

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

YEAR ENDED DECEMBER 31, 2019



Hoffman, Philipp, & Knutson, PLLC

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

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INTRODUCTORY SECTION

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

**ORGANIZATION SCHEDULE
DECEMBER 31, 2019**

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

FINANCIAL SECTION



Hoffman, Philipp, & Knutson, PLLC

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Thief River Falls

We have audited the accompanying financial statements of the governmental activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of December 31, 2019, 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' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2020, 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.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis is not a required part of the basic financial statements. The SEFA 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.



Hoffman, Philipp, & Knutson, PLLC
June 19, 2020



City of Thief River Falls

CITY ADMINISTRATOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The management of the City of Thief River Falls offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Thief River Falls for the fiscal year ended December 31, 2019. 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 \$40,046,368, of which \$29,021,623 is the net investment in capital assets, \$3,762,950 is restricted for debt service and economic development, and \$7,261,795 is unrestricted. The total net position of governmental activities increased by \$1,370,611 for the year ended December 31, 2019, as a result of grant revenue received for construction projects.

The total net position of business-type activities is \$20,950,347, of which \$14,168,741 is the net investment in capital assets, \$31,355 is restricted for electric surplus, and \$6,750,251 is unrestricted. The total net position of business-type activities increased by \$6,832,057 in 2019, as a result of transfers from governmental activities for completion of the electrical building.

At the close of 2019, the City's General Fund reported an ending fund balance of \$7,214,825, an increase of \$868,536 from the prior year. Of the total fund balance amount, \$4,114,439 is the assigned fund balance, and \$3,100,386 is noted as unassigned fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The City reports four governmental fund types: General, Special Revenue, Debt Service, and Capital Projects. Information is presented separately in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the 2019 Street and Utilities Capital Projects Fund, which are considered to be major funds. Data from the other nonmajor governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the notes to the financial statements.

The City of Thief River Falls adopts an annual budget for the General Fund and the major Capital Projects Fund, and budgetary comparison schedules have been provided to demonstrate compliance with the budgets.

Proprietary Funds The City maintains five proprietary funds. Enterprise Funds are used to report functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Liquor Dispensary, and Electric, Water, Wastewater, and Storm Water Systems. The Liquor, Electric, Water, and Wastewater Funds are all considered to be major Funds. The Storm Water nonmajor fund is also presented in the Proprietary Funds Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

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

Notes to the Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$60,996,715 at the close of 2019. The largest portion of the City's net position (approximately 71 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Six percent of the City's net position is restricted for debt service, economic development, and electric surplus, and approximately 23 percent is unrestricted. The unrestricted net position amount of \$14,012,046 as of December 31, 2019, 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 \$9,431,299 from the prior year, primarily as a result of an increase in capital assets. Deferred outflows related to pensions and OPEB decreased by \$1,848,348. Total liabilities increased by \$959,978 from the prior year, primarily due to debt issued for capital projects. Deferred inflows related to pensions decreased by \$1,579,695. This resulted in an increased net position of \$8,202,668 from the prior year.

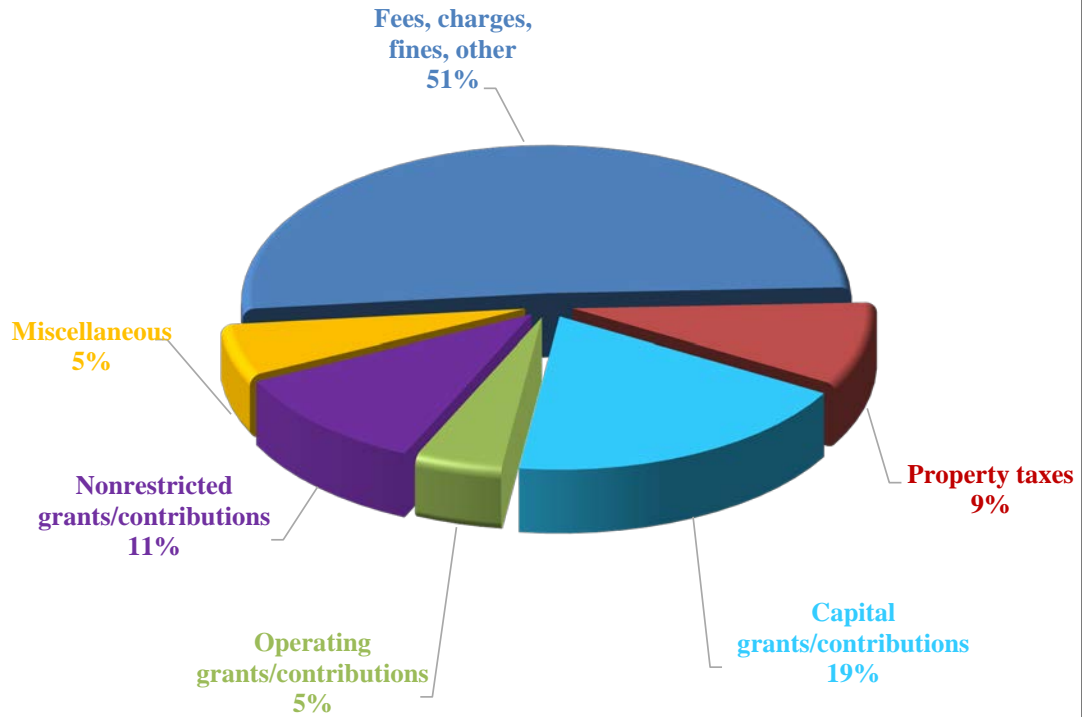
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 17,901,944	\$ 16,188,265	\$ 11,023,475	\$ 9,648,009	\$ 28,925,419	\$ 25,836,274
Capital assets	39,241,623	38,184,496	30,859,168	25,574,141	70,100,791	63,758,637
Total assets	\$ 57,143,567	\$ 54,372,761	\$ 41,882,643	\$ 35,222,150	\$ 99,026,210	\$ 89,594,911
Deferred outflows of resources	\$ 1,787,562	\$ 3,166,327	\$ 151,246	\$ 620,829	\$ 1,938,808	\$ 3,787,156
Other liabilities	\$ 4,658,700	\$ 889,753	\$ 4,026,863	\$ 1,853,209	\$ 8,685,563	\$ 2,742,962
Long-term liabilities outstanding	11,243,167	13,785,753	16,532,960	18,961,461	27,776,127	32,747,214
Total liabilities	\$ 15,901,867	\$ 14,675,506	\$ 20,559,823	\$ 20,814,670	\$ 36,461,690	\$ 35,490,176
Deferred inflows of resources	\$ 2,982,894	\$ 4,187,825	\$ 523,719	\$ 898,483	\$ 3,506,613	\$ 5,086,308
Net position						
Net investment in capital assets	\$ 29,021,623	\$ 26,102,425	\$ 14,168,741	\$ 8,248,469	\$ 43,190,364	\$ 34,350,894
Restricted	3,762,950	3,798,864	31,355	15,787	3,794,305	3,814,651
Unrestricted	7,261,795	8,774,468	6,750,251	5,854,034	14,012,046	14,628,502
Total net position	\$ 40,046,368	\$ 38,675,757	\$ 20,950,347	\$ 14,118,290	\$ 60,996,715	\$ 52,794,047

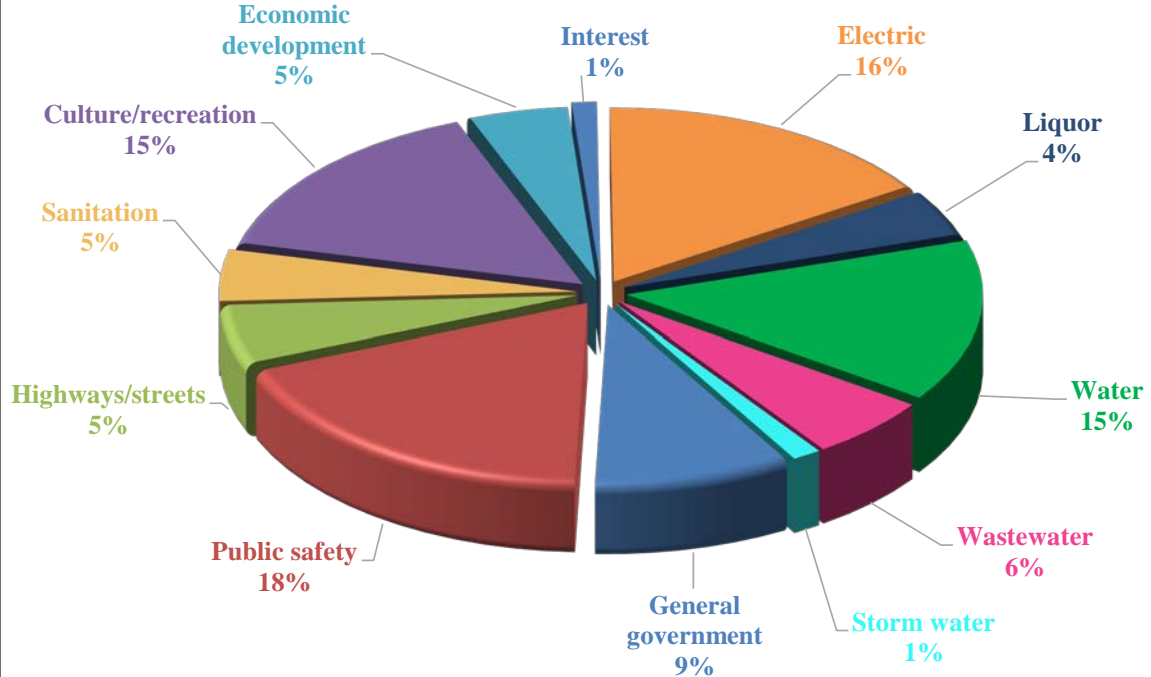
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 3,099,214	\$ 2,982,506	\$ 24,804,208	\$ 24,136,988	\$ 27,903,422	\$ 27,119,494
Operating grants and contributions	1,313,394	705,779	-	-	1,313,394	705,779
Capital grants and contributions	5,254,625	1,696,143	14,457	4,902	5,269,082	1,701,045
General Revenues and Transfers						
Property taxes	2,515,158	2,448,291	-	-	2,515,158	2,448,291
Franchise Tax	376,933	367,353	-	-	376,933	367,353
Grants and contributions not restricted to specific programs	3,082,762	3,093,314	-	-	3,082,762	3,093,314
Investment earnings	201,591	126,673	224,711	100,111	426,302	226,784
Miscellaneous	177,977	88,771	568,884	263,475	746,861	352,246
Transfers	(3,407,552)	7,320,614	3,407,552	(7,320,614)	-	-
Total revenues	\$ 12,614,102	\$ 18,829,444	\$ 29,019,812	\$ 17,184,862	\$ 41,633,914	\$ 36,014,306
Expenses						
General government	\$ 1,721,080	\$ 4,339,346	\$ -	\$ -	\$ 1,721,080	\$ 4,339,346
Public safety	3,524,019	3,353,243	-	-	3,524,019	3,353,243
Highways and streets	1,032,958	832,309	-	-	1,032,958	832,309
Sanitation	900,730	873,945	-	-	900,730	873,945
Culture and recreation	2,962,045	2,801,440	-	-	2,962,045	2,801,440
Economic development	883,940	658,599	-	-	883,940	658,599
Interest	218,719	172,761	-	-	218,719	172,761
Electric	-	-	14,372,428	15,299,643	14,372,428	15,299,643
Liquor	-	-	4,598,819	4,345,170	4,598,819	4,345,170
Water	-	-	2,282,810	2,369,609	2,282,810	2,369,609
Wastewater	-	-	768,811	809,329	768,811	809,329
Stormwater	-	-	164,887	324,047	164,887	324,047
Total expenses	\$ 11,243,491	\$ 13,031,643	\$ 22,187,755	\$ 23,147,798	\$ 33,431,246	\$ 36,179,441
Increase (decrease) in net position	\$ 1,370,611	\$ 5,797,801	\$ 6,832,057	\$ (5,962,936)	\$ 8,202,668	\$ (165,135)
Net position, January 1	38,675,757	32,877,956	14,118,290	20,081,226	52,794,047	52,959,182
Net position, December 31	\$ 40,046,368	\$ 38,675,757	\$ 20,950,347	\$ 14,118,290	\$ 60,996,715	\$ 52,794,047

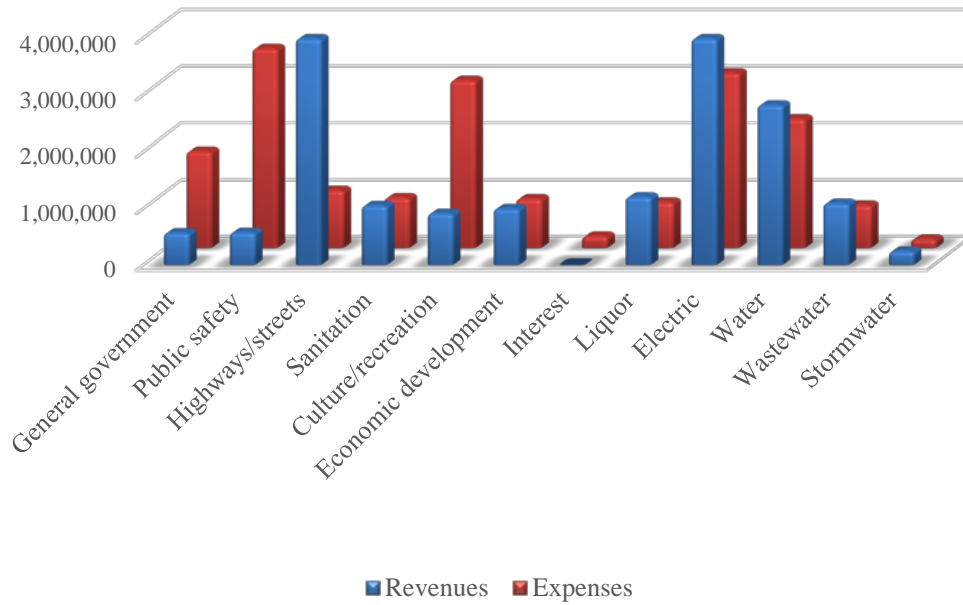
Revenues by Source



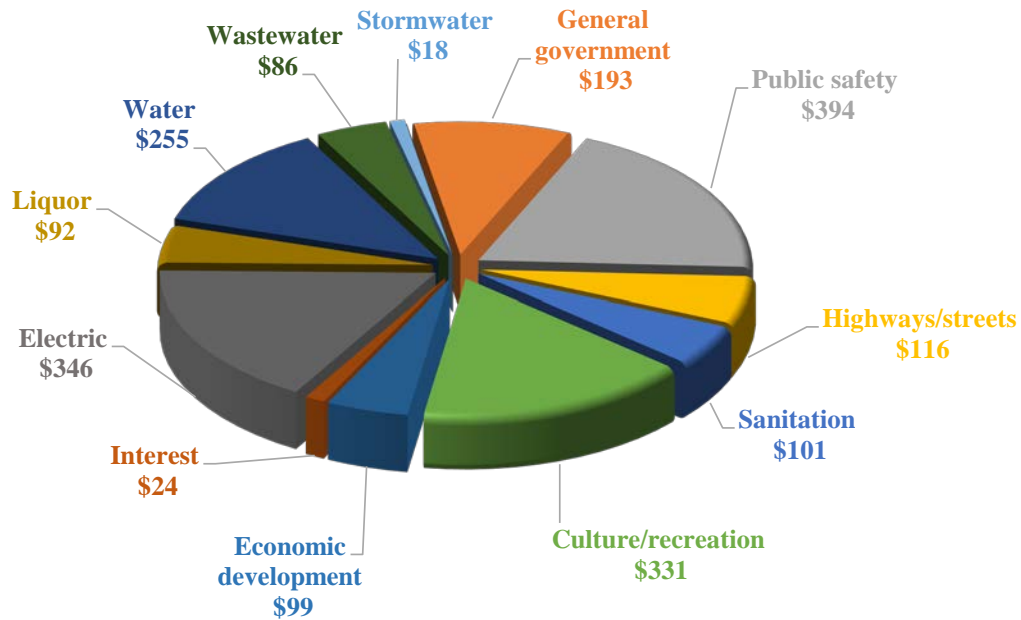
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 8,940 Population as of December 31, 2019



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 2019, the City's governmental funds reported combined ending fund balances of \$13,712,031. Of this amount, approximately three percent constitutes non-spendable fund balance, 26 percent constitutes legally or contractually restricted fund balance, four percent constitutes formally committed fund balance, 46 percent constitutes specifically assigned fund balance, and 21 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 \$7,214,825. The General Fund's assigned fund balance was \$4,114,439 and unassigned fund balance was \$3,100,386. The General Fund has no non-spendable, restricted, or committed fund balance. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures for 2019. Total fund balance represents 78 percent of total General Fund expenditures.

In 2019, the fund balance amount in the General Fund increased by \$868,536. This increase is attributed to transfers in from other funds.

The fund balance amount in the 2019 Street and Utilities Capital Project Fund increased by \$1,054,252, primarily due to grant money received for the project.

Proprietary Funds

The Liquor Enterprise Fund reported an operating income in 2019 of \$343,095, indicating that it is charging for products and services at a profitable margin for this type of business.

The Electric Enterprise Fund reported an operating income in 2019 of \$1,458,147, primarily due to decreased operating expenses in the current year.

The Water Enterprise Fund reported an operating income in 2019 of \$865,241, indicating that it is charging for products and services at a profitable margin for this type of business.

The Wastewater Enterprise Fund reported an operating income in 2019 of \$341,961, indicating that it is charging for products and services at a profitable margin for this type of business.

The nonmajor Storm Water Enterprise Fund reported an operating income in 2019 of \$86,336, indicating that it is charging for products and services at a margin designed to exceed expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$547,826, with the largest variance in investment earnings and miscellaneous revenues. Actual expenditures were less than overall final budgeted expenditures by \$359,441, primarily as a result of culture and recreation expenditures being lower than budgeted. There were no budget amendments in 2019.

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, 2019, amounted to \$70,100,791 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was nine percent. This increase was primarily due to the purchase and construction of capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 784,917	\$ 784,917	\$ 421,613	\$ 421,613	\$ 1,206,530	\$ 1,206,530
Construction in progress	8,321,904	8,166,831	1,522,930	41,216	9,844,834	8,208,047
Buildings	11,259,900	12,187,303	7,397,460	2,945,820	18,657,360	15,133,123
Infrastructure	17,369,401	15,285,222	20,513,476	21,002,102	37,882,877	36,287,324
Machinery and equipment	1,505,501	1,760,223	1,003,689	1,163,390	2,509,190	2,923,613
Total capital assets	<u>\$ 39,241,623</u>	<u>\$ 38,184,496</u>	<u>\$ 30,859,168</u>	<u>\$ 25,574,141</u>	<u>\$ 70,100,791</u>	<u>\$ 63,758,637</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 \$26,205,000 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O. Bonds	\$ 10,220,000	\$ 8,760,000	\$ -	\$ -	\$ 10,220,000	\$ 8,760,000
G.O. Revenue Bonds	-	-	15,985,000	16,257,762	15,985,000	16,257,762
	<u>\$ 10,220,000</u>	<u>\$ 8,760,000</u>	<u>\$ 15,985,000</u>	<u>\$ 16,257,762</u>	<u>\$ 26,205,000</u>	<u>\$ 25,017,762</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 2019, the City's estimated market value was \$495,848,100 with debt subject to the limit at 2 percent and overall debt at 5.28 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.
- Specific unemployment statistics for the City of Thief River Falls are not available. However, according to the Minnesota Department of Employment & Economic Development, the unemployment rate for Pennington County was 6.3 percent as of December 31, 2019. This is higher than the statewide rate of 3.5 percent and the national average rate of 3.4 percent.

