

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

YEAR ENDED DECEMBER 31, 2016

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

TABLE OF CONTENTS

<u>Introductory Section</u>	<u>Reference</u>	<u>Page</u>
Organization Schedule		1
<u>Financial Section</u>		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - Governmental Activities	Exhibit 4	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities	Exhibit 6	21
Proprietary Funds		
Statement of Net Position	Exhibit 7	22
Statement of Revenues, Expenses, and Changes in Net Position	Exhibit 8	23
Statement of Cash Flows	Exhibit 9	24
Fiduciary Funds		
Statement of Fiduciary Net Position	Exhibit 10	26
Statement of Changes in Fiduciary Net Position	Exhibit 11	27
Notes to the Financial Statements		28

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

TABLE OF CONTENTS

<u>Financial Section</u> (Continued)	<u>Reference</u>	<u>Page</u>
Required Supplementary Information		
Budgetary Comparison Schedule		
General Fund	Schedule 1	68
CDAB Revolving Loan Special Revenue Fund	Schedule 2	70
Other Post-Employment Benefits		
Schedule of Funding Progress	Schedule 3	71
Schedule of Employer Contributions	Schedule 4	72
Public Employees Retirement Association		
Schedule of Contributions	Schedule 5	73
Schedule of Proportionate Share of Net Pension Liability	Schedule 6	74
Volunteer Firefighter Retirement Plan		
Schedule of Contributions and Proportionate Share of Net Pension Liability	Schedule 7	75
Notes to the Required Supplementary Information		76
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	Statement 1	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	78
Combining Balance Sheet – Special Revenue Funds	Statement 3	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Funds	Statement 4	81
Combining Balance Sheet – Debt Service Funds	Statement 5	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Funds	Statement 6	85
Combining Balance Sheet – Capital Project Funds	Statement 7	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Capital Project Funds	Statement 8	88
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 8	90

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

TABLE OF CONTENTS

<u>Statistical Section</u>	<u>Reference</u>	<u>Page</u>
Financial Trends		
Net Position by Component	Table 1	91
Changes in Net Position	Table 2	93
Governmental Activities Tax Revenues by Source	Table 3	97
Fund Balances of Governmental Funds	Table 4	98
Change in Fund Balances of Governmental Funds	Table 5	100
Revenue Capacity		
Assessed Tax Capacity and Estimated Market Value of All Taxable Property	Table 6	102
Property Tax Rates – Direct and Overlapping Governments	Table 7	104
Principal Property Taxpayers	Table 8	105
Property Tax Levies and Collections	Table 9	106
Debt Capacity		
Ratios of Outstanding Debt by Type	Table 10	107
Ratios of General Bonded Debt Outstanding	Table 11	108
Direct and Overlapping Governmental Activities Debt	Table 12	109
Legal Debt Margin Information	Table 13	110
Pledged-Revenue Coverage	Table 14	112
Demographic and Economic Information		
Demographic and Economic Statistics	Table 15	113
Principal Employers	Table 16	114
<u>Management and Compliance Section</u>		
Schedule of Findings and Responses	Schedule 9	115
Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		117

INTRODUCTORY SECTION

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

**ORGANIZATION SCHEDULE
DECEMBER 31, 2016**

<u>Position</u>	<u>City Council</u>	<u>Term Expires</u>
Mayor	Brian D. Holmer	2018
Council Member:		
First Ward	Curt Howe	2018
Second Ward	Don Sollom	2020
Third Ward	Josh Hagen	2018
Fourth Ward (Vice Mayor)	Jerald Brown	2020
Fifth Ward	Rachel Prudhomme	2018
At Large	Steve Narverud	2018
At Large	James Strandlie ¹	2016
City Administrator	Rodney Otterness	Indefinite
Finance Director	Angela Philipp	Indefinite

¹ Replaced by Jason Aarestad on January 1, 2017.

FINANCIAL SECTION

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



Hoffman, Philipp, & Knutson, PLLC

Governmental Audit Services

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, 2016, 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.

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2017, on our consideration of the City of Thief River Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hoffman, Philipp, & Knutson, PLLC

Hoffman, Philipp, & Knutson, PLLC

August 7, 2017



City of Thief River Falls

FINANCE DIRECTOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The management of the City of Thief River Falls offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Thief River Falls for the fiscal year ended December 31, 2016. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$33,203,433, of which \$29,313,095 is the net investment in capital assets, \$1,351,401 is restricted for debt service and economic development, and \$2,538,937 is unrestricted. The total net position of governmental activities increased by \$793,608 for the year ended December 31, 2016, as a result of continued strong budgetary performance.

The total net position of business-type activities is \$18,549,917, of which \$13,474,842 is the net investment in capital assets and \$5,075,075 is unrestricted. The total net position of business-type activities increased by \$806,509 in 2016, as a result of outperformance of historically conservative budgeted estimates for expenditures.

At the close of 2016, the City's General Fund reported an ending fund balance of \$2,319,495, a decrease of \$451,561, from the prior year. Of the total fund balance amount, \$203,984 is formally committed for specific purposes, and \$2,115,511 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 2016 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 \$51,753,350 at the close of 2016. The largest portion of the City's net position (approximately 83 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. Less than three percent of the City's net position is restricted for economic development and debt service, and approximately 14 percent is unrestricted. The unrestricted net position amount of \$7,614,012 as of December 31, 2016, 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 \$2,463,676, from the prior year, primarily as a result of state funding for infrastructure improvements. Total liabilities increased by \$5,899,959 from the prior year, primarily due to the issuance of bonds and the increase in net pension liability. This resulted in an increased net position of \$1,600,197 from the prior year.

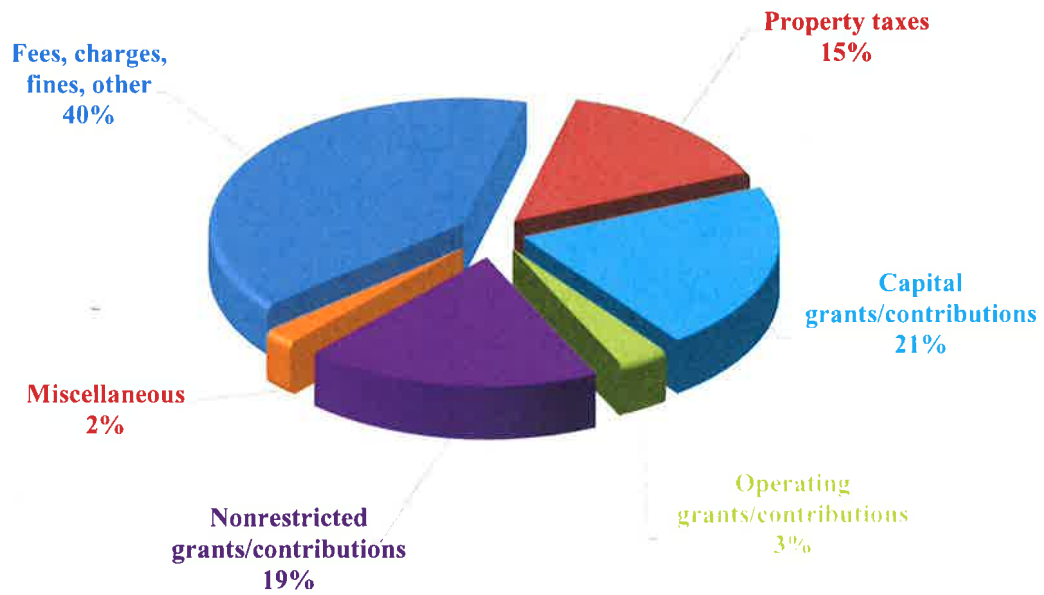
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 11,318,036	\$ 10,342,159	\$ 8,556,639	\$ 9,734,351	\$ 19,874,675	\$ 20,076,510
Capital assets	34,118,998	33,269,954	21,414,026	19,597,559	55,533,024	52,867,513
Total assets	\$ 45,437,034	\$ 43,612,113	\$ 29,970,665	\$ 29,331,910	\$ 75,407,699	\$ 72,944,023
Deferred outflows - pensions	\$ 5,351,526	\$ 689,613	\$ 1,242,496	\$ 240,290	\$ 6,594,022	\$ 929,903
Other liabilities	\$ 948,783	\$ 1,288,636	\$ 1,769,842	\$ 1,716,009	\$ 2,718,625	\$ 3,004,645
Long-term liabilities outstanding	15,711,940	10,165,470	10,586,298	9,946,789	26,298,238	20,112,259
Total liabilities	\$ 16,660,723	\$ 11,454,106	\$ 12,356,140	\$ 11,662,798	\$ 29,016,863	\$ 23,116,904
Deferred inflows - pensions	\$ 924,404	\$ 437,795	\$ 307,104	\$ 166,074	\$ 1,231,508	\$ 603,869
Net position						
Net investment in capital assets	\$ 29,313,095	\$ 28,159,954	\$ 13,474,842	\$ 12,139,667	\$ 42,787,937	\$ 40,299,621
Restricted	1,351,401	1,913,844	-	-	1,351,401	1,913,844
Unrestricted	2,538,937	2,336,027	5,075,075	5,603,661	7,614,012	7,939,688
Total net position	\$ 33,203,433	\$ 32,409,825	\$ 18,549,917	\$ 17,743,328	\$ 51,753,350	\$ 50,153,153

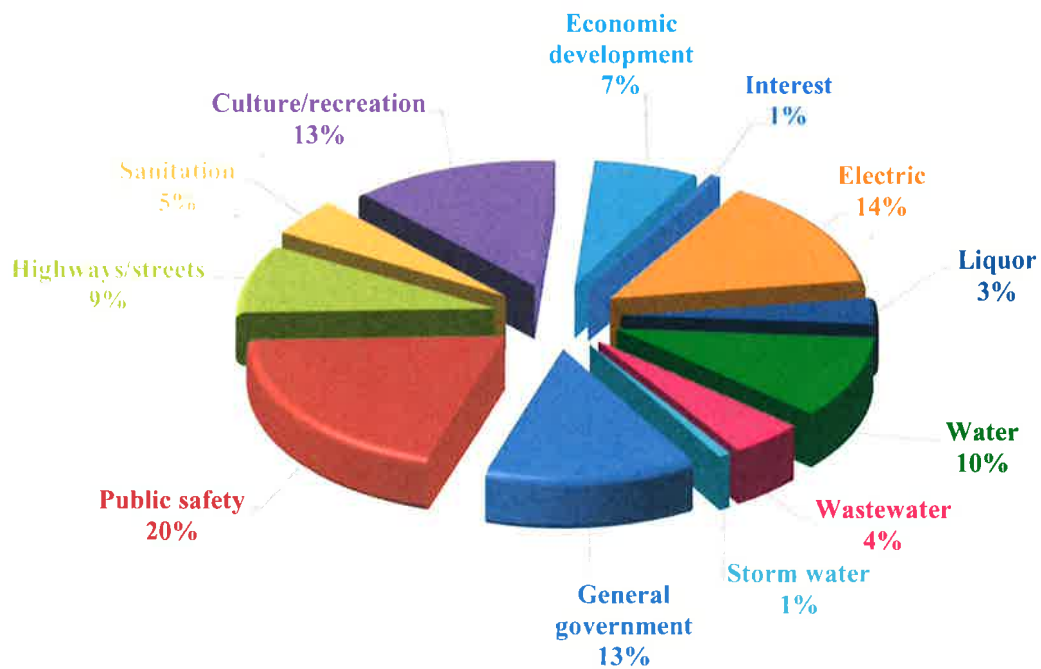
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 2,739,541	\$ 3,340,657	\$ 22,482,992	\$ 22,388,100	\$ 25,222,533	\$ 25,728,757
Operating grants and contributions	516,004	533,066	-	-	516,004	533,066
Capital grants and contributions	3,353,913	1,710,253	3,710	11,901	3,357,623	1,722,154
General Revenues and Transfers						
Property taxes	2,334,644	1,969,527	-	-	2,334,644	1,969,527
Franchise Tax	191,046	145,082	-	-	191,046	145,082
Grants and contributions not restricted to specific programs	2,984,925	2,969,872	-	-	2,984,925	2,969,872
Investment earnings	41,653	44,284	34,987	24,652	76,640	68,936
Miscellaneous	-	-	67,314	155	67,314	155
Transfers	1,114,419	1,141,804	(1,114,419)	(1,141,804)	-	-
Total revenues	\$ 13,276,145	\$ 11,854,545	\$ 21,474,584	\$ 21,283,004	\$ 34,750,729	\$ 33,137,549
Expenses						
General government	\$ 2,524,756	\$ 2,893,467	\$ -	\$ -	\$ 2,524,756	\$ 2,893,467
Public safety	3,733,004	3,057,716	-	-	3,733,004	3,057,716
Highways and streets	1,655,387	891,613	-	-	1,655,387	891,613
Sanitation	899,489	886,085	-	-	899,489	886,085
Culture and recreation	2,533,258	2,371,008	-	-	2,533,258	2,371,008
Economic development	1,247,170	355,401	-	-	1,247,170	355,401
Interest	130,924	116,544	-	-	130,924	116,544
Electric	-	-	13,470,384	13,788,039	13,470,384	13,788,039
Liquor	-	-	4,235,155	4,334,295	4,235,155	4,334,295
Water	-	-	1,956,647	1,782,408	1,956,647	1,782,408
Wastewater	-	-	865,938	1,008,694	865,938	1,008,694
Stormwater	-	-	139,871	145,947	139,871	145,947
Total expenses	\$ 12,723,988	\$ 10,571,834	\$ 20,667,995	\$ 21,059,383	\$ 33,391,983	\$ 31,631,217
Increase (decrease) in net position	\$ 552,157	\$ 1,282,711	\$ 806,589	\$ 223,621	\$ 1,358,746	\$ 1,506,332
Net position, January 1, as previously reported	\$ 32,409,825	\$ 33,960,563	\$ 17,743,328	\$ 19,119,621	\$ 50,153,153	\$ 53,080,184
Prior period adjustment	241,451	(2,833,449)	-	(1,599,914)	241,451	(4,433,363)
Net position, January 1, as restated	\$ 32,651,276	\$ 31,127,114	\$ 17,743,328	\$ 17,519,707	\$ 50,394,604	\$ 48,646,821
Net position, December 31	\$ 33,203,433	\$ 32,409,825	\$ 18,549,917	\$ 17,743,328	\$ 51,753,350	\$ 50,153,153

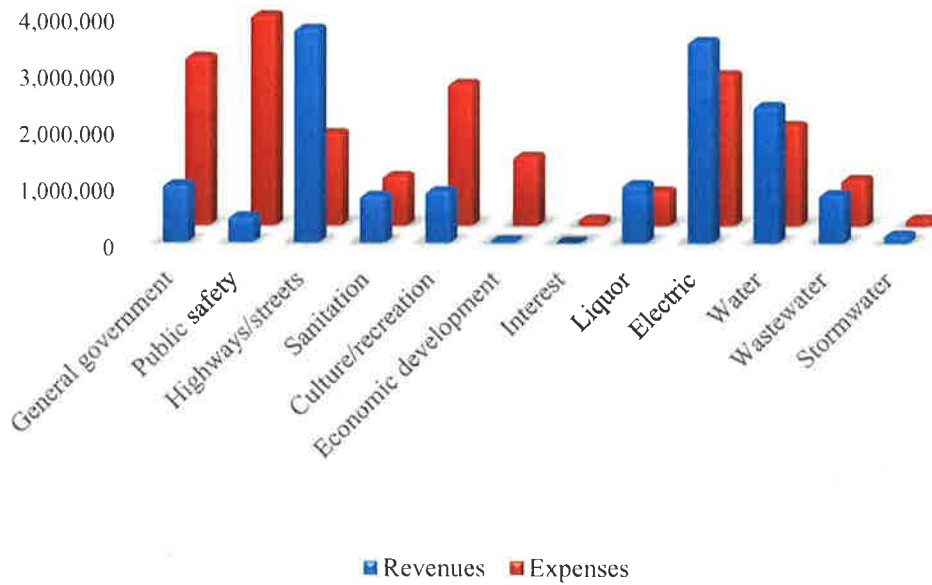
Revenues by Source



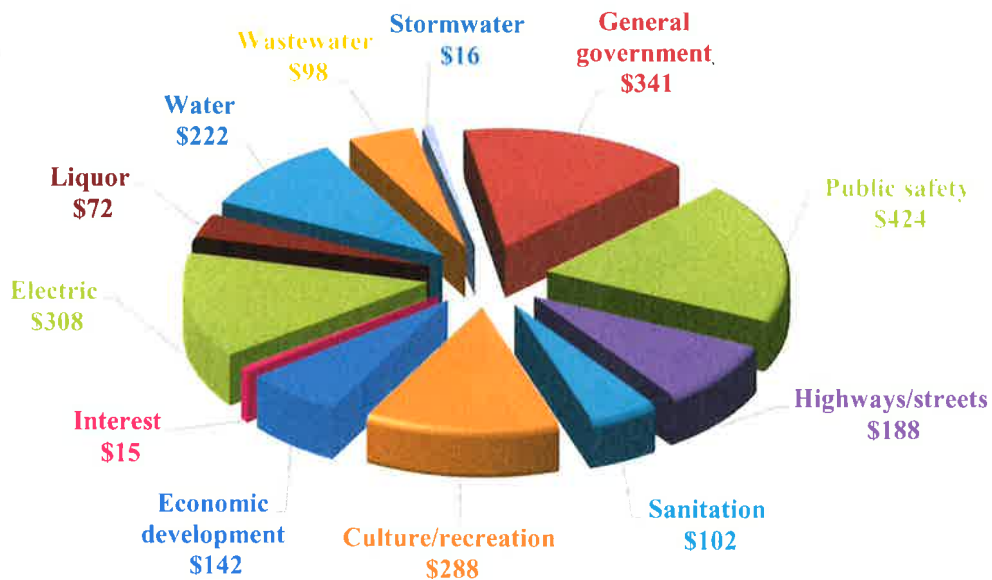
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 8,796 Population as of December 31, 2016



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 2016, the City's governmental funds reported combined ending fund balances of \$7,242,742. Of this amount, approximately 10 percent constitutes non-spendable fund balance, 19 percent constitutes legally or contractually restricted fund balance, 22 percent constitutes formally committed fund balance, 27 percent constitutes specifically assigned fund balance, and 22 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 \$2,319,495. The General Fund's committed fund balance was \$203,984 and unassigned fund balance was \$2,115,511. The General Fund has no restricted fund balance. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures for 2016. Total fund balance represents 26 percent of total General Fund expenditures.

