

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2015

Prepared by:

Finance Department

Barbara Baird
Finance Director

- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
I. INTRODUCTORY SECTION		
Letter of Transmittal		3
Certificate of Achievement		7
Principal City Officials and Department Heads		9
Organization Chart		11
II. FINANCIAL SECTION		
Independent Auditor's Report		15
Management's Discussion and Analysis		19
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	33
Statement of Activities	Statement 2	34
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	36
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	37
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Statement 5	38
Statement of Net Position - Proprietary Funds	Statement 6	39
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	Statement 7	40
Statement of Cash Flows - Proprietary Funds	Statement 8	41
Statement of Assets and Liabilities - Fiduciary Funds	Statement 9	42
Notes to Financial Statements		43
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	Statement 10	94
Schedule of Funding Progress - Retiree Health Plan	Statement 11	98
Schedule of Proportionate Share of Net Pension Liability - General Employees Retirement Fund	Statement 12	99
Schedule of Pension Contributions - General Employees Retirement Fund	Statement 13	100
Schedule of Proportionate Share of Net Pension Liability - Public Employees Police and Fire Fund	Statement 14	101
Schedule of Pension Contributions - Public Employees Police and Fire Fund	Statement 15	102
Schedule of Changes in the Net Pension Liability and Related Ratios - Grand Rapids Fire Department Relief Association	Statement 16	103
Schedule of Contributions - Grand Rapids Fire Department Relief Association	Statement 17	104
Notes to Required Supplementary Information		105

CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
Combining and Individual Nonmajor Fund Financial Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 18	111
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 19	112
Subcombining Balance Sheet - Nonmajor Special Revenue Funds	Statement 20	114
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds	Statement 21	116
Subcombining Balance Sheet - Nonmajor Debt Service Funds	Statement 22	120
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Debt Service Funds	Statement 23	124
Subcombining Balance Sheet - Nonmajor Capital Project Funds	Statement 24	131
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Capital Project Funds	Statement 25	135
Special Revenue Funds:		
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:		
Public Library	Statement 26	140
Central School	Statement 27	141
Airport Operations	Statement 28	142
IRA Civic Center	Statement 29	143
Recreation Programs	Statement 30	144
Haz-Mat	Statement 31	145
Police Forfeiture	Statement 32	146
Cemetery	Statement 33	147
Domestic Animal Control Facility	Statement 34	148
Agency Funds:		
Combining Statement of Assets and Liabilities	Statement 35	150
Combining Statement of Changes in Assets and Liabilities	Statement 36	151
Component Unit:		
Economic Development Authority:		
Combining Balance Sheet	Statement 37	154
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	Statement 38	155

CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
III. STATISTICAL SECTION (UNAUDITED)		
Financial Trends:		
Net Position by Component	Table 1	160
Changes in Net Position	Table 2	162
Fund Balances - Governmental Funds	Table 3	166
Changes in Fund Balances - Governmental Funds	Table 4	168
Revenue Capacity:		
Program Revenues by Function/Program	Table 5	170
Tax Capacity Value and Estimated Market Value of Taxable Property	Table 6	172
Direct and Overlapping Property Tax Rates	Table 7	173
Principal Property Taxpayers	Table 8	174
Debt Capacity:		
Property Tax Levies and Collections	Table 9	175
Ratios of Outstanding Debt by Type	Table 10	176
Ratios of General Bonded Debt Outstanding	Table 11	177
Direct and Overlapping Governmental Activities Debt	Table 12	178
Demographic and Economic Information:		
Legal Debt Margin Information	Table 13	179
Pledged Revenue Coverage	Table 14	180
Operating Information:		
Demographic and Economic Statistics	Table 15	181
Principal Employers	Table 16	182
Full-time Equivalent City Government Employees by Function/Program	Table 17	183
Operating Indicators by Function/Program	Table 18	184
Capital Asset Statistics by Function/Program	Table 19	185
IV. OTHER INFORMATION (UNAUDITED)		
Combined Schedule of Indebtedness	Exhibit 1	188
Debt Service Payments to Maturity:		
General Obligation Bonds	Exhibit 2	191
General Obligation Improvement Bonds	Exhibit 3	192
Taxable Valuations	Exhibit 4	195
Schedule of Deferred Tax Levies:		
General Obligation Improvement Bonds	Exhibit 5	196

- This page intentionally left blank -

I. INTRODUCTORY SECTION

- This page intentionally left blank -



June 15, 2016

Honorable Mayor, Members of the City Council,
and Citizens of the City of Grand Rapids:

The Comprehensive Annual Financial Report (CAFR) for the City of Grand Rapids (the City) for the fiscal year ended December 31, 2015, is hereby submitted. Minnesota State Statutes require that local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This requirement has been met by the engagement of the firm of Redpath and Company, Ltd. and their report is included in the financial section of this report.

This report consists of management's representations concerning the finances of the City of Grand Rapids. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Grand Rapids has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Grand Rapids' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Grand Rapids' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Grand Rapids' financial statements have been audited by Redpath and Company, Ltd., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Grand Rapids for the fiscal year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion that the City of Grand Rapids' financial statements for the fiscal year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Village of Grand Rapids was incorporated on June 11, 1891, and became a statutory City on January 9, 1974. The City of Grand Rapids, the Itasca County seat, is located 180 miles north of Minneapolis and St. Paul, Minnesota, in the north central part of the state. The City is located in the heart of a resort and recreation area and is the major commercial service and industrial center. The City of Grand Rapids currently occupies a land area of 24.40 square miles and serves a population of 10,869. The City of Grand Rapids signed an Annexation Agreement with the Grand Rapids Township in 2000 and the City annexed the last area of the Township on January 1, 2010. The City of Grand Rapids is empowered to levy a property tax on both real and personal properties located within its boundaries. It is

also empowered by state statute to extend its corporate limits by annexation. The City is the region's retail trade, health care, education and cultural center with a market draw of more than 40,000 people.

The City operates under a Council-Administrator form of government. Policy-making and legislative authority are vested in a governing Council consisting of the mayor and four other members. The governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and approving the hiring of City employees. The City Administrator is responsible for carrying out the policies and ordinances of the City Council and overseeing the day-to-day operations of the City. Council members serve four-year staggered terms, with two Council members elected every two years. The mayor is elected to serve a two-year term.

The City of Grand Rapids provides a full range of services, including police and fire protection, the construction and maintenance of highway, streets, and other infrastructure, recreational and cultural facilities, and general administrative services. In addition, the City also provides enterprise activities such as a golf course and storm water utility.

The City has two discretely presented component units, the Grand Rapids Economic Development Authority (GREDA) and the Grand Rapids Public Utilities Commission (GRPUC). Both governing boards are appointed by the City Council. The Council has the ability to approve or modify the GREDA's budget and overrule other decisions of the GREDA. The GREDA does not issue separate financial statements. The GRPUC provides electric power distribution systems, water production treatment and distribution systems, and wastewater collection and treatment systems. The City guarantees the general obligation debt of the GRPUC. Separate financial statements are issued by the GRPUC.

The annual budget serves as the foundation for the City of Grand Rapids' financial planning and control. All agencies of the City of Grand Rapids are required to submit requests for appropriation to the City Administrator in May of each year for the following year's budget. The City Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator meets with the Council to develop a budget. The Council is required to hold a public hearing on the proposed budget and certify an adopted final budget to the County Auditor by no later than December 28.

The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments, however, require the special approval of the governing Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 94 as part of the required supplementary information. For governmental funds other than the general fund, and with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, shown on pages 138 through 146.

Local economy

A major element of the local economy is forestry and its related products and activities. The UPM Kymmene Blandin Paper Mill, one of the City's largest employers, operates in the City of Grand Rapids. Blandin continues to be one of few paper production facilities, nationwide, maintaining a full order sheet and delivering a profit to the parent company. Grand Rapids is also home to All Season Vehicles, Inc., Magnetation, Inc., several state education and governmental agencies, and is the site of Itasca County government operations. Many resorts in the area contribute heavily to the local economy. County, State, and National Forests are located within Itasca County. The City is the regional headquarters for the Minnesota Department of Natural Resources.

Building permit activity in 2015 reached its highest level since 2007 and second highest level in recent history with the issuance of 513 permits for projects having a total value of \$33.2M. In 2016 that trend is expected to continue with several significant commercial projects anticipated.

Housing development in Grand Rapids has continued to see steady growth with over 600 new residential units being constructed over the last 10 years. In 2010, the City established a TIF Housing District for a 58-unit housing project. The first two structures were opened in the spring of 2012 with all 29 units pre-leased. The second 29-unit structure was completed in June of 2013. Fourteen of the 58 apartment units are priced at affordable rates of 50 percent of the median income, and the remaining units are priced at market rates.

In July of 2013, the City approved an application for a TIF Housing District to support the public infrastructure required to develop a new 73-unit senior housing/assisted living facility. This project, an estimated cost of \$10.8 million, is

being developed by Majestic Pines Grand, LLC, on a 13-acre site near the hospital and was completed in September of 2014.

The GREDA, with City and Itasca County tax abatement assistance, and grant assistance from the Iron Range Resources and Rehabilitation Board (IRRRB), facilitated the sale of a downtown block comprised of a vacant church, rectory, and parochial school. The proposed project, being developed by Innovative Partners, LLC, involves the removal of all abandoned structures and the development of two four-story, 18-unit, market rate apartment structures, at an estimated construction cost of \$5.5 million. This project was completed in January of 2015 and is fully occupied.

In June of 2013, GREDA attracted the relocation and expansion of Hammerlund Construction to the 12-acre tract adjacent to the DC Manufacturing facility. Hammerlund Construction, a growing local employer with an annual payroll of approximately \$15 million, is constructing a new headquarters, equipment yard and equipment service building. The \$2.7M project is partially funded by a \$350,000 grant from the IRRRB to the City.

In 2011 Magnetation, Inc., relocated their corporate headquarters to Grand Rapids. Magnetation, Inc. a rapidly expanding company, which has recently formed a partnership with AK Steel, was incorporated in December 2006 and is a business that is based on a unique and proprietary mineral processing circuit the Magnetation Process™ (patented) & Rev3™ Separator (patent-pending) invented and developed by Magnetation principles. The Magnetation Process™ is designed to produce iron ore concentrate by recovering weakly magnetic iron oxide particles from low-grade natural ore tailings basins, already-mined iron formation stockpiles and newly mined iron formation. Negatively impacted by a downturn in the U.S. iron mining industry caused by record low iron ore prices, Magnetation entered into Chapter 11 bankruptcy proceedings in 2015. The company expects to successfully emerge from those proceedings in mid-2016. While Magnetation was forced to close down some operations, their fourth Plant, opened in 2014 less than one mile from the City remains in production employing 350 workers.

Long-term financial planning

The City has a Five Year Capital Improvement Plan for infrastructure and equipment and a Pavement Management Plan for streets. The City analyzes each capital project to determine if sufficient funding is in place and how the project will affect the levy. Excess General Fund balances are annually allocated to capital equipment and building replacements. Projects that have additional outside funding are given a higher priority. This policy has allowed the City to meet future infrastructure and capital equipment needs without a significant increase in the levy.

In 2010, the City annexed the final area in a ten-year Orderly Annexation process of Grand Rapids Township. Each area annexed is phased into the City's tax rate over a period of five years. While the City will have an increased tax base, it also has increased costs for public safety, public works, and infrastructure replacement. It is the Council's goal to see that increases to the levy are minimized while level of service is maintained.

Realizing the volatility of Local Government Aid (LGA) and the loss of the Market Value Homestead Credit, the City Council is developing funding mechanisms that will assist in minimizing the uncontrolled fluctuations in outside funding along with creating efficiencies in the work force. The City is focusing on reducing the growth of expenditures by making permanent adjustments to the base. The City, (GRPUC), and other cities and townships are working to share services to reduce costs for both the City, GRPUC, and the partnering cities and townships. The City of Grand Rapids recently entered into an agreement with the City of LaPrairie to provide Financial Services that will also provide additional resources for the City. The City has received a grant for a facilitator to identify and implement collaboration opportunities among local municipalities and townships. The purpose is to find ways to improve efficiency and lower taxes without losing the identity of individual communities.

Relevant Financial Policies

In 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement 54 and adopted a new Fund Balance Policy. The City Council passed a resolution committing funds for revenue stabilization that allows the City to use unreserved fund balance to offset revenue decreases during an economic recession. In 2015, the City implemented Governmental Standards Board (GASB) Statement 68, Financial Reporting for Pension Plans.

Major initiatives

In 2015, the City and GREDA worked with MN Energy Resources to extend natural gas to three former township areas that are now in the City. As a result of this effort, 159 existing residents in these areas can recognize substantial savings in their heating bills of up to \$600/year. To date about 51 residents have taken advantage of this program.

The City has also been collaborating with Itasca County, Minnesota Power, and other LGU's and companies to develop a railroad expansion plan that will eliminate "captive" rail shipping by the BNSF.

Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Rapids for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014. This was the twenty-third consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. The Mayor and City Council are to be commended for their diligence and resolve in keeping the City in sound and stable financial condition. The City Council's commitment to continually plan for the City's future and dedication to maintain high financial standards has helped the City maintain its strong financial condition.

Respectfully submitted,

Tom Pagel
City Administrator

Barbara A. Baird
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Grand Rapids
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

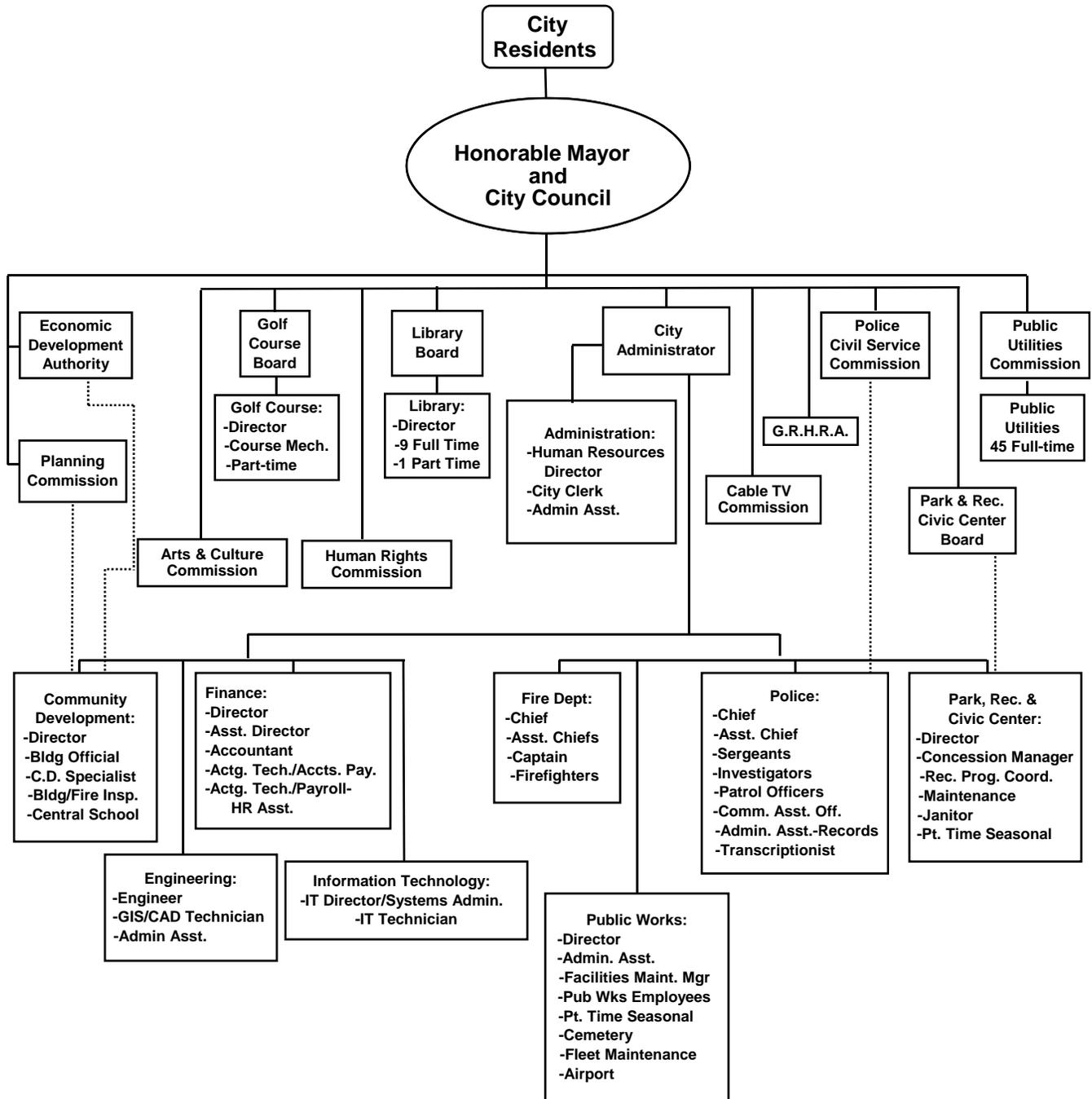
- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
PRINCIPAL CITY OFFICIALS AND DEPARTMENT HEADS
 December 31, 2015

	<u>Term Expires</u>
Mayor: Dale Adams	December 31, 2016
Council Members:	
Dale Christy	December 31, 2016
Ed Zabinski	December 31, 2016
Richard Blake	December 31, 2016
Bill Zeige	December 31, 2018
City Administrator..... Tom Pagel	
Finance Director - Treasurer..... Barbara Baird	
Fire Chief..... Mike Liebel	
Public Works Director..... Jeff Davies	
Library Director..... Marcia Anderson	
Community Development Director..... Rob Mattei	
Human Resources..... Lynn DeGrio	
City Clerk..... Kim Johnson-Gibeau	
City Engineer..... Julie Kennedy	
Interim Police Chief..... Scott Johnson	
Information Technology..... Erik Scott	
Director of Golf Operations..... Robert Cahill	
Director of Parks and Recreation..... Dale Anderson	

- This page intentionally left blank -

City of Grand Rapids Organization Chart



- This page intentionally left blank -

II. FINANCIAL SECTION

- This page intentionally left blank -



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Grand Rapids, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Economic Development Authority (a discretely presented component unit), each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit), which represent 55 percent, 45 percent, and 62 percent, respectively, of the assets, net position, and revenues of the primary government and its discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Public Utilities Commission were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 26 to the financial statements, the City of Grand Rapids, Minnesota adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Grand Rapids, Minnesota's 2014 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in our report dated June 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of funding progress, the schedules of proportionate share of net pension liability and the schedules pension contributions, 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 Grand Rapids, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section and other information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2016, on our consideration of the City of Grand Rapids, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 of Grand Rapids, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 15, 2016

- This page intentionally left blank -

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Grand Rapids (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 6 of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$51,950,846 (net position). Of this amount, \$5,421,982 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

Net position of the government-wide financial statements was negatively impacted in the current year by \$3,307,143 due to the required implementation of a new accounting standard. This is more fully described on page 23.

The City's total net position decreased by \$263,946. The governmental activities of the City decreased by \$280,965. The City has levied less than the debt service payment for General Obligation Improvement Refunding Bonds 2009B and used fund balance of \$32,000. This bond will mature in 2016 and has sufficient fund balance for final debt payment. The Permanent Improvement Fund used \$3,500 of fund balance for various projects within the City.

The business-type activities increased by \$17,019 due to an operating gain of approximately \$120,466 in the Storm Water Utility Fund.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,579,739. Of this amount, \$7,029,961 is restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions.

At the end of the current fiscal year the general fund balance was \$6,000,875. Of that amount, \$306,783 was in a nonspendable form, \$17,185 was restricted, \$422,995 was committed and \$5,253,912 was unassigned.

The City's total debt decreased from \$27,428,966 to \$24,918,536 (excluding compensated absences). No bonds were issued in 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 themselves.

Management's Discussion and Analysis

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City'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. Thus, 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include a golf course and a storm water utility.

The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate entities (Public Utilities Commission and Economic Development Authority) for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Public Utilities Commission issues separate financial statements. The Economic Development Authority does not.

The government-wide financial statements can be found on pages 33 through 35 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, 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, governmental fund 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 financial requirements.

Management's Discussion and Analysis

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 City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For 2015, the City maintained three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the following major funds:

- General fund
- General Obligation CIP Refunding Bonds of 2006B – Debt service fund
- Improvement Refunding Bonds of 2013A – Debt service fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of subcombining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds.

A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 36 and 37 of this report.

Proprietary funds. The City maintains two enterprise funds as a part of its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its golf course and storm water utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Internal service funds are used to report activities that provide services for the City's other departments, such as pension benefits. The internal service fund is reported with governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on page 39 through 41 of this report.

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

Management's Discussion and Analysis

The fiduciary fund financial statements provide separate information for the following agency funds:

- Lodging Tax
- Cable TV Commission

The basic fiduciary fund financial statement can be found on page 42 of this report.

Notes to the financial statements. The notes 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 on pages 43 through 92 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, agency funds, and the Economic Development Authority (EDA) component unit is presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 111 through 155 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$51,950,846 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$36,725,553 or 70.7%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GRAND RAPIDS' NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$21,584,016	\$20,981,461	\$705,346	\$469,756	\$22,289,362	\$21,451,217
Capital assets	58,033,084	60,615,430	2,841,005	2,894,190	60,874,089	63,509,620
Total assets	<u>79,617,100</u>	<u>81,596,891</u>	<u>3,546,351</u>	<u>3,363,946</u>	<u>83,163,451</u>	<u>84,960,837</u>
Total deferred outflows of resources	890,346	-	-	-	890,346	-
Long-term liabilities outstanding	29,717,431	28,073,006	-	10,677	29,717,431	28,083,683
Other liabilities	1,614,094	1,551,950	210,673	34,610	1,824,767	1,586,560
Total liabilities	<u>31,331,525</u>	<u>29,624,956</u>	<u>210,673</u>	<u>45,287</u>	<u>31,542,198</u>	<u>29,670,243</u>
Total deferred inflows of resources	560,753	-	-	-	560,753	-
Net position:						
Net investment in capital assets	33,884,548	33,830,578	2,841,005	2,894,190	36,725,553	36,724,768
Restricted	9,803,311	10,281,228	-	-	9,803,311	10,281,228
Unrestricted	4,927,309	7,860,129	494,673	424,469	5,421,982	8,284,598
Total net position	<u>\$48,615,168</u>	<u>\$51,971,935</u>	<u>\$3,335,678</u>	<u>\$3,318,659</u>	<u>\$51,950,846</u>	<u>\$55,290,594</u>

Management's Discussion and Analysis

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,421,982) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. Essentially, the standard required the unfunded portion of defined benefit pension plans to be reported by all participating employers. Recording the net pension liability and the pension related deferred outflows and inflows of resources do not change the City's future funding requirements or obligations under the plans, which are determined by Minnesota statutes.

Net position was negatively impacted by \$3,307,143 at December 31, 2015 due to the implementation of this standard. Pension-related amounts included in the above schedule related to the standard are as follows:

Deferred outflows of resources	\$890,346
Noncurrent assets	772,890
Deferred inflows of resources	(560,753)
Noncurrent liabilities	<u>(4,409,626)</u>
Total	<u><u>(\$3,307,143)</u></u>

Governmental Activities

Governmental activities decreased the City's net position by \$280,965 in 2015. Key elements of this decrease are as follows:

- Charges for services decreased by \$49,549. Public Works decreased by \$101,172 due to the fact that the City did not have a capital project from which the City collects engineering and administrative fees from the capital project funds. Public Safety increased by \$34,364 due to a full year of the security contract with Grand Itasca Hospital. Culture and Recreation increased by \$15,849 due to a \$11,000 increase in tournament fees at the Civic Center and minimal increase in fees at the Library.
- Operating grants and contributions decreased by \$364,901. Public Works decreased by \$317,158 due to payouts of Taconite Production Tax proceeds as the two projects; Myles Reif Performing Arts Center project and the Itasca County Family YMCA project have been completed. Public Safety decreased by \$27,660 due to a decrease in the Towards Zero Death Grant proceeds.
- Capital grants and contributions decreased by \$951,237. General government increased \$20,300 due to land that was donated to the City from Grand Rapids State Bank. Public works decreased by \$983,965. In 2014, the City received federal and state one-time grants

Management's Discussion and Analysis

for specific infrastructure projects. In 2015, the City received minimal grants due to the fact that the City did not have any Capital Infrastructure Projects.

- Taxes increased by \$618,150. The City had an increase in the certified levy of approximately 15% over the previous year's certified levy. The City received \$41,500 in delinquent taxes and tax forfeit sales that was not budgeted. Also, \$87,500 was received in additional fiscal disparities distribution.
- General Government expenses decreased by \$708,641. In 2014 the City acted as the fiscal agent for the Itasca County Family YMCA infrastructure project with costs of \$761,300. Also the City had building condemnation fees of approximately \$45,000 in 2014, none in 2015.
- Public Safety expenses increased by \$291,353. Implementing GASB No. 68, Accounting and Financial Reporting for Pension-an Amendment of GASB Statement No. 27 resulted in additional costs of \$174,079 for public safety pensions. The police department spent an additional \$33,435 for seminars, schools and staff training. Also the police department spent \$65,635 to participate in a new records management system and had additional personnel costs for the Grand Itasca Hospital Security agreement of approximately \$57,000.
- Public works expenses decreased by \$177,353. A milder winter helped decrease vehicle maintenance repairs, building maintenance repairs, along with a decrease in the cost of motor fuels. The City did not have a capital project in 2015.
- Culture and Recreation expenses decreased by \$26,076 due to a milder winter. Heating costs decreased by approximately \$14,000. Building maintenance and repairs also decreased by approximately \$15,500.
- Interest and fees on long-term debt decreased by \$94,307 due to the City not issuing bonds for a capital infrastructure project and also due to not having bond issuance costs of approximately \$70,000 and accrued interest.

