

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

YEAR ENDED DECEMBER 31, 2020



Hoffman, Philipp, & Martell, 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, 2020**

<u>Position</u>	<u>City Council</u>	<u>Term Expires</u>
Mayor	Brian D. Holmer	2022
Council Member:		
First Ward	Curtis Howe	2022
Second Ward	Don Sollom ¹	2020
Third Ward	Mike Lorensen	2022
Fourth Ward	Jerald Brown ²	2020
Fifth Ward	Rachel Prudhomme	2022
At Large (Vice Mayor)	Steve Narverud	2022
At Large	Jason Aarestad	2024
City Administrator	Angela Philipp	Indefinite

¹ Replaced by newly elected Anthony Bolduc effective January 1, 2021. Term expires December 31, 2024.

² Replaced by newly elected Michelle McCraw effective January 1, 2021. Term expires December 31, 2024.

FINANCIAL SECTION

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



Hoffman, Philipp, & Martell, PLLC

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

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, 2020, 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, 2020, 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 25, 2021, 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.

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

Hoffman, Philipp, & Martell, PLLC
June 25, 2021



City of Thief River Falls

CITY ADMINISTRATOR

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

PHONE: 218-681-2943

FAX: 218-681-6223

email: aphilipp@citytrf.net

www.citytrf.net

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The management of the City of Thief River Falls offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Thief River Falls for the fiscal year ended December 31, 2020. 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 \$31,654,953, of which \$20,307,156 is the net investment in capital assets, \$5,181,069 is restricted for debt service, economic development, and capital projects. \$6,166,728 is unrestricted. The total net position of governmental activities decreased by \$8,391,415 after the restatement of net position for the year ended December 31, 2020, as the arena activity was split from the General Fund into its own proprietary fund, now the Ralph Engelstad Arena Enterprise Fund.

The total net position of business-type activities is \$30,715,068, of which \$21,392,814 is the net investment in capital assets, and \$9,322,254 is unrestricted. The total net position of business-type activities increased by \$9,764,721 after the restatement of net position in 2020, as the arena activity was split from the General Fund into its own proprietary fund, now the Ralph Engelstad Arena Enterprise Fund.

At the close of 2020, the City's General Fund reported an ending fund balance of \$8,744,892, an increase of \$1,530,067 from the prior year after the prior period adjustment due to restatement. Of the total fund balance amount, \$2,750,906 is committed to specific programs, \$1,519,920 is the assigned fund balance, and \$4,474,066 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, and 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, arena, 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 Westside Diversion Capital Project 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, Ralph Engelstad Arena, and Electric, Water, Wastewater, and Storm Water Systems. The Liquor, Ralph Engelstad Arena, 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 30 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 \$62,370,021 at the close of 2020. The largest portion of the City's net position (approximately 67 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. Eight percent of the City's net position is restricted for debt service, economic development, and capital projects, and approximately 25 percent is unrestricted. The unrestricted net position amount of \$15,488,982 as of December 31, 2020, 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 \$8,201,017 from the prior year, primarily as a result of the purchase and construction of capital assets. Deferred outflows of resources related to pensions and OPEB increased by \$456,201. Total liabilities increased by \$6,910,513 from the prior year, primarily due to the issuance of long-term debt. Deferred inflows of resources related to pensions and OPEB increased by \$373,399. This resulted in an increased net position of \$1,373,306 from the prior year.

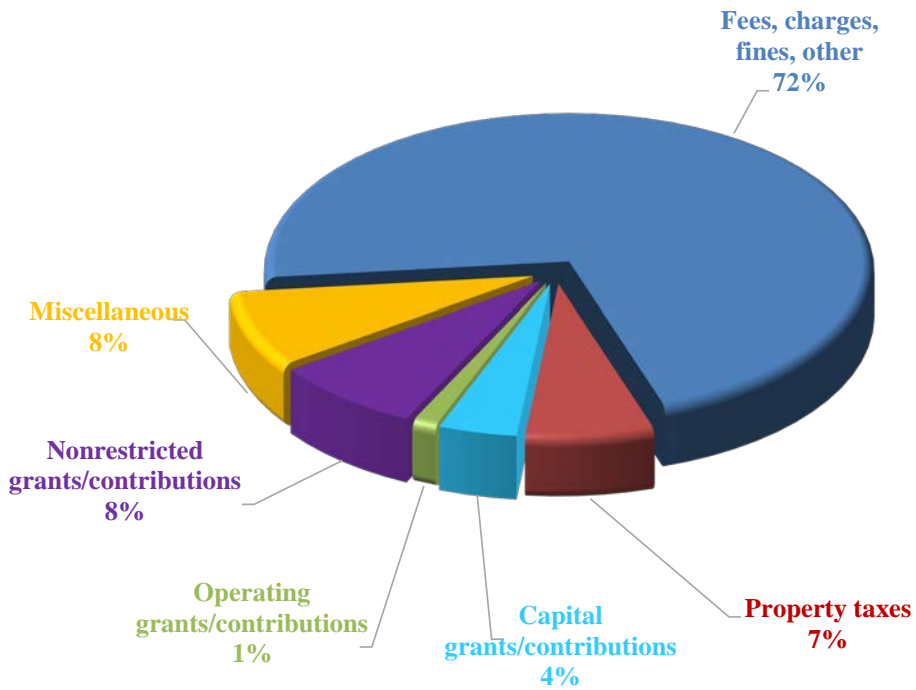
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 18,516,767	\$ 17,901,944	\$ 14,003,523	\$ 11,023,475	\$ 32,520,290	\$ 28,925,419
Capital assets	30,661,243	39,241,623	44,045,694	30,859,168	74,706,937	70,100,791
Total assets	\$ 49,178,010	\$ 57,143,567	\$ 58,049,217	\$ 41,882,643	\$ 107,227,227	\$ 99,026,210
Deferred outflows of resources	\$ 2,107,469	\$ 1,787,562	\$ 287,540	\$ 151,246	\$ 2,395,009	\$ 1,938,808
Other liabilities	\$ 5,087,344	\$ 4,658,700	\$ 5,236,822	\$ 4,026,863	\$ 10,324,166	\$ 8,685,563
Long-term liabilities outstanding	11,304,067	11,243,167	21,743,970	16,532,960	33,048,037	27,776,127
Total liabilities	\$ 16,391,411	\$ 15,901,867	\$ 26,980,792	\$ 20,559,823	\$ 43,372,203	\$ 36,461,690
Deferred inflows of resources	\$ 3,239,115	\$ 2,982,894	\$ 640,897	\$ 523,719	\$ 3,880,012	\$ 3,506,613
Net position						
Net investment in capital assets	\$ 20,307,156	\$ 29,021,623	\$ 21,392,814	\$ 14,168,741	\$ 41,699,970	\$ 43,190,364
Restricted	5,181,069	3,762,950	-	31,355	5,181,069	3,794,305
Unrestricted	6,166,728	7,261,795	9,322,254	6,750,251	15,488,982	14,012,046
Total net position	\$ 31,654,953	\$ 40,046,368	\$ 30,715,068	\$ 20,950,347	\$ 62,370,021	\$ 60,996,715

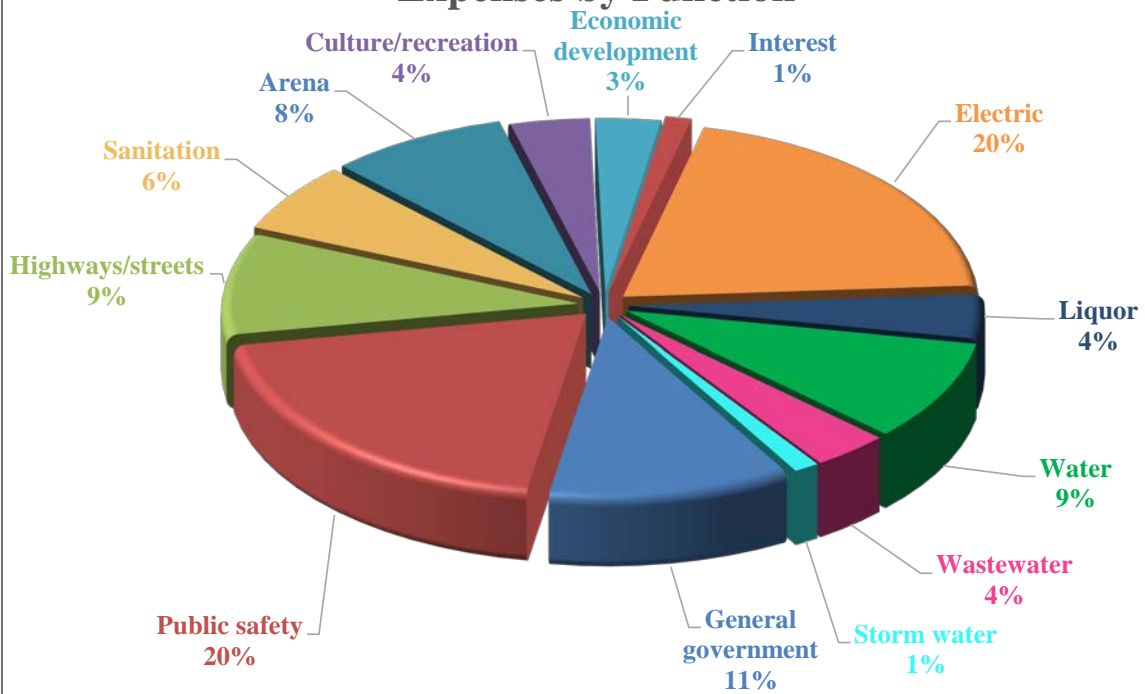
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 2,912,426	\$ 3,099,214	\$ 27,019,513	\$ 24,804,208	\$ 29,931,939	\$ 27,903,422
Operating grants and contributions	545,158	1,313,394	-	-	545,158	1,313,394
Capital grants and contributions	1,734,299	5,254,625	4,011	14,457	1,738,310	5,269,082
General Revenues and Transfers						
Property taxes	2,865,416	2,515,158	-	-	2,865,416	2,515,158
Franchise and LodgingTax	341,552	376,933	-	-	341,552	376,933
Grants and contributions not restricted to specific programs	3,173,095	3,082,762	172,016	-	3,345,111	3,082,762
Investment earnings	121,373	201,591	103,105	224,711	224,478	426,302
Miscellaneous	25,795	177,977	806,833	568,884	832,628	746,861
Transfers	2,052,505	(3,407,552)	(2,052,505)	3,407,552	-	-
Total revenues	\$ 13,771,619	\$ 12,614,102	\$ 26,052,973	\$ 29,019,812	\$ 39,824,592	\$ 41,633,914
Expenses						
General government	\$ 2,445,795	\$ 1,721,080	\$ -	\$ -	\$ 2,445,795	\$ 1,721,080
Public safety	4,343,323	3,524,019	-	-	4,343,323	3,524,019
Highways and streets	2,068,471	1,032,958	-	-	2,068,471	1,032,958
Sanitation	1,394,929	900,730	-	-	1,394,929	900,730
Culture and recreation	819,818	2,962,045	-	-	819,818	2,962,045
Economic development	669,790	883,940	-	-	669,790	883,940
Interest	264,931	218,719	-	-	264,931	218,719
Electric	-	-	15,831,346	14,372,428	15,831,346	14,372,428
Liquor	-	-	5,293,988	4,598,819	5,293,988	4,598,819
Water	-	-	2,338,156	2,282,810	2,338,156	2,282,810
Wastewater	-	-	828,838	768,811	828,838	768,811
Arena	-	-	1,872,437	-	1,872,437	-
Stormwater	-	-	279,464	164,887	279,464	164,887
Total expenses	\$ 12,007,057	\$ 11,243,491	\$ 26,444,229	\$ 22,187,755	\$ 38,451,286	\$ 33,431,246
Increase (decrease) in net position	\$ 1,764,562	\$ 1,370,611	\$ (391,256)	\$ 6,832,057	\$ 1,373,306	\$ 8,202,668
Net position, January 1	\$ 40,046,368	\$ 38,675,757	\$ 20,950,347	\$ 14,118,290	\$ 60,996,715	\$ 52,794,047
Prior period adjustment	(10,155,977)	-	10,155,977	-	-	-
Net position, January 1, as restated	\$ 29,890,391	\$ 38,675,757	\$ 31,106,324	\$ 14,118,290	\$ 60,996,715	\$ 52,794,047
Net position, December 31	\$ 31,654,953	\$ 40,046,368	\$ 30,715,068	\$ 20,950,347	\$ 62,370,021	\$ 60,996,715

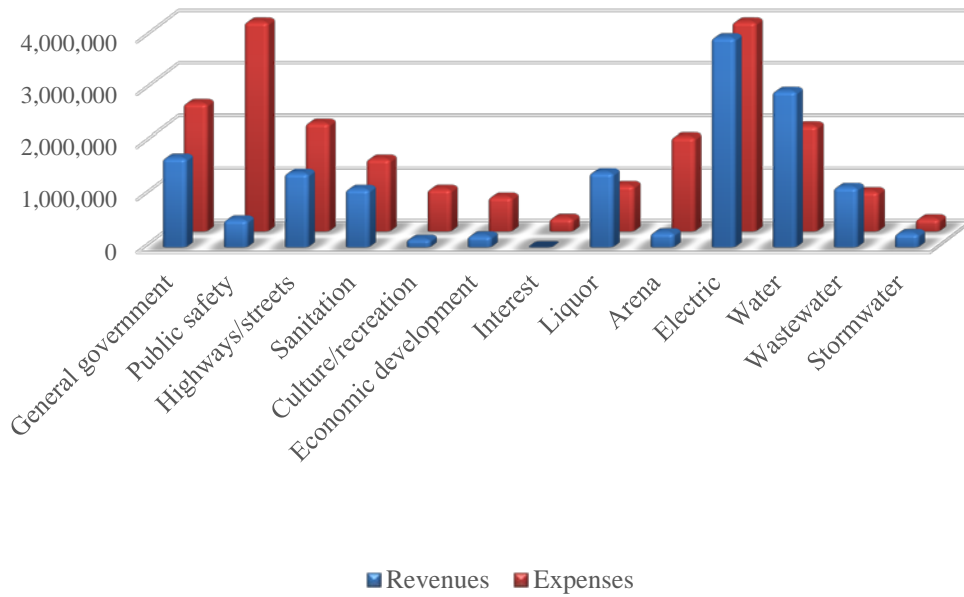
Revenues by Source



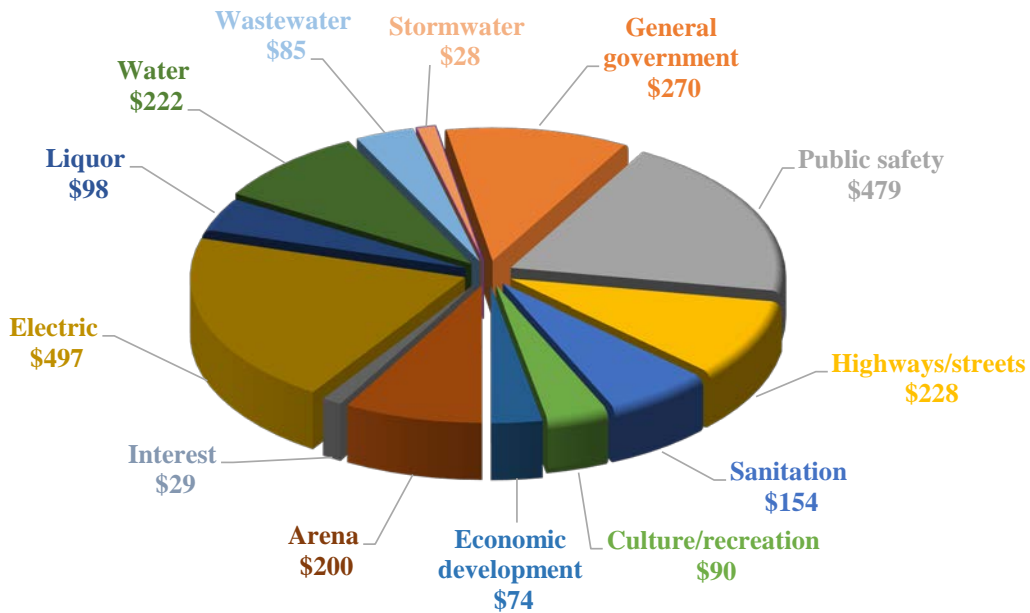
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 9,071 Population as of December 31, 2020



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 2020, the City's governmental funds reported combined ending fund balances of \$14,579,903. Of this amount, approximately five percent constitutes non-spendable fund balance, 31 percent constitutes legally or contractually restricted fund balance, 22 percent constitutes formally committed fund balance, 13 percent constitutes specifically assigned fund balance, and 29 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 \$8,744,892. The General Fund's committed fund balance was \$2,750,906, the assigned fund balance was \$1,519,920, and the unassigned fund balance was \$4,474,066. The General Fund has no non-spendable or restricted fund balance. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures for 2020. Total fund balance represents 101 percent of total General Fund expenditures.

In 2020, the fund balance amount in the General Fund increased by \$1,722,128. This increase is attributed to decreased culture and recreation expenditures and a transfer in from other funds.

The fund balance amount in the 2019 Westside Diversion Capital Project Fund increased by \$287,571, primarily due to the issuance of debt.

Proprietary Funds

The Liquor Enterprise Fund reported an operating income in 2020 of \$543,890, 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 2020 of \$622,257, indicating that it is charging for products and services at a profitable margin for this type of business.

The Water Enterprise Fund reported an operating income in 2020 of \$960,694, 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 2020 of \$382,957, indicating that it is charging for products and services at a profitable margin for this type of business.

The Ralph Engelstad Arena Enterprise Fund reported an operating loss in 2020 of \$1,521,796, primarily due to the effects of the COVID-19 restrictions closing down operations for most of 2020.

The nonmajor Storm Water Enterprise Fund reported an operating income in 2020 of \$18,818, 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 \$625,403, with the largest variance in unbudgeted intergovernmental federal grants from the Department of the Treasury. Actual expenditures were more than overall final budgeted expenditures by \$942,326, primarily as a result of public safety emergency management expenditures being more than budgeted, and unbudgeted debt service and capital outlay. There were no budget amendments in 2020.

