	891,022	5,596,907	288,244	-	6,776,173	-
Total Noncurrent Liabilities	\$ 395,102	\$ 2,235,142	\$ 5,938,214	\$ 548,045	\$ -	\$ 9,116,503	\$ -
Total Liabilities	\$ 606,998	\$ 3,861,258	\$ 6,608,533	\$ 652,935	\$ 849	\$ 11,730,573	\$ 2,236
<u>Deferred Inflows of Resources</u>							
Related to pensions	\$ 26,051	\$ 100,947	\$ 19,538	\$ 19,538	\$ -	\$ 166,074	\$ -
<u>Net Position</u>							
Net investment in capital assets	\$ 453,584	\$ 4,249,393	\$ 2,096,672	\$ 3,701,289	\$ 1,638,729	\$ 12,139,667	\$ -
Unrestricted amounts	1,117,582	1,142,058	1,479,838	610,287	615,448	4,965,213	1,596,119
Total Net Position	\$ 1,571,166	\$ 5,391,451	\$ 3,576,510	\$ 4,311,576	\$ 2,254,177	\$ 17,104,880	\$ 1,596,119
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						638,448	
Net position of business-type activities						\$ 17,743,328	

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

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
Sales and Cost of Goods Sold							
Sales	\$ 4,687,724	\$ 13,670,083	\$ -	\$ -	\$ -	\$ 18,357,807	\$ 474,341
Cost of goods sold	(3,692,771)	(10,559,370)	-	-	-	(14,252,141)	-
Gross Profit	\$ 994,953	\$ 3,110,713	\$ -	\$ -	\$ -	\$ 4,105,666	\$ 474,341
Operating Revenues							
Charges for services	-	-	2,448,445	670,730	158,244	3,277,419	-
Miscellaneous	57,577	630,690	39,561	25,046	-	752,874	-
Total Gross Profit and Operating Revenues	\$ 1,052,530	\$ 3,741,403	\$ 2,488,006	\$ 695,776	\$ 158,244	\$ 8,135,959	\$ 474,341
Operating Expenses							
Personnel services	\$ 472,934	\$ 1,576,854	\$ 468,256	\$ 427,995	\$ 31,265	\$ 2,977,304	\$ 9,016
Advertising	57,409	-	-	-	-	57,409	-
Insurance	18,771	65,223	-	52,610	-	136,604	380,239
Repairs and maintenance	8,417	498,178	154,706	192,163	7,204	860,668	57,560
Supplies	12,820	45,276	387,564	24,919	1,693	472,272	45,668
Utilities	26,276	67,795	201,493	70,302	573	366,439	-
Miscellaneous	23,702	453,367	73,792	56,707	22,540	630,108	1,050
Other services and charges	-	108,164	-	-	-	108,164	-
Depreciation	21,195	394,505	355,950	172,497	82,672	1,026,819	-
Total Operating Expenses	\$ 641,524	\$ 3,209,362	\$ 1,641,761	\$ 997,193	\$ 145,947	\$ 6,635,787	\$ 493,533
Operating Income (Loss)	\$ 411,006	\$ 532,041	\$ 846,245	\$ (301,417)	\$ 12,297	\$ 1,500,172	\$ (19,192)
Nonoperating Revenues (Expenses)							
Special assessments	\$ -	\$ -	\$ -	\$ 11,901	\$ -	\$ 11,901	\$ -
Investment earnings	6,059	7,942	3,917	3,616	3,118	24,652	7,106
Miscellaneous	-	-	-	155	-	155	149,948
Interest expense	-	(19,307)	(140,647)	(11,501)	-	(171,455)	-
Total Nonoperating Revenues (Expenses)	\$ 6,059	\$ (11,365)	\$ (136,730)	\$ 4,171	\$ 3,118	\$ (134,747)	\$ 157,054
Income (Loss) Before Transfers	\$ 417,065	\$ 520,676	\$ 709,515	\$ (297,246)	\$ 15,415	\$ 1,365,425	\$ 137,862
Transfers in	-	-	3,711,234	-	-	3,711,234	96,553
Transfers out	(419,079)	(1,245,011)	-	(3,125,723)	-	(4,789,813)	(41,642)
Change in Net Position	\$ (2,014)	\$ (724,335)	\$ 4,420,749	\$ (3,422,969)	\$ 15,415	\$ 286,846	\$ 192,773
Net Position - January 1, as previously reported	\$ 1,824,147	\$ 6,432,269	\$ -	\$ 7,922,770	\$ 2,238,762		\$ 1,403,346
Prior period adjustment	(250,967)	(316,483)	(844,239)	(188,225)	-		-
Net Position - January 1, as restated	\$ 1,573,180	\$ 6,115,786	\$ (844,239)	\$ 7,734,545	\$ 2,238,762		\$ 1,403,346
Net Position - December 31	\$ 1,571,166	\$ 5,391,451	\$ 3,576,510	\$ 4,311,576	\$ 2,254,177		\$ 1,596,119
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						77,109	
Change in net position of business-type activities						<u>\$ 363,955</u>	

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

	Liquor Dispensary	Electric Enterprise	Water Enterprise
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,711,750	\$ 14,521,701	\$ 2,262,309
Payments to employees	(440,351)	(1,532,680)	(328,633)
Payments to suppliers	(3,818,408)	(11,849,227)	(838,868)
Net cash provided by (used in) operating activities	\$ 452,991	\$ 1,139,794	\$ 1,094,808
Cash Flows from Capital and Related Financing Activities			
Special assessments received	\$ -	\$ -	\$ -
Transfers from other funds	-	-	-
Transfers to other funds	(419,079)	(591,000)	-
Proceeds from issuance of debt	-	-	610,000
Purchase of capital assets	(9,101)	(386,653)	(13,462)
Loan payments received	-	11,982	-
Principal paid on debt	-	-	(300,000)
Interest paid on debt	-	(18,591)	(89,670)
Net cash provided by (used in) capital and related financing activities	\$ (428,180)	\$ (984,262)	\$ 206,868
Cash Flows from Investing Activities			
Investment earnings received	\$ 6,292	\$ 8,203	\$ 3,444
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 31,103	\$ 163,735	\$ 1,305,120
Cash and Cash Equivalents at January 1	1,151,482	1,972,297	-
Cash and Cash Equivalents at December 31	\$ 1,182,585	\$ 2,136,032	\$ 1,305,120
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 411,006	\$ 532,041	\$ 846,245
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 21,195	\$ 394,505	\$ 355,950
Decrease (increase) in assets			
Accounts receivable	(688)	95,159	(186,136)
Inventory	(32,863)	44,529	(117,178)
Due from other funds	-	46,804	-
Increase (decrease) in liabilities			
Accounts payable	11,481	(65,854)	37,930
Salaries payable	1,258	7,282	-
Due to other governments	2,331	(2,543)	-
Compensated absences payable	30,545	36,892	128,251
Customer deposits payable	-	847	-
Demand waiver reserve	-	16,543	-
Other post employment benefit obligation	600	2,100	23,650
Net pension liability	8,126	31,489	6,096
Total adjustments	\$ 41,985	\$ 607,753	\$ 248,563
Net cash provided by (used in) operating activities	\$ 452,991	\$ 1,139,794	\$ 1,094,808

EXHIBIT 9

Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
\$ 814,834	\$ 158,223	\$ 22,468,817	\$ 478,775
(371,560)	(31,270)	(2,704,494)	(9,002)
(673,959)	(32,055)	(17,212,517)	(486,704)
\$ (230,685)	\$ 94,898	\$ 2,551,806	\$ (16,931)
\$ 30,291	\$ -	\$ 30,291	\$ -
-	-	-	426,140
(68,500)	-	(1,078,579)	(41,642)
-	-	610,000	-
(95,896)	(36,357)	(541,469)	-
-	-	11,982	-
(178,155)	-	(478,155)	-
(87,044)	-	(195,305)	-
\$ (399,304)	\$ (36,357)	\$ (1,641,235)	\$ 384,498
\$ 3,881	\$ 3,119	\$ 24,939	\$ 7,219
\$ (626,108)	\$ 61,660	\$ 935,510	\$ 374,786
1,334,530	540,965	4,999,274	1,207,835
\$ 708,422	\$ 602,625	\$ 5,934,784	\$ 1,582,621
\$ (301,417)	\$ 12,297	\$ 1,500,172	\$ (19,192)
\$ 172,497	\$ 82,672	\$ 1,026,819	\$ -
119,058	(21)	27,372	2,724
123,399	-	17,887	(2,147)
-	-	46,804	-
(231,866)	(45)	(248,354)	1,668
(10,877)	(5)	(2,342)	14
-	-	(212)	2
(84,825)	-	110,863	-
-	-	847	-
-	-	16,543	-
(22,750)	-	3,600	-
6,096	-	51,807	-
\$ 70,732	\$ 82,601	\$ 1,051,634	\$ 2,261
\$ (230,685)	\$ 94,898	\$ 2,551,806	\$ (16,931)

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

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION RETIREMENT SYSTEM
PENSION TRUST FUND
DECEMBER 31, 2015**

Assets

Cash and pooled investments	\$	49,454
Accrued interest receivable		43
Prepaid benefits		839
		<hr/>
Total Assets	\$	50,336
		<hr/>

Net Position

Amounts held in trust for pool participants	\$	50,336
		<hr/> <hr/>

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

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Additions</u>		
Contributions	\$	5,389
Investment earnings		<u>240</u>
Total Additions	\$	<u>5,629</u>
<u>Deductions</u>		
Benefit payments	\$	<u>9,727</u>
Change in net position	\$	(4,098)
Net Position--January 1		<u>54,434</u>
Net Position--December 31	\$	<u><u>50,336</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

The City participates in a joint venture as described in Note IV-D.

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, charges, and fines paid by the

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues and transfers.

2. Fund Financial Statements

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

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

The City reports the following major governmental fund:

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

The CDAB Revolving Loan Special Revenue Fund accounts for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

The 2015 Street and Utilities Project Capital Project Funds is used to account for and report the financial activity of the 2015 street and utility improvement projects. Financing is provided by intergovernmental revenues and the proceeds from issuance of debt.

The City reports the following major enterprise funds:

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

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

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

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

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The City also reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

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

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

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of the funds are invested by the City Finance Director for the purpose of increasing earning through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Investment earnings are allocated to the funds with deposits. Total investment earnings for 2015 were \$69,176.

3. Fiscal Agent

The City Council has authorized the Northwest Minnesota Multi-City Housing and Redevelopment Authority to administer the SCDP projects. The cash with fiscal agent held by the Northwest Minnesota Multi-City Housing and Redevelopment Authority on behalf of the City was \$133,033 as of December 31, 2016.

The City made a payment on the 2010 Water Revenue Bonds of \$334,733 on December 31, 2015 to Northland Securities Public Finance Agency. This amount is considered to be cash with fiscal agent as of December 31, 2015 until the payment is actually due January 1, 2016.

4. Receivables and Payables

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

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2000 through 2015, and deferred special assessments collectible in 2016 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectable amount.

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

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

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

4. Receivables and Payables (Continued)

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

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances from/to other funds” (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

5. Inventory

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

6. Capital Assets

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

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

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

6. Capital Assets (Continued)

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

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

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

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

7. Deferred Outflows and Inflows of Resources

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

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

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

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

8. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated sick leave and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. Compensated absences are generally liquidated by the General Fund and the Electric, Water, Wastewater, and Liquor Enterprise Funds.

9. Long-Term Obligations

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

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

10. Pensions

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

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

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

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

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

11. Net Position and Fund Balance

Certain funds of the City are classified as restricted net position on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

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

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

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

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

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

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

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

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when unforeseen emergencies exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The City does not identify an amount for stabilization at December 31, 2015.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

II. Stewardship, Compliance, and Accountability

A. Change in Accounting Principles

1. Change in Accounting Principles

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the City to change the accounting for the pension costs related to the City's participation in the Public Employees Retirement Association (PERA). In addition, the City will also be recognizing a net pension liability, deferred outflows of resources, and deferred inflows of resources related to the City's proportionate share of the collective amounts in PERA.