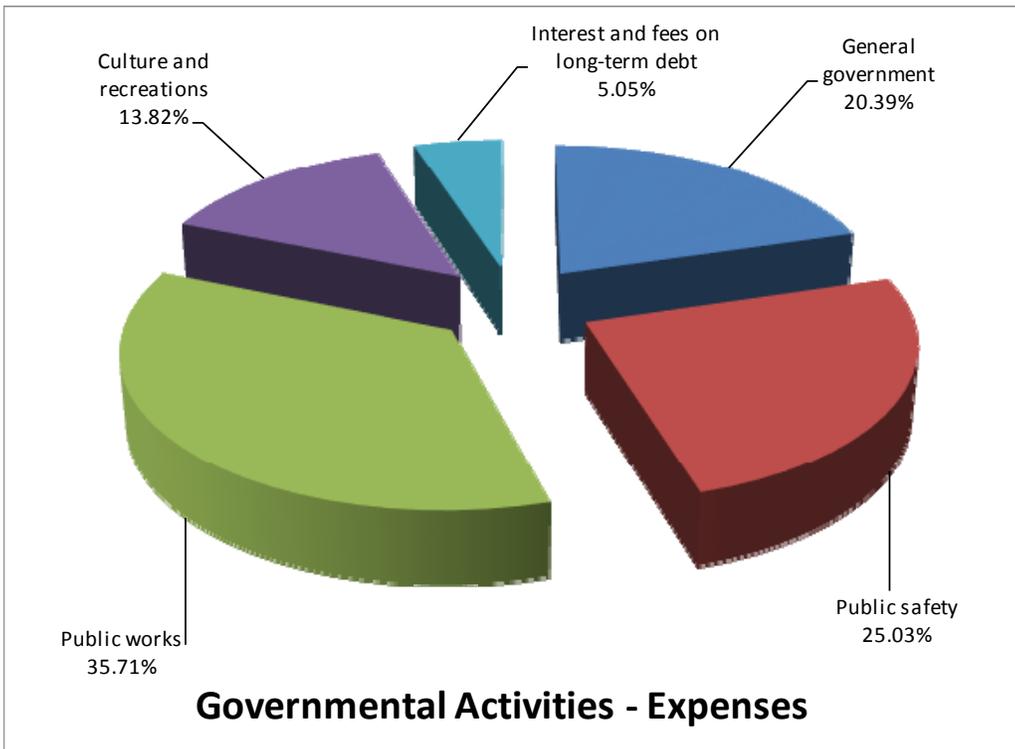
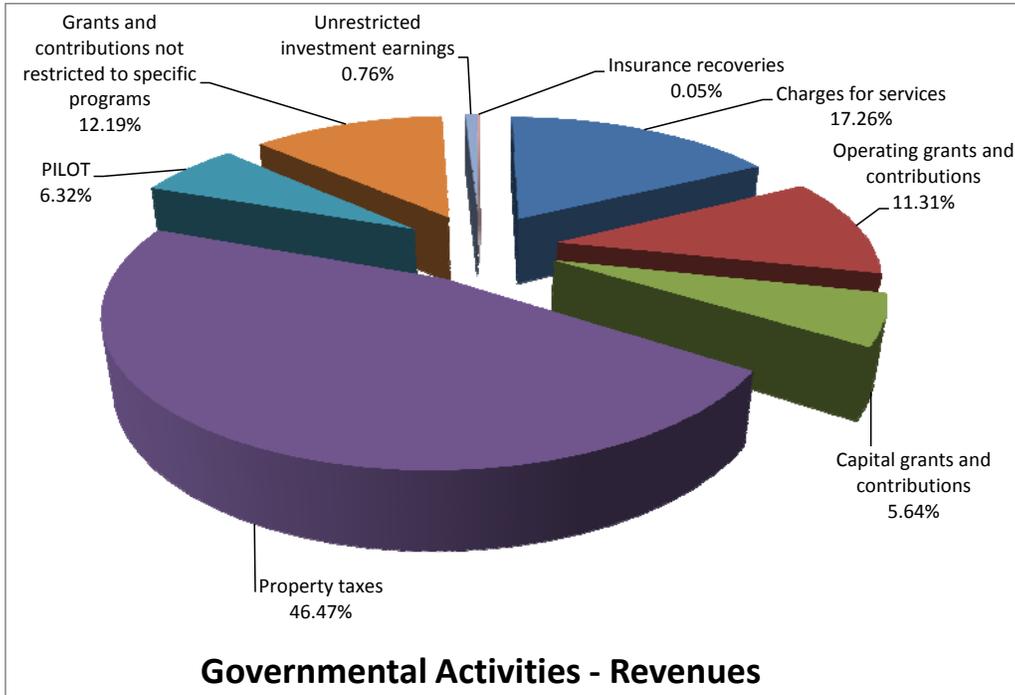
Management's Discussion and Analysis

City of Grand Rapids' Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$2,467,281	\$2,516,830	\$1,149,858	\$1,108,662	\$3,617,139	\$3,625,492
Operating grants and contributions	1,615,576	1,980,477	-	-	1,615,576	1,980,477
Capital grants and contributions	806,243	1,757,480	-	46,388	806,243	1,803,868
General revenues:						
Taxes	6,640,739	6,022,589	-	-	6,640,739	6,022,589
Payments in lieu of taxes (PILOT)	902,766	903,494	-	-	902,766	903,494
Grants and contributions not restricted to specific programs	1,742,132	1,740,285	-	-	1,742,132	1,740,285
Unrestricted investment earnings	109,041	122,519	6,349	6,919	115,390	129,438
Gain on sale of capital assets	-	6,900	331	4,000	331	10,900
Insurance recoveries	7,450	20,924	-	-	7,450	20,924
Miscellaneous	-	-	2,652	-	2,652	-
Total revenues	<u>14,291,228</u>	<u>15,071,498</u>	<u>1,159,190</u>	<u>1,165,969</u>	<u>15,450,418</u>	<u>16,237,467</u>
Expenses:						
General government	2,993,026	3,701,667	-	-	2,993,026	3,701,667
Public safety	3,674,182	3,382,829	-	-	3,674,182	3,382,829
Public works	5,239,892	5,417,245	-	-	5,239,892	5,417,245
Culture and recreation	2,028,067	2,054,143	-	-	2,028,067	2,054,143
Interest and fees on long-term debt	740,526	834,833	1,549	-	742,075	834,833
Golf course	-	-	596,565	554,859	596,565	554,859
Storm water utility	-	-	440,557	425,389	440,557	425,389
Total expenses	<u>14,675,693</u>	<u>15,390,717</u>	<u>1,038,671</u>	<u>980,248</u>	<u>15,714,364</u>	<u>16,370,965</u>
Change in net position before transfers	(384,465)	(319,219)	120,519	185,721	(263,946)	(133,498)
Transfers - primary government	<u>103,500</u>	<u>3,500</u>	<u>(103,500)</u>	<u>(3,500)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(280,965)</u>	<u>(315,719)</u>	<u>17,019</u>	<u>182,221</u>	<u>(263,946)</u>	<u>(133,498)</u>
Net position - January 1, as previously reported	51,971,935	52,287,654	3,318,659	3,136,438	55,290,594	55,424,092
Prior period adjustment	<u>(3,075,802)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,075,802)</u>	<u>-</u>
Net position - January 1, as restated	<u>48,896,133</u>	<u>52,287,654</u>	<u>3,318,659</u>	<u>3,136,438</u>	<u>52,214,792</u>	<u>55,424,092</u>
Net position - December 31	<u>\$48,615,168</u>	<u>\$51,971,935</u>	<u>\$3,335,678</u>	<u>\$3,318,659</u>	<u>\$51,950,846</u>	<u>\$55,290,594</u>

Management's Discussion and Analysis

Below are specific graphs that provide comparisons of the governmental activities revenues and expenditures:



Management's Discussion and Analysis

Business-Type Activities

Business-type activities increased the City's net position by \$17,019 in 2015. The City has two business-type activities – Pokegama Golf Course and a Storm Water Utility Fund. The net position of the Pokegama Golf Course decreased \$9,758 (which includes a decrease of \$3,006 for the Pokegama Golf Course's portion of the decrease in net position of the internal service fund) in 2015 compared to a \$50,107 increase in 2014. This is because of the minimum wage increase paid to part time employees at the Pokegama Golf Course.

The Storm Water Utility Fund is used to pay for storm water maintenance and infrastructure construction. The net position of the Storm Water Utility Fund increased \$26,777 (which includes a decrease of \$3,298 for the Storm Water Utility Fund's portion of the decrease in net position of the internal service fund) in 2015 compared to a \$132,114 increase in 2014. This fund was established in 2004 with storm water utility charges implemented on January 1, 2005. Any funds that are not used for storm water utility maintenance by the Public Works Department are used to reduce storm water infrastructure improvement project costs.

Financial Analysis of the Government's Funds

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,579,739. Approximately 2% of this total amount (\$333,442) constitutes nonspendable fund balance and approximately 45% (\$7,029,961) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$1,069,938) and assigned (\$2,076,696) by City Council, as well as unassigned fund balance (\$5,069,702). Additional information about the City's fund balance classifications can be found in Note 16.

The general fund balance increased by \$350,393 in 2015, compared to a \$153,805 increase in 2014. Prior to other financing sources and uses and special items, the General Fund balance increased \$768,832 in 2015 compared to a \$529,340 increase in 2014. Key elements of this increase are as follows:

- The City's tax levy for the General Fund increased \$344,986 for 2015. Property taxes increased primarily due to a 15% increase in the General Fund levy.
- Intergovernmental revenue was \$39,392 over budget due largely to \$31,300 from the State of Minnesota for Police and Fire Insurance Premium.
- The Public Safety expenditures were under budget by \$68,375 due largely to Grand Itasca Security costs coming in approximately \$63,000 under budget. Personnel cost for the Fire Department were under budget as well.

Management's Discussion and Analysis

The Improvement Refunding Bonds of 2013A had a fund balance decrease of \$19,189 due to the debt service payments being higher than the debt levy. The 2006B Refunding Bonds had a slight fund balance increase due to investment income exceeding debt service payments.

The nonmajor special revenue funds increased by \$5,026 for 2015.

- The Airport Operations had a fund balance increase of \$40,446 due to expenses coming in lower than budgeted by approximately \$27,500. Revenues came in \$12,000 over budget due largely to an amended maintenance and operations contract.
- The Civic Center had \$73,378 in expenditures over revenue in 2015 but other financing sources of \$50,657.
- The Recreation Programs had \$12,540 in expenditures over revenue in 2015 due to a summer program that personnel expenses exceeded revenues.

The nonmajor debt service funds increased by \$468,598. This is due to the increase in the debt levy for 2014A General Obligation Improvement Bonds and the 2006C General Obligation Improvement Bonds received approximately \$190,000 in prepayments and delinquent special assessments.

The nonmajor capital project funds increased by \$153,501. The Capital Equipment Fund had an increase in fund balance of \$179,463 due to the inter-fund loan having only one year left for repayment.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Golf Course had operating income of \$588,835. While the operating expenses increased by \$40,559 the operating revenues increased by \$33,247 in part due to an increase in sales of season passes and greens fees.

The Storm Water Utility had operating income of \$561,023. Operating revenues increased by \$7,949. Operating expenses increased by \$11,870 due to a \$14,000 unbudgeted expense for the geographic information system.

Budgetary Highlights

General Fund. The General Fund had an increase in fund balance of \$350,393. The General Fund revenue was over budget by \$240,698. The City also received approximately \$9,593 in state and federal funds for grants not budgeted, and approximately \$29,799 more in Police and Fire Insurance Premium not budgeted. The City also had a budgeted full-time position that was not filled in 2015.

Total expenditures were under budget by \$15,271 due to the Public Works being under budget by \$32,844 due to the reduction in cost and usage of motor fuels. The Public Safety Department was under budget by \$56,329 due to the personnel expense coming in lower for the contracted for security services with Grand Itasca. Special Projects are over by \$156,915 due to the City paying a \$103,000 final payment for the capital contribution made to the Itasca County Family YMCA. General government was under budget by \$82,426 primarily due to an unfilled full-time position in Building Maintenance.

Management's Discussion and Analysis

This increase in the fund balance puts the City above its targeted unassigned fund balance for the General Fund and contributes to the amount the City has committed to revenue stabilization pay back.

Capital Asset and Debt Administration

Capital assets. The City's gross investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$60,874,089 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment.

City of Grand Rapids' Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land and land improvements	\$6,006,414	\$5,986,115	\$906,387	\$906,387	\$6,912,801	\$6,892,502
Building and improvements	10,822,749	11,011,699	1,586,517	1,641,190	12,409,266	12,652,889
Vehicles, equipment and furniture	3,826,485	4,288,355	281,759	346,613	4,108,244	4,634,968
Infrastructure	36,561,374	36,352,740	-	-	36,561,374	36,352,740
Construction in progress	816,062	2,976,521	66,342	-	882,404	2,976,521
Total	<u>\$58,033,084</u>	<u>\$60,615,430</u>	<u>\$2,841,005</u>	<u>\$2,894,190</u>	<u>\$60,874,089</u>	<u>\$63,509,620</u>

Additional information on the City's capital assets can be found in Note 6.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$24,918,536 (excluding compensated absences), a decrease of \$2,510,430 from 2014. Of the total outstanding amount:

- \$18,175,000 is general obligation improvement debt that is supported in part by special assessments,
- \$770,000 is general obligation tax increment debt which financed the City's economic development program,
- \$5,705,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$268,536 of capital lease and loans payable in addition to unamortized bond premiums.

Management's Discussion and Analysis

City of Grand Rapids' Outstanding Debt

G.O. Improvement Bonds, G.O. Tax Increment Bonds, other G.O. Bonds, capital leases, loans and bond premium:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation improvement bonds	\$18,175,000	\$19,950,000	\$ -	\$ -	\$18,175,000	\$19,950,000
General obligation tax increment bonds	770,000	790,000	-	-	770,000	790,000
Other general obligation bonds	5,705,000	6,375,000	-	-	5,705,000	6,375,000
Capital leases, loans, bond premium	268,536	313,966	-	-	268,536	313,966
Total	<u>\$24,918,536</u>	<u>\$27,428,966</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24,918,536</u>	<u>\$27,428,966</u>

No bonds were issued in 2015.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City is \$22,887,494. Of the City's outstanding debt, \$4,491,658 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 7.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 420 North Pokegama Avenue, Grand Rapids, Minnesota 55744-2662.

BASIC FINANCIAL STATEMENTS

- This page intentionally left blank -

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Economic	Public
	Activities	Activities	2015	Development Authority	Utilities Commission
Assets:					
Cash and investments	\$15,369,381	\$649,021	\$16,018,402	\$559,155	\$6,147,119
Accrued interest receivable	19,900	-	19,900	-	11,068
Due from other governmental units	714,956	-	714,956	48,289	-
Due from primary government	-	-	-	-	76,447
Due from component units	313,735	46,394	360,129	-	-
Accounts receivable - net	159,662	8,131	167,793	211,941	3,148,971
Internal balances	147,064	(147,064)	-	-	-
Prepaid items	151,840	1,800	153,640	-	219,825
Property taxes receivable	113,138	-	113,138	-	-
Special assessments receivable	3,821,450	-	3,821,450	-	-
Inventories - at cost	-	-	-	-	753,961
Land held for resale	-	-	-	1,809,561	-
Notes receivable	-	-	-	198,168	-
Restricted cash and investments	-	-	-	-	1,471,685
Restricted accounts receivable	-	-	-	-	23,778,570
Financial assurance landfill closure	-	-	-	-	3,370,759
Net pension asset	772,890	-	772,890	-	-
Capital assets - nondepreciable	6,822,476	972,729	7,795,205	-	2,296,718
Capital assets - net of accumulated depreciation	51,210,608	1,868,276	53,078,884	-	62,723,918
Regulatory assets	-	-	-	-	344,120
Non-utility property - net of amortization	-	-	-	-	1,485,753
Total assets	79,617,100	3,399,287	83,016,387	2,827,114	105,828,914
Deferred outflows of resources:					
Service territory acquisition	-	-	-	-	123,260
Related to pensions	890,346	-	890,346	-	285,953
Total deferred outflows of resources	890,346	0	890,346	0	409,213
Liabilities:					
Accounts payable	216,396	9,879	226,275	1,446	1,408,828
Accrued wages payable	187,521	6,131	193,652	-	91,195
Due to other governmental units	45,415	2,695	48,110	116,444	68,419
Due to component units	59,388	13,274	72,662	-	-
Contracts payable	-	-	-	10,989	-
Deposits payable	10,350	9,000	19,350	-	239,067
Due to primary government	-	-	-	-	295,802
Accrued interest payable	296,567	704	297,271	-	283,280
Unearned revenue	521,473	10,118	531,591	-	93,458
Other post employment benefits	276,981	7,324	284,305	-	-
Net pension liability:					
Due in more than one year	4,409,626	-	4,409,626	-	2,093,738
Landfill closure costs:					
Due in more than one year	-	-	-	-	3,370,759
Noncurrent liabilities:					
Due within one year	2,645,175	510	2,645,685	17,500	2,527,224
Due in more than one year	22,662,633	3,974	22,666,607	432,500	25,802,713
Total liabilities	31,331,525	63,609	31,395,134	578,879	36,274,483
Deferred inflows of resources:					
Demand payment deferral	-	-	-	-	23,544,966
Related to pensions	560,753	-	560,753	-	302,855
Purchased power	-	-	-	-	1,093,058
Other deferred credits	-	-	-	-	60,092
Total deferred inflows of resources	560,753	0	560,753	0	25,000,971
Net position:					
Net investment in capital assets	33,884,548	2,841,005	36,725,553	-	38,282,403
Restricted for:					
Debt service	9,201,658	-	9,201,658	-	-
Itasca County's equity interest in Airport	85,379	-	85,379	-	-
Other purposes	516,274	-	516,274	-	958,832
Unrestricted	4,927,309	494,673	5,421,982	2,248,235	5,721,438
Total net position	\$48,615,168	\$3,335,678	\$51,950,846	\$2,248,235	\$44,962,673

The accompanying notes are an integral part of these financial statements.

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$2,993,026	\$565,218	\$8,958
Public safety	3,674,182	561,365	567,952
Public works	5,239,892	323,177	826,284
Culture and recreation	2,028,067	1,017,521	52,748
Interest and fees on long-term debt	740,526	-	159,634
Total governmental activities	<u>14,675,693</u>	<u>2,467,281</u>	<u>1,615,576</u>
Business-type activities:			
Golf course	598,114	589,499	-
Storm water utility	440,557	563,011	-
Total business-type activities	<u>1,038,671</u>	<u>1,152,510</u>	<u>0</u>
Total primary government	<u>\$15,714,364</u>	<u>\$3,619,791</u>	<u>\$1,615,576</u>
Component units:			
Economic Development Authority	\$418,865	\$82,261	\$283,221
Public Utilities Commission	<u>25,148,259</u>	<u>22,926,596</u>	<u>-</u>
Total component units	<u>\$25,567,124</u>	<u>\$23,008,857</u>	<u>\$283,221</u>
General revenues:			
General property taxes			
Payments in lieu of taxes (PILOT)			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings			
Gain on sale of capital assets			
Insurance recoveries			
Transfers			
Total general revenues, special items 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			

The accompanying notes are an integral part of these financial statements.

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority	Public Utilities Commission
\$20,300	(\$2,398,550)	\$ -	(\$2,398,550)	\$ -	\$ -
12,428	(2,532,437)	-	(2,532,437)	-	-
773,515	(3,316,916)	-	(3,316,916)	-	-
-	(957,798)	-	(957,798)	-	-
-	(580,892)	-	(580,892)	-	-
<u>806,243</u>	<u>(9,786,593)</u>	<u>0</u>	<u>(9,786,593)</u>	<u>0</u>	<u>0</u>
-	-	(8,615)	(8,615)	-	-
-	-	122,454	122,454	-	-
<u>0</u>	<u>0</u>	<u>113,839</u>	<u>113,839</u>	<u>0</u>	<u>0</u>
<u>\$806,243</u>	<u>(9,786,593)</u>	<u>113,839</u>	<u>(9,672,754)</u>	<u>0</u>	<u>0</u>
\$ -				(53,383)	-
<u>2,830,591</u>				<u>-</u>	<u>608,928</u>
<u>\$2,830,591</u>				<u>(53,383)</u>	<u>608,928</u>
	6,640,739	-	6,640,739	56,067	-
	902,766	-	902,766	-	-
	1,742,132	-	1,742,132	-	-
	109,041	6,349	115,390	6,314	37,376
	-	331	331	-	-
	7,450	-	7,450	-	-
	103,500	(103,500)	-	-	-
	<u>9,505,628</u>	<u>(96,820)</u>	<u>9,408,808</u>	<u>62,381</u>	<u>37,376</u>
	<u>(280,965)</u>	<u>17,019</u>	<u>(263,946)</u>	<u>8,998</u>	<u>646,304</u>
	51,971,935	3,318,659	55,290,594	2,239,237	46,390,197
	(3,075,802)	-	(3,075,802)	-	(2,073,828)
	<u>48,896,133</u>	<u>3,318,659</u>	<u>52,214,792</u>	<u>2,239,237</u>	<u>44,316,369</u>
	<u>\$48,615,168</u>	<u>\$3,335,678</u>	<u>\$51,950,846</u>	<u>\$2,248,235</u>	<u>\$44,962,673</u>

The accompanying notes are an integral part of these financial statements.

	101 General Fund	352 GO CIP Refunding Bonds of 2006B	364 Improvement Refunding Bonds of 2013A	Other Governmental Funds	Total Governmental Funds	
					2015	2014
Assets						
Cash and investments	\$5,404,916	\$337,172	\$527,530	\$9,099,763	\$15,369,381	\$14,375,383
Accrued interest receivable	19,900	-	-	-	19,900	21,773
Due from other governmental units	319,920	-	-	368,684	688,604	988,084
Due from other funds	33,270	-	-	175,630	208,900	468,611
Due from component units	7,664	223,600	-	82,471	313,735	466,203
Accounts receivable	35,803	-	-	123,859	159,662	148,542
Interfund loan receivable	351,106	-	-	-	351,106	530,229
Prepaid items	125,181	-	-	26,659	151,840	119,568
Taxes receivable - delinquent	86,873	-	1,251	25,014	113,138	118,717
Special assessments receivable	98,245	-	812,567	2,960,638	3,871,450	4,592,584
Total assets	\$6,482,878	\$560,772	\$1,341,348	\$12,862,718	\$21,247,716	\$21,829,694
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$58,664	\$ -	\$ -	\$157,732	\$216,396	\$150,621
Accrued wages payable	147,662	-	-	39,859	187,521	167,000
Due to other governmental units	29,809	-	-	15,606	45,415	20,177
Due to component units	44,525	444	-	14,419	59,388	57,951
Contracts payable	-	-	-	-	-	145,887
Due to other funds	-	-	-	208,900	208,900	468,571
Deposits payable	1,591	-	-	8,759	10,350	22,458
Interfund loan payable	-	-	-	210,346	210,346	358,248
Unearned revenue	14,634	328,424	-	178,415	521,473	670,994
Total liabilities	296,885	328,868	0	834,036	1,459,789	2,061,907
Deferred inflows of resources:						
Unavailable revenue	185,118	223,600	813,818	2,985,652	4,208,188	5,147,100
Total deferred inflows of resources	185,118	223,600	813,818	2,985,652	4,208,188	5,147,100
Fund balances:						
Nonspendable	306,783	-	-	26,659	333,442	425,334
Restricted	17,185	8,304	527,530	6,476,942	7,029,961	6,622,132
Committed	422,995	-	-	646,943	1,069,938	968,020
Assigned	-	-	-	2,076,696	2,076,696	1,819,910
Unassigned	5,253,912	-	-	(184,210)	5,069,702	4,785,291
Total fund balances	6,000,875	8,304	527,530	9,043,030	15,579,739	14,620,687
Total liabilities, deferred inflows of resources, and fund balances	\$6,482,878	\$560,772	\$1,341,348	\$12,862,718	\$21,247,716	\$21,829,694
Fund balance reported above					\$15,579,739	\$14,620,687
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.					58,033,084	60,615,430
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailble revenue in the funds:						
Delinquent taxes					113,138	118,717
Assessments not yet due or delinquent					3,821,450	4,542,584
Due from component units					223,600	435,800
Due from other governmental units					26,352	28,585
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:						
Bonds payable and unamortized bond premium					(24,833,312)	(27,320,098)
Capital lease and loans payable					(85,224)	(108,868)
Accrued interest payable					(296,567)	(306,862)
Compensated absences payable					(389,272)	(391,855)
Termination benefits payable					-	(10,000)
Other post employment benefits					(276,981)	(252,185)
An internal service fund is used by management to charge the costs of pension benefits to individual funds.						
The assets and liabilities are included in the governmental activities on the Statement of Net Position.					(4,106,806)	-
Amounts pertaining to the Grand Rapids Fire Relief Association Pension Plan are not current financial resources, and, therefore, are not reported in the governmental funds:						
Net pension asset					772,890	-
Deferred outflows of resources					33,077	-
Net position of governmental activities					\$48,615,168	\$51,971,935

The accompanying notes are an integral part of these financial statements.