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, 2020, amounted to \$74,706,937 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was six percent. This increase was primarily due to the purchase and construction of capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 516,833	\$ 784,917	\$ 617,666	\$ 421,613	\$ 1,134,499	\$ 1,206,530
Construction in progress	3,146,672	8,321,904	3,595,362	1,522,930	6,742,034	9,844,834
Buildings	2,598,170	11,259,900	15,359,436	7,397,460	17,957,606	18,657,360
Infrastructure	22,732,947	17,369,401	22,883,369	20,513,476	45,616,316	37,882,877
Machinery and equipment	1,666,621	1,505,501	1,589,861	1,003,689	3,256,482	2,509,190
Total capital assets	<u>\$ 30,661,243</u>	<u>\$ 39,241,623</u>	<u>\$ 44,045,694</u>	<u>\$ 30,859,168</u>	<u>\$ 74,706,937</u>	<u>\$ 70,100,791</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 \$31,137,931 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
G.O. Improvement Bonds	\$ 10,010,000	\$ 10,220,000	\$ -	\$ -	\$ 10,010,000	\$ 10,220,000
Capital Leases	137,931	-	-	-	137,931	-
G.O. Revenue Bonds	-	-	20,990,000	15,985,000	20,990,000	15,985,000
	<u>\$ 10,147,931</u>	<u>\$ 10,220,000</u>	<u>\$ 20,990,000</u>	<u>\$ 15,985,000</u>	<u>\$ 31,137,931</u>	<u>\$ 26,205,000</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 2020, the City's estimated market value was \$513,568,800 with debt subject to the limit at two 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.
- For 2021, the most significant challenge will be adjusting to the impacts of the worldwide Coronavirus pandemic. The total extent of the impact on the City, both financially and operationally, are still uncertain at this time.

- The Ralph Engelstad Arena is a multi-purpose 1,050,000 square foot City owned facility located on property owned by the City on Brooks Avenue North in Thief River Falls. This facility was donated to the City in February, 2002, by means of a \$10 million donation to the City of Thief River Falls from the Ralph and Betty Engelstad family. In September 2002, \$2.8 million was raised through cash and in-kind donations to complete the project. The arena was dedicated in November, 2003. In addition to hockey, this arena also hosts wedding receptions, trade shows, meetings, concerts, parties and other events. The facility is managed by an outside consulting firm.
- 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 4.7 percent as of December 31, 2020. This is lower than the statewide rate of 6.5 percent and the national average rate of 6.7 percent.
- According to the League of Minnesota Cities, Thief River Falls' population as of December 31, 2020, was 9,071, an increase of 498 since the 2010 census of 8,573.
- On December 17, 2020, 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, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 12,032,875	\$ 10,057,306	\$ 22,090,181
Cash with fiscal agent	75,397	-	75,397
Taxes receivable			
Current	85,123	-	85,123
Prior	146,558	-	146,558
Special assessments receivable			
Current	89,903	-	89,903
Prior	42,301	-	42,301
Accounts receivable	140,716	2,615,292	2,756,008
Accrued interest receivable	7,357	6,360	13,717
Due from other governments	1,532,163	-	1,532,163
Inventory	-	1,770,313	1,770,313
Loans receivable (net)	1,088,511	-	1,088,511
Internal balances	520,268	(520,268)	-
Prepaid items	-	8,936	8,936
Net pension asset	386,332	-	386,332
Special assessments receivable - noncurrent	2,369,263	65,584	2,434,847
Capital assets			
Non-depreciable	3,663,505	4,213,028	7,876,533
Depreciable - net of accumulated depreciation	26,997,738	39,832,666	66,830,404
Total Assets	\$ 49,178,010	\$ 58,049,217	\$ 107,227,227
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 2,061,357	\$ 276,849	\$ 2,338,206
Related to other post-employment benefits	46,112	10,691	56,803
Total Deferred Outflows of Resources	\$ 2,107,469	\$ 287,540	\$ 2,395,009
<u>Liabilities</u>			
Accounts payable	\$ 343,556	\$ 2,231,875	\$ 2,575,431
Salaries payable	128,148	77,278	205,426
Due to other governments	53,012	208,810	261,822
Accrued interest payable	89,621	200,558	290,179
Customer deposits	-	248,630	248,630
Long-term liabilities			
Due within one year	1,786,888	1,737,033	3,523,921
Due in more than one year	9,517,179	20,006,937	29,524,116
Net pension liability	3,502,094	2,044,571	5,546,665
Other post employment benefits	970,913	225,100	1,196,013
Total Liabilities	\$ 16,391,411	\$ 26,980,792	\$ 43,372,203
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 3,080,402	\$ 604,100	\$ 3,684,502
Related to other post-employment benefits	158,713	36,797	195,510
Total Deferred Inflows	\$ 3,239,115	\$ 640,897	\$ 3,880,012
<u>Net Position</u>			
Net investment in capital assets	\$ 20,307,156	\$ 21,392,814	\$ 41,699,970
Amounts restricted for			
Debt service	2,052,500	-	2,052,500
Economic development	2,110,131	-	2,110,131
Capital projects	1,018,438	-	1,018,438
Unrestricted amounts	6,166,728	9,322,254	15,488,982
Total Net Position	\$ 31,654,953	\$ 30,715,068	\$ 62,370,021

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

		Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
	Expenses		
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 2,445,795	\$ 1,039,823	\$ 2,018
Public safety	4,343,323	274,709	261,263
Highways and streets	2,068,471	176,522	192,980
Sanitation	1,394,929	1,120,585	-
Culture and recreation	819,818	162,760	-
Economic development	669,790	138,027	88,897
Interest	264,931	-	-
Total governmental activities	\$ 12,007,057	\$ 2,912,426	\$ 545,158
Business-type activities			
Electric	\$ 15,831,346	\$ 16,422,386	\$ -
Liquor	5,293,988	5,837,878	-
Water	2,338,156	2,978,426	-
Wastewater	828,838	1,155,933	-
Ralph Engelstad Arena	1,872,437	350,641	-
Storm Water	279,464	274,249	-
Total business-type activities	\$ 26,444,229	\$ 27,019,513	\$ -
Total Primary Government	\$ 38,451,286	\$ 29,931,939	\$ 545,158
General revenues and transfers			
Property taxes			
Franchise tax			
Lodging tax			
Grants and contributions not restricted to specific programs			
Investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net Position - January 1, as previously reported			
Prior period adjustment			
Net Position - January 1, as restated			
Net Position - December 31			

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ 673,542	\$ (730,412)	\$ -	\$ (730,412)
-	(3,807,351)	-	(3,807,351)
1,054,732	(644,237)	-	(644,237)
-	(274,344)	-	(274,344)
1,025	(656,033)	-	(656,033)
5,000	(437,866)	-	(437,866)
-	(264,931)	-	(264,931)
\$ 1,734,299	\$ (6,815,174)	\$ -	\$ (6,815,174)
\$ -	\$ -	\$ 591,040	\$ 591,040
-	-	543,890	543,890
-	-	640,270	640,270
4,011	-	331,106	331,106
-	-	(1,521,796)	(1,521,796)
-	-	(5,215)	(5,215)
\$ 4,011	\$ -	\$ 579,295	\$ 579,295
\$ 1,738,310	\$ (6,815,174)	\$ 579,295	\$ (6,235,879)
	\$ 2,865,416	\$ -	\$ 2,865,416
	226,326	-	226,326
	115,226	-	115,226
	3,173,095	172,016	3,345,111
	121,373	103,105	224,478
	25,795	806,833	832,628
	2,052,505	(2,052,505)	-
	\$ 8,579,736	\$ (970,551)	\$ 7,609,185
	\$ 1,764,562	\$ (391,256)	\$ 1,373,306
	\$ 40,046,368	\$ 20,950,347	\$ 60,996,715
	(10,155,977)	10,155,977	-
	29,890,391	31,106,324	60,996,715
	\$ 31,654,953	\$ 30,715,068	\$ 62,370,021

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

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	2019 Westside Diversion Capital Project	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 6,816,940	\$ 281,802	\$ 4,934,133	\$ 12,032,875
Cash with fiscal agent	-	-	75,397	75,397
Taxes receivable		-		
Current	73,883	-	11,240	85,123
Prior	110,258	-	36,300	146,558
Special assessments receivable		-		
Current	85,796	-	4,107	89,903
Prior	19,221	-	23,080	42,301
Accounts receivable	140,716	-	-	140,716
Interest receivable	5,685	-	1,672	7,357
Due from other funds	2,061,192	-	-	2,061,192
Due from other governments	17,935	-	1,514,228	1,532,163
Loans receivable	467,694	-	620,817	1,088,511
Special assessments receivable - noncurrent	-	-	2,369,263	2,369,263
Total Assets	\$ 9,799,320	\$ 281,802	\$ 9,590,237	\$ 19,671,359
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 276,708	\$ -	\$ 66,848	\$ 343,556
Salaries payable	127,611	-	537	128,148
Due to other funds	-	-	1,540,924	1,540,924
Due to other governments	52,936	-	76	53,012
Total Liabilities	\$ 457,255	\$ -	\$ 1,608,385	\$ 2,065,640
Deferred Inflows of Resources				
Taxes	\$ 110,258	\$ -	\$ 36,300	\$ 146,558
Loans	467,694	-	-	467,694
Special assessments	19,221	-	2,392,343	2,411,564
Total Deferred Inflows of Resources	\$ 597,173	\$ -	\$ 2,428,643	\$ 3,025,816

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

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	2019 Westside Diversion Capital Project	Other Governmental Funds (Statement 1)	Total Governmental Funds
Fund Balances				
Nonspendable				
Loans receivable	\$ -	\$ -	\$ 689,796	\$ 689,796
Restricted for				
Capital projects	-	281,802	736,636	1,018,438
Debt service	-	-	2,052,500	2,052,500
Economic development	-	-	1,297,624	1,297,624
TIF district	-	-	122,711	122,711
Committed to				
Airport	127,274	-	-	127,274
Carnegie building	44,716	-	-	44,716
Insurance	2,073,808	-	-	2,073,808
Parks	41,695	-	-	41,695
Emergency management	29,040	-	-	29,040
Fire department	434,373	-	-	434,373
K-9 Unit	-	-	2,969	2,969
Perpetual care	-	-	183,333	183,333
Train canopy	-	-	36,749	36,749
Splash park	-	-	9,182	9,182
Swimming pool	-	-	257,442	257,442
Assigned to				
General government	1,113,427	-	159,326	1,272,753
Public safety	26,311	-	-	26,311
Highways and streets	207,268	-	-	207,268
Sanitation	111,959	-	-	111,959
Culture and recreation	27,800	-	1,025	28,825
Capital projects	-	-	51,686	51,686
Economic development	33,155	-	-	33,155
Unassigned	4,474,066	-	(47,770)	4,426,296
Total Fund Balances	\$ 8,744,892	\$ 281,802	\$ 5,553,209	\$ 14,579,903
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,799,320	\$ 281,802	\$ 9,590,237	\$ 19,671,359

**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, 2020**

Fund balances - total governmental funds (Exhibit 3)	\$	14,579,903
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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.		30,661,243
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		3,025,816
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Deferred outflows of resources are not available resources and, therefore
are not reported in the governmental funds:

Deferred outflows related to other post-employment benefits	\$ 46,112	
Deferred outflows related to pensions	2,061,357	2,107,469

Long-term liabilities, including bonds and notes payable, are not due and payable in the
current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	\$ (89,621)	
General obligation bonds	(10,216,156)	
Capital leases	(137,931)	
Compensated absences payable	(949,980)	
Net pension asset	386,332	
Net pension liability	(3,502,094)	
Other post-employment benefits	(970,913)	(15,480,363)

Deferred inflows of resources are not due and payable in the current period and,
therefore, are not reported in the governmental funds:

Deferred inflows related to other post-employment benefits	\$ (158,713)	
Deferred inflows related to pensions	(3,080,402)	(3,239,115)

Net position of governmental activities (Exhibit 1)	\$	<u>31,654,953</u>
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**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, 2020**

	General	2019 Westside Diversion Capital Project	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues				
Taxes	\$ 2,156,892	\$ -	\$ 974,895	\$ 3,131,787
Special assessments	94,467	-	742,352	836,819
Licenses and permits	163,698	-	-	163,698
Intergovernmental	4,296,965	-	478,973	4,775,938
Charges for services	1,605,199	-	33,775	1,638,974
Fines and forfeitures	55,462	-	-	55,462
Investment earnings	94,545	-	26,828	121,373
Gifts and contributions	1,668	-	10,290	11,958
Miscellaneous	660,816	-	383,587	1,044,403
Total Revenues	\$ 9,129,712	\$ -	\$ 2,650,700	\$ 11,780,412
Expenditures				
Current				
General government	\$ 1,493,481	\$ -	\$ 528,902	\$ 2,022,383
Public safety	3,827,373	-	7,978	3,835,351
Highways and streets	745,356	-	-	745,356
Sanitation	1,062,720	-	-	1,062,720
Culture and recreation	764,084	-	9,415	773,499
Economic development	367,243	-	302,547	669,790
Debt service				
Principal retirement	128,708	-	775,000	903,708
Interest	-	5,599	193,152	198,751
Capital outlay				
General government	-	-	190,655	190,655
Public safety	28,783	-	-	28,783
Highways and streets	229,728	2,139,408	2,317,893	4,687,029
Culture and recreation	-	-	29,979	29,979
Economic development	-	-	4,254	4,254
Total Expenditures	\$ 8,647,476	\$ 2,145,007	\$ 4,359,775	\$ 15,152,258
Excess of Revenues Over (Under) Expenditures	\$ 482,236	\$ (2,145,007)	\$ (1,709,075)	\$ (3,371,846)
Other Financing Sources (Uses)				
Transfers in	\$ 1,289,892	\$ -	\$ 192,926	\$ 1,482,818
Transfers out	(50,000)	-	(22,926)	(72,926)
Proceeds from issuance of debt	-	2,432,578	589,309	3,021,887
Total Other Financing Sources (Uses)	\$ 1,239,892	\$ 2,432,578	\$ 759,309	\$ 4,431,779
Net Change in Fund Balance	\$ 1,722,128	\$ 287,571	\$ (949,766)	\$ 1,059,933
Fund Balance - January 1, as previously reported	\$ 7,214,825	\$ (5,769)	\$ 6,502,975	\$ 13,712,031
Prior period adjustment	(192,061)	-	-	(192,061)
Fund Balance - January 1	\$ 7,022,764	\$ (5,769)	\$ 6,502,975	\$ 13,519,970
Fund Balance - December 31	\$ 8,744,892	\$ 281,802	\$ 5,553,209	\$ 14,579,903

**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, 2020**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ 1,059,933**

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	\$	6,273,167	
Current year depreciation		(1,035,067)	
Net book value of assets disposed		(3,169,261)	2,068,839

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	(119,334)
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The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term debt consumes the current financial resources
of governmental funds. Neither transaction, however, has any effect on net position.

Principal repayments			
General obligation bonds	\$	775,000	
Capital leases		90,824	
Proceeds from issuance of debt		(831,639)	34,185

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

Change in			
Amortization of discount/premium	\$	(1,303)	
Accrued interest payable		17,742	
Compensated absences payable		(43,448)	
Deferred outflows related to other post-employment benefits		19,948	
Deferred inflows related to other post-employment benefits		27,187	
Other post-employment benefits		(76,913)	
Net pension liability		(503,188)	
Deferred outflows related to net pension liability		299,959	
Deferred inflows related to net pension liability		(1,019,045)	(1,279,061)

Change in net position of governmental activities (Exhibit 2)		\$ 1,764,562	
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**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

	Liquor Enterprise	Electric Enterprise	Water Enterprise
<u>Assets</u>			
Current Assets			
Cash and pooled investments	\$ 1,209,303	\$ 2,936,590	\$ 2,971,540
Accounts receivable	1,147	2,263,529	233,303
Interest receivable	835	1,730	2,026
Inventory	683,253	927,340	135,320
Prepaid items	-	-	-
Total Current Assets	\$ 1,894,538	\$ 6,129,189	\$ 3,342,189
Noncurrent Assets			
Special assessments receivable - noncurrent	\$ -	\$ -	\$ -
Capital assets			
Non-depreciable	178,942	24,014	107,407
Depreciable - net of accumulated depreciation	276,861	10,343,643	14,312,893
Total Noncurrent Assets	\$ 455,803	\$ 10,367,657	\$ 14,420,300
Total Assets	\$ 2,350,341	\$ 16,496,846	\$ 17,762,489
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 42,231	\$ 145,463	\$ 46,924
Related to other post-employment benefits	1,667	6,502	1,225
Total Deferred Outflows of Resources	\$ 43,898	\$ 151,965	\$ 48,149
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$ 217,318	\$ 1,892,417	\$ 14,376
Compensated absences payable	92,158	209,817	52,033
Salaries payable	13,009	41,889	14,537
Interest payable	-	56,864	105,464
Due to other governments	63,470	141,901	2,224
Due to other funds	-	-	-
GO revenue bonds payable	-	261,000	760,850
Customer deposits payable	-	248,630	-
Total Current Liabilities	\$ 385,955	\$ 2,852,518	\$ 949,484
Noncurrent Liabilities			
Other post employment benefits	\$ 35,100	\$ 136,900	\$ 25,800
Compensated absences payable	18,916	58,651	12,051
Net pension liability	311,884	1,074,266	346,537
GO revenue bonds payable (net)	-	3,781,568	9,939,491
Total Noncurrent Liabilities	\$ 365,900	\$ 5,051,385	\$ 10,323,879
Total Liabilities	\$ 751,855	\$ 7,903,903	\$ 11,273,363
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 92,151	\$ 317,408	\$ 102,390
Related to other post-employment benefits	5,738	22,379	4,217
Total Deferred Inflows of Resources	\$ 97,889	\$ 339,787	\$ 106,607
<u>Net Position</u>			
Net investment in capital assets	\$ 455,803	\$ 4,927,221	\$ 3,736,343
Unrestricted amounts	1,088,692	3,477,900	2,694,325
Total Net Position	\$ 1,544,495	\$ 8,405,121	\$ 6,430,668

EXHIBIT 7

Wastewater Enterprise	Ralph Engelstad Arena Enterprise	Nonmajor Storm Water Enterprise	Total
\$ 2,476,038	\$ -	\$ 463,835	\$ 10,057,306
89,980	4,408	22,925	2,615,292
1,426	-	343	6,360
-	24,400	-	1,770,313
-	8,936	-	8,936
\$ 2,567,444	\$ 37,744	\$ 487,103	\$ 14,458,207
\$ 65,584	\$ -	\$ -	\$ 65,584
2,969,898	932,767	-	4,213,028
3,787,999	8,631,403	2,479,867	39,832,666
\$ 6,823,481	\$ 9,564,170	\$ 2,479,867	\$ 44,111,278
\$ 9,390,925	\$ 9,601,914	\$ 2,966,970	\$ 58,569,485
\$ 42,231	\$ -	\$ -	\$ 276,849
1,297	-	-	10,691
\$ 43,528	\$ -	\$ -	\$ 287,540
\$ 21,264	\$ 81,198	\$ 5,302	\$ 2,231,875
18,025	-	-	372,033
7,570	-	273	77,278
25,946	-	12,284	200,558
1,131	43	41	208,810
-	520,268	-	520,268
218,150	-	125,000	1,365,000
-	-	-	248,630
\$ 292,086	\$ 601,509	\$ 142,900	\$ 5,224,452
\$ 27,300	\$ -	\$ -	\$ 225,100
10,923	-	-	100,541
311,884	-	-	2,044,571
3,871,911	-	2,313,426	19,906,396
\$ 4,222,018	\$ -	\$ 2,313,426	\$ 22,276,608
\$ 4,514,104	\$ 601,509	\$ 2,456,326	\$ 27,501,060
\$ 92,151	\$ -	\$ -	\$ 604,100
4,463	-	-	36,797
\$ 96,614	\$ -	\$ -	\$ 640,897
\$ 2,667,836	\$ 9,564,170	\$ 41,441	\$ 21,392,814
2,155,899	(563,765)	469,203	9,322,254
\$ 4,823,735	\$ 9,000,405	\$ 510,644	\$ 30,715,068