In 2016, the fund balance amount in the General Fund decreased by \$451,561. This decrease is attributed to prepayment of engineering costs for construction projects repaid once permanent financing was received, and higher than budgeted revenues.

The fund balance of the CDAB Revolving Loan Special Revenue Fund decreased \$125,210 from the prior year as a result of new economic development loans.

The fund balance of the 2016 Street and Utilities Capital Project Fund decreased \$322,663 due to construction costs.

Proprietary Funds

The Liquor Enterprise Fund reported an operating income in 2016 of \$415,493, 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 2016 of \$893,272, mainly because purchased power cost did not increase as much as anticipated.

The Water Enterprise Fund reported an operating income in 2016 of \$642,531, as a result of user fees in excess of operating costs, as a result of anticipation of construction projects scheduled for 2017 and 2018.

The Wastewater Enterprise Fund reported an operating income in 2016 of \$32,111.

The Storm Water Enterprise Fund reported an operating income in 2016 of \$23,276.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$238,938, with the largest variance in intergovernmental revenues and charges for services. Actual expenditures were more than overall final budgeted expenditures by \$903,846, primarily as a result of capital outlays covered by budgeted transfers. There were no budget amendments to the General Fund in 2016.

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, 2016, amounted to \$55,533,023 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was five percent. This increase was primarily due to the street and utilities construction in progress, completed road projects added to infrastructure, and various equipment purchases.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 867,491	\$ 835,467	\$ 425,232	\$ 425,232	\$ 1,292,723	\$ 1,260,699
Construction in progress	1,514,187	3,203,987	1,586,447	-	3,100,634	3,203,987
Buildings	12,205,293	12,384,180	3,275,170	3,413,918	15,480,463	15,798,098
Infrastructure	18,113,398	15,619,186	15,202,956	15,059,031	33,316,354	30,678,217
Machinery and equipment	1,418,628	1,227,134	924,221	699,378	2,342,849	1,926,512
Total capital assets	<u>\$ 34,118,997</u>	<u>\$ 33,269,954</u>	<u>\$ 21,414,026</u>	<u>\$ 19,597,559</u>	<u>\$ 55,533,023</u>	<u>\$ 52,867,513</u>

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

Long-Term Debt

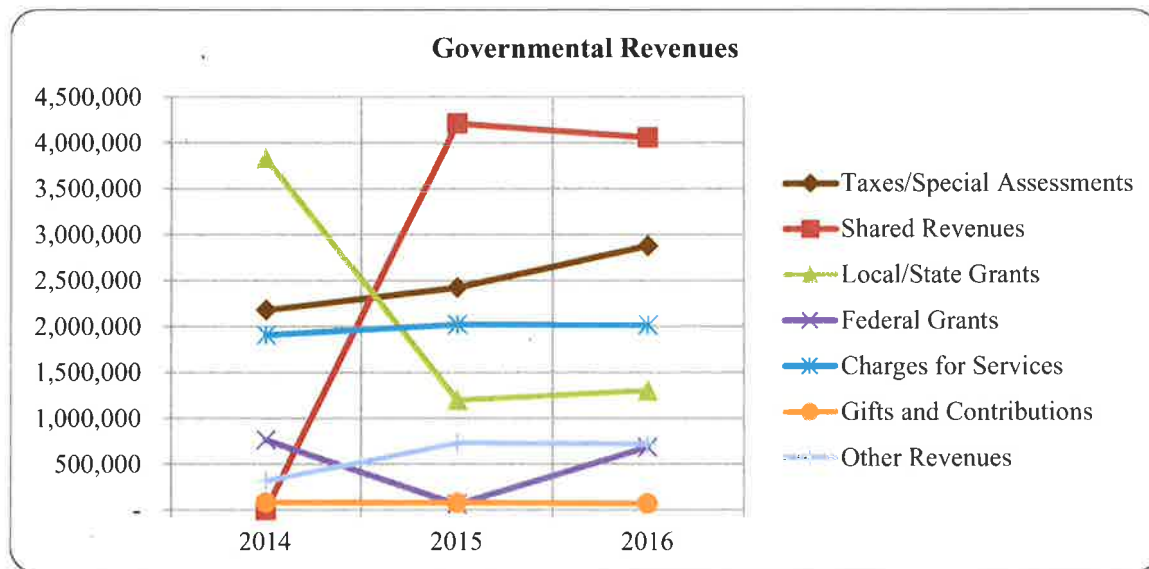
At the end of the current fiscal year, the City had total debt outstanding of \$12,823,244 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
G.O. Bonds	\$ 5,655,000	\$ 5,110,000	\$ -	\$ -	\$ 5,655,000	\$ 5,110,000
G.O. Revenue Bonds	-	-	7,168,244	7,457,892	7,168,244	7,457,892
	<u>\$ 5,655,000</u>	<u>\$ 5,110,000</u>	<u>\$ 7,168,244</u>	<u>\$ 7,457,892</u>	<u>\$ 12,823,244</u>	<u>\$ 12,567,892</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 2016, the City's estimated market value was \$468.9 million with overall debt of 2.73 percent. The City's current bond rating from Standard and Poor's Global Ratings is AA- with a stable outlook. Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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



- Specific unemployment statistics for the City of Thief River Falls are not available. However, the unemployment rate for Pennington County was 9.5 percent as of December 31, 2016. This is higher than the statewide rate of 4.1 percent and the national average rate of 4.5 percent.
- Thief River Falls' population as of December 31, 2016, was 8,796, an increase of 223 since the 2010 census of 8,573.
- On December 20, 2016, the City of Thief River Falls set its 2017 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, 2016**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 7,117,791	\$ 5,707,777	\$ 12,825,568
Cash with fiscal agent	18,819	-	18,819
Taxes receivable			
Current	82,043	-	82,043
Prior	58,787	-	58,787
Special assessments receivable			
Current	52,710	62	52,772
Prior	17,757	380	18,137
Accounts receivable	153,348	1,690,296	1,843,644
Accrued interest receivable	4,805	5,110	9,915
Due from other governments	981,612	-	981,612
Inventory	489	1,209,580	1,210,069
Loans receivable (net)	746,797	2,472	749,269
Internal balances	166,000	(166,000)	-
Net pension asset	223,686	-	223,686
Special assessments receivable - noncurrent	1,693,392	106,962	1,800,354
Capital assets			
Non-depreciable	2,381,678	2,011,679	4,393,357
Depreciable - net of accumulated depreciation	31,737,320	19,402,347	51,139,667
Total Assets	\$ 45,437,034	\$ 29,970,665	\$ 75,407,699
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 5,351,526	\$ 1,242,496	\$ 6,594,022
<u>Liabilities</u>			
Accounts payable	\$ 521,124	\$ 1,244,723	\$ 1,765,847
Salaries payable	148,585	80,931	229,516
Contracts payable	64,662	-	64,662
Due to other governments	66,415	152,475	218,890
Accrued interest payable	59,194	56,025	115,219
State Aid Advance	88,803	-	88,803
Customer deposits	-	235,688	235,688
Long-term liabilities			
Due within one year	1,044,287	1,036,239	2,080,526
Due in more than one year	14,667,653	9,550,059	24,217,712
Total Liabilities	\$ 16,660,723	\$ 12,356,140	\$ 29,016,863
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 924,404	\$ 307,104	\$ 1,231,508
<u>Net Position</u>			
Net investment in capital assets	\$ 29,313,095	\$ 13,474,842	\$ 42,787,937
Amounts restricted for			
Debt service	1,341,947	-	1,341,947
Economic development	9,454	-	9,454
Unrestricted amounts	2,538,937	5,075,075	7,614,012
Total Net Position	\$ 33,203,433	\$ 18,549,917	\$ 51,753,350

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Fees, Charges, Fines and Other</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental activities			
General government	\$ 2,524,756	\$ 506,643	\$ -
Public safety	3,733,004	197,948	279,223
Highways and streets	1,655,387	263,101	197,556
Sanitation	899,489	849,254	-
Culture and recreation	2,533,258	885,270	39,225
Economic development	1,247,170	37,325	-
Interest	130,924	-	-
Total governmental activities	\$ 12,723,988	\$ 2,739,541	\$ 516,004
Business-type activities			
Electric	\$ 13,470,384	\$ 14,346,060	\$ -
Liquor	4,235,155	4,650,648	-
Water	1,956,647	2,441,482	-
Wastewater	865,938	881,655	-
Storm Water	139,871	163,147	-
Total business-type activities	\$ 20,667,995	\$ 22,482,992	\$ -
Total Primary Government	\$ 33,391,983	\$ 25,222,533	\$ 516,004
General revenues and transfers			
Property taxes			
Franchise tax			
Grants and contributions not restricted to specific programs			
Investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net Position - January 1, 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
\$ -	\$ (2,018,113)	\$ -	\$ (2,018,113)
-	(3,255,833)	-	(3,255,833)
3,340,127	2,145,397	-	2,145,397
-	(50,235)	-	(50,235)
10,536	(1,598,227)	-	(1,598,227)
3,250	(1,206,595)	-	(1,206,595)
-	(130,924)	-	(130,924)
\$ 3,353,913	\$ (6,114,530)	\$ -	\$ (6,114,530)
\$ -	\$ -	\$ 875,676	\$ 875,676
-	-	415,493	415,493
-	-	484,835	484,835
3,710	-	19,427	19,427
-	-	23,276	23,276
\$ 3,710	\$ -	\$ 1,818,707	\$ 1,818,707
\$ 3,357,623	\$ (6,114,530)	\$ 1,818,707	\$ (4,295,823)
	\$ 2,334,644	\$ -	\$ 2,334,644
	191,046	-	191,046
	2,984,925	-	2,984,925
	41,653	34,987	76,640
	-	67,314	67,314
	1,114,419	(1,114,419)	-
	\$ 6,666,687	\$ (1,012,118)	\$ 5,654,569
	\$ 552,157	\$ 806,589	\$ 1,358,746
	\$ 32,409,825	\$ 17,743,328	\$ 50,153,153
	241,451	-	241,451
	32,651,276	17,743,328	50,394,604
	\$ 33,203,433	\$ 18,549,917	\$ 51,753,350

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

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	CDAB Revolving Loan Special Revenue	2016 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>					
Assets					
Cash and pooled investments	\$ 2,928,836	\$ 1,269,091	\$ -	\$ 3,099,590	\$ 7,297,517
Cash with fiscal agent	-	18,819	-	-	18,819
Taxes receivable					
Current	81,858	-	-	185	82,043
Prior	52,025	-	-	6,762	58,787
Special assessments receivable					
Current	1,529	-	-	51,181	52,710
Prior	6,678	-	-	11,079	17,757
Accounts receivable	148,023	-	-	-	148,023
Interest receivable	2,004	917	-	1,364	4,285
Due from other funds	-	-	166,000	339,233	505,233
Due from other governments	290	-	850,705	130,617	981,612
Loans receivable	-	676,707	-	70,090	746,797
Special assessments receivable - noncurrent	35,293	-	-	1,658,099	1,693,392
Total Assets	\$ 3,256,536	\$ 1,965,534	\$ 1,016,705	\$ 5,368,200	\$ 11,606,975
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 290,282	\$ -	\$ 125,656	\$ 105,050	\$ 520,988
Contracts payable	-	-	64,662	-	64,662
Salaries payable	147,302	-	-	857	148,159
Due to other funds	339,233	-	1,284,363	11,648	1,635,244
Due to other governments	66,228	-	-	123	66,351
State aid advance	-	-	88,803	-	88,803
Total Liabilities	\$ 843,045	\$ -	\$ 1,563,484	\$ 117,678	\$ 2,524,207
Deferred Inflows of Resources					
Taxes	\$ 52,025	\$ -	\$ -	\$ 6,762	\$ 58,787
Loans	41,971	-	-	70,090	112,061
Special assessments	-	-	-	1,669,178	1,669,178
Total Deferred Inflows of Resources	\$ 93,996	\$ -	\$ -	\$ 1,746,030	\$ 1,840,026

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

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	CDAB Revolving Loan Special Revenue	2016 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
Fund Balances					
Nonspendable					
Loans receivable	\$ -	\$ 751,897	\$ -	\$ -	\$ 751,897
Restricted for					
Debt service	-	-	-	1,341,947	1,341,947
TIF district	-	-	-	9,454	9,454
Committed to					
Airport	30,515	-	-	-	30,515
Carnegie building	29,338	-	-	-	29,338
Celebrations	1,935	-	-	-	1,935
Economic development	-	1,213,637	-	-	1,213,637
Firearms	678	-	-	-	678
Insurance	42,620	-	-	-	42,620
Multi trails	1,800	-	-	-	1,800
Parks	97,098	-	-	-	97,098
Perpetual care	-	-	-	169,183	169,183
Train canopy	-	-	-	17,371	17,371
Assigned to					
Capital projects	-	-	-	1,803,692	1,803,692
Cemetery	-	-	-	169,890	169,890
Public safety	-	-	-	4,603	4,603
Unassigned	2,115,511	-	(546,779)	(11,648)	1,557,084
Total Fund Balances	\$ 2,319,495	\$ 1,965,534	\$ (546,779)	\$ 3,504,492	\$ 7,242,742
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,256,536	\$ 1,965,534	\$ 1,016,705	\$ 5,368,200	\$ 11,606,975

**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, 2016**

Fund balances - total governmental funds (Exhibit 3)	\$ 7,242,742
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.	34,118,998
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,840,026
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences payable	\$ (654,360)
Other post employment benefits	(889,400)
Accrued interest payable	(59,194)
General obligation bonds payable	(5,693,678)
	(7,296,632)
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	\$ 5,351,526
Deferred inflows of resources related to pensions	(924,404)
Net pension asset	223,686
Net pension liability	(8,474,502)
Internal service fund are used by management to account for services provided to other departments or funds on a cost reimbursement basis. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,121,993
Net position of governmental activities (Exhibit 1)	\$ 33,203,433