- According to the League of Minnesota Cities, Thief River Falls' population as of December 31, 2019, was 8,940, an increase of 367 since the 2010 census of 8,573.
- On December 17, 2019, the City of Thief River Falls set its 2020 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the City of Thief River Falls for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Thief River Falls Administrator's Office at 405 Third Street East, P.O. Box 528, Thief River Falls, Minnesota 56701, (218)681-2943, or aphilipp@citytrf.net.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 9,635,487	\$ 8,237,441	\$ 17,872,928
Cash with fiscal agent	91,101	-	91,101
Taxes receivable			
Current	72,860	-	72,860
Prior	71,377	-	71,377
Special assessments receivable			
Current	48,510	-	48,510
Prior	17,206	-	17,206
Accounts receivable	200,771	1,963,839	2,164,610
Accrued interest receivable	6,938	7,834	14,772
Due from other governments	3,125,579	-	3,125,579
Inventory	29,688	1,553,139	1,582,827
Loans receivable (net)	830,574	-	830,574
Internal balances	819,000	(819,000)	-
Net pension asset	386,332	-	386,332
Special assessments receivable - noncurrent	2,566,521	80,222	2,646,743
Capital assets			
Non-depreciable	9,106,821	1,944,543	11,051,364
Depreciable - net of accumulated depreciation	30,134,802	28,914,625	59,049,427
Total Assets	\$ 57,143,567	\$ 41,882,643	\$ 99,026,210
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 1,761,398	\$ 145,181	\$ 1,906,579
Related to other post-employment benefits	26,164	6,065	32,229
Total Deferred Outflows of Resources	\$ 1,787,562	\$ 151,246	\$ 1,938,808
<u>Liabilities</u>			
Accounts payable	\$ 328,910	\$ 1,185,071	\$ 1,513,981
Salaries payable	255,464	146,715	402,179
Due to other governments	74,057	200,429	274,486
Accrued interest payable	107,363	186,396	293,759
Customer deposits	-	235,201	235,201
Net pension liability	2,998,906	1,865,851	4,864,757
Other post employment benefits	894,000	207,200	1,101,200
Long-term liabilities			
Due within one year	1,512,019	1,353,303	2,865,322
Due in more than one year	9,731,148	15,179,657	24,910,805
Total Liabilities	\$ 15,901,867	\$ 20,559,823	\$ 36,461,690
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 2,796,994	\$ 480,633	\$ 3,277,627
Related to other post-employment benefits	185,900	43,086	228,986
Total Deferred Inflows	\$ 2,982,894	\$ 523,719	\$ 3,506,613
<u>Net Position</u>			
Net investment in capital assets	\$ 29,021,623	\$ 14,168,741	\$ 43,190,364
Amounts restricted for			
Debt service	1,728,493	-	1,728,493
Economic development	2,034,457	-	2,034,457
Electric surplus	-	31,355	31,355
Unrestricted amounts	7,261,795	6,750,251	14,012,046
Total Net Position	\$ 40,046,368	\$ 20,950,347	\$ 60,996,715

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Charges, Fines and Other</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental activities			
General government	\$ 1,721,080	\$ 554,237	\$ 24,043
Public safety	3,524,019	311,403	275,511
Highways and streets	1,032,958	75,190	176,956
Sanitation	900,730	1,063,076	-
Culture and recreation	2,962,045	924,164	-
Economic development	883,940	171,144	836,884
Interest	218,719	-	-
Total governmental activities	\$ 11,243,491	\$ 3,099,214	\$ 1,313,394
Business-type activities			
Electric	\$ 14,372,428	\$ 15,692,497	\$ -
Liquor	4,598,819	4,941,914	-
Water	2,282,810	2,828,934	-
Wastewater	768,811	1,089,640	-
Storm Water	164,887	251,223	-
Total business-type activities	\$ 22,187,755	\$ 24,804,208	\$ -
Total Primary Government	\$ 33,431,246	\$ 27,903,422	\$ 1,313,394

General revenues and transfers

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

Total general revenues and transfers

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Total
	Governmental Activities	Business-Type Activities		
\$ -	\$ (1,142,800)	\$ -	\$ (1,142,800)	
-	(2,937,105)	-	(2,937,105)	
5,253,915	4,473,103	-	4,473,103	
-	162,346	-	162,346	
-	(2,037,881)	-	(2,037,881)	
710	124,798	-	124,798	
-	(218,719)	-	(218,719)	
\$ 5,254,625	\$ (1,576,258)	\$ -	\$ (1,576,258)	
\$ -	\$ -	\$ 1,320,069	\$ 1,320,069	
-	-	343,095	343,095	
-	-	546,124	546,124	
14,457	-	335,286	335,286	
-	-	86,336	86,336	
\$ 14,457	\$ -	\$ 2,630,910	\$ 2,630,910	
\$ 5,269,082	\$ (1,576,258)	\$ 2,630,910	\$ 1,054,652	
	\$ 2,515,158	\$ -	\$ 2,515,158	
	376,933	-	376,933	
	3,082,762	-	3,082,762	
	201,591	224,711	426,302	
	177,977	568,884	746,861	
	(3,407,552)	3,407,552	-	
	\$ 2,946,869	\$ 4,201,147	\$ 7,148,016	
	\$ 1,370,611	\$ 6,832,057	\$ 8,202,668	
	38,675,757	14,118,290	52,794,047	
	\$ 40,046,368	\$ 20,950,347	\$ 60,996,715	

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

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	2019 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 4,677,287	\$ 1,436	\$ 4,956,764	\$ 9,635,487
Cash with fiscal agent	-	-	91,101	91,101
Taxes receivable		-		
Current	65,067	-	7,793	72,860
Prior	60,076	-	11,301	71,377
Special assessments receivable		-		
Current	40,267	-	8,243	48,510
Prior	6,335	-	10,871	17,206
Accounts receivable	198,396	-	2,375	200,771
Interest receivable	4,606	-	2,332	6,938
Due from other funds	2,731,728	-	-	2,731,728
Due from other governments	-	2,846,579	279,000	3,125,579
Loans receivable	490,046	-	340,528	830,574
Inventory	29,688	-	-	29,688
Special assessments receivable - noncurrent	3,106	-	2,563,415	2,566,521
Total Assets	\$ 8,306,602	\$ 2,848,015	\$ 8,273,723	\$ 19,428,340
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 203,534	\$ 2,464	\$ 122,912	\$ 328,910
Salaries payable	254,730	-	734	255,464
Due to other funds	-	1,810,000	102,728	1,912,728
Due to other governments	73,950	-	107	74,057
Total Liabilities	\$ 532,214	\$ 1,812,464	\$ 226,481	\$ 2,571,159
Deferred Inflows of Resources				
Taxes	\$ 60,076	\$ -	\$ 11,301	\$ 71,377
Loans	490,046	-	-	490,046
Special assessments	9,441	-	2,574,286	2,583,727
Total Deferred Inflows of Resources	\$ 559,563	\$ -	\$ 2,585,587	\$ 3,145,150

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

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	2019 Street and Utilities Capital Projects	Other Governmental Funds (Statement 1)	Total Governmental Funds
Fund Balances				
Nonspendable				
Loans receivable	\$ -	\$ -	\$ 378,364	\$ 378,364
Restricted for				
Debt service	-	-	1,728,493	1,728,493
Economic development	-	-	1,656,093	1,656,093
TIF district	-	-	133,242	133,242
Committed to				
K-9 Unit	-	-	6,990	6,990
Perpetual care	-	-	179,633	179,633
Train canopy	-	-	35,478	35,478
Splash park	-	-	9,054	9,054
Swimming pool	-	-	253,829	253,829
Assigned to				
General government	3,132,307	-	170,692	3,302,999
Public safety	479,485	-	-	479,485
Highways and streets	118,908	-	-	118,908
Sanitation	113,821	-	-	113,821
Culture and recreation	197,047	-	-	197,047
Capital projects	-	1,035,551	936,611	1,972,162
Economic development	72,871	-	-	72,871
Unassigned	3,100,386	-	(26,824)	3,073,562
Total Fund Balances	\$ 7,214,825	\$ 1,035,551	\$ 5,461,655	\$ 13,712,031
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,306,602	\$ 2,848,015	\$ 8,273,723	\$ 19,428,340

**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, 2019**

Fund balances - total governmental funds (Exhibit 3)	\$ 13,712,031
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.	39,241,623
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	3,145,150
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences payable	\$ (906,532)
Accrued interest payable	(107,363)
General obligation bonds payable	<u>(10,336,635)</u> (11,350,530)
Other post employment benefits and related outflows/inflows of resources represent the allocation of the benefits to the City. Such balances are not reported in the governmental funds:	
Deferred outflows of resources related to other post employment benefits	\$ 26,164
Deferred inflows of resources related to other post employment benefits	(185,900)
Other post employment benefits	<u>(894,000)</u> (1,053,736)
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	\$ 1,761,398
Deferred inflows of resources related to pensions	(2,796,994)
Net pension asset	386,332
Net pension liability	<u>(2,998,906)</u> (3,648,170)
Net position of governmental activities (Exhibit 1)	<u>\$ 40,046,368</u>

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

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	2019 Street and Utilities Capital Project	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues				
Taxes	\$ 2,146,506	\$ -	\$ 748,668	\$ 2,895,174
Special assessments	52,827	-	417,107	469,934
Licenses and permits	180,851	-	-	180,851
Intergovernmental	3,534,208	3,362,637	2,062,789	8,959,634
Charges for services	2,363,009	-	33,650	2,396,659
Fines and forfeitures	59,734	-	-	59,734
Investment earnings	131,364	-	70,227	201,591
Gifts and contributions	24,043	-	1,731	25,774
Miscellaneous	398,873	28,796	177,930	605,599
Total Revenues	\$ 8,891,415	\$ 3,391,433	\$ 3,512,102	\$ 15,794,950
Expenditures				
Current				
General government	\$ 1,194,248	\$ -	\$ 479,621	\$ 1,673,869
Public safety	3,422,139	-	5,477	3,427,616
Highways and streets	908,427	-	-	908,427
Sanitation	845,765	-	-	845,765
Culture and recreation	2,137,345	-	12,599	2,149,944
Economic development	483,174	-	400,766	883,940
Debt service				
Principal retirement	-	-	525,000	525,000
Interest	-	-	202,030	202,030
Capital outlay				
General government	61,020	-	3,273	64,293
Public safety	46,673	-	-	46,673
Highways and streets	55,558	4,047,780	1,380,916	5,484,254
Culture and recreation	100,403	-	1,079,626	1,180,029
Economic development	-	-	4,132	4,132
Total Expenditures	\$ 9,254,752	\$ 4,047,780	\$ 4,093,440	\$ 17,395,972
Excess of Revenues Over (Under) Expenditures	\$ (363,337)	\$ (656,347)	\$ (581,338)	\$ (1,601,022)
Other Financing Sources (Uses)				
Transfers in	\$ 1,293,885	\$ -	\$ 62,012	\$ 1,355,897
Transfers out	(62,012)	-	(139,544)	(201,556)
Proceeds from issuance of debt	-	1,710,599	280,000	1,990,599
Total Other Financing Sources (Uses)	\$ 1,231,873	\$ 1,710,599	\$ 202,468	\$ 3,144,940
Net Change in Fund Balance	\$ 868,536	\$ 1,054,252	\$ (378,870)	\$ 1,543,918
Fund Balance - January 1	6,346,289	(18,701)	5,840,525	12,168,113
Fund Balance - December 31	\$ 7,214,825	\$ 1,035,551	\$ 5,461,655	\$ 13,712,031

**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, 2019**

Net change in fund balance - total governmental funds (Exhibit 5) **\$ 1,543,918**

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	\$ 7,962,183	
Current year depreciation	(1,874,725)	
Net book value of assets disposed	(5,030,331)	1,057,127

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	164,803
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The issuance of long-term debt provides current financial resources to governmental
funds, but increases long-term liabilities in the Statement of Net Position, while the
repayment of principal of long-term debt consumes the current financial resources
of governmental funds. Neither transaction has any effect on net position.

Principal repayments		
General obligation bonds	\$ 525,000	
Proceeds from issuance of debt	(1,985,000)	(1,460,000)

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

Change in		
Amortization of discount/premium	\$ (413)	
Accrued interest payable	(21,875)	
Compensated absences payable	25,220	2,932

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.

89,909

Other post employment benefits 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.

(28,078)

Change in net position of governmental activities (Exhibit 2)	\$	1,370,611
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**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total
<u>Assets</u>						
Current Assets						
Cash and pooled investments	\$ 1,035,702	\$ 2,931,283	\$ 2,545,872	\$ 1,379,228	\$ 345,356	\$ 8,237,441
Accounts receivable	1,187	1,658,721	207,155	76,783	19,993	1,963,839
Interest receivable	1,397	2,509	2,367	1,253	308	7,834
Inventory	668,624	779,385	105,130	-	-	1,553,139
Total Current Assets	\$ 1,706,910	\$ 5,371,898	\$ 2,860,524	\$ 1,457,264	\$ 365,657	\$ 11,762,253
Noncurrent Assets						
Special assessments receivable - noncurrent	\$ -	\$ -	\$ -	\$ 80,222	\$ -	\$ 80,222
Capital assets						
Non-depreciable	178,942	24,014	721,128	1,020,459	-	1,944,543
Depreciable - net of accumulated depreciation	242,517	9,172,207	13,824,958	3,730,993	1,943,950	28,914,625
Total Noncurrent Assets	\$ 421,459	\$ 9,196,221	\$ 14,546,086	\$ 4,831,674	\$ 1,943,950	\$ 30,939,390
Total Assets	\$ 2,128,369	\$ 14,568,119	\$ 17,406,610	\$ 6,288,938	\$ 2,309,607	\$ 42,701,643
<u>Deferred Outflows of Resources</u>						
Related to pensions	\$ 22,146	\$ 76,282	\$ 24,607	\$ 22,146	\$ -	\$ 145,181
Related to other post-employment benefits	945	3,688	697	735	-	6,065
Total Deferred Outflows of Resources	\$ 23,091	\$ 79,970	\$ 25,304	\$ 22,881	\$ -	\$ 151,246
<u>Liabilities</u>						
Current Liabilities						
Accounts payable	\$ 150,582	\$ 1,017,107	\$ 16,000	\$ 798	\$ 584	\$ 1,185,071
Compensated absences payable	87,826	190,942	53,035	21,500	-	353,303
Salaries payable	26,323	79,834	25,050	14,975	533	146,715
Interest payable	-	59,576	117,036	9,784	-	186,396
Due to other governments	60,823	133,647	3,663	2,215	81	200,429
Due to other funds	-	-	-	819,000	-	819,000
GO revenue bonds payable	-	253,000	698,200	48,800	-	1,000,000
Customer deposits payable	-	235,201	-	-	-	235,201
Total Current Liabilities	\$ 325,554	\$ 1,969,307	\$ 912,984	\$ 917,072	\$ 1,198	\$ 4,126,115
Noncurrent Liabilities						
Other post employment benefits	\$ 32,300	\$ 126,000	\$ 23,800	\$ 25,100	\$ -	\$ 207,200
Compensated absences payable	20,079	54,678	12,854	13,172	-	100,783
Net pension liability	284,621	980,363	316,246	284,621	-	1,865,851
GO revenue bonds payable (net)	-	4,045,342	10,166,951	866,581	-	15,078,874
Total Noncurrent Liabilities	\$ 337,000	\$ 5,206,383	\$ 10,519,851	\$ 1,189,474	\$ -	\$ 17,252,708
Total Liabilities	\$ 662,554	\$ 7,175,690	\$ 11,432,835	\$ 2,106,546	\$ 1,198	\$ 21,378,823
<u>Deferred Inflows of Resources</u>						
Related to pensions	\$ 73,317	\$ 252,536	\$ 81,463	\$ 73,317	\$ -	\$ 480,633
Related to other post-employment benefits	6,717	26,201	4,949	5,219	-	43,086
Total Deferred Inflows of Resources	\$ 80,034	\$ 278,737	\$ 86,412	\$ 78,536	\$ -	\$ 523,719
<u>Net Position</u>						
Net investment in capital assets	\$ 421,459	\$ 4,927,221	\$ 3,123,915	\$ 3,752,196	\$ 1,943,950	\$ 14,168,741
Restricted for electric surplus	-	31,355	-	-	-	31,355
Unrestricted amounts	987,413	2,235,086	2,788,752	374,541	364,459	6,750,251
Total Net Position	\$ 1,408,872	\$ 7,193,662	\$ 5,912,667	\$ 4,126,737	\$ 2,308,409	\$ 20,950,347