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Statement 4

	101 General Fund	352 GO CIP Refunding Bonds of 2006B	364 Improvement Refunding Bonds of 2013A	Other Governmental Funds	Totals Governmental Funds	
					2015	2014
Revenues:						
Taxes:						
General property	\$3,946,640	\$ -	\$58,424	\$2,383,186	\$6,388,250	\$5,850,428
Tax abatements	-	-	22,648	4,275	26,923	22,609
Tax increments	-	-	-	231,142	231,142	175,077
Payments in lieu of taxes (PILOT)	902,766	-	-	-	902,766	903,494
Licenses and permits	343,201	-	-	40	343,241	275,941
Intergovernmental	2,234,631	-	3,728	1,648,675	3,887,034	5,014,278
Special assessments	8,584	-	113,796	713,270	835,650	990,937
Charges for services	780,592	-	-	1,164,496	1,945,088	2,021,418
Fines and forfeits	92,775	-	-	58,136	150,911	172,374
Investment income	43,908	1,222	3,517	60,394	109,041	122,519
Contributions and donations	63,512	-	-	61,097	124,609	68,000
Other	19,891	226,300	-	8,150	254,341	373,708
Total revenues	8,436,500	227,522	202,113	6,332,861	15,198,996	15,990,783
Expenditures:						
Current:						
General government	1,759,172	49	102	558,679	2,318,002	3,085,035
Public safety	3,088,561	-	-	136,325	3,224,886	3,074,009
Public works	2,154,103	-	-	421,561	2,575,664	2,695,053
Culture and recreation	120,297	-	-	1,600,330	1,720,627	1,735,137
Miscellaneous	545,535	-	-	-	545,535	570,460
Capital outlay/construction	-	-	-	749,073	749,073	3,698,823
Debt service:						
Principal retirement	-	205,000	210,000	2,060,000	2,475,000	5,040,000
Interest	-	21,300	10,450	732,857	764,607	815,457
Paying agent fees	-	450	750	6,800	8,000	8,775
Bond issuance costs	-	-	-	-	-	70,491
Total expenditures	7,667,668	226,799	221,302	6,265,625	14,381,394	20,793,240
Revenues over (under) expenditures	768,832	723	(19,189)	67,236	817,602	(4,802,457)
Other financing sources (uses):						
Sale of capital assets	2,000	-	-	-	2,000	6,900
Bond issuance	-	-	-	-	-	3,000,000
Insurance recoveries	4,347	-	-	31,603	35,950	47,329
Transfers in	3,500	-	-	600,932	604,432	1,053,297
Transfers out	(428,286)	-	-	(72,646)	(500,932)	(1,049,797)
Total other financing sources (uses)	(418,439)	0	0	559,889	141,450	3,057,729
Net change in fund balance	350,393	723	(19,189)	627,125	959,052	(1,744,728)
Fund balance - January 1	5,650,482	7,581	546,719	8,415,905	14,620,687	16,365,415
Fund balance - December 31	\$6,000,875	\$8,304	\$527,530	\$9,043,030	\$15,579,739	\$14,620,687

The accompanying notes are an integral part of these financial statements.

CITY OF GRAND RAPIDS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

Statement 5

	<u>2015</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:	
Net changes in fund balances - total governmental funds (Statement 4)	\$959,052
Governmental funds report capital outlays 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:	
Depreciation	(3,257,776)
Capital outlay	749,073
Capital outlay not capitalized	(9,083)
Governmental funds do not record contributions of capital assets. However, in the statement of activities the fair value of those assets are reported as capital contributions.	32,728
In the statement of activities only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(97,289)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in delinquent taxes	(5,575)
Change in deferred and delinquent special assessments	(721,136)
Governmental funds report loan disbursements as expenditures and the related loan repayments as revenues. However, in the statement of activities these transactions have no effect on net assets. The amounts of the differences are:	
Receipts on loans receivable	(212,200)
The issuance of long-term debt (e.g., bonds, notes) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts of these differences are:	
Principal payments on bonds, capital leases and loans payable	2,488,644
Current year bond premium and amortization of bond premium	21,786
Change in due from other governmental units accrual related to a federal credit on BAB bonds	(2,234)
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. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:	
Change in compensated absences payable	2,583
Change in other post employment benefits and termination benefits payable	(14,796)
Change in accrued interest payable	10,295
Governmental funds report Fire Department pension contributions as expenditures, however pension expense is reported in the statement of activities. This is the amount by which pension expense exceeded pension contributions.	
Pension expense	(82,068)
An internal service fund is used by management to charge pension costs to individual funds. This amount is the portion of net revenue attributable to governmental activities.	<u>(142,969)</u>
Change in net position of governmental activities (Statement 2)	<u><u>(\$280,965)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2015

With Comparative Totals For Enterprise Funds For December 31, 2014

Statement 6

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama	655 Storm Water	Totals		Internal Service
	Golf Course	Utility	2015	2014	2015
Assets:					
Current assets:					
Cash and cash equivalents	\$238,051	\$410,970	\$649,021	\$579,345	\$ -
Due from component units	-	46,394	46,394	46,595	-
Accounts receivable	4,476	3,655	8,131	9,374	-
Pledges receivable - net	-	-	-	3,617	-
Prepaid items	1,800	-	1,800	2,846	-
Total current assets	<u>244,327</u>	<u>461,019</u>	<u>705,346</u>	<u>641,777</u>	<u>0</u>
Noncurrent assets:					
Capital assets:					
Construction in progress	-	66,342	66,342	-	-
Land and land improvements	871,481	34,906	906,387	906,387	-
Buildings and structures	2,290,486	-	2,290,486	2,280,501	-
Machinery, equipment and furniture	703,269	222,604	925,873	928,553	-
Total capital assets	<u>3,865,236</u>	<u>323,852</u>	<u>4,189,088</u>	<u>4,115,441</u>	<u>0</u>
Less: Allowance for depreciation	<u>(1,246,099)</u>	<u>(101,984)</u>	<u>(1,348,083)</u>	<u>(1,221,251)</u>	<u>-</u>
Net capital assets	<u>2,619,137</u>	<u>221,868</u>	<u>2,841,005</u>	<u>2,894,190</u>	<u>0</u>
Total noncurrent assets	<u>2,619,137</u>	<u>221,868</u>	<u>2,841,005</u>	<u>2,894,190</u>	<u>0</u>
Total assets	<u>2,863,464</u>	<u>682,887</u>	<u>3,546,351</u>	<u>3,535,967</u>	<u>0</u>
Deferred outflows of resources - pension related	-	-	-	-	857,269
Liabilities:					
Current liabilities:					
Accounts payable	1,215	8,664	9,879	2,853	-
Accrued wages payable	2,481	3,650	6,131	3,269	-
Due to other governmental units	2,116	579	2,695	954	-
Due to component units	1,058	12,216	13,274	7,673	-
Accrued interest payable	704	-	704	875	-
Deposits payable	-	9,000	9,000	13,000	-
Due to other funds	-	-	-	40	-
Interfund loan payable	140,760	-	140,760	171,981	-
Compensated absences payable - current	115	395	510	115	-
Unearned revenue	10,118	-	10,118	5,986	-
Total current liabilities	<u>158,567</u>	<u>34,504</u>	<u>193,071</u>	<u>206,746</u>	<u>0</u>
Noncurrent liabilities:					
Compensated absences payable	3,974	-	3,974	3,916	-
Other post employment benefits	7,324	-	7,324	6,646	-
Net pension liability	-	-	-	-	4,409,626
Total noncurrent liabilities	<u>11,298</u>	<u>0</u>	<u>11,298</u>	<u>10,562</u>	<u>4,409,626</u>
Total liabilities	<u>169,865</u>	<u>34,504</u>	<u>204,369</u>	<u>217,308</u>	<u>4,409,626</u>
Deferred inflows of resources - pension related	-	-	-	-	560,753
Net position:					
Investment in capital assets	2,619,137	221,868	2,841,005	2,894,190	-
Unrestricted	74,462	426,515	500,977	424,469	(4,113,110)
Total net position	<u>\$2,693,599</u>	<u>\$648,383</u>	<u>\$3,341,982</u>	<u>\$3,318,659</u>	<u>(\$4,113,110)</u>
Net position reported above			\$3,341,982		
Adjustment to report the cumulative internal balance for the net effect of activity between the internal service fund and the enterprise funds over time.			(6,304)		
Net position of business-type activities			<u>\$3,335,678</u>		

The accompanying notes are an integral part of these financial statements.

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

Statement 7

For The Year Ended December 31, 2015

With Comparative Totals For Enterprise Funds For The Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama	655 Storm Water	Totals		Internal Service
	Golf Course	Utility	2015	2014	2015
Operating revenues:					
Season passes	\$167,322	\$ -	\$167,322	\$153,560	\$ -
Green fees	245,421	-	245,421	227,746	-
Special play	8,074	-	8,074	7,376	-
Rentals and leases	168,018	-	168,018	166,906	-
Charges for service	-	561,023	561,023	553,074	453,508
Total operating revenues	<u>588,835</u>	<u>561,023</u>	<u>1,149,858</u>	<u>1,108,662</u>	<u>453,508</u>
Operating expenses:					
Personnel services	248,516	218,655	467,171	430,549	616,281
Materials and supplies	67,544	33,131	100,675	102,141	-
Other services and charges	176,732	156,728	333,460	316,993	-
Depreciation	100,767	28,745	129,512	128,706	-
Total operating expenses	<u>593,559</u>	<u>437,259</u>	<u>1,030,818</u>	<u>978,389</u>	<u>616,281</u>
Operating income (loss)	<u>(4,724)</u>	<u>123,764</u>	<u>119,040</u>	<u>130,273</u>	<u>(162,773)</u>
Nonoperating revenues (expenses):					
Intergovernmental revenue	-	-	-	-	13,500
Investment income	2,026	4,323	6,349	6,919	-
Interest expense	(1,549)	-	(1,549)	(1,859)	-
Miscellaneous revenue	664	1,988	2,652	-	-
Gain (loss) on sale of capital assets	331	-	331	4,000	-
Total nonoperating revenues (expenses)	<u>1,472</u>	<u>6,311</u>	<u>7,783</u>	<u>9,060</u>	<u>13,500</u>
Income before contributions and transfers	<u>(3,252)</u>	<u>130,075</u>	<u>126,823</u>	<u>139,333</u>	<u>(149,273)</u>
Capital contributions	-	-	-	46,388	-
Transfers out	(3,500)	(100,000)	(103,500)	(3,500)	-
Total transfers and contributions	<u>(3,500)</u>	<u>(100,000)</u>	<u>(103,500)</u>	<u>42,888</u>	<u>0</u>
Change in net position	<u>(6,752)</u>	<u>30,075</u>	<u>23,323</u>	<u>182,221</u>	<u>(149,273)</u>
Net position - January 1, as previously reported	2,700,351	618,308	3,318,659	3,136,438	-
Prior period adjustment	-	-	-	-	(3,963,837)
Net position, January 1, as restated	<u>2,700,351</u>	<u>618,308</u>	<u>3,318,659</u>	<u>3,136,438</u>	<u>(3,963,837)</u>
Net position - December 31	<u>\$2,693,599</u>	<u>\$648,383</u>	<u>\$3,341,982</u>	<u>\$3,318,659</u>	<u>(\$4,113,110)</u>
Amount reported for business-type activities reported above.			\$3,341,982		
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.			(6,304)		
Net position of business-type activities (Statement 2)			<u>\$3,335,678</u>		

The accompanying notes are an integral part of these financial statements.

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2015

With Comparative Totals For The Year Ended December 31, 2014

Statement 8

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama	655 Storm	Totals		Internal Service
	Golf Course	Water Utility	2015	2014	2015
Cash flows from operating activities:					
Receipts from customers and users	\$597,818	\$563,885	\$1,161,703	\$1,086,234	\$ -
Receipts from interfund charges for pension benefits	-	-	-	-	453,508
Intergovernmental revenue	-	-	-	-	13,500
Payment to suppliers	(241,634)	(181,127)	(422,761)	(445,562)	-
Payments to other funds for services provided	-	-	-	-	(467,008)
Payment to employees	(247,491)	(215,687)	(463,178)	(434,384)	-
Net cash flows provided by operating activities	108,693	167,071	275,764	206,288	0
Cash flows from noncapital financing activities:					
Interfund borrowing cash payments	(31,221)	-	(31,221)	(30,912)	-
Interest on interfund borrowing	(1,720)	-	(1,720)	(2,029)	-
Transfers out	(3,500)	(100,000)	(103,500)	(3,500)	-
Net cash flows provided by (used in) noncapital financing activities	(36,441)	(100,000)	(136,441)	(36,441)	0
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(9,985)	(66,342)	(76,327)	(158,878)	-
Sale of capital assets	331	-	331	4,000	-
Capital contributions	-	-	-	46,388	-
Net cash flows (used in) capital and related financing activities	(9,654)	(66,342)	(75,996)	(108,490)	0
Cash flows from investing activities:					
Investment income	2,026	4,323	6,349	6,919	-
Net increase in cash and cash equivalents	64,624	5,052	69,676	68,276	0
Cash and cash equivalents - January 1	173,427	405,918	579,345	511,069	-
Cash and cash equivalents - December 31	\$238,051	\$410,970	\$649,021	\$579,345	\$0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(\$4,724)	\$123,764	\$119,040	\$130,273	(\$162,773)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	100,767	28,745	129,512	128,706	-
Miscellaneous revenue	664	1,988	2,652	-	-
Intergovernmental revenue	-	-	-	-	13,500
Changes in assets and liabilities:					
Decrease (increase) in receivables	4,187	874	5,061	12,518	-
Decrease (increase) in prepaid items	1,046	-	1,046	(774)	-
Decrease (increase) in deferred outflows of resources	-	-	-	-	(627,258)
Increase (decrease) in unearned revenue	4,132	-	4,132	(34,946)	-
Increase (decrease) in payables	2,621	11,700	14,321	(29,489)	215,778
Increase (decrease) in deferred inflows of resources	-	-	-	-	560,753
Total adjustments	113,417	43,307	156,724	76,015	162,773
Net cash provided by operating activities	\$108,693	\$167,071	\$275,764	\$206,288	\$0
Noncash capital and related financing activities:					
None					

The accompanying notes are an integral part of these financial statements.

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
 December 31, 2015
 With Comparative Totals For December 31, 2014

Statement 9

	Agency Funds	
	2015	2014
Assets:		
Cash and investments	<u>\$127,526</u>	<u>\$102,779</u>
Liabilities:		
Accounts payable	\$21,266	\$24,161
Due to third-party grantees	<u>106,260</u>	<u>78,618</u>
Total liabilities	<u>\$127,526</u>	<u>\$102,779</u>

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Rapids, Minnesota (the City) was incorporated in 1891 and operates under the State of Minnesota Statutory Plan A form of government. The governing body consists of a five member City council elected by voters of the City.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable.

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Discretely Presented Component Units. The component unit's columns in the combined financial statements include the financial data of the Economic Development Authority (EDA) and the Public Utilities Commission (PUC) of Grand Rapids. These component units are presented in separate columns to emphasize that they are legally separate from the City.

The EDA's governing board is appointed by the City Council. The primary government is able to impose its will because the City Council has the ability to approve or modify the EDA's budget and to veto or overrule other decisions of the EDA's governing body. The EDA is responsible for advancing the expansion of the local economy through efforts focused on business assistance, recruitment, retention and expansion funding for the various programs administered by the EDA is provided through imposed tax levies and state funding sources. The EDA does not issue separate financial statements.

The PUC's governing board is appointed by the City Council. The City guarantees the general obligation debt of the PUC. Separate financial statements for the PUC may be obtained by contacting the City of Grand Rapids, Minnesota.

RELATED ORGANIZATION

The Housing and Redevelopment Authority (HRA) of Grand Rapids, Minnesota is accountable to the City of Grand Rapids, Minnesota because the City Council appoints the voting majority of the HRA's Board. However, the HRA is not considered a component unit of the City and is accordingly excluded from these financial statements because the City does not have the ability to impose its will on the HRA, nor is there a specific financial benefit/burden relationship.

JOINT POWERS COOPERATIVE AGREEMENT

The Airport Advisory Board was established in 2011 for the purpose of making recommendations to the City relative to long-term airport maintenance, management and operations. The Board consists of three members appointed by the City and three members appointed by Itasca County. The Board acts solely in an advisory capacity to the City, has no formal powers, and cannot levy taxes, borrow money, approve any claims, or incur any debt or obligations for expenditures.

The agreement delegates to the City responsibility for all maintenance, management, and operations subject to certain limitations, and specifies the City will be the airport's fiscal agent. Real property, improvements, structures and equipment of the airport are owned 50% by the City and 50% by Itasca County.

Based on the terms of the agreement, the Airport Advisory Board does not possess corporate powers (i.e. does not have the right to buy, sell, lease and mortgage property in its own name). Therefore, the two funds of the airport are reported as funds of the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from discretely presented component units for which the primary government is financially accountable.

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

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

The *G.O. CIP Refunding Bonds of 2006B Fund* accounts for the accumulation of resources for, and payment of, principal, interest and related cash of the General Obligation Capital Improvement Plan Bonds of 2006B.

The *Improvement Refunding Bonds of 2013A Fund* accounts for the accumulation of resources for, and payment of, principal, interest and related cash of the Improvement Bonds of 2013A.

The City reports the following major proprietary funds:

The *Pokegama Golf Course Fund* accounts for the City's golf course operations.

The *Storm Water Utility Fund* accounts for the City's storm water utility operations. Storm water infrastructure is accounted for by the City's governmental activities.

Additionally, the City reports the following fund types:

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The City's Agency Funds account for the lodging tax and the Cable T.V. Commission. The funds are custodial in nature and do not involve measurement of results of operation.

Internal Service Fund - the pension benefit fund is used to provide pension benefits to other funds of the City on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the General and Special Revenue Funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following January 1. These budgets include proposed expenditures and the means of financing them.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution on a fund basis.
4. Interdepartmental or interfund appropriations and deletions are or may be authorized by the City Council with fund (contingency) reserves or additional revenues. Management can amend budgets within each department.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and certain Special Revenue Funds.
6. Legal debt obligation indentures determine the appropriation level and debt service tax levies for the Debt Service Funds. Supplementary budgets are adopted for the Proprietary Funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operation and capital maintenance and are not reflected in the financial statements.
7. A capital improvement program is reviewed annually by the City Council for the Capital Project Funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.
8. Expenditures may not legally exceed budgeted appropriations at the total department level without City Council authorization. Monitoring of budgets is maintained at the expenditure category level (i.e., personnel; material and supplies; other services and charges; capital outlay) within each activity.
9. The City Council may authorize transfer of budgeted amounts between City funds.

The following is a listing of Special Revenue Funds whose expenditures exceeded budgeted appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount Over Budget</u>
Nonmajor Funds			
Public Library	\$779,198	\$830,202	\$51,004
IRA civic center	686,845	773,676	86,831
Recreation programs	57,212	67,718	10,506
Haz-Mat	45,000	53,004	8,004
Cemetery	206,470	222,110	15,640
Domestic animal control facility	64,321	64,559	238

The expenditures exceeding budget were funded by available fund balance.

E. CASH AND INVESTMENTS

Cash and investment balances of the primary government and the EDA (a component unit) are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool. Cash and investments of the Public Utilities Commission component unit are maintained and invested separately.

Investments are stated at fair value, based upon quoted market prices, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

For purposes of the statement of cash flows of the Proprietary Fund type, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the pooled cash and investments allocated to the primary government's Proprietary Fund types are considered to be cash and cash equivalents.

The PUC component unit does not consider restricted cash and investments to be cash equivalents.

F. INVESTMENT INCOME

Investment income consists of interest and dividends received and the change in fair value of investments. The change in fair value consists of realized and unrealized gains and amortization of premiums and discounts.

G. PROPERTY TAX REVENUE RECOGNITION

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes, and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

H. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

I. INVENTORIES

GOVERNMENTAL FUNDS

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. These funds do not maintain material amounts of inventory.

J. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

K. LAND HELD FOR RESALE

Land held for resale is valued at the lower of cost or market. Due to the nature of redevelopment activities, cost is frequently higher than the market value. Market values are determined using appraised values or estimated actual sales price.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

L. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (i.e., roads, bridges, sidewalks, and similar items) and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial, individual cost meeting the following thresholds:

Assets	Governmental Funds	Proprietary Funds
Land and land improvements	\$10,000	\$5,000
Buildings and structures	\$25,000	\$5,000
Vehicles, equipment and furniture	\$5,000	\$2,500
Infrastructure	\$100,000	\$5,000

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2015, no interest was capitalized in connection with construction in progress.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	
Buildings and structures	20 - 40 years
Vehicles, equipment and furniture	5 - 30 years
Infrastructure	25 years
Public utilities	10 - 50 years

M. INTERFUND TRANSACTIONS AND BALANCES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered, and are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Short-term receivables and payables between funds are classified as “due from other funds” or “due to other funds” on the balance sheet. Such items, which are expected to be eliminated in 2015, represent temporary balances due to interfund billings or reclassifications of funds with internally reported negative cash balances.

Long-term interfund loans are classified as “interfund loan receivable” or “interfund loan payable” on the balance sheet. Interfund loan receivables are offset by nonspendable fund balance in the applicable governmental fund to indicate the related fund balance amount is not in a spendable form and is not available for appropriation.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Uncollectible amounts are not material for interfund receivables and have not been reported.

N. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused flexible time off (FTO) and extended medical benefit (EMB). All FTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. There is no liability for unpaid EMB since accumulated balances are not paid when employees separate from service with the City.

O. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are being amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

P. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are not in spendable form, such as prepaid items and interfund loans receivable.

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

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. The committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by resolution.

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed:

- In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed. The City Council retains the authority to assign fund balance, which is performed by resolution when a fund is established.
- In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Currently, no individual has been delegated this authority because no fund balance is assigned in the General Fund.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned, except for the revenue stabilization commitment which is to be used only in certain circumstances as described in Note 16C.

Q. TRANSACTIONS BETWEEN THE CITY AND ITS COMPONENT UNITS

The City conducts routine transactions with its component units for goods or services provided or received. The PUC reimburses the City for its share of construction costs incurred by the City.

Significant transactions between the City and its component units during 2015 are described in footnotes 3, 7, 20, and 21.

R. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

S. UTILITY REVENUE RECOGNITION

Billings are rendered and recorded monthly based on metered usage.

T. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

U. COMPARATIVE TOTALS

The basic fund financial statements and combining and individual fund financial statements and schedules include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

V. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported on the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. The government also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, special assessments, due from component units, land held for resale, and notes receivable.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any Federal agency.

At December 31, 2015 the carrying amount of the City's deposits with financial institutions was \$10,391,010.

Custodial credit risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2015, the bank balance of the City's deposits was \$10,616,808, all of which was either insured by the Federal Deposit Insurance Corporation (FDIC) or covered by perfected pledged collateral held in the City's name.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
FHLB notes	Aaa	\$149,102	\$ -	\$149,102	\$ -
Federal farm credit notes	Aaa	107,762	-	107,762	-
US treasury notes	Aaa	375,734	100,519	275,215	-
Brokered cd's	NR	5,102,000	1,557,000	3,300,000	245,000
FHLM notes	Aaa	103,524	-	103,524	-
Total		<u>\$5,838,122</u>	<u>\$1,657,519</u>	<u>\$3,935,603</u>	<u>\$245,000</u>
			Total investments		\$5,838,122
			Deposits		10,391,010
			Money market fund		471,261
			Petty cash		4,690
			Total cash and investments		<u>\$16,705,083</u>

Following is a reconciliation of the City's cash and investment balances as of December 31, 2015:

Cash and investments - primary government:	
Governmental and business-type (Statement 1)	\$16,018,402
Fiduciary (Statement 9)	127,526
Cash and investments - EDA (Statement 1)	<u>559,155</u>
	<u>\$16,705,083</u>

C. INVESTMENT RISKS

Custodial credit risk – investments – For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The City policy is to limit its exposure by holding investments in securities with approved security broker/dealers selected by creditworthiness (minimum capital requirement \$10,000,000 and at least five years of operation).

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The City's investment policy requires the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity. No more than 25% of the total investments should have maturities extending beyond five years and in no circumstances should any extend beyond ten years. The policy also states the City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating needs which may be reasonably anticipated.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. State law limits investments to commercial paper to those rated in the highest quality category by at least two nationally recognized rating agencies; in any security of the State of Minnesota or any of its municipalities which is rated “A” or better by a national bond rating service for general obligation and rated “AA” or better for a revenue obligation; a general obligation of the Minnesota Housing Finance Agency to those rated “A” or better by a national bond rating agency; mutual funds or money market funds whose investments are restricted to securities described in MS 118A.04. The City’s investment policy does not place further restrictions on investment options.

Concentration of credit risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. The City does not have exposure to a single issuer that equals or exceeds 5% of the overall portfolio and, therefore, there is no concentration of credit risk.

Investment balances at December 31, 2015 for the Public Utilities Commission are as follows:

Demand deposits and cash on hand	\$5,744,804
Certificates of deposits - negotiable	1,874,000
Total cash and investments	<u>7,618,804</u>
Less restricted amounts	(1,471,685)
Total cash and investments - unrestricted	<u><u>\$6,147,119</u></u>

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2015 are as follows:

	Primary Government					EDA
	Major Funds			Nonmajor Funds	Total	
	General	GO CIP Refunding Bonds of 2006B	Improvement Bonds of 2013A			
Special assessments receivable	\$92,915	\$ -	\$300,352	\$2,382,989	\$2,776,256	\$ -
Property taxes receivable	47,972	-	691	13,813	62,476	-
Interfund loan receivable	181,602	-	-	-	181,602	-
Notes receivable	-	-	-	-	-	181,618
Receivable from PUC	-	11,400	-	-	11,400	-
	<u>\$322,489</u>	<u>\$11,400</u>	<u>\$301,043</u>	<u>\$2,396,802</u>	<u>\$3,031,734</u>	<u>\$181,618</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

PLEDGES RECEIVABLE

The City developed the Pokegama Golf and Park Place project after it was determined there were structural deficiencies in the current golf course clubhouse. The Pokegama Golf and Park Place project was developed to not only replace the existing clubhouse, but to add a park facility to the newly annexed area around the Pokegama Golf Course. Part of the funding schematic was a capital fund drive, which began in 2009. As of December 31, 2015, outstanding pledges receivable were \$15,500. An estimated allowance for doubtful accounts of \$14,883 had been recorded. The pledges receivable were written off in 2015, resulting in a net pledges receivable balance of \$0 at year end and bad debt expense of \$617.