As a result, beginning net position has been restated to reflect the related net pension liability and deferred outflows of resources as of January 1, 2015 as follows:

	Governmental Activities	Liquor Enterprise Fund	Electric Enterprise Fund	Water Systems Enterprise Fund	Wastewater Enterprise Fund
Beginning Net Position	\$ 33,960,563	\$ 1,824,147	\$ 6,432,269	\$ -	\$ 7,922,770
Net Pension Liability at January 1, 2015	(2,833,449)	(250,967)	(316,483)	(844,239)	(188,225)
Net position - January 1, 2015, as restated	<u>\$ 31,127,114</u>	<u>\$ 1,573,180</u>	<u>\$ 6,115,786</u>	<u>\$ (844,239)</u>	<u>\$ 7,734,545</u>

2. Deficit Fund Balances

The following funds had deficit unassigned fund balances as of December 31, 2015: the 2014 Improvement Capital Projects Fund of \$35,758, the Greenwood Street Underpass Capital Projects Fund of \$772, the 2015 Street and Utilities Capital Projects Fund of \$552,052, the Multi Use Trail SRTS Capital Projects Fund of \$3,291, and the 2016 Greenwood Realignment Capital Projects Fund of \$224,116. These deficits will be eliminated with future collections.

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City's total deposits and investments to the basic financial statements, as of December 31, 2015, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 6,448,097
Cash with fiscal agent	133,033
Business-type Activities	
Cash and pooled investments	5,934,784
Cash with fiscal agent	334,733
Fiduciary Activities	
Cash and pooled investments	<u>49,454</u>
Total Cash and Investments	<u><u>\$ 12,900,101</u></u>
Deposits	\$ 8,157,628
Investments	4,264,727
Cash with fiscal agent	467,766
Petty cash and change funds	<u>9,980</u>
Total deposits and cash on hand	<u><u>\$ 12,900,101</u></u>

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. However, the City complies with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2015, the City's deposits were not exposed to custodial credit risk.

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, § 118A.04, subdivision 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City 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.

At December 31, 2015, the City had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Federal Home Loan Bank	\$ 1,089,889	\$ -	\$ 590,254	\$ 499,635
Negotiable Certificates of Deposit	3,174,838	746,421	2,428,417	-
Total Investments	<u>\$ 4,264,727</u>	<u>\$ 746,421</u>	<u>\$ 3,018,671</u>	<u>\$ 499,635</u>
	100%	18%	71%	11%

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments (Continued)

Credit Risk

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

The City's exposure to credit risk as of December 31, 2015, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
Federal Home Loan Bank	AA+	\$ 1,089,889
Negotiable Certificates of Deposit	N/R	<u>3,174,838</u>
		<u>\$ 4,264,727</u>

N/R – not rated

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a policy on custodial credit risk. Some brokers have excess SIPC coverage which may mitigate all or part of custodial credit risk. At December 31, 2015, the following investments may be subject to custodial credit risk:

Federal Home Bank Loan	<u>\$ 1,089,889</u>
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**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments (Continued)

Concentration of Credit Risk

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

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

<u>Issuer</u>	<u>Reported Amount</u>	
Federal Home Loan Mortgage Bank	\$ 1,089,889	26%
Negotiable Certificates of Deposit	3,174,838	74%

2. Receivables

Receivables as of December 31, 2015, for the City's governmental and business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 79,139	\$ -
Special assessments	1,336,425	1,286,371
Accounts	326,593	-
Accrued interest	9,605	-
Loans	931,889	200,131
Due from other governments	1,509,666	-
	<u>\$ 4,193,317</u>	<u>\$ 1,486,502</u>
Business-Type Activities		
Special assessments	\$ 130,760	\$ 115,876
Accounts	1,586,782	-
Accrued interest	4,255	-
Loans	8,680	-
	<u>\$ 1,730,477</u>	<u>\$ 115,876</u>

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

III. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 804,606	\$ 37,807	\$ 6,946	\$ 835,467
Construction in progress	646,150	3,203,987	646,150	3,203,987
Total capital assets not depreciated	\$ 1,450,756	\$ 3,241,794	\$ 653,096	\$ 4,039,454
Capital assets being depreciated				
Infrastructure	\$ 22,123,098	\$ 742,314	\$ -	\$ 22,865,412
Buildings and improvements	19,013,519	62,549	35,220	19,040,848
Machinery and equipment	4,507,651	320,300	29,987	4,797,964
Total capital assets being depreciated	\$ 45,644,268	\$ 1,125,163	\$ 65,207	\$ 46,704,224
Less: accumulated depreciation for				
Infrastructure	\$ 6,649,496	\$ 596,730	\$ -	\$ 7,246,226
Buildings and improvements	6,244,483	447,403	35,218	6,656,668
Machinery and equipment	3,358,638	242,122	29,930	3,570,830
Total accumulated depreciation	\$ 16,252,617	\$ 1,286,255	\$ 65,148	\$ 17,473,724
Total capital assets, depreciated, net	\$ 29,391,651	\$ (161,092)	\$ 59	\$ 29,230,500
Governmental Activities Capital Assets, Net	<u>\$ 30,842,407</u>	<u>\$ 3,080,702</u>	<u>\$ 653,155</u>	<u>\$ 33,269,954</u>

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

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 425,232	\$ -	\$ -	\$ 425,232
Construction in progress	1,503,130	498,049	2,001,179	-
Total capital assets not depreciated	<u>\$ 1,928,362</u>	<u>\$ 498,049</u>	<u>\$ 2,001,179</u>	<u>\$ 425,232</u>
Capital assets being depreciated				
Buildings and improvements	\$ 7,460,930	\$ -	\$ -	\$ 7,460,930
Infrastructure	35,560,801	1,930,187	-	37,490,988
Machinery and equipment	4,895,045	82,559	-	4,977,604
Total capital assets being depreciated	<u>\$ 47,916,776</u>	<u>\$ 2,012,746</u>	<u>\$ -</u>	<u>\$ 49,929,522</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,892,132	\$ 154,880	\$ -	\$ 4,047,012
Infrastructure	21,694,508	737,448	-	22,431,956
Machinery and equipment	4,143,738	134,489	-	4,278,227
Total accumulated depreciation	<u>\$ 29,730,378</u>	<u>\$ 1,026,817</u>	<u>\$ -</u>	<u>\$ 30,757,195</u>
Total capital assets, depreciated, net	<u>\$ 18,186,398</u>	<u>\$ 985,929</u>	<u>\$ -</u>	<u>\$ 19,172,327</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 20,114,760</u>	<u>\$ 1,483,978</u>	<u>\$ 2,001,179</u>	<u>\$ 19,597,559</u>

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

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

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

Governmental Activities	
General government	\$ 651,286
Public safety	82,135
Highways and streets	77,548
Sanitation	32,863
Culture and recreation	440,938
Economic development	1,485
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,286,255</u>
Business-Type Activities	
Liquor	\$ 21,195
Electric	394,505
Water	82,672
Wastewater	355,950
Storm water	172,495
	<hr/>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,026,817</u>

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of due to/from other funds as of December 31, 2015, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Revolving Capital Outlay	General Fund	\$ 94,948	Revolving capital outlay transfer
Electric Enterprise Fund	Water Enterprise Fund	67,775	Interfund loan
2013 Greenwood Improvement Bonds Debt Service Fund	General Fund	<u>51,992</u>	For correct tax settlement
Total Due To/From Other Funds		<u>\$ 214,715</u>	

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

III. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following operating transfers:

Transfer to General Fund from Liquor Enterprise Fund	\$ 419,079	For operations
Transfer to General Fund from Electric Enterprise Fund	591,000	For operations
Transfer to General Fund from Interdepartment Distribution Fund	41,642	For reimbursements
Transfer to General Fund from Wastewater Enterprise Fund	68,500	For operations
Transfer to 2008 State Aid Street Bonds Debt Service Fund from 2001 Refunding Bonds Debt Service Fund	34,453	To close fund
Transfer to Interdepartment Distribution Fund from General Fund	96,553	For reimbursements
Transfer to Water Enterprise Fund from Electric Enterprise Fund	654,011	To move debt to correct fund
Transfer to Water Enterprise Fund from Wastewater Enterprise Fund	3,057,223	To split water from wastewater
Transfer to Revolving Capital Outlay Capital Projects Fund from General Fund	<u>230,700</u>	Revolving capital outlay transfer
Total Interfund Transfers	<u><u>\$ 5,193,161</u></u>	

C. Liabilities

Long-Term Debt

Governmental Activities

City of Thief River Falls Minnesota Public Facilities Authority of 1998 represent debt incurred for construction of the Wastewater Treatment Facility. These bonds have an original issue amount of \$925,525. They carry a net interest rate of 2.8 percent and are due in annual principal payments of between \$54,648 and \$59,298 through July 1, 2019. The balance due on these bonds at December 31, 2015, is \$227,892.

City of Thief River Falls State-Aid Street Bonds of 2008 represent debt incurred for the construction of Greenwood Bridge. These bonds have an original issue amount of \$1,630,000. They carry a net interest rate of 3.785 percent and are due in annual principal payments of between \$170,000 and \$190,000 through April 1, 2018. The balance due on these bonds at December 31, 2015, is \$545,000.

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Governmental Activities (Continued)

City of Thief River Falls General Obligation Improvement Bonds of 2011 represent debt incurred for street improvements. These bonds have an original issue amount of \$690,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments of between \$55,000 and \$65,000 through February 1, 2024. The balance due on these bonds at December 31, 2015, is \$540,000.

City of Thief River Falls General Obligation Improvement Bonds of 2012 represent debt incurred for street improvements. These bonds have an original issue amount of \$795,000. They carry a net interest rate of 2.1 percent and are due in annual principal payments of between \$65,000 and \$80,000 through February 1, 2025. The balance due on these bonds at December 31, 2015, is \$700,000.

City of Thief River Falls General Obligation Improvement Bonds of 2013 represent debt incurred for street improvements. These bonds have an original issue amount of \$565,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments of between \$30,000 and \$45,000 through February 1, 2029. The balance due on these bonds at December 31, 2015, is \$535,000.

City of Thief River Falls General Obligation Street Improvement Bonds of 2013 represent debt incurred for Greenwood street improvements. These bonds have an original issue amount of \$1,385,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments of between \$75,000 and \$95,000 through February 1, 2029. The balance due on these bonds at December 31, 2015, is \$1,310,000.

City of Thief River Falls General Obligation Street Improvement Bonds of 2014 represent debt incurred for street improvements. These bonds have an original issue amount of \$685,000. They carry a net interest rate of 3 percent and are due in annual principal payments of between \$50,000 and \$65,000 through February 4, 2027. The balance due on these bonds at December 31, 2015, is \$685,000.

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

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Business-Type Activities

City of Thief River Falls General Obligation Water Revenue Bonds of 2009 represent debt incurred for water system improvements. These bonds have an original issue amount of \$640,000. They carry a net interest rate of 4.2 percent and are due in annual principal payments of between \$25,000 and \$45,000 through February 1, 2030. The balance due on these bonds at December 31, 2015, is \$520,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2010 represent debt incurred for water system improvements. These bonds have an original issue amount of \$3,510,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments of between \$300,000 and \$345,000 through January 1, 2023. The balance due on these bonds at December 31, 2015, is \$2,600,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2011 represent debt incurred for water system improvements. These bonds have an original issue amount of \$210,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments of \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2015, is \$180,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2012 represent debt incurred for water system improvements. These bonds have an original issue amount of \$470,000. They carry a net interest rate of 2.2 percent and are due in annual principal payments of between \$30,000 and \$35,000 through February 1, 2028. The balance due on these bonds at December 31, 2015, is \$410,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2013 represent debt incurred for water system improvements. These bonds have an original issue amount of \$1,235,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments of between \$75,000 and \$85,000 through February 1, 2029. The balance due on these bonds at December 31, 2015, is \$1,170,000.

City of Thief River Falls General Obligation Sewer Improvement Bonds of 2014 represent debt incurred for wastewater system improvements. These bonds have an original issue amount of \$125,000. They carry a net interest rate of 3 percent and are due in annual principal payments of between \$10,000 and \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2015, is \$125,000.

City of Thief River Falls General Obligation Equipment Certificates of 2014 represent debt incurred for utility system improvements. These bonds have an original issue amount of \$1,615,000, and are split between the water and electric funds. They carry a net interest rate of 2.250 percent and are due in annual principal payments of between \$62,000 and \$78,000 through February 1, 2024. The balance due on these bonds at December 31, 2015, is \$646,000 in water, and \$969,000 in electric, with the total balance due of \$1,615,000.