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Liquor Enterprise	Electric Enterprise	Water Enterprise
Sales and Cost of Goods Sold			
Sales	\$ 5,837,878	\$ 16,078,285	\$ -
Cost of goods sold	(4,401,933)	(11,188,919)	-
Gross Profit	\$ 1,435,945	\$ 4,889,366	\$ -
Operating Revenues			
Charges for services	\$ -	\$ -	\$ 2,973,861
Miscellaneous	-	237,843	4,565
Operating Revenues	\$ -	\$ 237,843	\$ 2,978,426
Total Gross Profit and Operating Revenues	\$ 1,435,945	\$ 5,127,209	\$ 2,978,426
Operating Expenses			
Personnel services	\$ 569,398	\$ 1,644,270	\$ 557,643
Contracted services	-	-	-
Professional services	-	54,140	-
Advertising	59,973	-	-
Chemicals	46,508	-	268,557
Fuel	-	-	6,762
Insurance	33,782	51,498	21,851
License and permits	88,376	-	40,043
Repairs and maintenance	12,451	1,175,222	136,974
Supplies	13,859	222,045	39,249
Utilities	28,754	65,532	226,606
Miscellaneous	16,188	370,447	2,800
Other services and charges	-	417,058	144,475
Depreciation	22,766	504,740	572,772
Total Operating Expenses	\$ 892,055	\$ 4,504,952	\$ 2,017,732
Operating Income (Loss)	\$ 543,890	\$ 622,257	\$ 960,694
Nonoperating Revenues (Expenses)			
Special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Rental income	-	106,258	-
Investment earnings	13,170	27,669	32,966
Miscellaneous	9,870	394,423	76,789
Interest expense	-	(137,475)	(320,424)
Total Nonoperating Revenues (Expenses)	\$ 23,040	\$ 390,875	\$ (210,669)
Income (Loss) Before Transfers	\$ 566,930	\$ 1,013,132	\$ 750,025
Transfers in	\$ -	\$ 1,110,736	\$ 642,285
Transfers out	(431,307)	(912,409)	(874,309)
Total Transfers	\$ (431,307)	\$ 198,327	\$ (232,024)
Change in Net Position	\$ 135,623	\$ 1,211,459	\$ 518,001
Net Position - January 1, as previously reported	\$ 1,408,872	\$ 7,193,662	\$ 5,912,667
Prior period adjustment	-	-	-
Net Position - January 1, as restated	1,408,872	7,193,662	5,912,667
Net Position - December 31	\$ 1,544,495	\$ 8,405,121	\$ 6,430,668

EXHIBIT 8

Wastewater Enterprise	Ralph Engelstad Arena Enterprise	Nonmajor Storm Water Enterprise	Total
\$ -	\$ 350,641	\$ -	\$ 22,266,804
-	61,193	-	(15,529,659)
\$ -	\$ 289,448	\$ -	\$ 6,737,145
\$ 1,142,133	\$ -	\$ 274,249	\$ 4,390,243
13,800	-	-	256,208
\$ 1,155,933	\$ -	\$ 274,249	\$ 4,646,451
\$ 1,155,933	\$ 289,448	\$ 274,249	\$ 11,383,596
\$ 375,850	\$ -	\$ 37,138	\$ 3,184,299
-	684,297	-	684,297
-	-	-	54,140
-	1,649	-	61,622
-	-	-	315,065
-	-	1,140	7,902
19,730	6,383	-	133,244
9,209	1,488	8,528	147,644
64,935	190,271	110,147	1,690,000
30,755	51,685	-	357,593
81,441	458,899	644	861,876
1,141	16,826	-	407,402
7,771	-	-	569,304
182,144	399,746	97,834	1,780,002
\$ 772,976	\$ 1,811,244	\$ 255,431	\$ 10,254,390
\$ 382,957	\$ (1,521,796)	\$ 18,818	\$ 1,129,206
\$ 4,011	\$ -	\$ -	\$ 4,011
-	172,016	-	172,016
-	-	-	106,258
23,622	-	5,678	103,105
131,543	194,208	-	806,833
(55,862)	-	(24,033)	(537,794)
\$ 103,314	\$ 366,224	\$ (18,355)	\$ 654,429
\$ 486,271	\$ (1,155,572)	\$ 463	\$ 1,783,635
\$ 239,150	\$ -	\$ 628,751	\$ 2,620,922
(28,423)	-	(2,426,979)	(4,673,427)
\$ 210,727	\$ -	\$ (1,798,228)	\$ (2,052,505)
\$ 696,998	\$ (1,155,572)	\$ (1,797,765)	\$ (268,870)
\$ 4,126,737	\$ -	\$ 2,308,409	\$ 20,950,347
-	10,155,977	-	10,155,977
4,126,737	10,155,977	2,308,409	31,106,324
\$ 4,823,735	\$ 9,000,405	\$ 510,644	\$ 30,837,454

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

	Liquor Dispensary	Electric Enterprise	Water Enterprise
Cash Flows from Operating Activities			
Receipts from customers	\$ 5,823,289	\$ 15,683,052	\$ 2,922,088
Payments to employees	(552,432)	(1,565,509)	(540,320)
Payments to suppliers	(4,631,880)	(12,746,811)	(890,380)
Net cash provided by (used in) operating activities	\$ 638,977	\$ 1,370,732	\$ 1,491,388
Cash Flows from Noncapital and Related Financing Activities			
Miscellaneous	\$ 9,870	\$ 394,423	\$ 76,789
Cash Flows from Capital and Related Financing Activities			
Special assessments received	\$ -	\$ -	\$ -
Transfers from other funds	-	1,110,736	-
Transfers to other funds	(431,307)	(912,409)	(37,753)
Proceeds from issuance of debt	-	-	503,486
Purchase of capital assets	(57,109)	(1,587,369)	(796,341)
Principal paid on debt	-	(261,000)	(525,000)
Interest paid on debt	-	(137,475)	(319,867)
Net cash provided by (used in) capital and related financing activities	\$ (488,416)	\$ (1,787,517)	\$ (1,175,475)
Cash Flows from Investing Activities			
Investment earnings received	\$ 13,170	\$ 27,669	\$ 32,966
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 173,601	\$ 5,307	\$ 425,668
Cash and Cash Equivalents at January 1	1,035,702	2,931,283	2,545,872
Cash and Cash Equivalents at December 31	\$ 1,209,303	\$ 2,936,590	\$ 2,971,540
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 543,890	\$ 728,515	\$ 960,694
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 22,766	\$ 504,740	\$ 572,772
Decrease (increase) in assets			
Accounts receivable	40	(604,808)	(26,148)
Inventory	(14,629)	(147,955)	(30,190)
Increase (decrease) in liabilities			
Accounts payable	66,736	875,310	(1,624)
Salaries payable	(13,314)	(37,945)	(10,513)
Due to other governments	2,647	8,254	(1,439)
Compensated absences payable	5,495	(22,848)	(1,805)
Customer deposits payable	-	13,429	-
Other post employment benefit obligation	1,099	4,264	740
Net pension liability	24,247	49,776	28,901
Total adjustments	\$ 95,087	\$ 642,217	\$ 530,694
Net cash provided by (used in) operating activities	\$ 638,977	\$ 1,370,732	\$ 1,491,388

EXHIBIT 9

Wastewater Enterprise	Ralph Engelstad Arena Enterprise	Nonmajor Storm Water Enterprise	Total
\$ 1,142,736	\$ 346,233	\$ 271,317	\$ 26,188,715
(362,085)	-	(37,398)	(3,057,744)
(195,600)	(1,391,450)	(115,781)	(19,971,902)
\$ 585,051	\$ (1,045,217)	\$ 118,138	\$ 3,159,069
\$ 131,543	\$ 524,949	\$ -	\$ 1,137,574
\$ 4,011	\$ -	\$ -	\$ 4,011
239,150	-	628,751	1,978,637
(28,423)	-	(2,426,979)	(3,836,871)
3,224,069	-	2,438,426	6,165,981
(2,993,713)	-	(633,751)	(6,068,283)
(48,800)	-	-	(834,800)
(39,700)	-	(11,784)	(508,826)
\$ 356,594	\$ -	\$ (5,337)	\$ (3,100,151)
\$ 23,622	\$ -	\$ 5,678	\$ 103,105
\$ 1,096,810	\$ (520,268)	\$ 118,479	\$ 1,299,597
1,379,228	-	345,356	8,237,441
\$ 2,476,038	\$ (520,268)	\$ 463,835	\$ 9,537,038
\$ 382,957	\$ (1,521,796)	\$ 18,818	\$ 1,113,078
\$ 182,144	\$ 399,746	\$ 97,834	\$ 1,780,002
(13,197)	(4,408)	(2,932)	(651,453)
-	-	-	(192,774)
20,466	81,198	4,718	1,046,804
(7,405)	-	(260)	(69,437)
(1,084)	43	(40)	8,381
(5,724)	-	-	(24,882)
-	-	-	13,429
882	-	-	6,985
26,012	-	-	128,936
\$ 202,094	\$ 476,579	\$ 99,320	\$ 2,045,991
\$ 585,051	\$ (1,045,217)	\$ 118,138	\$ 3,159,069

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

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION
PENSION TRUST FUND
DECEMBER 31, 2020**

Assets

Cash and pooled investments	\$	39,871
Accrued interest receivable		24
Prepaid benefits		990
		<hr/>
Total Assets	\$	40,885
		<hr/>

Net Position

Amounts held in trust for pool participants	\$	40,885
		<hr/> <hr/>

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

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Additions</u>	
Contributions		\$ 10,410
Investment earnings		<u>387</u>
Total Additions		\$ 10,797
	<u>Deductions</u>	
Benefit payments		<u>11,489</u>
Change in net position		\$ (692)
Net Position--January 1		<u>41,577</u>
Net Position--December 31		<u><u>\$ 40,885</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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, the Ralph Engelstad Arena, 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 FRA is a defined benefit plan and is required to be reported in the financial statements of the City. The City's portion of the cost of the FRA's pension benefits is included in the General Fund.

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 Westside Diversion 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 Dispensary 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.

The Ralph Engelstad Arena Enterprise Fund is used to account for and report the operations of the arena. Financing is provided by charges to residents for services and events.

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

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

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

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, 2020, based on market prices. Investment earnings are allocated to the funds with deposits. Pooled investment earnings were \$149,979. Total investment earnings for 2020 were \$224,478.

3. Cash with 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 \$75,397 as of December 31, 2020.

4. Receivables and Payables

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

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2000 through 2020, and deferred special assessments collectible in 2021 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

**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

4. Receivables and Payables (Continued)

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 consisting of housing rehabilitation and business development loans are reported as nonspendable fund balance for the amount outstanding as of year-end. Loans receivable from the airport projects are reported as deferred inflows of resources.

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

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

5. Inventory

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in 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.

6. 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.

**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

6. Capital Assets (Continued)

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

7. 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.

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

8. Compensated Absences

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

**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)

9. 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, 2019. The General Fund, Liquor, Electric, Water, and Wastewater Enterprise Funds are typically used to liquidate governmental other postemployment benefits payable.

10. Long-Term Obligations

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

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

11. 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

**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. Pensions (Continued)

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.

12. 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.

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

**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

12. Net Position and Fund Balance (Continued)

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, 2020.

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.

13. 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. Restatement of Net Position

During the year-ended December 31, 2020, the City entered into an agreement with Venuworks to manage the Ralph Engelstad Arena and parks. Due to this change, the Ralph Engelstad Arena was separated from the General Fund and is now being reported in a new enterprise fund. The beginning net position has been restated to reflect this change:

Restatement of Beginning Net Position

Government-Wide Net Position

January 1, 2020, as previously reported	\$ 40,046,368
Prior period adjustment	<u>(10,155,977)</u>
Net position, January 1, 2020 as restated	<u>\$ 29,890,391</u>

Ralph Engelstad Arena, Tourist Park, MEC Enterprise Fund Net Position

January 1, 2020, as previously reported	\$ -
Prior period adjustment	<u>10,155,977</u>
Net position, January 1, 2020 as restated	<u>\$ 10,155,977</u>

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

II. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Balances

The following nonmajor funds had deficit unassigned fund balances as of December 31, 2020:

TIF District 1-13 Special Revenue Fund	\$ 1,466
2019 Software Improvement Bonds Debt Service Fund	\$ 4,458
2020 Software Improvement Bonds Debt Service Fund	\$ 46
2020 Safe Routes to School Capital Projects Fund	\$ 41,800

These deficits will be eliminated with future collections.

C. 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 2020 was \$11,763, for a total of \$44,448 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, 2020, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 12,032,875
Cash with fiscal agent	75,397
Business-type Activities	
Cash and pooled investments	10,057,306
Fiduciary Activities	
Cash and pooled investments	<u>39,871</u>
 Total Cash and Investments	 <u><u>\$ 22,205,449</u></u>
Petty cash and change funds	\$ 8,795
Cash with fiscal agent	75,397
Checking	525,318
Certificates of deposit	100,000
Negotiable certificates of deposit	13,983,182
Money market funds	<u>7,512,757</u>
 Total deposits and cash on hand	 <u><u>\$ 22,205,449</u></u>

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk is to comply with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2020, 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, 2020, the City had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Money Market Funds	\$ 15,827,456	\$ 15,827,456	\$ -	\$ -
Negotiable Certificates of Deposit	5,470,378	1,716,299	3,076,394	677,685
Total Investments	<u>\$ 21,297,834</u>	<u>\$ 17,543,755</u>	<u>\$ 3,076,394</u>	<u>\$ 677,685</u>
	100%	82%	14%	3%

**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. \$15,827,456 of the City's portfolio are in money market accounts exposed to credit risk at December 31, 2020.

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.

At December 31, 2020, the following investments may be subject to custodial credit risk:

Piper Jaffray Money Market	\$ 2,667,599
4M Money Market	<u>12,159,857</u>
Total Custodial Credit Risk	<u><u>\$ 14,827,456</u></u>
Percentage of City investments exposed to custodial credit risk:	66.90%

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. \$15,827,456 of the City's investment in Money Market Accounts represents 71.41 percent of the City's portfolio.

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:

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Fair Value Hierarchy (Continued)

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

	December 31, 2020	Fair Value Measurements Using	
		Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Negotiable Certificates of Deposits	\$ 5,470,378	\$ -	\$ 5,470,378
Money Market Funds	15,827,456	15,827,456	-
Total Investments	<u>\$ 21,297,834</u>	<u>\$ 15,827,456</u>	<u>\$ 5,470,378</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, 2020, for the City's governmental and business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 231,681	\$ -
Special assessments	2,501,467	2,369,263
Accounts	140,716	-
Accrued interest	7,357	-
Loans	1,088,511	904,967
Due from other governments	1,532,163	-
Total Governmental Activities	<u>\$ 5,501,895</u>	<u>\$ 3,274,230</u>
Business-Type Activities		
Special assessments	\$ 65,584	\$ 65,584
Accounts	2,615,292	-
Accrued interest	6,360	-
Total Business-Type Activities	<u>\$ 2,687,236</u>	<u>\$ 65,584</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, 2020, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 784,917	\$ -	\$ 268,084	\$ 516,833
Construction in progress	8,321,904	4,420,895	9,596,127	3,146,672
Total capital assets not depreciated	\$ 9,106,821	\$ 4,420,895	\$ 9,864,211	\$ 3,663,505
Capital assets being depreciated				
Infrastructure	\$ 25,193,985	\$ 6,273,167	\$ 373,881	\$ 31,093,271
Buildings	19,712,554	-	14,790,900	4,921,654
Machinery and equipment	5,228,341	660,874	946,200	4,943,015
Total capital assets being depreciated	\$ 50,134,880	\$ 6,934,041	\$ 16,110,981	\$ 40,957,940
Less: accumulated depreciation for				
Infrastructure	\$ 7,824,584	\$ 622,123	\$ 86,383	\$ 8,360,324
Buildings	8,452,654	99,357	6,228,527	2,323,484
Machinery and equipment	3,722,840	313,585	760,031	3,276,394
Total accumulated depreciation	\$ 20,000,078	\$ 1,035,065	\$ 7,074,941	\$ 13,960,202
Total capital assets, depreciated, net	\$ 30,134,802	\$ 5,898,976	\$ 9,036,040	\$ 26,997,738
Governmental Activities Capital Assets, Net	\$ 39,241,623	\$ 10,319,871	\$ 18,900,251	\$ 30,661,243

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 421,613	\$ 196,053	\$ -	\$ 617,666
Construction in progress	1,522,930	2,686,153	613,721	3,595,362
Total capital assets not depreciated	\$ 1,944,543	\$ 2,882,206	\$ 613,721	\$ 4,213,028
Capital assets being depreciated				
Buildings	\$ 11,543,477	\$ 14,748,069	\$ -	\$ 26,291,546
Infrastructure	46,236,131	3,436,097	-	49,672,228
Machinery and equipment	4,375,664	1,445,216	88,807	5,732,073
Total capital assets being depreciated	\$ 62,155,272	\$ 19,629,382	\$ 88,807	\$ 81,695,847
Less: accumulated depreciation for				
Buildings	\$ 4,146,017	\$ 6,786,093	\$ -	\$ 10,932,110
Infrastructure	25,722,655	1,066,204	-	26,788,859
Machinery and equipment	3,371,975	859,044	88,807	4,142,212
Total accumulated depreciation	\$ 33,240,647	\$ 8,711,341	\$ 88,807	\$ 41,863,181
Total capital assets, depreciated, net	\$ 28,914,625	\$ 10,918,041	\$ -	\$ 39,832,666
Business-Type Activities Capital Assets, Net	\$ 30,859,168	\$ 13,800,247	\$ 613,721	\$ 44,045,694

**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	\$ 671,529
Public safety	104,033
Highways and streets	118,640
Sanitation	50,387
Culture and recreation	90,476
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,035,065</u>
Business-Type Activities	
Liquor	\$ 22,765
Electric	504,740
Arena	7,331,086
Water	572,772
Wastewater	182,144
Storm water	97,834
	<hr/>
Total Depreciation Expense - Business-Type Activities	<u>\$ 8,711,341</u>