**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, 2019**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total
Sales and Cost of Goods Sold						
Sales	\$ 4,941,914	\$ 15,361,825	\$ -	\$ -	\$ -	\$ 20,303,739
Cost of goods sold	(3,775,644)	(11,035,419)	-	-	-	(14,811,063)
Gross Profit	\$ 1,166,270	\$ 4,326,406	\$ -	\$ -	\$ -	\$ 5,492,676
Operating Revenues						
Charges for services	\$ -	\$ -	\$ 2,822,384	\$ 1,075,840	\$ 249,581	\$ 4,147,805
Miscellaneous	-	226,737	6,550	13,800	1,642	248,729
Operating Revenues	\$ -	\$ 226,737	\$ 2,828,934	\$ 1,089,640	\$ 251,223	\$ 4,396,534
Total Gross Profit and Operating Revenues	\$ 1,166,270	\$ 4,553,143	\$ 2,828,934	\$ 1,089,640	\$ 251,223	\$ 9,889,210
Operating Expenses						
Personnel services	\$ 519,016	\$ 1,605,932	\$ 512,709	\$ 325,189	\$ 22,937	\$ 2,985,783
Professional services	-	47,805	-	-	-	47,805
Advertising	64,785	-	-	-	-	64,785
Chemicals	39,412	-	300,427	-	-	339,839
Fuel	-	-	7,189	-	4,576	11,765
Insurance	32,405	53,547	20,869	19,535	-	126,356
License and permits	68,722	-	29,597	11,609	8,397	118,325
Repairs and maintenance	18,638	334,483	217,709	70,011	21,970	662,811
Supplies	12,467	49,690	31,899	32,222	3,863	130,141
Utilities	31,420	73,151	246,322	88,658	721	440,272
Miscellaneous	11,499	353,305	14,304	9,419	6,090	394,617
Bad debts	1,490	-	-	-	-	1,490
Other services and charges	-	432,938	166,620	1,586	-	601,144
Depreciation	23,321	144,145	416,048	189,450	96,333	869,297
Total Operating Expenses	\$ 823,175	\$ 3,094,996	\$ 1,963,693	\$ 747,679	\$ 164,887	\$ 6,794,430
Operating Income (Loss)	\$ 343,095	\$ 1,458,147	\$ 865,241	\$ 341,961	\$ 86,336	\$ 3,094,780
Nonoperating Revenues (Expenses)						
Special assessments	\$ -	\$ -	\$ -	\$ 4,457	\$ -	\$ 4,457
Intergovernmental	-	-	10,000	-	-	10,000
Rental income	-	103,935	-	-	-	103,935
Investment earnings	39,894	72,291	67,597	36,139	8,790	224,711
Miscellaneous	9,554	472,309	42,589	44,432	-	568,884
Interest expense	-	(242,013)	(319,117)	(21,132)	-	(582,262)
Total Nonoperating Revenues (Expenses)	\$ 49,448	\$ 406,522	\$ (198,931)	\$ 63,896	\$ 8,790	\$ 329,725
Income (Loss) Before Transfers	\$ 392,543	\$ 1,864,669	\$ 666,310	\$ 405,857	\$ 95,126	\$ 3,424,505
Transfers in	-	4,534,175	163,269	-	-	4,697,444
Transfers out	(431,307)	(792,409)	(37,753)	(28,423)	-	(1,289,892)
Change in Net Position	\$ (38,764)	\$ 5,606,435	\$ 791,826	\$ 377,434	\$ 95,126	\$ 6,832,057
Net Position - January 1	1,447,636	1,587,227	5,120,841	3,749,303	2,213,283	14,118,290
Net Position - December 31	\$ 1,408,872	\$ 7,193,662	\$ 5,912,667	\$ 4,126,737	\$ 2,308,409	\$ 20,950,347

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Liquor Dispensary</u>	<u>Electric Enterprise</u>	<u>Water Enterprise</u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,876,212	\$ 15,573,776	\$ 2,830,740
Payments to employees	(516,794)	(1,597,261)	(508,202)
Payments to suppliers	(3,979,657)	(12,293,471)	(979,752)
Net cash provided by (used in) operating activities	<u>\$ 379,761</u>	<u>\$ 1,683,044</u>	<u>\$ 1,342,786</u>
Cash Flows from Noncapital and Related Financing Activities			
Miscellaneous	\$ 9,554	\$ 472,309	\$ 42,589
Cash Flows from Capital and Related Financing Activities			
Special assessments received	\$ -	\$ -	\$ -
Transfers from other funds	-	-	163,269
Transfers to other funds	(431,307)	(792,409)	(37,753)
Purchase of capital assets	(35,425)	156,329	-
Principal paid on debt	-	(270,000)	(630,200)
Interest paid on debt	-	(242,013)	(319,117)
Net cash provided by (used in) capital and related financing activities	<u>\$ (466,732)</u>	<u>\$ (1,148,093)</u>	<u>\$ (823,801)</u>
Cash Flows from Investing Activities			
Investment earnings received	\$ 39,894	\$ 72,291	\$ 67,597
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (37,523)</u>	<u>\$ 1,079,551</u>	<u>\$ 629,171</u>
Cash and Cash Equivalents at January 1	<u>1,073,225</u>	<u>1,851,732</u>	<u>1,916,701</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 1,035,702</u></u>	<u><u>\$ 2,931,283</u></u>	<u><u>\$ 2,545,872</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 343,095	\$ 1,562,082	\$ 865,241
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 23,321	\$ 144,145	\$ 416,048
Decrease (increase) in assets			
Accounts receivable	652	161,817	2,528
Inventory	(66,354)	(281,588)	722
Increase (decrease) in liabilities			
Accounts payable	60,222	35,854	4,976
Salaries payable	(166)	(1,797)	(1,560)
Due to other governments	15,894	17,016	2,386
Compensated absences payable	4,240	9,687	8,030
Customer deposits payable	-	13,185	-
Other post employment benefit obligation	(5,900)	(22,900)	(4,300)
Net pension liability	4,757	45,543	48,715
Total adjustments	<u>\$ 36,666</u>	<u>\$ 120,962</u>	<u>\$ 477,545</u>
Net cash provided by (used in) operating activities	<u><u>\$ 379,761</u></u>	<u><u>\$ 1,683,044</u></u>	<u><u>\$ 1,342,786</u></u>

EXHIBIT 9

Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total
\$ 1,073,246	\$ 248,842	\$ 24,602,816
(337,500)	(22,757)	(2,982,514)
(220,612)	(46,272)	(17,519,764)
\$ 515,134	\$ 179,813	\$ 4,100,538
\$ 44,432	\$ -	\$ 568,884
\$ 4,457	\$ -	\$ 4,457
-	-	163,269
(28,423)	-	(1,289,892)
-	-	120,904
(84,098)	-	(984,298)
(21,132)	-	(582,262)
\$ (129,196)	\$ -	\$ (2,567,822)
\$ 36,139	\$ 8,790	\$ 224,711
\$ 466,509	\$ 188,603	\$ 2,326,311
912,719	156,753	5,911,130
\$ 1,379,228	\$ 345,356	\$ 8,237,441
\$ 341,961	\$ 86,336	\$ 3,198,715
\$ 189,450	\$ 96,333	\$ 869,297
(16,394)	(2,381)	146,222
-	-	(347,220)
722	(736)	101,038
742	180	(2,601)
115	81	35,492
(11,213)	-	10,744
-	-	13,185
(4,600)	-	(37,700)
14,351	-	113,366
\$ 173,173	\$ 93,477	\$ 901,823
\$ 515,134	\$ 179,813	\$ 4,100,538

**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, 2019**

Assets

Cash and pooled investments	\$	40,589
Accrued interest receivable		31
Prepaid benefits		<u>957</u>
Total Assets	\$	<u>41,577</u>

Net Position

Amounts held in trust for pool participants	<u>\$</u>	<u>41,577</u>
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**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Additions</u>		
Contributions	\$	9,613
Investment earnings		887
Total Additions	\$	10,500
<u>Deductions</u>		
Benefit payments		11,100
Administrative expenses		1,217
Total Additions	\$	12,317
Change in net position	\$	(1,817)
Net Position--January 1		43,394
Net Position--December 31	\$	41,577

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

The City participates in joint ventures as described in Note X.

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

The 2019 Street and Utilities Capital Projects Fund accounts for and reports all financial resources of planned street and utility projects.

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 off-sale liquor.

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

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

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the City reports the Storm Water Enterprise Fund as a nonmajor fund to account for and report on the operations of the storm water service system. Financing is provided by charges to residents for services.

The City also reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

I. Summary of Significant Accounting Policies (Continued)

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of the funds are invested by the City for the purpose of increasing earning through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. Investment earnings are allocated to the funds with deposits. Pooled investment earnings were \$293,265. Total investment earnings for 2019 were \$361,851.

3. Investments

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

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

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

Concentration – The City's investment policy limits investments in any one issuer to not more than five percent unless the City Administrator 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, 2019, 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, 2019, the annual money-weighted rate of return on City investments, net of investment expense, was 2.16 percent.

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

I. Summary of Significant Accounting Policies

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

4. Fiscal Agent

The City Council has authorized the Northwest Minnesota Multi-City Housing and Redevelopment Authority to administer the Small Cities Community Development Block Grant Program projects. The cash with fiscal agent held by the Northwest Minnesota Multi-City Housing and Redevelopment Authority on behalf of the City had a balance of \$91,101 as of December 31, 2019.

5. Receivables and Payables

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

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2000 through 2019, and deferred special assessments collectible in 2020 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectable amount.

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

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

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

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

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

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

I. Summary of Significant Accounting Policies

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

6. Inventory

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

7. Capital Assets

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

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

I. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

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

9. Compensated Absences

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

10. Other Postemployment Benefits (OPEB)

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at December 31, 2018. The General Fund, Liquor, Electric, Water, and Wastewater Enterprise Funds are typically used to liquidate governmental other postemployment benefits payable.

11. Long-Term Obligations

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

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

I. Summary of Significant Accounting Policies

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

11. Long-Term Obligations (Continued)

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

12. Pensions

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

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

13. Net Position and Fund Balance

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

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

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

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

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

I. Summary of Significant Accounting Policies

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

13. Net Position and Fund Balance (Continued)

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

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

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

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

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

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, 2019.

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

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

I. Summary of Significant Accounting Policies

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

14. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

The following nonmajor funds had deficit unassigned fund balances as of December 31, 2019:

TIF District 1-12 Special Revenue Fund	\$ 376
TIF District 1-13 Special Revenue Fund	\$ 352
2015 Street and Utilities Capital Projects Fund	\$ 20,327
2019 Westside Diversion Capital Projects Fund	\$ 5,769

These deficits will be eliminated with future collections.

B. Tax Abatement Programs

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

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

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

The City share of abatement in 2019 was \$12,614, for a total of \$32,685 paid to date.

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, 2019, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 9,635,487
Cash with fiscal agent	91,101
Business-type Activities	
Cash and pooled investments	8,237,441
Fiduciary Activities	
Cash and pooled investments	40,589
Total Cash and Investments	<u>\$ 18,004,618</u>
Petty cash and change funds	\$ 9,980
Cash with fiscal agent	91,101
Checking	1,153,833
Certificates of deposit	100,000
Negotiable certificates of deposit	9,136,947
Money market funds	7,512,757
Total deposits and cash on hand	<u>\$ 18,004,618</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, 2019, 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, 2019, the City had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Money Market Funds	\$ 10,475,597	\$ 10,475,597	\$ -	\$ -
Negotiable Certificates of Deposit	6,174,107	2,222,315	3,951,792	-
Total Investments	<u>\$ 16,649,704</u>	<u>\$ 12,697,912</u>	<u>\$ 3,951,792</u>	<u>\$ -</u>
	100%	76%	24%	0%

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill the obligations to the holder of the investment. This is measured by the assignment of a rating from a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute. The City's investments did not have exposure to credit risk as of December 31, 2019.

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. It is the City's policy to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Some brokers have excess SIPC coverage which may mitigate all or part of custodial credit risk. \$9,475,466 (56.91 percent of total investments) of the City's money market investments may be exposed to custodial credit risk as of December 31, 2019.

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. The City's policy limits investments in any one issuer to not more than five percent unless the City Administrator has received prior approval, or the increase is a result of market price increase.

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

<u>Issuer</u>	<u>Reported Amount</u>	
Negotiable Certificates of Deposit	\$ 6,174,107	37%
Money Market Funds	10,475,597	63%
Total:	<u>\$ 16,649,704</u>	

Fair Value Hierarchy

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

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

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fair Value Hierarchy (Continued)

		<u>Fair Value Measurements Using</u>	
		<u>Quotes Prices</u>	<u>Significant</u>
		<u>in Active</u>	<u>Other</u>
		<u>Markets for</u>	<u>Observable</u>
		<u>Identical</u>	<u>Inputs</u>
	<u>December 31,</u>	<u>Assets</u>	<u>(Level 2)</u>
	<u>2019</u>	<u>(Level 1)</u>	
Investments by fair value level			
Negotiable Certificates of Deposits	\$ 6,174,107	\$ -	\$ 6,174,107
Money Market Funds	<u>10,475,597</u>	<u>10,475,597</u>	<u>-</u>
Total Investments	<u>\$ 16,649,704</u>	<u>\$ 10,475,597</u>	<u>\$ 6,174,107</u>

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

2. Receivables

Receivables as of December 31, 2019, 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	\$ 144,237	\$ -
Special assessments	2,632,237	2,566,521
Accounts	200,771	-
Accrued interest	6,938	-
Loans	830,574	734,327
Due from other governments	<u>3,125,579</u>	<u>-</u>
Total Governmental Activities	<u>\$ 6,940,336</u>	<u>\$ 3,300,848</u>
Business-Type Activities		
Special assessments	\$ 80,222	\$ 80,222
Accounts	1,963,839	-
Accrued interest	<u>7,834</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 2,051,895</u>	<u>\$ 80,222</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, 2019, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 784,917	\$ -	\$ -	\$ 784,917
Construction in progress	8,166,831	6,714,114	6,559,041	8,321,904
Total capital assets not depreciated	\$ 8,951,748	\$ 6,714,114	\$ 6,559,041	\$ 9,106,821
Capital assets being depreciated				
Infrastructure	\$ 24,197,985	\$ 996,000	\$ -	\$ 25,193,985
Buildings	20,193,182	-	480,628	19,712,554
Machinery and equipment	5,154,370	252,069	178,098	5,228,341
Total capital assets being depreciated	\$ 49,545,537	\$ 1,248,069	\$ 658,726	\$ 50,134,880
Less: accumulated depreciation for				
Infrastructure	\$ 8,912,763	\$ 793,776	\$ 1,881,955	\$ 7,824,584
Buildings	8,005,879	508,476	61,701	8,452,654
Machinery and equipment	3,394,147	572,473	243,780	3,722,840
Total accumulated depreciation	\$ 20,312,789	\$ 1,874,725	\$ 2,187,436	\$ 20,000,078
Total capital assets, depreciated, net	\$ 29,232,748	\$ (626,656)	\$ (1,528,710)	\$ 30,134,802
Governmental Activities Capital Assets, Net	<u>\$ 38,184,496</u>	<u>\$ 6,087,458</u>	<u>\$ 5,030,331</u>	<u>\$ 39,241,623</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 421,613	\$ -	\$ -	\$ 421,613
Construction in progress	41,216	1,481,714	-	1,522,930
Total capital assets not depreciated	\$ 462,829	\$ 1,481,714	\$ -	\$ 1,944,543
Capital assets being depreciated				
Buildings	\$ 6,951,535	\$ 4,597,318	\$ 5,376	\$ 11,543,477
Infrastructure	45,547,021	689,110	-	46,236,131
Machinery and equipment	4,444,767	-	69,103	4,375,664
Total capital assets being depreciated	\$ 56,943,323	\$ 5,286,428	\$ 74,479	\$ 62,155,272
Less: accumulated depreciation for				
Buildings	\$ 4,005,715	\$ 145,678	\$ 5,376	\$ 4,146,017
Infrastructure	24,898,219	824,436	-	25,722,655
Machinery and equipment	3,281,377	159,701	69,103	3,371,975
Total accumulated depreciation	\$ 32,185,311	\$ 1,129,815	\$ 74,479	\$ 33,240,647
Total capital assets, depreciated, net	\$ 24,758,012	\$ 4,156,613	\$ -	\$ 28,914,625
Business-Type Activities Capital Assets, Net	<u>\$ 25,220,841</u>	<u>\$ 5,638,327</u>	<u>\$ -</u>	<u>\$ 30,859,168</u>

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

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

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

Governmental Activities		
General government	\$	662,670
Public safety		172,179
Highways and streets		169,592
Sanitation		46,717
Culture and recreation		823,567
		<hr/>
Total Depreciation Expense - Governmental Activities	\$	<u>1,874,725</u>
Business-Type Activities		
Liquor	\$	29,327
Electric		398,659
Water		416,046
Wastewater		189,450
Storm water		96,333
		<hr/>
Total Depreciation Expense - Business-Type Activities	\$	<u>1,129,815</u>

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of due to/from other funds as of December 31, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	TIF District 1-12 Special Revenue Fund	\$ 376	Cash deficit
	TIF District 1-13 Special Revenue Fund	352	Cash deficit
	2019 Westside Diversion Capital Projects Fund	6,000	Close fund
	2015 Street and Utilities Project Capital Projects Fund	20,000	Project operating
	2019 Street and Utilities Project Capital Projects Fund	1,810,000	Project operating
	2018 Street and Utilities Project Capital Projects Fund	76,000	Project operating
	Waste Water Enterprise Fund	<u>819,000</u>	Project operating
Total Due To/From Other Funds		<u>\$ 2,731,728</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, 2019, consisted of the following operating transfers:

To Greenwood Cemetery Special Revenue Fund from General Fund	\$ 50,000	Operating transfer
To TIF District 1-1 Special Revenue Fund from General Fund	3,872	Admin reimbursement
To TIF District 1-4 Special Revenue Fund from General Fund	7,668	Admin reimbursement
To TIF District 1-6 Special Revenue Fund from General Fund	472	Admin reimbursement
To General Fund from Electric Enterprise Fund	217,409	Admin reimbursement
	<u>575,000</u>	Operating transfer
	792,409	
To General Fund from Liquor Enterprise Fund	72,228	Admin reimbursement
	<u>359,079</u>	Operating transfer
	431,307	
To General Fund from Water Enterprise Fund	31,503	Admin reimbursement
	<u>6,250</u>	Operating transfer
	37,753	
To General Fund from Wastewater Enterprise Fund	22,173	Admin reimbursement
	<u>6,250</u>	Operating transfer
	28,423	
To General Fund from TIF District 1-5 Special Revenue Fund	3,931	Admin reimbursement
To General Fund from 2018 Maintenance Facility Capital Projects Fund	62	Close fund
To Electric Enterprise Fund from 2018 Maintenance Facility Capital Projects Fund	135,551	Close fund
To Electric Enterprise Fund from Government-Wide Governmental Funds	4,398,624	Capital outlay transfer
To Water Enterprise Fund from Government-Wide Governmental Funds	<u>163,269</u>	Capital outlay transfer
Total Interfund Transfers	<u>\$ 6,053,341</u>	

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

III. Detailed Notes on All Funds (Continued)

C. Liabilities

Construction Commitments

The City has six active construction projects in the amount of \$9,837,560 with a remaining commitment of \$1,936,651.

Long-Term Debt

Governmental Activities

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 \$60,000 and \$65,000 through February 1, 2024. The balance due on these bonds at December 31, 2019, is \$315,000.

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 \$70,000 and \$80,000 through February 1, 2025. The balance due on these bonds at December 31, 2019, is \$440,000.

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 \$35,000 and \$45,000 through February 1, 2029. The balance due on these bonds at December 31, 2019, is \$400,000.

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 \$90,000 and \$110,000 through February 1, 2029. The balance due on these bonds at December 31, 2019, is \$975,000.

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 \$55,000 and \$65,000 through February 4, 2027. The balance due on these bonds at December 31, 2019, is \$470,000.

**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 \$65,000 and \$75,000 through February 1, 2028. The balance due on these bonds at December 31, 2019 is \$610,000.

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 \$80,000 to \$95,000 through February 1, 2029. The balance due on these bonds at December 31, 2019 is \$860,000.

City of Thief River Falls General Obligation Bonds, Series 2017B represent debt incurred for a street and water project. The street project portion of these bonds have an original issue amount of \$1,295,000, carry a net interest rate of 2.335 percent and are due in annual payments from the 2017 Improvement Bonds Debt Service Fund of \$90,000 to \$130,000 through February 1, 2030. The balance due on these bonds at December 31, 2019 is \$1,210,000.

City of Thief River Falls General Obligation Bonds, Series 2018A represent debt incurred for arena equipment. The arena portion of these bonds have an original issue amount of \$1,155,000, carry a net interest rate of 3.00 percent, and are due in annual payments from the 2018 Arena Project Capital Projects Fund of \$110,000 to \$145,000 through February 1, 2028. The balance due on these bonds at December 31, 2019 is \$1,155,000.