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

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

Debt Service Requirements

Debt service requirements for general obligation bonds for the year ended December 31, 2015, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	280,000	93,579	155,000	31,713
2017	355,000	92,597	170,000	28,463
2018	355,000	87,570	175,000	25,013
2019	365,000	81,918	175,000	21,512
2020	375,000	75,547	180,000	17,963
2021-2025	1,905,000	250,931	760,000	33,593
2026-2030	930,000	46,553	-	-
Total	<u>\$ 4,565,000</u>	<u>\$ 728,695</u>	<u>\$ 1,615,000</u>	<u>\$ 158,257</u>

Debt service requirements for general obligation revenue bonds for the year ended December 31, 2015, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	175,000	17,284	509,648	131,315
2017	180,000	10,737	556,184	125,165
2018	190,000	3,681	562,762	114,697
2019	-	-	584,298	102,654
2020	-	-	530,000	90,044
2021-2025	-	-	2,095,000	263,472
2026-2030	-	-	960,000	72,833
2031-2035	-	-	45,000	675
Total	<u>\$ 545,000</u>	<u>\$ 31,702</u>	<u>\$ 5,842,892</u>	<u>\$ 900,855</u>

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Improvement Bonds	\$ 3,995,000	\$ 795,000	\$ 225,000	\$ 4,565,000	\$ 280,000
G.O. State-Aid Street Bonds	715,000	-	170,000	545,000	175,000
Compensated Absences	582,852	343,995	97,024	829,823	159,695
OPEB	850,200	15,000	-	865,200	-
Net Pension Liability	-	3,373,964	-	3,373,964	-
Governmental Activities Long-Term Liabilities	<u>\$ 6,143,052</u>	<u>\$ 4,527,959</u>	<u>\$ 492,024</u>	<u>\$ 10,178,987</u>	<u>\$ 614,695</u>

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Revenue Bonds	\$ 5,430,000	\$ 610,000	\$ 425,000	\$ 5,615,000	\$ 455,000
G.O. Bonds	1,615,000	-	-	1,615,000	155,000
MPFA Loans	281,047	-	53,155	227,892	54,648
Compensated Absences	468,571	186,667	75,804	579,434	165,638
OPEB	155,240	45,360	-	200,600	-
Net Pension Liability	-	1,725,935	-	1,725,935	-
Business-Type Activities Long-Term Liabilities	<u>\$ 7,949,858</u>	<u>\$ 2,567,962</u>	<u>\$ 553,959</u>	<u>\$ 9,963,861</u>	<u>\$ 830,286</u>

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

IV. Other Post-Employment Benefits – (OPEB)

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

Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the City of Thief River Falls Board of Commissioners. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. As of the January 1, 2014 actuarial valuation, there were approximately 101 participants in the plan, including 27 retirees.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan.

Annual Required Contribution	\$ 113,842
Interest on net OPEB obligation	41,889
Adjustments to Annual Required Contribution	<u>(60,561)</u>
 Annual OPEB cost (expense)	 \$ 95,170
Contributions made	<u>(76,571)</u>
 Increase in net OPEB obligation	 \$ 18,599
Net OPEB Obligation - January 1, 2015	<u>1,047,232</u>
 Net OPEB Obligation - December 31, 2015	 <u><u>\$ 1,065,831</u></u>

The City's annual OPEB cost for December 31, 2015 was \$95,170. The percentage of annual OPEB cost contributed to the plan was 80.5 percent, and the net OPEB obligation for 2015 was \$1,065,831. Currently, three years actuarial data is available. For trend information, refer to the Required Supplementary Information.

Fund Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$1,473,348, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$1,473,348. The covered payroll (annual payroll of active employees covered by the plan) was \$4,687,712, and the ratio of the UAAL to the covered payroll was 31.4 percent.

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

IV. Other Post-Employment Benefits – (OPEB)

Fund Status and Funding Progress (Continued)

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, 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 are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges for 5% to 7.5% for healthcare related costs. The UAAL is being amortized as a level dollar of active member payroll over a period of 30 years on an open period.

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

V. Defined Benefit Pension Plans

A. Plan Description

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

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City of Thief River Falls are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

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

Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

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

V. Defined Benefit Pension Plans

A. Plan Description

Benefits Provided (Continued)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. PEPFF Benefits

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

B. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City of Thief River Falls was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City of Thief River Falls' contributions to the GERF for the year ended December 31, 2015, were \$298,516. The City of Thief River Falls' contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City of Thief River Falls was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City of Thief River Falls' contributions to the PEPFF for

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

V. Defined Benefit Pension Plans

B. Contributions

2. PEPFF Contributions (Continued)

the year ended December 31, 2015, were \$229,565. The City of Thief River Falls' contributions were equal to the required contributions as set by state statute.

C. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City of Thief River Falls reported a liability of \$3,384,185 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of that date. The City of Thief River Falls proportion of the net pension liability was based on the City of Thief River Falls' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2015, the City of Thief River Falls' proportion share was .0653% which was a decrease of .0044% from its proportion measured as of June 30, 2014.

There were no provision changes during the measurement period.

For the year ended December 31, 2015, the City of Thief River Falls recognized pension expense of \$399,432 for its proportionate share of the GERF's pension expense.

At December 31, 2015, the City of Thief River Falls reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 170,620
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	320,365	-
Changes in proportion	-	155,017
Contributions paid to PERA subsequent to the measurement date	150,793	-
Total	<u>\$ 471,158</u>	<u>\$ 325,637</u>

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

V. Defined Benefit Pension Plans

C. Pension Costs

1. GERF Pension Costs (Continued)

The \$150,793 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls' contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2016	\$ (28,454)
2017	(28,454)
2018	(28,454)
2019	80,091
2020	-

2. PEPFF Pension Costs

At December 31, 2015, The City of Thief River Falls reported a liability of \$1,715,713 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Thief River Falls' proportion of the net pension liability was based on the City of Thief River Falls' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2015, the City of Thief River Falls' proportion was .151% which was an increase of .001% from its proportion measured as of June 30, 2014.

There were no provision changes during the measurement period.

For the year ended December 31, 2015, the City of Thief River Falls recognized pension expense of \$297,458 for its proportionate share of the PEPFF's pension expense.

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

V. Defined Benefit Pension Plans

C. Pension Costs

2. PEPPF Pension Costs (Continued)

As of December 31, 2015, the City of Thief River Falls reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 278,233
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	298,935	-
Changes in proportion	9,000	-
Contributions paid to PERA subsequent to the measurement date	116,028	-
Total	<u>\$ 423,963</u>	<u>\$ 278,233</u>

The \$116,028 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$ (15,011)
2017	(15,011)
2018	(15,011)
2019	74,734
2020	-

D. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

V. Defined Benefit Pension Plans

D. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males and females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% effective every January 1st until 2026, then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

E. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

V. Defined Benefit Pension Plans (Continued)

F. Pension Liability Sensitivity

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

City of Thief River Fall's	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the GERF net pension liability	\$ 5,321,142	\$ 3,384,185	\$ 1,784,556
Proportionate share of the PEPFF net pension liability	\$ 3,343,943	\$ 1,715,713	\$ 370,512

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; or by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651)296-7460 or 1-800-652-9026.

VI. Defined Contribution Plan

Four employees of the City of Thief River Falls are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount no to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City of Thief River Falls during fiscal year 2015 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 1,335	\$ 1,335	5%	5%	5%

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

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

A. Plan Description

Firefighters of the City of Thief River Falls are members of the Thief River Falls Firemen’s Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association’s by-laws. As of December 31, 2015, membership includes 26 active participants and 2 deferred members entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

B. Benefits Provided

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

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

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

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

C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing an existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of

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

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

C. Contributions (Continued)

volunteers; therefore, there are no payroll expenditures (i.e. there are no payroll percentage calculations). The minimum contribution from the City and state aid is determined as follows:

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

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$66,190 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2015. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2015, there was no statutorily-required City contributions to the plan.

D. Pension Costs

At December 31, 2015, the City reported an asset of \$202,487 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$48,300 for the year ended December 31, 2015. As December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	34,782	-
Total	\$ 34,782	\$ -

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

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

D. Pension Costs (Continued)

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

Year Ended December 31	Pension Expense Amount
2016	\$ 8,696
2017	8,696
2018	8,696
2019	8,694

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/2014
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount Rate	4.25%
Expected return on plan assets	4.25%
Inflation rate	2.75%

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan’s asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Allocation at December 31, 2015	Long-term Expected Real Rate of Return	Long-term Expected Nominal Rate of Return
Domestic equity	25.27%	5.25%	8.00%
International equity	4.96%	5.25%	8.00%
Fixed income	51.20%	1.75%	4.50%
Real estate and alternatives	0.00%	3.75%	6.50%
Cash and equivalents	18.57%	0.25%	3.00%
Total	100.00%		5.28%
Reduced for assumed investment expense			-1.00%
Net assumed invest return (weighted avg, rounded to 1/4%)			4.25%

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 4.25 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G. Pension Asset Sensitivity

The following presents the City’s proportionate share of the net pension asset of the Association, calculated using the discount rate of 4.25 percent, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.25 percent) or one percentage point higher (5.25 percent) than the current rate:

	<u>1% Decrease (3.25%)</u>	<u>Discount Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
Total Pension Liability	\$ 824,095	\$ 802,282	\$ 780,716
Plan Fiduciary Net Position	1,004,769	1,004,769	1,004,769
Net Pension Liability	(180,674)	(202,487)	(224,053)

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

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

H. Plan’s Fiduciary Net Position

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

	Measurement Period Ending and Fiscal Year Ending	
	12/31/2015	12/31/2014
Assets		
Cash and deposits	\$ 9,403	\$ 15,148
Money market funds and interest-bearing cash	177,222	73,728
Total cash	<u>\$ 186,625</u>	<u>\$ 88,876</u>
Cash position of mutual funds	<u>\$ -</u>	<u>\$ 1,098</u>
Receivables		
Contributions	\$ -	\$ 1,000
Due from broker for investments sold	-	-
Investment income	-	-
Other	-	-
Total receivables	<u>\$ -</u>	<u>\$ 1,000</u>
Investments		
Domestic equity	\$ 253,887	\$ 281,493
International equity	49,836	32,932
Fixed income	514,421	538,160
Real estate and alternatives	-	-
Total investments	<u>\$ 818,144</u>	<u>\$ 852,585</u>
Total assets	<u>\$ 1,004,769</u>	<u>\$ 943,559</u>
Short term liabilities		
Payables		
Investment management fees	\$ -	\$ -
Due to broker for investments purchased	-	-
Other	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net position restricted for pensions	<u>\$ 1,004,769</u>	<u>\$ 943,559</u>

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

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

H. Plan’s Fiduciary Net Position (Continued)

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

	Measurement Period Ending and Fiscal Year Ending	
	12/31/2015	12/31/2014
Additions		
Contributions		
State aid	\$ 66,190	\$ 63,149
City Contributions	-	-
Outside donations and other income	-	-
Member contributions	52	52
Total contributions	<u>\$ 66,242</u>	<u>\$ 63,201</u>
Investment income		
Net appreciation in fair value of investments	\$ (20,539)	\$ 30,028
Interest and dividends	27,829	25,982
Less investment expense	(9,323)	(8,803)
Net investment income	<u>\$ (2,033)</u>	<u>\$ 47,207</u>
Total additions	<u>\$ 64,209</u>	<u>\$ 110,408</u>
Deductions		
Benefit payments		
Monthly payments to retirees and beneficiaries	\$ -	\$ -
Lump sums	-	(76,361)
Refunds	-	-
Total	<u>\$ -</u>	<u>\$ (76,361)</u>
Administrative expense	(2,999)	(2,969)
Total deductions	<u>\$ (2,999)</u>	<u>\$ (79,330)</u>
Net increase in net pension	\$ 61,210	\$ 31,078
Net position restricted for pensions		
Beginning of year	<u>\$ 943,559</u>	<u>\$ 912,481</u>
End of year	<u>\$ 1,004,769</u>	<u>\$ 943,559</u>
Investment return for the measurement year		
a. Net investment income	\$ (2,033)	\$ 47,207
b. Beginning balance	943,559	912,481
c. Time-weighted cash flows	9,360	(31,303)
d. Investment return: a. / (b. + c.)	-0.21%	5.36%

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

VII. City of Thief River Falls Police Relief Association

A. Plan Description

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

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

B. Funding Policy

The City will provide by special tax levy and other revenues an amount sufficient to pay the aggregate cost of service pensions, disability benefits, and survivor benefits for the remaining members of the fund. The City is required by state statute to have an actuarial valuation and experience study of the City's Police Relief Association at least once every five years to determine the City's minimum obligation. The last actuarial valuation was completed as of December 31, 2007, by Van Iwaarden Associates. The City's tax levies to the Police Relief Association for the years ending December 31, 2015, 2014, and 2013, were \$5,389, \$5389, and \$5,389, respectively.