B. Operating Leases

Several business departments of the City of Thief River Falls have active leases on multi-function copiers/scanners/faxes and additional miscellaneous equipment through Marco which carry various rates and terms that are considered to be operating leases. Ending balances at December 31, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
City Hall	\$ 4,608	\$ -	\$ 3,686	\$ 922
Arena	1,436	-	1,149	287
Community Service	2,441	-	1,465	976
Electric	905	-	403	502
	<hr/>	<hr/>	<hr/>	<hr/>
Business-Type Activities				
Long-Term Liabilities	<u>\$ 9,390</u>	<u>\$ -</u>	<u>\$ 6,703</u>	<u>\$ 2,687</u>

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

III. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of due to/from other funds as of December 31, 2020, is as follows:

Receivable Fund	Payable Fund	Amount	
General Fund	2020 Street and Utilities Project Capital Project Fund	\$ 70,000	Operating transfer
	2020 Special Roads to School Capital Project Fund	45,000	Operating transfer
	2019 Street and Utilities Project Capital Projects Fund	1,420,000	Operating transfer
	2019 Improvement Bond Software Debt Service Fund	4,458	Cash deficit
	TIF District 1-13 Special Revenue Fund	1,466	Cash deficit
	Ralph Engelstad Arena Enterprise Fund	<u>520,268</u>	Cash deficit
Total Due To/From Other Funds		<u><u>\$ 2,061,192</u></u>	

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

III. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following operating transfers:

To Greenwood Cemetery Special Revenue Fund from General Fund	\$ 50,000	Operating transfer
To 2020 Street and Utilities Capital Projects Fund from Electric Enterprise Fund	120,000	Project operating cost
To General Fund from Electric Enterprise Fund	217,409	Admin reimbursement
	575,000	Operating transfer
	<u>792,409</u>	
To General Fund from Liquor Enterprise Fund	72,228	Admin reimbursement
	359,079	Operating transfer
	<u>431,307</u>	
To General Fund from Water Enterprise Fund	31,503	Admin reimbursement
	6,250	Operating transfer
	<u>37,753</u>	
To General Fund from Wastewater Enterprise Fund	22,173	Admin reimbursement
	6,250	Operating transfer
	<u>28,423</u>	
To Electric Enterprise Fund from 2018 Street and Utility Project Capital Projects Fund	1,110,736	Capital outlay transfer
To Water Enterprise Fund from 2018 Street and Utility Project Capital Projects Fund	642,285	Capital outlay transfer
To 2018 Improvement Bonds Debt Service Fund from 2018 Street and Utility Project Capital Projects Fund	22,926	Close fund
To Stormwater Enterprise Fund from 2018 Street and Utility Project Capital Projects Fund	628,751	Capital outlay transfer
To Wastewater Enterprise Fund from 2018 Street and Utility Project Capital Projects Fund	239,150	Capital outlay transfer
To Government-Wide Governmental Activities from Water Enterprise Fund	836,556	Capital outlay transfer
from Stormwater Enterprise Fund	2,426,979	
	<u>3,263,535</u>	
Total Interfund Transfers	<u>\$ 7,367,275</u>	

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

III. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

The City has four active construction projects in the amount of \$5,700,752 with a remaining commitment of \$949,375.

2. Compensated Absences

Under the City's Policy Book, Section 206.16, employees earn sick leave at a rate of 1 day each month worked, with a maximum allowable accumulation of 80 days. They begin accumulating sick leave from the first day of employment. No sick leave benefits of any kind are paid upon termination, except as used for funeral leave in the event of a death in the employee's immediate family. According to Section 206.07 Subd. 7, employees that leave the City due to retirement or death, are paid one-half of the unused portion of sick leave. Unvested sick leave, approximately \$801,773 at December 31, 2020, is available to employees in the event of illness-related absences and is not paid to them at termination, except as stated above.

Under the City's Policy Book, Section 206.31, Employees receive no vacation during the first six-month probationary period. After the six-month anniversary date employees receive 40 hours and accumulate 3.08 hours per bi-weekly pay period to a maximum of 80 hours. Beginning in the second year through completion of the 9th year, employees receive 3.08 hours per bi-weekly pay period to a maximum of 80 hours per year. Beginning in the 10th year through completion of the 14th year, employees receive 4.62 hours per bi-weekly pay period, to a maximum of 120 hours per year. Beginning in the 15th year and thereafter, employees receive 6.15 hours per bi-weekly pay period, to a maximum of 160 hours per year. Employees must take at least 40 hours of vacation during each calendar year. Upon leaving city service in good standing, employees are compensated for vacation leave accrued to the date of separation. Accumulated vacation pay is computed to the nearest day based on the hourly wage at the time of termination.

3. Long-Term Debt

Governmental Activities

City of Thief River Falls General Obligation Improvement Bonds, Series 2011A 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 of \$315,000 was refunded by the issuance of the General Obligation Bonds, Series 2020B.

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

III. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities (Continued)

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, 2020, is \$370,000.

City of Thief River Falls General Obligation Improvement Bonds, Series 2013A 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 of \$400,000 was refunded by the issuance of the General Obligation Bonds, Series 2020B.

City of Thief River Falls General Obligation Street Reconstruction Bonds, Series 2013A 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 of \$975,000 was refunded by the issuance of General Obligation Bonds, Series 2020B.

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, 2020, is \$415,000.

City of Thief River Falls General Obligation Street Improvement Bonds of 2015 represent debt incurred for street improvements. These bonds have an original issue amount of \$795,000. They carry a net interest rate of 2.5 percent and are due in annual principal payments 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, 2020 is \$545,000.

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, 2020 is \$780,000.

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

III. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities (Continued)

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 \$95,000 to \$130,000 through February 1, 2030. The balance due on these bonds at December 31, 2020 is \$1,120,000.

City of Thief River Falls General Obligation Bonds, Series 2018 represent debt incurred for arena equipment. 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 \$120,000 to \$145,000 through February 1, 2028. The balance due on these bonds at December 31, 2020 is \$1,045,000.

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 \$130,000 to \$175,000 through February 1, 2031. The balance due on these bonds at December 31, 2020 is \$1,680,000.

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, 2020 is \$1,705,000.

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, 2020 is \$280,000.

The City of Thief River Falls General Obligation Bonds, Series 2020B, represent debt incurred to refund the General Obligation Improvement Bonds, Series 2011A. As a result of the refunding, the City reduced total debt service payments by \$5,000, and obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$11,260. These bonds have an original issue amount of \$315,000, carry an interest rate of two percent, and are due in annual installments paid from the 2020B 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, 2020 is \$250,000.

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

III. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities (Continued)

The City of Thief River Falls General Obligation Bonds, Series 2020B, represent debt incurred to refund the General Obligation Improvement Bonds, Series 2013A. As a result of the refunding, the City reduced total debt service payments by \$37,588, and obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$33,686. These bonds have an original issue amount of \$400,000, carry an interest rate of one to two percent, and are due in annual installments paid from the 2020B Improvement Bonds Debt Service Fund of between \$35,000 and \$40,000 through February 1, 2032. The balance due on these bonds at December 31, 2020 is \$350,000.

The City of Thief River Falls General Obligation Bonds, Series 2020B, represent debt incurred to refund the General Obligation Street Reconstruction Bonds, Series 2013A. As a result of the refunding, the City reduced total debt service payments by \$81,233, and obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$79,772. These bonds have an original issue amount of \$470,000, carry an interest rate of one to two percent, and are due in annual installments paid from the 2020B Improvement Bonds Debt Service Fund of between \$85,000 and \$105,000 through February 1, 2032. The balance due on these bonds at December 31, 2020 is \$855,000.

The City of Thief River Falls General Obligation Bonds, Series 2020B represent debt incurred for street improvements. These bonds have an original issue amount of \$405,000, carry a net interest rate of 1.0 to 2.0 percent and are due in annual payments from the 2020 Improvement Bonds Debt Service Fund of \$30,000 to \$35,000 through February 1, 2033. The balance due on these bonds at December 31, 2020, is \$405,000.

City of Thief River Falls General Obligation Bonds, Series 2020B represent debt incurred for new financial software purchased. These bonds have an original issue amount of \$210,000, carry a net interest rate of 1.0 to 2.0 percent and are due in annual payments from the 2020 Improvement Bonds Software Debt Service Fund of \$20,000 to \$25,000 through February 1, 2030. The balance due on these bonds at December 31, 2020, is \$210,000.

City of Thief River Falls Capital Lease Purchase of 2020 represents debt incurred for the purchase of a International plow with dump truck. The lease has an original issue amount of \$84,975 through Kinetic Leasing, with \$9,137 of accumulated depreciation as of December 31, 2020. Lease payments are due in installments of \$27,279 to \$28,364 paid from the General Fund through December 20, 2022. The balance due on this lease at December 31, 2020 is \$55,643.

City of Thief River Falls Capital Lease Purchase of 2020 represents debt incurred for the purchase of a garbage truck. The lease has an original issue amount of \$181,664 through Kinetic Leasing, with \$10,981 of accumulated depreciation as of December 31, 2020. Lease payments are due in annual installments of \$40,339 to \$41,949 paid from the General Fund through December 20, 2023. The balance due on this lease at December 31, 2020 is \$82,288.

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

III. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Business-Type Activities

City of Thief River Falls General Obligation Water Revenue Bonds, Series 2009A, 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 \$40,000 through February 1, 2030. The balance due on these bonds at December 31, 2019 of \$405,000 was refunded by the issuance of General Obligation Bonds, Series 2020B.

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 \$345,000 through January 1, 2023. The balance due on these bonds at December 31, 2020, is \$690,000.

City of Thief River Falls General Obligation Water Revenue Bonds, Series 2011A, 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 of \$125,000 was refunded by the issuance of General Obligation Bonds, Series 2020B.

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, 2020, is \$260,000.

City of Thief River Falls General Obligation Utility Revenue Bonds, Series 2013A, 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 \$95,000 through February 1, 2029. The balance due on these bonds at December 31, 2019 of \$870,000 was refunded by the issuance of General Obligation Bonds, Series 2020B.

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, 2020, is \$75,000.

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

III. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Business-Type Activities (Continued)

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 \$74,000 and \$117,000 through February 1, 2024. The balance due on these bonds at December 31, 2020 is \$304,000 from the Water Enterprise Fund and \$456,000 from the Electric Enterprise Fund, with the total balance due of \$760,000.

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, 2020 is \$465,000.

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, 2020 is \$355,950 from the Water Enterprise Fund, and \$209,050 from the Wastewater Enterprise Fund, with the total balance due of \$565,000.

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 \$20,000 to \$365,000 through February 1, 2042. The balance due on these bonds at December 31, 2020 is \$5,475,000.

City of Thief River Falls General Obligation Bonds, Series 2017B represent debt incurred for a street and water project. The water portion of these bonds have an original issue amount of \$180,000, carry a net interest rate of 2.298 percent and are due in annual payments from the Water Enterprise Fund of \$15,000 through February 1, 2030. The balance due on these bonds at December 31, 2020 is \$150,000.

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 \$31,200 and \$44,200 and Wastewater Enterprise Fund of between \$28,800 and \$40,800 through February 1, 2034. The balance due on these bonds at December 31, 2020, is

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

III. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Business-Type Activities (Continued)

\$522,600 from the Water Enterprise Fund and \$482,400 from the Wastewater Enterprise Fund, with the total balance due of \$1,005,000.

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 \$150,000 to \$265,000 through February 1, 2038. The balance due on these bonds at December 31, 2020 is \$3,560,000.

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, 2020 is \$617,700.

City of Thief River Falls General Obligation Wastewater Revenue Bonds, Series 2019A, represent debt incurred for a wastewater project. 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, 2020 is \$92,300.

The City of Thief River Falls General Obligation Bonds, Series 2020B, represents debt incurred to refund the General Obligation Water Revenue Bonds, Series 2009A. As a result of the refunding, the City reduced total debt service payments by \$10,000 and obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$62,594. These bonds have an original issue amount of \$405,000, carry an interest rate of one to two percent, and are due in annual installments paid from the Water Enterprise Service Fund of between \$30,000 and \$40,000 through February 1, 2030. The balance due on these bonds at December 31, 2020 is \$365,000.

The City of Thief River Falls General Obligation Bonds, Series 2020B, represents debt incurred to refund the General Obligation Water Revenue Bonds, Series 2011A. As a result of the refunding, the City obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$4,438. These bonds have an original issue amount of \$120,000, carry an interest rate of two percent, and are due in annual installments paid from the Water Enterprise Service Fund of \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2020 is \$105,000.

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

III. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Business-Type Activities (Continued)

The City of Thief River Falls General Obligation Bonds, Series 2020B, represent debt incurred to refund the General Obligation Utility Revenue Bonds, Series 2013A. As a result of the refunding, the City reduced total debt services payments by \$25,000 and obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$71,071. These bonds have an original issue amount of \$870,000, carry an interest rate of two percent, and are due in annual installments paid from the Water Enterprise Service Fund of \$80,000 to \$95,000 through February 1, 2029. The balance due on these bonds at December 31, 2020 is \$765,000.

City of Thief River Falls General Obligation Water Revenue Bonds, Series 2020A represent debt incurred for a water project. These bonds have an original issue amount of \$390,000, carry a net interest rate of 1.0 to 2.0 percent and are due in annual payments from the Water Enterprise Fund of \$25,000 to \$30,000 through February 1, 2035. The balance due on these bonds at December 31, 2020, \$390,000.

City of Thief River Falls General Obligation Water Revenue Bonds, Series 2020B represent debt incurred for a water project. These bonds have an original issue amount of \$100,000, carry a net interest rate of 1.0 to 2.0 percent and are due in annual payments from the Water Enterprise Fund of \$5,000 to \$10,000 through February 1, 2036. The balance due on these bonds at December 31, 2020, \$100,000.

City of Thief River Falls General Obligation Wastewater Revenue Bonds of 2020A represent debt incurred for a wastewater project. These bonds have an original issue amount of \$3,160,000, carry a net interest rate of 1.0 to 2.0 percent and are due in annual payments from the Wastewater Enterprise Fund of \$135,000 to \$180,000 through February 1, 2040. The balance due on these bonds at December 31, 2020, \$3,160,000.

City of Thief River Falls General Obligation Storm Sewer Revenue Bonds of 2020A represent debt incurred for a storm sewer project. These bonds have an original issue amount of \$2,390,000, carry a net interest rate of 1.0 to 2.0 percent and are due in annual payments from the Storm Sewer Enterprise Fund of \$100,000 to \$135,000 through February 1, 2040. The balance due on these bonds at December 31, 2020, \$2,390,000.

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

III. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements for general obligation bonds for the year ended December 31, 2020, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 940,000	\$ 228,498	\$ 1,365,000	\$ 511,939
2022	1,025,000	209,837	1,340,000	491,572
2023	1,065,000	185,235	1,045,000	460,659
2024	1,075,000	159,493	1,230,000	430,793
2025	1,050,000	133,457	1,060,000	402,722
2026-2030	4,235,000	304,264	5,465,000	1,608,084
2031-2035	620,000	12,556	4,845,000	971,721
2036-2040	-	-	3,920,000	367,873
2041-2044	-	-	720,000	24,650
Total	<u>\$ 10,010,000</u>	<u>\$ 1,233,340</u>	<u>\$ 20,990,000</u>	<u>\$ 5,270,013</u>

5. Changes in Long Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Improvement Bonds	\$ 10,220,000	\$ 615,000	\$ 825,000	\$ 10,010,000	\$ 945,000
Capital Leases	266,639	-	128,708	137,931	67,618
Compensated Absences	906,532	404,053	360,605	949,980	774,720
OPEB	894,000	76,913	-	970,913	-
Net Pension Liability	<u>2,998,906</u>	<u>503,188</u>	<u>-</u>	<u>3,502,094</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 15,286,077</u>	<u>\$ 1,599,154</u>	<u>\$ 1,314,313</u>	<u>\$ 15,570,918</u>	<u>\$ 1,787,338</u>

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

III. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long Term Liabilities (Continued)

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Revenue Bonds	\$ 15,985,000	\$ 6,040,000	\$ 1,035,000	\$ 20,990,000	\$ 1,365,000
Compensated Absences	454,086	198,513	180,025	472,574	372,033
OPEB	207,200	17,900	-	225,100	-
Net Pension Liability	1,865,851	178,720	-	2,044,571	-
Business-Type Activities Long-Term Liabilities	<u>\$ 18,512,137</u>	<u>\$ 6,435,133</u>	<u>\$ 1,215,025</u>	<u>\$ 23,732,245</u>	<u>\$ 1,737,033</u>

D. Deferred Inflows of Resources

Deferred inflows of resources in the governmental funds consist of taxes, special assessments, and some 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, 2020, are summarized below by fund:

	Taxes	Special Assessments	Loans Receivable	Total
Governmental funds				
General	\$ 110,258	\$ 19,221	\$ 467,694	\$ 597,173
Debt Service	36,300	2,392,343	-	2,428,643
Total	<u>\$ 146,558</u>	<u>\$ 2,411,564</u>	<u>\$ 467,694</u>	<u>\$ 3,025,816</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.

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.

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

IV. Other Post-Employment Benefits – (OPEB)

A. Plan Description (Continued)

usually paying retiree benefits out of the General Fund. As of the December 31, 2020, there were 120 participants in the plan including 32 retirees.

B. Total OPEB Liability

The City's total OPEB liability of \$1,196,013 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, 2019
Measurement period	January 1, 2019 to December 31, 2019
Reporting date (fiscal year end)	December 31, 2020

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, 2020 actuarial valuation was determined using the following significant assumptions used to measure the total OPEB liability:

Discount rate	2.75%
20-Year Municipal Bond Yield	2.75%
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 2.75 percent, which is a change from the prior year rate of 3.71 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 2.75 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 FY2020, 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 updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plans due to its repeal.

**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, 2019	\$ 1,101,228	-	\$ 1,101,228
Changes for the year:			
Service cost	89,955	-	89,955
Interest cost	42,848	-	42,848
Differences between expected and actual experience	-	-	-
Recognition of assumption changes	34,492	-	34,492
Employer contributions	-	72,510	(72,510)
Benefit payments	(72,510)	(72,510)	-
Net change in Total OPEB Liability	94,785	-	94,785
Total OPEB Liability at December 31, 2020	<u>\$ 1,196,013</u>	<u>\$ -</u>	<u>\$ 1,196,013</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:

OPEB Liability (Asset) at Different Discount Rates		
OPEB Sensitivity		
1% Lower	1.75%	\$ 1,276,544
Current Discount Rate	2.75%	\$ 1,196,013
1% Higher	3.75%	\$ 1,119,533

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 Liability (Asset) at Healthcare Trend	
1% Lower	\$ 1,077,137
Current Discount Rate	\$ 1,196,013
1% Higher	\$ 1,334,921

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$109,423.