City of Thief River Falls General Obligation Bonds, Series 2018B, represent debt incurred for street and water projects. The street portion of these bonds have an original issue amount of \$1,800,000, carry a net interest rate of 3.00 to 3.25 percent, and are due in annual payments from the 2018 Street and Utility Capital Projects Fund of \$120,000 to \$175,000 through February 1, 2031. The balance due on these bonds at December 31, 2019 is \$1,800,000.

City of Thief River Falls General Obligation Bonds, Series 2019A, represent debt incurred for street and water project projects. The street portion of these bonds have an original issue amount of \$1,705,000, carry a net interest rate of 2.0 percent to 2.3 percent, and are due in annual payments from the 2019 Improvement Bond Debt Service Fund of \$120,000 to \$160,000 through February 1, 2032. The balance due on these bonds at December 31, 2019 is \$1,705,000.

**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 Bonds, Series 2019A, represent debt incurred for new financial software purchased and expected to be placed in service before the end of the year 2020. These bonds have an original issue amount of \$280,000, carry a net interest rate of 1.9 percent to 2.0 percent, and are due in annual payments from the 2019 Improvement Bonds Software Debt Service Fund of \$25,000 to \$35,000 through February 1, 2029. The balance due on these bonds at December 31, 2019 is \$280,000.

Business-Type Activities

City of Thief River Falls Minnesota Public Facilities Authority of 1998 represents 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 \$59,298 through July 1, 2019. The balance of \$59,298 was paid in 2019, and now carries a zero balance.

City of Thief River Falls General Obligation Water Revenue Bonds of 2009 represent debt incurred for water system improvements. These bonds have an original issue amount of \$640,000. They carry a net interest rate of 1.65 to 4.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$30,000 and \$45,000 through February 1, 2030. The balance due on these bonds at December 31, 2019, is \$405,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2010 represent debt incurred for water system improvements. These bonds have an original issue amount of \$3,510,000. They carry a net interest rate of 2.0 to 3.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$340,000 and \$345,000 through January 1, 2023. The balance due on these bonds at December 31, 2019, is \$1,030,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2011 represent debt incurred for water system improvements. These bonds have an original issue amount of \$210,000. They carry a net interest rate of .65 to 3.2 percent and are due in annual principal payments from the Water Enterprise Fund of \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2019, is \$120,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2012 represent debt incurred for water system improvements. These bonds have an original issue amount of \$470,000. They carry a net interest rate of .50 to 2.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$30,000 and \$35,000 through February 1, 2028. The balance due on these bonds at December 31, 2019, is \$290,000.

**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 2013 represent debt incurred for water system improvements. These bonds have an original issue amount of \$1,235,000. They carry a net interest rate of 2 to 2.95 percent and are due in annual principal payments from the Water Enterprise Fund of between \$80,000 and \$100,000 through February 1, 2029. The balance due on these bonds at December 31, 2019, is \$870,000.

City of Thief River Falls General Obligation Sewer Improvement Bonds of 2014 represent debt incurred for wastewater system improvements. These bonds have an original issue amount of \$125,000. They carry a net interest rate of 1.25 to 3.00 percent and are due in annual principal payments from the Wastewater Enterprise Fund of between \$10,000 and \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2019, is \$85,000.

City of Thief River Falls General Obligation Equipment Certificates of 2014 represent debt incurred for utility system improvements. These bonds have an original issue amount of \$1,615,000, and are split between the Water and Electric Enterprise Funds. They carry a net interest rate of 2 to 2.250 percent and are due in annual principal payments from the Water and Electric Enterprise Funds of between \$72,000 and \$117,000 through February 1, 2024. The balance due on these bonds at December 31, 2019 is \$376,000 from the Water Enterprise Fund and \$564,000 from the Electric Enterprise Fund, with the total balance due of \$940,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2015 represent debt incurred for water system improvements. These bonds have an original issue amount of \$610,000. They carry a net interest rate of .8 to 3 percent and are due in annual principal payments from the Water Enterprise Fund of between \$40,000 and \$45,000 through February 1, 2031. The balance due on these bonds at December 31, 2019 is \$505,000.

City of Thief River Falls General Obligation Bonds of 2016 represent debt incurred for a street, wastewater and water project. The wastewater and water project portion of these bonds have an original issue amount of \$680,000, carry a net interest rate of 1.658 percent, and are due in annual payments from the Wastewater and Water Enterprise Funds of \$14,800 to \$34,650 through February 1, 2032. The balance due on these bonds at December 31, 2019 is \$381,150 from the Water Enterprise Fund, and \$223,850 from the Wastewater Enterprise Fund, with the total balance due of \$605,000.

City of Thief River Falls General Obligation Water Revenue Bonds, Series 2017A represent debt incurred for a water project. These bonds have an original issue amount of \$5,525,000, carry a net interest rate of 3.11 percent, and are due in annual payments from the Water Enterprise Fund of \$25,000 to \$365,000 through February 1, 2042. The balance due on these bonds at December 31, 2019 is \$5,500,000.

**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 Bonds, Series 2017B represent debt incurred for a street and water project. The water portion of these bonds have an original issue amount of \$180,000, carry a net interest rate of 2.298 percent and are due in annual payments from the Water Enterprise Fund of \$15,000 through February 1, 2030. The balance due on these bonds at December 31, 2019 is \$165,000.

City of Thief River Falls General Obligation Bonds, Series 2018B, represent debt incurred for water and wastewater system improvements. These bonds have an original issue amount of \$1,055,000, and are split between the Water and Wastewater Enterprise Funds. They carry a net interest rate of 3 to 3.5 percent and are due in annual principal payments from the Water Enterprise Fund of between \$26,000 and \$44,200 and Wastewater Enterprise Fund of between \$24,000 and \$40,800 through February 1, 2034. The balance due on these bonds at December 31, 2019, is \$548,600 from the Water Enterprise Fund and \$506,400 from the Wastewater Enterprise Fund, with the total balance due of \$1,055,000.

City of Thief River Falls General Obligation Bonds, Series 2018A represent debt incurred for a electric improvements. These bonds have an original issue amount of \$3,870,000, carry a net interest rate of 3 to 4 percent, and are due in annual payments from the Electric Enterprise Fund of \$145,000 to \$265,000 through February 1, 2038. The balance due on these bonds at December 31, 2019 is \$3,705,000.

City of Thief River Falls General Obligation Water Revenue Bonds, Series 2019A, represent debt incurred for a water project. These bonds have an original issue amount of \$617,700, carry a net interest rate of 2.00 to 2.45 percent, and are due in annual payments from the Water Enterprise Fund of \$30,450 to \$47,850 through February 1, 2035. The balance due on these bonds at December 31, 2019 is \$617,700.

City of Thief River Falls General Obligation Wastewater Revenue Bonds, Series 2019B, represent debt incurred for a wastewater project. The wastewater project portion of these bonds have an original issue amount of \$92,300, carry a net interest rate of 2.0 to 2.45 percent, and are due in annual payments from the Wastewater Enterprise Fund of \$4,550 to \$7,150 through February 1, 2045. The balance due on these bonds at December 31, 2019 is \$92,300.

**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, 2019, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 775,000	\$ 248,814	\$ 1,000,000	\$ 473,262
2021	945,000	237,151	1,055,000	450,230
2022	975,000	213,794	1,075,000	422,146
2023	1,015,000	188,389	770,000	395,149
2024	1,030,000	161,535	955,000	369,183
2025-2029	4,540,000	419,261	4,055,000	1,489,331
2030-2034	940,000	29,185	3,385,000	911,297
2035-2039	-	-	2,630,000	392,108
2040-2044	-	-	1,060,000	54,740
Total	<u>\$ 10,220,000</u>	<u>\$ 1,498,129</u>	<u>\$ 15,985,000</u>	<u>\$ 4,957,446</u>

Changes in Long Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Improvement Bonds	\$ 8,760,000	\$ 1,985,000	\$ 525,000	\$ 10,220,000	\$ 775,000
Compensated Absences	931,752	403,591	428,811	906,532	737,019
OPEB	1,056,300	-	162,300	894,000	-
Net Pension Liability	<u>2,921,479</u>	<u>77,427</u>	<u>-</u>	<u>2,998,906</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 13,669,531</u>	<u>\$ 2,466,018</u>	<u>\$ 1,116,111</u>	<u>\$ 15,019,438</u>	<u>\$ 1,512,019</u>

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

III. Detailed Notes on All Funds

C. Liabilities

Changes in Long Term Liabilities (Continued)

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Revenue Bonds	\$ 16,200,000	\$ 710,000	\$ 925,000	\$ 15,985,000	\$ 1,000,000
MPFA Loans	59,298	-	59,298	-	-
Compensated Absences	430,490	208,645	185,049	454,086	353,303
OPEB	244,900	-	37,700	207,200	-
Net Pension Liability	1,927,844	-	61,993	1,865,851	-
Business-Type Activities					
Long-Term Liabilities	<u>\$ 18,862,532</u>	<u>\$ 918,645</u>	<u>\$ 1,269,040</u>	<u>\$ 18,512,137</u>	<u>\$ 1,353,303</u>

D. Deferred Inflows of Resources

Deferred inflows of resources in the governmental funds consist of taxes, special assessments, and loans receivable, not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2019, are summarized below by fund:

	Taxes	Special Assessments	Loans Receivable	Total
Governmental funds				
General	\$ 60,076	\$ 9,441	\$ 490,046	\$ 559,563
Debt Service	11,301	2,574,286	-	2,585,587
Total	<u>\$ 71,377</u>	<u>\$ 2,583,727</u>	<u>\$ 490,046</u>	<u>\$ 3,145,150</u>

IV. Other Post-Employment Benefits – (OPEB)

A. Plan Description

The City of Thief River Falls provides a single-employer defined benefit healthcare plan to eligible retirees and their dependents. The plan offers medical insurance benefits. The City provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

IV. Other Post-Employment Benefits – (OPEB)

A. Plan Description (Continued)

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 December 31, 2018 actuarial valuation, there were 120 participants in the plan including 32 retirees.

B. Total OPEB Liability

The City's total OPEB liability of \$1,101,228 was determined by an actuarial valuation. The City has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current year. The valuation, measurement and reporting dates are:

Valuation date (census)	December 31, 2018
Measurement date (assets and liabilities)	December 31, 2018
Reporting date (fiscal year end)	December 31, 2019

Liabilities are based on the Entry Age Normal level percent of pay cost method. In this method, the actuarial Present Value of Benefits (PVB) for each individual is allocated as a level percent of pay from entry age (hire age, for most employees) to age at which retirement rates become 100 percent.

The total OPEB liability in the fiscal year-end December 31, 2019 actuarial valuation was determined using the following significant assumptions used to measure the total OPEB liability:

Discount rate	3.71%
20-Year Municipal Bond Yield	3.71%
Expected return on plan assets	N/A
Inflation Rate	2.50%
Healthcare Cost Trend Rate	6.40% as of January 1, 2019, gradually decreasing to 4.00% in FY2075

The current year discount rate is 3.71 percent, which is a change from the prior year rate of 3.31 percent. For the current valuation, the discount rate was selected from a range of the 20-year municipal bond yield. The municipal bond rate of assumption of 3.71 percent was set by considering published rate information for 20-year high quality, tax exempt, general obligation municipal bonds as of the measurement date.

Mortality rates are based on RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

Health care cost trend rates are 6.40 percent for FY2019, gradually decreasing over several decades to an ultimate rate of 4.00 percent in FY 2075 and later years. In addition, the medical trend rates were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.39 percent beginning calendar year 2029 for plans other than Medicare plans.

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

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

C. Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2018	\$ 1,301,183	-	\$ 1,301,183
Changes for the year:			
Service cost	98,825	-	98,825
Interest cost	44,994	-	44,994
Differences between expected and actual experience	(195,745)	-	(195,745)
Changes of benefit terms	(66,718)	-	(66,718)
Employer contributions	-	81,311	(81,311)
Benefit payments	(81,311)	(81,311)	-
Net change in Total OPEB Liability	(199,955)	-	(199,955)
Total OPEB Liability at December 31, 2019	<u>\$ 1,101,228</u>	<u>\$ -</u>	<u>\$ 1,101,228</u>

D. OPEB Liability Sensitivity

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

Sensitivity Analysis		
OPEB Liability (Asset) at Different		
Discount Rates		
OPEB Sensitivity		
1% Lower	2.71%	\$ 1,178,283
Current Discount Rate	3.71%	\$ 1,101,228
1% Higher	4.71%	\$ 1,028,680

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

OPEB Trend Rates	
OPEB Liability (Asset) at Healthcare Trend Rates	
1% Lower	\$ 1,001,832
Current Discount Rate	\$ 1,101,228
1% Higher	\$ 1,216,616

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

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

E. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the City recognized OPEB expense of \$115,860.

At December 31, 2019, the City of Thief River Falls reported its proportionate share of OPEB's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 170,778
Change of assumptions	32,228	58,208
Net difference between projected and actual investment earnings	-	-
Contributions between measurement date and reporting date	TBD	N/A
Total	<u>\$ 32,228</u>	<u>\$ 228,986</u>

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

Year ended December 31:	Future Recognition
2020	\$ (27,959)
2021	\$ (27,959)
2022	\$ (27,959)
2023	\$ (27,959)
2024	\$ (27,959)
Thereafter	\$ (56,963)

F. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.

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

IV. Other Post-Employment Benefits – (OPEB)

F. Changes in Actuarial Assumptions and Plan Provisions (Continued)

- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

There were no changes to plan provisions as of December 31, 2019.

V. Defined Benefit Pension Plans

A. Plan Descriptions

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

1. General Employees Retirement Plan

Eligible full-time and certain part-time employees of the City of Thief River Falls are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund

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

B. Benefits Provided

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

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

V. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

V. Defined Benefit Pension Plans (Continued)

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2019. The City of Thief River Falls was required to contribute 7.50 percent for Coordinated Plan members. The City of Thief River Falls's contributions to the General Employees Fund for the year ended December 31, 2019, were \$308,986. 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

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City of Thief River Falls's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$291,983. The City of Thief River Falls's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City of Thief River Falls reported a liability of \$3,162,460 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$98,329. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The City of Thief River Falls's proportionate share of the net pension liability was based on the City of Thief River Falls's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019. At June 30, 2019, the City of Thief River Falls's proportionate share was .0572 percent which was a decrease of .0017 percent from its proportion measured as of June 30, 2018.

Proportionate share of the net pension liability	\$	3,162,460
State of Minnesota's proportionate share of the net pension liability associated with the City of Thief River Falls		<u>98,329</u>
Total	\$	<u>3,260,789</u>

There were no provision changes during the measurement period.

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

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2019, the City of Thief River Falls recognized pension expense of \$255,790 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Thief River Falls recognized an additional \$7,364 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, 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	\$ 91,225	\$ -
Changes in actuarial assumptions	-	261,467
Net collective difference between projected and actual investment earnings	-	332,439
Changes in proportion	-	220,725
Contributions paid to PERA subsequent to the measurement date	154,847	-
Total	<u>\$ 246,072</u>	<u>\$ 814,631</u>

\$154,847 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, 2020. 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:
2020	\$ (292,247)
2021	\$ (347,400)
2022	\$ (88,856)
2023	\$ 5,097
2024	\$ -

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

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2019, The City of Thief River Falls reported a liability of \$1,702,297 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Thief River Falls's proportionate share of the net pension liability was based on the City of Thief River Falls's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2019, the City of Thief River Falls's proportionate share was .001599 percent which was an increase of .0115 percent from its proportionate share measured as of June 30, 2018. The City of Thief River Falls also recognized \$21,586 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota begin contribution \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

There were no provision changes during the measurement period.

For the year ended December 31, 2019, the City of Thief River Falls recognized pension expense of \$304,217 for its proportionate share of the Police and Fire Plan's pension expense.

As of December 31, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 68,768	\$ 244,683
Changes in actuarial assumptions	1,334,009	1,794,016
Net collective difference between projected and actual investment earnings	-	327,844
Changes in proportion	103,948	34,467
Contributions paid to PERA subsequent to the measurement date	149,641	-
Total	<u>\$ 1,656,366</u>	<u>\$ 2,401,010</u>

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

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$149,641 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, 2020. 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:
2020	\$ (78,884)
2021	\$ (200,184)
2022	\$ (612,014)
2023	\$ (3,203)
2024	\$ -

Total Pension Expense

The total pension expense for all plans recognized by the City of Thief River Falls for the year ended December 31, 2019, was \$560,007.

E. Actuarial Assumptions

Public Employees Retirement Association

The total pension liability in the June 30, 2019, actuarial valuation determined using an individual entry-age normal actuarial cost method and 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 for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the result of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

V. Defined Benefit Pension Plans

E. Actuarial Assumptions

Public Employees Retirement Association (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2019:

1. General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2. Police and Fire Fund

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

V. Defined Benefit Pension Plans (Continued)

F. Discount Rate

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

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current 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.

G. Pension Liability Sensitivity

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

Sensitivity Analysis				Sensitivity Analysis			
Net Pension Liability (Asset) at Different				Net Pension Liability (Asset) at Different			
Discount Rates				Discount Rates			
General Employees Fund				Police and Fire Fund			
1% Lower	6.50%	\$	5,198,914	1% Lower	6.50%	\$	3,720,905
Current Discount Rate	7.50%	\$	3,162,460	Current Discount Rate	7.50%	\$	1,702,297
1% Higher	8.50%	\$	1,480,962	1% Higher	8.50%	\$	33

H. Pension Plan Fiduciary Net Position

1. General Employees Fund and Police and Fire Fund

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

VI. Defined Benefit Pension Plan – Firefighters Relief Association

A. Plan Description

Firefighters of the City of Thief River Falls are members of the Thief River Falls Firefighters 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, 2019, membership includes 25 active participants and 0 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**

VI. Defined Benefit Pension Plan – Firefighters 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.

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.

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.

Lump Sum Pension: Each member who is at least 50 years of age, or has has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension. The current lump sum pension is based on \$3,000 per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000.

If a member is both age 50 and has completed 10 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

Deferred Lump Sum Pension: The deferred lump sum pension payable at age 50 is based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service. For members that terminate with at least 20 years of service, money will be set aside in an individual account and will earn interest based on how the money is invested. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

Disability Lump Sum Pension: The disability pension payable immediately is based on the lump sum pension formula and service at date of disability without regard to vesting.

Survivor Benefit: Years of service times the lump sum rate in effect at the time of death without regard to vesting, payable to named beneficiary plus a Supplemental Survivor Benefit in the amount of 20% of the total benefit paid, but not more than \$2,000.

There were no changes to plan provisions since the prior valuation.

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

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

VI. Defined Benefit Pension Plan – Firefighters Relief Association

C. Contributions (Continued)

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

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

The Plan is funded in part by Fire State Aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$73,045 in Fire State Aid paid by the City to the Relief Association for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2019, there was no statutorily-required City contribution to the plan.

The plan's funded status increased from 129.5% to 148.7% since the prior valuation. This change is primarily due to investment returns being greater than expected.