**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, 2016**

	General	CDAB Revolving Loan Special Revenue	2016 Street and Utilities Capital Project	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues					
Taxes	\$ 1,890,176	\$ -	\$ -	\$ 613,643	\$ 2,503,819
Special assessments	59,203	-	-	314,737	373,940
Licenses and permits	202,948	-	-	-	202,948
Intergovernmental	3,422,848	850,000	850,705	922,444	6,045,997
Charges for services	1,996,823	-	-	22,100	2,018,923
Fines and forfeitures	49,152	-	-	-	49,152
Investment earnings	18,446	3,845	170	15,610	38,071
Gifts and contributions	39,225	-	-	35,358	74,583
Miscellaneous	62,349	8,006	17,888	343,917	432,160
Total Revenues	\$ 7,741,170	\$ 861,851	\$ 868,763	\$ 2,267,809	\$ 11,739,593
Expenditures					
Current					
General government	\$ 1,305,168	\$ -	\$ -	\$ 540,809	\$ 1,845,977
Public safety	2,938,622	-	-	16,990	2,955,612
Highways and streets	787,971	-	-	-	787,971
Sanitation	840,942	-	-	-	840,942
Culture and recreation	2,015,148	-	-	7,608	2,022,756
Economic development	258,257	987,061	-	-	1,245,318
Debt service					
Principal retirement	-	-	-	455,000	455,000
Interest	-	-	-	113,834	113,834
Capital outlay					
General government	69,831	-	-	-	69,831
Public safety	288,994	-	-	-	288,994
Highways and streets	289,206	-	2,153,040	11,648	2,453,894
Culture and recreation	66,983	-	-	-	66,983
Sanitation	99,614	-	-	-	99,614
Total Expenditures	\$ 8,960,736	\$ 987,061	\$ 2,153,040	\$ 1,145,889	\$ 13,246,726
Excess of Revenues Over (Under) Expenditures	\$ (1,219,566)	\$ (125,210)	\$ (1,284,277)	\$ 1,121,920	\$ (1,507,133)
Other Financing Sources (Uses)					
Transfers in	\$ 1,100,077	\$ -	\$ -	\$ 928,519	\$ 2,028,596
Transfers out	(332,072)	-	(92,094)	(605,913)	(1,030,079)
Proceeds from issuance of debt	-	-	1,053,708	-	1,053,708
Total Other Financing Sources (Uses)	\$ 768,005	\$ -	\$ 961,614	\$ 322,606	\$ 2,052,225
Net Change in Fund Balance	\$ (451,561)	\$ (125,210)	\$ (322,663)	\$ 1,444,526	\$ 545,092
Fund Balance - January 1, as previously reported	\$ 2,771,056	\$ 2,090,744	\$ (224,116)	\$ 1,818,515	\$ 6,456,199
Prior period adjustment	-	-	-	241,451	241,451
Fund Balance - January 1, as restated	\$ 2,771,056	\$ 2,090,744	\$ (224,116)	\$ 2,059,966	\$ 6,697,650
Fund Balance - December 31	\$ 2,319,495	\$ 1,965,534	\$ (546,779)	\$ 3,504,492	\$ 7,242,742

**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, 2016**

Net change in fund balance - total governmental funds (Exhibit 5) **\$ 545,092**

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	\$ 2,191,719	
Current year depreciation	(1,342,676)	
Net book value of assets disposed	<u>(787,597)</u>	61,446

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	362,269
---	---------

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	\$ 280,000	
General obligation revenue bonds	175,000	
Proceeds from issuance of bonds	<u>(1,053,708)</u>	(598,708)

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

Change in		
Amortization of discount/premium	\$ (1,533)	
Accrued interest payable	(18,603)	
Compensated absences payable	175,463	
Other post employment benefits	<u>24,200</u>	179,527

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.

904,035

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

(901,504)

Change in net position of governmental activities (Exhibit 2) **\$ 552,157**

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

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
Assets							
Current Assets							
Cash and pooled investments	\$ 1,096,138	\$ 2,357,337	\$ 786,296	\$ 470,292	\$ 295,195	\$ 5,005,258	\$ 522,793
Special assessments receivable - current	-	-	-	62	-	62	-
Special assessments receivable - prior	-	-	-	380	-	380	-
Accounts receivable	2,158	1,395,015	202,729	65,882	16,525	1,682,309	13,312
Interest receivable	908	1,505	1,138	506	273	4,330	1,300
Loans receivable	-	2,472	-	-	-	2,472	-
Due from other funds	-	24,813	-	-	-	24,813	1,296,011
Inventory	606,207	484,430	118,209	-	-	1,208,846	1,223
Total Current Assets	\$ 1,705,411	\$ 4,265,572	\$ 1,108,372	\$ 537,122	\$ 311,993	\$ 7,928,470	\$ 1,834,639
Noncurrent Assets							
Special assessments receivable - noncurrent	\$ -	\$ -	\$ -	\$ 106,962	\$ -	\$ 106,962	\$ -
Capital assets							
Non-depreciable	178,942	53,052	1,242,558	371,127	166,000	2,011,679	-
Depreciable - net of accumulated depreciation	275,258	5,065,619	8,342,000	3,786,410	1,933,060	19,402,347	-
Total Noncurrent Assets	\$ 454,200	\$ 5,118,671	\$ 9,584,558	\$ 4,264,499	\$ 2,099,060	\$ 21,520,988	\$ -
Total Assets	\$ 2,159,611	\$ 9,384,243	\$ 10,692,930	\$ 4,801,621	\$ 2,411,053	\$ 29,449,458	\$ 1,834,639
Deferred Outflows of Resources							
Related to pensions	\$ 190,572	\$ 672,642	\$ 198,134	\$ 181,148	\$ -	\$ 1,242,496	\$ -
Liabilities							
Current Liabilities							
Accounts payable	\$ 131,860	\$ 989,977	\$ 114,715	\$ 6,512	\$ 1,455	\$ 1,244,519	\$ 339
Compensated absences payable	55,837	130,522	94,718	23,978	-	305,055	-
Salaries payable	13,421	41,668	12,795	12,098	310	80,292	1,065
Interest payable	-	7,541	41,497	6,987	-	56,025	-
Due to other governments	45,858	102,684	592	3,198	46	152,378	161
Due to other funds	-	-	24,813	-	166,000	190,813	-
GO revenue bonds payable	-	102,000	563,000	66,184	-	731,184	-
Customer deposits payable	-	235,688	-	-	-	235,688	-
Total Current Liabilities	\$ 246,976	\$ 1,610,080	\$ 852,130	\$ 118,957	\$ 167,811	\$ 2,995,954	\$ 1,565
Noncurrent Liabilities							
Other post employment benefits	\$ 32,200	\$ 125,400	\$ 23,650	\$ 24,950	\$ -	\$ 206,200	\$ -
Compensated absences payable	13,067	51,529	12,979	11,631	-	89,206	-
Net pension liability	436,765	1,620,978	387,529	369,081	-	2,814,353	-
GO revenue bonds payable (net)	-	787,353	5,167,388	485,559	-	6,440,300	-
Total Noncurrent Liabilities	\$ 482,032	\$ 2,585,260	\$ 5,591,546	\$ 891,221	\$ -	\$ 9,550,059	\$ -
Total Liabilities	\$ 729,008	\$ 4,195,340	\$ 6,443,676	\$ 1,010,178	\$ 167,811	\$ 12,546,013	\$ 1,565
Deferred Inflows of Resources							
Related to pensions	\$ 47,564	\$ 175,048	\$ 43,441	\$ 41,051	\$ -	\$ 307,104	\$ -
Net Position							
Net investment in capital assets	\$ 454,200	\$ 4,242,671	\$ 3,227,158	\$ 3,617,753	\$ 1,933,060	\$ 13,474,842	\$ -
Unrestricted amounts	1,119,411	1,443,826	1,176,789	313,787	310,182	4,363,995	1,833,074
Total Net Position	\$ 1,573,611	\$ 5,686,497	\$ 4,403,947	\$ 3,931,540	\$ 2,243,242	\$ 17,838,837	\$ 1,833,074
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						711,080	
Net position of business-type activities						\$ 18,549,917	

**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, 2016**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
Sales and Cost of Goods Sold							
Sales	\$ 4,650,321	\$ 14,192,363	\$ -	\$ -	\$ -	\$ 18,842,684	\$ 461,118
Cost of goods sold	(3,597,554)	(10,757,797)	-	-	-	(14,355,351)	-
Gross Profit	\$ 1,052,767	\$ 3,434,566	\$ -	\$ -	\$ -	\$ 4,487,333	\$ 461,118
Operating Revenues							
Charges for services	-	-	2,397,295	860,419	163,147	3,420,861	-
Miscellaneous	327	153,697	44,187	21,236	-	219,447	-
Total Gross Profit and Operating Revenues	\$ 1,053,094	\$ 3,588,263	\$ 2,441,482	\$ 881,655	\$ 163,147	\$ 8,127,641	\$ 461,118
Operating Expenses							
Personnel services	\$ 437,142	\$ 1,525,884	\$ 476,351	\$ 446,305	\$ 27,379	\$ 2,913,061	\$ 19,798
Advertising	46,314	-	-	-	-	46,314	-
Chemicals	-	-	407,742	-	-	407,742	-
Fuel	-	-	5,095	-	-	5,095	-
Insurance	18,292	63,557	25,634	25,631	-	133,114	366,672
License and permits	47,207	-	25,849	14,437	7,193	94,686	-
Repairs and maintenance	12,747	225,588	193,521	23,940	12,079	467,875	39,902
Supplies	11,631	29,553	26,217	31,730	2,531	101,662	44,506
Utilities	26,946	50,021	203,921	74,634	629	356,151	-
Miscellaneous	15,528	307,294	12,055	48,688	5,312	388,877	-
Other services and charges	-	76,546	12,466	6,725	-	95,737	-
Depreciation	21,794	416,548	410,100	177,454	84,748	1,110,644	-
Total Operating Expenses	\$ 637,601	\$ 2,694,991	\$ 1,798,951	\$ 849,544	\$ 139,871	\$ 6,120,958	\$ 470,878
Operating Income (Loss)	\$ 415,493	\$ 893,272	\$ 642,531	\$ 32,111	\$ 23,276	\$ 2,006,683	\$ (9,760)
Nonoperating Revenues (Expenses)							
Special assessments	\$ -	\$ -	\$ -	\$ 3,710	\$ -	\$ 3,710	\$ -
Investment earnings	6,031	10,370	8,387	3,196	1,629	29,613	8,956
Miscellaneous	-	-	-	56	-	56	121,857
Interest expense	-	(17,596)	(157,696)	(16,394)	-	(191,686)	-
Total Nonoperating Revenues (Expenses)	\$ 6,031	\$ (7,226)	\$ (149,309)	\$ (9,432)	\$ 1,629	\$ (158,307)	\$ 130,813
Income (Loss) Before Transfers	\$ 421,524	\$ 886,046	\$ 493,222	\$ 22,679	\$ 24,905	\$ 1,848,376	\$ 121,053
Transfers in	-	-	368,465	-	-	368,465	137,400
Transfers out	(419,079)	(591,000)	(34,250)	(402,715)	(35,840)	(1,482,884)	(21,498)
Change in Net Position	\$ 2,445	\$ 295,046	\$ 827,437	\$ (380,036)	\$ (10,935)	\$ 733,957	\$ 236,955
Net Position - January 1	\$ 1,571,166	\$ 5,391,451	\$ 3,576,510	\$ 4,311,576	\$ 2,254,177		\$ 1,596,119
Net Position - December 31	\$ 1,573,611	\$ 5,686,497	\$ 4,403,947	\$ 3,931,540	\$ 2,243,242		\$ 1,833,074
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						72,632	
Change in net position of business-type activities						<u>\$ 806,589</u>	

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
Increase (Decrease) in Cash and Cash Equivalents**

	Liquor Dispensary	Electric Enterprise	Water Enterprise
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,650,736	\$ 14,331,689	\$ 2,417,379
Payments to employees	(611,167)	(1,517,511)	(500,407)
Payments to suppliers	(3,690,693)	(11,588,428)	(877,646)
Net cash provided by (used in) operating activities	\$ 348,876	\$ 1,225,750	\$ 1,039,326
Cash Flows from Capital and Related Financing Activities			
Special assessments received	\$ -	\$ -	\$ -
Transfers from other funds	-	-	368,465
Transfers to other funds	(419,079)	(591,000)	(34,250)
Proceeds from issuance of debt	-	-	450,611
Purchase of capital assets	(22,410)	(316,826)	(1,756,429)
Loan payments received	-	6,208	-
Principal paid on debt	-	(93,000)	(812,000)
Interest paid on debt	-	(20,040)	(117,002)
Net cash provided by (used in) capital and related financing activities	\$ (441,489)	\$ (1,014,658)	\$ (1,900,605)
Cash Flows from Investing Activities			
Investment earnings received	\$ 6,166	\$ 10,213	\$ 7,722
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (86,447)	\$ 221,305	\$ (853,557)
Cash and Cash Equivalents at January 1	1,182,585	2,136,032	1,639,853
Cash and Cash Equivalents at December 31	\$ 1,096,138	\$ 2,357,337	\$ 786,296
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 415,493	\$ 893,272	\$ 642,531
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 21,794	\$ 416,548	\$ 410,100
Decrease (increase) in assets			
Accounts receivable	415	(71,640)	(16,593)
Inventory	(79,470)	(32,436)	(1,031)
Due from other funds	-	42,962	-
Increase (decrease) in liabilities			
Accounts payable	(7,896)	(38,535)	76,785
Salaries payable	484	(1,029)	1,423
Due to other funds	-	-	(42,962)
Due to other governments	2,105	9,442	(1,083)
Compensated absences payable	(39,613)	(113,397)	(20,554)
Customer deposits payable	-	14,307	-
Demand waiver reserve	-	(16,543)	-
Other post employment benefit obligation	900	3,400	-
Net pension liability	34,664	119,399	(9,290)
Total adjustments	\$ (66,617)	\$ 332,478	\$ 396,795
Net cash provided by (used in) operating activities	\$ 348,876	\$ 1,225,750	\$ 1,039,326

EXHIBIT 9

Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
\$ 877,296	\$ 159,797	\$ 22,436,897	\$ 458,699
(420,406)	(27,367)	(3,076,858)	(16,653)
(228,161)	(26,794)	(16,411,722)	(452,446)
\$ 228,729	\$ 105,636	\$ 2,948,317	\$ (10,400)
\$ 27,066	\$ -	\$ 27,066	\$ -
-	166,000	534,465	137,400
(358,776)	(174,414)	(1,577,519)	(1,195,652)
264,644	-	715,255	-
(251,685)	(406,505)	(2,753,855)	-
-	-	6,208	-
(64,648)	-	(969,648)	-
(87,044)	-	(224,086)	-
\$ (470,443)	\$ (414,919)	\$ (4,242,114)	\$ (1,058,252)
\$ 3,584	\$ 1,853	\$ 29,538	\$ 8,824
\$ (238,130)	\$ (307,430)	\$ (1,264,259)	\$ (1,059,828)
708,422	602,625	6,269,517	1,582,621
\$ 470,292	\$ 295,195	\$ 5,005,258	\$ 522,793
\$ 32,111	\$ 23,276	\$ 2,006,683	\$ (9,760)
\$ 177,454	\$ 84,748	\$ 1,110,644	\$ -
(4,359)	(3,350)	(95,527)	(2,419)
-	-	(112,937)	2,450
-	-	42,962	-
(4,007)	904	27,251	(1,471)
1,544	12	2,434	695
-	-	(42,962)	-
1,631	46	12,141	105
(11,609)	-	(185,173)	-
-	-	14,307	-
-	-	(16,543)	-
1,300	-	5,600	-
34,664	-	179,437	-
\$ 196,618	\$ 82,360	\$ 941,634	\$ (640)
\$ 228,729	\$ 105,636	\$ 2,948,317	\$ (10,400)

**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, 2016**

Assets

Cash and pooled investments	\$	44,972
Accrued interest receivable		33
Prepaid benefits		868
Total Assets	\$	45,873

Net Position

Amounts held in trust for pool participants	\$	45,873
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**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Additions</u>		
Contributions	\$	5,389
Investment earnings		<u>216</u>
Total Additions	\$	5,605
<u>Deductions</u>		
Benefit payments		<u>10,068</u>
Change in net position	\$	(4,463)
Net Position--January 1		<u>50,336</u>
Net Position--December 31	\$	<u><u>45,873</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, 2016**

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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

The City reports the following major governmental fund:

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

The 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 2016 Street and Utilities Project Capital Project Funds is used to account for and report the financial activity of the 2016 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.