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

IV. Other Post-Employment Benefits – (OPEB)

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

At December 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability	\$ -	\$ 145,811
Change of assumptions	56,803	49,698
Net difference between projected and actual investment earnings	-	-
Contributions between measurement date and reporting date	<u>TBD</u>	<u>N/A</u>
Total	<u>\$ 56,803</u>	<u>\$ 195,509</u>

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

<u>Year ended December 31:</u>	<u>Future Recognition</u>
2021	\$ (23,560)
2022	\$ (23,560)
2023	\$ (23,560)
2024	\$ (23,560)
2025	\$ (24,440)
Thereafter	\$ (20,026)

F. Changes in Actuarial Assumptions and Plan Provisions

2020 Changes in Actuarial Assumptions:

- The index rate was changed from 3.71% to 2.75% as the municipal bond rate was updated to reflect the rates as of the December 31, 2019 measurement date.
- The discount rate was changed from 3.71% to 2.75%.
- Healthcare Trend Rates – The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plans due to its repeal.

There were no changes to plan provisions as of December 31, 2020.

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

V. Defined Benefit Pension Plans – Public Employees Retirement Association

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

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

2. Public Employees Police and Fire Plan

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

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

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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

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

V. Defined Benefit Pension Plans – Public Employees Retirement Association

B. Benefits Provided

1. General Employees Plan Benefits (Continued)

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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. 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. 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.

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 fiscal year 2020 and the City of Thief River Falls was required to contribute 7.50 percent for Coordinated Plan members. The City of Thief River Falls contributions to the General Employees Fund for the year ended December 31, 2020, were \$322,767. The City of Thief River Falls 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 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City of Thief River Falls contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$319,558. The City of Thief River Falls contributions were equal to the required contributions as set by state statute.

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

V. Defined Benefit Pension Plans – Public Employees Retirement Association (Continued)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the City of Thief River Falls reported a liability of \$3,465,374 for its proportionate share of the General Employees Fund's net pension liability. The City of Thief River Falls net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is 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 \$106,891. The net pension liability was measured as of June 30, 2020, 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 proportionate share of the net pension liability was based on the City of Thief River Falls contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of Thief River Falls proportionate share was .0578 percent at the end of the measurement period and .0572 percent for the beginning of the period.

City of Thief River Falls	
Proportionate share of the net pension liability	\$ 3,465,374
State of Minnesota's proportionate share of the net pension liability associated with the City of Thief River Falls	106,891
Total	<u>\$ 3,572,265</u>

There were no provision changes during the measurement period.

For the year ended December 31, 2020, the City of Thief River Falls recognized pension expense of \$316,028 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Thief River Falls recognized \$9,303 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2020, 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 Inflow of Resources
Differences between expected and actual economic experience	\$ 31,306	\$ 13,111
Changes in actuarial assumptions	-	128,835
Net collective difference between projected and actual investment earnings	350,187	304,952
Changes in proportion	-	74,944
Contributions paid to PERA subsequent to the measurement date	<u>168,747</u>	<u>-</u>
Total	<u>\$ 550,240</u>	<u>\$ 521,842</u>

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

V. Defined Benefit Pension Plans – Public Employees Retirement Association

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

The \$168,747 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount:</u>
2021	\$ (278,371)
2022	\$ (19,827)
2023	\$ 74,126
2024	\$ 83,723
2025	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City of Thief River Falls reported a liability of \$2,081,291 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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 proportionate share of the net pension liability was based on the City of Thief River Falls contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of Thief River Falls proportionate share was .1579 percent at the end of the measurement period and .1599 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding

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

V. Defined Benefit Pension Plans – Public Employees Retirement Association

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City of Thief River Falls recognized pension expense of \$356,263 for its proportionate share of the Police and Fire Plan's pension expense. The City of Thief River Falls recognized \$14,211 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City of Thief River Falls recognized \$14,211 for the year ended December 31, 2020 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.

City of Thief River Falls	
Proportionate share of the net pension liability	\$ 2,081,291
State of Minnesota's proportionate share of the net pension liability associated with the City of Thief River Falls	14,211
Total	<u>\$ 2,095,502</u>

At December 31, 2020, 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	\$ 87,569	\$ 94,518
Changes in actuarial assumptions	667,004	1,232,154
Net collective difference between projected and actual investment earnings	377,354	296,751
Changes in proportion	68,099	41,943
Contributions paid to PERA subsequent to the measurement date	160,493	-
Total	<u>\$ 1,360,519</u>	<u>\$ 1,665,366</u>

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

V. Defined Benefit Pension Plans – Public Employees Retirement Association

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

The \$160,493 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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	\$ (113,539)
2021	\$ (525,369)
2022	\$ 83,443
2023	\$ 90,125
2024	\$ -

E. Total Pension Expense

The total pension expense for all Public Employees Retirement Association plans recognized by the City of Thief River Falls for the year ended December 31, 2020, was \$808,476.

F. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	General Employees Fund:	Police and Fire Fund:
Inflation	2.25% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire Plan 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. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan is based on

**CITY OF THIEF RIVER FALLS
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V. Defined Benefit Pension Plans – Public Employees Retirement Association

F. Actuarial Assumptions (Continued)

the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

1. General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**CITY OF THIEF RIVER FALLS
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V. Defined Benefit Pension Plans – Public Employees Retirement Association

F. Actuarial Assumptions (Continued)

2. Police and Fire Fund

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

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 Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
	<u>100.0%</u>	

G. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 positions of the General Employees Fund and the Police and Fire Fund were 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.

H. 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:

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V. Defined Benefit Pension Plans – Public Employees Retirement Association

H. Pension Liability Sensitivity (Continued)

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%	\$	5,553,793	1% Lower	6.50%	\$	4,148,312
Current Discount Rate	7.50%	\$	3,465,374	Current Discount Rate	7.50%	\$	2,081,291
1% Higher	8.50%	\$	1,742,597	1% Higher	8.50%	\$	371,193

I. Pension Plan Fiduciary Net Position

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

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

Total contributions made by the City of Thief River Falls during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,834	\$ 1,834	5%	5%	5%

CITY OF THIEF RIVER FALLS THIEF RIVER FALLS, MINNESOTA

VII. 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.

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, 2019
Measurement period	January 1, 2019 to December 31, 2019
Reporting date (fiscal year end)	December 31, 2020

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

**CITY OF THIEF RIVER FALLS
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VII. Defined Benefit Pension Plan – Firefighters Relief Association

B. Benefits Provided (Continued)

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 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, 2020. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2020, 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, 2020, 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, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF THIEF RIVER FALLS
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VII. Defined Benefit Pension Plan – Firefighters Relief Association

D. Pension Costs (Continued)

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, 2020, 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)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2020, 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, 2020
Reporting date (City)	December 31, 2020
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%

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

VII. Defined Benefit Pension Plan – Firefighters Relief Association

E. Actuarial Assumptions (Continued)

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:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Long-term Expected Nominal Rate of Return</u>
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%

F. Discount Rate

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

**CITY OF THIEF RIVER FALLS
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VII. Defined Benefit Pension Plan – Firefighters Relief Association (Continued)

G. Pension Asset Sensitivity

The following presents the City's proportionate share of the net pension asset of the Association, calculated using the discount rate of 4.75 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:

	<u>Measurement Period Ending and Fiscal Year Ending</u>	
	<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**

VII. 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.

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 Association who were receiving

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

VIII. City of Thief River Falls Police Relief Association

A. Plan Description (Continued)

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.

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

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

X. Joint Ventures

A. Multi-Events Center (Continued)

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 \$10,000 to the Multi-Events Center for the year ended December 31, 2020.

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, 2020. 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

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

XII. Conduit Debt (No Commitment Debt) (Continued)

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, 2020, there were two issues outstanding with an aggregate remaining principal balance of \$4,701,785.

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, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes				
Current, Delinquent, Penalties, and Interest \$	1,834,428	\$ 1,834,428	\$ 1,815,340	\$ (19,088)
Franchise Fees	223,000	223,000	226,326	3,326
Lodging Tax	128,000	128,000	115,226	(12,774)
Total Taxes	\$ 2,185,428	\$ 2,185,428	\$ 2,156,892	\$ (28,536)
Special assessments	\$ 2,900	\$ 2,900	\$ 94,467	\$ 91,567
Licenses and permits	\$ 118,335	\$ 118,335	\$ 163,698	\$ 45,363
Intergovernmental				
Shared Revenues				
PERA Rate Reimbursement	\$ 21,320	\$ 21,320	\$ -	\$ (21,320)
Police State Aid	130,000	130,000	156,730	26,730
Fire State Aid	75,500	75,500	76,113	613
Supplemental Benefit Reimbursement	-	-	1,000	1,000
Local Government Aid	3,168,971	3,168,971	3,173,095	4,124
Municipal Maintenance	195,000	195,000	186,551	(8,449)
State Grants				
Minnesota Dept of Public Safety	-	-	6,423	6,423
Minnesota POST Board	25,200	25,200	15,995	(9,205)
Federal Grants				
Dept of Treasury	-	-	673,542	673,542
Dept of Justice	1,600	1,600	1,087	(513)
Dept of Homeland Security	-	-	6,429	6,429
Total Intergovernmental	\$ 3,617,591	\$ 3,617,591	\$ 4,296,965	\$ 679,374
Charges for services				
General government	\$ 90,425	\$ 90,425	\$ 72,599	\$ (17,826)
Public safety	181,650	181,650	169,729	(11,921)
Highways and streets	110,000	110,000	98,652	(11,348)
Culture and recreation	1,022,880	1,022,880	132,760	(890,120)
Sanitation	1,060,600	1,060,600	1,120,585	59,985
Economic development	-	-	10,874	10,874
Total Charges for Services	\$ 2,465,555	\$ 2,465,555	\$ 1,605,199	\$ (860,356)

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

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues (continued)				
Fines and forfeitures	\$ 51,500	\$ 51,500	\$ 55,462	\$ 3,962
Investment earnings	\$ 30,000	\$ 30,000	\$ 94,545	\$ 64,545
Gifts and contributions	\$ -	\$ -	\$ 1,668	\$ 1,668
Miscellaneous				
General government	\$ 33,000	\$ 33,000	\$ 599,714	\$ 566,714
Public safety	-	-	35,307	35,307
Insurance dividends	-	-	25,795	25,795
Total Miscellaneous	\$ 33,000	\$ 33,000	\$ 660,816	\$ 627,816
Total Revenues	\$ 8,504,309	\$ 8,504,309	\$ 9,129,712	\$ 625,403
Expenditures				
Current				
General government				
Mayor/council	\$ 133,891	\$ 133,891	\$ 106,896	\$ 26,995
Administration	617,029	617,029	582,425	34,604
Professional services	136,500	136,500	123,501	12,999
Assessor	37,800	37,800	37,550	250
Elections	25,100	25,100	30,351	(5,251)
Legal	99,850	99,850	93,092	6,758
Buildings and grounds	116,385	116,385	130,980	(14,595)
Insurance	230,000	230,000	245,167	(15,167)
MIS/GIS	60,579	60,579	114,517	(53,938)
Other general government	34,950	34,950	29,002	5,948
Total general government	\$ 1,492,084	\$ 1,492,084	\$ 1,493,481	\$ (1,397)
Public safety				
Police	\$ 2,383,961	\$ 2,383,961	\$ 2,481,433	\$ (97,472)
Fire	809,979	809,979	798,653	11,326
Fire relief association	71,000	71,000	77,113	(6,113)
Emergency management	2,000	2,000	311,930	(309,930)
Building official	170,556	170,556	158,244	12,312
Total public safety	\$ 3,437,496	\$ 3,437,496	\$ 3,827,373	\$ (389,877)
Highways and streets				
Street department	\$ 720,695	\$ 720,695	\$ 580,815	\$ 139,880
Street lighting	-	-	164,541	(164,541)
Total highways and streets	\$ 720,695	\$ 720,695	\$ 745,356	\$ (24,661)

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

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures				
Current (continued)				
Sanitation				
Sanitation	\$ 992,653	\$ 992,653	\$ 1,062,720	\$ (70,067)
Total sanitation	\$ 992,653	\$ 992,653	\$ 1,062,720	\$ (70,067)
Culture and recreation				
Parks	\$ 457,498	\$ 457,498	\$ 504,180	\$ (46,682)
Library	233,486	233,486	232,604	882
Senior citizen program	27,300	27,300	27,300	-
Total culture and recreation	\$ 718,284	\$ 718,284	\$ 764,084	\$ (45,800)
Economic development				
Community services	\$ 343,938	\$ 343,938	\$ 333,707	\$ 10,231
Other economic development	-	-	33,536	(33,536)
Total economic development	\$ 343,938	\$ 343,938	\$ 367,243	\$ (23,305)
Total current	\$ 7,705,150	\$ 7,705,150	\$ 8,260,257	\$ (555,107)
Debt service				
Principal retirement	\$ -	\$ -	\$ 128,708	\$ (128,708)
Capital outlay				
Public safety	\$ -	\$ -	\$ 28,783	\$ (28,783)
Highways and streets	-	-	229,728	(229,728)
Total capital outlay	\$ -	\$ -	\$ 258,511	\$ (258,511)
Total Expenditures	\$ 7,705,150	\$ 7,705,150	\$ 8,647,476	\$ (942,326)
Excess of Revenues Over (Under)				
Expenditures	\$ 799,159	\$ 799,159	\$ 482,236	\$ (316,923)
Other Financing Sources (Uses)				
Transfers in	\$ 1,289,892	\$ 1,289,892	\$ 1,289,892	\$ -
Transfers out	(287,416)	(287,416)	(50,000)	237,416
Total Other Financing Sources (Uses)	\$ 1,002,476	\$ 1,002,476	\$ 1,239,892	\$ 237,416
Net Change in Fund Balance	\$ 1,801,635	\$ 1,801,635	\$ 1,722,128	\$ (79,507)
Fund Balance - January 1, as previously reported	\$ 7,214,825	\$ 7,214,825	\$ 7,214,825	\$ -
Prior period adjustment	(192,061)	(192,061)	(192,061)	-
Fund Balance - January 1, as restated	\$ 7,022,764	\$ 7,022,764	\$ 7,022,764	\$ -
Fund Balance - December 31	\$ 8,824,399	\$ 8,824,399	\$ 8,744,892	\$ (79,507)

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

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
2019 WESTSIDE DIVERSION CAPITAL PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Capital outlay	\$ 2,420,000	\$ 2,420,000	\$ 2,139,408	\$ 280,592
Debt service	-	-	5,599	(5,599)
Total Expenditures	\$ 2,420,000	\$ 2,420,000	\$ 2,145,007	\$ 274,993
Excess of Revenues Over (Under) Expenditures	\$ (2,420,000)	\$ (2,420,000)	\$ (2,145,007)	\$ 274,993
Other Financing Sources (Uses)				
Proceeds from issuance of debt	2,420,000	2,420,000	2,432,578	12,578
Net Change in Fund Balance	\$ -	\$ -	\$ 287,571	\$ 287,571
Fund Balance - January 1	(5,769)	(5,769)	(5,769)	-
Fund Balance - December 31	\$ (5,769)	\$ (5,769)	\$ 281,802	\$ 287,571

**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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 89,955	\$ 98,825	\$ 87,074
Interest	42,848	44,994	47,884
Differences between expected and actual experience	-	(195,745)	-
Changes of assumption or other inputs	34,492	(66,718)	43,264
Benefit payments	<u>(72,510)</u>	<u>(81,311)</u>	<u>(93,551)</u>
Net change in total OPEB liability	\$ 94,785	\$ (199,955)	\$ 84,671
Total OPEB Liability - Beginning	<u>1,101,228</u>	<u>1,301,183</u>	<u>1,216,512</u>
Total OPEB Liability - Ending	<u><u>\$ 1,196,013</u></u>	<u><u>\$ 1,101,228</u></u>	<u><u>\$ 1,301,183</u></u>
Covered-employee payroll	\$ 6,269,459	\$ 5,949,458	\$ 5,688,212
Total OPEB liability as a percentage of covered-employee payroll	19.10%	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, 2020**

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, 2020	\$ 322,767	\$ 322,767	\$ -	\$ 4,303,568	7.50%
December 31, 2019	\$ 308,986	\$ 308,986	\$ -	\$ 4,119,802	7.50%
December 31, 2018	\$ 295,391	\$ 295,391	\$ -	\$ 3,940,767	7.50%
December 31, 2017	\$ 303,304	\$ 303,304	\$ -	\$ 4,045,172	7.50%
December 31, 2016	\$ 299,641	\$ 299,641	\$ -	\$ 3,995,210	7.50%
December 31, 2015	\$ 298,516	\$ 298,516	\$ -	\$ 3,982,024	7.50%

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, 2020	\$ 319,558	\$ 319,558	\$ -	\$ 1,805,416	17.70%
December 31, 2019	\$ 291,983	\$ 291,983	\$ -	\$ 1,722,615	16.95%
December 31, 2018	\$ 265,594	\$ 265,594	\$ -	\$ 1,639,464	16.20%
December 31, 2017	\$ 252,438	\$ 252,438	\$ -	\$ 1,558,257	16.20%
December 31, 2016	\$ 241,811	\$ 241,811	\$ -	\$ 1,492,663	16.20%
December 31, 2015	\$ 229,565	\$ 229,565	\$ -	\$ 1,417,067	16.20%

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, 2020**

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, 2020	0.0578%	\$ 3,465,374	\$ 106,891	\$ 3,572,265	\$ 4,118,231	84.15%	79.10%
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, 2020	0.1579%	\$ 2,081,291	\$ 14,211	\$ 2,095,502	\$ 1,781,514	116.83%	87.20%
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, 2020**

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, 2020	\$ -	\$ -	\$ -	N/A	N/A
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, 2020	100%	\$ (386,332)	N/A	N/A	148.71%
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, 2020**

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, 2020:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Elections	\$ 30,351	\$ 25,100	\$ (5,251)
Buildings and grounds	130,980	116,385	(14,595)
Insurance	245,167	230,000	(15,167)
MIS/GIS	114,517	60,579	(53,938)
Public safety			
Police	2,481,433	2,383,961	(97,472)
Fire relief association	77,113	71,000	(6,113)
Emergency management	311,930	2,000	(309,930)
Highways and streets			
Street lighting	164,541	-	(164,541)
Sanitation			
Sanitation	1,062,720	992,653	(70,067)
Culture and recreation			
Parks	504,180	457,498	(46,682)
Economic development			
Other economic development	33,536	-	(33,536)
Debt service			
Principal retirement	128,708	-	(128,708)
Capital outlay			
Public safety	28,783	-	(28,783)
Highways and streets	229,728	-	(229,728)
2019 Street and Utilities Capital Project Fund			
Expenditures			
Debt service	5,599	-	(5,599)

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

III. Other Postemployment Benefits (OPEB) Liability

2020 Changes

Changes in Actuarial Assumptions

- The index rate was changed from 3.71% to 2.75% as the municipal bond rate was updated to reflect the rates as of the December 31, 2019 measurement date.
- The discount rate was changed from 3.71% to 2.75%.
- Healthcare Trend Rates – The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plans due to its repeal.