VIII. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

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

B. Risk Management

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

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

**CITY OF THIEF RIVER FALLS
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IX. Joint Ventures

A. Multi-Events Center

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

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

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

B. Northwest Regional Library

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

X. Jointly-Governed Organizations

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

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

XI. Conduit Debt (No Commitment Debt)

From time to time the City of Thief River Falls has issued private activity bonds to provide financial assistance for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for the payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2015, there was one issue outstanding with a remaining principal balance of \$2,080,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 1,715,213	\$ 1,715,213	\$ 1,707,802	\$ (7,411)
Special assessments	17,950	17,950	33,906	15,956
Licenses and permits	141,835	141,835	237,660	95,825
Intergovernmental	3,306,694	3,306,694	3,535,348	228,654
Charges for services	1,867,978	1,867,978	1,993,619	125,641
Fines and forfeitures	50,000	50,000	49,664	(336)
Investment earnings	11,900	11,900	9,246	(2,654)
Gifts and contributions	-	-	74,277	74,277
Miscellaneous	41,950	41,950	130,006	88,056
Total Revenues	\$ 7,153,520	\$ 7,153,520	\$ 7,771,528	\$ 618,008
Expenditures				
Current				
General government				
Mayor/council	\$ 97,960	\$ 97,960	\$ 85,715	\$ 12,245
Administration	550,657	550,657	553,366	(2,709)
Professional services	12,790	12,790	12,769	21
Assessor	37,000	37,000	36,930	70
Legal	86,904	86,904	87,588	(684)
Buildings and grounds	129,487	129,487	121,315	8,172
Insurance	237,430	237,430	224,546	12,884
MIS/GIS	39,800	39,800	39,800	-
Other general government	153,250	153,250	192,323	(39,073)
Total general government	\$ 1,345,278	\$ 1,345,278	\$ 1,354,352	\$ (9,074)
Public safety				
Police	\$ 1,789,780	\$ 1,789,780	\$ 1,798,130	\$ (8,350)
Fire	782,577	782,577	813,607	(31,030)
Fire relief association	63,500	63,500	67,190	(3,690)
Building official	132,174	132,174	132,969	(795)
Total public safety	\$ 2,768,031	\$ 2,768,031	\$ 2,811,896	\$ (43,865)
Highways and streets				
Street department	\$ -	\$ 619,386	\$ 583,777	\$ 35,609
Street lighting	162,247	162,247	167,450	(5,203)
Total highways and streets	\$ 162,247	\$ 781,633	\$ 751,227	\$ 30,406

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

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures				
Current (continued)				
Sanitation				
Sanitation	\$ 1,448,982	\$ 829,596	\$ 846,276	\$ (16,680)
Culture and recreation				
Arena	\$ 1,058,608	\$ 1,058,608	\$ 1,096,505	\$ (37,897)
Parks	572,316	572,316	604,601	(32,285)
Library	197,887	197,887	189,018	8,869
Senior citizen program	22,145	22,145	18,525	3,620
Total culture and recreation	\$ 1,850,956	\$ 1,850,956	\$ 1,908,649	\$ (57,693)
Economic development				
Community services	\$ 290,852	\$ 290,852	\$ 267,881	\$ 22,971
Total current	\$ 7,866,346	\$ 7,866,346	\$ 7,940,281	\$ (73,935)
Capital outlay				
General government	\$ -	\$ -	\$ 37,807	\$ (37,807)
Public safety	8,500	8,500	65,472	(56,972)
Culture and recreation	30,000	30,000	85,224	(55,224)
Total capital outlay	\$ 38,500	\$ 38,500	\$ 188,503	\$ (150,003)
Total Expenditures	\$ 7,904,846	\$ 7,904,846	\$ 8,128,784	\$ (223,938)
Excess of Revenues Over (Under)				
Expenditures	\$ (751,326)	\$ (751,326)	\$ (357,256)	\$ 394,070
Other Financing Sources (Uses)				
Transfers in	\$ 1,078,579	\$ 1,078,579	\$ 1,120,221	\$ 41,642
Transfers out	(327,253)	(327,253)	(327,253)	-
Total Other Financing Sources (Uses)	\$ 751,326	\$ 751,326	\$ 792,968	\$ 41,642
Net Change in Fund Balance	\$ -	\$ -	\$ 435,712	\$ 435,712
Fund Balance - January 1	2,335,344	2,335,344	2,335,344	-
Fund Balance - December 31	\$ 2,335,344	\$ 2,335,344	\$ 2,771,056	\$ 435,712

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

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
CDAB REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Investment earnings	\$ 5,600	\$ 5,600	\$ 5,659	\$ 59
Miscellaneous	11,492	11,492	9,362	(2,130)
Total Revenues	\$ 17,092	\$ 17,092	\$ 15,021	\$ (2,071)
Expenditures				
Current				
Economic development				
Administration	7,000	7,000	9,835	(2,835)
Net Change in Fund Balance	\$ 10,092	\$ 10,092	\$ 5,186	\$ (4,906)
Fund Balance - January 1	2,085,558	2,085,558	2,085,558	-
Fund Balance - December 31	\$ 2,095,650	\$ 2,095,650	\$ 2,090,744	\$ (4,906)

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

Schedule 3

**SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	\$ -	\$ 4,945,515	\$ 4,945,515	\$ -	\$ 4,426,074	112%
January 1, 2011	\$ -	\$ 1,473,348	\$ 1,473,348	\$ -	\$ 4,687,712	31%
January 1, 2014	\$ -	\$ 1,066,449	\$ 1,066,449	\$ -	\$ 5,641,825	19%

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

Schedule 4

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2015**

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 137,865	\$ 134,165	97%	\$ 1,026,700
December 31, 2014	\$ 94,442	\$ 73,942	78%	\$ 1,047,200
December 31, 2015	\$ 95,170	\$ 76,571	80%	\$ 1,065,831

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

Schedule 5

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2015**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
December 31, 2015	\$ 298,516	\$ 298,516	\$ -	\$ 3,990,024	7.5%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
December 31, 2015	\$ 229,565	\$ 229,565	\$ -	\$ 1,417,067	16.2%

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

Schedule 6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.6530%	\$ 3,384,185	\$ 3,870,518	87.43%	78.20%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.1510%	\$ 1,715,713	\$ 1,383,239	124.04%	86.60%

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

Schedule 7

**VOLUNTEER FIREFIGHTER RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
December 31, 2015	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2014	\$ -	\$ -	\$ -	\$ -	0.0%

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	100%	\$ (202,487)	N/A	N/A	154.7%

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

I. Budgetary Information

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

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

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

II. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2015:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Administration	\$ 553,366	\$ 550,657	\$ (2,709)
Legal	87,588	86,904	(684)
Other general government	192,323	153,250	(39,073)
Public safety			
Police	1,798,130	1,789,780	(8,350)
Fire	813,607	782,577	(31,030)
Firefighters relief association	67,190	63,500	(3,690)
Building official	132,969	132,174	(795)
Highways and streets			
Street lighting	167,450	162,247	(5,203)
Sanitation			
Sanitation	846,276	829,596	(16,680)
Culture and recreation			
Arena	1,096,505	1,058,608	(37,897)
Parks	604,601	572,316	(32,285)
Capital outlay			
General government	37,807	-	(37,807)
Public safety	65,472	8,500	(56,972)
Culture and recreation	85,224	30,000	(55,224)
CDAB Revolving Loan Special Revenue Fund			
Economic development			
Administration	9,835	7,000	(2,835)

III. Net Pension Liability

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

SUPPLEMENTARY INFORMATION

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Debt Service Funds

The 2001 Refunding Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Refunding Bonds of 2001. This debt has been extinguished and the fund was closed in 2015.

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

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

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

Capital Projects Funds

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

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

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

The 2015 Mark Boulevard Improvement Project Capital Projects Fund is used to account for and report the financial resources of the Mark Boulevard improvement project. This fund was closed into the 2015 Street and Utilities Capital Projects Fund in 2015.

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

NONMAJOR GOVERNMENTAL FUNDS

The 2015 Noper Project Capital Projects Fund is used to account for and report the financial resources of the infrastructure construction for the West River Falls Estates apartment project. This fund was closed into the 2015 Street and Utilities Capital Projects Fund in 2015.

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

The 2014 Improvement Project Capital Projects Fund is used to account for and report the financial resources of the 2014 street improvement projects. Financing is provided by a general levy and special assessments.

The Greenwood Street Underpass Capital Projects Fund is used to account for and report the financial resources of the Greenwood Street underpass construction project. Financing is provided by annual allotments of highway users tax from the Minnesota Department of Transportation.

The Multi-Use Trail SRTS Capital Projects Fund is used to account for and report the financial resources of the multi-use trail construction. Financing is provided by the Safe Routes to Schools Grant from the Minnesota Department of Transportation.

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

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds (Statement 3)	Debt Service Funds (Statement 5)	Capital Projects Funds (Statement 7)	Total Nonmajor Governmental Funds (Exhibit 3)
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 523,783	\$ 413,347	\$ 1,975,778	\$ 2,912,908
Taxes receivable				
Current	-	904	-	904
Prior	-	2,133	-	2,133
Special assessments receivable				
Current	-	31,914	-	31,914
Prior	-	13,846	1,913	15,759
Accounts receivable	-	-	2,500	2,500
Interest receivable	388	382	1,627	2,397
Due from other funds	-	51,992	94,948	146,940
Loans receivable	-	-	76,200	76,200
Special assessments receivable - noncurrent	-	1,169,300	63,625	1,232,925
Total Assets	\$ 524,171	\$ 1,683,818	\$ 2,216,591	\$ 4,424,580
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Cash overdraft	\$ -	\$ -	\$ 252,563	\$ 252,563
Accounts payable	79,497	-	11,317	90,814
Salaries payable	671	-	-	671
Due to other governments	97	-	-	97
State Aid Advance	-	-	606,957	606,957
Total Liabilities	\$ 80,265	\$ -	\$ 870,837	\$ 951,102
Deferred Inflows of Resources				
Taxes	\$ -	\$ 2,133	\$ -	\$ 2,133
Special assessments	-	1,183,156	65,538	1,248,694
Loans	-	-	76,200	76,200
Total Deferred Inflows of Resources	\$ -	\$ 1,185,289	\$ 141,738	\$ 1,327,027
Fund Balances				
Restricted for				
Debt service	\$ -	\$ 498,529	\$ -	\$ 498,529
TIF district	180,415	-	-	180,415
Committed to				
Train canopy	6,746	-	-	6,746
Perpetual care	166,049	-	-	166,049
Assigned to				
Capital projects	-	-	1,467,953	1,467,953
Cemetery	90,696	-	-	90,696
Unassigned	-	-	(263,937)	(263,937)
Total Fund Balances	\$ 443,906	\$ 498,529	\$ 1,204,016	\$ 2,146,451
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 524,171	\$ 1,683,818	\$ 2,216,591	\$ 4,424,580