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Due from Component Unit</u>	<u>Land Held for Resale</u>	<u>Notes Receivable</u>	<u>Other Receivables</u>	<u>Total</u>
Primary government:							
Major funds:							
General Fund	\$86,873	\$98,245	\$ -	\$ -	\$ -	\$ -	\$185,118
GO CIP Refunding Bonds of 2006B	-	-	223,600	-	-	-	223,600
Improvement Refunding Bonds of 2013A	1,251	812,567	-	-	-	-	813,818
Nonmajor Funds	25,014	2,960,638	-	-	-	-	2,985,652
Total primary government	<u>113,138</u>	<u>3,871,450</u>	<u>223,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,208,188</u>
EDA (discretely presented component unit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,809,561</u>	<u>198,168</u>	<u>123,359</u>	<u>2,131,088</u>
Total unavailable revenue	<u>\$113,138</u>	<u>\$3,871,450</u>	<u>\$223,600</u>	<u>\$1,809,561</u>	<u>\$198,168</u>	<u>\$123,359</u>	<u>\$6,339,276</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City has approved four interfund loans. One loan was made to the Pokegama Golf Course for the Pokegama Golf and Park Place Project. Loans were also made to the IRA Civic Center Fund, the Airport Operations Fund and the Capital Equipment Replacement Fund as financing to those funds for capital expenditures. A summary at December 31, 2015 is as follows:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Major funds:		
General Fund	\$351,106	\$ -
Pokegama Golf Course	-	140,760
Nonmajor funds:		
Special revenue funds:		
Airport Operations	-	17,000
IRA Civic Center	-	52,550
Capital Projects Funds:		
Capital Equipment Replacement	-	140,796
	<u>\$351,106</u>	<u>\$351,106</u>

Amounts reported as due to/from other funds at December 31, 2015 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$33,270	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
Public library	-	416
IRA Civic Center	-	28,682
Recreation programs	-	531
Haz-Mat	-	3,608
Domestic Animal Control Facility	-	33
Capital Project Funds:		
Airport Capital Fund	-	101,516
2016 Infrastructure Bonds	-	26,931
Permanent Improvement Revolving	175,630	-
2014 Infrastructure Bonds	-	47,183
	<u>\$208,900</u>	<u>\$208,900</u>
Total	<u>\$208,900</u>	<u>\$208,900</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Due to/from other funds represent temporary balances due to interfund billings and reclassifications of funds with internally reported negative cash balances. The latter will be eliminated with a combination of tax levies, bond proceeds and other operating revenues.

Interfund transfers:

	Transfers In		
	General	Nonmajor Governmental Funds	Total
Transfers out:			
General Fund	\$ -	\$428,286	\$428,286
Nonmajor Governmental Funds	-	72,646	72,646
Golf Course	3,500	-	3,500
Storm Water	-	100,000	100,000
Totals	<u>\$3,500</u>	<u>\$600,932</u>	<u>\$604,432</u>

The City makes routine interfund transfers to allocate financial resources to the funds that receive benefit from services provided by another fund or to establish or close-out funds. During 2015, the City made transfers from the General Fund to Special Revenue Funds (\$84,604) to provide ongoing support, to the Improvement Refunding Bonds of 2013B Debt Service Fund (\$150,000) as part of its debt financing plan, and to Capital Project Funds (\$193,682) for capital purposes. Transfers were also made to allocate funds for capital purposes (\$166,000), operating purposes (\$3,500) and to close funds (\$6,646).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$5,986,115	\$20,300	(\$1)	\$6,006,414
Construction in progress	2,976,521	604,292	(2,764,751)	816,062
Total capital assets, not being depreciated	<u>8,962,636</u>	<u>624,592</u>	<u>(2,764,752)</u>	<u>6,822,476</u>
Capital assets, being depreciated:				
Buildings and improvements	26,967,021	408,884	-	27,375,905
Vehicles, equipment and furniture	10,379,395	163,814	(37,979)	10,505,230
Infrastructure	63,750,860	2,340,177	(466,892)	65,624,145
Total capital assets, being depreciated	<u>101,097,276</u>	<u>2,912,875</u>	<u>(504,871)</u>	<u>103,505,280</u>
Less accumulated depreciation for:				
Buildings and improvements	15,955,322	597,835	-	16,553,157
Vehicles, equipment and furniture	6,091,040	597,184	(9,479)	6,678,745
Infrastructure	27,398,120	2,062,757	(398,107)	29,062,770
Total accumulated depreciation	<u>49,444,482</u>	<u>3,257,776</u>	<u>(407,586)</u>	<u>52,294,672</u>
Total capital assets being depreciated - net	<u>51,652,794</u>	<u>(344,901)</u>	<u>(97,285)</u>	<u>51,210,608</u>
Governmental activities capital assets - net	<u>\$60,615,430</u>	<u>\$279,691</u>	<u>(\$2,862,037)</u>	<u>\$58,033,084</u>
Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$906,387	\$ -	\$ -	\$906,387
Construction in progress	-	66,342	-	66,342
Total capital assets, not being depreciated	<u>906,387</u>	<u>66,342</u>	<u>0</u>	<u>972,729</u>
Capital assets, being depreciated:				
Buildings and improvements	2,280,501	9,985	-	2,290,486
Machinery, equipment and furniture	928,553	-	(2,680)	925,873
Total capital assets, being depreciated	<u>3,209,054</u>	<u>9,985</u>	<u>(2,680)</u>	<u>3,216,359</u>
Less accumulated depreciation for:				
Buildings and improvements	639,311	64,657	-	703,968
Machinery, equipment and furniture	581,940	64,855	(2,680)	644,115
Total accumulated depreciation	<u>1,221,251</u>	<u>129,512</u>	<u>(2,680)</u>	<u>1,348,083</u>
Total capital assets being depreciated - net	<u>1,987,803</u>	<u>(119,527)</u>	<u>0</u>	<u>1,868,276</u>
Business-type activities capital assets - net	<u>\$2,894,190</u>	<u>(\$53,185)</u>	<u>\$0</u>	<u>\$2,841,005</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

Governmental activities:	
General government	\$88,600
Public safety	288,892
Public works, including depreciation of general infrastructure assets	2,604,308
Culture and recreation	<u>275,976</u>
Total depreciation expense - governmental activities	<u><u>\$3,257,776</u></u>
Business-type activities:	
Golf course	\$100,767
Storm water utility	<u>28,745</u>
Total depreciation expense - business-type activities	<u><u>\$129,512</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 7 LONG-TERM DEBT

The City issues general obligation bonds and equipment certificates to provide funds for the acquisition and construction of major capital facilities. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

As of December 31, 2015, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/15
Primary Government					
<u>Governmental Activities:</u>					
G.O. Tax Increment Bonds:					
Tax Increment Bonds Series 2008A	3.75 - 4.60	8/1/2008	2/1/2034	\$850,000	\$770,000
G.O. Improvement Bonds:					
Improvement Bonds of 2001B	3.00 - 5.00	10/1/2001	2/1/2017	470,000	70,000
Improvement Bonds of 2005B	3.50 - 3.70	9/1/2005	4/1/2015	1,105,000	-
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022	2,505,000	1,120,000
Improvement Bonds of 2007A	4.00 - 4.15	9/1/2007	2/1/2023	1,775,000	1,055,000
Improvement Bonds of 2007B	4.00 - 4.10	12/15/2007	4/1/2022	1,150,000	525,000
Improvement Bonds of 2008C	3.25 - 4.60	11/1/2008	2/1/2024	1,145,000	715,000
Improvement Refunding Bonds of 2009B	1.00 - 3.00	6/1/2009	2/1/2016	1,265,000	15,000
Improvement Bonds of 2009C	1.85 - 5.30	9/1/2009	2/1/2025	4,565,000	3,275,000
Improvement Bonds of 2010A	0.75 - 3.625	11/1/2010	2/1/2026	1,115,000	735,000
Improvement Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027	1,555,000	1,125,000
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028	2,245,000	1,965,000
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027	4,175,000	3,400,000
Improvement Bonds of 2013A	0.30 - 1.35	5/8/2013	2/1/2021	1,525,000	1,175,000
Improvement Bonds of 2014A	0.50 - 2.90	11/1/2014	2/1/2030	3,000,000	3,000,000
Total G.O. Improvement Bonds				27,595,000	18,175,000
Other General Obligation Bonds:					
Capital Improvement Plan Bonds of 2006B	4.00	10/1/2006	2/1/2017	1,785,000	430,000
Street Reconstruction Bonds of 2008B	3.25 - 4.60	11/1/2008	2/1/2024	1,010,000	655,000
Equipment Certificates of 2009D	2.00 - 4.85	9/1/2009	2/1/2019	1,005,000	510,000
Capital Improvement Plan Bonds of 2010A	0.75 - 2.25	11/1/2010	2/1/2018	635,000	280,000
Street Reconstruction Bonds of 2013B	3.00 - 3.5	9/1/2013	2/1/2029	4,025,000	3,830,000
Total other general obligation bonds				8,460,000	5,705,000
Total bonded debt - governmental activities				36,905,000	24,650,000
Capital lease payable	0.00	11/22/2010	12/31/2020	136,444	68,224
Airport loan payable to Itasca County	0.00	2001	2017	147,000	17,000
Bond premium				316,451	183,312
Compensated absences				391,855	389,272
Total governmental activities				\$37,896,750	\$25,307,808
<u>Business-Type Activities:</u>					
Compensated absences				\$4,031	\$4,484
Total business-type activities				\$4,031	\$4,484
<u>Component Units:</u>					
EDA:					
Note payable - Airport Ind Park/Kent	0.00	7/16/2015	7/16/2035	\$350,000	\$350,000
Note payable - Block 20 & 21 Soil	0.00	8/5/2010	8/5/2019	100,000	100,000
Total EDA				450,000	450,000
Public Utilities:					
Equipment lease payable	2.64	10/15/2015	10/15/2025	1,700,000	1,700,000
G.O. Revenue Note Series 1999	3.04	1/3/2000	1/1/2019	1,079,657	278,000
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016	1,915,000	240,000
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00 - 4.90	6/1/2009	12/1/2019	925,000	400,000
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029	26,370,232	20,037,000
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60 - 3.50	7/25/2011	12/1/2021	3,965,000	2,715,000
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033	2,025,000	1,845,000
G.O. Utility Revenue Bonds of 2013C	2.06 - 4.50	9/1/2013	2/1/2029	2,305,000	2,215,000
Total public utilities				40,284,889	29,430,000
Total component units				\$40,734,889	\$29,880,000

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

Year Ending December 31,	G.O. Tax Increment Bonds		G.O. Improvement Bonds		Other G.O. Bonds	
	Governmental Activities		Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$20,000	\$33,965	\$1,840,000	\$496,974	\$720,000	\$181,408
2017	20,000	33,170	1,835,000	455,520	735,000	156,350
2018	25,000	32,225	1,790,000	412,283	540,000	134,415
2019	25,000	31,175	1,785,000	366,905	450,000	116,877
2020	25,000	30,125	1,785,000	318,434	325,000	103,093
2021	30,000	28,970	1,700,000	268,038	335,000	92,178
2022	30,000	27,680	1,545,000	216,898	335,000	81,003
2023	35,000	26,250	1,350,000	168,824	350,000	69,488
2024	35,000	24,710	1,235,000	125,729	365,000	57,443
2025	40,000	23,060	1,175,000	83,681	290,000	46,938
2026	40,000	21,280	755,000	52,667	300,000	37,713
2027	45,000	19,368	715,000	32,128	305,000	27,881
2028	45,000	17,342	330,000	17,235	320,000	17,325
2029	50,000	15,180	165,000	7,240	335,000	5,863
2030	55,000	12,765	170,000	2,465	-	-
2031	55,000	10,235	-	-	-	-
2032	60,000	7,590	-	-	-	-
2033	65,000	4,715	-	-	-	-
2034	70,000	1,610	-	-	-	-
Total	<u>\$770,000</u>	<u>\$401,415</u>	<u>\$18,175,000</u>	<u>\$3,025,021</u>	<u>\$5,705,000</u>	<u>\$1,127,975</u>

Year Ending December 31,	Loans Payable	
	Governmental Activities	
	Principal	Interest
2016	\$10,000	\$ -
2017	7,000	-
Total	<u>\$17,000</u>	<u>\$0</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Year Ending December 31,	Revenue Bonds and Notes	
	PUC Component Unit	
	Principal	Interest
2016	\$2,217,000	\$814,475
2017	2,038,000	754,969
2018	2,086,000	698,170
2019	2,149,000	638,011
2020	2,039,000	573,561
2021-2025	9,017,000	2,010,537
2026-2030	7,874,000	639,977
2031-2035	310,000	15,225
Total	<u>\$27,730,000</u>	<u>\$6,144,925</u>

CHANGE IN LONG-TERM LIABILITIES

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

	Balance 12/31/14	Additions	Reductions	Balance 12/31/15	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
G.O. Tax increment bonds	\$790,000	\$ -	(\$20,000)	\$770,000	\$20,000
G.O. Improvement bonds	19,950,000	-	(1,775,000)	18,175,000	1,840,000
Other G.O. bonds	6,375,000	-	(670,000)	5,705,000	720,000
Bond premium	205,098	-	(21,786)	183,312	-
Capital lease payable	81,868	-	(13,644)	68,224	13,644
Loans payable	27,000	-	(10,000)	17,000	10,000
Compensated absences	391,855	38,678	(41,261)	389,272	41,531
Total governmental activities	<u>\$27,820,821</u>	<u>\$38,678</u>	<u>(\$2,551,691)</u>	<u>\$25,307,808</u>	<u>\$2,645,175</u>
<u>Business Type Activities:</u>					
Compensated absences	<u>\$4,031</u>	<u>\$453</u>	<u>\$ -</u>	<u>\$4,484</u>	<u>\$510</u>
<u>Component Units:</u>					
Note payables - EDA	\$100,000	\$350,000	\$ -	\$450,000	\$17,500
G.O. Revenue Bonds and Notes - PUC	29,841,000	-	(2,111,000)	27,730,000	2,217,000
Equipment lease payable - PUC	-	1,710,000	-	1,710,000	74,830
Unamortized premiums and discounts - PUC	(10,377)	-	-	(10,377)	-
Compensated absences - PUC	409,375	-	-	409,375	-
Total component units	<u>\$30,339,998</u>	<u>\$2,060,000</u>	<u>(\$2,111,000)</u>	<u>\$30,288,998</u>	<u>\$2,309,330</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

CAPITAL LEASE PAYABLE

During 2010, the City entered into a Communications System Subscriber Agreement with Itasca County relating to the acquisition and use of radios for the City's police department. The agreement qualifies as a capital lease. The cost of the assets acquired through the lease was \$136,444 and accumulated depreciation on these assets at December 31, 2015 is \$68,220. Depreciation in the amount of \$13,644 has been recorded as depreciation expense during 2015.

The present value of future minimum lease payments as of December 31, 2015 is \$68,224. The lease is payable in annual installments of \$13,644 through the year 2020.

TAXABLE LIMITED REVENUE NOTE, SERIES 2012

To enhance development, the City issued a \$176,000 Taxable Limited Revenue Note in 2012 with an interest rate of 3.0% per annum. Payments of principal and accrued interest on the note shall be payable in semi-annual installments payable on each February 1 and August 1, commencing August 1, 2015 and ceasing no later than February 1, 2030.

Payments are payable solely from available abatement, which shall mean the sum of City tax abatements and County tax abatements generated in the preceding six months with respect to the development property and remitted to the City by the County. Because the note is not a general obligation of the City and is payable solely from available tax abatement, it is not reflected in the financial statements of the City. In 2015, it was determined that the developer was in default of the Purchase and Development Contract. Therefore, the City has no remaining obligation under this contract.

TAXABLE NOTE PAYABLES - EDA

In 2010, the EDA entered into a \$100,000 mortgage agreement, without interest, with the Charles K. Blandin Foundation. The proceeds of this note were used to finance soil correction of EDA land held for resale at Block 20/21. The EDA has pledged proceeds from the sale of Block 20/21 to payment of this note upon the earlier of the sale of Block 20/21 or the extended maturity date of the note (August 15, 2019).

This note is a special limited obligation of the EDA. This note shall not be payable from nor charged upon any funds other than the proceeds of the sale of Block 20/21, nor shall the EDA be subject to any liability hereon or have the powers to obligate itself to pay this note from funds other than the proceeds of the sale of Block 20/21 and no holder of this note shall ever have the right to compel any exercise of any taxing power of the EDA or the City or any other public body, to pay this note, nor to enforce payment thereof against any property of the EDA or other public body other than that expressly pledged for payment of the note.

On July 16, 2015, the EDA entered into a \$350,000 mortgage agreement, without interest, with the Charles K. Blandin Foundation. The proceeds of this note were used to finance the Economic Development Opportunity at the Grand Rapids Airport. The note is payable in annual installments of \$17,500 through the year 2035 commencing one calendar year after the funds are disbursed. The note may be fully or partially prepaid at any time.

TAXABLE GENERAL OBLIGATION WASTEWATER REVENUE NOTE, SERIES 2009E

In 2009, the City authorized the issuance of the Taxable General Obligation Wastewater Revenue Note (Public Utilities Project), Series 2009E in the amount of \$28,509,779, payable to the Minnesota Public Facilities Authority. The bonds were closed in 2012 and the total draws made were \$26,370,232. As of December 31, 2015, the outstanding balance on the note was \$20,037,000.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

The Note is secured by first, all Letter of Credit proceeds; second, net revenues of the Public Utilities Wastewater Fund; and third, ad valorem taxes levied by the City in the event proceeds of the Letter of Credit and net revenues are insufficient to pay when due the principal and interest on the Note.

The net revenues are supported by a Demand Charge Agreement between the City, Public Utilities Commission and Blandin Paper Company (the Company). Among other things, the demand charge agreement requires the Company to pay 90% of the debt service on the Note.

The demand charge is secured by an Irrevocable Letter of Credit issued by Nordea Bank Finland PLC.

In accordance with Generally Accepted Accounting Principles, the Series 2009E Note is recorded in the financial statements of the Public Utilities Commission.

LEASE PURCHASE AGREEMENT

In 2015, the City entered into a Lease Purchase Agreement with US Bancorp Government Leasing and Finance, Inc. for the purchase of an Automated Meter Reading System (System). The agreement qualifies as a capital lease. The Lease Purchase Agreement provides for a ten-year lease in the principal amount of \$1,700,000 at an interest rate not to exceed 2.64% per annum, with a bargain purchase option of \$1 at the end of the lease term. Upon purchase the City will transfer title of the System to the Public Utilities Commission. As of December 31, 2015, the outstanding balance on the note was \$1,700,000.

The City has the right to terminate the Lease Purchase Agreement, in accordance with the terms thereof, at the end of any fiscal year.

Net revenues of the Public Utilities Commission are pledged to make lease payments under the Lease Purchase agreement.

In accordance with Generally Accepted Accounting Principles, the Lease Purchase Agreement is recorded in the financial statements of the Public Utilities Commission.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

REVENUE PLEDGED

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
G.O. Improvement, 2001B	Infrastructure improvements	Special assessments	72%	2001-2017	\$73,478	\$34,161	\$9,159
G.O. Improvement, 2005B	Street reconstruction	MSA allotments	100%	2005-2015	\$ -	\$127,313	\$127,313
Capital Improvement Plan Bonds, 2006B	Refunded 1996A Public Utilities Revenue Bonds	Receipts from PUC	100%	2006-2017	\$447,400	\$226,300	\$226,300
G.O. Improvement, 2006C	Infrastructure improvements	Special assessments	100%	2006-2023	\$1,272,800	\$213,100	\$242,559
G.O. Improvement, 2007A	Infrastructure improvements	Special assessments	33%	2007-2024	\$1,234,164	\$165,616	\$33,989
G.O. Improvement, 2007B	Street reconstruction	MSA allotments	100%	2007-2022	\$599,401	\$97,650	\$97,650
G.O. Tax Increment, 2008A	Demolition costs in TIF 1-6	Tax increment	100%	2009-2034	\$1,171,415	\$54,715	\$56,646
G.O. Street Reconstruction, 2008B	Street reconstruction	Special assessments	20%	2009-2023	\$793,241	\$94,898	\$8,237
G.O. Improvement, 2008C	Infrastructure improvements	Special assessments	38%	2009-2023	\$862,694	\$107,663	\$19,531
G.O. Improvement, 2009B	Refunded 96B, 98A, 99A and Improvement bonds	Special assessments	19%	2009-2016	\$15,225	\$46,125	\$4,702
G.O. Improvement, 2009C (Build America Bond)	Infrastructure improvements	Special assessments Federal BAB credit	24% 10%	2010-2024	\$4,132,748	\$458,721	\$121,338
G.O. Equip. Certificates, 2009D (Build America Bond)	2009 Ladder Truck	Federal BAB credit	7%	2010-2019	\$557,910	\$139,638	\$7,994
G.O. Improvement and CIP, 2010A	Infrastructure improvements, refund existing debt	Special assessments	35%	2011-2025	\$1,146,624	\$212,763	\$76,592
G.O. Improvement, 2011B	Infrastructure improvements, refund existing debt	Special assessments	56%	2012-2026	\$1,279,691	\$165,330	\$117,608
G.O. Improvement, 2012A	Infrastructure improvements	Special assessments Ad Valorem Taxes	32%	2013-2027	\$2,350,494	\$184,948	\$184,493
G.O. Improvement, 2012B	Street reconstruction	MSA allotments	100%	2013-2027	\$3,844,896	\$321,693	\$321,693
G.O. Improvement, 2013A	Refunded 2004A and 2005A Bonds	Special assessments	41%	2014-2021	\$1,210,198	\$220,450	\$113,796
G.O. Street Reconstruction, 2013B	Street reconstruction	Ad Valorem Taxes	100%	2014-2029	\$4,745,306	\$317,613	\$151,302
G.O. Improvement, 2014A	Street reconstruction, abatement, CIP Projects, and equipment	Special assessments	20%	2014-2029	\$3,466,720	\$39,936	\$15,045

Note 8 DEFINED BENEFIT PENSION PLANS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

B. PLAN DESCRIPTION

The City 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 Fund (GERF)

All full-time (with the exception of employees covered by PEPFF) and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

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

C. BENEFITS PROVIDED

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

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

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

1. GERF Benefits

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

2. PEPFF Benefits

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

D. CONTRIBUTIONS

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$233,723. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$219,785. The City's contributions were equal to the required contributions as set by state statute.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

E. PENSION COSTS

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$2,705,275 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .0522 % which was a decrease of .0042% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$310,373 for its proportionate share of the GERF's pension expense.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$136,392
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	256,096	-
Changes in proportion	-	147,971
Contributions paid to PERA subsequent to the measurement date	124,868	-
Total	<u>\$380,964</u>	<u>\$284,363</u>

\$124,868 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2016	(\$30,764)
2017	(30,764)
2018	(30,763)
2019	64,024
2020	-
Thereafter	-

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$1,704,351 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .1500 % which was an increase of .0070% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$292,408 for its proportionate share of the PEPFF's pension expense. The City also recognized \$13,500 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$276,390
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	296,955	-
Changes in proportion	63,002	-
Contributions paid to PERA subsequent to the measurement date	116,348	-
Total	<u>\$476,305</u>	<u>\$276,390</u>

\$116,348 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2016	\$31,561
2017	31,561
2018	31,561
2019	31,560
2020	(42,676)
Thereafter	-

F. ACTUARIAL ASSUMPTIONS

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% effective every January 1st until 2034, and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

There are no changes in actuarial assumptions in 2015.

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

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

G. DISCOUNT RATE

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

H. PENSION LIABILITY SENSITIVITY

The following presents the City’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’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
City's proportionate share of the GERF net pension liability	\$4,253,654	\$2,705,275	\$1,426,552
City's proportionate share of the PEPFF net pension liability	3,321,798	1,704,351	368,058

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.

J. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2015 is as follows:

GERF	\$310,373
PEPFF	<u>305,908</u>
Total	<u><u>\$616,281</u></u>

Note 9 DEFINED CONTRIBUTION PLAN

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a 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 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

Total contributions made by the City during fiscal year 2015 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer (Pension Expense)	Employee	Employer	Rate
\$1,320	\$1,320	5%	5%	5%

Note 10 SINGLE EMPLOYER PLAN

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pensions. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Grand Rapids Fire Department Relief Association (Relief) and additions to/deductions from the Relief’s fiduciary net position have been determined on the same basis as they were reported by the Relief. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. PLAN DESCRIPTION

All members of the Grand Rapids Fire Department are covered by a defined benefit plan administered by the Grand Rapids Fire Department Relief Association. The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69.

C. BENEFITS PROVIDED

The Relief Association provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established in accordance with the State Statute and vest after ten years of credited service. The defined retirement benefits are based on a member’s years of service. Benefit provisions can be amended by the Relief Association within the parameters provided by State Statutes.

Twenty Year Service Pension

Each member who is at least 50 years of age; has retired from the Fire Department of the City of Grand Rapids, Minnesota, has served at least twenty (20) years of active service with such department before retirement; and, has been a member of the Association in good standing at least 10 years prior to such retirement; shall be entitled to a pro-rated lump sum service pension in the amount of \$5,000 for each completed full year of service but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law. Members with 10 years of service receive partial vesting at 60% of the 20 year rate and 4% added for every one year of service beyond ten years up to 20 years.

Disability Benefits

A member who becomes permanently disabled from being an active firefighter in the Fire Department of the City of Grand Rapids, Minnesota will be eligible to collect a disability benefit in an amount equal to his/her full years of active service multiplied by the yearly lump sum service pension rate. If a member receives a disability benefit and subsequently returns to active duty, the total disability benefit will be deducted from his/her service pension.

Survivor Benefits

To be eligible to receive a survivor benefit, a participant must satisfy the following requirements:

- (i) Have died in active service with the Fire Department; or
- (ii) Have died prior to receiving his retirement benefit.