D. Pension Costs

At December 31, 2019, the City reported an asset of \$386,332 for the Association's net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability 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 \$41,736 for the year ended December 31, 2019. As December 31, 2019, the City reported deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 37,352
Change of assumptions	4,142	6,227
Net difference between projected and actual investment earnings	-	18,406
Total	\$ 4,142	\$ 61,985

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:
2020	\$ (6,604)
2021	(9,048)
2022	(4,270)
2023	(24,004)
2024	(5,635)
Thereafter	(8,282)

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

VI. Defined Benefit Pension Plan – Firefighters Relief Association (Continued)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date (census)	December 31, 2018
Measurement date (assets and liabilities)	December 31, 2019
Measurement period	January 1, 2019 to December 31, 2019
Reporting date (Fire Relief)	December 31, 2019
Reporting date (City)	December 31, 2019
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	2.50%

Changes in Actuarial Assumptions

Changes in actuarial assumptions since the prior valuation include:

- The mortality and withdrawal assumptions were updated from rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.50%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.5%). All results are then rounded to the nearest quarter percentage point.

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 the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-term Expected Real Rate of Return	Long-term Expected Nominal Rate of Return
Domestic equity	28.18%	4.76%	7.26%
International equity	8.47%	5.41%	7.91%
Fixed income	49.34%	2.01%	4.51%
Real estate and alternatives	0.16%	4.53%	7.03%
Cash and equivalents	13.85%	0.74%	3.24%
Total	100.00%		5.75%
Reduced for assumed investment expense			-1.00%
Net assumed investment return (weighted avg, rounded to 1/4%)			4.75%

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

VI. Defined Benefit Pension Plan – Firefighters Relief Association (Continued)

F. Discount Rate

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

G. Pension Asset Sensitivity

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

	<u>1% Decrease (3.75%)</u>	<u>Discount Rate (4.75%)</u>	<u>1% Increase (5.75%)</u>
Proportionate share of Net Pension Asset	\$ (368,010)	\$ (386,332)	\$ (404,557)

H. Pension Plan Fiduciary Net Position

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

	Measurement Period Ending and Fiscal Year Ending	
	<u>12/31/2019</u>	<u>12/31/2018</u>
Assets		
Cash and deposits	\$ 78,697	\$ 6,871
Money market funds and interest-bearing cash	84,308	134,092
Total cash	<u>\$ 163,005</u>	<u>\$ 140,963</u>
Cash position of mutual funds	<u>\$ 191</u>	<u>\$ 1,707</u>
Receivables		
Contributions	<u>\$ 1,000</u>	<u>\$ 2,000</u>
Investments		
Domestic equity	\$ 332,135	\$ 207,989
International equity	99,833	57,719
Fixed income	581,469	623,720
Real estate and alternatives	1,865	744
Total investments	<u>\$ 1,015,302</u>	<u>\$ 890,172</u>
Total assets	<u>\$ 1,179,498</u>	<u>\$ 1,034,842</u>
Net position restricted for pensions	<u>\$ 1,179,498</u>	<u>\$ 1,034,842</u>

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

VI. Defined Benefit Pension Plan – Firefighters Relief Association

H. Pension Plan 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	
	12/31/2019	12/31/2018
Additions		
Contributions		
State aid	\$ 73,045	\$ 73,412
Investment income		
Net appreciation in fair value of investments	\$ 115,540	\$ (76,851)
Interest and dividends	29,562	27,784
Less investment expense	(10,241)	-
Net investment income	\$ 134,861	\$ (49,067)
Other additions (e.g. receivables)	50	100
Total additions	\$ 207,956	\$ 24,445
Deductions		
Benefit payments		
Lump sums	\$ (61,000)	\$ (83,750)
Administrative expense	(2,300)	(2,100)
Total deductions	\$ (63,300)	\$ (85,850)
Net increase in net pension	\$ 144,656	\$ (61,405)
Net position restricted for pensions		
Beginning of year	\$ 1,034,842	\$ 1,096,247
End of year	\$ 1,179,498	\$ 1,034,842
Investment return for the measurement year		
a. Net investment income	\$ 134,861	\$ (49,067)
b. Beginning balance	1,034,842	1,096,547
c. Time-weighted cash flows	(50,980)	(51,592)
d. Investment return: a. / (b. + c.)	13.71%	-4.70%

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

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

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

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

be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the City of Thief River Falls during fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 1,310	\$ 1,310	5%	5%	5%

VIII. City of Thief River Falls Police Relief Association

A. Plan Description

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

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

B. Funding Policy

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

IX. 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.

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

IX. Summary of Significant Contingencies and Other Items (Continued)

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.

X. Joint Ventures

A. Multi-Events Center

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

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

Phase I consisting of site improvements, a football stadium and track, a locker room – restroom – ticket sales building, track and field events areas, a baseball – softball complex, parking, and other related amenities has been completed. Phase II – IV will be designated and constructed only when private sources of funding become available. The City of Thief River Falls serves as the fiscal agent for the Joint Powers Board and the Multi-Events Center Fund is a part of these financial statements. The City of Thief River Falls appropriated \$7,500 to the Multi-Events Center for the year ended December 31, 2019.

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. The City of Thief River Falls contributed \$169,053 to the Northwest Regional Library for the year ended December 31, 2019.

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

X. Joint Ventures

B. Northwest Regional Library (Continued)

Complete financial information can be obtained from Northwest Regional Library, 210 Labree Avenue North, Thief River Falls, MN 56701.

XI. 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.

XII. 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, 2019, there were two issues outstanding with an aggregate remaining principal balance of \$4,829,077.

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, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes				
Current, Delinquent, Penalties, and Interest	\$ 1,807,824	\$ 1,807,824	\$ 1,769,573	\$ (38,251)
Franchise Fees	217,500	217,500	224,966	7,466
Lodging Tax	128,000	128,000	151,967	23,967
Total Taxes	\$ 2,153,324	\$ 2,153,324	\$ 2,146,506	\$ (6,818)
Special assessments	\$ 1,600	\$ 1,600	\$ 52,827	\$ 51,227
Licenses and permits	\$ 118,835	\$ 118,835	\$ 180,851	\$ 62,016
Intergovernmental				
Shared Revenues				
PERA Rate Reimbursement	\$ 21,320	\$ 21,320	\$ 21,318	\$ (2)
Police State Aid	130,000	130,000	174,031	44,031
Fire State Aid	75,500	75,500	73,045	(2,455)
Local Government Aid	3,061,444	3,061,444	3,061,444	-
Municipal Maintenance	195,000	195,000	176,956	(18,044)
State Grants				
Minnesota Dept of Public Safety	-	-	8,612	8,612
Minnesota POST Board	25,200	25,200	16,900	(8,300)
Federal Grants				
Dept of Justice	1,600	1,600	660	(940)
Local Grants	-	-	1,242	1,242
Total Intergovernmental	\$ 3,510,064	\$ 3,510,064	\$ 3,534,208	\$ 24,144
Charges for services				
General government	\$ 92,540	\$ 92,540	\$ 112,223	\$ 19,683
Public safety	185,850	185,850	215,817	29,967
Highways and streets	106,300	106,300	46,394	(59,906)
Culture and recreation	1,074,776	1,074,776	901,664	(173,112)
Sanitation	1,015,600	1,015,600	1,063,076	47,476
Economic development	-	-	23,835	23,835
Total Charges for Services	\$ 2,475,066	\$ 2,475,066	\$ 2,363,009	\$ (112,057)

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

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues (continued)				
Fines and forfeitures	\$ 45,000	\$ 45,000	\$ 59,734	\$ 14,734
Investment earnings	\$ 8,700	\$ 8,700	\$ 131,364	\$ 122,664
Gifts and contributions	\$ -	\$ -	\$ 24,043	\$ 24,043
Miscellaneous				
General government	\$ 15,000	\$ 15,000	\$ 160,568	\$ 145,568
Public safety	-	-	14,266	14,266
Economic development	16,000	16,000	46,062	30,062
Insurance dividends	-	-	177,977	177,977
Total Miscellaneous	\$ 31,000	\$ 31,000	\$ 398,873	\$ 367,873
Total Revenues	\$ 8,343,589	\$ 8,343,589	\$ 8,891,415	\$ 547,826
Expenditures				
Current				
General government				
Mayor/council	\$ 132,230	\$ 132,230	\$ 115,166	\$ 17,064
Administration	651,868	651,868	531,381	120,487
Professional services	16,500	16,500	47,758	(31,258)
Assessor	37,800	37,800	37,520	280
Elections	25,000	25,000	13,000	12,000
Legal	97,250	97,250	87,612	9,638
Buildings and grounds	113,882	113,882	97,843	16,039
Insurance	230,000	230,000	208,798	21,202
MIS/GIS	49,273	49,273	50,874	(1,601)
Other general government	14,350	14,350	4,296	10,054
Total general government	\$ 1,368,153	\$ 1,368,153	\$ 1,194,248	\$ 173,905
Public safety				
Police	\$ 2,241,351	\$ 2,241,351	\$ 2,395,037	\$ (153,686)
Fire	913,089	913,089	783,160	129,929
Fire relief association	71,000	71,000	74,045	(3,045)
Emergency management	2,000	2,000	2,470	(470)
Building official	189,409	189,409	167,427	21,982
Total public safety	\$ 3,416,849	\$ 3,416,849	\$ 3,422,139	\$ (5,290)
Highways and streets				
Street department	\$ 686,599	\$ 686,599	\$ 724,379	\$ (37,780)
Street lighting	176,921	176,921	184,048	(7,127)
Total highways and streets	\$ 863,520	\$ 863,520	\$ 908,427	\$ (44,907)

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

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures				
Current (continued)				
Sanitation				
Sanitation	\$ 950,751	\$ 950,751	\$ 845,765	\$ 104,986
Total sanitation	\$ 950,751	\$ 950,751	\$ 845,765	\$ 104,986
Culture and recreation				
Arena	\$ 1,427,320	\$ 1,427,320	\$ 1,252,483	\$ 174,837
Parks	765,512	765,512	628,184	137,328
Library	243,858	243,858	229,858	14,000
Senior citizen program	26,810	26,810	26,820	(10)
Total culture and recreation	\$ 2,463,500	\$ 2,463,500	\$ 2,137,345	\$ 326,155
Economic development				
Community services	\$ 354,505	\$ 354,505	\$ 344,258	\$ 10,247
Other economic development	120,000	120,000	138,916	(18,916)
Total economic development	\$ 474,505	\$ 474,505	\$ 483,174	\$ (8,669)
Total current	\$ 9,537,278	\$ 9,537,278	\$ 8,991,098	\$ 546,180
Capital outlay				
General government	\$ -	\$ -	\$ 61,020	\$ (61,020)
Public safety	\$ 76,915	\$ 76,915	\$ 46,673	\$ 30,242
Highways and streets	-	-	55,558	(55,558)
Culture and recreation	-	-	100,403	(100,403)
Total capital outlay	\$ 76,915	\$ 76,915	\$ 263,654	\$ (186,739)
Total Expenditures	\$ 9,614,193	\$ 9,614,193	\$ 9,254,752	\$ 359,441
Excess of Revenues Over (Under)				
Expenditures	\$ (1,270,604)	\$ (1,270,604)	\$ (363,337)	\$ 907,267
Other Financing Sources (Uses)				
Transfers in	\$ 1,289,892	\$ 1,289,892	\$ 1,293,885	\$ 3,993
Transfers out	(271,107)	(271,107)	(62,012)	209,095
Total Other Financing Sources (Uses)	\$ 1,018,785	\$ 1,018,785	\$ 1,231,873	\$ 213,088
Net Change in Fund Balance	\$ (251,819)	\$ (251,819)	\$ 868,536	\$ 1,120,355
Fund Balance - January 1	6,346,289	6,346,289	6,346,289	-
Fund Balance - December 31	\$ 6,094,470	\$ 6,094,470	\$ 7,214,825	\$ 1,120,355

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

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
2019 STREET AND UTILITIES CAPITAL PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 3,250,000	\$ 3,250,000	\$ 3,362,637	\$ 112,637
Miscellaneous	-	-	28,796	28,796
Total Revenues	\$ 3,250,000	\$ 3,250,000	\$ 3,391,433	\$ 141,433
Expenditures				
Capital outlay	5,586,744	5,586,744	4,047,780	1,538,964
Excess of Revenues Over (Under)				
Expenditures	\$ (2,336,744)	\$ (2,336,744)	\$ (656,347)	\$ 1,680,397
Other Financing Sources (Uses)				
Proceeds from issuance of debt	2,299,863	2,299,863	1,710,599	(589,264)
Net Change in Fund Balance	\$ (36,881)	\$ (36,881)	\$ 1,054,252	\$ 1,091,133
Fund Balance - January 1	(18,701)	(18,701)	(18,701)	-
Fund Balance - December 31	\$ (55,582)	\$ (55,582)	\$ 1,035,551	\$ 1,091,133

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

Schedule 3

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS
OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 98,825	\$ 87,074
Interest	44,994	47,884
Differences between expected and actual experience	(195,745)	-
Changes of assumption or other inputs	(66,718)	43,264
Benefit payments	<u>(81,311)</u>	<u>(93,551)</u>
Net change in total OPEB liability	\$ (199,955)	\$ 84,671
Total OPEB Liability - Beginning	<u>1,301,183</u>	<u>1,216,512</u>
Total OPEB Liability - Ending	<u>\$ 1,101,228</u>	<u>\$ 1,301,183</u>
Covered-employee payroll	\$ 5,949,458	\$ 5,688,212
Total OPEB liability as a percentage of covered-employee payroll	18.50%	22.90%

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

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

Schedule 4

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019	\$ 308,986	\$ 308,986	\$ -	\$ 4,119,802	7.5%
December 31, 2018	\$ 295,391	\$ 295,391	\$ -	\$ 3,944,767	7.5%
December 31, 2017	\$ 303,304	\$ 303,304	\$ -	\$ 4,045,172	7.5%
December 31, 2016	\$ 299,641	\$ 299,641	\$ -	\$ 3,995,210	7.5%
December 31, 2015	\$ 298,516	\$ 298,516	\$ -	\$ 3,990,024	7.5%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

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, 2019	\$ 291,983	\$ 291,983	\$ -	\$ 1,797,615	16.2%
December 31, 2018	\$ 265,594	\$ 265,594	\$ -	\$ 1,639,464	16.2%
December 31, 2017	\$ 252,438	\$ 252,438	\$ -	\$ 1,558,257	16.2%
December 31, 2016	\$ 241,811	\$ 241,811	\$ -	\$ 1,492,663	16.2%
December 31, 2015	\$ 229,565	\$ 229,565	\$ -	\$ 1,417,067	16.2%

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

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

Schedule 5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019	0.0572%	\$ 3,162,460	\$ 98,329	\$ 3,260,789	\$ 4,057,918	77.93%	80.20%
June 30, 2018	0.0589%	\$ 3,267,531	\$ 107,124	\$ 3,374,655	\$ 3,963,131	82.45%	79.53%
June 30, 2017	0.0622%	\$ 3,970,807	\$ 49,943	\$ 4,020,750	\$ 4,028,040	98.58%	75.90%
June 30, 2016	0.0644%	\$ 5,228,961	\$ 68,249	\$ 5,297,210	\$ 3,993,749	130.93%	68.90%
June 30, 2015	0.0653%	\$ 3,384,185	\$ -	\$ 3,384,185	\$ 3,870,518	87.43%	78.20%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

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, 2019	0.1599%	\$ 1,702,297	\$ 21,586	\$ 1,723,883	\$ 1,686,768	100.92%	89.30%
June 30, 2018	0.1484%	\$ 1,581,791	\$ 13,356	\$ 1,595,147	\$ 1,263,596	125.18%	88.84%
June 30, 2017	0.1500%	\$ 2,025,179	\$ 13,500	\$ 2,038,679	\$ 1,543,569	131.20%	85.40%
June 30, 2016	0.1510%	\$ 6,059,893	\$ -	\$ 6,059,893	\$ 1,452,447	417.22%	63.90%
June 30, 2015	0.1510%	\$ 1,715,713	\$ -	\$ 1,715,713	\$ 1,383,239	124.04%	86.60%

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

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

Schedule 6

**VOLUNTEER FIREFIGHTER RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2018	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2017	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2016	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2015	\$ -	\$ -	\$ -	N/A	N/A

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
June 30, 2019	100%	\$ (386,332)	N/A	N/A	148.71%
June 30, 2018	100%	\$ (235,540)	N/A	N/A	129.47%
June 30, 2017	100%	\$ (295,573)	N/A	N/A	136.92%
June 30, 2016	100%	\$ (223,686)	N/A	N/A	128.26%
June 30, 2015	100%	\$ (202,487)	N/A	N/A	125.24%

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

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Professional services	\$ 47,758	\$ 16,500	\$ (31,258)
MIS/GIS	50,874	49,273	(1,601)
Public safety			
Police	2,395,037	2,241,351	(153,686)
Fire relief association	74,045	71,000	(3,045)
Emergency management	2,470	2,000	(470)
Highways and streets			
Street department	724,379	686,599	(37,780)
Street lighting	184,048	176,921	(7,127)
Culture and recreation			
Senior citizen program	26,820	26,810	(10)
Economic development			
Other economic development	138,916	120,000	(18,916)
Capital outlay			
General government	61,020	-	(61,020)
Highways and streets	55,558	-	(55,558)
Culture and recreation	100,403	-	(100,403)

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

III. Other Postemployment Benefits (OPEB) Liability

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

IV. Public Employees Retirement Association (PERA)

Net Pension Liability

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

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.

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

- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.

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

- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.

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

- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

Firefighters Relief Association

2019 Changes

Changes in Actuarial Assumptions

- The mortality and withdrawal assumptions were updated from rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.50%.

SUPPLEMENTARY INFORMATION

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

The TIF District 1-13 Special Revenue Fund is used to account for and report the financial activities of Digi-Key. Financing is provided by tax increment assigned to economic development.

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

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

**CITY OF THIEF RIVER FALLS
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NONMAJOR GOVERNMENTAL FUNDS

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

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

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 committed donations and appropriations.

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

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.

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

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

The 2019 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2019, issued for street improvements. Financing is provided by special assessments restricted for debt service.

Capital Projects Funds

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 committed for capital projects.

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

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 committed for capital projects.

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. This fund was closed in 2019.

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

**CITY OF THIEF RIVER FALLS
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NONMAJOR GOVERNMENTAL FUNDS

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

The 2018 Maintenance Facility Capital Projects Fund is used to account for and report the financial resources of planned maintenance facility projects not accounted for in another fund. Funding is provided by miscellaneous revenues. This fund was closed in 2019.

The 2019 Westside Diversion Capital Projects Fund is used to account for and report the financial resources of the 2019 improvement project. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments committed for capital projects.

The 2019 Software Project Capital Projects Fund is used to account for and report the financial resources of the 2019 software improvement projects. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments committed for capital projects.