There were no changes to plan provisions as of December 31, 2020.

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. Net Pension Liability - Public Employees Retirement Association (PERA)

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.

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

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions (Continued)

- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees were changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

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

General Employees Fund (Continued)

2018 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

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.
- 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.

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

Police and Fire Fund

2018 Changes

Changes in Plan Provisions (Continued)

- 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**

Police and Fire Fund

2017 Changes

Changes in Actuarial Assumptions (Continued)

- 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

2020 Changes

Changes in Actuarial Assumptions

- There were no changes since the prior evaluation.

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

Firefighters Relief Association (Continued)

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. This District was decertified and the fund was closed in 2020.

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. This District was decertified and the fund was closed in 2020.

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. This District was decertified and the fund was closed in 2020.

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.

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

NONMAJOR GOVERNMENTAL FUNDS

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

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 committed 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.

The Floyd B. Olson Shelter Fund Special Revenue Fund is used to account for and report financial activity for the construction of a shelter for the Floyd B. Olson Park. 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.

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

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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 2018 Arena Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2018, issued for arena improvements. Financing is provided by general levy.

The 2019 Software Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2019, issued for software improvements for the City. Financing is provided by general levy.

The 2019 Special Assessment Debt Service Fund is used to account for and report debt associated with special assessments issued in 2019. Financing is provided by special assessments restricted for debt service.

The 2020 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2020, issued for street improvements. Financing is provided by special assessments restricted for debt service.

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

NONMAJOR GOVERNMENTAL FUNDS

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 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.

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 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.

The 2020 Software Project Capital Projects Fund is used to account for and report the financial resources of the 2020 software improvement projects. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments committed for capital projects.

The 2020 Safe Routes to School Capital Projects Fund is used to account for and report the financial resources of the 2020 Safe Routes to School project. Financing is provided by intergovernmental revenues.

The 2020 Street and Utilities Capital Projects Fund is used to account for and report the financial resources of the 2020 street and utilities improvement project. 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, 2020**

	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	\$ 1,856,223	\$ 2,037,563	\$ 1,040,347	\$ 4,934,133
Cash with fiscal agent	75,397	-	-	75,397
Taxes receivable				
Current	-	11,240	-	11,240
Prior	-	36,300	-	36,300
Special assessments receivable				
Current	-	4,107	-	4,107
Prior	-	23,080	-	23,080
Interest receivable	1,442	-	230	1,672
Due from other governments	-	-	1,514,228	1,514,228
Loans receivable	620,817	-	-	620,817
Special assessments receivable - noncurrent	-	2,369,263	-	2,369,263
Total Assets	\$ 2,553,879	\$ 4,481,553	\$ 2,554,805	\$ 9,590,237
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 8,047	\$ 456	\$ 58,345	\$ 66,848
Salaries payable	537	-	-	537
Due to other governments	76	-	-	76
Due to other funds	1,466	4,458	1,535,000	1,540,924
Total Liabilities	\$ 10,126	\$ 4,914	\$ 1,593,345	\$ 1,608,385
Deferred Inflows of Resources				
Taxes	\$ -	\$ 36,300	\$ -	\$ 36,300
Special assessments	-	2,392,343	-	2,392,343
Total Deferred Inflows of Resources	\$ -	\$ 2,428,643	\$ -	\$ 2,428,643
Fund Balances				
Nonspendable for loans receivable	\$ 689,796	\$ -	\$ -	\$ 689,796
Restricted for				
Capital projects	-	-	736,636	736,636
Debt service	-	2,052,500	-	2,052,500
Economic development	1,297,624	-	-	1,297,624
TIF district	122,711	-	-	122,711
Committed to				
K-9 Unit	2,969	-	-	2,969
Perpetual care	183,333	-	-	183,333
Train canopy	36,749	-	-	36,749
Splash park	-	-	9,182	9,182
Swimming pool	-	-	257,442	257,442
Assigned to				
General government	159,326	-	-	159,326
Capital projects	51,686	-	-	51,686
Culture and recreation	1,025	-	-	1,025
Unassigned	(1,466)	(4,504)	(41,800)	(47,770)
Total Fund Balances	\$ 2,543,753	\$ 2,047,996	\$ 961,460	\$ 5,553,209
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,553,879	\$ 4,481,553	\$ 2,554,805	\$ 9,590,237

**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, 2020**

	Special Revenue Funds (Statement 4)	Debt Service Funds (Statement 6)	Capital Projects Funds (Statement 8)	Total NonMajor Governmental Funds (Exhibit 5)
Revenues				
Taxes	\$ 402,518	\$ 572,377	\$ -	\$ 974,895
Special assessments	-	742,352	-	742,352
Charges for services	33,775	-	-	33,775
Intergovernmental	88,897	-	390,076	478,973
Investment earnings	23,087	-	3,741	26,828
Gifts and contributions	10,290	-	-	10,290
Miscellaneous	198,005	-	185,582	383,587
Total Revenues	\$ 756,572	\$ 1,314,729	\$ 579,399	\$ 2,650,700
Expenditures				
Current				
General government	\$ 528,902	\$ -	\$ -	\$ 528,902
Public safety	7,978	-	-	7,978
Culture and recreation	9,415	-	-	9,415
Economic development	302,547	-	-	302,547
Total current	\$ 848,842	\$ -	\$ -	\$ 848,842
Debt service				
Principal retirement	\$ -	\$ 775,000	\$ -	\$ 775,000
Interest	-	193,152	-	193,152
Total debt service	\$ -	\$ 968,152	\$ -	\$ 968,152
Capital outlay				
General government	\$ -	\$ -	\$ 190,655	\$ 190,655
Highways and streets	-	-	2,317,893	2,317,893
Culture and recreation	-	-	29,979	29,979
Economic development	4,254	-	-	4,254
Total capital outlay	\$ 4,254	\$ -	\$ 2,538,527	\$ 2,542,781
Total Expenditures	\$ 853,096	\$ 968,152	\$ 2,538,527	\$ 4,359,775
Excess of Revenues Over (Under) Expenditures	\$ (96,524)	\$ 346,577	\$ (1,959,128)	\$ (1,709,075)
Other Financing Sources (Uses)				
Transfers in	\$ 50,000	\$ 22,926	\$ 120,000	\$ 192,926
Transfers out	-	-	(22,926)	(22,926)
Proceeds from issuance of debt	-	(50,000)	639,309	589,309
Total Other Financing Sources (Uses)	\$ 50,000	\$ (27,074)	\$ 736,383	\$ 759,309
Net Change in Fund Balance	\$ (46,524)	\$ 319,503	\$ (1,222,745)	\$ (949,766)
Fund Balance - January 1	2,590,277	1,728,493	2,184,205	6,502,975
Fund Balance - December 31	\$ 2,543,753	\$ 2,047,996	\$ 961,460	\$ 5,553,209

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

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>TIF District 1-3</u>	<u>TIF District 1-4</u>	<u>TIF District 1-5</u>	<u>TIF District 1-6</u>	<u>TIF District 1-7</u>	<u>TIF District 1-8</u>	<u>TIF District 1-9</u>	<u>TIF District 1-13</u>
<u>Assets</u>								
Cash and pooled investments	\$ 54,246	\$ 33,662	\$ 21,105	\$ 7,506	\$ 5,814	\$ 162	\$ 216	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 54,246</u>	<u>\$ 33,662</u>	<u>\$ 21,105</u>	<u>\$ 7,506</u>	<u>\$ 5,814</u>	<u>162</u>	<u>\$ 216</u>	<u>\$ -</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Salaries payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	1,466
Due to other governments	-	-	-	-	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 1,466</u>
Fund Balances								
Nonspendable for loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for								
Economic development	-	-	-	-	-	-	-	-
TIF district	54,246	33,662	21,105	7,506	5,814	162	216	-
Committed to								
K-9 Unit	-	-	-	-	-	-	-	-
Train canopy	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-
Assigned to								
General government	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(1,466)
Total Fund Balance	<u>\$ 54,246</u>	<u>\$ 33,662</u>	<u>\$ 21,105</u>	<u>\$ 7,506</u>	<u>\$ 5,814</u>	<u>162</u>	<u>\$ 216</u>	<u>\$ (1,466)</u>
Total Liabilities and Fund Balances	<u>\$ 54,246</u>	<u>\$ 33,662</u>	<u>\$ 21,105</u>	<u>\$ 7,506</u>	<u>\$ 5,814</u>	<u>162</u>	<u>\$ 216</u>	<u>\$ -</u>

Statement 3

CDAB Revolving Loan	Northwest Minnesota Housing Revolving Loan	Slow-Second Mortgage Loan	Multi-Events Center	Greenwood Cemetery	Train Canopy	TRF Area K-9	Floyd B. Olson Shelter Fund	Total (Statement 1)
\$ 942,861	\$ -	\$ 347,246	\$ 51,650	\$ 350,700	\$ 36,717	\$ 3,313	\$ 1,025	\$ 1,856,223
-	75,397	-	-	-	-	-	-	75,397
804	-	295	36	272	32	3	-	1,442
464,263	47,803	108,751	-	-	-	-	-	620,817
<u>\$ 1,407,928</u>	<u>\$ 123,200</u>	<u>\$ 456,292</u>	<u>\$ 51,686</u>	<u>\$ 350,972</u>	<u>\$ 36,749</u>	<u>\$ 3,316</u>	<u>\$ 1,025</u>	<u>\$ 2,553,879</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,700	\$ -	\$ 347	\$ -	\$ 8,047
-	-	-	-	537	-	-	-	537
-	-	-	-	-	-	-	-	1,466
-	-	-	-	76	-	-	-	76
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,313</u>	<u>\$ -</u>	<u>\$ 347</u>	<u>\$ -</u>	<u>\$ 10,126</u>
\$ 515,848	\$ 53,114	\$ 120,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 689,796
892,080	70,086	335,458	-	-	-	-	-	1,297,624
-	-	-	-	-	-	-	-	122,711
-	-	-	-	-	-	2,969	-	2,969
-	-	-	-	-	36,749	-	-	36,749
-	-	-	-	183,333	-	-	-	183,333
-	-	-	-	159,326	-	-	-	159,326
-	-	-	-	-	-	-	1,025	1,025
-	-	-	51,686	-	-	-	-	51,686
-	-	-	-	-	-	-	-	(1,466)
<u>\$ 1,407,928</u>	<u>\$ 123,200</u>	<u>\$ 456,292</u>	<u>\$ 51,686</u>	<u>\$ 342,659</u>	<u>\$ 36,749</u>	<u>\$ 2,969</u>	<u>\$ 1,025</u>	<u>\$ 2,543,753</u>
<u>\$ 1,407,928</u>	<u>\$ 123,200</u>	<u>\$ 456,292</u>	<u>\$ 51,686</u>	<u>\$ 350,972</u>	<u>\$ 36,749</u>	<u>\$ 3,316</u>	<u>\$ 1,025</u>	<u>\$ 2,553,879</u>

**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, 2020**

	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	TIF District 1-11	TIF District 1-12
Revenues										
Taxes	\$ 16,779	\$ 14,157	\$ 69,310	\$ 54,146	\$ 32,515	\$ 84,154	\$ 38,365	\$ 67,763	\$ 25,329	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-	-	-
Gifts and contributions	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	376
Total Revenues	\$ 16,779	\$ 14,157	\$ 69,310	\$ 54,146	\$ 32,515	\$ 84,154	\$ 38,365	\$ 67,763	\$ 25,329	\$ 376
Expenditures										
Current										
General government	\$ 39,353	\$ 769	\$ 70,655	\$ 54,146	\$ 32,515	\$ 84,154	\$ 38,365	\$ 67,763	\$ 25,329	\$ -
Public safety	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Capital outlay										
Economic development	-	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 39,353	\$ 769	\$ 70,655	\$ 54,146	\$ 32,515	\$ 84,154	\$ 38,365	\$ 67,763	\$ 25,329	\$ -
Excess of Revenues Over (Under) Expenditures	\$ (22,574)	\$ 13,388	\$ (1,345)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376
Other Financing Sources (Uses)										
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ (22,574)	\$ 13,388	\$ (1,345)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376
Fund Balance - January 1	22,574	40,858	35,007	21,105	7,506	5,814	162	216	-	(376)
Fund Balance - December 31	\$ -	\$ 54,246	\$ 33,662	\$ 21,105	\$ 7,506	\$ 5,814	\$ 162	\$ 216	\$ -	\$ -

Statement 4

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	Floyd B. Olson Shelter Fund	Total (Statement 2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,518
-	-	88,897	-	-	-	-	-	-	88,897
-	-	-	-	-	33,775	-	-	-	33,775
-	12,680	-	4,804	588	4,448	525	42	-	23,087
-	-	-	-	-	350	5,000	3,915	1,025	10,290
-	4,357	142,864	1,908	30,000	18,500	-	-	-	198,005
<u>\$ -</u>	<u>\$ 17,037</u>	<u>\$ 231,761</u>	<u>\$ 6,712</u>	<u>\$ 30,588</u>	<u>\$ 57,073</u>	<u>\$ 5,525</u>	<u>\$ 3,957</u>	<u>\$ 1,025</u>	<u>\$ 756,572</u>
\$ 1,114	\$ -	\$ -	\$ -	\$ -	\$ 114,739	\$ -	\$ -	\$ -	\$ 528,902
-	-	-	-	-	-	-	7,978	-	7,978
-	-	-	-	9,415	-	-	-	-	9,415
-	45,403	257,144	-	-	-	-	-	-	302,547
-	-	-	-	-	-	4,254	-	-	4,254
<u>\$ 1,114</u>	<u>\$ 45,403</u>	<u>\$ 257,144</u>	<u>\$ -</u>	<u>\$ 9,415</u>	<u>\$ 114,739</u>	<u>\$ 4,254</u>	<u>\$ 7,978</u>	<u>\$ -</u>	<u>\$ 853,096</u>
<u>\$ (1,114)</u>	<u>\$ (28,366)</u>	<u>\$ (25,383)</u>	<u>\$ 6,712</u>	<u>\$ 21,173</u>	<u>\$ (57,666)</u>	<u>\$ 1,271</u>	<u>\$ (4,021)</u>	<u>\$ 1,025</u>	<u>\$ (96,524)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
\$ (1,114)	\$ (28,366)	\$ (25,383)	\$ 6,712	\$ 21,173	\$ (7,666)	\$ 1,271	\$ (4,021)	\$ 1,025	\$ (46,524)
<u>(352)</u>	<u>1,436,294</u>	<u>148,583</u>	<u>449,580</u>	<u>30,513</u>	<u>350,325</u>	<u>35,478</u>	<u>6,990</u>	<u>-</u>	<u>2,590,277</u>
<u>\$ (1,466)</u>	<u>\$ 1,407,928</u>	<u>\$ 123,200</u>	<u>\$ 456,292</u>	<u>\$ 51,686</u>	<u>\$ 342,659</u>	<u>\$ 36,749</u>	<u>\$ 2,969</u>	<u>\$ 1,025</u>	<u>\$ 2,543,753</u>

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

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2008 State Aid Street Bonds	2011 Improvement Bonds	2012 Improvement Bonds	2013 Improvement Bonds	2013 Greenwood Improvement Bonds	2014 Improvement Bonds	2015 Improvement Bonds
<u>Assets</u>							
Cash and pooled investments	\$ 33,886	\$ 55,283	\$ 73,717	\$ 38,618	\$ 481,204	\$ 124,250	\$ 263,994
Taxes receivable							
Current	-	-	-	-	11,240	-	-
Prior	-	-	-	-	36,300	-	-
Special assessments receivable							
Current	-	380	808	-	26	-	1,222
Prior	-	316	3,025	-	1,941	-	1,659
Special assessments receivable - noncurrent	-	38,040	89,083	105,795	-	67,987	254,213
Total Assets	\$ 33,886	\$ 94,019	\$ 166,633	\$ 144,413	\$ 530,711	\$ 192,237	\$ 521,088
<u>Deferred Inflows of Resources and Fund Balances</u>							
Liabilities							
Accounts payable	\$ -	\$ 55	\$ -	\$ 77	\$ 189	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	\$ -	\$ 55	\$ -	\$ 77	\$ 189	\$ -	\$ -
Deferred Inflows of Resources							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 36,300	\$ -	\$ -
Special assessments	-	38,356	92,108	105,795	1,941	67,987	255,872
Total Deferred Inflows of Resources	\$ -	\$ 38,356	\$ 92,108	\$ 105,795	\$ 38,241	\$ 67,987	\$ 255,872
Fund Balances							
Restricted for debt service	\$ 33,886	\$ 55,608	\$ 74,525	\$ 38,541	\$ 492,281	\$ 124,250	\$ 265,216
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	\$ 33,886	\$ 55,608	\$ 74,525	\$ 38,541	\$ 492,281	\$ 124,250	\$ 265,216
Total Deferred Inflows of Resources and Fund Balances	\$ 33,886	\$ 94,019	\$ 166,633	\$ 144,413	\$ 530,711	\$ 192,237	\$ 521,088

Statement 5

2016 Improvement Bonds	2017 Improvement Bonds	2018 Improvement Bonds	2018 Arena Bonds	2019 Software Improvement Bonds	2019 Special Assessment	2020 Software Improvement Bonds	2020 Improvement Bonds	Total (Statement 1)
\$ 144,021	\$ 185,196	\$ 261,384	\$ 14,342	\$ -	\$ 249,942	\$ -	\$ 111,726	\$ 2,037,563
-	-	-	-	-	-	-	-	11,240
-	-	-	-	-	-	-	-	36,300
385	999	-	-	-	287	-	-	4,107
712	3,566	354	-	-	11,507	-	-	23,080
454,490	269,758	421,683	-	-	483,254	-	184,960	2,369,263
599,608	459,519	683,421	14,342	-	744,990	-	296,686	\$ 4,481,553
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46	\$ 89	\$ 456
-	-	-	-	4,458	-	-	-	4,458
\$ -	\$ -	\$ -	\$ -	\$ 4,458	\$ -	\$ 46	\$ 89	\$ 4,914
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,300
455,202	273,324	422,037	-	-	494,761	-	184,960	2,392,343
\$ 455,202	\$ 273,324	\$ 422,037	\$ -	\$ -	\$ 494,761	\$ -	\$ 184,960	\$ 2,428,643
\$ 144,406	\$ 186,195	\$ 261,384	\$ 14,342	\$ -	\$ 250,229	\$ -	\$ 111,637	\$ 2,052,500
-	-	-	-	(4,458)	-	(46)	-	(4,504)
\$ 144,406	\$ 186,195	\$ 261,384	\$ 14,342	\$ (4,458)	\$ 250,229	\$ (46)	\$ 111,637	\$ 2,047,996
\$ 599,608	\$ 459,519	\$ 683,421	\$ 14,342	\$ -	\$ 744,990	\$ -	\$ 296,686	\$ 4,481,553