If a participant in active service dies, the participant's beneficiary shall receive a lump sum payment equal to 100% of the participant's accrued benefit.

If a participant who has retired or ceased from active service dies, the participant's beneficiary shall receive a lump sum survivor benefit determined as follows:

Years of active service credited to participant	multiplied by	Benefit level in effect for participant	multiplied by	Vesting percentage for completed years of active service
---	---------------	---	---------------	--

The survivor benefit level will be the benefit level in effect at the participant's separation date. However, if the participant had a break in service, the survivor benefit level shall be determined as described in the definition of break in service.

Such survivor benefit shall be paid to the participant's beneficiary as soon as administratively feasible following the participant's death and the approval of the survivor benefit payment request form.

A participant's beneficiary shall be as follows:

- (a) The participant's surviving spouse; or
- (b) If no surviving spouse, the participant's surviving children; or
- (c) If no surviving spouse or surviving children, the participant's designated beneficiary or beneficiaries.

State Supplemental Benefits

Minnesota Statute 424A.10 provides for the payment of a supplemental benefit equal to ten percent of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of a 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.

D. EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2015, the following employees were covered by the benefit terms:

Retired members entitled to benefits, but have not received them	6
Current members:	
Fully vested (20 years or more)	1
Partially vested (10 years to 19 years)	10
Nonvested (less than 10 years)	<u>19</u>
Total	<u><u>36</u></u>

E. CONTRIBUTIONS

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City and State aid on an annual basis. These statutes are established and amended by the state legislature. The Relief Association is comprised of volunteers; therefore, members have no contribution requirements. The City receives the State aid contribution and is required by state statutes to pass this through as payment to the Relief Association. The City’s contributions to the Relief for the year ended December 31, 2015, were \$5,000. The City’s contributions exceeded the required contribution of \$5,000 as set by state statute. State aid contributions for the year ended December 31, 2015, were \$131,098.

F. NET PENSION LIABILITY

The City’s net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2015 rolled forward to December 31, 2015.

G. ACTUARIAL ASSUMPTIONS

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

Investment rate of return	6.00%
20-year municipal bond yield	3.50%
Projected salary increases	2.50%
Inflation	None
Cost-of-living adjustments	5.00%
Age of service retirement	50
Post retirement benefit increase	None

Due to small sample size and low retirement ages, assumed no pre-retirement mortality. Post retirement mortality does not apply as the benefit structure and form of payment does not reflect lifetime benefits.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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. All results are then rounded to the nearest quarter percentage point.

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

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

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Expected Class Return</u>
Cash	15.00%	2.00%
Fixed income	18.00%	4.50%
Equities	65.00%	7.50%
Other	<u>2.00%</u>	<u>6.00%</u>
Total portfolio	100.00%	6.00%

H. DISCOUNT RATES

The discount rate used to measure the total pension liability was 6.00%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” The determination of the discount rate assumed that the plan’s current overfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, the plan’s long-term expected return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

I. CHANGES IN THE NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at January 1, 2015	\$1,213,585	\$2,101,620	(\$888,035)
Changes for the year:			
Service cost	75,241		75,241
Interest	66,133		66,133
Differences between expected and actual experience	-		-
Contributions - employer		5,000	(5,000)
On behalf contributions - State of MN		131,098	(131,098)
Contributions - employee		-	-
Net investment income		(98,329)	98,329
Benefit payments	(222,729)	(222,729)	
Administrative expense		(11,540)	11,540
Other changes		-	-
Net changes	(81,355)	(196,500)	115,145
Balance at December 31, 2015	\$1,132,230	\$1,905,120	(\$772,890)

J. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount (7.0%)
Net pension liability (asset)	(\$729,074)	(\$772,890)	(\$815,068)

K. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued Relief Association financial report. That report may be obtained by writing to Grand Rapids Fire Department Relief Association, 18 NE 5th Street, Grand Rapids, Minnesota, 55744.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

L. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2015, the City recognized pension expense of \$84,414. The City also recognized \$131,098 for the year ended December 31, 2015, as pension expense (and grant revenue) for the State of Minnesota’s on-behalf contribution to the plan. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual economic investment earnings	\$28,077	\$ -
Employee contributions after the measurement date	5,000	-
Total	<u>\$33,077</u>	<u>\$0</u>

Amounts reported as deferred outflows of resources 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>
2016	\$7,020
2017	7,020
2018	7,020
2019	7,017
2020	-
Thereafter	-

Note 11 OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 8, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees and police and firefighters disabled in the line of duty, through a single-employer defined benefit plan. The term *Plan* refers to the City’s requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Clerical and Public Works Employees

Clerical and public works employees who retire at age 55 or older with 10 or more years of service may continue medical coverage in the Operating Engineer Local #49 Plan by paying full premiums from their City and State health savings accounts. Once these accounts are depleted, the City is required to allow retirees to continue participation in the plan until age 65. The City is required to pay \$100 per month and the retiree is required to pay the remaining portion of the premium cost. The premium is a blended rate premium determined on the entire active and retired population. Since the projected claims costs for the retirees exceed the premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit).

Police and Sergeants

Police and sergeant employees who retire at age 55 or older with 3 or more years of service, or any age with 30 years of service (if hired before 7/1/89), or whose age plus service is at least 90, may continue medical coverage in the City Plan by paying full premiums from their City and State health savings accounts. Once these accounts are depleted, the City is required to allow retirees to continue participation in the Plan until age 65. The City is required to pay \$100 per month and the retiree is required to pay the remaining portion of the premium cost. The premium is a blended rate premium determined on the entire active and retired population. Since the projected claims costs for the retirees exceed the premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit).

Exempt and Library Employees

Exempt and library employees who retire at age 55 and older with 3 or more years of service, or any age with 30 years of service (if hired before 7/1/89), or whose age plus service is at least 90, may continue medical coverage in the City Plan until age 65. The retiree is required to pay 100% of their premium cost. The premium is a blended rate premium determined on the entire active and retired population. Since the projected claims costs for the retirees exceed the premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit).

The City had an actuarial valuation performed for the Plan as of January 1, 2014. At that date, monthly retiree premiums were:

Plan	Single	Family
49er's Plan	\$1,012	\$1,012
City Plan Blue Cross/Blue Shield	427	1,068

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. PARTICIPANTS

As of the actuarial valuation dated January 2014, participants consisted of:

Retired participants and beneficiaries currently	11
Active employees	<u>73</u>
Total	<u>84</u>
Participating employers	<u>1</u>

D. FUNDING POLICY

The additional cost of using a blended rate for actives and retirees is currently funded on a pay-as-you-go basis. The City Council may change the funding policy at any time.

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2015, was calculated as follows:

Annual required contribution (ARC)	\$92,143
Interest on net OPEB obligation	10,353
Adjustment to ARC	<u>(14,678)</u>
Annual OPEB cost	87,818
Contributions made during the year	<u>(62,344)</u>
Increase in net OPEB obligation	25,474
Net OPEB obligation - beginning of year	<u>258,831</u>
Net OPEB obligation - end of year	<u>\$284,305</u>

The net OPEB obligation is allocated as follows:

Governmental activities	\$276,981
Business-type activities	<u>7,324</u>
Total	<u>\$284,305</u>

For governmental activities, the net OPEB obligation is generally liquidated by the General Fund.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the previous three years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$87,818	\$62,344	71.0%	\$284,305
December 31, 2014	87,392	59,798	68.4%	258,831
December 31, 2013	68,862	57,512	83.5%	231,226

F. FUNDED STATUS AND FUNDING PROGRESS

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero. The funded status of the Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)* (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
January 1, 2014	\$0	\$681,105	\$681,105	0.0%	\$3,976,463	17.1%

*Using the projected unit credit actuarial pay cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

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

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

In the January 1, 2014 actuarial valuation, the Projected Unit Credit Actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 7.5%. This rate includes a 2.5% inflation rate. The health care cost trend rate is reduced by 0.25% each year to arrive at an ultimate health care cost trend rate of 5.0%. The actuarial value of assets was \$0. The plan's unfunded actuarial accrued liability is

being amortized using the level percentage of projected payroll method over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 23 years.

Note 12 TERMINATION BENEFITS

During 2009, the City implemented an Early Retirement Incentive Program (ERIP) to provide employees who may be considering retirement an incentive to retire and to subsequently save the City money by reducing budgeted annual salary costs. The application deadline for the ERIP was August 31, 2010. Employees were required to meet certain eligibility requirements to qualify for the ERIP. Contingent on approval by the City, employees who choose to participate in the ERIP will receive \$10,000 annually for five years for the purpose of financing health insurance coverage for the employee and their dependents. Additionally, employees who retired prior to certain dates specified under the ERIP received an additional one-time payment of \$2,500 for the same purpose.

Twelve employees chose to participate in the ERIP program, all of which were approved by the City. The total cost of the termination benefits provided under the ERIP program is \$620,000. As of December 31, 2015, \$620,000 of benefits have been paid, resulting in a \$0 termination benefit liability at year end.

Note 13 TAX INCREMENT DISTRICTS

The City of Grand Rapids is the administrating authority for various tax increment districts within the municipal development districts established under MS 472.A as redevelopment districts.

The City has three outstanding tax increment pay-as-you-go revenue notes. These notes are not general obligations of the City and are payable solely from available tax increments. Accordingly, these notes are not reflected in the financial statements of the City. A summary of each note is as follows:

Tax Increment Revenue Note, Series 2008B (TIF 1-6) – issued in 2008 in the principal sum of \$307,500 with an interest rate of 7.75% per annum. Principal and interest payments shall be paid on August 1, 2010 and each February 1 and August 1 thereafter to and including February 1, 2032. Payments are payable solely from available tax increment, which shall mean 90% of the tax increment derived from the development property and received by the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2032. At December 31, 2015 the principal amount outstanding on the note was \$307,500.

Tax Increment Revenue Note, Series 2008A (TIF 1-7) – issued in 2008 in the principal sum of \$389,300 with an interest rate of 7.25% per annum. Principal and interest payments shall be paid on August 1, 2009 and each February 1 and August 1 thereafter to and including February 1, 2035. Payments are payable solely from available tax increment, which shall mean 90% of the net tax increment derived from the redevelopment property and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2035. At December 31, 2015 the principal amount outstanding on the note was \$389,300.

Tax Increment Revenue Note, Series 2013A (TIF 1-8) – issued in 2013 in the principal sum of \$350,000 with an interest rate of 5.0% per annum. Principal and interest payments shall be paid on August 1, 2013 and each February 1 and August 1 thereafter to and including February 1, 2039. Payments are payable solely from available tax increment, which shall mean 90% of the net tax increment derived from the redevelopment property and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

interest that may remain after the final payment on February 1, 2039. At December 31, 2015 the principal amount outstanding on the note was \$327,871.

Tax Increment Revenue Note, Series 2015A (TIF 1-9) – issued in 2015 in the principal sum of \$385,356 with an interest rate of 5.0% per annum. Principal and interest payments shall be paid on August 1, 2015 and each February 1 and August 1 thereafter to and including February 1, 2021. Payments are payable solely from available tax increment, which shall mean 90% of the net tax increment derived from the redevelopment property and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2021. At December 31, 2015 the principal amount outstanding on the note was \$369,772.

Tax Increment Revenue Note, Series 2015B (TIF 1-9) – issued in 2015 in the principal sum of \$12,100 with an interest rate of 5.0% per annum. Principal and interest payments shall be paid on August 1, 2015 and each February 1 and August 1 thereafter to and including February 1, 2021. Payments are payable solely from available tax increment, which shall mean 5% of the net tax increment derived from the redevelopment property and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2021. At December 31, 2015 the principal amount outstanding on the note was \$10,866.

Note 14 CONTINGENCIES

A. LITIGATION

Existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City management, remotely recoverable by plaintiffs.

B. FEDERAL AND STATE FUNDS

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. TAX INCREMENT DISTRICTS

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

Note 15 OTHER DEFERRED DEBITS AND CREDITS

During 1997-1998, 2006-2007, 2009-2010 and 2011-2012, the Public Utilities Commission constructed landfill sites to dispose of industrial waste from Blandin Paper. The cost of the sites is deferred and expensed over the estimated useful life of the individual site. The entire cost of the 1997 and a portion of 2007 site was reimbursed by Blandin Paper and is recorded as a deferred credit. These deferred credits are amortized as

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

revenue over the life of the landfill. The 2006A bonds were issued to fund the remaining portion of the 2007 landfill project. The 2009A bonds were issued to fund the 2009 landfill project and a portion of the 2011A bonds were issued for the 2011 project. Blandin Paper pays a demand charge in amounts sufficient to pay principal and interest on these bonds. For ratemaking purposes, the Commission has elected to defer the demand charge revenue until the debt service is paid.

On the statement of net position, the Commission reports \$1,485,753 of non-utility property. This amount consists of deferred debits relating to the 2007 Landfill Phases 5 and 6 (\$212,659), the 2009 Landfill Phase 7 (\$360,324), and the 2011 Landfill Phase 8 (\$912,770).

GRPUC performed water tower reconditioning in 2008 – 2009 at a total cost of \$469,951. The commission has elected to create a regulatory asset for this cost and amortize it over 10 years which is the estimated useful life of the enhancement. The unamortized portion of the Water Tower Reconditioning Project is \$140,985.

Note 16 FUND BALANCE

A. CLASSIFICATIONS

Definitions of fund balance classifications are included in Note 1P. At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

	General Fund	Refunding Bonds of 2006B	Refunding Bonds of 2013A	Other Governmental Funds	Total
Nonspendable:					
Prepaid items	\$125,181	\$ -	\$ -	\$26,659	\$151,840
Interfund loans receivable	181,602	-	-	-	181,602
Restricted:					
Debt service	-	8,304	527,530	5,892,474	6,428,308
Unspent bond proceeds	-	-	-	-	-
Law enforcement	-	-	-	63,392	63,392
Itasca County's equity in Airport	-	-	-	85,379	85,379
Other purposes	17,185	-	-	435,697	452,882
Committed:					
Revenue stabilization	422,995	-	-	-	422,995
Public library	-	-	-	449,586	449,586
Central school	-	-	-	44,347	44,347
Airport operations	-	-	-	85,379	85,379
Recreation programs	-	-	-	-	-
Cemetery	-	-	-	60,611	60,611
Domestic animal control facility	-	-	-	7,020	7,020
Assigned:					
Capital purposes	-	-	-	2,076,696	2,076,696
Unassigned	5,253,912	-	-	(184,210)	5,069,702
Total	\$6,000,875	\$8,304	\$527,530	\$9,043,030	\$15,579,739

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the City’s goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The City’s policy for unassigned funds in the General Fund is:

- Minimum cash flow – to equal 50% of the following year General Fund property tax levy and anticipated local government aids.
- Compensated absences – equal to the sum of flexible time off and compensatory time for employees each December 31.
- Emergency or unanticipated expenditures – equal to 10% of the prior year General Fund annual revenues.
- Neighborhood and economic development – equal to the principal amount of the sale of the liquor store.

At December 31, 2015, the unassigned fund balance of the General Fund was \$5,253,912, compared to its targeted unassigned fund balance of \$5,170,299 based on the above policy.

C. REVENUE STABILIZATION

The City Council adopted Resolution No. 11-111 committing 10% of prior year annual revenues of the General Fund for revenue stabilization. This commitment of fund balance was done to provide a stable source of revenue for general operations of the City during periods of economic recession. The City uses the National Bureau for Economic Research (NBER) as its reference in determining the beginning and end of an economic recession.

During a recession, this fund balance commitment can be used to offset all or part of the temporary revenue decrease, and shall occur at the end of the first and/or second fiscal year following the beginning of an economic recession as determined by the NBER. In the third fiscal year after the beginning of an economic recession, the revenue stabilization amount will be replenished by an annual amount equal to 10% of annual revenue, multiplied by a factor of approximately 11.25%.

Due to the recession which began in 2008, the City depleted its revenue stabilization reserve in 2010. During 2011, the City began replenishing the reserve in accordance with its policy described above. The reserve at December 31, 2015 is as follows:

Revenue stabilization at December 31, 2013	\$243,403
2014 replenishment	<u>87,798</u>
Revenue stabilization at December 31, 2014	331,201
2015 replenishment	<u>91,794</u>
Revenue stabilization at December 31, 2015	<u><u>\$422,995</u></u>

Note 17 COMMITMENTS

A. POWER CONTRACT

Minnesota Power (MP) provides wholesale electric service to the Public Utilities Commission under a contract that expires December 31, 2024, with no minimum requirement for power purchased. The contract provides that the Public Utilities Commission may add new renewable generation capacity up to ten percent (10%) (non-cumulative) of the total Public Utilities Commission load, based on the previous year's average annual billed demand, excluding any existing renewable generation capacity prior to September 1, 2015. In addition, beginning in 2019, the generation capacity charge for each year is based on the previous year generation capacity charge adjusted as determined by the power supply formula rate for capacity except that the generation capacity charge shall not increase by more than 2% from the previous year generation capacity charge or decrease by more than 1% from the previous service year generation capacity charge. The base energy charge is reset annually on January 1 based on the previous year service actual energy cost pursuant to the power supply formula rate of energy. The peak power requirements for 2015 was 30,892 kW.

B. CONSTRUCTION COMMITMENTS

The primary government did not have any construction commitments as of December 31, 2015.

The Economic Development Authority has one active construction project as of December 31, 2015. The remaining commitment on this project is \$101,022.

The Public Utilities Commission has eleven active construction projects as of December 31, 2015. The remaining commitment on these projects is \$1,713,876. As of June 10, 2016, the Commission has awarded seven additional contracts in 2016 totaling \$434,831.

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Public Utilities Commission to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at those sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Commission is required to establish financial assurance for closure, postclosure care and contingency action.

The current calculations of projected costs for all open and planned landfill sites included in the existing Industrial Solid Waste Disposal Facility Permit are:

Closure cost estimate	\$1,505,147
Post-closure care cost estimate	1,341,660
Contingency action	<u>523,952</u>
Total	<u><u>\$3,370,759</u></u>

These costs are reviewed annually and adjusted for the effects of inflation, changes in technology, or changes in laws and regulations.

Under the 1996-2001 permit, landfill sites C, D, E, and F were filled to capacity. The 2001-2006 permit included Kettle D and landfill Phases One through Four. Phases Five through Eight were added under the new permit effective September 2006 to September 2011. Kettle D was filled in 2006 and closed in 2008. Phases One through Four were filled and began the closure process in 2007.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Final closure on Phases One through Four was completed in 2010. Construction of Phases Five and Six was completed in 2008. Phases Five and Six were put into service in 2008 and have an estimated life of ten years. Phase 7 was constructed in 2010 and placed into service in 2010 with an estimated life of ten years. Construction of Phase 8 began in 2011, and was completed in 2012. Phase 8 was placed in service in 2013 with an estimated life of twenty years.

On January 14, 2016 and December 30, 2014, Blandin Paper Company established an irrevocable letter of credit for \$3,370,759 and \$3,441,747 with Nordea Bank on behalf of the Public Utilities Commission. The purpose of the letter of credit is to provide assurance that funds will be available when needed for closure, post-closure care of, and/or contingency action of the landfill. Closure costs relate to open and planned landfill sites. There are no sites that will be closed within one year. Post-closure costs cover all sites, including those that are already closed. No issues have been identified that would require post-closure costs to be incurred, and no issues are anticipated in the next year.

Note 18 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City does not have a deductible for its workers compensation insurance. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts. For property and casualty coverage, the City has a \$1,000 deductible per occurrence with no annual maximum.

The City carries commercial insurance for all other risks of loss, including life, employee health and accident insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 19 CONDUIT DEBT

From time to time, the City has issued various industrial development and housing revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2015, there were three bond issues outstanding, with an estimated aggregate principal amount payable of \$4,130,853.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 20 OPERATING LEASE

In 1996, the City entered into an operating lease agreement with the Public Utilities Commission component unit for space in a facility owned by the Public Utilities Commission. Annual payments consist of the following:

- 1) 52% of the principal and interest due on the 2006B Refunding Bonds; and,
- 2) 48% of total operating costs of the facility.

The term of the lease is through the later of September 1, 2095 or the date on which the 2006B Bonds are fully paid or defeased. However, the City may cancel the lease on September 1 of any year by delivery of notice of termination to the Public Utilities Commission no later than the preceding July 1.

Note 21 PAYMENTS IN LIEU OF TAX - PUC

Effective January 1, 1997, the Public Utilities Commission and the City of Grand Rapids established a formal agreement for payments in lieu of tax from the Commission to the City. Beginning January 1, 2010, the PILOT agreement was modified and the annual cash payment changed to 4.84 mills per kilowatt hours sold, with a minimum annual payment of \$823,000. The agreement was modified again in 2012. Beginning January 1, 2013, the annual cash PILOT is increased to 5.00 mills per kilowatt hours sold, with a minimum annual payment of \$868,000. The amount of the PILOT cash payment from the Commission to the City for 2015 was \$868,000.

Note 22 DEFICIT FUND BALANCES

At December 31, 2015, individual funds with deficit fund balances are as follows:

Special Revenue Funds:	
IRA Civic Center	(\$81,639)
Recreation Programs	(3,412)
Capital Project Funds:	
2014 Infrastructure Bonds	(47,183)
2016 Infrastructure Bonds	(46,489)

Note 23 MAJOR CUSTOMER AND DEMAND PAYMENT DEFERRAL

The Public Utilities Commission has a contract with Blandin Paper Company (Blandin) where Blandin reimburses the Commission for expenses associated with the operations of the industrial wastewater treatment plant. Amounts reimbursed were \$4,637,393 for 2015. The Commission also has contracts with Blandin whereby Blandin pays demand charges for principal and interest on the General Obligation Revenue Bonds Series 2006A, 2009A, 2009E, 2011A, and 2013C. For ratemaking purposes, the Commission has elected to defer the recognition of the revenue until the debt service on the bonds are paid. The total demand charges paid by Blandin for 2015 were \$2,432,642.

Note 24 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 72 *Fair Value Measurement and Application*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015.

Statement No. 77 *Tax Abatement Disclosures*. The provisions of this Statement are effective for reporting periods beginning after December 31, 2015.

Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 79 *Certain External Investment Pools and Pool Participants*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015.

Statement No. 80 *Blending Requirements for Certain Component Units*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 *Irrevocable Split – Interest Agreements*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 75 will have a material impact.

Note 25 SUBSEQUENT EVENTS

Subsequent events have been evaluated for recognition or disclosure through June 15, 2016 the date the financial statements were available to be issued.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 26 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB 68 addresses accounting and financial reporting for pension plans that are provided to employees of state and local governments. The standard requires the City to record its share of the net pension liability of defined benefit plans, as well as any corresponding deferred inflows and outflows of resources. See Note 8 for further information.

The standard required retroactive implementation which resulted in a restatement of net position as of December 31, 2014. Certain amounts necessary to fully restate 2014 financial information are not determinable, therefore, prior year comparative amounts have not been restated. Details of the prior period adjustment are as follows:

	<u>Governmental Activities</u>	<u>Internal Service Fund Pension Benefit</u>
Net position - January 1, 2015, as previously reported	\$51,971,935	\$ -
Prior period adjustment:		
Net pension asset	888,035	-
Deferred outflows of resources - pension related	230,011	230,011
Net pension liability	<u>(4,193,848)</u>	<u>(4,193,848)</u>
Net position - January 1, 2015, as restated	<u>\$48,896,133</u>	<u>(\$3,963,837)</u>

Note 27 SERVICE TERRITORY ACQUISITION

In 2015, the Public Utilities Commission acquired an electric service territory from another utility. The transaction qualified as a government acquisition under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The total purchase price of the service territory was \$181,424 which consisted of \$44,468 of depreciated assets, and \$136,956 of integration costs, and lost revenues to the seller. The integration costs and lost revenues are considered net position acquired and are shown as a deferred outflow on the Statement of Net Position. The deferred outflow of resources will be amortized over ten years beginning in 2015.