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

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	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	\$ 2,277,044	\$ 1,712,457	\$ 967,263	\$ 4,956,764
Cash with fiscal agent	91,101	-	-	91,101
Taxes receivable				
Current	-	7,793	-	7,793
Prior	-	11,301	-	11,301
Special assessments receivable				
Current	-	8,243	-	8,243
Prior	-	10,871	-	10,871
Accounts receivable	2,375	-	-	2,375
Interest receivable	2,056	-	276	2,332
Due from other governments	-	-	279,000	279,000
Loans receivable	340,528	-	-	340,528
Special assessments receivable - noncurrent	-	2,563,415	-	2,563,415
Total Assets	<u>\$ 2,713,104</u>	<u>\$ 4,314,080</u>	<u>\$ 1,246,539</u>	<u>\$ 8,273,723</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 121,258	\$ -	\$ 1,654	\$ 122,912
Salaries payable	734	-	-	734
Due to other governments	107	-	-	107
Due to other funds	728	-	102,000	102,728
Total Liabilities	<u>\$ 122,827</u>	<u>\$ -</u>	<u>\$ 103,654</u>	<u>\$ 226,481</u>
Deferred Inflows of Resources				
Taxes	\$ -	\$ 11,301	\$ -	\$ 11,301
Special assessments	-	2,574,286	-	2,574,286
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 2,585,587</u>	<u>\$ -</u>	<u>\$ 2,585,587</u>
Fund Balances				
Nonspendable for loans receivable	\$ 378,364	\$ -	\$ -	\$ 378,364
Restricted for				
Debt service	-	1,728,493	-	1,728,493
Economic development	1,656,093	-	-	1,656,093
TIF district	133,242	-	-	133,242
Committed to				
K-9 Unit	6,990	-	-	6,990
Perpetual care	179,633	-	-	179,633
Train canopy	35,478	-	-	35,478
Splash park	-	-	9,054	9,054
Swimming pool	-	-	253,829	253,829
Assigned to				
General government	170,692	-	-	170,692
Capital projects	30,513	-	906,098	936,611
Unassigned	(728)	-	(26,096)	(26,824)
Total Fund Balances	<u>\$ 2,590,277</u>	<u>\$ 1,728,493</u>	<u>\$ 1,142,885</u>	<u>\$ 5,461,655</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,713,104</u>	<u>\$ 4,314,080</u>	<u>\$ 1,246,539</u>	<u>\$ 8,273,723</u>

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

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds (Statement 4)	Debt Service Funds (Statement 6)	Capital Projects Funds (Statement 8)	Total NonMajor Governmental Funds (Exhibit 5)
Revenues				
Taxes	\$ 376,631	\$ 372,037	\$ -	\$ 748,668
Special assessments	-	417,107	-	417,107
Charges for services	33,650	-	-	33,650
Intergovernmental	236,884	-	1,825,905	2,062,789
Investment earnings	62,372	-	7,855	70,227
Gifts and contributions	1,731	-	-	1,731
Miscellaneous	177,100	-	830	177,930
Total Revenues	\$ 888,368	\$ 789,144	\$ 1,834,590	\$ 3,512,102
Expenditures				
Current				
General government	\$ 479,621	\$ -	\$ -	\$ 479,621
Public safety	5,477	-	-	5,477
Culture and recreation	12,599	-	-	12,599
Economic development	400,766	-	-	400,766
Total current	\$ 898,463	\$ -	\$ -	\$ 898,463
Debt service				
Principal retirement	\$ -	\$ 525,000	\$ -	\$ 525,000
Interest	-	203,846	(1,816)	202,030
Total debt service	\$ -	\$ 728,846	\$ (1,816)	\$ 727,030
Capital outlay				
General government	\$ -	\$ -	\$ 3,273	\$ 3,273
Highways and streets	-	-	1,380,916	1,380,916
Culture and recreation	-	-	1,079,626	1,079,626
Economic development	4,132	-	-	4,132
Total capital outlay	\$ 4,132	\$ -	\$ 2,463,815	\$ 2,467,947
Total Expenditures	\$ 902,595	\$ 728,846	\$ 2,461,999	\$ 4,093,440
Excess of Revenues Over (Under)				
Expenditures	\$ (14,227)	\$ 60,298	\$ (627,409)	\$ (581,338)
Other Financing Sources (Uses)				
Transfers in	\$ 62,012	\$ -	\$ -	\$ 62,012
Transfers out	(3,931)	-	(135,613)	(139,544)
Proceeds from issuance of debt	-	-	280,000	280,000
Total Other Financing Sources (Uses)	\$ 58,081	\$ -	\$ 144,387	\$ 202,468
Net Change in Fund Balance	\$ 43,854	\$ 60,298	\$ (483,022)	\$ (378,870)
Fund Balance - January 1	2,546,423	1,668,195	1,625,907	5,840,525
Fund Balance - December 31	\$ 2,590,277	\$ 1,728,493	\$ 1,142,885	\$ 5,461,655

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

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	TIF District 1-1	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7	TIF District 1-8	TIF District 1-9
<u>Assets</u>								
Cash and pooled investments	\$ 28,421	\$ 40,858	\$ 57,226	\$ 37,205	\$ 18,773	\$ 32,855	\$ 162	\$ 27,922
Cash with fiscal agent	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-
Total Assets	\$ 28,421	\$ 40,858	\$ 57,226	\$ 37,205	\$ 18,773	\$ 32,855	162	\$ 27,922
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 5,847	\$ -	\$ 22,219	\$ 16,100	\$ 11,267	\$ 27,041	-	\$ 27,706
Salaries payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Total Liabilities	\$ 5,847	\$ -	\$ 22,219	\$ 16,100	\$ 11,267	\$ 27,041	-	\$ 27,706
Fund Balances								
Nonspendable for loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for								
Economic development	-	-	-	-	-	-	-	-
TIF district	22,574	40,858	35,007	21,105	7,506	5,814	162	216
Committed to								
K-9 Unit	-	-	-	-	-	-	-	-
Train canopy	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-
Assigned to								
General government	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balance	\$ 22,574	\$ 40,858	\$ 35,007	\$ 21,105	\$ 7,506	\$ 5,814	162	\$ 216
Total Liabilities and Fund Balances	\$ 28,421	\$ 40,858	\$ 57,226	\$ 37,205	\$ 18,773	\$ 32,855	162	\$ 27,922

Statement 3

TIF District 1-11	TIF District 1-12	TIF District 1-13	CDAB Revolving Loan	Northwest Minnesota Housing Revolving Loan	Slow-Second Mortgage Loan	Multi-Events Center	Greenwood Cemetery	Train Canopy	TRF Area K-9	Total (Statement 1)
\$ 10,957	\$ -	\$ -	\$ 1,277,082	\$ -	\$ 324,064	\$ 30,480	\$ 348,616	\$ 35,440	\$ 6,983	\$ 2,277,044
-	-	-	-	91,101	-	-	-	-	-	91,101
-	-	-	-	-	-	-	2,375	-	-	2,375
-	-	-	1,342	-	340	33	296	38	7	2,056
-	-	-	157,870	57,482	125,176	-	-	-	-	340,528
\$ 10,957	\$ -	\$ -	\$ 1,436,294	\$ 148,583	\$ 449,580	\$ 30,513	\$ 351,287	\$ 35,478	\$ 6,990	\$ 2,713,104
\$ 10,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121	\$ -	\$ -	\$ 121,258
-	-	-	-	-	-	-	734	-	-	734
-	376	352	-	-	-	-	-	-	-	728
-	-	-	-	-	-	-	107	-	-	107
\$ 10,957	\$ 376	\$ 352	\$ -	\$ -	\$ -	\$ -	\$ 962	\$ -	\$ -	\$ 122,827
\$ -	\$ -	\$ -	\$ 175,411	\$ 63,869	\$ 139,084	\$ -	\$ -	\$ -	\$ -	\$ 378,364
-	-	\$ -	1,260,883	84,714	310,496	-	-	-	-	1,656,093
-	-	\$ -	-	-	-	-	-	-	-	133,242
-	-	-	-	-	-	-	-	-	6,990	6,990
-	-	-	-	-	-	-	-	35,478	-	35,478
-	-	-	-	-	-	-	179,633	-	-	179,633
-	-	-	-	-	-	-	170,692	-	-	170,692
-	-	-	-	-	-	30,513	-	-	-	30,513
-	(376)	(352)	-	-	-	-	-	-	-	(728)
\$ -	\$ (376)	\$ (352)	\$ 1,436,294	\$ 148,583	\$ 449,580	\$ 30,513	\$ 350,325	\$ 35,478	\$ 6,990	\$ 2,590,277
\$ 10,957	\$ -	\$ -	\$ 1,436,294	\$ 148,583	\$ 449,580	\$ 30,513	\$ 351,287	\$ 35,478	\$ 6,990	\$ 2,713,104

**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, 2019**

	TIF District 1-1	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7	TIF District 1-8	TIF District 1-9
Revenues								
Taxes	\$ 15,916	\$ 12,967	\$ 65,745	\$ 51,061	\$ 31,127	\$ 79,035	\$ 34,860	\$ 61,571
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-
Gifts and contributions	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total Revenues	\$ 15,916	\$ 12,967	\$ 65,745	\$ 51,061	\$ 31,127	\$ 79,035	\$ 34,860	\$ 61,571
Expenditures								
Current								
General government	\$ 15,916	\$ 704	\$ 65,745	\$ 51,061	\$ 31,127	\$ 79,035	\$ 34,860	\$ 61,571
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Capital outlay								
Economic development	-	-	-	-	-	-	-	-
Total Expenditures	\$ 15,916	\$ 704	\$ 65,745	\$ 51,061	\$ 31,127	\$ 79,035	\$ 34,860	\$ 61,571
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 12,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses)								
Transfers in	\$ 3,872	\$ -	\$ 7,668	\$ -	\$ 472	\$ -	\$ -	\$ -
Transfers out	-	-	-	(3,931)	-	-	-	-
Total Other Financing Sources (Uses)	\$ 3,872	\$ -	\$ 7,668	\$ (3,931)	\$ 472	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 3,872	\$ 12,263	\$ 7,668	\$ (3,931)	\$ 472	\$ -	\$ -	\$ -
Fund Balance - January 1	18,702	28,595	27,339	25,036	7,034	5,814	162	216
Fund Balance - December 31	\$ 22,574	\$ 40,858	\$ 35,007	\$ 21,105	\$ 7,506	\$ 5,814	\$ 162	\$ 216

Statement 4

TIF District 1-11	TIF District 1-12	TIF District 1-13	CDAB Revolving Loan	Northwest Minnesota Housing Revolving Loan	Slow-Second Mortgage Loan	Mult-Events Center	Greenwood Cemetery	Train Canopy	TRF Area K-9	Total (Statement 2)
\$ 24,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,631
-	-	-	43,400	193,484	-	-	-	-	-	236,884
-	-	-	-	-	-	-	33,650	-	-	33,650
-	-	-	38,187	-	13,557	954	8,398	1,065	211	62,372
-	-	-	-	-	-	-	-	710	1,021	1,731
-	-	-	1,426	127,374	-	22,500	25,800	-	-	177,100
\$ 24,349	\$ -	\$ -	\$ 83,013	\$ 320,858	\$ 13,557	\$ 23,454	\$ 67,848	\$ 1,775	\$ 1,232	\$ 888,368
\$ 24,349	\$ 352	\$ 352	\$ -	\$ -	\$ -	\$ -	\$ 114,549	\$ -	\$ -	\$ 479,621
-	-	-	-	-	-	-	-	-	5,477	5,477
-	-	-	55,860	344,906	-	12,599	-	-	-	12,599
-	-	-	-	-	-	-	-	-	-	400,766
-	-	-	-	-	-	-	-	4,132	-	4,132
\$ 24,349	\$ 352	\$ 352	\$ 55,860	\$ 344,906	\$ -	\$ 12,599	\$ 114,549	\$ 4,132	\$ 5,477	\$ 902,595
\$ -	\$ (352)	\$ (352)	\$ 27,153	\$ (24,048)	\$ 13,557	\$ 10,855	\$ (46,701)	\$ (2,357)	\$ (4,245)	\$ (14,227)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 62,012
-	-	-	-	-	-	-	-	-	-	(3,931)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 58,081
\$ -	\$ (352)	\$ (352)	\$ 27,153	\$ (24,048)	\$ 13,557	\$ 10,855	\$ 3,299	\$ (2,357)	\$ (4,245)	\$ 43,854
-	(24)	-	1,409,141	172,631	436,023	19,658	347,026	37,835	11,235	2,546,423
\$ -	\$ (376)	\$ (352)	\$ 1,436,294	\$ 148,583	\$ 449,580	\$ 30,513	\$ 350,325	\$ 35,478	\$ 6,990	\$ 2,590,277

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

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2008	2011	2012	2013	2013 Greenwood	2014
	State Aid Street Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds
<u>Assets</u>						
Cash and pooled investments	\$ 33,886	\$ 58,819	\$ 77,046	\$ 35,034	\$ 575,011	\$ 143,312
Taxes receivable						
Current	-	-	-	-	7,793	-
Prior	-	-	-	-	11,301	-
Special assessments receivable						
Current	-	435	1,794	-	1,568	-
Prior	-	332	3,283	-	1,967	-
Special assessments receivable - noncurrent	-	50,444	111,274	125,953	-	79,275
Total Assets	\$ 33,886	\$ 110,030	\$ 193,397	\$ 160,987	\$ 597,640	222,587
<u>Deferred Inflows of Resources and Fund Balances</u>						
Deferred Inflows of Resources						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 11,301	-
Special assessments	-	50,776	114,558	125,953	1,967	79,275
Total Deferred Inflows of Resources	\$ -	\$ 50,776	\$ 114,558	\$ 125,953	\$ 13,268	79,275
Fund Balances						
Restricted for debt service	\$ 33,886	\$ 59,254	\$ 78,839	\$ 35,034	\$ 584,372	143,312
Total Deferred Inflows of Resources and Fund Balances	\$ 33,886	\$ 110,030	\$ 193,397	\$ 160,987	\$ 597,640	222,587

Statement 5

2015	2016	2017	2018	2019	Total
Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	(Statement 1)
\$ 279,295	\$ 132,541	\$ 215,318	\$ 95,281	\$ 66,914	\$ 1,712,457
-	-	-	-	-	7,793
-	-	-	-	-	11,301
1,990	2,202	254	-	-	8,243
1,715	930	2,373	271	-	10,871
283,403	515,974	309,662	567,253	520,177	2,563,415
566,403	651,647	527,607	662,805	587,091	\$ 4,314,080
-	-	-	-	-	\$ 11,301
285,117	516,904	312,035	567,524	520,177	2,574,286
285,117	516,904	312,035	567,524	520,177	\$ 2,585,587
281,286	134,743	215,572	95,281	66,914	\$ 1,728,493
566,403	651,647	527,607	662,805	587,091	\$ 4,314,080

**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, 2019**

	2008	2011	2012	2013	2013 Greenwood	2014
	State Aid Street Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds
Revenues						
Taxes	\$ -	\$ 51,000	\$ 46,000	\$ 24,000	\$ 33,604	\$ 33,600
Special assessments	-	14,940	35,766	23,875	1,667	15,855
Total Revenues	\$ -	\$ 65,940	\$ 81,766	\$ 47,875	\$ 35,271	49,455
Expenditures						
Debt service						
Principal retirement	\$ -	\$ 60,000	\$ 65,000	\$ 35,000	\$ 85,000	\$ 55,000
Interest	-	9,708	8,280	11,737	28,292	12,865
Total Expenditures	\$ -	\$ 69,708	\$ 73,280	\$ 46,737	\$ 113,292	\$ 67,865
Net Change in Fund Balance	\$ -	\$ (3,768)	\$ 8,486	\$ 1,138	\$ (78,021)	\$ (18,410)
Fund Balance - January 1	33,886	63,022	70,353	33,896	662,393	161,722
Fund Balance - December 31	\$ 33,886	\$ 59,254	\$ 78,839	\$ 35,034	\$ 584,372	\$ 143,312

Statement 6

2015	2016	2017	2018	2018	2019	Total
Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	Arena Bonds	Improvement Bonds	(Statement 2)
\$ 20,150	\$ 42,348	\$ 75,477	\$ 23,143	\$ 22,715	\$ -	\$ 372,037
49,125	70,155	55,449	82,611	-	67,664	417,107
69,275	112,503	130,926	105,754	22,715	67,664	\$ 789,144
\$ 65,000	\$ 75,000	\$ 85,000	\$ -	\$ -	\$ -	\$ 525,000
12,714	21,259	38,950	36,576	22,715	750	203,846
\$ 77,714	\$ 96,259	\$ 123,950	\$ 36,576	\$ 22,715	\$ 750	\$ 728,846
\$ (8,439)	\$ 16,244	\$ 6,976	\$ 69,178	\$ -	\$ 66,914	\$ 60,298
289,725	118,499	208,596	26,103	-	-	1,668,195
\$ 281,286	\$ 134,743	\$ 215,572	\$ 95,281	\$ -	\$ 66,914	\$ 1,728,493

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

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Swimming Pool	Splash Park	2015 Street and Utilities	2018 Arena Project
<u>Assets</u>				
Cash and pooled investments	\$ 253,563	\$ 9,044	\$ 1,203	\$ 424,446
Interest receivable	266	10	-	-
Due from other governments	-	-	-	-
Total Assets	<u>\$ 253,829</u>	<u>\$ 9,054</u>	<u>\$ 1,203</u>	<u>\$ 424,446</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,530	\$ -
Due to other funds	-	-	20,000	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,530</u>	<u>\$ -</u>
Fund Balances				
Committed for				
Splash Park	\$ -	\$ 9,054	\$ -	\$ -
Swimming Pool	253,829	-	-	-
Assigned for capital projects	-	-	-	424,446
Unassigned	-	-	(20,327)	-
Total Fund Balances	<u>\$ 253,829</u>	<u>\$ 9,054</u>	<u>\$ (20,327)</u>	<u>\$ 424,446</u>
Total Liabilities and Fund Balances	<u>\$ 253,829</u>	<u>\$ 9,054</u>	<u>\$ 1,203</u>	<u>\$ 424,446</u>

Statement 7

2018 Street & Utilities	2019 Westside Diversion	2019 Software Project	Total (Statement 1)
\$ 233	\$ 231	\$ 278,543	\$ 967,263
-	-	-	276
279,000	-	-	279,000
\$ 279,233	\$ 231	\$ 278,543	\$ 1,246,539
\$ 124	\$ -	\$ -	\$ 1,654
76,000	6,000	-	102,000
76,124	6,000	-	\$ 103,654
-	-	-	\$ 9,054
-	-	-	253,829
203,109	-	278,543	906,098
-	(5,769)	-	(26,096)
203,109	(5,769)	278,543	\$ 1,142,885
\$ 279,233	\$ 231	\$ 278,543	\$ 1,246,539