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

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.

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

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

During the year ended December 31, 2016, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurement. No restatement is required as a result of implementing this statement.

D. Investments

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

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

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

Concentration – The City's investment policy limits investments in any one issuer to not more than five percent unless the Finance Director has received prior approval, or the increase is a result of market price increase. U.S. Treasuries and agencies along with commingled investment pools are exempted. The City's investments as of December 31, 2016, were below these limits.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2016, the annual money-weighted rate of return on City investments, net of investment expense, was .24 percent.

E. 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.

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

I. Summary of Significant Accounting Policies

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

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, 2016, based on market prices. Investment earnings are allocated to the funds with deposits. Total investment earnings for 2016 were \$72,115.

3. Fiscal Agent

The City Council has authorized the Northwest Minnesota Multi-City Housing and Redevelopment Authority to administer the SCDB projects. The cash with fiscal agent held by the Northwest Minnesota Multi-City Housing and Redevelopment Authority on behalf of the City was \$18,819 as of December 31, 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 2016, and deferred special assessments collectible in 2017 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectable amount.

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

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

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

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

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

4. Receivables and Payables (Continued)

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.

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.

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

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

6. Capital Assets (Continued)

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 delinquent property tax receivables, property taxes levied for subsequent years, and loans receivable as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

8. Compensated Absences

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

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

I. Summary of Significant Accounting Policies

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

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.

11. Net Position and Fund Balance

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

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

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

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

11. Net Position and Fund Balance (Continued)

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

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

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, 2016.

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

11. Net Position and Fund Balance (Continued)

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.

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. Deficit Fund Balances

The following funds had deficit unassigned fund balances as of December 31, 2016: The 2016 Street and Utilities Capital Projects Fund of \$546,779, and the 2017 Streets and Utilities Capital Projects Fund of \$11,648. These deficits will be eliminated with future collections.

B. Restatement

During the year 2016, capital assets were restated due an error in the prior year construction in progress capitalization. The 2015 Street and Utilities Capital Projects Fund capitalized \$241,451 in 2015 which was again capitalized in the Water Enterprise Fund in 2016. This resulted in a restatement to beginning fund balance in the 2015 Street and Utilities Capital Projects Fund.

	2015 Street & Utilities Capital Project Fund	
Beginning Fund Balance	\$	(552,052)
Restatement		241,451
Fund Balance - January 1, 2016, as restated	\$	(310,601)

**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, 2016, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 7,117,791
Cash with fiscal agent	18,819
Business-type Activities	
Cash and pooled investments	5,707,777
Fiduciary Activities	
Cash and pooled investments	44,972
Total Cash and Investments	<u>\$ 12,889,359</u>
Petty cash and change funds	\$ 8,980
Checking	(553,520)
Certificate of deposit	100,000
Money market funds	9,034,851
Negotiable certificates of deposit	4,280,229
Cash with fiscal agent	18,819
Total deposits and cash on hand	<u>\$ 12,889,359</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's policy for custodial credit risk is to comply with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2016, the City's deposits were not exposed to custodial credit risk.

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investments

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

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

Interest Rate Risk

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

At December 31, 2016, the City had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Negotiable Certificates of Deposit	\$ 4,280,229	\$ 993,779	\$ 3,043,851	\$ 242,599
	100%	23%	71%	6%

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Credit Risk

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

The City's exposure to credit risk as of December 31, 2016, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
Negotiable Certificates of Deposit	N/R	<u>\$ 4,280,229</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, 2016, the following investments may be subject to custodial credit risk:

Negotiable Certificates of Deposit	<u>4,280,229</u>
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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>	
Negotiable Certificates of Deposit	<u>4,280,229</u>	100%

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fair Value Hierarchy

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

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

At December 31, 2016, the City's investment in negotiable certificates of deposit in the amount of \$4,280,229 were rated as a level 2 investment, valued using a market approach based on the securities' relationship to benchmark quoted prices.

2. Receivables

Receivables as of December 31, 2016, 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	\$ 140,830	\$ -
Special assessments	1,763,859	1,693,392
Accounts	153,348	-
Accrued interest	4,805	-
Loans	746,797	573,583
Due from other governments	981,612	-
	<u>\$ 3,791,251</u>	<u>\$ 2,266,975</u>
Business-Type Activities		
Special assessments	\$ 107,404	\$ 106,962
Accounts	1,690,296	-
Accrued interest	5,110	-
Loans	2,472	-
	<u>\$ 1,805,282</u>	<u>\$ 106,962</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, 2016, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 835,467	\$ 32,024	\$ -	\$ 867,491
Construction in progress	3,203,987	3,010,691	4,700,491	1,514,187
Total capital assets not depreciated	\$ 4,039,454	\$ 3,042,715	\$ 4,700,491	\$ 2,381,678
Capital assets being depreciated				
Infrastructure	\$ 22,865,412	\$ 3,107,204	\$ -	\$ 25,972,616
Buildings	19,040,848	270,528	-	19,311,376
Machinery and equipment	4,797,964	471,763	91,028	5,178,699
Total capital assets being depreciated	\$ 46,704,224	\$ 3,849,495	\$ 91,028	\$ 50,462,691
Less: accumulated depreciation for				
Infrastructure	\$ 7,246,226	\$ 612,992	\$ -	\$ 7,859,218
Buildings	6,656,668	449,415	-	7,106,083
Machinery and equipment	3,570,829	280,269	91,028	3,760,070
Total accumulated depreciation	\$ 17,473,723	\$ 1,342,676	\$ 91,028	\$ 18,725,371
Total capital assets, depreciated, net	\$ 29,230,501	\$ 2,506,819	\$ -	\$ 31,737,320
Governmental Activities Capital Assets, Net	\$ 33,269,955	\$ 5,549,534	\$ 4,700,491	\$ 34,118,998

**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	-	2,375,165	788,718	1,586,447
Total capital assets not depreciated	\$ 425,232	\$ 2,375,165	\$ 788,718	\$ 2,011,679
Capital assets being depreciated				
Buildings	\$ 7,460,930	\$ -	\$ -	\$ 7,460,930
Infrastructure	37,490,987	971,105	-	38,462,092
Machinery and equipment	4,977,605	370,291	250,662	5,097,234
Total capital assets being depreciated	\$ 49,929,522	\$ 1,341,396	\$ 250,662	\$ 51,020,256
Less: accumulated depreciation for				
Buildings	\$ 4,047,012	\$ 138,748	\$ -	\$ 4,185,760
Infrastructure	22,431,956	827,180	-	23,259,136
Machinery and equipment	4,278,227	144,716	249,930	4,173,013
Total accumulated depreciation	\$ 30,757,195	\$ 1,110,644	\$ 249,930	\$ 31,617,909
Total capital assets, depreciated, net	\$ 19,172,327	\$ 230,752	\$ 732	\$ 19,402,347
Business-Type Activities Capital Assets, Net	\$ 19,597,559	\$ 2,605,917	\$ 789,450	\$ 21,414,026

Depreciation Expense

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

Governmental Activities	
General government	\$ 654,492
Public safety	79,774
Highways and streets	106,425
Sanitation	32,066
Culture and recreation	469,919
Total Depreciation Expense - Governmental Activities	\$ 1,342,676

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

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Depreciation Expense (Continued)

Business-Type Activities	
Liquor	\$ 21,794
Electric	416,548
Water	410,100
Wastewater	177,454
Storm water	<u>84,748</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,110,644</u>

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of due to/from other funds as of December 31, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Electric Enterprise Fund	Water Enterprise Fund	\$ 24,813	Reimbursements
Revolving Capital Outlay Capital Projects Fund	General Fund	287,241	Revolving capital outlay loan
2013 Greenwood Improvement Bonds Debt Service Fund	General Fund	51,992	To correct tax settlement
Internal Service Fund	2016 Street & Utilities Project Capital Projects Fund	1,284,363	For cash deficit
2016 Street and Utilities Project Capital Projects Fund	Storm Water Enterprise Fund	166,000	Share of project expense
Water Enterprise Fund	Waste Water Enterprise Fund	368,465	Move debt to correct fund
Internal Service Fund	2017 Street & Utilities Project Capital Projects Fund	<u>11,648</u>	For cash deficit
Total Due To/From Other Funds		<u><u>\$ 2,194,522</u></u>	

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

III. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following operating transfers:

To Interdepartment Distribution Fund from General Fund	\$ 137,400	Reimbursements
To Greenwood Cemetery Special Revenue Fund from General Fund	50,000	Reimbursements
To Revolving Capital Outlay Capital Projects Fund from General Fund	144,673	Revolving capital outlay transfer
To 2013 Greenwood Improvement Bonds Debt Service Fund from Greenwood Street Underpass Capital Projects Fund	605,913	Close fund
To General Fund from Liquor Dispensary Enterprise Fund	419,079	Operating transfer
To General Fund from Electric Enterprise Fund	591,000	Operating transfer
To General Fund from Interdepartment Distribution Fund	21,498	Reimbursements
To General Fund from Wastewater Enterprise Fund	34,250	Operating transfer
To 2014 Improvement Project Capital Projects Fund from Stormwater Enterprise Fund	35,840	Close fund
To Greenwood Street Underpass Capital Projects Fund from 2016 Street and Utilities Project Capital Projects Fund	88,803	Close fund
To Multi-Use Trail SRTS Capital Projects Fund from 2016 Street and Utilities Project Capital Projects Fund	3,290	Operating transfer
To General Fund from Water Enterprise Fund	<u>34,250</u>	Operating transfer
Total Interfund Transfers	<u>\$ 2,165,996</u>	

C. Liabilities

Construction Commitments

The City has two active construction projects in the amount of \$2,770,482 with a remaining commitment of \$239,344.

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

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Long-Term Debt

Governmental Activities

City of Thief River Falls State-Aid Street Bonds of 2008 represent debt incurred for the construction of Greenwood Bridge. These bonds have an original issue amount of \$1,630,000. They carry a net interest rate of 3.785 percent and are due in annual principal payments from the 2008 State Aid Street Bonds Debt Service Fund of between \$170,000 and \$190,000 through April 1, 2018. The balance due on these bonds at December 31, 2016, is \$370,000.

City of Thief River Falls General Obligation Improvement Bonds of 2011 represent debt incurred for street improvements. These bonds have an original issue amount of \$690,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments from the 2011 Improvement Bonds Debt Service Fund of between \$55,000 and \$65,000 through February 1, 2024. The balance due on these bonds at December 31, 2016, is \$485,000.

City of Thief River Falls General Obligation Improvement Bonds of 2012 represent debt incurred for street improvements. These bonds have an original issue amount of \$795,000. They carry a net interest rate of 2.1 percent and are due in annual principal payments from the 2012 Improvement Bonds Debt Service Fund of between \$65,000 and \$80,000 through February 1, 2025. The balance due on these bonds at December 31, 2016, is \$635,000.

City of Thief River Falls General Obligation Improvement Bonds of 2013 represent debt incurred for street improvements. These bonds have an original issue amount of \$565,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments from the 2013 Improvement Bonds Debt Service Fund of between \$30,000 and \$45,000 through February 1, 2029. The balance due on these bonds at December 31, 2016, is \$505,000.

City of Thief River Falls General Obligation Street Improvement Bonds of 2013 represent debt incurred for Greenwood Street improvements. These bonds have an original issue amount of \$1,385,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments from the 2013 Greenwood Improvement Bonds Debt Service Fund of between \$75,000 and \$95,000 through February 1, 2029. The balance due on these bonds at December 31, 2016, is \$1,230,000.

City of Thief River Falls General Obligation Street Improvement Bonds of 2014 represent debt incurred for street improvements. These bonds have an original issue amount of \$685,000. They carry a net interest rate of 3 percent and are due in annual principal payments from the 2014 Improvement Bonds Debt Service Fund of between \$50,000 and \$65,000 through February 4, 2027. The balance due on these bonds at December 31, 2016, is \$635,000.

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Governmental Activities (Continued)

City of Thief River Falls General Obligation Street Improvement Bonds of 2015 represent debt incurred for street improvements. These bonds have an original issue amount of \$795,000. They carry a net interest rate of 2.5 percent and are due in annual principal payments from the 2015 Improvement Bonds Debt Service Fund of between \$60,000 and \$75,000 through February 1, 2028. The balance due on these bonds at December 31, 2016, is \$795,000.

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

Business-Type Activities

City of Thief River Falls Minnesota Public Facilities Authority of 1998 represent debt incurred for construction of the Wastewater Treatment Facility. These bonds have an original issue amount of \$925,525. They carry a net interest rate of 2.8 percent and are due in annual principal payments from the Wastewater Enterprise Fund of between \$54,648 and \$59,298 through July 1, 2019. The balance due on these bonds at December 31, 2016, is \$173,244.

City of Thief River Falls General Obligation Water Revenue Bonds of 2009 represent debt incurred for water system improvements. These bonds have an original issue amount of \$640,000. They carry a net interest rate of 4.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$25,000 and \$45,000 through February 1, 2030. The balance due on these bonds at December 31, 2016, is \$495,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2010 represent debt incurred for water system improvements. These bonds have an original issue amount of \$3,510,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$300,000 and \$345,000 through January 1, 2023. The balance due on these bonds at December 31, 2016, is \$1,995,000.

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 from the Water Enterprise Fund of \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2016, is \$165,000.

**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 2012 represent debt incurred for water system improvements. These bonds have an original issue amount of \$470,000. They carry a net interest rate of 2.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$30,000 and \$35,000 through February 1, 2028. The balance due on these bonds at December 31, 2016, is \$380,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2013 represent debt incurred for water system improvements. These bonds have an original issue amount of \$1,235,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments from the Water Enterprise Fund of between \$75,000 and \$85,000 through February 1, 2029. The balance due on these bonds at December 31, 2016, is \$1,095,000.

City of Thief River Falls General Obligation Sewer Improvement Bonds of 2014 represent debt incurred for wastewater system improvements. These bonds have an original issue amount of \$125,000. They carry a net interest rate of 3 percent and are due in annual principal payments from the Wastewater Enterprise Fund of between \$10,000 and \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2016, is \$115,000.

City of Thief River Falls General Obligation Equipment Certificates of 2014 represent debt incurred for utility system improvements. These bonds have an original issue amount of \$1,615,000, and are split between the water and electric funds. They carry a net interest rate of 2.250 percent and are due in annual principal payments from the Water and Electric Enterprise Funds of between \$62,000 and \$78,000 through February 1, 2024. The balance due on these bonds at December 31, 2016, is \$584,000 in water, and \$876,000 in electric, with the total balance due of \$1,460,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2015 represent debt incurred for water system improvements. These bonds have an original issue amount of \$610,000. They carry a net interest rate of 3 percent and are due in annual principal payments from the Water Enterprise Fund of between \$35,000 and \$45,000 through February 1, 2031. The balance due on these bonds at December 31, 2016, is \$610,000.

City of Thief River Falls General Obligation Bonds of 2016 represent debt incurred for a street, wastewater and water project. The wastewater and water project portion of these bonds have an original issue amount of \$680,000, carry a net interest rate of 1.659 percent, and are due in annual payments from the Wastewater and Water Enterprise Funds of \$12,950 to \$34,650 through February 1, 2032. The balance due on these bonds at December 31, 2016 is \$680,000.