Note 28 CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The Public Utilities Commission adopted GASB Statement No. 68 effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position as follows:

Net pension liability January 1, 2015	\$2,160,850
Deferred outflows January 1, 2015	<u>(87,022)</u>
Cumulative effect of a change in accounting principle	<u>\$2,073,828</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 10
Page 1 of 4

	2015				2014 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Revenues:					
Taxes:					
General property taxes	\$4,168,242	\$3,922,653	\$3,946,640	\$23,987	\$3,622,374
Payment in lieu of taxes:					
Housing and Redevelopment Authority	32,000	32,000	34,766	2,766	35,494
Public utilities	868,000	868,000	868,000	-	868,000
Total taxes	<u>5,068,242</u>	<u>4,822,653</u>	<u>4,849,406</u>	<u>26,753</u>	<u>4,525,868</u>
Licenses and permits:					
Business	36,800	36,800	39,640	2,840	39,550
Nonbusiness	209,500	209,500	303,561	94,061	236,271
Total licenses and permits	<u>246,300</u>	<u>246,300</u>	<u>343,201</u>	<u>96,901</u>	<u>275,821</u>
Intergovernmental:					
Federal:					
Public safety grants	40,000	40,000	40,997	997	150,227
State:					
Local government aid	1,307,862	1,307,862	1,307,862	-	1,270,392
Market value homestead credit	-	-	304	304	285
Taconite supplemental aid	-	245,589	245,589	-	233,654
Taconite credit - mobile homes	-	-	3,137	3,137	3,254
Trunk highway maintenance agreement	23,858	23,858	11,929	(11,929)	23,858
Municipal state aid street maintenance	186,200	186,200	186,200	-	86,200
Police aid	130,500	130,500	152,201	21,701	137,088
Fire aid	125,000	125,000	133,098	8,098	124,812
Police training aid	5,000	5,000	7,797	2,797	6,114
PERA aid	11,695	11,695	11,695	-	11,695
Storm reimbursement	-	-	1,034	1,034	1,119
State - miscellaneous	500	500	14,654	14,154	47,065
US Gas Tax Refund	500	500	-	(500)	-
Local:					
School District #318	118,535	118,535	118,134	(401)	111,970
Total intergovernmental	<u>1,949,650</u>	<u>2,195,239</u>	<u>2,234,631</u>	<u>39,392</u>	<u>2,207,733</u>
Charges for services:					
General government	137,275	137,275	206,687	69,412	233,317
Public safety	468,347	468,347	416,072	(52,275)	365,453
Public works	168,390	168,390	150,333	(18,057)	254,455
Culture and recreation	7,500	7,500	7,500	-	6,000
Total charges for services	<u>781,512</u>	<u>781,512</u>	<u>780,592</u>	<u>(920)</u>	<u>859,225</u>
Fines and forfeits	103,000	103,000	92,775	(10,225)	96,201
Special assessments	-	-	8,584	8,584	-
Investment income	34,298	34,298	43,908	9,610	41,488
Miscellaneous:					
Donations/contributions	-	-	63,512	63,512	33,400
Rentals and leases	2,000	2,000	3,265	1,265	3,031
Other	10,800	10,800	16,626	5,826	119,857
Total miscellaneous	<u>12,800</u>	<u>12,800</u>	<u>83,403</u>	<u>70,603</u>	<u>156,288</u>
Total revenues	<u>8,195,802</u>	<u>8,195,802</u>	<u>8,436,500</u>	<u>240,698</u>	<u>8,162,624</u>

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 10
Page 2 of 4

	2015				2014 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personnel services	\$41,326	\$41,326	\$42,018	\$692	\$41,295
Materials and supplies	-	-	489	489	169
Other services and charges	33,250	33,250	43,267	10,017	38,722
Total mayor and city council	74,576	74,576	85,774	11,198	80,186
Administration:					
Current:					
Personnel services	379,425	379,425	376,207	(3,218)	376,006
Materials and supplies	8,160	8,160	8,720	560	5,840
Other services and charges	46,500	46,500	37,207	(9,293)	72,053
Total administration	434,085	434,085	422,134	(11,951)	453,899
Finance:					
Current:					
Personnel services	390,860	390,860	392,371	1,511	370,494
Materials and supplies	6,100	6,100	2,378	(3,722)	6,331
Other services and charges	67,600	67,600	63,623	(3,977)	64,695
Total finance	464,560	464,560	458,372	(6,188)	441,520
Information technology:					
Current:					
Personnel services	151,825	151,825	152,528	703	148,046
Materials and supplies	5,700	5,700	9,783	4,083	10,717
Other services and charges	66,681	66,681	59,479	(7,202)	48,430
Total information technology	224,206	224,206	221,790	(2,416)	207,193
Community development:					
Current:					
Personnel services	355,952	355,952	351,304	(4,648)	328,349
Materials and supplies	5,700	5,700	5,278	(422)	3,873
Other charges and services	41,560	41,560	37,584	(3,976)	34,271
Total community development	403,212	403,212	394,166	(9,046)	366,493
Building maintenance - City hall:					
Current:					
Personnel services	152,209	152,209	75,732	(76,477)	116,118
Materials and supplies	11,150	11,150	5,963	(5,187)	11,109
Other charges and services	77,600	77,600	95,241	17,641	73,393
Total building maintenance - City hall	240,959	240,959	176,936	(64,023)	200,620
Total general government	1,841,598	1,841,598	1,759,172	(82,426)	1,749,911

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	2015				2014 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Public safety:					
Police protection:					
Current:					
Personnel services	\$2,184,046	\$2,184,046	\$2,165,313	(\$18,733)	\$2,077,857
Materials and supplies	112,200	112,200	89,186	(23,014)	109,752
Other charges and services	317,270	317,270	302,688	(14,582)	215,602
Total police protection	<u>2,613,516</u>	<u>2,613,516</u>	<u>2,557,187</u>	<u>(56,329)</u>	<u>2,403,211</u>
Fire protection:					
Current:					
Personnel services	398,930	398,930	393,624	(5,306)	388,378
Materials and supplies	43,545	43,545	47,458	3,913	47,088
Other charges and services	100,945	100,945	90,292	(10,653)	99,505
Total fire protection	<u>543,420</u>	<u>543,420</u>	<u>531,374</u>	<u>(12,046)</u>	<u>534,971</u>
Total public safety	<u>3,156,936</u>	<u>3,156,936</u>	<u>3,088,561</u>	<u>(68,375)</u>	<u>2,938,182</u>
Public works:					
Public works:					
Current:					
Personnel services	763,057	763,057	804,707	41,650	804,321
Materials and supplies	224,000	224,000	191,932	(32,068)	239,273
Other services and charges	439,044	439,044	444,756	5,712	475,731
Street lighting	223,000	223,000	198,799	(24,201)	218,080
Total public works	<u>1,649,101</u>	<u>1,649,101</u>	<u>1,640,194</u>	<u>(8,907)</u>	<u>1,737,405</u>
Engineering:					
Current:					
Personnel services	213,911	213,911	211,659	(2,252)	213,374
Materials and supplies	6,054	6,054	10,147	4,093	3,109
Other services and charges	60,650	60,650	48,046	(12,604)	50,459
Total engineering	<u>280,615</u>	<u>280,615</u>	<u>269,852</u>	<u>(10,763)</u>	<u>266,942</u>
Fleet maintenance:					
Current:					
Personnel services	178,473	178,473	172,134	(6,339)	175,908
Materials and supplies	18,371	18,371	19,300	929	18,756
Other services and charges	60,427	60,427	52,623	(7,804)	62,678
Total fleet maintenance	<u>257,271</u>	<u>257,271</u>	<u>244,057</u>	<u>(13,214)</u>	<u>257,342</u>
Total public works	<u>2,186,987</u>	<u>2,186,987</u>	<u>2,154,103</u>	<u>(32,884)</u>	<u>2,261,689</u>

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	2015				2014 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Current:					
Personnel services	\$106,753	\$106,753	\$106,286	(\$467)	\$101,157
Materials and supplies	6,700	6,700	1,122	(5,578)	1,026
Other services and charges	14,340	14,340	12,889	(1,451)	10,859
Total culture and recreation	<u>127,793</u>	<u>127,793</u>	<u>120,297</u>	<u>(7,496)</u>	<u>113,042</u>
Miscellaneous:					
City-wide:					
Current:					
Early Retirement Incentive Plan	10,000	10,000	10,000	-	-
Other services and charges	359,625	359,625	378,620	18,995	441,587
Special projects:					
Current:					
Other services and charges	-	-	156,915	156,915	128,873
Total miscellaneous	<u>369,625</u>	<u>369,625</u>	<u>545,535</u>	<u>175,910</u>	<u>570,460</u>
Total expenditures	<u>7,682,939</u>	<u>7,682,939</u>	<u>7,667,668</u>	<u>(15,271)</u>	<u>7,633,284</u>
Revenues over (under) expenditures	<u>512,863</u>	<u>512,863</u>	<u>768,832</u>	<u>255,969</u>	<u>529,340</u>
Other financing sources (uses):					
Sale of capital assets	-	-	2,000	2,000	2,400
Insurance recoveries	-	-	4,347	4,347	18,329
Transfers in	3,500	3,500	3,500	-	32,808
Transfers out	(428,863)	(428,863)	(428,286)	577	(429,072)
Total other financing sources (uses)	<u>(425,363)</u>	<u>(425,363)</u>	<u>(418,439)</u>	<u>6,924</u>	<u>(375,535)</u>
Net change in fund balance	<u>\$87,500</u>	<u>\$87,500</u>	350,393	<u>\$262,893</u>	153,805
Fund balance - January 1			5,650,482		5,496,677
Fund balance - December 31			<u>\$6,000,875</u>		<u>\$5,650,482</u>

Note A - BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level for the General Fund.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH PLAN
For The Year Ended December 31, 2015

Statement 11

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ¹ (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
January 1, 2014	\$ -	\$681,105	\$681,105	0.0%	\$3,976,463	17.1%
January 1, 2011	\$ -	\$711,627	\$711,627	0.0%	\$3,289,834	21.6%
January 1, 2008	\$ -	\$656,510	\$656,510	0.0%	\$3,208,245	20.5%

1. Using the projected unit credit actuarial pay cost method.

Note: The first OPEB actuarial valuation was conducted as of January 1, 2008. There is no data available prior to the first valuation.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

Statement 12

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered-Employee Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	December 31, 2015	0.0522%	\$2,705,275	\$2,975,003	90.9%	78.2%

1. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS⁽¹⁾ -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Statement 13

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$233,723	\$233,723	\$0	\$3,114,384	7.5%

1. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For The Year Ended December 31, 2015

Statement 14

<u>Measurement Date</u>	<u>Fiscal Year Ending</u>	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Covered-Employee Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	December 31, 2015	0.1500%	\$1,704,351	\$1,333,738	127.8%	86.6%

1. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS⁽¹⁾ -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For The Year Ended December 31, 2015

Statement 15

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$219,785	\$219,785	\$ -	\$1,354,978	16.2%

1. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

Statement 16

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS⁽¹⁾ -
GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION
For The Year Ended December 31, 2015

Fiscal year ending	<u>December 31, 2015</u>
Measurement date	<u>December 31, 2015</u>
Total pension liability:	
Service cost	\$75,241
Interest cost	66,133
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(222,729)</u>
Net change in total pension liability	(81,355)
Total pension liability - beginning	<u>1,213,585</u>
Total pension liability - ending (a)	<u><u>\$1,132,230</u></u>
 Plan fiduciary net position:	
Contributions - employer	\$5,000
Contributions - State of Minnesota	131,098
Contributions - employee	-
Net investment income	(98,329)
Benefit payments, including refunds of employee contributions	(222,729)
Administrative expense	(11,540)
Other	-
Net change in plan fiduciary net position	<u>(196,500)</u>
 Plan fiduciary net position - beginning	<u>2,101,620</u>
Plan fiduciary net position - ending (b)	<u><u>\$1,905,120</u></u>
 Net pension liability / (asset) - ending (a) - (b)	<u><u>(\$772,890)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	168.26%
 Covered-employee payroll	(2)
 Net pension liability as a percentage of covered employee payroll	(2)

1. GASB 68 was implemented in 2015. Information prior to 2015 is not available.
2. The Grand Rapids Fire department Relief Association is comprised of volunteers, therefore there are no payroll expenditures.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS⁽¹⁾
GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION
For The Year Ended December 31, 2015

Statement 17

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$ -	\$5,000	(\$5,000)	(2)	(2)

1. GASB 68 was implemented in 2015. Information prior to 2015 is not available.
2. The Grand Rapids Fire department Relief Association is comprised of volunteers, therefore, there are no payroll expenditures. (i.e., there are no covered payroll amounts or percentage calculations.)

A. LEGAL COMPLIANCE – BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the expenditure category level.

B. PENSION INFORMATION

PERA – General Employees Retirement Fund

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of PERA.

PERA – Public Employees Police and Fire Fund

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of PERA.

Single Employer – Fire Relief Association

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of the Fire Relief Association.

- This page intentionally left blank -

**COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL
STATEMENTS AND SCHEDULES**

- This page intentionally left blank -

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

A Special Revenue Fund accounts for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance and/or resolution to finance particular functions, activities or governments.

DEBT SERVICE FUNDS

The Debt Service Funds were established to finance and account for the payment of principal and interest on general long-term indebtedness of the City not accounted for in other Governmental and Proprietary Funds.

CAPITAL PROJECT FUNDS

The Capital Project Funds are established to account for the resources expended to acquire assets of a relatively permanent nature other than those financed by Enterprise Funds.

CITY OF GRAND RAPIDS, MINNESOTA

COMBINING BALANCE SHEET

Statement 18

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2015

With Comparative Totals For December 31, 2014

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2015	2014
Assets					
Cash and investments	\$799,383	\$5,945,823	\$2,354,557	\$9,099,763	\$8,641,102
Due from other governmental units	93,840	2,136	272,708	368,684	599,259
Due from other funds	-	-	175,630	175,630	384,401
Due from component units	-	-	82,471	82,471	-
Accounts receivable	123,859	-	-	123,859	73,002
Interfund loan receivable	-	-	-	-	31,152
Prepaid items	26,659	-	-	26,659	23,387
Taxes receivable - delinquent	9,201	14,261	1,552	25,014	16,527
Special assessments receivable	-	2,788,241	172,397	2,960,638	3,593,308
Total assets	\$1,052,942	\$8,750,461	\$3,059,315	\$12,862,718	\$13,362,138
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$58,598	\$55,485	\$43,649	\$157,732	\$76,331
Accrued wages payable	39,859	-	-	39,859	33,720
Due to other governmental units	15,567	-	39	15,606	3,093
Due to component units	14,419	-	-	14,419	13,012
Contracts payable	-	-	-	-	101,303
Due to other funds	33,270	-	175,630	208,900	468,571
Deposits payable	8,759	-	-	8,759	13,022
Interfund loan payable	69,550	-	140,796	210,346	358,248
Unearned revenue	70,911	-	107,504	178,415	330,836
Total liabilities	310,933	55,485	467,618	834,036	1,398,136
Deferred inflows of resources:					
Unavailable revenue	9,201	2,802,502	173,949	2,985,652	3,609,834
Total deferred inflows of resources	9,201	2,802,502	173,949	2,985,652	3,609,834
Fund balance:					
Nonspendable	26,659	-	-	26,659	23,387
Restricted	149,744	5,892,474	434,724	6,476,942	5,991,827
Committed	646,943	-	-	646,943	636,819
Assigned	-	-	2,076,696	2,076,696	1,819,910
Unassigned	(90,538)	-	(93,672)	(184,210)	(117,775)
Total fund balance	732,808	5,892,474	2,417,748	9,043,030	8,354,168
Total liabilities, deferred inflows of resources, and fund balance	\$1,052,942	\$8,750,461	\$3,059,315	\$12,862,718	\$13,362,138

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Statement 19

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2015	2014
Revenues:					
Taxes:					
General property	\$724,809	\$1,526,195	\$132,182	\$2,383,186	\$2,136,280
Tax abatements	-	4,275	-	4,275	-
Tax increments	-	231,142	-	231,142	175,077
Licenses and permits	40	-	-	40	120
Intergovernmental	194,618	726,893	727,164	1,648,675	2,713,078
Special assessments	-	696,835	16,435	713,270	884,142
Charges for services	1,164,496	-	-	1,164,496	1,144,192
Fines and forfeits	58,136	-	-	58,136	76,173
Investment income	5,223	39,833	15,338	60,394	75,299
Contributions and donations	52,139	-	8,958	61,097	34,600
Other	8,150	-	-	8,150	26,520
Total revenues	<u>2,207,611</u>	<u>3,225,173</u>	<u>900,077</u>	<u>6,332,861</u>	<u>7,265,481</u>
Expenditures:					
Current:					
General government	-	121,170	437,509	558,679	1,335,124
Public safety	136,325	-	-	136,325	135,827
Public works	404,206	-	17,355	421,561	433,364
Culture and recreation	1,599,911	-	419	1,600,330	1,622,095
Capital outlay/construction	168,350	-	580,723	749,073	1,556,811
Debt service:					
Principal retirement	10,000	2,050,000	-	2,060,000	4,705,000
Interest	-	732,857	-	732,857	772,474
Paying agent fees	-	6,800	-	6,800	7,575
Bond issuance costs	-	-	-	-	23,588
Total expenditures	<u>2,318,792</u>	<u>2,910,827</u>	<u>1,036,006</u>	<u>6,265,625</u>	<u>10,591,858</u>
Revenues over (under) expenditures	<u>(111,181)</u>	<u>314,346</u>	<u>(135,929)</u>	<u>67,236</u>	<u>(3,326,377)</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	4,500
Bond issuance	-	-	-	-	835,000
Insurance recoveries	31,603	-	-	31,603	29,000
Transfers in	84,604	156,646	359,682	600,932	902,427
Transfers out	-	(2,394)	(70,252)	(72,646)	(620,725)
Total other financing sources (uses)	<u>116,207</u>	<u>154,252</u>	<u>289,430</u>	<u>559,889</u>	<u>1,150,202</u>
Net change in fund balance	5,026	468,598	153,501	627,125	(2,176,175)
Fund balance - January 1	<u>727,782</u>	<u>5,423,876</u>	<u>2,264,247</u>	<u>8,415,905</u>	<u>10,530,343</u>
Fund balance - December 31	<u>\$732,808</u>	<u>\$5,892,474</u>	<u>\$2,417,748</u>	<u>\$9,043,030</u>	<u>\$8,354,168</u>
Reconciliation of beginning fund balance to prior year ending fund balance:					
Prior year ending fund balance reported above					\$8,354,168
Add prior year ending fund balance for funds reported as major in prior year and nonmajor in current year:					
476 2014 Infrastructure Bonds					61,737
Current year beginning fund balance					<u>\$8,415,905</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Public Library - accounts for the operations of the City's public library.

Central School - accounts for the operation and preservation of a historic building.

Airport Operations – accounts for the operations of the Grand Rapids/Itasca County Airport.

IRA Civic Center - accounts for the operation of the City's civic center.

Recreation Programs - accounts for the program costs of recreation programs.

Haz-Mat - accounts for the State approved Hazardous Materials Program.

Police Forfeiture - accounts for the County, State and Federal forfeitures received.

Cemetery - accounts for the operations of the City's cemetery.

Domestic Animal Control Facility - accounts for costs associated with operating the facility.

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For December 31, 2014

	<u>211 Public Library</u>	<u>225 Central School</u>	<u>226 Airport Operations</u>	<u>228 IRA Civic Center</u>
Assets				
Cash and investments	\$458,070	\$58,676	\$158,650	\$ -
Due from other governmental units	31,542	-	36,372	-
Accounts receivable	15,078	14	4,430	103,169
Prepaid items	10,515	1,440	1,202	4,887
Taxes receivable - delinquent	7,166	-	-	-
Total assets	<u><u>\$522,371</u></u>	<u><u>\$60,130</u></u>	<u><u>\$200,654</u></u>	<u><u>\$108,056</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$26,873	\$3,775	\$3,796	\$20,686
Accrued wages payable	16,130	-	2,205	13,038
Due to other governmental units	8,601	-	131	3,257
Due to component units	2,179	1,809	1,541	8,017
Due to other funds	416	-	-	28,682
Deposits payable	-	8,759	-	-
Interfund loan payable	-	-	17,000	52,550
Unearned revenue	905	-	4,021	63,465
Total liabilities	<u><u>55,104</u></u>	<u><u>14,343</u></u>	<u><u>28,694</u></u>	<u><u>189,695</u></u>
Deferred inflows of resources:				
Unavailable revenue	7,166	-	-	-
Total deferred inflows of resources	<u><u>7,166</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Fund balance (deficit):				
Nonspendable	10,515	1,440	1,202	4,887
Restricted	-	-	85,379	-
Committed	449,586	44,347	85,379	-
Unassigned	-	-	-	(86,526)
Total fund balance (deficit)	<u><u>460,101</u></u>	<u><u>45,787</u></u>	<u><u>171,960</u></u>	<u><u>(81,639)</u></u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$522,371</u></u>	<u><u>\$60,130</u></u>	<u><u>\$200,654</u></u>	<u><u>\$108,056</u></u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2015	2014
\$ -	\$ -	\$58,535	\$65,452	\$ -	\$799,383	\$807,756
-	12,560	4,038	88	9,240	93,840	89,312
-	-	1,018	150	-	123,859	70,357
600	-	-	7,414	601	26,659	23,387
-	-	-	2,035	-	9,201	6,148
<u>\$600</u>	<u>\$12,560</u>	<u>\$63,591</u>	<u>\$75,139</u>	<u>\$9,841</u>	<u>\$1,052,942</u>	<u>\$996,960</u>
\$32	\$2,060	\$199	\$967	\$210	\$58,598	\$44,166
929	2,490	-	3,835	1,232	39,859	33,720
-	3,429	-	51	98	15,567	3,093
-	-	-	226	647	14,419	13,012
531	3,608	-	-	33	33,270	84,170
-	-	-	-	-	8,759	13,022
-	-	-	-	-	69,550	46,554
2,520	-	-	-	-	70,911	25,293
<u>4,012</u>	<u>11,587</u>	<u>199</u>	<u>5,079</u>	<u>2,220</u>	<u>310,933</u>	<u>263,030</u>
-	-	-	2,035	-	9,201	6,148
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,035</u>	<u>0</u>	<u>9,201</u>	<u>6,148</u>
600	-	-	7,414	601	26,659	23,387
-	973	63,392	-	-	149,744	131,182
-	-	-	60,611	7,020	646,943	636,819
(4,012)	-	-	-	-	(90,538)	(63,606)
<u>(3,412)</u>	<u>973</u>	<u>63,392</u>	<u>68,025</u>	<u>7,621</u>	<u>732,808</u>	<u>727,782</u>
<u>\$600</u>	<u>\$12,560</u>	<u>\$63,591</u>	<u>\$75,139</u>	<u>\$9,841</u>	<u>\$1,052,942</u>	<u>\$996,960</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	211 Public Library	225 Central School	226 Airport Operations	228 IRA Civic Center
Revenues:				
General property taxes	\$571,557	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	36,222	-	91,668	-
Charges for services	155,050	86,161	114,874	700,224
Fines and forfeits	12,695	-	-	-
Investment income	2,451	310	1,500	74
Contributions and donations	51,198	-	-	-
Other	-	55	-	-
Total revenues	829,173	86,526	208,042	700,298
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	182,096	-
Culture and recreation	774,258	96,665	-	661,270
Capital outlay	55,944	-	-	112,406
Debt service - loan repayment	-	-	10,000	-
Total expenditures	830,202	96,665	192,096	773,676
Revenues over (under) expenditures	(1,029)	(10,139)	15,946	(73,378)
Other financing sources (uses):				
Insurance recoveries	500	-	-	31,103
Transfers in	-	15,550	24,500	19,554
Total other financing sources (uses)	500	15,550	24,500	50,657
Net change in fund balance	(529)	5,411	40,446	(22,721)
Fund balance (deficit) - January 1	460,630	40,376	131,514	(58,918)
Fund balance (deficit) - December 31	\$460,101	\$45,787	\$171,960	(\$81,639)

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2015	2014
\$ -	\$ -	\$ -	\$153,252	\$ -	\$724,809	\$722,165
-	-	-	-	40	40	120
-	53,004	4,038	9,686	-	194,618	213,110
55,112	-	-	53,075	-	1,164,496	1,144,192
-	-	6,854	-	38,587	58,136	76,173
66	-	494	328	-	5,223	7,375
-	-	-	-	941	52,139	32,100
-	-	5,740	2,355	-	8,150	6,520
<u>55,178</u>	<u>53,004</u>	<u>17,126</u>	<u>218,696</u>	<u>39,568</u>	<u>2,207,611</u>	<u>2,201,755</u>
-	53,004	18,762	-	64,559	136,325	135,827
-	-	-	222,110	-	404,206	401,366
67,718	-	-	-	-	1,599,911	1,622,095
-	-	-	-	-	168,350	70,176
-	-	-	-	-	10,000	10,000
<u>67,718</u>	<u>53,004</u>	<u>18,762</u>	<u>222,110</u>	<u>64,559</u>	<u>2,318,792</u>	<u>2,239,464</u>
<u>(12,540)</u>	<u>0</u>	<u>(1,636)</u>	<u>(3,414)</u>	<u>(24,991)</u>	<u>(111,181)</u>	<u>(37,709)</u>
-	-	-	-	-	31,603	29,000
-	-	-	-	25,000	84,604	96,516
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>116,207</u>	<u>125,516</u>
(12,540)	0	(1,636)	(3,414)	9	5,026	87,807
<u>9,128</u>	<u>973</u>	<u>65,028</u>	<u>71,439</u>	<u>7,612</u>	<u>727,782</u>	<u>639,975</u>
<u>(\$3,412)</u>	<u>\$973</u>	<u>\$63,392</u>	<u>\$68,025</u>	<u>\$7,621</u>	<u>\$732,808</u>	<u>\$727,782</u>

- This page intentionally left blank -

NONMAJOR DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for, and payment of principal, interest and related costs on long-term debt.

The City's Debt Service Funds account for three types of bonded indebtedness:

- General Debt Bonds
- Tax Increment Bonds
- Improvement Bonds

General Debt Bonds are repaid primarily from general property taxes.

Tax Increment Bonds are repaid primarily from tax increment collections.

Improvement Bonds are repaid primarily from special assessments.