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

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Funds (Statement 4)	Debt Service Funds (Statement 6)	Capital Projects Funds (Statement 8)	Total NonMajor Governmental Funds (Exhibit 5)
Revenues				
Taxes	\$ 258,252	\$ 111,639	\$ -	\$ 369,891
Special assessments	-	287,706	23,962	311,668
Charges for services	28,275	30	-	28,305
Intergovernmental	-	193,537	354,728	548,265
Investment earnings	2,353	8,758	11,162	22,273
Gifts and contributions	7,150	-	-	7,150
Miscellaneous	48,422	-	12,262	60,684
Total Revenues	\$ 344,452	\$ 601,670	\$ 402,114	\$ 1,348,236
Expenditures				
Current				
General government	\$ 293,728	\$ -	\$ -	\$ 293,728
Culture and recreation	-	-	10,196	10,196
Economic development	-	-	76,200	76,200
Total current	\$ 293,728	\$ -	\$ 86,396	\$ 380,124
Debt service				
Principal retirement	\$ -	\$ 395,000	\$ -	\$ 395,000
Interest	-	106,104	1,752	107,856
Total debt service	\$ -	\$ 501,104	\$ 1,752	\$ 502,856
Capital outlay				
Highways and streets	\$ -	\$ -	\$ 365,768	\$ 365,768
Culture and recreation	-	-	214,682	214,682
Economic development	11,900	-	-	11,900
Total capital outlay	\$ 11,900	\$ -	\$ 580,450	\$ 592,350
Total Expenditures	\$ 305,628	\$ 501,104	\$ 668,598	\$ 1,475,330
Excess of Revenues Over (Under)				
Expenditures	\$ 38,824	\$ 100,566	\$ (266,484)	\$ (127,094)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 34,453	\$ 236,907	\$ 271,360
Transfers out	-	(34,453)	-	(34,453)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 236,907	\$ 236,907
Net Change in Fund Balance	\$ 38,824	\$ 100,566	\$ (29,577)	\$ 109,813
Fund Balance - January 1	405,082	397,963	1,233,593	2,036,638
Fund Balance - December 31	\$ 443,906	\$ 498,529	\$ 1,204,016	\$ 2,146,451

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

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	TIF District 1-1	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7
<u>Assets</u>						
Cash and pooled investments	\$ 4,637	\$ 6	\$ 15,677	\$ 11,506	\$ 9,807	\$ 180,150
Interest receivable	1	2	6	4	2	128
Total Assets	<u>\$ 4,638</u>	<u>\$ 8</u>	<u>\$ 15,683</u>	<u>\$ 11,510</u>	<u>\$ 9,809</u>	<u>\$ 180,278</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 4,638	\$ -	\$ 15,677	\$ 11,510	\$ 9,809	\$ -
Salaries payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Total Liabilities	<u>\$ 4,638</u>	<u>\$ -</u>	<u>\$ 15,677</u>	<u>\$ 11,510</u>	<u>\$ 9,809</u>	<u>\$ -</u>
Fund Balances						
Restricted for TIF district	\$ -	\$ 8	\$ 6	\$ -	\$ -	\$ 180,278
Committed for						
Train canopy	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-
Assigned to						
Cemetery	-	-	-	-	-	-
Total Fund Balance	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,278</u>
Total Liabilities and Fund Balances	<u>\$ 4,638</u>	<u>\$ 8</u>	<u>\$ 15,683</u>	<u>\$ 11,510</u>	<u>\$ 9,809</u>	<u>\$ 180,278</u>

Statement 3

TIF District 1-8	TIF District 1-9	TIF District 1-10	Greenwood Cemetery	Train Canopy	Total (Statement 1)
\$ 12,751	\$ 22,543	\$ 113	\$ 259,850	\$ 6,743	\$ 523,783
2	3	-	237	3	388
12,753	22,546	113	260,087	6,746	524,171
12,753	\$ 22,536	\$ -	\$ 2,574	\$ -	\$ 79,497
-	-	-	671	-	671
-	-	-	97	-	97
12,753	22,536	-	3,342	-	80,265
-	\$ 10	\$ 113	\$ -	\$ -	\$ 180,415
-	-	-	-	6,746	6,746
-	-	-	166,049	-	166,049
-	-	-	90,696	-	90,696
-	10	113	256,745	6,746	443,906
12,753	22,546	113	260,087	6,746	524,171

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>TIF District 1-1</u>	<u>TIF District 1-3</u>	<u>TIF District 1-4</u>	<u>TIF District 1-5</u>	<u>TIF District 1-6</u>	<u>TIF District 1-7</u>
Revenues						
Taxes	\$ 12,020	\$ 8,967	\$ 51,387	\$ 37,979	\$ 24,829	\$ 44,564
Charges for services	-	-	-	-	-	-
Investment earnings	5	13	22	8	9	857
Gifts and contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>\$ 12,025</u>	<u>\$ 8,980</u>	<u>\$ 51,409</u>	<u>\$ 37,987</u>	<u>\$ 24,838</u>	<u>\$ 45,421</u>
Expenditures						
Current						
General government	\$ 12,031	\$ 8,983	\$ 48,802	\$ 37,944	\$ 24,849	\$ -
Capital outlay						
Economic development	-	-	-	-	-	-
Total Expenditures	<u>\$ 12,031</u>	<u>\$ 8,983</u>	<u>\$ 48,802</u>	<u>\$ 37,944</u>	<u>\$ 24,849</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (6)	\$ (3)	\$ 2,607	\$ 43	\$ (11)	\$ 45,421
Fund Balance - January 1	<u>6</u>	<u>11</u>	<u>(2,601)</u>	<u>(43)</u>	<u>11</u>	<u>134,857</u>
Fund Balance - December 31	<u><u>\$ -</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 6</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 180,278</u></u>

Statement 4

TIF District 1-8	TIF District 1-9	TIF District 1-10	Greenwood Cemetery	Train Canopy	Total (Statement 2)
\$ 28,336	\$ 50,057	\$ 113	\$ -	\$ -	\$ 258,252
-	-	-	28,275	-	28,275
10	21	-	1,384	24	2,353
-	-	-	-	7,150	7,150
-	-	-	48,422	-	48,422
\$ 28,346	\$ 50,078	\$ 113	\$ 78,081	\$ 7,174	\$ 344,452
\$ 28,362	\$ 50,068	\$ -	\$ 82,261	\$ 428	\$ 293,728
-	-	-	11,900	-	11,900
\$ 28,362	\$ 50,068	\$ -	\$ 94,161	\$ 428	\$ 305,628
\$ (16)	\$ 10	\$ 113	\$ (16,080)	\$ 6,746	\$ 38,824
16	-	-	272,825	-	405,082
\$ -	\$ 10	\$ 113	\$ 256,745	\$ 6,746	\$ 443,906

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

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2008	2011	2012	2013
	State Aid Street Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds
<u>Assets</u>				
Cash and pooled investments	\$ 34,381	\$ 73,184	\$ 82,669	\$ 33,941
Taxes receivable				
Current	-	-	-	-
Prior	-	-	-	-
Special assessments receivable				
Current	-	-	-	155
Prior	-	1,732	3,508	8,606
Interest receivable	-	82	110	165
Due from other funds	-	-	-	-
Special assessments receivable - noncurrent	-	107,598	218,246	184,792
Total Assets	\$ 34,381	\$ 182,596	\$ 304,533	\$ 227,659
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Deferred Inflows of Resources				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	109,330	221,754	193,398
Total Deferred Inflows of Resources	\$ -	\$ 109,330	\$ 221,754	\$ 193,398
Fund Balances				
Restricted for debt service	\$ 34,381	\$ 73,266	\$ 82,779	\$ 34,261
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 34,381	\$ 182,596	\$ 304,533	\$ 227,659

Statement 5

2013 Greenwood Improvement Bonds	2014 Improvement Bonds	2015 Improvement Bonds	Total (Statement 1)
\$ 28,251	\$ 128,108	\$ 32,813	\$ 413,347
904	-	-	904
2,133	-	-	2,133
890	30,869	-	31,914
-	-	-	13,846
5	20	-	382
51,992	-	-	51,992
-	186,478	472,186	1,169,300
\$ 84,175	\$ 345,475	\$ 504,999	\$ 1,683,818
\$ 2,133	-	-	\$ 2,133
-	186,478	472,196	1,183,156
\$ 2,133	186,478	472,196	\$ 1,185,289
\$ 82,042	158,997	32,803	\$ 498,529
\$ 84,175	345,475	504,999	\$ 1,683,818

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2001	2008	2011	2012
	Refunding Bonds	State Aid Street Bonds	Improvement Bonds	Improvement Bonds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	690	-	15,924	31,981
Charges for services	-	-	30	-
Intergovernmental	-	193,537	-	-
Investment earnings	8,128	-	192	183
Total Revenues	\$ 8,818	\$ 193,537	\$ 16,146	\$ 32,164
Expenditures				
Debt service				
Principal retirement	\$ -	\$ 170,000	\$ 55,000	\$ 65,000
Interest	-	24,032	13,076	10,331
Total Expenditures	\$ -	\$ 194,032	\$ 68,076	\$ 75,331
Excess of Revenues Over (Under)				
Expenditures	\$ 8,818	\$ (495)	\$ (51,930)	\$ (43,167)
Other Financing Sources				
Transfers in	\$ -	\$ 34,453	\$ -	\$ -
Transfers out	(34,453)	-	-	-
Total Other Financing Sources (Uses)	\$ (34,453)	\$ 34,453	\$ -	\$ -
Net Change in Fund Balance	\$ (25,635)	\$ 33,958	\$ (51,930)	\$ (43,167)
Fund Balance - January 1	25,635	423	125,196	125,946
Fund Balance - December 31	\$ -	\$ 34,381	\$ 73,266	\$ 82,779

Statement 6

2013 Improvement Bonds	2013 Greenwood Improvement Bonds	2014 Improvement Bonds	2015 Improvement Bonds	Total (Statement 2)
\$ -	\$ 111,639	\$ -	\$ -	\$ 111,639
36,375	3,783	166,150	32,803	287,706
-	-	-	-	30
-	-	-	-	193,537
42	71	142	-	8,758
\$ 36,417	\$ 115,493	166,292	32,803	\$ 601,670
\$ 30,000	\$ 75,000	\$ -	\$ -	\$ 395,000
14,388	34,892	9,385	-	106,104
\$ 44,388	\$ 109,892	\$ 9,385	\$ -	\$ 501,104
\$ (7,971)	\$ 5,601	\$ 156,907	\$ 32,803	\$ 100,566
\$ -	\$ -	\$ -	\$ -	\$ 34,453
-	-	-	-	(34,453)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ (7,971)	\$ 5,601	\$ 156,907	\$ 32,803	\$ 100,566
42,232	76,441	2,090	-	397,963
\$ 34,261	\$ 82,042	\$ 158,997	\$ 32,803	\$ 498,529

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

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Revolving Capital Outlay	Swimming Pool	Multi-Events Center	2016 Greenwood Realignment
<u>Assets</u>				
Cash and pooled investments	\$ 1,101,028	\$ 239,897	\$ 28,940	\$ -
Special assessments receivable				
Prior	1,913	-	-	-
Accounts receivable	-	-	2,500	-
Interest receivable	1,039	206	28	-
Due from other funds	94,948	-	-	-
Loans receivable	76,200	-	-	-
Special assessments receivable - noncurrent	63,625	-	-	-
Total Assets	\$ 1,338,753	\$ 240,103	\$ 31,468	\$ -
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ 213,432
Accounts payable	633	-	-	10,684
State Aid Advance	-	-	-	-
Total Liabilities	\$ 633	\$ -	\$ -	\$ 224,116
Deferred Inflows of Resources				
Special Assessments	\$ 65,538	\$ -	\$ -	\$ -
Loans	76,200	-	-	-
Total Deferred Inflows of Resources	\$ 141,738	\$ -	\$ -	\$ -
Fund Balances				
Assigned for capital projects	\$ 1,196,382	\$ 240,103	\$ 31,468	\$ -
Unassigned	-	-	-	(224,116)
Total Fund Balances	\$ 1,196,382	\$ 240,103	\$ 31,468	\$ (224,116)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,338,753	\$ 240,103	\$ 31,468	\$ -

Statement 7

2014 Improvement Project	Greenwood Street Underpass	Multi-Use Trail SRTS	Total (Statement 1)
\$ -	\$ 605,913	\$ -	\$ 1,975,778
-	-	-	1,913
-	-	-	2,500
82	272	-	1,627
-	-	-	94,948
-	-	-	76,200
-	-	-	63,625
\$ 82	606,185	-	\$ 2,216,591
\$ 35,840	-	3,291	\$ 252,563
-	-	-	11,317
-	606,957	-	606,957
\$ 35,840	606,957	3,291	\$ 870,837
\$ -	-	-	\$ 65,538
-	-	-	76,200
\$ -	-	-	\$ 141,738
\$ -	-	-	\$ 1,467,953
(35,758)	(772)	(3,291)	(263,937)
\$ (35,758)	(772)	(3,291)	\$ 1,204,016
\$ 82	606,185	-	\$ 2,216,591