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements for general obligation bonds for the year ended December 31, 2016, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	535,000	122,585	731,184	178,367
2018	610,000	113,700	792,762	165,390
2019	440,000	102,970	794,298	147,697
2020	455,000	95,045	765,000	129,318
2021	455,000	86,378	775,000	110,927
2022-2026	2,225,000	266,622	2,230,000	295,349
2027-2031	935,000	34,683	1,025,000	67,687
2032-2036	-	-	55,000	687
Total	<u>\$ 5,655,000</u>	<u>\$ 821,983</u>	<u>\$ 7,168,244</u>	<u>\$ 1,095,422</u>

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Improvement Bonds	\$ 4,565,000	\$ 1,000,000	\$ 280,000	\$ 5,285,000	\$ 355,000
G.O. State-Aid Street Bonds	545,000	-	175,000	370,000	180,000
Compensated Absences	829,823	366,013	541,476	654,360	509,287
OPEB	865,200	24,200	-	889,400	-
Net Pension Liability	<u>3,373,964</u>	<u>5,100,538</u>	<u>-</u>	<u>8,474,502</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 10,178,987</u>	<u>\$ 6,490,751</u>	<u>\$ 996,476</u>	<u>\$ 15,673,262</u>	<u>\$ 1,044,287</u>

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

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Changes in Long Term Liabilities (Continued)

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Revenue Bonds	\$ 7,230,000	\$ 680,000	\$ 915,000	\$ 6,995,000	\$ 675,000
MPFA Loans	227,892	-	54,648	173,244	56,184
Compensated Absences	579,434	358,444	543,617	394,261	305,055
OPEB	200,600	5,600	-	206,200	-
Net Pension Liability	1,725,935	1,088,418	-	2,814,353	-
Business-Type Activities					
Long-Term Liabilities	<u>\$ 9,963,861</u>	<u>\$ 2,132,462</u>	<u>\$ 1,513,265</u>	<u>\$ 10,583,058</u>	<u>\$ 1,036,239</u>

IV. Other Post-Employment Benefits – (OPEB)

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

IV. Other Post-Employment Benefits – (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$ 114,790
Interest on net OPEB obligation	42,633
Adjustments to Annual Required Contribution	<u>(61,637)</u>
Annual OPEB cost (expense)	\$ 95,786
Contributions made	<u>(66,132)</u>
Increase in net OPEB obligation	\$ 29,654
Net OPEB Obligation - January 1, 2016	<u>\$ 1,065,831</u>
Net OPEB Obligation - December 31, 2016	<u><u>\$ 1,095,485</u></u>

The City's annual OPEB cost for December 31, 2016 was \$95,786. The percentage of annual OPEB cost contributed to the plan was 69 percent, and the net OPEB obligation for 2016 was \$1,095,485. 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, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$1,066,449, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$1,066,449. The covered payroll (annual payroll of active employees covered by the plan) was \$5,641,825, and the ratio of the UAAL to the covered payroll was 18.9 percent.

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

Actuarial Methods and Assumptions

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

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

IV. Other Post-Employment Benefits – (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2014 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.

V. Defined Benefit Pension Plans

A. Plan Description

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

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

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

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

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

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

V. Defined Benefit Pension Plans

A. Plan Description (Continued)

Benefits Provided

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

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

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

1. General Employees Retirement Plan Benefits

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

2. Police and Fire Plan Benefits

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

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

V. Defined Benefit Pension Plans (Continued)

B. Contributions

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

1. General Employees Retirement Plan Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City of Thief River Falls was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City of Thief River Falls's contributions to the General Employees Fund for the year ended December 31, 2016 were \$299,641. The City of Thief River Falls's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2016. The City of Thief River Falls was required to contribute 16.20 percent of pay for members in calendar year 2016. The City of Thief River Falls's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$241,811. The City of Thief River Falls's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2016, the City of Thief River Falls reported a liability of \$5,228,961 for its proportionate share of the General Employees Fund's net pension liability. The City of Thief River Falls's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Thief River Falls totaled \$68,249. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The City of Thief River Falls's proportion share was .0644 percent which was an decrease of .0009 percent from its proportion measured as of June 30, 2015

There were no provision changes during the measurement period.

For the year ended December 31, 2016, the City of Thief River Falls recognized pension expense of \$713,092 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Thief River Falls recognized an additional \$68,249 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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

V. Defined Benefit Pension Plans

C. Pension Costs

1. General Employees Fund Pension Costs (Continued)

At December 31, 2016, the City of Thief River Falls reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 426,343
Changes in actuarial assumptions	1,023,835	-
Difference between projected and actual investment earnings	995,791	-
Changes in proportion	-	138,327
Contributions paid to PERA subsequent to the measurement date	150,184	-
Total	<u>\$ 2,169,810</u>	<u>\$ 564,670</u>

\$2,169,810 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ 385,843
2018	385,841
2019	494,392
2020	188,880
2021	-

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

V. Defined Benefit Pension Plans

C. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2016, The City of Thief River Falls reported a liability of \$6,059,893 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Thief River Falls's proportion of the net pension liability was based on the City of Thief River Falls's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2016, the City of Thief River Falls's proportion was .00151 percent which is unchanged from its proportion measured as of June 30, 2015.

There were no provision changes during the measurement period.

For the year ended December 31, 2016, the City of Thief River Falls recognized pension expense of \$1,030,421 for its proportionate share of the Police and fire Plan's pension expense. The City of Thief River Falls also recognized \$13,590 for the year ended December 31, 2016 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and fire Fund. Legislation passed in 2013 required the State of Minnesota begin contribution of \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

As of December 31, 2016, the City of Thief River Falls reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 658,087
Changes in actuarial assumptions	3,335,024	-
Difference between projected and actual investment earnings	924,782	-
Changes in proportion	6,000	-
Contributions paid to PERA subsequent to the measurement date	<u>122,542</u>	<u>-</u>
Total	<u>\$ 4,388,348</u>	<u>\$ 658,087</u>

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

V. Defined Benefit Pension Plans

C. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

\$4,388,348 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2017	\$ 732,620
2018	732,619
2019	821,963
2020	747,631
2021	572,486

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males and females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the General Employees Plan and Police and fire Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and fire Plan was for the period July 1, 2004 through June 30, 2009.

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

V. Defined Benefit Pension Plans

D. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

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

Police and Fire Fund

1. The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
2. The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
3. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

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

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

V. Defined Benefit Pension Plans (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% thereafter.

F. Pension Liability Sensitivity

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

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

City of Thief River Falls	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Proportionate share of Net Pension Liability	\$ 7,426,674	\$ 5,228,961	\$ 6,418,643

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

City of Thief River Falls	1% Decrease in Discount Rate (3.75%)	Discount Rate (4.75%)	1% Increase in Discount Rate (5.75%)
Proportionate share of Net Pension Liability	\$ 8,483,046	\$ 6,059,893	\$ 4,079,993

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

V. Defined Benefit Pension Plans (Continued)

G. Pension Plan Fiduciary Net Position

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

VI. 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 2016 were:

Contribution Amount		Percentage of Cover Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,016	\$ 1,016	5%	5%	5%

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

A. Plan Description

Firefighters of the City of Thief River Falls are members of the Thief River Falls Firemen's Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2016, 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.

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

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

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 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

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

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

C. Contributions (Continued)

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$68,096 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2016. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2016, there was no statutorily-required City contributions to the plan.

D. Pension Costs

At December 31, 2016, 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 \$35,864 for the year ended December 31, 2016. As December 31, 2016, 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		8,751
Net difference between projected and actual investment earnings	35,864	
Total	\$ 35,864	\$ 8,751

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
2017	\$ 9,954
2018	9,954
2019	9,952
2020	1,256
2021	(1,187)
Thereafter	(2,816)

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

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

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/2016
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount Rate	4.75%
Expected return on plan assets	4.75%
Inflation rate	2.75%

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

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, 2016 are summarized in the following table:

Asset Class	Allocation at December 31, 2016	Long-term Expected Real Rate of Return	Long-term Expected Nominal Rate of Return
Domestic equity	19.94%	5.58%	8.33%
International equity	5.27%	5.71%	8.46%
Fixed income	56.46%	2.27%	5.02%
Real estate and alternatives	0.00%	4.44%	7.19%
Cash and equivalents	18.33%	0.84%	3.59%
Total	100.00%		5.89%
Reduced for assumed investment expense			-1.03%
Net assumed invest return (weighted avg, rounded to 1/4%)			4.75%

F. Discount Rate

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

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

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

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>
Proportionate share of Net Pension Liability	\$ (203,763)	\$ (223,686)	\$ (243,347)

H. Plan’s Fiduciary Net Position

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

	<u>Measurement Period Ending and Fiscal Year Ending</u>	
	<u>12/31/2016</u>	<u>12/31/2015</u>
Assets		
Cash and deposits	\$ 76,105	\$ 9,403
Money market funds and interest-bearing cash	109,973	177,222
Total cash	<u>\$ 186,078</u>	<u>\$ 186,625</u>
Cash position of mutual funds	<u>\$ -</u>	<u>\$ -</u>
Receivables		
Contributions	\$ -	\$ -
Due from broker for investments sold	-	-
Investment income	-	-
Other	-	-
Total receivables	<u>\$ -</u>	<u>\$ -</u>
Investments		
Domestic equity	\$ 202,465	\$ 253,887
International equity	53,517	49,836
Fixed income	573,230	514,421
Real estate and alternatives	-	-
Total investments	<u>\$ 829,212</u>	<u>\$ 818,144</u>
Total assets	<u>\$ 1,015,290</u>	<u>\$ 1,004,769</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>\$ 1,015,290</u>	<u>\$ 1,004,769</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	
	12/31/2016	12/31/2015
Additions		
Contributions		
State aid	\$ 68,096	\$ 66,190
City Contributions	-	-
Outside donations and other income	-	-
Member contributions	-	52
Total contributions	<u>\$ 68,096</u>	<u>\$ 66,242</u>
Investment income		
Net appreciation in fair value of investments	\$ 13,142	\$ (20,539)
Interest and dividends	24,039	27,829
Less investment expense	(9,606)	(9,323)
Net investment income	<u>\$ 27,575</u>	<u>\$ (2,033)</u>
Total additions	<u>\$ 95,671</u>	<u>\$ 64,209</u>
Deductions		
Benefit payments		
Monthly payments to retirees and beneficiaries	\$ -	\$ -
Lump sums	(83,750)	-
Refunds	-	-
Total	<u>\$ (83,750)</u>	<u>\$ -</u>
Administrative expense	<u>(1,400)</u>	<u>(2,999)</u>
Total deductions	<u>\$ (85,150)</u>	<u>\$ (2,999)</u>
Net increase in net pension	\$ 10,521	\$ 61,210
Net position restricted for pensions		
Beginning of year	<u>\$ 1,004,769</u>	<u>\$ 943,559</u>
End of year	<u><u>\$ 1,015,290</u></u>	<u><u>\$ 1,004,769</u></u>
Investment return for the measurement year		
a. Net investment income	\$ 27,575	\$ (2,033)
b. Beginning balance	1,004,769	943,559
c. Time-weighted cash flows	(68,337)	9,360
d. Investment return: a. / (b. + c.)	2.94%	-0.21%

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

VII. City of Thief River Falls Police Relief Association

A. Plan Description

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

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

B. Funding Policy

The City will provide by special tax levy and other revenues an amount sufficient to pay the aggregate cost of service pensions, disability benefits, and survivor benefits for the remaining members of the fund. The City is required by state statute to have an actuarial valuation and experience study of the City's Police Relief Association at least once every five years to determine the City's minimum obligation. The last actuarial valuation was completed as of December 31, 2016, by Van Iwaarden Associates. The City's tax levies to the Police Relief Association for the years ending December 31, 2016 - 2013, were \$5,389 per year.

VIII. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

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

B. Risk Management

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

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

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

IX. Joint Ventures

A. Multi-Events Center

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

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

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

B. Northwest Regional Library

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

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, 2016, there were two issues outstanding with an aggregate remaining principal balance of \$5,143,000.

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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,935,604	\$ 1,935,604	\$ 1,890,176	\$ (45,428)
Special assessments	17,950	17,950	59,203	41,253
Licenses and permits	159,035	159,035	202,948	43,913
Intergovernmental	3,325,470	3,325,470	3,422,848	97,378
Charges for services	1,922,343	1,922,343	1,996,823	74,480
Fines and forfeitures	50,000	50,000	49,152	(848)
Investment earnings	11,900	11,900	18,446	6,546
Gifts and contributions	-	-	39,225	39,225
Miscellaneous	79,930	79,930	62,349	(17,581)
Total Revenues	\$ 7,502,232	\$ 7,502,232	\$ 7,741,170	\$ 238,938
Expenditures				
Current				
General government				
Mayor/council	\$ 101,389	\$ 101,389	\$ 90,379	\$ 11,010
Administration	540,733	540,733	539,317	1,416
Professional services	12,790	12,790	10,405	2,385
Assessor	-	-	37,160	(37,160)
Elections	18,000	18,000	17,013	987
Legal	90,180	90,180	90,290	(110)
Buildings and grounds	118,096	118,096	105,500	12,596
Insurance	237,430	237,430	218,810	18,620
MIS/GIS	41,000	41,000	41,000	-
Other general government	152,175	152,175	155,294	(3,119)
Total general government	\$ 1,311,793	\$ 1,311,793	\$ 1,305,168	\$ 6,625
Public safety				
Police	\$ 1,957,364	\$ 1,957,364	\$ 1,958,317	\$ (953)
Fire	715,513	715,513	782,575	(67,062)
Fire relief association	63,500	63,500	68,096	(4,596)
Building official	133,002	133,002	129,634	3,368
Total public safety	\$ 2,869,379	\$ 2,869,379	\$ 2,938,622	\$ (69,243)
Highways and streets				
Street department	\$ 689,052	\$ 689,052	\$ 617,991	\$ 71,061
Street lighting	163,536	163,536	169,980	(6,444)
Total highways and streets	\$ 852,588	\$ 852,588	\$ 787,971	\$ 64,617

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

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures				
Current (continued)				
Sanitation				
Sanitation	\$ 793,248	\$ 793,248	\$ 840,942	\$ (47,694)
Culture and recreation				
Arena	\$ 1,118,504	\$ 1,118,504	\$ 1,214,250	\$ (95,746)
Parks	565,913	565,913	579,997	(14,084)
Library	201,196	201,196	189,221	11,975
Senior citizen program	28,798	28,798	31,680	(2,882)
Total culture and recreation	\$ 1,914,411	\$ 1,914,411	\$ 2,015,148	\$ (100,737)
Economic development				
Community services	\$ 297,471	\$ 297,471	\$ 258,257	\$ 39,214
Total current	\$ 8,038,890	\$ 8,038,890	\$ 8,146,108	\$ (107,218)
Capital outlay				
General government	\$ -	\$ -	\$ 69,831	\$ (69,831)
Public safety	18,000	18,000	288,994	(270,994)
Highways and streets	-	-	289,206	(289,206)
Culture and recreation	-	-	66,983	(66,983)
Sanitation	-	-	99,614	(99,614)
Total capital outlay	\$ 18,000	\$ 18,000	\$ 814,628	\$ (796,628)
Total Expenditures	\$ 8,056,890	\$ 8,056,890	\$ 8,960,736	\$ (903,846)
Excess of Revenues Over (Under)				
Expenditures	\$ (554,658)	\$ (554,658)	\$ (1,219,566)	\$ (664,908)
Other Financing Sources (Uses)				
Transfers in	\$ 1,078,579	\$ 1,078,579	\$ 1,100,077	\$ 21,498
Transfers out	(392,100)	(392,100)	(332,072)	60,028
Total Other Financing Sources (Uses)	\$ 686,479	\$ 686,479	\$ 768,005	\$ 81,526
Net Change in Fund Balance	\$ 131,821	\$ 131,821	\$ (451,561)	\$ (583,382)
Fund Balance - January 1	2,771,056	2,771,056	2,771,056	-
Fund Balance - December 31	\$ 2,902,877	\$ 2,902,877	\$ 2,319,495	\$ (583,382)

**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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 850,000	\$ 850,000
Investment earnings	-	-	3,845	3,845
Miscellaneous	-	-	8,006	8,006
Total Revenues	\$ -	\$ -	\$ 861,851	\$ 861,851
Expenditures				
Current				
Economic development				
Administration	-	-	987,061	(987,061)
Net Change in Fund Balance	\$ -	\$ -	\$ (125,210)	\$ (125,210)
Fund Balance - January 1	2,090,744	2,090,744	2,090,744	-
Fund Balance - December 31	\$ 2,090,744	\$ 2,090,744	\$ 1,965,534	\$ (125,210)

**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, 2016**

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

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

Schedule 4

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

Schedule 5

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2016**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

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

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

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

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

Schedule 6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

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

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2016	0.1510%	\$ 6,059,893	\$ -	\$ 6,059,893	\$ 1,452,447	417.22%	63.90%
June 30, 2015	0.1510%	\$ 1,715,713	\$ -	\$ 1,715,713	\$ 1,383,239	124.04%	86.60%

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

Schedule 7

**VOLUNTEER FIREFIGHTER RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2015	\$ -	\$ -	\$ -	N/A	N/A

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

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

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Assessor	\$ 37,160	\$ -	\$ (37,160)
Legal	90,290	90,180	(110)
Other general government	155,294	152,175	(3,119)
Public safety			
Police	1,958,317	1,957,364	(953)
Fire	782,575	715,513	(67,062)
Firefighters relief association	68,096	63,500	(4,596)
Highways and streets			
Street lighting	169,980	163,536	(6,444)
Sanitation			
Sanitation	840,942	793,248	(47,694)
Culture and recreation			
Arena	1,214,250	1,118,504	(95,746)
Parks	579,997	565,913	(14,084)
Senior citizen program	31,680	28,798	(2,882)
Capital outlay			
General government	69,831	-	(69,831)
Public safety	288,994	18,000	(270,994)
Highways and streets	289,206	-	(289,206)
Culture and recreation	66,983	-	(66,983)
Sanitation	99,614	-	(99,614)
CDAB Revolving Loan Special Revenue Fund			
Economic development			
Administration	987,061	-	(987,061)

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

**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.

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

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

The 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. This fund was closed in 2016.