**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, 2020**

	2008 State Aid Street Bonds	2011 Improvement Bonds	2012 Improvement Bonds	2013 Improvement Bonds	2013 Greenwood Improvement Bonds	2014 Improvement Bonds	2015 Improvement Bonds
Revenues							
Taxes	\$ -	\$ 51,000	\$ 46,000	\$ 24,100	\$ 14,202	\$ 32,600	\$ 19,270
Special assessments	-	14,394	27,010	26,288	26	15,240	41,529
Total Revenues	\$ -	\$ 65,394	\$ 73,010	\$ 50,388	\$ 14,228	\$ 47,840	\$ 60,799
Expenditures							
Debt service							
Principal retirement	\$ -	\$ 60,000	\$ 70,000	\$ 35,000	\$ 90,000	\$ 55,000	\$ 65,000
Interest	-	4,040	7,324	(3,119)	(13,681)	11,902	11,869
Total Expenditures	\$ -	\$ 64,040	\$ 77,324	\$ 31,881	\$ 76,319	\$ 66,902	\$ 76,869
Excess of Revenues Over (Under)							
Expenditures	\$ -	\$ 1,354	\$ (4,314)	\$ 18,507	\$ (62,091)	\$ (19,062)	\$ (16,070)
Other Financing Sources							
Proceeds from issuance of debt	\$ -	\$ (5,000)	\$ -	\$ (15,000)	\$ (30,000)	\$ -	\$ -
Transfers in	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ (5,000)	\$ -	\$ (15,000)	\$ (30,000)	\$ -	\$ -
Net Change in Fund Balance	\$ -	\$ (3,646)	\$ (4,314)	\$ 3,507	\$ (92,091)	\$ (19,062)	\$ (16,070)
Fund Balance - January 1	33,886	59,254	78,839	35,034	584,372	143,312	281,286
Fund Balance - December 31	\$ 33,886	\$ 55,608	\$ 74,525	\$ 38,541	\$ 492,281	\$ 124,250	\$ 265,216

Statement 6

2016 Improvement Bonds	2017 Improvement Bonds	2018 Improvement Bonds	2018 Arena Bonds	2019 Software Improvement Bonds	2019 Special Assessment	2020 Software Improvement Bonds	2020 Improvement Bonds	Total (Statement 2)
\$ 27,502	\$ 46,400	\$ 153,761	\$ 157,542	\$ -	\$ -	\$ -	\$ -	\$ 572,377
81,869	50,546	162,471	-	-	211,253	-	111,726	742,352
109,371	96,946	316,232	157,542	-	211,253	-	111,726	\$ 1,314,729
\$ 80,000	\$ 90,000	\$ 120,000	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ 775,000
19,708	36,323	53,055	33,200	4,458	27,938	46	89	193,152
\$ 99,708	\$ 126,323	\$ 173,055	\$ 143,200	\$ 4,458	\$ 27,938	\$ 46	\$ 89	\$ 968,152
\$ 9,663	\$ (29,377)	\$ 143,177	\$ 14,342	\$ (4,458)	\$ 183,315	\$ (46)	\$ 111,637	\$ 346,577
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (50,000)
-	-	22,926	-	-	-	-	-	22,926
\$ -	\$ -	\$ 22,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27,074)
\$ 9,663	\$ (29,377)	\$ 166,103	\$ 14,342	\$ (4,458)	\$ 183,315	\$ (46)	\$ 111,637	\$ 319,503
134,743	215,572	95,281	-	-	66,914	-	-	1,728,493
\$ 144,406	\$ 186,195	\$ 261,384	\$ 14,342	\$ (4,458)	\$ 250,229	\$ (46)	\$ 111,637	\$ 2,047,996

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

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Swimming Pool	Splash Park	2018 Arena Project	2018 Street & Utilities	2019 Street & Utilities
<u>Assets</u>					
Cash and pooled investments	\$ 257,220	\$ 9,174	\$ 394,467	\$ 58,345	\$ 5,969
Interest receivable	222	8	-	-	-
Due from other governments	-	-	-	-	1,447,993
Total Assets	\$ 257,442	\$ 9,182	\$ 394,467	\$ 58,345	\$ 1,453,962
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 58,345	\$ -
Due to other funds	-	-	-	-	1,420,000
Total Liabilities	\$ -	\$ -	\$ -	\$ 58,345	\$ 1,420,000
Fund Balances					
Restricted for					
Capital projects	\$ -	\$ -	\$ 394,467	\$ -	\$ 33,962
Committed for					
Splash Park	-	9,182	-	-	-
Swimming Pool	257,442	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	\$ 257,442	\$ 9,182	\$ 394,467	\$ -	\$ 33,962
Total Liabilities and Fund Balances	\$ 257,442	\$ 9,182	\$ 394,467	\$ 58,345	\$ 1,453,962

Statement 7

2019 Software Project	2020 Software Project	2020 Safe Routes to School	2020 Street & Utilities	Total (Statement 1)
\$ 174,271	\$ 133,936	\$ 3,200	\$ 3,765	\$ 1,040,347
-	-	-	-	230
-	-	-	66,235	1,514,228
\$ 174,271	\$ 133,936	\$ 3,200	\$ 70,000	\$ 2,554,805
\$ -	\$ -	\$ -	\$ -	\$ 58,345
-	-	45,000	70,000	1,535,000
\$ -	-	45,000	70,000	\$ 1,593,345
\$ 174,271	\$ 133,936	\$ -	\$ -	\$ 736,636
-	-	-	-	9,182
-	-	-	-	257,442
-	-	(41,800)	-	(41,800)
\$ 174,271	133,936	(41,800)	-	\$ 961,460
\$ 174,271	\$ 133,936	\$ 3,200	\$ 70,000	\$ 2,554,805

**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, 2020**

	Swimming Pool	Splash Park	2018 Arena Project	2018 Street and Utilities	2019 Street and Utilities
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 125,736	\$ -
Investment earnings	3,613	128	-	-	-
Miscellaneous	-	-	-	32,190	45,680
Total Revenues	\$ 3,613	\$ 128	\$ -	\$ 157,926	\$ 45,680
Expenditures					
Capital Outlay					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	338,109	1,047,269
Culture and recreation	-	-	29,979	-	-
Total Expenditures	\$ -	\$ -	\$ 29,979	\$ 338,109	\$ 1,047,269
Excess of Revenues Over (Under)					
Expenditures	\$ 3,613	\$ 128	\$ (29,979)	\$ (180,183)	\$ (1,001,589)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	(22,926)	-
Proceeds from issuance of debt	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ (22,926)	\$ -
Net Change in Fund Balance	\$ 3,613	\$ 128	\$ (29,979)	\$ (203,109)	\$ (1,001,589)
Fund Balance - January 1	253,829	9,054	424,446	203,109	1,035,551
Fund Balance - December 31	\$ 257,442	\$ 9,182	\$ 394,467	\$ -	\$ 33,962

Statement 8

2019	2020	2020	2020	Total
Software Project	Software Project	Safe Routes to School	Street and Utilities	(Statement 2)
\$ -	\$ -	\$ -	\$ 264,340	\$ 390,076
-	-	-	-	3,741
-	-	-	107,712	185,582
\$ -	\$ -	\$ -	\$ 372,052	\$ 579,399
\$ 104,272	\$ 86,383	\$ -	\$ -	\$ 190,655
-	-	21,473	911,042	2,317,893
-	-	-	-	29,979
\$ 104,272	\$ 86,383	\$ 21,473	\$ 911,042	\$ 2,538,527
\$ (104,272)	\$ (86,383)	\$ (21,473)	\$ (538,990)	\$ (1,959,128)
\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000
-	-	-	-	(22,926)
-	220,319	-	418,990	639,309
\$ -	\$ 220,319	\$ -	\$ 538,990	\$ 736,383
\$ (104,272)	\$ 133,936	\$ (21,473)	\$ -	\$ (1,222,745)
278,543	-	(20,327)	-	2,184,205
\$ 174,271	\$ 133,936	\$ (41,800)	\$ -	\$ 961,460

OTHER SCHEDULES

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

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

Shared Revenue

State

Fire Relief Association supplemental benefit	\$ 1,000
Fire state aid	76,113
Highway users tax	508,276
Local government aid	3,173,095
Police state aid	156,730
	<hr/>

Total Shared Revenue	\$ 3,915,214
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Grants

State

Minnesota Department of

Employment and Economic Development	\$ 68,351
Peace Officer Standards & Training Board (POST)	15,995
Public Safety	6,423
	<hr/>

Total State Grants	\$ 90,769
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Federal

Department of	
Housing and Urban Development	\$ 88,897
Justice	1,087
Treasury	673,542
Small Business Administration	108,160
Homeland Security	6,429
	<hr/>

Total Federal Grants	\$ 878,115
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Total Grants	\$ 968,884
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Total Intergovernmental Revenue	\$ 4,884,098
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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, 2020**

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	\$ 88,897
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607	N/A	1,087
U.S. Department of the Treasury			
Passed Through Minnesota Department of Revenue Coronavirus Relief Funds	21.019	N/A	673,542
U.S. Small Business Administration			
Passed Through Venuworks Payment Protection Program	59.073	N/A	108,160
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance	97.036	EMPG-20200218-2010	6,429
Total Federal Awards			\$ 878,115

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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 2020, the City did not pass any federal funds through to subrecipients.

STATISTICAL SECTION

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

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

	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>
Governmental Activities							
Net Investment in Capital Assets	\$ 22,452,913	\$	24,788,309	\$	25,501,639	\$	26,147,458
Restricted	582,405		965,044		1,626,963		2,368,030
Unrestricted	6,049,790		4,927,390		5,832,203		5,445,075
Total Governmental							
Activities Net Position	\$ 29,085,108	\$	30,680,743	\$	32,960,805	\$	33,960,563
Business-type Activities							
Net Investment in Capital Assets	\$ 12,740,230	\$	12,553,523	\$	13,211,323	\$	13,146,651
Restricted	2,811,505		-		351,340		332,692
Unrestricted	1,717,034		4,380,448		4,618,500		5,640,278
Total Business-type							
Activities Net Position	\$ 17,268,769	\$	16,933,971	\$	18,181,163	\$	19,119,621
Total Government							
Net Investment in Capital Assets	\$ 35,193,143	\$	37,341,832	\$	38,712,962	\$	39,294,109
Restricted	3,393,910		965,044		1,978,303		2,700,722
Unrestricted	7,766,824		9,307,838		10,450,703		11,085,353
Total Net Position	\$ 46,353,877	\$	47,614,714	\$	51,141,968	\$	53,080,184

Table 1

<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>	
\$	28,159,954	\$	29,313,095	\$	27,021,598	\$	26,102,425	\$	29,021,623	\$	20,307,156
	1,913,844		1,351,401		3,007,243		3,798,864		3,762,950		5,181,069
	2,336,027		2,538,937		2,849,115		8,743,826		7,261,795		6,166,728
\$	32,409,825	\$	33,203,433	\$	32,877,956	\$	38,645,115	\$	40,046,368	\$	31,654,953
\$	12,139,667	\$	13,474,842	\$	12,209,755	\$	8,248,469	\$	14,168,741	\$	21,392,814
	-		-		15,788		15,787		31,355		-
	5,603,661		5,075,075		7,855,683		5,858,466		6,750,251		9,322,254
\$	17,743,328	\$	18,549,917	\$	20,081,226	\$	14,122,722	\$	20,950,347	\$	30,715,068
\$	40,299,621	\$	42,787,937	\$	39,231,353	\$	34,350,894	\$	43,190,364	\$	41,699,970
	1,913,844		1,351,401		3,023,031		3,814,651		3,794,305		5,181,069
	7,939,688		7,614,012		10,704,798		14,602,292		14,012,046		15,488,982
\$	50,153,153	\$	51,753,350	\$	52,959,182	\$	52,767,837	\$	60,996,715	\$	62,370,021

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

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

	<u>2011</u>	<u>2012 ¹</u>	<u>2013</u>	<u>2014</u>
EXPENSES				
Governmental Activities:				
General Government	\$ 1,298,280	\$ 1,553,318	\$ 1,546,092	\$ 1,764,593
Public Safety	2,610,266	2,566,561	2,590,016	2,833,677
Highways and Streets	-	-	-	-
Streets and Sanitation	3,011,296	2,113,160	4,095,631	2,157,917
Sanitation	-	-	-	-
Culture and Recreation	2,086,941	2,160,416	2,140,719	2,302,396
Economic Development	740,503	217,618	343,884	748,114
Interest on Long-term Debt	68,469	70,747	67,906	108,831
Total Governmental Activities	\$ 9,815,755	\$ 8,681,820	\$ 10,784,248	\$ 9,915,528
Business-type Activities:				
Liquor Dispensary	\$ 3,815,258	\$ 4,025,774	\$ 4,078,467	\$ 4,109,374
Water Utility	-	-	-	-
Electric Utility	11,974,715	12,340,507	12,742,804	13,536,511
Wastewater Utility	-	-	-	-
Airport	10,279,332	-	-	-
Storm Water Utility	160,472	186,722	153,968	135,806
Ralph Engelstad Arena	-	-	-	-
Water Systems Utility	2,678,518	2,536,838	1,451,686	2,519,253
Total Business-type Activities	\$ 28,908,295	\$ 19,089,841	\$ 18,426,925	\$ 20,300,944
Total Expenses	\$ 38,724,050	\$ 27,771,661	\$ 29,211,173	\$ 30,216,472
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 160,709	\$ 195,179	\$ 192,050	\$ 186,619
Public Safety	225,001	380,851	330,204	243,765
Highways and Streets	-	-	-	-
Streets and Sanitation	934,382	859,450	856,378	836,365
Sanitation	-	-	-	-
Culture and Recreation	772,106	754,940	719,603	821,970
Other Activities	254,005	82,149	86,491	30,696
Operating Grants and Contributions	682,911	348,422	560,775	957,805
Capital Grants and Contributions	1,534,845	1,985,021	4,770,645	1,453,943
Total Governmental Activities	\$ 4,563,959	\$ 4,606,012	\$ 7,516,146	\$ 4,531,163
Business-type Activities:				
Charges for Services				
Liquor Dispensary	\$ 4,216,697	\$ 4,482,994	\$ 4,562,505	\$ 4,567,025
Water Utility	-	-	-	-
Electric Utility	12,262,023	12,382,669	13,387,925	14,340,839
Wastewater Utility	-	-	-	-
Airport	8,788	-	-	-

Table 2

2015 ²		2016		2017		2018		2019		2020	
\$	2,893,467	\$	2,524,756	\$	2,812,715	\$	4,355,765	\$	1,721,080	\$	2,445,795
	3,057,716		3,733,004		3,538,649		3,363,286		3,524,019		4,343,323
	891,613		1,655,387		2,870,989		835,546		1,032,958		2,068,471
	-		-		-		-		-		-
	886,085		899,489		893,556		873,945		900,730		1,394,929
	2,371,008		2,533,258		2,541,220		2,802,383		2,962,045		819,818
	355,401		1,247,170		552,079		658,599		883,940		669,790
	116,544		130,924		135,566		172,761		218,719		264,931
\$	10,571,834	\$	12,723,988	\$	13,344,774	\$	13,062,285	\$	11,243,491	\$	12,007,057
\$	4,334,295	\$	4,235,155	\$	4,180,895	\$	4,345,170	\$	4,598,819	\$	5,293,988
	1,782,408		1,956,647		1,976,273		2,361,459		2,282,810		2,338,156
	13,788,039		13,470,384		13,745,213		15,306,747		14,372,428		15,831,346
	1,008,694		865,938		831,731		805,943		768,811		828,838
	-		-		-		-		-		-
	145,947		139,871		180,866		324,047		164,887		279,464
	-		-		-		-		-		1,872,437
	-		-		-		-		-		-
\$	21,059,383	\$	20,667,995	\$	20,914,978	\$	23,143,366	\$	22,187,755	\$	26,444,229
\$	31,631,217	\$	33,391,983	\$	34,259,752	\$	36,205,651	\$	33,431,246	\$	38,451,286
\$	1,123,364	\$	506,643	\$	357,811	\$	605,649	\$	554,237	\$	1,039,823
	183,729		197,948		219,565		294,682		311,403		274,709
	298,712		263,101		263,150		253,516		75,190		176,522
	-		-		-		-		-		-
	843,753		849,254		940,374		995,540		1,063,076		1,120,585
	875,436		885,270		1,020,599		977,447		924,164		162,760
	15,663		37,325		683,000		71,881		171,144		138,027
	533,066		516,004		694,399		705,779		1,313,394		545,158
	1,710,253		3,353,913		948,193		166,143		5,254,625		1,734,299
\$	5,583,976	\$	6,609,458	\$	5,127,091	\$	4,070,637	\$	9,667,233	\$	5,191,883
\$	4,687,724	\$	4,650,648	\$	4,538,364	\$	4,690,353	\$	4,941,914	\$	5,837,878
	2,448,445		2,441,482		2,632,047		2,719,355		2,828,934		2,978,426
	14,422,957		14,346,060		14,441,869		15,523,038		15,692,497		16,422,386
	682,631		881,655		964,000		992,290		1,089,640		1,155,933
	-		-		-		-		-		-

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

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

	<u>2011</u>	<u>2012 ¹</u>	<u>2013</u>	<u>2014</u>
Storm Water Utility	\$ 156,336	\$ 159,061	\$ 157,496	\$ 157,942
Ralph Engelstad Arena	-	-	-	-
Water Systems Utility	2,422,943	2,645,171	2,729,716	3,034,946
Operating Grants and Contributions	19,797	-	-	-
Capital Grants and Contributions	2,467,050	-	307,495	141,390
Total Business-type Activities	\$ 20,885,419	\$ 19,875,066	\$ 17,907,959	\$ 19,812,998
Total Revenues	\$ 25,825,929	\$ 22,344,706	\$ 20,719,119	\$ 24,376,957
Net (Expense) / Revenue				
Governmental Activities	\$ (5,251,796)	\$ (4,075,808)	\$ (3,268,102)	\$ (5,384,365)
Business-type Activities	(7,355,661)	580,054	1,718,212	1,941,198
Total Net (Expense) / Revenue	\$ (12,607,457)	\$ (3,495,754)	\$ (1,549,890)	\$ (3,443,167)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes				
Property Taxes	\$ 1,564,852	\$ 1,750,669	\$ 1,765,186	\$ 1,744,667
Taxes- Lodging	-	-	128,632	136,503
Franchise Fees	122,133	121,140	132,719	133,926
Grants not restricted to specific programs	2,649,976	2,630,629	2,630,076	3,102,887
Unrestricted Investment Earnings	151,147	132,939	106,664	128,524
Gain on Sale of Capital Assets	40,000	28,700	70,100	29,751
Other General Revenue	38,575	40,889	216,819	65,365
Transfers	710,460	966,477	497,968	1,042,500
Total Governmental Activities	\$ 5,277,143	\$ 5,671,443	\$ 5,548,164	\$ 6,384,123
Business-type Activities:				
Unrestricted Investment Earnings	\$ 88,855	\$ 51,625	\$ 18,914	\$ 39,760
Other General Revenue	-	-	-	-
Gain on Sale of Capital Assets	-	-	8,034	-
Transfers	(710,460)	(966,477)	(497,968)	(1,042,500)
Total Business-type Activities	\$ (621,605)	\$ (914,852)	\$ (471,020)	\$ (1,002,740)
Total General Revenues	\$ 4,655,538	\$ 4,756,591	\$ 5,077,144	\$ 5,381,383
CHANGE IN NET POSITION				
Governmental Activities	\$ 25,347	\$ 1,595,635	\$ 2,280,062	\$ 999,758
Business-type Activities	(7,977,266)	(334,798)	1,247,192	938,458
Total Change in Net Position	\$ (7,951,919)	\$ 1,260,837	\$ 3,527,254	\$ 1,938,216

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

²Effective 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.