**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, 2019**

	Swimming Pool	Splash Park	2015 Street and Utilities	2016 Street and Utilities
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 95,116
Investment earnings	7,584	271	-	-
Miscellaneous	-	-	-	-
Total Revenues	\$ 7,584	\$ 271	\$ -	\$ 95,116
Expenditures				
Debt service				
Interest	\$ -	\$ -	\$ -	\$ -
Capital Outlay				
General government	-	-	-	-
Highways and streets	-	-	20,327	-
Culture and recreation	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ 20,327	\$ -
Excess of Revenues Over (Under)				
Expenditures	\$ 7,584	\$ 271	\$ (20,327)	\$ 95,116
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Proceeds from issuance of debt	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 7,584	\$ 271	\$ (20,327)	\$ 95,116
Fund Balance - January 1	246,245	8,783	-	(95,116)
Fund Balance - December 31	\$ 253,829	\$ 9,054	\$ (20,327)	\$ -

Statement 8

2018 Arena Project	2018 Street and Utilities	2018 Maintenance Facility	2019 Westside Diversion	2019 Software Project	Total (Statement 2)
\$ -	\$ 1,730,789	\$ -	\$ -	\$ -	\$ 1,825,905
-	-	-	-	-	7,855
-	-	830	-	-	830
\$ -	\$ 1,730,789	\$ 830	\$ -	\$ -	\$ 1,834,590
\$ -	\$ -	\$ -	\$ -	\$ (1,816)	\$ (1,816)
-	-	-	-	3,273	3,273
-	1,354,820	-	5,769	-	1,380,916
503,367	-	576,259	-	-	1,079,626
\$ 503,367	\$ 1,354,820	\$ 576,259	\$ 5,769	\$ 1,457	\$ 2,461,999
\$ (503,367)	\$ 375,969	\$ (575,429)	\$ (5,769)	\$ (1,457)	\$ (627,409)
\$ -	\$ -	\$ (135,613)	\$ -	\$ -	\$ (135,613)
-	-	-	-	280,000	280,000
\$ -	\$ -	\$ (135,613)	\$ -	\$ 280,000	\$ 144,387
\$ (503,367)	\$ 375,969	\$ (711,042)	\$ (5,769)	\$ 278,543	\$ (483,022)
927,813	(172,860)	711,042	-	-	1,625,907
\$ 424,446	\$ 203,109	\$ -	\$ (5,769)	\$ 278,543	\$ 1,142,885

OTHER SCHEDULES

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

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Shared Revenue

State

Fire state aid	\$ 73,045
Highway users tax	3,226,509
Local government aid	3,061,444
PERA rate reimbursement	21,318
Police state aid	174,031
	<hr/>

Total Shared Revenue	\$ 6,556,347
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Grants

Local

Local	\$ 1,242
	<hr/>

State

Minnesota Department of

Employment and Economic Development	\$ 1,538,989
Health	10,000
Housing Finance Agency	43,400
Peace Officer Standards & Training Board (POST)	16,900
Public Safety	8,612
	<hr/>

Total State Grants	\$ 1,617,901
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Federal

Department of	
Housing and Urban Development	\$ 793,484
Justice	660
	<hr/>

Total Federal Grants	\$ 794,144
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Total Grants	\$ 2,413,287
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Total Intergovernmental Revenue	\$ 8,969,634
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**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 8

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Award Number		Expenditures
U.S. Department of Housing and Urban Development				
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants	14.228	CDAP-15-0048-O-FY16	\$ 193,484	
		CDAP-18-0063-O-FY19	<u>600,000</u>	\$ 793,484
U.S. Department of Justice				
Direct				
Bulletproof Vest Partnership Program	16.607	N/A		<u>660</u>
Total Federal Awards				<u>\$ 794,144</u>

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by City of Thief River Falls. The City's reporting entity is defined in Note I to the financial statements.

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Thief River Falls under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Thief River Falls, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Thief River Falls.

III. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, in the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Thief River Falls has elected to not use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

IV. Subrecipients

During 2019, the City did not pass any federal funds through to subrecipients.

STATISTICAL SECTION

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

STATISTICAL SECTION

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

Contents

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

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

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

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

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

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

	<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>
Governmental Activities							
Net Investment in Capital Assets	\$ 23,182,797	\$	22,452,913	\$	24,788,309	\$	25,501,639
Restricted	237,862		582,405		965,044		1,626,963
Unrestricted	5,639,102		6,049,790		4,927,390		5,832,203
Total Governmental							
Activities Net Position	\$ 29,059,761	\$	29,085,108	\$	30,680,743	\$	32,960,805
Business-type Activities							
Net Investment in Capital Assets	\$ 21,614,090	\$	12,740,230	\$	12,553,523	\$	13,211,323
Restricted	2,864,141		2,811,505		-		351,340
Unrestricted	767,804		1,717,034		4,380,448		4,618,500
Total Business-type							
Activities Net Position	\$ 25,246,035	\$	17,268,769	\$	16,933,971	\$	18,181,163
Total Government							
Net Investment in Capital Assets	\$ 44,796,887	\$	35,193,143	\$	37,341,832	\$	38,712,962
Restricted	3,102,003		3,393,910		965,044		1,978,303
Unrestricted	6,406,906		7,766,824		9,307,838		10,450,703
Total Net Position	\$ 54,305,796	\$	46,353,877	\$	47,614,714	\$	51,141,968

Table 1

2014		2015		2016		2017		2018		2019	
\$	26,147,458	\$	28,159,954	\$	29,313,095	\$	27,021,598	\$	26,102,425	\$	29,021,623
	2,368,030		1,913,844		1,351,401		3,007,243		3,798,864		3,762,950
	5,445,075		2,336,027		2,538,937		2,849,115		8,743,826		7,261,795
\$	33,960,563	\$	32,409,825	\$	33,203,433	\$	32,877,956	\$	38,645,115	\$	40,046,368
\$	13,146,651	\$	12,139,667	\$	13,474,842	\$	12,209,755	\$	8,248,469	\$	14,168,741
	332,692		-		-		15,788		15,787		31,355
	5,640,278		5,603,661		5,075,075		7,855,683		5,858,466		6,750,251
\$	19,119,621	\$	17,743,328	\$	18,549,917	\$	20,081,226	\$	14,122,722	\$	20,950,347
\$	39,294,109	\$	40,299,621	\$	42,787,937	\$	39,231,353	\$	34,350,894	\$	43,190,364
	2,700,722		1,913,844		1,351,401		3,023,031		3,814,651		3,794,305
	11,085,353		7,939,688		7,614,012		10,704,798		14,602,292		14,012,046
\$	53,080,184	\$	50,153,153	\$	51,753,350	\$	52,959,182	\$	52,767,837	\$	60,996,715

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

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

	<u>2010¹</u>	<u>2011</u>	<u>2012²</u>	<u>2013</u>
EXPENSES				
Governmental Activities:				
General Government	\$ 1,428,138	\$ 1,298,280	\$ 1,553,318	\$ 1,546,092
Public Safety	2,371,514	2,610,266	2,566,561	2,590,016
Highways and Streets	-	-	-	-
Streets and Sanitation	2,062,252	3,011,296	2,113,160	4,095,631
Sanitation	-	-	-	-
Culture and Recreation	2,057,967	2,086,941	2,160,416	2,140,719
Economic Development	390,385	740,503	217,618	343,884
Interest on Long-term Debt	82,772	68,469	70,747	67,906
Total Governmental Activities	\$ 8,393,028	\$ 9,815,755	\$ 8,681,820	\$ 10,784,248
Business-type Activities:				
Liquor Dispensary	\$ 3,769,294	\$ 3,815,258	\$ 4,025,774	\$ 4,078,467
Water Utility	-	-	-	-
Electric Utility	9,969,930	11,974,715	12,340,507	12,742,804
Wastewater Utility	-	-	-	-
Airport	732,007	10,279,332	-	-
Storm Water Utility	137,326	160,472	186,722	153,968
Water Systems Utility	2,630,700	2,678,518	2,536,838	1,451,686
Total Business-type Activities	\$ 17,239,257	\$ 28,908,295	\$ 19,089,841	\$ 18,426,925
Total Expenses	\$ 25,632,285	\$ 38,724,050	\$ 27,771,661	\$ 29,211,173
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 125,944	\$ 160,709	\$ 195,179	\$ 192,050
Public Safety	231,094	225,001	380,851	330,204
Highways and Streets	-	-	-	-
Streets and Sanitation	849,580	934,382	859,450	856,378
Sanitation	-	-	-	-
Culture and Recreation	702,717	772,106	754,940	719,603
Other Activities	81,887	254,005	82,149	86,491
Operating Grants and Contributions	750,955	682,911	348,422	560,775
Capital Grants and Contributions	68,983	1,534,845	1,985,021	4,770,645
Total Governmental Activities	\$ 2,811,160	\$ 4,563,959	\$ 4,606,012	\$ 7,516,146
Business-type Activities:				
Charges for Services				
Liquor Dispensary	\$ 4,132,681	\$ 4,216,697	\$ 4,482,994	\$ 4,562,505
Water Utility	-	-	-	-
Electric Utility	10,580,571	12,262,023	12,382,669	13,387,925
Wastewater Utility	-	-	-	-
Airport	153,059	8,788	-	-

Table 2

2014	2015³	2016	2017	2018	2019
\$ 1,764,593	\$ 2,893,467	\$ 2,524,756	\$ 2,812,715	\$ 4,355,765	\$ 1,721,080
2,833,677	3,057,716	3,733,004	3,538,649	3,363,286	3,524,019
-	891,613	1,655,387	2,870,989	835,546	1,032,958
2,157,917	-	-	-	-	-
-	886,085	899,489	893,556	873,945	900,730
2,302,396	2,371,008	2,533,258	2,541,220	2,802,383	2,962,045
748,114	355,401	1,247,170	552,079	658,599	883,940
108,831	116,544	130,924	135,566	172,761	218,719
\$ 9,915,528	\$ 10,571,834	\$ 12,723,988	\$ 13,344,774	\$ 13,062,285	\$ 11,243,491
\$ 4,109,374	\$ 4,334,295	\$ 4,235,155	\$ 4,180,895	\$ 4,345,170	\$ 4,598,819
-	1,782,408	1,956,647	1,976,273	2,361,459	2,282,810
13,536,511	13,788,039	13,470,384	13,745,213	15,306,747	14,372,428
-	1,008,694	865,938	831,731	805,943	768,811
-	-	-	-	-	-
135,806	145,947	139,871	180,866	324,047	164,887
2,519,253	-	-	-	-	-
\$ 20,300,944	\$ 21,059,383	\$ 20,667,995	\$ 20,914,978	\$ 23,143,366	\$ 22,187,755
\$ 30,216,472	\$ 31,631,217	\$ 33,391,983	\$ 34,259,752	\$ 36,205,651	\$ 33,431,246
\$ 186,619	\$ 1,123,364	\$ 506,643	\$ 357,811	\$ 605,649	\$ 554,237
243,765	183,729	197,948	219,565	294,682	311,403
-	298,712	263,101	263,150	253,516	75,190
836,365	-	-	-	-	-
-	843,753	849,254	940,374	995,540	1,063,076
821,970	875,436	885,270	1,020,599	977,447	924,164
30,696	15,663	37,325	683,000	71,881	171,144
957,805	533,066	516,004	694,399	705,779	1,313,394
1,453,943	1,710,253	3,353,913	948,193	166,143	5,254,625
\$ 4,531,163	\$ 5,583,976	\$ 6,609,458	\$ 5,127,091	\$ 4,070,637	\$ 9,667,233
\$ 4,567,025	\$ 4,687,724	\$ 4,650,648	\$ 4,538,364	\$ 4,690,353	\$ 4,941,914
-	2,448,445	2,441,482	2,632,047	2,719,355	2,828,934
14,340,839	14,422,957	14,346,060	14,441,869	15,523,038	15,692,497
-	682,631	881,655	964,000	992,290	1,089,640
-	-	-	-	-	-

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

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

	<u>2010 ¹</u>	<u>2011</u>	<u>2012 ²</u>	<u>2013</u>
Storm Water Utility	\$ 157,835	\$ 156,336	\$ 159,061	\$ 157,496
Water Systems Utility	2,286,949	2,422,943	2,645,171	2,729,716
Operating Grants and Contributions	181,061	19,797	-	-
Capital Grants and Contributions	907,743	2,467,050	-	307,495
Total Business-type Activities	\$ 19,352,881	\$ 22,136,960	\$ 17,517,484	\$ 19,673,427
Total Revenues	\$ 24,293,391	\$ 24,606,600	\$ 20,328,644	\$ 24,237,386
Net (Expense) / Revenue				
Governmental Activities	\$ (5,581,868)	\$ (5,251,796)	\$ (4,075,808)	\$ (3,268,102)
Business-type Activities	1,160,642	(7,355,661)	580,054	1,718,212
Total Net (Expense) / Revenue	\$ (4,421,226)	\$ (12,607,457)	\$ (3,495,754)	\$ (1,549,890)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes				
Property Taxes	\$ 1,597,409	\$ 1,564,852	\$ 1,750,669	\$ 1,765,186
Taxes- Lodging	-	-	-	128,632
Franchise Fees	114,454	122,133	121,140	132,719
Grants not restricted to specific programs	2,646,152	2,649,976	2,630,629	2,630,076
Unrestricted Investment Earnings	112,185	151,147	132,939	106,664
Gain on Sale of Capital Assets	33,201	40,000	28,700	70,100
Other General Revenue	26,985	38,575	40,889	216,819
Transfers	1,149,695	710,460	966,477	497,968
Total Governmental Activities	\$ 5,680,081	\$ 5,277,143	\$ 5,671,443	\$ 5,548,164
Business-type Activities:				
Unrestricted Investment Earnings	\$ 59,887	\$ 88,855	\$ 51,625	\$ 18,914
Other General Revenue	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	8,034
Transfers	(1,149,695)	(710,460)	(966,477)	(497,968)
Total Business-type Activities	\$ (1,089,808)	\$ (621,605)	\$ (914,852)	\$ (471,020)
Total General Revenues	\$ 4,590,273	\$ 4,655,538	\$ 4,756,591	\$ 5,077,144
CHANGE IN NET POSITION				
Governmental Activities	\$ 98,213	\$ 25,347	\$ 1,595,635	\$ 2,280,062
Business-type Activities	70,834	(7,977,266)	(334,798)	1,247,192
Total Change in Net Position	\$ 169,047	\$ (7,951,919)	\$ 1,260,837	\$ 3,527,254

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

2014	2015 ³	2016	2017	2018	2019
\$ 157,942	\$ 158,244	\$ 163,147	\$ 187,361	\$ 211,952	\$ 251,223
3,034,946	-	-	-	-	-
-	-	-	-	-	-
141,390	-	3,710	5,544	4,902	14,457
\$ 20,199,941	\$ 18,108,674	\$ 22,486,702	\$ 22,434,662	\$ 216,854	\$ 14,947,371
\$ 24,805,953	\$ 25,624,820	\$ 27,017,865	\$ 28,018,638	\$ 216,854	\$ 18,850,998
\$ (5,384,365)	\$ (3,268,102)	\$ (6,114,530)	\$ (8,217,683)	\$ (7,677,857)	\$ (1,576,258)
1,941,198	(318,251)	1,818,707	1,854,207	998,524	2,630,910
\$ (3,443,167)	\$ (3,586,353)	\$ (4,295,823)	\$ (6,363,476)	\$ (6,679,333)	\$ 1,054,652
\$ 1,744,667	\$ 1,811,021	\$ 2,215,619	\$ 2,285,390	\$ 2,448,291	\$ 2,363,191
136,503	158,506	119,025	118,315	143,154	151,967
133,926	145,082	191,046	211,829	224,199	376,933
3,102,887	2,969,872	2,984,925	3,002,226	3,093,314	3,082,762
128,524	44,284	41,653	38,652	126,673	201,591
29,751	-	-	1,368,062	-	-
65,365	-	-	-	88,771	177,977
1,042,500	1,141,804	1,114,419	867,731	7,320,614	(3,407,552)
\$ 6,384,123	\$ 6,270,569	\$ 6,666,687	\$ 7,892,205	\$ 13,445,016	\$ 2,946,869
\$ 39,760	\$ 24,652	\$ 34,987	\$ 57,846	\$ 100,111	\$ 224,711
-	155	67,314	486,987	263,475	568,884
-	-	-	-	-	-
(1,042,500)	(1,141,804)	(1,114,419)	(867,731)	(7,320,614)	3,407,552
\$ (1,002,740)	\$ (1,116,997)	\$ (1,012,118)	\$ (322,898)	\$ (6,957,028)	\$ 4,201,147
\$ 5,381,383	\$ 5,153,572	\$ 5,654,569	\$ 7,569,307	\$ 6,487,988	\$ 7,148,016
\$ 999,758	\$ 3,002,467	\$ 552,157	\$ (325,478)	\$ 5,767,159	\$ 1,370,611
938,458	(1,435,248)	806,589	1,531,309	(5,958,504)	6,832,057
\$ 1,938,216	\$ 1,567,219	\$ 1,358,746	\$ 1,205,831	\$ (191,345)	\$ 8,202,668

**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	
2010	\$		1,597,409	\$ -	\$ 53,298	\$ 61,156	\$ 1,711,863
2011			1,564,852	-	55,460	66,673	1,686,985
2012			1,750,669	-	58,204	62,936	1,871,809
2013			1,765,186	128,632	63,300	69,419	2,026,537
2014			1,744,667	136,503	65,676	68,250	2,015,096
2015			1,811,021	158,506	68,799	76,283	2,114,609
2016			2,215,619	119,025	72,421	118,625	2,525,690
2017			2,285,390	118,315	74,617	137,213	2,615,535
2018			2,448,291	143,154	77,793	146,406	2,815,644
2019			2,363,191	151,967	80,204	296,729	2,892,091

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

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund				
Nonspendable	\$	3,060	\$ -	\$ -
Committed		36,830	-	-
Assigned		29,982	19,504	19,504
Unassigned		1,958,088	2,240,362	2,482,273
Total General Fund	\$	<u>2,027,960</u>	\$ <u>2,259,866</u>	\$ <u>2,501,777</u>
 All Other Governmental Funds				
Nonspendable	\$	-	\$ -	\$ -
Restricted		372,362	500,293	552,261
Committed		2,180,287	2,214,960	2,238,637
Assigned		2,119,781	1,612,559	1,533,202
Unassigned		<u>(4,399)</u>	<u>(744,345)</u>	<u>(3,366)</u>
Total All Other Governmental Funds	\$	<u>4,668,031</u>	\$ <u>3,583,467</u>	\$ <u>4,320,734</u>
 General Fund				
Reserved	\$	51,506		
Unreserved		<u>1,715,703</u>		
Total General Fund	\$	<u>1,767,209</u>		
 All Other Governmental Funds				
Reserved	\$	1,687,268		
Unreserved, reported in:				
Special Revenue Funds		2,482,085		
Capital Projects Funds		<u>24,243</u>		
Total All Other Governmental Funds	\$	<u>4,193,596</u>		