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. This fund was closed in 2016.

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. This fund was closed in 2016.

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

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	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	\$ 476,103	\$ 1,178,612	\$ 1,444,875	\$ 3,099,590
Taxes receivable				
Current	99	86	-	185
Prior	-	6,762	-	6,762
Special assessments receivable				
Current	-	51,023	158	51,181
Prior	-	10,945	134	11,079
Accounts receivable	-	-	-	-
Interest receivable	329	-	1,035	1,364
Due from other funds	-	51,992	287,241	339,233
Due from other governments	-	60,234	70,383	130,617
Loans receivable	-	-	70,090	70,090
Special assessments receivable - noncurrent	-	1,615,682	42,417	1,658,099
Total Assets	\$ 476,531	\$ 2,975,336	\$ 1,916,333	\$ 5,368,200
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 105,050	\$ -	\$ -	\$ 105,050
Salaries payable	857	-	-	857
Due to other governments	123	-	-	123
Due to other funds	-	-	11,648	11,648
Total Liabilities	\$ 106,030	\$ -	\$ 11,648	\$ 117,678
Deferred Inflows of Resources				
Taxes	\$ -	\$ 6,762	\$ -	\$ 6,762
Special assessments	-	1,626,627	42,551	1,669,178
Loans	-	-	70,090	70,090
Total Deferred Inflows of Resources	\$ -	\$ 1,633,389	\$ 112,641	\$ 1,746,030
Fund Balances				
Restricted for				
Debt service	\$ -	\$ 1,341,947	\$ -	\$ 1,341,947
TIF district	9,454	-	-	9,454
Committed to				
Train canopy	17,371	-	-	17,371
Perpetual care	169,183	-	-	169,183
Assigned to				
Capital projects	-	-	1,803,692	1,803,692
Cemetery	169,890	-	-	169,890
Public safety	4,603	-	-	4,603
Unassigned	-	-	(11,648)	(11,648)
Total Fund Balances	\$ 370,501	\$ 1,341,947	\$ 1,792,044	\$ 3,504,492
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 476,531	\$ 2,975,336	\$ 1,916,333	\$ 5,368,200

**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, 2016**

	Special Revenue Funds (Statement 4)	Debt Service Funds (Statement 6)	Capital Projects Funds (Statement 8)	Total NonMajor Governmental Funds (Exhibit 5)
Revenues				
Taxes	\$ 289,751	\$ 323,892	\$ -	\$ 613,643
Special assessments	-	290,163	24,574	314,737
Charges for services	22,100	-	-	22,100
Intergovernmental	-	192,284	730,160	922,444
Investment earnings	2,183	-	13,427	15,610
Gifts and contributions	32,108	-	3,250	35,358
Miscellaneous	88,252	-	255,665	343,917
Total Revenues	\$ 434,394	\$ 806,339	\$ 1,027,076	\$ 2,267,809
Expenditures				
Current				
General government	\$ 540,809	\$ -	\$ -	\$ 540,809
Culture and recreation	-	-	7,608	7,608
Public safety	16,990	-	-	16,990
Total current	\$ 557,799	\$ -	\$ 7,608	\$ 565,407
Debt service				
Principal retirement	\$ -	\$ 455,000	\$ -	\$ 455,000
Interest	-	113,834	-	113,834
Total debt service	\$ -	\$ 568,834	\$ -	\$ 568,834
Capital outlay				
Highways and streets	\$ -	\$ -	\$ 11,648	\$ 11,648
Total Expenditures	\$ 557,799	\$ 568,834	\$ 19,256	\$ 1,145,889
Excess of Revenues Over (Under) Expenditures	\$ (123,405)	\$ 237,505	\$ 1,007,820	\$ 1,121,920
Other Financing Sources (Uses)				
Transfers in	\$ 50,000	\$ 605,913	\$ 272,606	\$ 928,519
Transfers out	-	-	(605,913)	(605,913)
Total Other Financing Sources (Uses)	\$ 50,000	\$ 605,913	\$ (333,307)	\$ 322,606
Net Change in Fund Balance	\$ (73,405)	\$ 843,418	\$ 674,513	\$ 1,444,526
Fund Balance - January 1, as previously reported	\$ 443,906	\$ 498,529	\$ 876,080	\$ 1,818,515
Prior period adjustment	-	-	241,451	241,451
Fund Balance - January 1, as restated	\$ 443,906	\$ 498,529	\$ 1,117,531	\$ 2,059,966
Fund Balance - December 31	\$ 370,501	\$ 1,341,947	\$ 1,792,044	\$ 3,504,492

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

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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>
<u>Assets</u>						
Cash and pooled investments	\$ 5,561	\$ 9,174	\$ 16,921	\$ 13,939	\$ 9,956	\$ 29,134
Taxes receivable						
Current	-	-	22	-	-	77
Interest receivable	3	4	13	9	5	23
Total Assets	\$ 5,564	\$ 9,178	\$ 16,956	\$ 13,948	\$ 9,961	\$ 29,234
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 5,561	\$ -	\$ 16,921	\$ 13,939	\$ 9,956	\$ 29,134
Salaries payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Total Liabilities	\$ 5,561	\$ -	\$ 16,921	\$ 13,939	\$ 9,956	\$ 29,134
Fund Balances						
Restricted for TIF district	\$ 3	\$ 9,178	\$ 35	\$ 9	\$ 5	\$ 100
Committed for						
Train canopy	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-
Assigned to						
Cemetery	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Total Fund Balance	\$ 3	\$ 9,178	\$ 35	\$ 9	\$ 5	\$ 100
Total Liabilities and Fund Balances	\$ 5,564	\$ 9,178	\$ 16,956	\$ 13,948	\$ 9,961	\$ 29,234

Statement 3

TIF District 1-8	TIF District 1-9	TIF District 1-10	Greenwood Cemetery	Train Canopy	TRF Area K-9	Total (Statement 1)
\$ -	\$ 23,003	\$ 114	\$ 345,352	\$ 17,359	\$ 5,590	\$ 476,103
-	-	-	-	-	-	99
2	8	-	247	12	3	329
2	\$ 23,011	\$ 114	\$ 345,599	\$ 17,371	\$ 5,593	\$ 476,531
-	\$ 23,003	\$ -	\$ 5,546	\$ -	\$ 990	\$ 105,050
-	-	-	857	-	-	857
-	-	-	123	-	-	123
-	\$ 23,003	\$ -	\$ 6,526	\$ -	\$ 990	\$ 106,030
2	\$ 8	\$ 114	\$ -	\$ -	\$ -	\$ 9,454
-	-	-	-	-17,371	-	17,371
-	-	-	169,183	-	-	169,183
-	-	-	169,890	-	-	169,890
-	-	-	-	-	4,603	4,603
2	\$ 8	\$ 114	\$ 339,073	\$ 17,371	\$ 4,603	\$ 370,501
2	\$ 23,011	\$ 114	\$ 345,599	\$ 17,371	\$ 5,593	\$ 476,531

**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, 2016**

	TIF District 1-1	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7
Revenues						
Taxes	\$ 13,664	\$ 9,137	\$ 54,514	\$ 42,761	\$ 27,386	\$ 62,410
Charges for services	-	-	-	-	-	-
Investment earnings	21	33	97	69	39	54
Gifts and contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	\$ 13,685	\$ 9,170	\$ 54,611	\$ 42,830	\$ 27,425	\$ 62,464
Expenditures						
Current						
General government	\$ 13,682	\$ -	\$ 54,582	\$ 42,821	\$ 27,420	\$ 242,642
Public safety	-	-	-	-	-	-
Total Expenditures	\$ 13,682	\$ -	\$ 54,582	\$ 42,821	\$ 27,420	\$ 242,642
Excess of Revenues Over (Under) Expenditures	\$ 3	\$ 9,170	\$ 29	\$ 9	\$ 5	\$ (180,178)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Net Change in Fund Balance	\$ 3	\$ 9,170	\$ 29	\$ 9	\$ 5	\$ (180,178)
Fund Balance - January 1	-	8	6	-	-	180,278
Fund Balance - December 31	\$ 3	\$ 9,178	\$ 35	\$ 9	\$ 5	\$ 100

Statement 4

TIF District 1-8	TIF District 1-9	TIF District 1-10	Greenwood Cemetery	Train Canopy	TRF Area K-9	Total (Statement 2)
\$ 28,873	\$ 51,006	\$ -	\$ -	\$ -	\$ -	\$ 289,751
-	-	-	22,100	-	-	22,100
14	61	1	1,684	89	21	2,183
-	-	-	-	10,536	21,572	32,108
-	-	-	88,252	-	-	88,252
\$ 28,887	\$ 51,067	\$ 1	\$ 112,036	\$ 10,625	\$ 21,593	\$ 434,394
\$ 28,885	\$ 51,069	\$ -	\$ 79,708	\$ -	\$ -	\$ 540,809
-	-	-	-	-	16,990	16,990
\$ 28,885	\$ 51,069	\$ -	\$ 79,708	\$ -	\$ 16,990	\$ 557,799
\$ 2	\$ (2)	\$ 1	\$ 32,328	\$ 10,625	\$ 4,603	\$ (123,405)
-	-	-	50,000	-	-	50,000
\$ 2	\$ (2)	\$ 1	\$ 82,328	\$ 10,625	\$ 4,603	\$ (73,405)
-	10	113	256,745	6,746	-	443,906
\$ 2	\$ 8	\$ 114	\$ 339,073	\$ 17,371	\$ 4,603	\$ 370,501

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

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2008	2011	2012	2013
	State Aid Street Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds
<u>Assets</u>				
Cash and pooled investments	\$ 33,886	\$ 57,323	\$ 72,737	\$ 36,851
Taxes receivable				
Current	-	-	-	-
Prior	-	-	-	-
Special assessments receivable				
Current	-	172	742	-
Prior	-	499	2,336	726
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Special assessments receivable - noncurrent	-	94,148	193,190	170,577
Total Assets	\$ 33,886	\$ 152,142	\$ 269,005	\$ 208,154
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Deferred Inflows of Resources				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	94,647	195,526	171,303
Total Deferred Inflows of Resources	\$ -	\$ 94,647	\$ 195,526	\$ 171,303
Fund Balances				
Restricted for debt service	\$ 33,886	\$ 57,495	\$ 73,479	\$ 36,851
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 33,886	\$ 152,142	\$ 269,005	\$ 208,154

Statement 5

2013 Greenwood Improvement Bonds	2014 Improvement Bonds	2015 Improvement Bonds	2016 Improvement Bonds	Total (Statement 1)
\$ 700,405	\$ 154,133	\$ 115,066	\$ 8,211	\$ 1,178,612
86	-	-	-	86
6,762	-	-	-	6,762
4,517	42,147	3,445	-	51,023
5,749	-	1,635	-	10,945
51,992	-	-	-	51,992
-	-	60,234	-	60,234
-	113,251	357,826	686,690	1,615,682
\$ 769,511	\$ 309,531	\$ 538,206	\$ 694,901	\$ 2,975,336
\$ 6,762	-	-	-	\$ 6,762
5,749	113,251	359,461	686,690	1,626,627
\$ 12,511	113,251	359,461	686,690	\$ 1,633,389
\$ 757,000	196,280	178,745	8,211	\$ 1,341,947
\$ 769,511	309,531	538,206	694,901	\$ 2,975,336

**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, 2016**

	2008	2011	2012
	State Aid Street Bonds	Improvement Bonds	Improvement Bonds
Revenues			
Taxes	\$ -	\$ 35,000	\$ 36,000
Special assessments	-	16,700	29,717
Intergovernmental	192,284	-	-
Total Revenues	\$ 192,284	\$ 51,700	\$ 65,717
Expenditures			
Debt service			
Principal retirement	\$ 175,000	\$ 55,000	\$ 65,000
Interest	17,779	12,471	10,017
Total Expenditures	\$ 192,779	\$ 67,471	\$ 75,017
Excess of Revenues Over (Under) Expenditures	\$ (495)	\$ (15,771)	\$ (9,300)
Other Financing Sources			
Transfers in	-	-	-
Net Change in Fund Balance	\$ (495)	\$ (15,771)	\$ (9,300)
Fund Balance - January 1	34,381	73,266	82,779
Fund Balance - December 31	\$ 33,886	\$ 57,495	\$ 73,479

Statement 6

E

2013 Improvement Bonds	2013 Greenwood Improvement Bonds	2014 Improvement Bonds	2015 Improvement Bonds	2016 Improvement Bonds	Total (Statement 2)
\$ 23,800	\$ 176,163	\$ 36,100	\$ 16,829	\$ -	\$ 323,892
22,577	6,225	66,233	139,750	8,961	290,163
-	-	-	-	-	192,284
\$ 46,377	\$ 182,388	102,333	156,579	8,961	\$ 806,339
\$ 30,000	\$ 80,000	\$ 50,000	\$ -	\$ -	\$ 455,000
13,787	33,343	15,050	10,637	750	113,834
\$ 43,787	\$ 113,343	\$ 65,050	\$ 10,637	\$ 750	\$ 568,834
\$ 2,590	\$ 69,045	\$ 37,283	\$ 145,942	\$ 8,211	\$ 237,505
-	605,913	-	-	-	605,913
\$ 2,590	\$ 674,958	\$ 37,283	\$ 145,942	\$ 8,211	\$ 843,418
34,261	82,042	158,997	32,803	-	498,529
\$ 36,851	\$ 757,000	\$ 196,280	\$ 178,745	\$ 8,211	\$ 1,341,947

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

Statement 7

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Revolving Capital Outlay	Swimming Pool	Multi-Events Center	2017 Streets and Utilities	2015 Street and Utilities	Total (Statement 1)
Assets						
Cash and pooled investments	\$ 1,119,586	\$ 241,096	\$ 34,764	\$ -	\$ 49,429	\$ 1,444,875
Special assessments receivable						
Current	158	-	-	-	-	158
Prior	134	-	-	-	-	134
Interest receivable	834	177	24	-	-	1,035
Due from other funds	287,241	-	-	-	-	287,241
Due from other governments	-	-	-	-	70,383	70,383
Loans receivable	70,090	-	-	-	-	70,090
Special assessments receivable - noncurrent	42,417	-	-	-	-	42,417
Total Assets	\$ 1,520,460	\$ 241,273	\$ 34,788	\$ -	\$ 119,812	\$ 1,916,333
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Due to other funds	\$ -	\$ -	\$ -	\$ 11,648	\$ -	\$ 11,648
Deferred Inflows of Resources						
Special Assessments	\$ 42,551	\$ -	\$ -	\$ -	\$ -	\$ 42,551
Loans	70,090	-	-	-	-	70,090
Total Deferred Inflows of Resources	\$ 112,641	\$ -	\$ -	\$ -	\$ -	\$ 112,641
Fund Balances						
Assigned for capital projects	\$ 1,407,819	\$ 241,273	\$ 34,788	\$ -	\$ 119,812	\$ 1,803,692
Unassigned	-	-	-	(11,648)	-	(11,648)
Total Fund Balances	\$ 1,407,819	\$ 241,273	\$ 34,788	\$ (11,648)	\$ 119,812	\$ 1,792,044
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,520,460	\$ 241,273	\$ 34,788	\$ -	\$ 119,812	\$ 1,916,333