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Revolving Capital Outlay	Swimming Pool	Multi-Events Center	2015 Mark Boulevard Improvement Project	2015 Noper Project
Revenues					
Special assessments	\$ 23,962	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Investment earnings	7,086	1,227	166	-	-
Miscellaneous	868	-	7,600	-	-
Total Revenues	\$ 31,916	\$ 1,227	\$ 7,766	\$ -	\$ -
Expenditures					
Current					
Culture and recreation	\$ -	\$ -	\$ 10,196	\$ -	\$ -
Economic development	76,200	-	-	-	-
Debt service					
Interest	390	-	-	-	-
Capital Outlay					
Highways and streets	-	-	-	-	-
Culture and recreation	214,682	-	-	-	-
Total Expenditures	\$ 291,272	\$ -	\$ 10,196	\$ -	\$ -
Excess of Revenues Over (Under) Expenditures	\$ (259,356)	\$ 1,227	\$ (2,430)	\$ -	\$ -
Other Financing Sources					
Transfers in	230,700	-	-	5,396	811
Net Change in Fund Balance	\$ (28,656)	\$ 1,227	\$ (2,430)	\$ 5,396	\$ 811
Fund Balance - January 1	1,225,038	238,876	33,898	(5,396)	(811)
Fund Balance - December 31	\$ 1,196,382	\$ 240,103	\$ 31,468	\$ -	\$ -

Statement 8

2016 Greenwood Realignment	2014 Improvement Project	Greenwood Street Underpass	Multi-Use Trail SRTS	Total (Statement 2)
\$ -	\$ -	\$ -	\$ -	\$ 23,962
-	-	354,728	-	354,728
-	641	2,042	-	11,162
-	3,794	-	-	12,262
\$ -	\$ 4,435	\$ 356,770	\$ -	\$ 402,114
\$ -	\$ -	\$ -	\$ -	\$ 10,196
-	-	-	-	76,200
1,352	-	-	10	1,752
51,870	91,811	218,806	3,281	365,768
-	-	-	-	214,682
\$ 53,222	\$ 91,811	\$ 218,806	\$ 3,291	\$ 668,598
\$ (53,222)	\$ (87,376)	\$ 137,964	\$ (3,291)	\$ (266,484)
-	-	-	-	236,907
\$ (53,222)	\$ (87,376)	\$ 137,964	\$ (3,291)	\$ (29,577)
(170,894)	51,618	(138,736)	-	1,233,593
\$ (224,116)	\$ (35,758)	\$ (772)	\$ (3,291)	\$ 1,204,016

OTHER SCHEDULES

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

Schedule 8

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

Shared Revenue

State

Fire state aid	\$ 67,190
Highway users tax	1,060,638
Local government aid	2,948,554
PERA rate reimbursement	21,318
Police state aid	114,317

Total Shared Revenue	\$ 4,212,017
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Grants

State

Minnesota Department of

Employment and Economic Development	\$ 1,058,377
Peace Officer Standards & Training Board (POST)	3,998
Public Safety	5,243
Transportation	130,224

Total State Grants	\$ 1,197,842
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Federal

Department of

Cooperative Forestry Assistance	\$ 2,200
Homeland Security Grant Program	59,548

Total Federal Grants	\$ 61,748
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Total Grants	\$ 1,259,590
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Total Intergovernmental Revenue	\$ 5,471,607
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STATISTICAL SECTION

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

STATISTICAL SECTION

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

Contents

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

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

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

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

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

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

	Fiscal Year			
	2006	2007	2008	2009
Governmental Activities				
Net Investment in Capital Assets	\$ 17,798,926	\$ 21,656,970	\$ 22,201,668	\$ 22,985,884
Restricted	3,204,526	2,754,361	3,177,016	2,251,266
Unrestricted	2,825,669	3,068,978	3,328,476	3,623,457
Total Governmental Activities Net Position	\$ 23,829,121	\$ 27,480,309	\$ 28,707,160	\$ 28,860,607
Business-type Activities				
Net Investment in Capital Assets	\$ 20,043,061	\$ 21,329,383	\$ 21,818,392	\$ 21,166,640
Restricted	-	-	-	-
Unrestricted	3,688,538	3,656,341	3,216,452	4,109,502
Total Business-type Activities Net Position	\$ 23,731,599	\$ 24,985,724	\$ 25,034,844	\$ 25,276,142
Total Government				
Net Investment in Capital Assets	\$ 37,841,987	\$ 42,986,353	\$ 44,020,060	\$ 44,152,524
Restricted	3,204,526	2,754,361	3,177,016	2,251,266
Unrestricted	6,514,207	6,725,319	6,544,928	7,732,959
Total Primary Total Net Position	\$ 47,560,720	\$ 52,466,033	\$ 53,742,004	\$ 54,136,749

Table 1

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 23,182,797	\$ 22,452,913	\$ 24,788,309	\$ 25,501,639	\$ 26,147,458	\$ 28,159,954
237,862	582,405	965,044	1,626,963	2,368,030	1,913,844
<u>5,639,102</u>	<u>6,049,790</u>	<u>4,927,390</u>	<u>5,832,203</u>	<u>5,445,075</u>	<u>2,336,027</u>
<u>\$ 29,059,761</u>	<u>\$ 29,085,108</u>	<u>\$ 30,680,743</u>	<u>\$ 32,960,805</u>	<u>\$ 33,960,563</u>	<u>\$ 32,409,825</u>
\$ 21,614,090	\$ 12,740,230	\$ 12,553,523	\$ 13,211,323	\$ 13,146,651	\$ 12,139,667
2,864,141	2,811,505	-	351,340	332,692	-
<u>767,804</u>	<u>1,717,034</u>	<u>4,380,448</u>	<u>4,618,500</u>	<u>5,640,278</u>	<u>5,603,661</u>
<u>\$ 25,246,035</u>	<u>\$ 17,268,769</u>	<u>\$ 16,933,971</u>	<u>\$ 18,181,163</u>	<u>\$ 19,119,621</u>	<u>\$ 17,743,328</u>
\$ 44,796,887	\$ 35,193,143	\$ 37,341,832	\$ 38,712,962	\$ 39,294,109	\$ 40,299,621
3,102,003	3,393,910	965,044	1,978,303	2,700,722	1,913,844
<u>6,406,906</u>	<u>7,766,824</u>	<u>9,307,838</u>	<u>10,450,703</u>	<u>11,085,353</u>	<u>7,939,688</u>
<u>\$ 54,305,796</u>	<u>\$ 46,353,877</u>	<u>\$ 47,614,714</u>	<u>\$ 51,141,968</u>	<u>\$ 53,080,184</u>	<u>\$ 50,153,153</u>

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010¹</u>
EXPENSES					
Governmental Activities:					
General Government	\$ 1,314,530	\$ 1,250,085	\$ 1,425,166	\$ 1,369,826	\$ 1,428,138
Public Safety	2,085,784	2,243,552	2,228,669	2,321,143	2,371,514
Highways and Streets	-	-	-	-	-
Streets and Sanitation	849,504	1,341,802	1,547,142	1,281,558	2,062,252
Sanitation	-	-	-	-	-
Culture and Recreation	2,033,291	2,054,538	2,254,305	2,174,876	2,057,967
Economic Development	463,243	424,617	387,872	269,582	390,385
Interest on Long-term Debt	124,067	101,041	83,272	109,554	82,772
Total Governmental Activities	\$ 6,870,419	\$ 7,415,635	\$ 7,926,426	\$ 7,526,539	\$ 8,393,028
Business-type Activities:					
Liquor Dispensary	\$ 3,185,450	\$ 3,309,389	\$ 3,592,991	\$ 3,685,485	\$ 3,769,294
Water Utility	1,780,474	1,841,839	2,012,129	1,963,180	-
Electric Utility	7,642,035	8,198,620	8,612,790	9,041,284	9,969,930
Wastewater Utility	627,553	647,903	691,349	743,671	-
Sanitation Utility	680,508	720,279	739,551	732,457	-
Airport	840,252	837,853	803,438	770,937	732,007
Storm Water Utility	112,140	125,826	132,386	124,687	137,326
Water Systems Utility	-	-	-	-	2,630,700
Total Business-type Activities	\$ 14,868,412	\$ 15,681,709	\$ 16,584,634	\$ 17,061,701	\$ 17,239,257
Total Expenses	\$ 21,738,831	\$ 23,097,344	\$ 24,511,060	\$ 24,588,240	\$ 25,632,285
PROGRAM REVENUES					
Governmental Activities:					
Charges for Services					
General Government	\$ 292,610	\$ 182,488	\$ 171,836	\$ 190,646	\$ 125,944
Public Safety	205,678	273,900	228,100	220,295	231,094
Highways and Streets	-	-	-	-	-
Streets and Sanitation	-	-	-	-	849,580
Sanitation	-	-	-	-	-
Culture and Recreation	657,599	742,386	868,541	733,787	702,717
Other Activities	134,152	237,709	305,170	229,727	81,887
Operating Grants and Contributions	769,921	669,508	487,835	405,936	750,955
Capital Grants and Contributions	1,028,375	1,797,636	2,879,028	689,249	68,983
Total Governmental Activities	\$ 3,088,335	\$ 3,903,627	\$ 4,940,510	\$ 2,469,640	\$ 2,811,160
Business-type Activities:					
Charges for Services					
Liquor Dispensary	\$ 3,485,834	\$ 3,633,872	\$ 3,958,940	\$ 4,054,881	\$ 4,132,681
Water Utility	1,552,233	1,549,500	1,598,034	1,677,589	-
Electric Utility	8,144,272	8,236,616	8,951,395	10,029,879	10,580,571
Wastewater Utility	522,245	530,422	552,658	545,826	-
Sanitation Utility	731,020	731,281	758,266	762,659	-
Airport	156,394	161,263	162,994	152,711	153,059

Table 2

	2011	2012 ²	2013	2014	2015 ³
\$	1,298,280	\$ 1,553,318	\$ 1,546,092	\$ 1,764,593	\$ 2,893,467
	2,610,266	2,566,561	2,590,016	2,833,677	3,057,716
	-	-	-	-	891,613
	3,011,296	2,113,160	4,095,631	2,157,917	-
	-	-	-	-	886,085
	2,086,941	2,160,416	2,140,719	2,302,396	2,371,008
	740,503	217,618	343,884	748,114	355,401
	68,469	70,747	67,906	108,831	116,544
\$	<u>9,815,755</u>	<u>8,681,820</u>	<u>10,784,248</u>	<u>9,915,528</u>	<u>10,571,834</u>
\$	3,815,258	\$ 4,025,774	\$ 4,078,467	\$ 4,109,374	\$ 4,334,295
	-	-	-	-	1,782,408
	11,974,715	12,340,507	12,742,804	13,536,511	13,788,039
	-	-	-	-	1,008,694
	-	-	-	-	-
	10,279,332	-	-	-	-
	160,472	186,722	153,968	135,806	145,947
	2,678,518	2,536,838	1,451,686	2,519,253	-
\$	<u>28,908,295</u>	<u>19,089,841</u>	<u>18,426,925</u>	<u>20,300,944</u>	<u>21,059,383</u>
\$	<u>38,724,050</u>	<u>27,771,661</u>	<u>29,211,173</u>	<u>30,216,472</u>	<u>31,631,217</u>
\$	160,709	\$ 195,179	\$ 192,050	\$ 186,619	\$ 1,123,364
	225,001	380,851	330,204	243,765	183,729
	-	-	-	-	298,712
	934,382	859,450	856,378	836,365	-
	-	-	-	-	843,753
	772,106	754,940	719,603	821,970	875,436
	254,005	82,149	86,491	30,696	15,663
	682,911	348,422	560,775	957,805	533,066
	1,534,845	1,985,021	4,770,645	1,453,943	1,710,253
\$	<u>4,563,959</u>	<u>4,606,012</u>	<u>7,516,146</u>	<u>4,531,163</u>	<u>5,583,976</u>
\$	4,216,697	\$ 4,482,994	\$ 4,562,505	\$ 4,567,025	\$ 4,687,724
	-	-	-	-	2,448,445
	12,262,023	12,382,669	13,387,925	14,340,839	14,422,957
	-	-	-	-	682,631
	-	-	-	-	-
	8,788	-	-	-	-