Table 4

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	184,556	203,984	-	-	-
86,476	-	-	305,191	3,576,104	4,114,439
2,248,868	2,586,500	2,115,511	1,894,460	2,770,185	3,100,386
<u>\$ 2,335,344</u>	<u>\$ 2,771,056</u>	<u>\$ 2,319,495</u>	<u>\$ 2,199,651</u>	<u>\$ 6,346,289</u>	<u>\$ 7,214,825</u>
\$ -	\$ 855,689	\$ 751,897	\$ 651,561	\$ 413,739	\$ 378,364
532,864	678,944	1,351,401	3,115,779	3,385,125	3,517,828
2,247,083	1,407,850	1,400,191	465,920	478,571	484,984
1,660,730	1,558,649	2,129,173	2,735,984	1,831,066	3,178,405
(322,024)	(815,989)	(714,018)	(638,428)	(286,677)	(26,824)
<u>\$ 4,118,653</u>	<u>\$ 3,685,143</u>	<u>\$ 4,918,644</u>	<u>\$ 6,330,816</u>	<u>\$ 5,821,824</u>	<u>\$ 7,532,757</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)**

	2010 ¹	2011	2012	2013
REVENUES				
Taxes	\$ 1,711,863	\$ 1,686,986	\$ 1,871,810	\$ 2,026,538
Special Assessments	136,526	232,315	229,687	236,376
Licenses and Permits	132,423	113,706	278,985	202,251
Intergovernmental	3,181,709	4,078,810	4,153,368	7,112,388
Charges for Services	1,774,318	1,955,365	1,879,514	1,863,821
Fines and Forfeitures	44,848	47,412	45,163	46,441
Miscellaneous				
Contributions	283,540	522,073	434,253	47,337
Investment Earnings	118,035	147,165	122,332	94,154
Other Receipts	19,424	208,959	48,981	286,911
Total Revenues	\$ 7,402,686	\$ 8,992,791	\$ 9,064,093	\$ 11,916,217
EXPENDITURES				
General Government	\$ 1,238,417	\$ 1,323,743	\$ 1,487,807	\$ 1,465,606
Public Safety	2,247,566	2,347,102	2,424,496	2,475,938
Streets and Sanitation	1,499,503	1,533,169	1,586,731	1,619,869
Highways and Streets	-	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	1,564,335	1,654,288	1,667,713	1,689,873
Economic Development	382,086	740,808	207,861	367,004
Other	-	-	-	-
Debt Service				
Principal	694,885	341,544	351,500	355,000
Interest and Fees	96,920	71,328	70,728	71,860
Capital Outlay	488,648	1,914,368	3,899,757	5,907,945
Total Expenditures	\$ 8,212,360	\$ 9,926,350	\$ 11,696,593	\$ 13,953,095
Revenues Over (Under) Expenditures	\$ (809,674)	\$ (933,559)	\$ (2,632,500)	\$ (2,036,878)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,884,671	\$ 1,377,808	\$ 1,350,412	\$ 1,416,984
Transfers Out	(734,976)	(390,063)	(383,935)	(433,424)
Sale of Capital Asset	33,201	-	28,700	70,100
Lease/Bond Sale Proceeds	-	681,000	784,665	1,962,396
Total Other Financing Sources (Uses)	\$ 1,182,896	\$ 1,668,745	\$ 1,779,842	\$ 3,016,056
Net Change In Fund Balance	\$ 373,222	\$ 735,186	\$ (852,658)	\$ 979,178

Debt Service as a percentage of
Noncapital Expenditures

11% 5% 6% 6%

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

	2014	2015 ²	2016	2017	2018	2019
\$	2,015,096	\$ 2,077,693	\$ 2,503,819	\$ 2,604,417	\$ 2,811,088	\$ 2,895,174
	162,763	345,574	373,940	332,751	355,864	469,934
	109,171	237,660	202,948	120,308	444,049	180,851
	4,595,548	5,471,607	6,045,997	3,928,282	4,680,893	8,959,634
	1,910,094	2,021,924	2,018,923	2,386,711	2,365,982	2,396,659
	53,032	49,664	49,152	67,410	50,618	59,734
	83,301	81,427	74,583	57,306	65,848	25,774
	98,357	37,178	38,071	33,057	126,673	201,591
	56,948	407,120	432,160	473,083	218,479	605,599
\$	<u>9,084,310</u>	<u>10,729,847</u>	<u>11,739,593</u>	<u>10,003,325</u>	<u>11,119,494</u>	<u>15,794,950</u>
\$	1,685,396	\$ 1,648,080	\$ 1,845,977	\$ 1,670,141	\$ 1,805,401	\$ 1,673,869
	2,690,498	2,811,896	2,955,612	3,122,606	3,282,943	3,427,616
	1,543,829	-	-	-	-	-
	-	751,227	787,971	857,296	772,799	908,427
	-	846,276	840,942	852,130	901,141	845,765
	1,897,125	1,908,649	2,022,756	2,015,255	2,307,273	2,149,944
	720,150	353,916	1,245,318	552,079	658,599	883,940
	-	10,196	-	-	-	-
	373,333	395,000	455,000	535,000	610,000	525,000
	91,997	110,190	113,834	125,220	154,262	196,431
	2,254,945	3,710,883	2,979,316	2,474,276	8,080,163	6,779,381
\$	<u>11,257,273</u>	<u>12,546,313</u>	<u>13,246,726</u>	<u>12,204,003</u>	<u>18,572,581</u>	<u>17,390,373</u>
\$	(2,172,963)	(1,816,466)	(1,507,133)	(2,200,678)	(7,453,087)	(1,595,423)
\$	1,510,510	\$ 1,391,581	\$ 2,028,596	\$ 1,772,589	\$ 10,592,712	\$ 1,355,897
	(413,958)	(367,913)	(1,030,079)	(1,021,565)	(2,457,655)	(201,556)
	29,747	-	-	1,368,062	-	-
	678,150	795,000	1,053,708	1,369,317	2,955,676	1,985,000
\$	<u>1,804,449</u>	<u>1,818,668</u>	<u>2,052,225</u>	<u>3,488,403</u>	<u>11,090,733</u>	<u>3,139,341</u>
\$	<u>(368,514)</u>	<u>2,202</u>	<u>545,092</u>	<u>1,287,725</u>	<u>3,637,646</u>	<u>1,543,918</u>
	5%	6%	6%	7%	8%	7%

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

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

Fiscal Year Ended December 31	Real Property		Personal Property	
	Assessed Tax Capacity	Estimated Market Value	Assessed Tax Capacity	Estimated Market Value
2010	\$ 3,604,785	\$ 320,208,800	\$ 57,338	\$ 3,112,900
2011	3,823,002	329,725,500	57,358	3,051,000
2012	3,353,671	337,303,800	60,739	3,220,100
2013	3,623,535	363,005,300	61,053	3,239,000
2014	3,875,272	382,563,700	61,693	3,311,000
2015	4,101,067	401,131,600	66,133	3,542,600
2016	4,414,145	430,835,900	70,538	3,757,200
2017	4,775,096	460,138,500	81,743	4,301,800
2018	5,063,356	484,039,400	114,791	5,958,600
2019	5,123,987	490,440,900	103,865	5,407,200

Source: Pennington County Auditor/Treasurer

Table 6

Total		Tax Capacity as a Percentage of Estimated Market Value
Assessed Tax Capacity	Estimated Market Value	
\$ 3,662,123	\$ 323,321,700	1.13
3,880,360	332,776,500	1.17
3,414,410	340,523,900	1.00
3,684,588	366,244,300	1.01
3,936,965	385,874,700	1.02
4,167,200	404,674,200	1.03
4,484,683	434,593,100	1.03
4,856,839	464,440,300	1.05
5,178,147	489,998,000	1.06
5,227,852	495,848,100	1.05

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

Table 7

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

Fiscal Year	City	Overlapping Rates					Total Direct and Overlapping Rates
		Pennington County	Thief River Falls School District No. 564	Red Lake Watershed District	Northwest Regional Development Commission	Northwest Minnesota Multi-County HRA	
2010	43.210 %	75.194 %	30.047 %	5.047 %	0.300 %	0.368 %	156.054 %
2011	40.478	70.787	29.385	5.114	0.026	0.413	154.166
2012	46.041	76.407	42.569	5.872	0.283	0.475	146.203
2013	42.746	72.243	40.336	5.374	0.257	0.401	161.357
2014	39.984	68.366	35.280	5.355	0.242	0.417	149.644
2015	39.254	62.826	30.389	3.854	0.207	0.402	136.530
2016	43.846	58.006	33.243	3.846	0.181	0.408	139.530
2017	42.930	65.737	32.735	3.910	0.192	0.446	145.950
2018	42.861	66.058	33.887	5.220	0.198	0.441	148.667
2019	43.927	67.486	35.191	5.316	0.207	0.456	152.583

Source: Pennington County Auditor/Treasurer

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

Table 8

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR**

<u>Taxpayer</u>	<u>2019</u>		<u>Percentage of Total Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
DK Real Estate Holdings LLC	\$ 140,201	1	2.68 %
MeritCare Medical Group	128,412	2	2.46
Wal-Mart RE Business Trust	122,038	3	2.33
West River Falls Estates, LLC	111,263	4	2.13
Arctco	90,073	5	1.72
MN Energy Resources Corp	69,846	6	1.34
Sanford Medical Center	69,163	7	1.32
Minnesota Greenleaf LLP	41,841	8	0.80
River Falls Estate I LLC	40,708	9	0.78
3 GEN Properties LLC	39,960	10	0.76
	<u><u>\$ 853,505</u></u>		<u><u>16.32</u></u> %

Source: Pennington County Auditor/Treasurer

**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
2010	1,582,406	1,556,855	98.39 %	24,311	1,581,166	99.92 %
2011	1,516,778	1,494,773	98.55 %	20,673	1,515,446	99.91 %
2012	1,516,778	1,493,982	98.50 %	20,799	1,514,781	99.87 %
2013	1,516,778	1,499,188	98.84 %	15,730	1,514,918	99.88 %
2014	1,516,778	1,498,293	98.78 %	16,284	1,514,577	99.85 %
2015	1,562,271	1,546,077	98.96 %	12,792	1,558,869	99.78 %
2016	1,874,657	1,850,159	98.69 %	14,893	1,865,052	99.49 %
2017	1,987,106	1,957,116	98.49 %	14,515	1,971,631	99.22 %
2018	2,115,918	2,084,383	98.51 %	21,187	2,105,570	99.51 %
2019	2,186,813	2,154,521	98.52 %	22,225	2,176,746	99.54 %

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	Notes Payable	Capital Lease	General Obligation Improvement Bonds	Revenue Bonds		
2010	\$ 510,000	\$ 1,325,000	\$ 83,333	\$ 93,044	\$ -	\$ 7,799,537	\$ 9,810,914	\$ 1,144
2011	1,075,000	1,180,000	58,333	46,500	-	7,751,958	10,111,791	1,178
2012	1,740,000	1,030,000	33,333	-	-	5,128,043	7,931,376	918
2013	3,515,000	875,000	8,333	-	-	5,992,753	10,391,086	1,203
2014	3,995,000	715,000	-	-	1,615,000	5,711,051	12,036,051	1,390
2015	4,565,000	545,000	-	-	1,615,000	5,842,892	12,567,892	1,436
2016	5,285,000	370,000	-	-	1,460,000	5,708,244	12,823,244	1,463
2017	6,225,000	190,000	-	-	3,967,060	8,175,000	18,557,060	2,100
2018	8,760,000	-	-	-	1,269,298	14,990,000	25,019,298	2,801
2019	10,220,000	-	-	-	940,050	15,044,950	26,205,000	2,931

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
2010	\$ 510,000	\$ 155,835	\$ 354,165	0.11%	\$ 41
2011	1,075,000	343,143	731,857	0.23%	85
2012	1,740,000	446,283	1,293,717	0.39%	150
2013	3,515,000	459,181	3,055,819	0.91%	354
2014	5,610,000	397,693	5,212,307	1.44%	598
2015	6,180,000	413,347	5,766,653	1.44%	666
2016	5,400,000	1,178,612	4,221,388	1.05%	482
2017	6,415,000	1,578,936	4,836,064	1.21%	550
2018	8,760,000	1,661,607	7,098,393	1.65%	803
2019	10,220,000	1,712,457	8,507,543	1.85%	952

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

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

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

Table 12

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2019**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Thief River Falls School District No. 564	\$ 45,819,458	36.11%	\$ 16,545,406
Pennington County	1,640,200	33.14%	<u>543,562</u>
Total Overlapping Debt			17,088,969
City of Thief River Falls Direct Debt	26,205,000	100.00%	<u>26,205,000</u>
Total Direct and Overlapping Debt			\$ <u><u>43,293,969</u></u>

Source: Pennington County Auditor/Treasurer

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Debt Limit	\$ 6,466,434	\$ 6,655,530	\$ 6,810,478	\$ 7,324,886	\$
Total Net Debt Applicable to Limit	<u>151,377</u>	<u>85,101</u>	<u>25,218</u>	<u>1,393,333</u>	
Legal Debt Margin	<u>\$ 6,315,057</u>	<u>\$ 6,570,429</u>	<u>\$ 6,785,260</u>	<u>\$ 5,931,553</u>	
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.34%	1.28%	0.37%	19.02%	

Table 13

2014		2015		2016		2017		2018		2019
7,717,494	\$	8,093,484	\$	8,691,862	\$	9,288,806	\$	9,799,960	\$	9,916,962
1,385,000		1,310,000		1,230,000		1,145,000		1,060,000		940,050
6,332,494		6,783,484		7,461,862		8,143,806		8,739,960		8,976,912
17.95%		16.19%		14.15%		12.33%		10.82%		9.48%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2019

Assessed Value	\$ 495,848,100
Debt Limit (2% of Total Assessed Value)	\$ 9,916,962
Debt Applicable to Limit:	
General Obligation Debt	\$ 940,050
Less: Amount Set aside for Repayment of General Obligation Debt	<u>0</u>
Total Net Debt Applicable to Limit	\$ 940,050
Legal Debt Margin	\$ 8,976,912

**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		
2015	\$	2,491,923	\$ 1,285,811	\$ 1,206,112	\$ 425,000	\$ 165,800		2.04
2016		2,449,869	1,388,851	1,061,018	812,000	189,014		1.06
2017		2,632,047	1,702,712	929,335	563,000	149,367		1.30
2018		2,719,355	2,041,888	677,467	622,050	319,571		0.72
2019		2,828,934	1,963,693	865,241	630,200	319,117		0.91

Wastewater Revenue Bonds²								
Fiscal Year		Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
					Principal	Interest		
2015	\$	711,448	\$ 824,696	\$ (113,248)	\$ 53,155	\$ 10,914		(1.77)
2016		888,617	672,090	216,527	64,648	13,838		2.76
2017		964,000	818,236	145,764	66,184	11,922		1.87
2018		992,290	792,279	200,011	80,712	13,664		2.12
2019		1,089,640	747,679	341,961	84,098	21,132		3.25

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

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

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

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

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

Table 15

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

Fiscal Year	City Population¹	Pennington County			Pennington County	
		Personal Income²	Population²	Per Capita Income²	Total Employment³	Unemployment Rate³
2010	8,573	553,075,000	13,968	39,596	8,296	8.5 %
2011	8,587	598,888,000	14,068	42,571	8,888	5.9 %
2012	8,636	655,790,000	14,117	46,454	8,931	6.3 %
2013	8,716	660,101,000	14,138	46,690	8,885	5.4 %
2014	8,656	674,625,000	14,110	47,812	8,857	8.2 %
2015	8,752	709,034,000	14,234	49,813	9,099	6.9 %
2016	8,796	730,144,000	14,207	51,393	9,031	5.8 %
2017	8,836	750,993,000	14,191	52,920	9,127	5.6 %
2018	8,940	785,442,000	14,178	55,399	10,125	4.9 %
2019	9,071	Data Unavailable	14,355	Data Unavailable	10,186	4.2 %

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	2019		2010	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Digi-Key Corporation	3,302	32.42 %	2,498	30.11 %
Arctic Cat, Incorporated	985	9.67 %	1,250	15.07 %
Sandford Health - Thief River Falls	600	5.89 %	525	6.33 %
Seven Clans Casino Hotel & Indoor Waterpark	322	3.16 %	497	5.99 %
Thief River Falls School District No. 564	435	4.27 %	350	4.22 %
Northern Pride, Inc.	180	1.77 %	200	2.41 %
Northland Community & Technical College	170	1.67 %	165	1.99 %
Pennington County	140	1.37 %	126	1.52 %
Hugos	150	1.47 %	-	- %
City of Thief River Falls	89	0.87 %	102	1.23 %
	<u>6,373</u>	<u>62.55 %</u>	<u>5,713</u>	<u>68.87 %</u>

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

MANAGEMENT AND COMPLIANCE SECTION



Hoffman, Philipp, & Knutson, PLLC

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

Independent Auditor's Report

City Council
City of Thief River Falls

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2020.

Internal Control Over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

City 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 Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Hoffman, Philipp, & Knutson, PLLC
June 19, 2020



Hoffman, Philipp, & Knutson, PLLC

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

City Council
City of Thief River Falls

Report on Compliance for Each Major Federal Program

We have audited the City of Thief River Falls compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2019. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Thief River Falls compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City of Thief River Falls complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the City of Thief River Falls is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of This Report

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

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Knutson".

Hoffman, Philipp, & Knutson, PLLC
June 19, 2020

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unmodified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls.
- B. Significant deficiencies in internal control over financial reporting were disclosed by the audit of financial statements of the City of Thief River Falls and are reported in the "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*."
- C. No instances of noncompliance material to the financial statements of the City of Thief River Falls were disclosed during the audit.
- D. No material weaknesses in internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance"
- E. The Auditor's Report on Compliance for the major federal program for the City of Thief River Falls expresses an unmodified opinion.
- F. Findings are disclosed that are required to be reported in accordance with 2 CFR 200.516(a).
- G. The major federal program was:
 - Community Development Block Grants CFDA #14.228
- H. The threshold for distinguishing between Types A and B programs was \$750,000.
- I. The City of Thief River Falls was determined not to be a low risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number: 2019-001

Prior Audit Finding Number: 2016-001

Finding Title: Segregation of Duties

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

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

organization's accounting system.

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

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

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

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

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

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

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number: 2019-002

Prior Audit Finding Number: 2018-001

Finding Title: Contract Compliance

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

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

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

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

Context: The engineering firm of AE2S conducted the procurement of the contract.

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

Cause: The City does not administer many contracts outside of the City Engineer's office. In 2018 the City relied upon the engineering firm of Widseth to oversee this process, and in 2019 the City relied upon the engineering firm of AE2S to oversee this process.

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

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



City of Thief River Falls

CITY ADMINISTRATOR

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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001

Prior Year Audit Finding Number: 2016-001

Finding Title: Segregation of Duties

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

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

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

Finding Number: 2019-002

Prior Year Audit Finding Number: 2018-001

Finding Title: Contract Compliance

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

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

Anticipated Completion Date: *December 31, 2020.*



City of Thief River Falls

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SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001

Prior Year Audit Finding Number: 2016-001

Finding Title: Segregation of Duties

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

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

Status: Not fully corrected.

Finding Number: 2019-002

Prior Audit Finding Number: 2018-001

Finding Title: Contract Compliance

Summary of Condition: The City was not in compliance with State of Minnesota contracting and bid law requirements, specifically Minn. Stat. § 471.425 and § 16C.285.

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

Status: Not fully corrected.