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

Assets	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	351 Improvement Bonds of 2006C
Cash and investments	\$4,881	\$186,353	\$83,816	\$1,023,887
Accounts receivable	-	-	-	-
Due from other governments	-	-	1,758	-
Due from other funds	-	-	-	-
Taxes receivable - delinquent	-	1,591	-	-
Special assessments:				
Delinquent	-	-	714	-
Deferred	-	-	4,295	421,626
Special deferred	-	-	-	-
Total assets	\$4,881	\$187,944	\$90,583	\$1,445,513
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Interfund loan payable	-	-	-	-
Total liabilities	0	0	0	0
Deferred inflows of resources:				
Unavailable revenue	-	1,591	5,009	421,626
Total deferred inflows of resources	0	1,591	5,009	421,626
Fund balance:				
Restricted	4,881	186,353	85,574	1,023,887
Unassigned	-	-	-	-
Total fund balance	4,881	186,353	85,574	1,023,887
Total liabilities, deferred inflows of resources, and fund balance	\$4,881	\$187,944	\$90,583	\$1,445,513

353 Improvement Bonds of 2007A	354 G.O. State- Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	357 Improvement Refunding Bonds of 2009B	358 Improvement Bonds of 2009C	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B
\$266,966	\$15,699	\$141,390	\$119,324	\$102,342	\$836,164	\$300,892	\$455,015
-	-	-	-	-	-	-	-
378	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,291	-	-	657	-	3,724	1,706	-
2,678	-	74,258	702	1,038	1,557	17,981	4,510
162,866	-	133,439	31,904	976	423,526	147,530	453,388
-	-	24,042	-	1,156	-	-	-
<u>\$434,179</u>	<u>\$15,699</u>	<u>\$373,129</u>	<u>\$152,587</u>	<u>\$105,512</u>	<u>\$1,264,971</u>	<u>\$468,109</u>	<u>\$912,913</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
166,835	-	231,739	33,263	3,170	428,807	167,217	457,898
<u>166,835</u>	<u>0</u>	<u>231,739</u>	<u>33,263</u>	<u>3,170</u>	<u>428,807</u>	<u>167,217</u>	<u>457,898</u>
267,344	15,699	141,390	119,324	102,342	836,164	300,892	455,015
-	-	-	-	-	-	-	-
<u>267,344</u>	<u>15,699</u>	<u>141,390</u>	<u>119,324</u>	<u>102,342</u>	<u>836,164</u>	<u>300,892</u>	<u>455,015</u>
<u>\$434,179</u>	<u>\$15,699</u>	<u>\$373,129</u>	<u>\$152,587</u>	<u>\$105,512</u>	<u>\$1,264,971</u>	<u>\$468,109</u>	<u>\$912,913</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

	361 Improvement Bonds of 2012A	362 G.O. State- Aid Street Bonds of 2012B	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
Assets						
Cash and investments	\$906,616	\$1,238	\$653,750	\$365,332	\$28,970	\$22,968
Accounts receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Taxes receivable - delinquent	1,445	-	1,625	2,222	-	-
Special assessments:						
Delinquent	5,037	-	15,582	-	-	-
Deferred	337,988	-	390,388	122,976	-	-
Special deferred	5,152	-	2,932	-	-	-
Total assets	\$1,256,238	\$1,238	\$1,064,277	\$490,530	\$28,970	\$22,968
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$5,224	\$16,058
Due to other funds	-	-	-	-	-	-
Interfund loan payable	-	-	-	-	-	-
Total liabilities	0	0	0	0	5,224	16,058
Deferred inflows of resources:						
Unavailable revenue	349,622	-	410,527	125,198	-	-
Total deferred inflows of resources	349,622	0	410,527	125,198	0	0
Fund balance:						
Restricted	906,616	1,238	653,750	365,332	23,746	6,910
Unassigned	-	-	-	-	-	-
Total fund balance	906,616	1,238	653,750	365,332	23,746	6,910
Total liabilities, deferred inflows of resources, and fund balance	\$1,256,238	\$1,238	\$1,064,277	\$490,530	\$28,970	\$22,968

371 TIF 1-6 Old Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 Old Hospital Housing Paygo	374 TIF 1-5 Black Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Nonmajor Debt Service Funds	
						2015	2014
\$58,138	\$16,065	\$12,403	\$23,773	\$302,222	\$17,619	\$5,945,823	\$5,478,495
-	-	-	-	-	-	-	2,645
-	-	-	-	-	-	2,136	-
-	-	-	-	-	-	-	757
-	-	-	-	-	-	14,261	9,282
-	-	-	-	-	-	124,057	130,150
-	-	-	-	-	-	2,630,902	3,245,835
-	-	-	-	-	-	33,282	33,282
<u>\$58,138</u>	<u>\$16,065</u>	<u>\$12,403</u>	<u>\$23,773</u>	<u>\$302,222</u>	<u>\$17,619</u>	<u>\$8,750,461</u>	<u>\$8,900,446</u>
\$ -	\$7,047	\$11,059	\$ -	\$ -	\$16,097	55,485	\$26,112
-	-	-	-	-	-	-	757
-	-	-	-	-	-	-	31,152
<u>0</u>	<u>7,047</u>	<u>11,059</u>	<u>0</u>	<u>0</u>	<u>16,097</u>	<u>55,485</u>	<u>58,021</u>
-	-	-	-	-	-	2,802,502	3,418,549
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,802,502</u>	<u>3,418,549</u>
58,138	9,018	1,344	23,773	302,222	1,522	5,892,474	5,441,880
-	-	-	-	-	-	-	(18,004)
<u>58,138</u>	<u>9,018</u>	<u>1,344</u>	<u>23,773</u>	<u>302,222</u>	<u>1,522</u>	<u>5,892,474</u>	<u>5,423,876</u>
<u>\$58,138</u>	<u>\$16,065</u>	<u>\$12,403</u>	<u>\$23,773</u>	<u>\$302,222</u>	<u>\$17,619</u>	<u>\$8,750,461</u>	<u>\$8,900,446</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	349 G.O. State- Aid Street Bonds of 2005B	351 Improvement Bonds of 2006C
Revenues:					
Taxes:					
General property	\$ -	\$139,882	\$13,731	\$ -	\$25,759
Tax abatement	-	-	-	-	-
Tax increments	-	-	-	-	-
Intergovernmental:					
State:					
Supplemental aid	-	8,839	873	-	1,662
MSA	-	-	-	127,313	-
Other federal	-	-	-	-	-
Federal BAB credit	-	7,994	-	-	-
Special assessments	-	-	9,159	-	242,559
Investment income	40	977	601	94	7,559
Total revenues	<u>40</u>	<u>157,692</u>	<u>24,364</u>	<u>127,407</u>	<u>277,539</u>
Expenditures:					
General government:					
Current:					
Contractual services	-	2,850	-	2,850	100
Developer assistance	-	-	-	-	-
Debt service:					
Principal retirement	-	115,000	30,000	125,000	165,000
Interest	-	24,638	4,161	2,313	48,100
Paying agent fees	-	400	450	-	450
Total expenditures	<u>0</u>	<u>142,888</u>	<u>34,611</u>	<u>130,163</u>	<u>213,650</u>
Revenues over (under) expenditures	<u>40</u>	<u>14,804</u>	<u>(10,247)</u>	<u>(2,756)</u>	<u>63,889</u>
Other financing sources (uses):					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	(2,394)	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,394)</u>	<u>0</u>
Net change in fund balance	40	14,804	(10,247)	(5,150)	63,889
Fund balance (deficit) - January 1	<u>4,841</u>	<u>171,549</u>	<u>95,821</u>	<u>5,150</u>	<u>959,998</u>
Fund balance (deficit) - December 31	<u>\$4,881</u>	<u>\$186,353</u>	<u>\$85,574</u>	<u>\$0</u>	<u>\$1,023,887</u>

353 Improvement Bonds of 2007A	354 G.O. State-Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	357 Improvement Refunding Bonds of 2009B	358 Improvement Bonds of 2009C	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B
\$113,374	\$ -	\$66,585	\$74,987	\$8,919	\$298,313	\$131,603	\$50,970
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,166	-	4,230	4,740	565	18,848	8,314	3,229
-	97,650	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	53,119	-	-
33,989	-	19,531	8,237	4,702	68,219	76,592	114,528
1,638	198	851	677	781	5,496	1,678	3,080
<u>156,167</u>	<u>97,848</u>	<u>91,197</u>	<u>88,641</u>	<u>14,967</u>	<u>443,995</u>	<u>218,187</u>	<u>171,807</u>
100	100	100	100	100	2,850	100	100
-	-	-	-	-	-	-	-
120,000	75,000	75,000	65,000	45,000	295,000	185,000	140,000
45,615	22,650	32,663	29,898	1,125	163,721	27,763	25,330
350	375	375	-	775	400	400	525
<u>166,065</u>	<u>98,125</u>	<u>108,138</u>	<u>94,998</u>	<u>47,000</u>	<u>461,971</u>	<u>213,263</u>	<u>165,955</u>
(9,898)	(277)	(16,941)	(6,357)	(32,033)	(17,976)	4,924	5,852
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(9,898)	(277)	(16,941)	(6,357)	(32,033)	(17,976)	4,924	5,852
<u>277,242</u>	<u>15,976</u>	<u>158,331</u>	<u>125,681</u>	<u>134,375</u>	<u>854,140</u>	<u>295,968</u>	<u>449,163</u>
<u>\$267,344</u>	<u>\$15,699</u>	<u>\$141,390</u>	<u>\$119,324</u>	<u>\$102,342</u>	<u>\$836,164</u>	<u>\$300,892</u>	<u>\$455,015</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	361 Improvement Bonds of 2012A	362 G.O. State- Aid Street Bonds of 2012B	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	369 1st Ave Condo Abatement
Revenues:					
Taxes:					
General property	\$124,565	\$ -	\$151,302	\$298,172	\$28,033
Tax abatement	-	-	-	-	4,275
Tax increments	-	-	-	-	-
Intergovernmental:					
State:					
Supplemental aid	7,870	-	9,565	18,888	1,776
MSA	-	321,693	-	-	-
Other federal	16,679	-	-	-	-
Federal BAB credit	-	-	-	-	-
Special assessments	59,928	-	44,346	15,045	-
Investment income	6,557	226	4,424	1,730	109
Total revenues	<u>215,599</u>	<u>321,919</u>	<u>209,637</u>	<u>333,835</u>	<u>34,193</u>
Expenditures:					
General government:					
Current:					
Contractual services	100	100	-	-	-
Developer assistance	-	-	-	-	10,447
Debt service:					
Principal retirement	140,000	260,000	195,000	-	-
Interest	44,948	61,693	122,613	39,936	-
Paying agent fees	525	525	425	450	-
Total expenditures	<u>185,573</u>	<u>322,318</u>	<u>318,038</u>	<u>40,386</u>	<u>10,447</u>
Revenues over (under) expenditures	<u>30,026</u>	<u>(399)</u>	<u>(108,401)</u>	<u>293,449</u>	<u>23,746</u>
Other financing sources (uses):					
Transfer in	-	2,394	150,000	4,252	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>2,394</u>	<u>150,000</u>	<u>4,252</u>	<u>0</u>
Net change in fund balance	30,026	1,995	41,599	297,701	23,746
Fund balance (deficit) - January 1	<u>876,590</u>	<u>(757)</u>	<u>612,151</u>	<u>67,631</u>	<u>-</u>
Fund balance (deficit) - December 31	<u>\$906,616</u>	<u>\$1,238</u>	<u>\$653,750</u>	<u>\$365,332</u>	<u>\$23,746</u>

370 TIF 1-8 Lakewood Heights	371 TIF 1-6 Old Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 Old Hospital Housing Paygo	374 TIF 1-5 Black Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Nonmajor Debt Service Funds	
							2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,526,195	\$1,282,334
-	-	-	-	-	-	-	4,275	-
35,685	56,646	15,659	24,039	35,127	30,097	33,889	231,142	175,077
-	-	-	269	5,611	-	-	102,445	99,582
-	-	-	-	-	-	-	546,656	550,558
-	-	-	-	-	-	-	16,679	-
-	-	-	-	-	-	-	61,113	65,882
-	-	-	-	-	-	-	696,835	866,136
89	303	88	34	246	2,305	52	39,833	46,754
35,774	56,949	15,747	24,342	40,984	32,402	33,941	3,225,173	3,086,323
149	184	149	-	110	76	1,919	12,137	45,622
32,116	-	14,093	21,877	-	-	30,500	109,033	52,369
-	20,000	-	-	-	-	-	2,050,000	4,695,000
-	34,715	-	-	975	-	-	732,857	772,474
-	375	-	-	-	-	-	6,800	7,575
32,265	55,274	14,242	21,877	1,085	76	32,419	2,910,827	5,573,040
3,509	1,675	1,505	2,465	39,899	32,326	1,522	314,346	(2,486,717)
-	-	-	-	-	-	-	156,646	618,839
-	-	-	-	-	-	-	(2,394)	(118,062)
0	0	0	0	0	0	0	154,252	500,777
3,509	1,675	1,505	2,465	39,899	32,326	1,522	468,598	(1,985,940)
3,401	56,463	7,513	(1,121)	(16,126)	269,896	-	5,423,876	7,409,816
\$6,910	\$58,138	\$9,018	\$1,344	\$23,773	\$302,222	\$1,522	\$5,892,474	\$5,423,876

- This page intentionally left blank -

NONMAJOR CAPITAL PROJECT FUNDS

The Capital Project Funds account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

General Capital Improvement Projects – accounts for general capital improvement projects that are not funded by bonds.

Municipal State Aid – accounts for allotments received from the Minnesota Department of Transportation.

Park Acquisition and Development – accounts for the accumulation of resources to be used to improve the City's park and recreational facilities.

Capital Equipment Replacement – used to accumulate resources for capital equipment replacement.

Airport Capital Fund – accounts for the capital activity of the Grand Rapids/Itasca County Airport.

Equipment Certificate Fund – accounts for capital equipment purchases financed by debt proceeds.

7th Avenue Bridge Rehabilitation – accounts for 7th Avenue bridge rehabilitation.

Infrastructure – Bonded Funds – accounts for infrastructure improvements that have been financed by bond proceeds.

Infrastructure – Other Funds – accounts for infrastructure projects which are not financed by bond proceeds.

Permanent Improvement Revolving – designed to be a revolving fund for infrastructure improvements.

- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2015
 With Comparative Totals For December 31, 2014

Assets	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development
Cash and investments	\$265,555	\$441,610	\$13,060
Due from other governmental units	200,000	-	-
Due from other funds	-	-	-
Due from component units	-	-	-
Interfund loan receivable	-	-	-
Taxes receivable - delinquent	-	-	-
Special assessments receivable:			
Deferred	-	-	-
Special deferred	-	-	-
Total assets	<u><u>\$465,555</u></u>	<u><u>\$441,610</u></u>	<u><u>\$13,060</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$1,111	\$ -	\$ -
Interfund loan payable	-	-	-
Contracts payable	-	-	-
Due to other governments	39	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u><u>1,150</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Fund balance (deficit):			
Restricted	-	-	-
Assigned	464,405	441,610	13,060
Unassigned	-	-	-
Total fund balance (deficit)	<u><u>464,405</u></u>	<u><u>441,610</u></u>	<u><u>13,060</u></u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$465,555</u></u>	<u><u>\$441,610</u></u>	<u><u>\$13,060</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

Assets	407 Capital Equipment Replacement	413 Airport Capital Fund	431 7th Ave Bridge Rehab
Cash and investments	\$437,444	\$66,000	\$578,181
Due from other governmental units	-	72,708	-
Due from other funds	-	-	-
Due from component units	-	-	-
Interfund loan receivable	-	-	-
Taxes receivable - delinquent	1,552	-	-
Special assessments receivable:			
Deferred	-	-	-
Special deferred	-	-	-
Total assets	\$438,996	\$138,708	\$578,181
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$4,260	\$18,405	\$ -
Interfund loan payable	140,796	-	-
Contracts payable	-	-	-
Due to other governmental units	-	-	-
Due to other funds	-	101,516	-
Unearned revenue	107,504	-	-
Total liabilities	252,560	119,921	0
Deferred inflows of resources:			
Unavailable revenue	1,552	-	-
Total deferred inflows of resources	1,552	0	0
Fund balance (deficit):			
Restricted	-	-	-
Assigned	184,884	18,787	578,181
Unassigned	-	-	-
Total fund balance (deficit)	184,884	18,787	578,181
Total liabilities, deferred inflows of resources, and fund balance	\$438,996	\$138,708	\$578,181

458 2000 Infrastructure Other	475 2013 Infrastructure Bonds	476 2014 Infrastructure Bonds	477 2016 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
					2015	2014
\$6,382	\$412,955	\$ -	\$ -	\$133,370	\$2,354,557	\$2,354,851
-	-	-	-	-	272,708	509,947
-	-	-	-	175,630	175,630	383,644
-	15,702	-	-	66,769	82,471	-
-	-	-	-	-	-	31,152
-	-	-	-	-	1,552	1,097
-	-	-	-	166,110	166,110	177,754
-	-	-	-	6,287	6,287	6,287
<u>\$6,382</u>	<u>\$428,657</u>	<u>\$0</u>	<u>\$0</u>	<u>\$548,166</u>	<u>\$3,059,315</u>	<u>\$3,464,732</u>
\$ -	\$315	\$ -	\$19,558	\$ -	\$43,649	\$6,053
-	-	-	-	-	140,796	280,542
-	-	-	-	-	-	101,303
-	-	-	-	-	39	-
-	-	47,183	26,931	-	175,630	383,644
-	-	-	-	-	107,504	305,543
<u>0</u>	<u>315</u>	<u>47,183</u>	<u>46,489</u>	<u>0</u>	<u>467,618</u>	<u>1,077,085</u>
-	-	-	-	172,397	173,949	185,137
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>172,397</u>	<u>173,949</u>	<u>185,137</u>
6,382	428,342	-	-	-	434,724	418,765
-	-	-	-	375,769	2,076,696	1,819,910
-	-	(47,183)	(46,489)	-	(93,672)	(36,165)
<u>6,382</u>	<u>428,342</u>	<u>(47,183)</u>	<u>(46,489)</u>	<u>375,769</u>	<u>2,417,748</u>	<u>2,202,510</u>
<u>\$6,382</u>	<u>\$428,657</u>	<u>\$0</u>	<u>\$0</u>	<u>\$548,166</u>	<u>\$3,059,315</u>	<u>\$3,464,732</u>

- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development	407 Capital Equipment Replacement
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$132,182
Intergovernmental:				
State:				
MSA	-	92,273	-	-
Other intergovernmental	398,639	-	-	8,354
Special assessments	-	-	-	-
Investment income	5,515	3,226	104	4,109
Contributions and donations	2,500	-	-	-
Other	-	-	-	-
Total revenues	<u>406,654</u>	<u>95,499</u>	<u>104</u>	<u>144,645</u>
Expenditures:				
Current:				
General government	402,970	-	-	1,843
Public works	-	11,552	-	-
Culture and recreation	-	-	-	419
Capital outlay/construction	34,093	-	-	84,914
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>437,063</u>	<u>11,552</u>	<u>0</u>	<u>87,176</u>
Revenues over (under) expenditures	<u>(30,409)</u>	<u>83,947</u>	<u>104</u>	<u>57,469</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	5,688	-	-	187,994
Transfers out	-	-	-	(66,000)
Total other financing sources (uses)	<u>5,688</u>	<u>0</u>	<u>0</u>	<u>121,994</u>
Net change in fund balance	(24,721)	83,947	104	179,463
Fund balance (deficit) - January 1	<u>489,126</u>	<u>357,663</u>	<u>12,956</u>	<u>5,421</u>
Fund balance (deficit) - December 31	<u><u>\$464,405</u></u>	<u><u>\$441,610</u></u>	<u><u>\$13,060</u></u>	<u><u>\$184,884</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	413 Airport Capital Fund	415 2014 Capital Equip Certificate	431 7th Ave Bridge Rehab	458 2000 Infrastructure Other
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
State:				
MSA	-	-	-	-
Other intergovernmental	166,620	-	-	-
Special assessments	-	-	-	-
Investment income	-	19	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>166,620</u>	<u>19</u>	<u>0</u>	<u>0</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public works	5,803	-	-	-
Culture and recreation	-	-	-	-
Capital outlay/construction	171,865	-	-	-
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>177,668</u>	<u>0</u>	<u>0</u>	<u>0</u>
Revenues over (under) expenditures	<u>(11,048)</u>	<u>19</u>	<u>0</u>	<u>0</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	66,000	-	-	-
Transfers out	-	(4,252)	-	-
Total other financing sources (uses)	<u>66,000</u>	<u>(4,252)</u>	<u>0</u>	<u>0</u>
Net change in fund balance	54,952	(4,233)	0	0
Fund balance (deficit) - January 1	<u>(36,165)</u>	<u>4,233</u>	<u>578,181</u>	<u>6,382</u>
Fund balance (deficit) - December 31	<u>\$18,787</u>	<u>\$0</u>	<u>\$578,181</u>	<u>\$6,382</u>

475 2013 Infrastructure Bonds	476 2014 Infrastructure Bonds	477 2016 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
				2015	2014
\$ -	\$ -	\$ -	\$ -	\$132,182	\$131,781
-	-	-	-	92,273	143,962
20,774	24,052	-	16,452	634,891	1,639,984
-	-	-	16,435	16,435	18,006
-	-	-	2,365	15,338	21,170
-	-	-	6,458	8,958	2,500
-	-	-	-	-	20,000
<u>20,774</u>	<u>24,052</u>	<u>0</u>	<u>41,710</u>	<u>900,077</u>	<u>1,977,403</u>
-	-	-	32,696	437,509	1,237,133
-	-	-	-	17,355	31,998
-	-	-	-	419	-
4,815	232,972	46,489	5,575	580,723	1,486,635
-	-	-	-	-	23,588
<u>4,815</u>	<u>232,972</u>	<u>46,489</u>	<u>38,271</u>	<u>1,036,006</u>	<u>2,779,354</u>
<u>15,959</u>	<u>(208,920)</u>	<u>(46,489)</u>	<u>3,439</u>	<u>(135,929)</u>	<u>(801,951)</u>
-	-	-	-	-	4,500
-	-	-	-	-	835,000
-	100,000	-	-	359,682	187,072
-	-	-	-	(70,252)	(502,663)
<u>0</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>289,430</u>	<u>523,909</u>
15,959	(108,920)	(46,489)	3,439	153,501	(278,042)
<u>412,383</u>	<u>61,737</u>	<u>-</u>	<u>372,330</u>	<u>2,264,247</u>	<u>2,480,552</u>
<u>\$428,342</u>	<u>(\$47,183)</u>	<u>(\$46,489)</u>	<u>\$375,769</u>	<u>\$2,417,748</u>	<u>\$2,202,510</u>

Reconciliation of beginning fund balance
to prior year ending fund balance:

Prior year ending fund balance reported above	\$2,202,510
Add prior year ending fund balance for funds reported as major in prior year and nonmajor in current year:	
476 2014 Infrastructure Bonds	61,737
Current year beginning fund balance	<u>\$2,264,247</u>

- This page intentionally left blank -

INDIVIDUAL BUDGET TO ACTUAL STATEMENTS

SPECIAL REVENUE FUNDS

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 211 PUBLIC LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 26

	2015		Actual Amounts	2014 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
General property taxes	\$576,594	\$576,594	\$571,557	\$561,527
Intergovernmental:				
State:				
Supplemental aid	36,122	36,122	36,122	40,965
Other	-	-	100	173
Charges for services:				
Townships	127,000	127,000	128,117	127,419
Other	11,082	11,082	26,933	17,132
Fines and forfeits	14,000	14,000	12,695	13,319
Investment income	-	-	2,451	4,445
Contributions and donations	-	-	51,198	12,100
Miscellaneous	14,400	14,400	500	2,943
Total revenues	<u>779,198</u>	<u>779,198</u>	<u>829,673</u>	<u>780,023</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	565,658	565,658	550,613	544,605
Materials and supplies	80,850	80,850	90,499	88,224
Other services and charges	132,690	132,690	133,146	128,433
Total current	<u>779,198</u>	<u>779,198</u>	<u>774,258</u>	<u>761,262</u>
Capital outlay	-	-	55,944	-
Total expenditures	<u>779,198</u>	<u>779,198</u>	<u>830,202</u>	<u>761,262</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	(529)	18,761
Fund balance - January 1			<u>460,630</u>	<u>441,869</u>
Fund balance - December 31			<u>\$460,101</u>	<u>\$460,630</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 225 CENTRAL SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 27

	2015		Actual Amounts	2014 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$108,538	\$108,538	\$86,114	\$96,023
Other	-	-	47	66
Investment income	-	-	310	260
Other	-	-	55	96
Total revenues	<u>108,538</u>	<u>108,538</u>	<u>86,526</u>	<u>96,445</u>
Expenditures:				
Culture and recreation:				
Current:				
Materials and supplies	3,200	3,200	3,624	3,883
Other services and charges	105,050	105,050	93,041	117,268
Capital outlay	-	-	-	-
Total expenditures	<u>108,250</u>	<u>108,250</u>	<u>96,665</u>	<u>121,151</u>
Revenues over (under) expenditures	288	288	(10,139)	(24,706)
Other financing sources:				
Transfer in	<u>5,500</u>	<u>5,500</u>	<u>15,550</u>	<u>25,000</u>
Net change in fund balance	<u>\$5,788</u>	<u>\$5,788</u>	5,411	294
Fund balance - January 1			<u>40,376</u>	<u>40,082</u>
Fund balance - December 31			<u>\$45,787</u>	<u>\$40,376</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 226 AIRPORT OPERATIONS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 28

	2015		Actual Amounts	2014 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$102,708	\$102,708	\$109,451	\$110,080
Other	4,800	4,800	5,423	4,886
Intergovernmental:				
State operations reimbursement	63,049	63,049	66,668	78,894
Itasca County	24,500	24,500	25,000	20,000
Investment income	1,000	1,000	1,500	1,608
Total revenues	<u>196,057</u>	<u>196,057</u>	<u>208,042</u>	<u>215,468</u>
Expenditures:				
Public works:				
Current:				
Personnel services	80,094	80,094	73,327	64,543
Materials and supplies	18,825	18,825	9,301	15,932
Other services and charges	110,688	110,688	99,468	105,746
Total current	<u>209,607</u>	<u>209,607</u>	<u>182,096</u>	<u>186,221</u>
Debt service - loan repayment	10,000	10,000	10,000	10,000
Total expenditures	<u>219,607</u>	<u>219,607</u>	<u>192,096</u>	<u>196,221</u>
Revenues over (under) expenditures	(23,550)	(23,550)	15,946	19,247
Other financing sources:				
Transfer in	<u>24,500</u>	<u>24,500</u>	<u>24,500</u>	<u>20,000</u>
Net change in fund balance	<u>\$950</u>	<u>\$950</u>	40,446	39,247
Fund balance - January 1			<u>131,514</u>	<u>92,267</u>
Fund balance - December 31			<u>\$171,960</u>	<u>\$131,514</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 228 IRA CIVIC CENTER
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 29