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Storm Water Utility	\$ 151,737	\$ 154,618	\$ 154,740	\$ 157,146
Water Systems Utility	-	-	-	-
Operating Grants and Contributions	225,014	673,861	125,082	140,882
Capital Grants and Contributions	-	-	-	-
Total Business-type Activities	\$ 14,812,355	\$ 15,510,170	\$ 16,099,115	\$ 17,368,862
Total Revenues	\$ 17,900,690	\$ 19,413,797	\$ 21,039,625	\$ 19,838,502
Net (Expense) / Revenue				
Governmental Activities	\$ (3,782,084)	\$ (3,512,008)	\$ (2,985,916)	\$ (5,056,899)
Business-type Activities	(56,057)	(171,539)	(485,519)	459,872
Total Net (Expense) / Revenue	\$ (3,838,141)	\$ (3,683,547)	\$ (3,471,435)	\$ (4,597,027)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes				
Property Taxes	\$ 1,650,906	\$ 1,654,233	\$ 1,602,798	\$ 1,571,788
Taxes- Lodging	-	-	-	-
Franchise Fees	104,734	108,449	113,444	115,664
Grants not restricted to specific programs	2,369,450	2,535,825	2,460,664	2,951,529
Unrestricted Investment Earnings	249,680	287,467	268,552	135,425
Gain on Sale of Capital Assets	28,000	-	-	35,850
Other General Revenue	37,091	36,532	17,928	131,019
Transfers	485,620	(1,095,331)	(250,619)	269,071
Extraordinary Item	700,000	-	-	-
Total Governmental Activities	\$ 5,625,481	\$ 3,527,175	\$ 4,212,767	\$ 5,210,346
Business-type Activities:				
Unrestricted Investment Earnings	\$ 168,970	\$ 176,588	\$ 121,026	\$ 50,497
Other General Revenue	-	-	-	-
Gain on Sale of Capital Assets	-	(7,518)	-	-
Transfers	(485,620)	1,095,331	250,619	(269,071)
Total Business-type Activities	\$ (316,650)	\$ 1,264,401	\$ 371,645	\$ (218,574)
Total General Revenues	\$ 5,308,831	\$ 4,791,576	\$ 4,584,412	\$ 4,991,772
CHANGE IN NET POSITION				
Governmental Activities	\$ 1,843,397	\$ 15,167	\$ 1,226,851	\$ 153,447
Business-type Activities	(372,707)	1,092,862	49,120	241,298
Total Change in Net Position	\$ 1,470,690	\$ 1,108,029	\$ 1,275,971	\$ 394,745

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

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

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

Table 2

2010 ¹	2011	2012	2013	2014	2015 ²
\$ 157,835	\$ 156,336	\$ 159,061	\$ 157,496	\$ 157,942	\$ 158,244
2,286,949	2,422,943	2,645,171	2,729,716	3,034,946	-
181,061	19,797	-	-	-	-
907,743	2,467,050	-	307,495	141,390	-
\$ 18,246,840	\$ 21,544,846	\$ 19,669,895	\$ 21,145,137	\$ 22,242,142	\$ 22,400,001
\$ 21,058,000	\$ 26,108,805	\$ 24,275,907	\$ 28,661,283	\$ 26,773,305	\$ 27,983,977
\$ (5,581,868)	\$ (5,251,796)	\$ (4,075,808)	\$ (3,268,102)	\$ (5,384,365)	\$ (4,987,858)
1,160,642	(7,355,661)	580,054	1,718,212	1,941,198	1,340,618
\$ (4,421,226)	\$ (12,607,457)	\$ (3,495,754)	\$ (1,549,890)	\$ (3,443,167)	\$ (3,647,240)
\$ 1,597,409	\$ 1,564,852	\$ 1,750,669	\$ 1,765,186	\$ 1,744,667	\$ 1,811,021
-	-	-	128,632	136,503	158,506
114,454	122,133	121,140	132,719	133,926	145,082
2,646,152	2,649,976	2,630,629	2,630,076	3,102,887	2,969,872
112,185	151,147	132,939	106,664	128,524	44,284
33,201	40,000	28,700	70,100	29,751	-
26,985	38,575	40,889	216,819	65,365	-
1,149,695	710,460	966,477	497,968	1,042,500	1,141,804
-	-	-	-	-	-
\$ 5,680,081	\$ 5,277,143	\$ 5,671,443	\$ 5,548,164	\$ 6,384,123	\$ 6,270,569
\$ 59,887	\$ 88,855	\$ 51,625	\$ 18,914	\$ 39,760	\$ 24,652
-	-	-	-	-	155
-	-	-	8,034	-	-
(1,149,695)	(710,460)	(966,477)	(497,968)	(1,042,500)	(1,141,804)
\$ (1,089,808)	\$ (621,605)	\$ (914,852)	\$ (471,020)	\$ (1,002,740)	\$ (1,116,997)
\$ 4,590,273	\$ 4,655,538	\$ 4,756,591	\$ 5,077,144	\$ 5,381,383	\$ 5,153,572
\$ 98,213	\$ 25,347	\$ 1,595,635	\$ 2,280,062	\$ 999,758	\$ 1,282,711
70,834	(7,977,266)	(334,798)	1,247,192	938,458	223,621
\$ 169,047	\$ (7,951,919)	\$ 1,260,837	\$ 3,527,254	\$ 1,938,216	\$ 1,506,332

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

Table 3

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

Fiscal Year	Property Tax		Lodging Tax	Franchise Tax		Total
				Cable	Gas	
2006	\$	1,650,906	\$	-	\$ 40,003	\$ 1,755,640
2007		1,654,233		-	43,350	1,762,681
2008		1,602,798		-	46,155	1,716,242
2009		1,571,788		-	49,957	1,687,452
2010		1,597,409		-	53,298	1,711,863
2011		1,564,852		-	55,460	1,686,985
2012		1,750,669		-	58,204	1,871,809
2013		1,765,186	128,632	63,300	69,419	2,026,537
2014		1,744,667	136,503	65,676	68,250	2,015,096
2015		1,811,021	158,506	68,799	76,283	2,114,609

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Nonspendable					
Committed					
Assigned					
Unassigned					
Total General Fund					
 All Other Governmental Funds					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total All Other Governmental Funds					
 General Fund					
Reserved	\$ 168,451	\$ 153,689	\$ 166,642	\$ 165,847	\$ 51,506
Unreserved	1,140,046	1,436,336	1,175,648	1,525,515	1,715,703
Total General Fund	<u><u>\$ 1,308,497</u></u>	<u><u>\$ 1,590,025</u></u>	<u><u>\$ 1,342,290</u></u>	<u><u>\$ 1,691,362</u></u>	<u><u>\$ 1,767,209</u></u>
 All Other Governmental Funds					
Reserved	\$ 1,674,664	\$ 1,573,235	\$ 1,698,297	\$ 1,870,640	\$ 1,687,268
Unreserved, reported in:					
Special Revenue Funds	2,086,446	2,345,413	2,192,243	2,025,581	2,482,085
Capital Projects Funds	<u>(1,088)</u>	<u>(628,307)</u>	<u>1,036,590</u>	<u>-</u>	<u>24,243</u>
Total All Other Governmental Funds	<u><u>\$ 3,760,022</u></u>	<u><u>\$ 3,290,341</u></u>	<u><u>\$ 4,927,130</u></u>	<u><u>\$ 3,896,221</u></u>	<u><u>\$ 4,193,596</u></u>

Table 4

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 3,060	\$ -	\$ -	\$ -	\$ -
36,830	-	-	-	184,556
29,982	19,504	19,504	86,476	-
1,958,088	2,240,362	2,482,273	2,248,868	2,586,500
<u>\$ 2,027,960</u>	<u>\$ 2,259,866</u>	<u>\$ 2,501,777</u>	<u>\$ 2,335,344</u>	<u>\$ 2,771,056</u>
\$ -	\$ -	\$ -	\$ -	\$ 855,689
372,362	500,293	552,261	532,864	678,944
2,180,287	2,214,960	2,238,637	2,247,083	1,407,850
2,119,781	1,612,559	1,533,202	1,660,730	1,558,649
(4,399)	(744,345)	(3,366)	(322,024)	(815,989)
<u>\$ 4,668,031</u>	<u>\$ 3,583,467</u>	<u>\$ 4,320,734</u>	<u>\$ 4,118,653</u>	<u>\$ 3,685,143</u>

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

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

	2006	2007	2008	2009	2010¹
REVENUE					
Taxes	\$ 1,755,640	\$ 1,762,681	\$ 1,716,242	\$ 1,687,453	\$ 1,711,863
Special Assessments	458,832	912,502	915,244	211,406	136,526
Licenses and Permits	138,895	107,619	109,965	101,073	132,423
Intergovernmental	3,364,099	3,789,912	4,257,263	4,463,938	3,181,709
Charges for Services	1,093,567	1,140,915	1,290,281	1,088,827	1,774,318
Fines and Forfeitures	57,577	66,636	53,720	44,363	44,848
Miscellaneous					
Contributions	214,606	313,906	174,324	124,288	283,540
Investment Earnings	197,876	240,503	239,216	121,175	118,035
Other Receipts	37,091	93,363	77,493	395,143	19,424
Total Revenue	\$ 7,318,183	\$ 8,428,037	\$ 8,833,748	\$ 8,237,666	\$ 7,402,686
EXPENDITURES					
General Government	\$ 1,249,410	\$ 1,189,792	\$ 1,190,900	\$ 1,176,110	\$ 1,238,417
Public Safety	1,994,050	2,096,658	2,137,877	2,187,310	2,247,566
Streets and Sanitation	719,021	747,973	770,474	827,819	1,499,503
Highways and Streets	-	-	-	-	-
Sanitation	-	-	-	-	-
Culture and Recreation	1,543,892	1,567,384	1,720,531	1,664,276	1,564,335
Economic Development	462,638	421,951	380,925	265,757	382,086
Other	-	-	-	-	-
Debt Service					
Principal	796,323	696,734	502,378	523,264	694,885
Interest and Fees	135,436	105,609	77,503	119,261	96,920
Capital Outlay	1,370,089	2,409,354	2,924,442	2,707,327	488,648
Total Expenditures	\$ 8,270,859	\$ 9,235,455	\$ 9,705,030	\$ 9,471,124	\$ 8,212,360
Revenues Over					
(Under) Expenditures	\$ (952,676)	\$ (807,418)	\$ (871,282)	\$ (1,233,458)	\$ (809,674)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 2,293,491	\$ 1,104,622	\$ 1,780,690	\$ 1,251,379	\$ 1,884,671
Transfers Out	(979,744)	(598,401)	(1,140,334)	(699,758)	(734,976)
Sale of Capital Asset	-	-	-	-	33,201
Lease/Bond Sale Proceeds	-	113,044	1,619,980	-	-
Total Other Financing Sources (Uses)	\$ 1,313,747	\$ 619,265	\$ 2,260,336	\$ 551,621	\$ 1,182,896
Net Change In Fund Balances	\$ 361,071	\$ (188,153)	\$ 1,389,054	\$ (681,837)	\$ 373,222
Debt Service as a percentage of Noncapital Expenditures	16%	13%	9%	10%	11%

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

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

Table 5

	2011	2012	2013	2014	2015 ²
\$	1,686,986	\$ 1,871,810	\$ 2,026,538	\$ 2,015,096	\$ 2,077,693
	232,315	229,687	236,376	162,763	345,574
	113,706	278,985	202,251	109,171	237,660
	4,078,810	4,153,368	7,112,388	4,595,548	5,471,607
	1,955,365	1,879,514	1,863,821	1,910,094	2,021,924
	47,412	45,163	46,441	53,032	49,664
	522,073	434,253	47,337	83,301	81,427
	147,165	122,332	94,154	98,357	37,178
	208,959	48,981	286,911	56,948	407,120
\$	<u>8,992,791</u>	<u>\$ 9,064,093</u>	<u>\$ 11,916,217</u>	<u>\$ 9,084,310</u>	<u>\$ 10,729,847</u>
\$	1,323,743	\$ 1,487,807	\$ 1,465,606	\$ 1,685,396	\$ 1,648,080
	2,347,102	2,424,496	2,475,938	2,690,498	2,811,896
	1,533,169	1,586,731	1,619,869	1,543,829	-
	-	-	-	-	751,227
	-	-	-	-	846,276
	1,654,288	1,667,713	1,689,873	1,897,125	1,908,649
	740,808	207,861	367,004	720,150	353,916
	-	-	-	-	10,196
	341,544	351,500	355,000	373,333	395,000
	71,328	70,728	71,860	91,997	110,190
	1,914,368	3,899,757	5,907,945	2,254,945	3,710,883
\$	<u>9,926,350</u>	<u>\$ 11,696,593</u>	<u>\$ 13,953,095</u>	<u>\$ 11,257,273</u>	<u>\$ 12,546,313</u>
\$	(933,559)	\$ (2,632,500)	\$ (2,036,878)	\$ (2,172,963)	\$ (1,816,466)
\$	1,377,808	\$ 1,350,412	\$ 1,416,984	\$ 1,510,510	\$ 1,391,581
	(390,063)	(383,935)	(433,424)	(413,958)	(367,913)
	-	28,700	70,100	29,747	-
	681,000	784,665	1,962,396	678,150	795,000
\$	<u>1,668,745</u>	<u>\$ 1,779,842</u>	<u>\$ 3,016,056</u>	<u>\$ 1,804,449</u>	<u>\$ 1,818,668</u>
\$	<u>735,186</u>	<u>\$ (852,658)</u>	<u>\$ 979,178</u>	<u>\$ (368,514)</u>	<u>\$ 2,202</u>
	5%	6%	6%	5%	6%