**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, 2016**

	Revolving Capital Outlay	Swimming Pool	Multi-Events Center	2017 Street and Utilities
Revenues				
Special assessments	\$ 24,574	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment earnings	11,969	1,170	157	-
Gifts and contributions	-	-	3,250	-
Miscellaneous	30,221	-	7,521	-
Total Revenues	\$ 66,764	\$ 1,170	\$ 10,928	\$ -
Expenditures				
Current				
Culture and recreation	\$ -	\$ -	\$ 7,608	\$ -
Capital Outlay				
Highways and streets	-	-	-	11,648
Total Expenditures	\$ -	\$ -	\$ 7,608	\$ 11,648
Excess of Revenues Over (Under)				
Expenditures	\$ 66,764	\$ 1,170	\$ 3,320	\$ (11,648)
Other Financing Sources				
Transfers in	\$ 144,673	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 144,673	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 211,437	\$ 1,170	\$ 3,320	\$ (11,648)
Fund Balance - January 1, as previously reported	\$ 1,196,382	\$ 240,103	\$ 31,468	\$ -
Prior period adjustment	-	-	-	-
Fund Balance - January 1, as restated	\$ 1,196,382	\$ 240,103	\$ 31,468	\$ -
Fund Balance - December 31	\$ 1,407,819	\$ 241,273	\$ 34,788	\$ (11,648)

Statement 8

2015 Street and Utilities	2014 Improvement Project	Greenwood Street Underpass	Multi-Use Trail SRTS	Total (Statement 2)
\$ -	\$ -	\$ -	\$ -	\$ 24,574
212,006	-	518,154	-	730,160
484	(82)	(272)	1	13,427
-	-	-	-	3,250
217,923	-	-	-	255,665
\$ 430,413	\$ (82)	\$ 517,882	\$ 1	\$ 1,027,076
\$ -	\$ -	\$ -	\$ -	\$ 7,608
-	-	-	-	11,648
\$ -	\$ -	\$ -	\$ -	\$ 19,256
\$ 430,413	\$ (82)	\$ 517,882	\$ 1	\$ 1,007,820
\$ -	\$ 35,840	\$ 88,803	\$ 3,290	\$ 272,606
-	-	(605,913)	-	(605,913)
\$ -	\$ 35,840	\$ (517,110)	\$ 3,290	\$ (333,307)
\$ 430,413	\$ 35,758	\$ 772	\$ 3,291	\$ 674,513
\$ (552,052)	\$ (35,758)	\$ (772)	\$ (3,291)	\$ 876,080
241,451	-	-	-	241,451
\$ (310,601)	\$ (35,758)	\$ (772)	\$ (3,291)	\$ 1,117,531
\$ 119,812	\$ -	\$ -	\$ -	\$ 1,792,044

OTHER SCHEDULES

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

Schedule 8

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Shared Revenue

State

Fire state aid	\$ 68,096
Highway users tax	888,917
Local government aid	2,963,530
Market value credit	77
PERA rate reimbursement	21,318
Police state aid	118,520
	<hr/>

Total Shared Revenue	\$ 4,060,458
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Grants

Local

Becker County	\$ 1,640
	<hr/>

State

Minnesota Department of

Employment and Economic Development	\$ 1,062,006
Peace Officer Standards & Training Board (POST)	4,377
Public Safety	63,401
Transportation	170,432
	<hr/>

Total State Grants	\$ 1,300,216
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Federal

Department of	
Agriculture	\$ 1,000
Transportation	682,683
	<hr/>

Total Federal Grants	\$ 683,683
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Total Grants	\$ 1,985,539
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Total Intergovernmental Revenue	\$ 6,045,997
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STATISTICAL SECTION

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

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

	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>
Governmental Activities							
Net Investment in Capital Assets	\$ 21,656,970	\$	22,201,668	\$	22,985,884	\$	23,182,797
Restricted	2,754,361		3,177,016		2,251,266		237,862
Unrestricted	3,068,978		3,328,476		3,623,457		5,639,102
Total Governmental Activities Net Position	\$ 27,480,309	\$	28,707,160	\$	28,860,607	\$	29,059,761
Business-type Activities							
Net Investment in Capital Assets	\$ 21,329,383	\$	21,818,392	\$	21,166,640	\$	21,614,090
Restricted	-		-		-		2,864,141
Unrestricted	3,656,341		3,216,452		4,109,502		767,804
Total Business-type Activities Net Position	\$ 24,985,724	\$	25,034,844	\$	25,276,142	\$	25,246,035
Total Government							
Net Investment in Capital Assets	\$ 42,986,353	\$	44,020,060	\$	44,152,524	\$	44,796,887
Restricted	2,754,361		3,177,016		2,251,266		3,102,003
Unrestricted	6,725,319		6,544,928		7,732,959		6,406,906
Total Primary Total Net Position	\$ 52,466,033	\$	53,742,004	\$	54,136,749	\$	54,305,796

Table 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 22,452,913	\$ 24,788,309	\$ 25,501,639	\$ 26,147,458	\$ 28,159,954	\$ 29,313,095
582,405	965,044	1,626,963	2,368,030	1,913,844	1,351,401
6,049,790	4,927,390	5,832,203	5,445,075	2,336,027	2,538,937
\$ 29,085,108	\$ 30,680,743	\$ 32,960,805	\$ 33,960,563	\$ 32,409,825	\$ 33,203,433
\$ 12,740,230	\$ 12,553,523	\$ 13,211,323	\$ 13,146,651	\$ 12,139,667	\$ 13,474,842
2,811,505	-	351,340	332,692	-	-
1,717,034	4,380,448	4,618,500	5,640,278	5,603,661	5,075,075
\$ 17,268,769	\$ 16,933,971	\$ 18,181,163	\$ 19,119,621	\$ 17,743,328	\$ 18,549,917
\$ 35,193,143	\$ 37,341,832	\$ 38,712,962	\$ 39,294,109	\$ 40,299,621	\$ 42,787,937
3,393,910	965,044	1,978,303	2,700,722	1,913,844	1,351,401
7,766,824	9,307,838	10,450,703	11,085,353	7,939,688	7,614,012
\$ 46,353,877	\$ 47,614,714	\$ 51,141,968	\$ 53,080,184	\$ 50,153,153	\$ 51,753,350

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

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

	2007	2008	2009	2010 ¹
EXPENSES				
Governmental Activities:				
General Government	\$ 1,250,085	\$ 1,425,166	\$ 1,369,826	\$ 1,428,138
Public Safety	2,243,552	2,228,669	2,321,143	2,371,514
Highways and Streets	-	-	-	-
Streets and Sanitation	1,341,802	1,547,142	1,281,558	2,062,252
Sanitation	-	-	-	-
Culture and Recreation	2,054,538	2,254,305	2,174,876	2,057,967
Economic Development	424,617	387,872	269,582	390,385
Interest on Long-term Debt	101,041	83,272	109,554	82,772
Total Governmental Activities	\$ 7,415,635	\$ 7,926,426	\$ 7,526,539	\$ 8,393,028
Business-type Activities:				
Liquor Dispensary	\$ 3,309,389	\$ 3,592,991	\$ 3,685,485	\$ 3,769,294
Water Utility	1,841,839	2,012,129	1,963,180	-
Electric Utility	8,198,620	8,612,790	9,041,284	9,969,930
Wastewater Utility	647,903	691,349	743,671	-
Sanitation Utility	720,279	739,551	732,457	-
Airport	837,853	803,438	770,937	732,007
Storm Water Utility	125,826	132,386	124,687	137,326
Water Systems Utility	-	-	-	2,630,700
Total Business-type Activities	\$ 15,681,709	\$ 16,584,634	\$ 17,061,701	\$ 17,239,257
Total Expenses	\$ 23,097,344	\$ 24,511,060	\$ 24,588,240	\$ 25,632,285
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 182,488	\$ 171,836	\$ 190,646	\$ 125,944
Public Safety	273,900	228,100	220,295	231,094
Highways and Streets	-	-	-	-
Streets and Sanitation	-	-	-	849,580
Sanitation	-	-	-	-
Culture and Recreation	742,386	868,541	733,787	702,717
Other Activities	237,709	305,170	229,727	81,887
Operating Grants and Contributions	669,508	487,835	405,936	750,955
Capital Grants and Contributions	1,797,636	2,879,028	689,249	68,983
Total Governmental Activities	\$ 3,903,627	\$ 4,940,510	\$ 2,469,640	\$ 2,811,160
Business-type Activities:				
Charges for Services				
Liquor Dispensary	\$ 3,633,872	\$ 3,958,940	\$ 4,054,881	\$ 4,132,681
Water Utility	1,549,500	1,598,034	1,677,589	-
Electric Utility	8,236,616	8,951,395	10,029,879	10,580,571
Wastewater Utility	530,422	552,658	545,826	-
Sanitation Utility	731,281	758,266	762,659	-
Airport	161,263	162,994	152,711	153,059

Table 2

2011	2012 ²	2013	2014	2015 ³	2016
\$ 1,298,280	\$ 1,553,318	\$ 1,546,092	\$ 1,764,593	\$ 2,893,467	\$ 2,524,756
2,610,266	2,566,561	2,590,016	2,833,677	3,057,716	3,733,004
-	-	-	-	891,613	1,655,387
3,011,296	2,113,160	4,095,631	2,157,917	-	-
-	-	-	-	886,085	899,489
2,086,941	2,160,416	2,140,719	2,302,396	2,371,008	2,533,258
740,503	217,618	343,884	748,114	355,401	1,247,170
68,469	70,747	67,906	108,831	116,544	130,924
\$ 9,815,755	\$ 8,681,820	\$ 10,784,248	\$ 9,915,528	\$ 10,571,834	\$ 12,723,988
\$ 3,815,258	\$ 4,025,774	\$ 4,078,467	\$ 4,109,374	\$ 4,334,295	\$ 4,235,155
-	-	-	-	1,782,408	1,956,647
11,974,715	12,340,507	12,742,804	13,536,511	13,788,039	13,470,384
-	-	-	-	1,008,694	865,938
-	-	-	-	-	-
10,279,332	-	-	-	-	-
160,472	186,722	153,968	135,806	145,947	139,871
2,678,518	2,536,838	1,451,686	2,519,253	-	-
\$ 28,908,295	\$ 19,089,841	\$ 18,426,925	\$ 20,300,944	\$ 21,059,383	\$ 20,667,995
\$ 38,724,050	\$ 27,771,661	\$ 29,211,173	\$ 30,216,472	\$ 31,631,217	\$ 33,391,983
\$ 160,709	\$ 195,179	\$ 192,050	\$ 186,619	\$ 1,123,364	\$ 506,643
225,001	380,851	330,204	243,765	183,729	197,948
-	-	-	-	298,712	263,101
934,382	859,450	856,378	836,365	-	-
-	-	-	-	843,753	849,254
772,106	754,940	719,603	821,970	875,436	885,270
254,005	82,149	86,491	30,696	15,663	37,325
682,911	348,422	560,775	957,805	533,066	516,004
1,534,845	1,985,021	4,770,645	1,453,943	1,710,253	3,353,913
\$ 4,563,959	\$ 4,606,012	\$ 7,516,146	\$ 4,531,163	\$ 5,583,976	\$ 6,609,458
\$ 4,216,697	\$ 4,482,994	\$ 4,562,505	\$ 4,567,025	\$ 4,687,724	\$ 4,650,648
-	-	-	-	2,448,445	2,441,482
12,262,023	12,382,669	13,387,925	14,340,839	14,422,957	14,346,060
-	-	-	-	682,631	881,655
-	-	-	-	-	-
8,788	-	-	-	-	-

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

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

	2007	2008	2009	2010 ¹
Storm Water Utility	\$ 154,618	\$ 154,740	\$ 157,146	\$ 157,835
Water Systems Utility	-	-	-	2,286,949
Operating Grants and Contributions	673,861	125,082	140,882	181,061
Capital Grants and Contributions	-	-	-	907,743
Total Business-type Activities	\$ 15,510,170	\$ 16,099,115	\$ 17,368,862	\$ 18,246,840
Total Revenues	\$ 19,413,797	\$ 21,039,625	\$ 19,838,502	\$ 21,058,000
Net (Expense) / Revenue				
Governmental Activities	\$ (3,512,008)	\$ (2,985,916)	\$ (5,056,899)	\$ (5,581,868)
Business-type Activities	(171,539)	(485,519)	459,872	1,160,642
Total Net (Expense) / Revenue	\$ (3,683,547)	\$ (3,471,435)	\$ (4,597,027)	\$ (4,421,226)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes				
Property Taxes	\$ 1,654,233	\$ 1,602,798	\$ 1,571,788	\$ 1,597,409
Taxes- Lodging	-	-	-	-
Franchise Fees	108,449	113,444	115,664	114,454
Grants not restricted to specific programs	2,535,825	2,460,664	2,951,529	2,646,152
Unrestricted Investment Earnings	287,467	268,552	135,425	112,185
Gain on Sale of Capital Assets	-	-	35,850	33,201
Other General Revenue	36,532	17,928	131,019	26,985
Transfers	(1,095,331)	(250,619)	269,071	1,149,695
Extraordinary Item	-	-	-	-
Total Governmental Activities	\$ 3,527,175	\$ 4,212,767	\$ 5,210,346	\$ 5,680,081
Business-type Activities:				
Unrestricted Investment Earnings	\$ 176,588	\$ 121,026	\$ 50,497	\$ 59,887
Other General Revenue	-	-	-	-
Gain on Sale of Capital Assets	(7,518)	-	-	-
Transfers	1,095,331	250,619	(269,071)	(1,149,695)
Total Business-type Activities	\$ 1,264,401	\$ 371,645	\$ (218,574)	\$ (1,089,808)
Total General Revenues	\$ 4,791,576	\$ 4,584,412	\$ 4,991,772	\$ 4,590,273
CHANGE IN NET POSITION				
Governmental Activities	\$ 15,167	\$ 1,226,851	\$ 153,447	\$ 98,213
Business-type Activities	1,092,862	49,120	241,298	70,834
Total Change in Net Position	\$ 1,108,029	\$ 1,275,971	\$ 394,745	\$ 169,047

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

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

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

Table 2
(Continued)

2011	2012 ²	2013	2014	2015 ³	2016
\$ 156,336	\$ 159,061	\$ 157,496	\$ 157,942	\$ 158,244	\$ 163,147
2,422,943	2,645,171	2,729,716	3,034,946	-	-
19,797	-	-	-	-	-
2,467,050	-	307,495	141,390	-	3,710
<u>\$ 21,544,846</u>	<u>\$ 19,669,895</u>	<u>\$ 21,145,137</u>	<u>\$ 22,242,142</u>	<u>\$ 22,400,001</u>	<u>\$ 22,486,702</u>
<u>\$ 26,108,805</u>	<u>\$ 24,275,907</u>	<u>\$ 28,661,283</u>	<u>\$ 26,773,305</u>	<u>\$ 27,983,977</u>	<u>\$ 22,486,702</u>
\$ (5,251,796)	\$ (4,075,808)	\$ (3,268,102)	\$ (5,384,365)	\$ (4,987,858)	\$ (6,114,530)
(7,355,661)	580,054	1,718,212	1,941,198	1,340,618	1,818,707
<u>\$ (12,607,457)</u>	<u>\$ (3,495,754)</u>	<u>\$ (1,549,890)</u>	<u>\$ (3,443,167)</u>	<u>\$ (3,647,240)</u>	<u>\$ (4,295,823)</u>
\$ 1,564,852	\$ 1,750,669	\$ 1,765,186	\$ 1,744,667	\$ 1,811,021	\$ 2,215,619
-	-	128,632	136,503	158,506	119,025
122,133	121,140	132,719	133,926	145,082	191,046
2,649,976	2,630,629	2,630,076	3,102,887	2,969,872	2,984,925
151,147	132,939	106,664	128,524	44,284	41,653
40,000	28,700	70,100	29,751	-	-
38,575	40,889	216,819	65,365	-	-
710,460	966,477	497,968	1,042,500	1,141,804	1,114,419
-	-	-	-	-	-
<u>\$ 5,277,143</u>	<u>\$ 5,671,443</u>	<u>\$ 5,548,164</u>	<u>\$ 6,384,123</u>	<u>\$ 6,270,569</u>	<u>\$ 6,666,687</u>
\$ 88,855	\$ 51,625	\$ 18,914	\$ 39,760	\$ 24,652	\$ 34,987
-	-	-	-	155	67,314
-	-	8,034	-	-	-
(710,460)	(966,477)	(497,968)	(1,042,500)	(1,141,804)	(1,114,419)
<u>\$ (621,605)</u>	<u>\$ (914,852)</u>	<u>\$ (471,020)</u>	<u>\$ (1,002,740)</u>	<u>\$ (1,116,997)</u>	<u>\$ (1,012,118)</u>
<u>\$ 4,655,538</u>	<u>\$ 4,756,591</u>	<u>\$ 5,077,144</u>	<u>\$ 5,381,383</u>	<u>\$ 5,153,572</u>	<u>\$ 5,654,569</u>
\$ 25,347	\$ 1,595,635	\$ 2,280,062	\$ 999,758	\$ 1,282,711	\$ 552,157
(7,977,266)	(334,798)	1,247,192	938,458	223,621	806,589
<u>\$ (7,951,919)</u>	<u>\$ 1,260,837</u>	<u>\$ 3,527,254</u>	<u>\$ 1,938,216</u>	<u>\$ 1,506,332</u>	<u>\$ 1,358,746</u>