³Effective January 1, 2020 the Ralph Engelstad Arena entered into a contract with Venuworks and the financial reporting was separated from the General Fund to an Enterprise Fund.

Table 2
(Continued)

2015 ²	2016	2017	2018	2019	2020 ³
\$ 158,244	\$ 163,147	\$ 187,361	\$ 211,952	\$ 251,223	\$ 274,249
-	-	-	-	-	350,641
-	-	-	-	-	-
-	-	-	-	-	-
-	3,710	5,544	4,902	14,457	4,011
\$ 17,023,907	\$ 22,486,702	\$ 19,100,769	\$ 24,141,890	\$ 24,818,665	\$ 27,023,524
\$ 21,629,919	\$ 30,002,848	\$ 23,631,932	\$ 28,212,527	\$ 34,485,898	\$ 32,215,407
\$ (4,075,808)	\$ (6,114,530)	\$ (8,217,683)	\$ (7,677,857)	\$ (1,576,258)	\$ (6,815,174)
(2,065,934)	1,818,707	1,854,207	998,524	2,630,910	579,295
\$ (6,141,742)	\$ (4,295,823)	\$ (6,363,476)	\$ (6,679,333)	\$ 1,054,652	\$ (6,235,879)
\$ 1,811,021	\$ 2,215,619	\$ 2,285,390	\$ 2,448,291	\$ 2,363,191	\$ 2,865,416
158,506	119,025	118,315	143,154	151,967	115,226
145,082	191,046	211,829	224,199	376,933	226,326
2,969,872	2,984,925	3,002,226	3,093,314	3,082,762	3,173,095
44,284	41,653	38,652	126,673	201,591	121,373
-	-	1,368,062	-	-	-
-	-	-	88,771	177,977	25,795
1,141,804	1,114,419	867,731	7,320,614	(3,407,552)	2,052,505
\$ 6,270,569	\$ 6,666,687	\$ 7,892,205	\$ 13,445,016	\$ 2,946,869	\$ 8,579,736
\$ 24,652	\$ 34,987	\$ 57,846	\$ 100,111	\$ 224,711	\$ 172,016
155	67,314	486,987	263,475	568,884	909,938
-	-	-	-	-	-
(1,141,804)	(1,114,419)	(867,731)	(7,320,614)	3,407,552	(2,052,505)
\$ (1,116,997)	\$ (1,012,118)	\$ (322,898)	\$ (6,957,028)	\$ 4,201,147	\$ (970,551)
\$ 5,153,572	\$ 5,654,569	\$ 7,569,307	\$ 6,487,988	\$ 7,148,016	\$ 7,609,185
\$ 2,194,761	\$ 552,157	\$ (325,478)	\$ 5,767,159	\$ 1,370,611	\$ 1,764,562
(3,182,931)	806,589	1,531,309	(5,958,504)	6,832,057	(391,256)
\$ (988,170)	\$ 1,358,746	\$ 1,205,831	\$ (191,345)	\$ 8,202,668	\$ 1,373,306

**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	
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
2020			2,865,416	115,226	80,857	145,469	3,206,968

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

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund				
Nonspendable	\$ 3,060	\$ -	\$ -	\$ -
Committed	36,830	-	-	-
Assigned	29,982	19,504	19,504	86,476
Unassigned	1,958,088	2,240,362	2,482,273	2,248,868
Total General Fund	\$ <u>2,027,960</u>	\$ <u>2,259,866</u>	\$ <u>2,501,777</u>	\$ <u>2,335,344</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	372,362	500,293	552,261	532,864
Committed	2,180,287	2,214,960	2,238,637	2,247,083
Assigned	2,119,781	1,612,559	1,533,202	1,660,730
Unassigned	(4,399)	(744,345)	(3,366)	(322,024)
Total All Other Governmental Funds	\$ <u>4,668,031</u>	\$ <u>3,583,467</u>	\$ <u>4,320,734</u>	\$ <u>4,118,653</u>

Table 4

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
184,556	203,984	-	-	-	2,750,906
-	-	305,191	3,576,104	4,114,439	1,519,920
2,586,500	2,115,511	1,894,460	2,770,185	3,100,386	4,474,066
\$ <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>	\$ <u>8,744,892</u>
\$ 855,689	\$ 751,897	\$ 651,561	\$ 413,739	\$ 378,364	\$ 689,796
678,944	1,351,401	3,115,779	3,385,125	3,517,828	4,491,273
1,407,850	1,400,191	465,920	478,571	484,984	489,675
1,558,649	2,129,173	2,735,984	1,831,066	3,178,405	345,973
(815,989)	(714,018)	(638,428)	(286,677)	(26,824)	(181,706)
\$ <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>	\$ <u>5,835,011</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)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES				
Taxes	\$ 1,686,986	\$ 1,871,810	\$ 2,026,538	\$ 2,015,096
Special Assessments	232,315	229,687	236,376	162,763
Licenses and Permits	113,706	278,985	202,251	109,171
Intergovernmental	4,078,810	4,153,368	7,112,388	4,595,548
Charges for Services	1,955,365	1,879,514	1,863,821	1,910,094
Fines and Forfeitures	47,412	45,163	46,441	53,032
Miscellaneous				
Contributions	522,073	434,253	47,337	83,301
Investment Earnings	147,165	122,332	94,154	98,357
Other Receipts	208,959	48,981	286,911	56,948
Total Revenues	\$ <u>8,992,791</u>	\$ <u>9,064,093</u>	\$ <u>11,916,217</u>	\$ <u>9,084,310</u>
EXPENDITURES				
General Government	\$ 1,323,743	\$ 1,487,807	\$ 1,465,606	\$ 1,685,396
Public Safety	2,347,102	2,424,496	2,475,938	2,690,498
Streets and Sanitation	1,533,169	1,586,731	1,619,869	1,543,829
Highways and Streets	-	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	1,654,288	1,667,713	1,689,873	1,897,125
Economic Development	740,808	207,861	367,004	720,150
Other	-	-	-	-
Debt Service				
Principal	341,544	351,500	355,000	373,333
Interest and Fees	71,328	70,728	71,860	91,997
Capital Outlay	1,914,368	3,899,757	5,907,945	2,254,945
Total Expenditures	\$ <u>9,926,350</u>	\$ <u>11,696,593</u>	\$ <u>13,953,095</u>	\$ <u>11,257,273</u>
Revenues Over (Under) Expenditures	\$ <u>(933,559)</u>	\$ <u>(2,632,500)</u>	\$ <u>(2,036,878)</u>	\$ <u>(2,172,963)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,377,808	\$ 1,350,412	\$ 1,416,984	\$ 1,510,510
Transfers Out	(390,063)	(383,935)	(433,424)	(413,958)
Sale of Capital Asset	-	28,700	70,100	29,747
Lease/Bond Sale Proceeds	681,000	784,665	1,962,396	678,150
Total Other Financing Sources (Uses)	\$ <u>1,668,745</u>	\$ <u>1,779,842</u>	\$ <u>3,016,056</u>	\$ <u>1,804,449</u>
Net Change In Fund Balance	\$ <u><u>735,186</u></u>	\$ <u><u>(852,658)</u></u>	\$ <u><u>979,178</u></u>	\$ <u><u>(368,514)</u></u>

Debt Service as a percentage of

Noncapital Expenditures	5%	6%	6%	5%
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¹Effective 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.

²Effective January 1, 2020 the Arena entered into a contract with Venuworks and the financial reporting was separated from the General Fund to an Enterprise Fund.

Table 5

	2015 ¹	2016	2017	2018	2019	2020 ²
\$	2,077,693	\$ 2,503,819	\$ 2,604,417	\$ 2,811,088	\$ 2,895,174	\$ 3,131,787
	345,574	373,940	332,751	355,864	469,934	836,819
	237,660	202,948	120,308	444,049	180,851	163,698
	5,471,607	6,045,997	3,928,282	4,680,893	8,959,634	4,775,938
	2,021,924	2,018,923	2,386,711	2,365,982	2,396,659	1,638,974
	49,664	49,152	67,410	50,618	59,734	55,462
	81,427	74,583	57,306	65,848	25,774	11,958
	37,178	38,071	33,057	126,673	201,591	121,373
	407,120	432,160	473,083	218,479	605,599	1,044,403
\$	10,729,847	\$ 11,739,593	\$ 10,003,325	\$ 11,119,494	\$ 15,794,950	\$ 11,780,412
\$	1,648,080	\$ 1,845,977	\$ 1,670,141	\$ 1,805,401	\$ 1,673,869	\$ 2,022,383
	2,811,896	2,955,612	3,122,606	3,282,943	3,427,616	3,835,351
	-	-	-	-	-	-
	751,227	787,971	857,296	772,799	908,427	745,356
	846,276	840,942	852,130	901,141	845,765	1,062,720
	1,908,649	2,022,756	2,015,255	2,307,273	2,149,944	773,499
	353,916	1,245,318	552,079	658,599	883,940	669,790
	10,196	-	-	-	-	-
	395,000	455,000	535,000	610,000	525,000	903,708
	110,190	113,834	125,220	154,262	196,431	198,751
	3,710,883	2,979,316	2,474,276	8,080,163	6,779,381	4,940,700
\$	12,546,313	\$ 13,246,726	\$ 12,204,003	\$ 18,572,581	\$ 17,390,373	\$ 15,152,258
\$	(1,816,466)	\$ (1,507,133)	\$ (2,200,678)	\$ (7,453,087)	\$ (1,595,423)	\$ (3,371,846)
\$	1,391,581	\$ 2,028,596	\$ 1,772,589	\$ 10,592,712	\$ 1,355,897	\$ 1,482,818
	(367,913)	(1,030,079)	(1,021,565)	(2,457,655)	(201,556)	(72,926)
	-	-	1,368,062	-	-	-
	795,000	1,053,708	1,369,317	2,955,676	1,985,000	3,021,887
\$	1,818,668	\$ 2,052,225	\$ 3,488,403	\$ 11,090,733	\$ 3,139,341	\$ 4,431,779
\$	2,202	\$ 545,092	\$ 1,287,725	\$ 3,637,646	\$ 1,543,918	\$ 1,059,933
	6%	6%	7%	8%	7%	12%

**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
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
2020	5,413,189	507,659,600	113,894	5,909,200

Source: Pennington County Auditor/Treasurer

Table 6

Total		Tax Capacity as a Percentage of Estimated Market Value
Assessed Tax Capacity	Estimated Market Value	
\$ 3,880,360	\$ 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
5,527,083	513,568,800	1.08

**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	
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
2020	49.093	70.534	36.411	4.138	0.217	0.462	168.855

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>2020</u>		<u>Percentage of Total Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
DK Real Estate Holdings LLC	\$ 590,952	1	10.69 %
MeritCare Medical Group	128,412	2	2.32
Wal-Mart RE Business Trust	122,038	3	2.21
West River Falls Estates, LLC	116,199	4	2.10
MN Energy Resources Corp	94,162	5	1.70
Arctco	90,073	6	1.63
TRF Investments LLC	87,998	7	1.59
Sanford Medical Center	68,733	8	1.24
Minnesota Greenleaf LLP	42,619	9	0.77
River Falls Estate I LLC	42,489	10	0.77
	<u><u>\$ 1,383,675</u></u>		<u><u>25.02</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
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 %
2020	2,588,762	2,483,620	95.94 %	20,981	2,504,601	96.75 %

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

**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			
	General Obligation Improvement Bonds	Revenue Bonds	Notes Payable	Capital Lease	General Obligation Improvement Bonds	Revenue Bonds	Total Primary Government	Per Capita	
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	
2020	10,010,000	-	-	137,931	760,000	20,230,000	31,137,931	3,433	

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
2011	\$ 1,075,000	\$ 343,143	\$ 731,857	22.00%	\$ 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
2020	10,010,000	2,037,563	7,972,437	1.65%	879

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, 2020**

<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	\$ 52,554,458	35.94%	\$ 18,888,072
Pennington County	15,598,000	38.86%	<u>6,061,383</u>
Total Overlapping Debt			24,949,455
City of Thief River Falls Direct Debt	31,000,000	100.00%	<u>31,000,000</u>
Total Direct and Overlapping Debt			\$ <u><u>55,949,455</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$ 6,655,530	\$ 6,810,478	\$ 7,324,886	\$ 7,717,494
Total Net Debt Applicable to Limit	<u>85,101</u>	<u>25,218</u>	<u>1,393,333</u>	<u>1,385,000</u>
Legal Debt Margin	\$ <u>6,570,429</u>	\$ <u>6,785,260</u>	\$ <u>5,931,553</u>	\$ <u>6,332,494</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	1.28%	0.37%	19.02%	17.95%

Table 13

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 8,093,484	\$ 8,691,862	\$ 9,288,806	\$ 9,799,960	\$ 9,916,962	\$ 15,407,064
<u>1,310,000</u>	<u>1,230,000</u>	<u>1,145,000</u>	<u>1,060,000</u>	<u>940,050</u>	<u>760,000</u>
<u>6,783,484</u>	<u>7,461,862</u>	<u>8,143,806</u>	<u>8,739,960</u>	<u>8,976,912</u>	<u>14,647,064</u>
16.19%	14.15%	12.33%	10.82%	9.48%	4.93%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2019

Assessed Value	\$ 513,568,800
Debt Limit (2% of Total Assessed Value)	\$ 10,271,376
Debt Applicable to Limit:	
General Obligation Debt	\$ 760,000
Less: Amount Set aside for Repayment of General Obligation Debt	<u>2,037,563</u>
Total Net Debt Applicable to Limit	\$ <u>2,797,563</u>
Legal Debt Margin	\$ <u><u>7,473,813</u></u>

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

Table 14

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

Water Revenue Bonds ²									
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
2020		2,978,426		2,017,732		960,694	698,200	309,083	0.95
Wastewater Revenue Bonds ²									
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
2020		1,155,933		772,976		382,957	48,800	24,451	5.23
Water Systems Revenue Bonds ¹									
Fiscal Year		Water Charges and Other		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage
							Principal	Interest	
2011	\$	2,441,533	\$	1,873,245	\$	568,288	\$ 197,104	\$ 263,632	1.23
2012		2,657,974		1,835,487		822,487	313,915	132,250	1.84
2013		3,042,526		1,827,462		1,215,064	370,290	131,080	2.42
2014		3,188,208		1,886,836		1,301,372	406,702	155,531	2.31

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

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

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

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

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

Table 15

Fiscal Year	City Population¹	Pennington County			Pennington County	
		Personal Income²	Population²	Per Capita Income²	Total Employment³	Unemployment Rate³
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	809,537,000	14,119	57,337	10,186	4.2 %
2020	Data Unavailable	Data Unavailable	Data Unavailable	Data Unavailable	Data Unavailable	4.7 %

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	2020 ¹		2011	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Digi-Key Corporation	3,738	36.70 %	2,498	28.11 %
Arctic Cat, Incorporated	750	7.36 %	1,250	14.06 %
Sanford Health - Thief River Falls	600	5.89 %	525	5.91 %
Seven Clans Casino Hotel & Indoor Waterpark	322	3.16 %	497	5.59 %
Thief River Falls School District No. 564	430	4.22 %	350	3.94 %
Northern Pride, Inc.	180	1.77 %	200	2.25 %
Northland Community & Technical College	151	1.48 %	165	1.86 %
Pennington County	140	1.37 %	126	1.42 %
Hugos	145	1.42 %	-	- %
City of Thief River Falls	86	0.84 %	102	1.15 %
Dean Foods	-	- %	96	1.08 %
	<u>6,542</u>	<u>64.20 %</u>	<u>5,809</u>	<u>65.37 %</u>

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

¹ Percentages based on 2019 total employment as 2020 total employment information is not available from MN DEED.

MANAGEMENT AND COMPLIANCE SECTION

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



Hoffman, Philipp, & Martell, PLLC

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

**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, 2020, 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 25, 2021.

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 certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, 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*. 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 Response 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.

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

Hoffman, Philipp, & Martell, PLLC
June 25, 2021

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



Hoffman, Philipp, & Martell, PLLC

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

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, 2020. 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 program 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, 2020.

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, & Martell". The signature is written in a cursive, flowing style.

Hoffman, Philipp, & Martell, PLLC
June 25, 2021

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
- B. **Financial Statements**
- Internal control over financial reporting:
- Material weaknesses identified? **No**
 - Significant deficiencies identified? **Yes**
- C. Noncompliance material to the financial statements noted? **No**
- D. **Federal Awards**
- Internal control over major programs:
- Material weaknesses identified? **No**
 - Significant deficiencies identified? **No**
- E. Type of report the auditor issued on compliance for major federal programs: **Unmodified**
- F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**
- G. The major federal program was:
- | | |
|------------------|----------------------|
| CARES Act | CFDA #21.019C |
|------------------|----------------------|
- H. The threshold for distinguishing between Types A and B programs was \$750,000.
- I. The City of Thief River Falls qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number: 2020-001

Prior Years Audit Finding Numbers: 2016-001, 2019-001

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

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

records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

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

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

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

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

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

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

II. ITEM RESOLVED THIS YEAR

Finding Number: 2019-002

Prior Years Audit Finding Numbers: 2018-001, 2019-002

Finding Title: Contract Compliance



City of Thief River Falls

CITY ADMINISTRATOR

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

PHONE: 218-681-2943

FAX: 218-681-6223

email: aphilipp@citytrf.net

www.citytrf.net

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001

Prior Years Audit Finding Numbers: 2016-001, 2019-001

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.*



City of Thief River Falls

CITY ADMINISTRATOR

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

PHONE: 218-681-2943
FAX: 218-681-6223
email: aphilipp@citytrf.net
www.citytrf.net

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2020

Prior Years Audit Finding Numbers: 2016-001, 2019-001

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.

Prior Years Audit Finding Numbers: 2018-001, 2019-002

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.