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

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

Fiscal Year Ended December 31	Real Property		Personal Property	
	Assessed Tax Capacity	Estimated Market Value	Assessed Tax Capacity	Estimated Market Value
2006	\$ 2,704,217	\$ 240,591,500	\$ 62,118	\$ 3,353,400
2007	2,896,671	255,002,400	64,426	3,482,200
2008	3,293,479	293,021,800	60,787	3,303,700
2009	3,541,387	314,974,400	57,686	3,124,300
2010	3,604,785	320,208,800	57,338	3,112,900
2011	3,823,002	329,725,500	57,358	3,051,000
2012	3,353,671	337,303,800	60,739	3,220,100
2013	3,623,535	363,005,300	61,053	3,239,000
2014	3,875,272	382,563,700	61,693	3,311,000
2015	4,101,067	401,131,600	66,133	3,542,600

Source: Pennington County Auditor

Table 6

Total		Tax Capacity as a Percentage of Estimated Market Value
Assessed Tax Capacity	Estimated Market Value	
\$ 2,766,335	243,944,900	1.13
2,961,097	258,484,600	1.15
3,354,266	296,325,500	1.13
3,599,073	318,098,700	1.13
3,662,123	323,321,700	1.13
3,880,360	332,776,500	1.17
3,414,410	340,523,900	1.00
3,684,588	366,244,300	1.01
3,936,965	385,874,700	1.02
4,167,200	404,674,200	1.03

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

Table 7

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

Fiscal Year	City	Overlapping Rates					Total Direct and Overlapping Rates
		Pennington County	Thief River Falls School District No. 564	Red Lake Watershed District	Northwest Regional Development Commission	Northwest Minnesota Multi-County HRA	
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	165.749
2010	43.210	75.194	30.047	5.047	0.300	0.368	156.054
2011	40.478	70.787	29.385	5.114	0.026	0.413	154.166
2012	46.041	76.407	42.569	5.872	0.283	0.475	146.203
2013	42.746	72.243	40.336	5.374	0.257	0.401	161.357
2014	39.984	68.366	35.280	5.355	0.242	0.417	149.644
2015	39.254	62.826	30.389	3.854	0.207	0.402	136.530

Source: Pennington County Auditor

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

Table 8

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR**

Taxpayer	2015		Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Rank	
Individual	\$ 123,030	1	2.95 %
MeritCare Medical Group	120,294	2	2.89
Wal-Mart RE Business Trust	105,158	3	2.52
Arctic Cat, Inc.	69,569	4	1.67
Sanford Medical Center	58,795	5	1.41
Riverfalls Estates	36,898	6	0.89
Valley Markets Inc	35,806	7	0.86
MN Energy Resources Corp	35,422	8	0.85
Thief River Hotel Partners	33,452	9	0.80
Minnkota Power Co-op	32,670	10	0.78
	\$ 651,094		15.62 %

Source: Pennington County Auditor

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

Table 9

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

Fiscal Year Ended December 31	Levy for Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	1,709,623	1,682,961	98.44	25,594	1,708,555	99.94 %
2007	1,675,430	1,651,661	98.58	22,445	1,674,106	99.92 %
2008	1,641,922	1,610,911	98.11	29,661	1,640,572	99.92 %
2009	1,582,406	1,552,954	98.14	27,442	1,580,396	99.87 %
2010	1,582,406	1,556,855	98.39	23,005	1,579,860	99.84 %
2011	1,516,778	1,494,773	98.55	19,234	1,514,007	99.82 %
2012	1,516,778	1,493,982	98.50	18,656	1,512,638	99.73 %
2013	1,516,778	1,499,188	98.84	11,270	1,510,458	99.58 %
2014	1,516,778	1,498,293	98.78	14,042	1,512,335	99.71 %
2015	1,562,271	1,546,077	98.96	679	1,546,756	99.01 %

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

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

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

Fiscal Year	Governmental Activities				
	General Obligation Improvement Bonds	Revenue Bonds	Purchase Agreements	Notes Payable	Capital Lease
2006	\$ 1,685,000	\$ -	\$ 817,261	\$ 183,333	\$ -
2007	1,150,000	-	685,526	158,333	108,044
2008	815,000	1,630,000	548,148	133,333	103,044
2009	630,000	1,465,000	404,884	108,333	98,044
2010	510,000	1,325,000	-	83,333	93,044
2011	1,075,000	1,180,000	-	58,333	46,500
2012	1,740,000	1,030,000	-	33,333	-
2013	3,515,000	875,000	-	8,333	-
2014	3,995,000	715,000	-	-	-
2015	4,565,000	545,000	-	-	-

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

Table 10

Business-type Activities			
General Obligation Improvement Bonds	Revenue Bonds	Total Primary Government	Per Capita
\$ -	\$ 4,537,196	\$ 7,222,790	\$ 849
-	4,324,610	6,426,513	755
-	4,105,825	7,335,350	865
-	4,520,811	7,227,072	848
-	7,799,537	9,810,914	1,144
-	7,751,958	10,111,791	1,178
-	5,128,043	7,931,376	918
-	5,992,753	10,391,086	1,203
1,615,000	5,711,051	12,036,051	1,390
1,615,000	5,842,892	12,567,892	1,436

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

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

Table 11

Fiscal Year	General Obligation Improvement Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Market Value¹	Per Capita
2006	\$ 1,685,000	\$ 539,783	\$ 1,145,217	0.47%	\$ 135
2007	1,150,000	351,043	798,957	0.31%	94
2008	815,000	214,432	600,568	0.20%	71
2009	630,000	166,177	463,823	0.15%	54
2010	510,000	155,835	354,165	0.11%	41
2011	1,075,000	343,143	731,857	0.22%	85
2012	1,740,000	446,283	1,293,717	0.38%	150
2013	3,515,000	459,181	3,055,819	0.84%	354
2014	5,610,000	397,693	5,212,307	1.36%	598
2015	6,180,000	413,347	5,766,653	1.44%	666

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

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

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

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2015**

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Thief River Falls School District No. 564	\$ 53,299,458	35.79%	\$ 190,759
Pennington County	2,113,000	33.07%	<u>6,988</u>
Total Overlapping Debt			197,746
City of Thief River Falls Direct Debt	12,567,896	100.00%	<u>125,679</u>
Total Direct and Overlapping Debt			\$ <u>323,425</u>

Source: Pennington County Auditor

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

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 4,878,898	\$ 4,878,898	\$ 5,926,510	\$ 6,361,986	\$ 6,466,434
Total Net Debt Applicable to Limit	<u>810,167</u>	<u>761,476</u>	<u>594,097</u>	<u>420,832</u>	<u>151,377</u>
Legal Debt Margin	<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>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	16.61%	15.61%	10.02%	6.61%	2.34%

Table 13

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 6,655,530	\$ 6,810,478	\$ 7,324,886	\$ 7,717,494	\$ 8,093,484
85,101	25,218	1,393,333	1,385,000	1,310,000
<u>\$ 6,570,429</u>	<u>\$ 6,785,260</u>	<u>\$ 5,931,553</u>	<u>6,332,494</u>	<u>6,783,484</u>
1.28%	0.37%	19.02%	17.95%	16.19%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2015

Assessed Value	\$ 404,674,200
Debt Limit (2% of Total Assessed Value)	\$ 8,093,484
Debt Applicable to Limit:	
General Obligation Debt	\$ 1,310,000
Less: Amount Set aside for Repayment of General Obligation Debt	<u>0</u>
Total Net Debt Applicable to Limit	\$ 1,310,000
Legal Debt Margin	\$ 6,783,484

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

Table 14

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

Water Revenue Bonds²								
Fiscal Year	Water Charges and Other		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
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
2015		2,491,923		1,285,811	1,206,112	425,000	165,800	2.04

Wastewater Revenue Bonds²								
Fiscal Year	Wastewater Charges and Other		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
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)
2015		711,448		824,696	(113,248)	53,155	10,914	(1.77)

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

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

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

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

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

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

Table 15

Fiscal Year	City Population¹	Pennington County			Pennington County	
		Personal Income²	Population²	Per Capita Income²	Total Employment³	Unemployment Rate³
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	8,716	718,858,000	14,105	50,918	8,885	5.4 %
2014	8,656	687,761,000	14,058	48,923	8,857	8.2 %
2015	8,752	Data Unavailable	14,219	Data Unavailable	9,099	6.9 %

¹ U.S. Census and Minnesota State Demographic Center

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

³ MN Department of Employment and Economic Development

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

Table 16

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

Employer	2015		2006	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Digi-Key Corporation	3,500	38.47 %	1,710	21.16 %
Arctic Cat, Incorporated	1,500	16.49 %	1,550	19.18 %
Sanford Health - Thief River Falls	600	6.59 %	632	7.82 %
Seven Clans Casino Hotel & Indoor Waterpark	560	6.15 %	400	4.95 %
Thief River Falls School District No. 564	450	4.95 %	340	4.21 %
Northern Pride, Inc.	180	1.98 %	225	2.78 %
Northland Community & Technical College	150	1.65 %	175	2.17 %
Pennington County	128	1.41 %	235	2.91 %
Dean Foods	92	1.01 %	95	1.18 %
City of Thief River Falls	89	0.98 %	114	1.41 %
	<u>7,249</u>	<u>79.67 %</u>	<u>5,476</u>	<u>67.77 %</u>

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

MANAGEMENT AND COMPLIANCE SECTION

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

Schedule 9

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

2015-001 **Audit Adjustments**

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

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

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

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

Cause: The City uses separate funds to budget and account for items such as capital purchases and insurance payments, and then makes transfers from the appropriate funds as reimbursements. The City separated the accounting for the Water Enterprise Fund and the Wastewater Enterprise Fund in 2015, but did not make the appropriate transfers to allocate the beginning balances of capital assets and long-term debt.

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

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

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

Schedule 9
(Continued)

II. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

2015-002 **Deficit Cash Balances**

Criteria: Each fund of the City should maintain a positive cash balance. Minnesota Statute, § 471.75 permits payment of expenditures provided there is money in the fund for that purpose.

Condition: At December 31, 2015, the following funds had deficit cash balances:

2016 Street and Utilities Improvement Capital Projects Fund	\$ 213,432
2014 Improvement Capital Projects Fund	\$ 35,840
2015 Street and Utility Improvement Projects Capital Projects Fund	\$ 2,010,034
Multi-Use Trail Capital Projects Fund	\$ 3,291

Context: City officials have levied special assessments to fund these improvements, and in the event there is a shortage they will transfer the cash from the General Fund.

Effect: Allowing a fund to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other funds of the City and is in noncompliance with Minnesota law.

Cause: Special assessments are levied over a period of time to provide for debt service payments, and when taxpayers are delinquent there is not enough cash flow to cover current expenditures.

Recommendation: We recommend the City eliminate the temporary cash balance deficits by transferring from another fund.

City Administrator's Response: The City is aware of the deficit in certain accounts and maintains sound records of all cash balances. The City has made progress by closing the inactive capital projects funds with deficit balances and will continue to strive for resolution of this issue.



Hoffman, Philipp, & Knutson, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@mncable.net

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*

City Council
City of Thief River Falls

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as items 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because the City of Thief River Falls has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Responses as item 2015-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

City's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the result of that testing, and not to provide an opinion on the 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.



Hoffman, Philipp, & Knutson, PLLC

July 25, 2016