**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	
2007	\$	1,654,233	\$	-	\$	1,762,681
2008		1,602,798		-		1,716,242
2009		1,571,788		-		1,687,452
2010		1,597,409		-		1,711,863
2011		1,564,852		-		1,686,985
2012		1,750,669		-		1,871,809
2013		1,765,186	128,632	63,300	69,419	2,026,537
2014		1,744,667	136,503	65,676	68,250	2,015,096
2015		1,811,021	158,506	68,799	76,283	2,114,609
2016		2,215,619	119,025	72,421	118,625	2,525,690

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

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

	<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	\$ 153,689	\$ 166,642	\$ 165,847	\$ 51,506
Unreserved	1,436,336	1,175,648	1,525,515	1,715,703
Total General Fund	<u>\$ 1,590,025</u>	<u>\$ 1,342,290</u>	<u>\$ 1,691,362</u>	<u>\$ 1,767,209</u>
All Other Governmental Funds				
Reserved	\$ 1,573,235	\$ 1,698,297	\$ 1,870,640	\$ 1,687,268
Unreserved, reported in:				
Special Revenue Funds	2,345,413	2,192,243	2,025,581	2,482,085
Capital Projects Funds	(628,307)	1,036,590	-	24,243
Total All Other Governmental Funds	<u>\$ 3,290,341</u>	<u>\$ 4,927,130</u>	<u>\$ 3,896,221</u>	<u>\$ 4,193,596</u>

Table 4

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 3,060	\$ -	\$ -	\$ -	\$ -	\$ -
36,830	-	-	-	184,556	203,984
29,982	19,504	19,504	86,476	-	-
1,958,088	2,240,362	2,482,273	2,248,868	2,586,500	2,115,511
<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>	<u>\$ 2,319,495</u>
\$ -	\$ -	\$ -	\$ -	\$ 855,689	\$ 751,897
372,362	500,293	552,261	532,864	678,944	1,351,401
2,180,287	2,214,960	2,238,637	2,247,083	1,407,850	1,400,191
2,119,781	1,612,559	1,533,202	1,660,730	1,558,649	2,129,173
(4,399)	(744,345)	(3,366)	(322,024)	(815,989)	(714,018)
<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>	<u>\$ 4,918,644</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)**

	2007	2008	2009	2010 ¹	2011
REVENUES					
Taxes	\$ 1,762,681	\$ 1,716,242	\$ 1,687,453	\$ 1,711,863	\$ 1,686,986
Special Assessments	912,502	915,244	211,406	136,526	232,315
Licenses and Permits	107,619	109,965	101,073	132,423	113,706
Intergovernmental	3,789,912	4,257,263	4,463,938	3,181,709	4,078,810
Charges for Services	1,140,915	1,290,281	1,088,827	1,774,318	1,955,365
Fines and Forfeitures	66,636	53,720	44,363	44,848	47,412
Miscellaneous					
Contributions	313,906	174,324	124,288	283,540	522,073
Investment Earnings	240,503	239,216	121,175	118,035	147,165
Other Receipts	93,363	77,493	395,143	19,424	208,959
Total Revenues	\$ 8,428,037	\$ 8,833,748	\$ 8,237,666	\$ 7,402,686	\$ 8,992,791
EXPENDITURES					
General Government	\$ 1,189,792	\$ 1,190,900	\$ 1,176,110	\$ 1,238,417	\$ 1,323,743
Public Safety	2,096,658	2,137,877	2,187,310	2,247,566	2,347,102
Streets and Sanitation	747,973	770,474	827,819	1,499,503	1,533,169
Highways and Streets	-	-	-	-	-
Sanitation	-	-	-	-	-
Culture and Recreation	1,567,384	1,720,531	1,664,276	1,564,335	1,654,288
Economic Development	421,951	380,925	265,757	382,086	740,808
Other	-	-	-	-	-
Debt Service					
Principal	696,734	502,378	523,264	694,885	341,544
Interest and Fees	105,609	77,503	119,261	96,920	71,328
Capital Outlay	2,409,354	2,924,442	2,707,327	488,648	1,914,368
Total Expenditures	\$ 9,235,455	\$ 9,705,030	\$ 9,471,124	\$ 8,212,360	\$ 9,926,350
Revenues Over (Under) Expenditures	\$ (807,418)	\$ (871,282)	\$ (1,233,458)	\$ (809,674)	\$ (933,559)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 1,104,622	\$ 1,780,690	\$ 1,251,379	\$ 1,884,671	\$ 1,377,808
Transfers Out	(598,401)	(1,140,334)	(699,758)	(734,976)	(390,063)
Sale of Capital Asset	-	-	-	33,201	-
Lease/Bond Sale Proceeds	113,044	1,619,980	-	-	681,000
Total Other Financing Sources (Uses)	\$ 619,265	\$ 2,260,336	\$ 551,621	\$ 1,182,896	\$ 1,668,745
Net Change In Fund Balance	\$ (188,153)	\$ 1,389,054	\$ (681,837)	\$ 373,222	\$ 735,186

Debt Service as a percentage of

Noncapital Expenditures	13%	9%	10%	11%	5%
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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

	<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015 ²</u>		<u>2016</u>
\$	1,871,810	\$	2,026,538	\$	2,015,096	\$	2,077,693	\$	2,503,819
	229,687		236,376		162,763		345,574		373,940
	278,985		202,251		109,171		237,660		202,948
	4,153,368		7,112,388		4,595,548		5,471,607		6,045,997
	1,879,514		1,863,821		1,910,094		2,021,924		2,018,923
	45,163		46,441		53,032		49,664		49,152
	434,253		47,337		83,301		81,427		74,583
	122,332		94,154		98,357		37,178		38,071
	48,981		286,911		56,948		407,120		432,160
\$	<u>9,064,093</u>	\$	<u>11,916,217</u>	\$	<u>9,084,310</u>	\$	<u>10,729,847</u>	\$	<u>11,739,593</u>
\$	1,487,807	\$	1,465,606	\$	1,685,396	\$	1,648,080	\$	1,845,977
	2,424,496		2,475,938		2,690,498		2,811,896		2,955,612
	1,586,731		1,619,869		1,543,829		-		-
	-		-		-		751,227		787,971
	-		-		-		846,276		840,942
	1,667,713		1,689,873		1,897,125		1,908,649		2,022,756
	207,861		367,004		720,150		353,916		1,245,318
	-		-		-		10,196		-
	351,500		355,000		373,333		395,000		455,000
	70,728		71,860		91,997		110,190		113,834
	3,899,757		5,907,945		2,254,945		3,710,883		2,979,316
\$	<u>11,696,593</u>	\$	<u>13,953,095</u>	\$	<u>11,257,273</u>	\$	<u>12,546,313</u>	\$	<u>13,246,726</u>
\$	<u>(2,632,500)</u>	\$	<u>(2,036,878)</u>	\$	<u>(2,172,963)</u>	\$	<u>(1,816,466)</u>	\$	<u>(1,507,133)</u>
\$	1,350,412	\$	1,416,984	\$	1,510,510	\$	1,391,581	\$	2,028,596
	(383,935)		(433,424)		(413,958)		(367,913)		(1,030,079)
	28,700		70,100		29,747		-		-
	784,665		1,962,396		678,150		795,000		1,053,708
\$	<u>1,779,842</u>	\$	<u>3,016,056</u>	\$	<u>1,804,449</u>	\$	<u>1,818,668</u>	\$	<u>2,052,225</u>
\$	<u>(852,658)</u>	\$	<u>979,178</u>	\$	<u>(368,514)</u>	\$	<u>2,202</u>	\$	<u>545,092</u>
	6%		6%		5%		6%		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
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
2016	4,414,145	430,835,900	70,538	3,757,200

Source: Pennington County Auditor

Table 6

Total		Tax Capacity as a Percentage of Estimated Market Value
Assessed Tax Capacity	Estimated Market Value	
\$ 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
4,484,683	434,593,100	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	
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
2016	43.846	58.006	33.243	3.846	0.181	0.408	139.530

Source: Pennington County Auditor

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

Table 8

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR**

<u>Taxpayer</u>	<u>2016</u>		<u>Percentage of Total Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
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	68,296	5	1.64
MN Energy Resources Corp	39,022	6	0.94
Riverfalls Estates	36,898	7	0.89
Valley Markets Inc	35,806	8	0.86
Minnkota Power Co-op	34,708	9	0.83
Thief River Hotel Partners	33,506	10	0.80
	<u><u>\$ 666,287</u></u>		<u><u>15.99 %</u></u>

Source: Pennington County Auditor

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

Table 9

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

Fiscal Year Ended December 31	Levy for Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	1,675,430	1,651,661	98.58 %	23,200	1,674,861	99.97 %
2008	1,641,922	1,610,911	98.11 %	30,168	1,641,079	99.95 %
2009	1,582,406	1,552,954	98.14 %	28,594	1,581,548	99.95 %
2010	1,582,406	1,556,855	98.39 %	24,211	1,581,066	99.92 %
2011	1,516,778	1,494,773	98.55 %	20,670	1,515,443	99.91 %
2012	1,516,778	1,493,982	98.50 %	20,499	1,514,481	99.85 %
2013	1,516,778	1,499,188	98.84 %	15,327	1,514,515	99.85 %
2014	1,516,778	1,498,293	98.78 %	15,740	1,514,033	99.82 %
2015	1,562,271	1,546,077	98.96 %	11,816	1,557,893	99.72 %
2016	1,874,657	1,850,159	98.69 %	-	1,850,159	98.69 %

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

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

Table 10

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

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Per Capita
	General Obligation Improvement Bonds	Revenue Bonds	Purchase Agreements	Notes Payable	Capital Lease	General Obligation Improvement Bonds	Revenue Bonds		
2007	\$ 1,150,000	\$ -	\$ 685,526	\$ 158,333	\$ 108,044	\$ -	\$ 4,324,610	\$ 6,426,513	\$ 755
2008	815,000	1,630,000	548,148	133,333	103,044	-	4,105,825	7,335,350	865
2009	630,000	1,465,000	404,884	108,333	98,044	-	4,520,811	7,227,072	848
2010	510,000	1,325,000	-	83,333	93,044	-	7,799,537	9,810,914	1,144
2011	1,075,000	1,180,000	-	58,333	46,500	-	7,751,958	10,111,791	1,178
2012	1,740,000	1,030,000	-	33,333	-	-	5,128,043	7,931,376	918
2013	3,515,000	875,000	-	8,333	-	-	5,992,753	10,391,086	1,203
2014	3,995,000	715,000	-	-	-	1,615,000	5,711,051	12,036,051	1,390
2015	4,565,000	545,000	-	-	-	1,615,000	5,842,892	12,567,892	1,436
2016	5,285,000	370,000	-	-	-	1,460,000	5,708,244	12,823,244	1,463

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

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

Table 11

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

Fiscal Year	General Obligation Improvement Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Market Value¹	Per Capita
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	0.36%	148
2013	3,515,000	459,181	3,055,819	0.80%	351
2014	5,610,000	397,693	5,212,307	1.30%	602
2015	6,180,000	413,347	5,766,653	1.34%	659
2016	5,400,000	1,178,612	4,221,388	0.98%	480

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, 2016**

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Thief River Falls School District No. 564	\$ 51,664,458	34.25%	\$ 17,695,077
Pennington County	17,171,000	31.25%	<u>5,365,938</u>
Total Overlapping Debt			23,061,014
City of Thief River Falls Direct Debt	13,398,248	100.00%	<u>13,398,248</u>
Total Direct and Overlapping Debt			\$ <u>36,459,262</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 4,878,898	\$ 5,926,510	\$ 6,361,986	\$ 6,466,434
Total Net Debt Applicable to Limit	<u>761,476</u>	<u>594,097</u>	<u>420,832</u>	<u>151,377</u>
Legal Debt Margin	<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	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>	<u>2016</u>
\$ 6,655,530	\$ 6,810,478	\$ 7,324,886	\$ 7,717,494	\$ 8,093,484	\$ 8,691,862
<u>85,101</u>	<u>25,218</u>	<u>1,393,333</u>	<u>1,385,000</u>	<u>1,310,000</u>	<u>1,230,000</u>
\$ 6,570,429	\$ 6,785,260	\$ 5,931,553	\$ 6,332,494	\$ 6,783,484	\$ 7,461,862
1.28%	0.37%	19.02%	17.95%	16.19%	14.15%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2016

Assessed Value	\$ 434,593,100
Debt Limit (2% of Total Assessed Value)	\$ 8,691,862
Debt Applicable to Limit:	
General Obligation Debt	\$ 1,230,000
Less: Amount Set aside for Repayment of General Obligation Debt	<u>0</u>
Total Net Debt Applicable to Limit	\$ 1,230,000
Legal Debt Margin	\$ 7,461,862

**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	
2007	\$	1,551,545	\$ 1,262,491	\$ 289,054	\$ 170,000	\$ 176,783	0.83
2008		1,598,034	1,455,979	142,055	175,000	157,660	0.43
2009		1,677,589	1,412,246	265,343	180,000	141,878	0.82
2015		2,491,923	1,285,811	1,206,112	425,000	165,800	2.04
2016		2,449,869	1,388,851	1,061,018	812,000	189,014	1.06

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

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
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	697,315,000	14,219	49,041	9,099	6.9 %
2016	8,796	Data Unavailable	14,235	Data Unavailable	9,031	5.8 %

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	2016		2007	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Digi-Key Corporation	3,500	38.47 %	1,920	23.76 %
Arctic Cat, Incorporated	1,500	16.49 %	1,660	20.54 %
Sandford 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 %	170	2.10 %
Dean Foods	92	1.01 %	95	1.18 %
City of Thief River Falls	87	0.96 %	115	1.42 %
	<u>7,247</u>	<u>79.65 %</u>	<u>5,732</u>	<u>70.93 %</u>

Source: Minnesota Department of Employment & Economic Development - 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, 2016**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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 two funds. These adjustments resulted in significant changes to amounts originally reported in the City's financial statements.

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

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

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

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

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

ITEM ARISING THIS YEAR

2016-001 **Segregation of Duties**

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

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

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

**Schedule 9
(Continued)**

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

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

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

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

II. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

2015-002 Deficit Cash Balances

Summary of Condition

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

2015 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

Summary of Corrective Action:

The City has resolved this issue by closing the inactive capital projects funds with deficit balances, and will monitor fund cash balances to ensure compliance with Minnesota law.

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



Hoffman, Philipp, & Knutson, PLLC

Governmental Audit Services

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

Independent Auditor's Report

City Council
City of Thief River Falls

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 7, 2017.

Internal Control Over Financial Reporting

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

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

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

However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2016-1 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

City of Thief River Falls Responses to Findings

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

Purpose of this Report

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

Hoffman, Philipp, & Knutson, PLLC

Hoffman, Philipp, & Knutson, PLLC

August 7, 2017