	2015		Actual Amounts	2014
	Budgeted Amounts			Actual Amounts
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$470,000	\$470,000	\$490,836	\$474,909
Concessions	130,000	130,000	122,210	132,887
Advertising	75,000	75,000	69,319	65,967
Other	19,150	19,150	17,859	15,773
Investment income	-	-	74	46
Contributions and donations	-	-	-	19,500
Total revenues	<u>694,150</u>	<u>694,150</u>	<u>700,298</u>	<u>709,082</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	339,345	339,345	333,732	336,467
Materials and supplies	112,800	112,800	115,548	120,383
Other services and charges	234,700	234,700	211,990	217,278
Capital outlay	-	-	112,406	66,676
Total expenditures	<u>686,845</u>	<u>686,845</u>	<u>773,676</u>	<u>740,804</u>
Revenues over (under) expenditures	<u>7,305</u>	<u>7,305</u>	<u>(73,378)</u>	<u>(31,722)</u>
Other financing sources (uses):				
Insurance recoveries	-	-	31,103	29,000
Transfers in	-	-	19,554	31,516
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>50,657</u>	<u>60,516</u>
Net change in fund balance	<u>\$7,305</u>	<u>\$7,305</u>	<u>(22,721)</u>	<u>28,794</u>
Fund balance (deficit) - January 1			<u>(58,918)</u>	<u>(87,712)</u>
Fund balance (deficit) - December 31			<u>(\$81,639)</u>	<u>(\$58,918)</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 230 RECREATION PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 30

	2015		Actual Amounts	2014 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Fees	\$57,500	\$57,500	\$55,112	\$47,755
Other	-	-	-	892
Investment income	-	-	66	155
Contributions and donations	-	-	-	500
Total revenues	<u>57,500</u>	<u>57,500</u>	<u>55,178</u>	<u>49,302</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	47,312	47,312	60,765	50,616
Materials and supplies	8,000	8,000	4,096	9,690
Other services and charges	1,900	1,900	2,857	5,248
Total expenditures	<u>57,212</u>	<u>57,212</u>	<u>67,718</u>	<u>65,554</u>
Revenues over (under) expenditures	<u>\$288</u>	<u>\$288</u>	(12,540)	(16,252)
Fund balance - January 1			<u>9,128</u>	<u>25,380</u>
Fund balance - December 31			<u>(\$3,412)</u>	<u>\$9,128</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 231 HAZ-MAT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 31

	2015		Actual Amounts	2014 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Intergovernmental:				
State:				
Haz-Mat reimbursement	\$45,000	\$45,000	\$53,004	\$44,078
Haz-Mat terrorism grant	-	-	-	5,717
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>53,004</u>	<u>49,795</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	24,860	24,860	17,369	20,948
Materials and supplies	5,500	5,500	16,980	4,273
Other services and charges	14,640	14,640	18,655	24,574
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>53,004</u>	<u>49,795</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	0	0
Fund balance - January 1			<u>973</u>	<u>973</u>
Fund balance - December 31			<u>\$973</u>	<u>\$973</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 232 POLICE FORFEITURE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 32

	2015		Actual Amounts	2014 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$4,038	\$11,550
Fines and forfeits	14,000	14,000	6,854	23,908
Investment income	-	-	494	634
Miscellaneous	11,500	11,500	5,740	1,496
Total revenues	<u>25,500</u>	<u>25,500</u>	<u>17,126</u>	<u>37,588</u>
Expenditures:				
Public safety:				
Current:				
Materials and supplies	23,000	23,000	11,018	24,782
Other services and charges	5,000	5,000	7,744	3,052
Capital outlay	-	-	-	3,500
Total expenditures	<u>28,000</u>	<u>28,000</u>	<u>18,762</u>	<u>31,334</u>
Revenues over (under) expenditures	<u>(\$2,500)</u>	<u>(\$2,500)</u>	(1,636)	6,254
Fund balance - January 1			<u>65,028</u>	<u>58,774</u>
Fund balance - December 31			<u>\$63,392</u>	<u>\$65,028</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 233 CEMETERY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 33

	2015		Actual Amounts	2014
	Budgeted Amounts			Actual
	Original	Final		Amounts
Revenues:				
General property taxes	\$164,497	\$164,497	\$153,252	\$160,638
Intergovernmental:				
State:				
Supplemental aid	10,473	10,473	9,686	11,733
Charges for services:				
Cemetery	31,500	31,500	53,075	50,403
Investment income	-	-	328	227
Other	-	-	2,355	1,985
Total revenues	<u>206,470</u>	<u>206,470</u>	<u>218,696</u>	<u>224,986</u>
Expenditures:				
Public works:				
Current:				
Personnel services	150,820	150,820	166,916	152,047
Materials and supplies	12,000	12,000	12,577	14,343
Other services and charges	43,650	43,650	42,617	48,755
Total expenditures	<u>206,470</u>	<u>206,470</u>	<u>222,110</u>	<u>215,145</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	(3,414)	9,841
Fund balance - January 1			<u>71,439</u>	<u>61,598</u>
Fund balance - December 31			<u>\$68,025</u>	<u>\$71,439</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 235 DOMESTIC ANIMAL CONTROL FACILITY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 34

	2015		Actual Amounts	2014 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Licenses and permits	\$ -	\$ -	\$40	\$120
Fines and forfeits	38,300	38,300	38,587	38,946
Donations	350	350	941	-
Other	1,200	1,200	-	-
Total revenues	<u>39,850</u>	<u>39,850</u>	<u>39,568</u>	<u>39,066</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	39,386	39,386	46,580	38,984
Materials and supplies	6,400	6,400	3,636	3,478
Other services and charges	18,535	18,535	14,343	15,736
Total expenditures	<u>64,321</u>	<u>64,321</u>	<u>64,559</u>	<u>58,198</u>
Revenues over (under) expenditures	(24,471)	(24,471)	(24,991)	(19,132)
Other financing sources:				
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>20,000</u>
Net change in fund balance	<u>\$529</u>	<u>\$529</u>	9	868
Fund balance - January 1			<u>7,612</u>	<u>6,744</u>
Fund balance - December 31			<u>\$7,621</u>	<u>\$7,612</u>

AGENCY FUNDS

Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. During 2015, the City of Grand Rapids had the following Agency Funds:

Lodging Tax - accounts for tax pass-through of lodging tax collections.

Cable TV Commission - accounts for the pass-through of franchise fees to the Cable TV Commission.

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
 December 31, 2015
 With Comparative Totals For December 31, 2014

Statement 35

	872 Lodging Tax	877 Cable TV Commision	Totals Agency Funds	
			2015	2014
Assets:				
Cash and investments	\$21,266	\$106,260	\$127,526	\$102,779
Liabilities:				
Accounts payable	\$21,266	\$ -	\$21,266	\$24,161
Due to third-party grantees	-	106,260	106,260	78,618
Total liabilities	\$21,266	\$106,260	\$127,526	\$102,779

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2015

Statement 36

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Lodging Tax:				
Assets				
Cash and investments	\$24,161	\$21,266	\$24,161	\$21,266
Liabilities				
Accounts payable	\$24,161	\$21,266	\$24,161	\$21,266
Cable TV Commission:				
Assets				
Cash and investments	\$78,616	\$106,260	\$78,616	\$106,260
Liabilities				
Due to third-party grantees	\$78,616	\$106,260	\$78,616	\$106,260
Totals - All Agency Funds:				
Assets				
Cash and investments	\$102,777	\$127,526	\$102,777	\$127,526
Liabilities				
Accounts payable	\$24,161	\$21,266	\$24,161	\$21,266
Due to third-party grantees	78,616	106,260	78,616	106,260
Total liabilities	\$102,777	\$127,526	\$102,777	\$127,526

- This page intentionally left blank -

COMPONENT UNIT

Economic Development Authority – The EDA is a discretely presented component unit which does not issue separate financial statements.

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
 December 31, 2015
 With Comparative Totals For December 31, 2014

Statement 37

Assets	General	Capital Project	Totals	
			2015	2014
Cash and investments	\$54,695	\$504,460	\$559,155	\$970,770
Accounts receivable	-	211,941	211,941	34,260
Due from other governmental units	-	48,289	48,289	10,291
Inventory - land held for resale	-	1,809,561	1,809,561	1,233,217
Notes receivable	-	198,168	198,168	123,603
Total assets	\$54,695	\$2,772,419	\$2,827,114	\$2,372,141
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$1,446	\$1,446	\$4,488
Due to other governmental units	-	116,444	116,444	10,291
Contracts payable	-	10,989	10,989	18,125
Total liabilities	0	128,879	128,879	32,904
Deferred inflows of resources:				
Unavailable revenue	-	2,131,088	2,131,088	1,356,820
Total deferred inflows of resources	0	2,131,088	2,131,088	1,356,820
Fund balance:				
Assigned	-	512,452	512,452	913,253
Unassigned	54,695	-	54,695	69,164
Total fund balance	54,695	512,452	567,147	982,417
Total liabilities, deferred inflows of resources, and fund balance	\$54,695	\$2,772,419	\$2,827,114	\$2,372,141

CITY OF GRAND RAPIDS, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Statement 38

ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT

For The Year Ended December 31, 2015

With Comparative Totals For The Year Ended December 31, 2014

	General	Capital Project	Totals	
			2015	2014
Revenues:				
General property taxes	\$ -	\$56,067	\$56,067	\$55,752
Intergovernmental	-	279,389	279,389	19,165
Charges for services	-	10,179	10,179	-
Investment income	491	5,823	6,314	10,026
Miscellaneous:				
Loan repayment	-	109,893	109,893	48,678
Donations/contributions	-	3,832	3,832	14,168
Other	-	7,757	7,757	171
Total revenues	<u>491</u>	<u>472,940</u>	<u>473,431</u>	<u>147,960</u>
Expenditures:				
Economic development:				
Current:				
Materials and supplies	11	-	11	17
Other services and charges	14,949	537,445	552,394	73,450
Loan disbursement	-	109,952	109,952	-
Capital outlay/construction	-	576,344	576,344	-
Total expenditures	<u>14,960</u>	<u>1,223,741</u>	<u>1,238,701</u>	<u>73,467</u>
Revenues over (under) expenditures	(14,469)	(750,801)	(765,270)	74,493
Other financing sources:				
Proceeds from loan issuance	-	350,000	350,000	-
Net change in fund balance	(14,469)	(400,801)	(415,270)	74,493
Fund balance - January 1	<u>69,164</u>	<u>913,253</u>	<u>982,417</u>	<u>907,924</u>
Fund balance - December 31	<u>\$54,695</u>	<u>\$512,452</u>	<u>\$567,147</u>	<u>\$982,417</u>

- This page intentionally left blank -

III. STATISTICAL SECTION (UNAUDITED)

- This page intentionally left blank -

III. STATISTICAL SECTION (UNAUDITED)

This part of the City of Grand Rapids, Minnesota's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Grand Rapids, Minnesota's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

CITY OF GRAND RAPIDS, MINNESOTA

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	\$14,245,352	\$14,120,418	\$15,968,208	\$18,102,326
Restricted	17,374,649	18,556,197	17,300,543	17,035,306
Unrestricted	7,821,843	8,243,654	7,166,636	5,973,279
Total governmental activities net position	<u>\$39,441,844</u>	<u>\$40,920,269</u>	<u>\$40,435,387</u>	<u>\$41,110,911</u>
Business type activities:				
Net investment in capital assets	\$1,059,454	\$1,042,404	\$999,474	\$1,985,565
Restricted	-	-	-	-
Unrestricted	(13,726)	(23,617)	335,339	355,012
Total business-type activities net position	<u>\$1,045,728</u>	<u>\$1,018,787</u>	<u>\$1,334,813</u>	<u>\$2,340,577</u>
Primary government:				
Net investment in capital assets	\$15,304,806	\$15,162,822	\$16,967,682	\$20,087,891
Restricted	17,374,649	18,556,197	17,300,543	17,035,306
Unrestricted	7,808,117	8,220,037	7,501,975	6,328,291
Total primary government net position	<u>\$40,487,572</u>	<u>\$41,939,056</u>	<u>\$41,770,200</u>	<u>\$43,451,488</u>

Note: GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

Table 1

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$19,133,457	\$31,703,299	\$30,975,963	\$31,861,617	\$33,830,578	\$33,884,548
13,417,300	12,379,387	12,077,081	12,808,310	10,281,228	9,803,311
8,374,454	5,813,768	7,680,276	7,617,727	4,784,327	4,927,309
<u>\$40,925,211</u>	<u>\$49,896,454</u>	<u>\$50,733,320</u>	<u>\$52,287,654</u>	<u>\$48,896,133</u>	<u>\$48,615,168</u>
\$2,827,242	\$2,793,653	\$2,755,540	\$2,864,018	\$2,894,190	\$2,841,005
-	-	-	-	-	-
119,244	236,409	339,608	272,420	424,469	494,673
<u>\$2,946,486</u>	<u>\$3,030,062</u>	<u>\$3,095,148</u>	<u>\$3,136,438</u>	<u>\$3,318,659</u>	<u>\$3,335,678</u>
\$21,960,699	\$34,496,952	\$33,731,503	\$34,725,635	\$36,724,768	\$36,725,553
13,417,300	12,379,387	12,077,081	12,808,310	10,281,228	9,803,311
8,493,698	6,050,177	8,019,884	7,890,147	5,208,796	5,421,982
<u>\$43,871,697</u>	<u>\$52,926,516</u>	<u>\$53,828,468</u>	<u>\$55,424,092</u>	<u>\$52,214,792</u>	<u>\$51,950,846</u>

CITY OF GRAND RAPIDS, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	\$2,281,286	\$2,249,579	\$3,257,703	\$3,139,210
Public safety	2,794,668	2,452,364	2,904,780	3,611,752
Public works	2,857,286	4,309,921	5,018,711	5,144,636
Culture and recreation	2,188,722	2,324,697	2,243,609	2,267,791
Interest and fees on long-term debt	824,766	839,991	863,133	950,717
Total governmental activities expenses	<u>10,946,728</u>	<u>12,176,552</u>	<u>14,287,936</u>	<u>15,114,106</u>
Business-type activities:				
Golf course	555,627	518,409	473,579	496,554
Storm water utility	248,742	346,998	332,562	370,726
Total business-type activities expenses	<u>804,369</u>	<u>865,407</u>	<u>806,141</u>	<u>867,280</u>
 Total primary government expenses	 <u>\$11,751,097</u>	 <u>\$13,041,959</u>	 <u>\$15,094,077</u>	 <u>\$15,981,386</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$422,888	\$477,296	\$401,562	\$405,500
Public safety	428,835	422,666	510,127	463,110
Public works	147,559	129,233	206,256	405,086
Culture and recreation:				
Ice rent	369,310	435,919	426,215	404,920
Other activities	585,736	594,848	581,602	585,044
Operating grants and contributions	832,273	743,317	614,629	1,100,342
Capital grants and contributions	4,636,728	3,018,228	3,658,563	4,673,279
Total governmental activities program revenues	<u>7,423,329</u>	<u>5,821,507</u>	<u>6,398,954</u>	<u>8,037,281</u>
Business-type activities:				
Charges for services:				
Golf course	454,960	506,659	494,371	516,832
Storm water utility	432,503	484,163	478,596	484,528
Operating grants and contributions	4,000	6,000	-	-
Capital grants and contributions	452	1,440	-	836,208
Total business-type activities program revenues	<u>891,915</u>	<u>998,262</u>	<u>972,967</u>	<u>1,837,568</u>
 Total primary government program revenues	 <u>\$8,315,244</u>	 <u>\$6,819,769</u>	 <u>\$7,371,921</u>	 <u>\$9,874,849</u>
Net (expense) revenue:				
Governmental activities	(\$3,523,399)	(\$6,355,045)	(\$7,888,982)	(\$7,076,825)
Business-type activities	87,546	132,855	166,826	970,288
Total primary government net (expense) revenue	<u>(3,435,853)</u>	<u>(6,222,190)</u>	<u>(7,722,156)</u>	<u>(6,106,537)</u>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$2,407,660	\$2,362,986	\$2,206,280	\$2,420,199	\$3,701,667	\$2,993,026
2,789,559	2,836,212	2,929,368	3,117,628	3,382,829	3,674,182
4,841,814	5,390,413	6,772,303	5,601,025	5,417,245	5,239,892
2,270,942	2,255,043	2,235,595	2,000,748	2,054,143	2,028,067
978,289	907,838	921,653	1,309,223	834,833	740,526
<u>13,288,264</u>	<u>13,752,492</u>	<u>15,065,199</u>	<u>14,448,823</u>	<u>15,390,717</u>	<u>14,675,693</u>
455,315	549,733	561,484	554,933	554,859	598,114
411,849	377,107	341,287	434,932	425,389	440,557
<u>867,164</u>	<u>926,840</u>	<u>902,771</u>	<u>989,865</u>	<u>980,248</u>	<u>1,038,671</u>
<u>\$14,155,428</u>	<u>\$14,679,332</u>	<u>\$15,967,970</u>	<u>\$15,438,688</u>	<u>\$16,370,965</u>	<u>\$15,714,364</u>
\$457,201	\$401,410	\$434,949	\$590,194	\$563,808	\$565,218
388,484	447,864	433,622	478,032	527,001	561,365
261,584	432,900	419,069	716,553	424,349	323,177
409,234	434,724	440,565	451,836	474,909	484,801
515,812	506,187	521,523	500,351	526,763	532,720
1,027,304	1,240,128	1,572,878	1,358,914	1,980,477	1,615,576
2,463,006	5,349,509	3,737,070	3,439,782	1,757,480	806,243
<u>5,522,625</u>	<u>8,812,722</u>	<u>7,559,676</u>	<u>7,535,662</u>	<u>6,254,787</u>	<u>4,889,100</u>
548,820	553,201	561,653	524,670	555,588	589,499
505,336	498,587	498,189	551,049	553,074	563,011
-	-	-	-	-	-
97,352	7,995	100	-	46,388	-
<u>1,151,508</u>	<u>1,059,783</u>	<u>1,059,942</u>	<u>1,075,719</u>	<u>1,155,050</u>	<u>1,152,510</u>
<u>\$6,674,133</u>	<u>\$9,872,505</u>	<u>\$8,619,618</u>	<u>\$8,611,381</u>	<u>\$7,409,837</u>	<u>\$6,041,610</u>
(\$7,765,639)	(\$4,939,770)	(\$7,505,523)	(\$6,913,161)	(\$9,135,930)	(\$9,786,593)
284,344	132,943	157,171	85,854	174,802	113,839
<u>(7,481,295)</u>	<u>(4,806,827)</u>	<u>(7,348,352)</u>	<u>(6,827,307)</u>	<u>(8,961,128)</u>	<u>(9,672,754)</u>

CITY OF GRAND RAPIDS, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
General revenues and other changes in net position				
Governmental activities:				
Taxes	\$3,963,138	\$4,062,932	\$4,472,247	\$4,684,768
Payments in lieu of taxes (PILOT)	656,091	667,148	682,276	854,072
Unrestricted grants and contributions	2,048,839	2,043,737	1,632,339	1,946,680
Investment earnings	685,853	785,302	534,160	274,557
Gain on sale of capital assets	9,397	98,573	-	11,553
Insurance recoveries	-	-	-	-
Special item - Grand Rapids / Itasca County Airport	-	-	-	-
Special item - merger with Grand Rapids Township	-	-	-	-
Transfers	(2,379)	175,778	83,078	(19,281)
Total governmental activities	<u>7,360,939</u>	<u>7,833,470</u>	<u>7,404,100</u>	<u>7,752,349</u>
Business-type activities:				
Investment earnings	8,026	15,982	12,312	16,195
Gain on sale of capital assets	-	-	219,966	-
Insurance recoveries	-	-	-	-
Transfers	2,379	(175,778)	(83,078)	19,281
Total business-type activities	<u>10,405</u>	<u>(159,796)</u>	<u>149,200</u>	<u>35,476</u>
Total primary government	<u><u>\$7,371,344</u></u>	<u><u>\$7,673,674</u></u>	<u><u>\$7,553,300</u></u>	<u><u>\$7,787,825</u></u>
Change in net position:				
Government activities	\$3,837,540	\$1,478,425	(\$484,882)	\$675,524
Business-type activities	97,951	(26,941)	316,026	1,005,764
Total primary government	<u><u>\$3,935,491</u></u>	<u><u>\$1,451,484</u></u>	<u><u>(\$168,856)</u></u>	<u><u>\$1,681,288</u></u>

Note: GASB 68 was implemented in 2015. Pension expense for years prior to 2015 was not restated.

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$4,793,026	\$5,180,915	\$5,725,515	\$5,896,074	\$6,022,589	\$6,640,739
853,542	854,710	854,998	901,179	903,494	902,766
1,452,870	1,470,249	1,382,817	1,442,510	1,740,285	1,742,132
159,010	184,059	128,235	80,298	122,519	109,041
4,957	5,360	83,853	67,523	6,900	-
-	-	63,471	26,696	20,924	7,450
-	6,212,220	-	-	-	-
574,001	-	-	-	-	-
(257,467)	3,500	103,500	53,215	3,500	103,500
<u>7,579,939</u>	<u>13,911,013</u>	<u>8,342,389</u>	<u>8,467,495</u>	<u>8,820,211</u>	<u>9,505,628</u>
2,271	6,313	5,885	3,385	6,919	6,349
61,827	-	5,530	5,266	-	331
-	-	-	-	4,000	-
257,467	(3,500)	(103,500)	(53,215)	(3,500)	(103,500)
<u>321,565</u>	<u>2,813</u>	<u>(92,085)</u>	<u>(44,564)</u>	<u>7,419</u>	<u>(96,820)</u>
<u>\$7,901,504</u>	<u>\$13,913,826</u>	<u>\$8,250,304</u>	<u>\$8,422,931</u>	<u>\$8,827,630</u>	<u>\$9,408,808</u>
(\$185,700)	\$8,971,243	\$836,866	\$1,554,334	(\$315,719)	(\$280,965)
605,909	135,756	65,086	41,290	182,221	17,019
<u>\$420,209</u>	<u>\$9,106,999</u>	<u>\$901,952</u>	<u>\$1,595,624</u>	<u>(\$133,498)</u>	<u>(\$263,946)</u>

CITY OF GRAND RAPIDS, MINNESOTA

FUND BALANCES - GOVERNMENTAL FUNDS⁽¹⁾

Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
General Fund:				
Reserved	\$254,671	\$264,264	\$224,509	\$219,727
Unreserved	5,476,583	5,537,743	4,847,138	4,529,615
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>5,731,254</u>	<u>5,802,007</u>	<u>5,071,647</u>	<u>4,749,342</u>
All other governmental funds:				
Reserved	6,170,610	7,420,555	7,653,945	6,660,438
Unreserved, reported in:				
Special revenue funds	657,929	771,353	805,001	872,154
Debt service funds	11,642	(89,202)	(120,115)	(121,906)
Capital projects funds	4,470,244	4,363,548	3,298,276	3,690,962
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other government funds	<u>11,310,425</u>	<u>12,466,254</u>	<u>11,637,107</u>	<u>11,101,648</u>
Total all funds	<u><u>\$17,041,679</u></u>	<u><u>\$18,268,261</u></u>	<u><u>\$16,708,754</u></u>	<u><u>\$15,850,990</u></u>

(1)The City implemented GASB Statement No. 54 for the fiscal year ended December 31, 2011. Information for years prior to 2011 is presented in accordance with fund balance classifications in effect at that time.

Table 3

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$497,935	\$ -	\$ -	\$ -	\$ -	\$ -
4,443,526	-	-	-	-	-
-	1,071,817	882,863	607,301	401,947	306,783
-	15,567	13,186	12,479	14,268	17,185
-	76,401	156,520	243,403	331,201	422,995
-	3,857,416	4,463,866	4,633,494	4,903,066	5,253,912
<u>4,941,461</u>	<u>5,021,201</u>	<u>5,516,435</u>	<u>5,496,677</u>	<u>5,650,482</u>	<u>6,000,875</u>
7,061,043	-	-	-	-	-
747,062	-	-	-	-	-
(130,205)	-	-	-	-	-
2,773,389	-	-	-	-	-
-	345,891	408,722	206,417	23,387	26,659
-	6,728,771	7,830,851	8,922,847	6,607,864	7,012,776
-	649,367	662,669	601,378	636,819	646,943
-	2,073,531	1,989,644	1,684,947	1,819,910	2,076,696
-	(2,855,610)	(964,192)	(546,851)	(117,775)	(184,210)
<u>10,451,289</u>	<u>6,941,950</u>	<u>9,927,694</u>	<u>10,868,738</u>	<u>8,970,205</u>	<u>9,578,864</u>
<u>\$15,392,750</u>	<u>\$11,963,151</u>	<u>\$15,444,129</u>	<u>\$16,365,415</u>	<u>\$14,620,687</u>	<u>\$15,579,739</u>

CITY OF GRAND RAPIDS, MINNESOTA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Taxes	\$4,603,545	\$4,718,695	\$5,141,487	\$5,501,090
Licenses and permits	261,308	342,178	207,233	271,416
Intergovernmental	4,368,302	3,126,346	2,966,264	5,930,076
Special assessments	1,427,730	1,770,868	1,817,539	1,580,506
Charges for services	1,442,030	2,184,707	2,656,951	1,768,797
Fines and forfeits	182,943	154,971	202,321	170,589
Investment income	685,853	785,302	534,160	274,557
Other	399,095	298,105	339,705	306,122
Total revenues	<u>13,370,806</u>	<u>13,381,172</u>	<u>13,865,660</u>	<u>15,803,153</u>
Expenditures:				
Current:				
General government	1,827,609	1,915,271	2,904,262	2,286,301
Public safety	2,270,087	2,377,536	2,615,025	3,136,407
Public works	1,827,653	1,893,997	2,115,328	2,060,388
Culture and recreation	1,701,061	1,835,221	1,794,133	1,745,838
Miscellaneous	274,962	243,642	403,579	616,948
Capital outlay/construction	3,538,835	4,174,414	5,340,344	8,592,229
Debt service:				
Principal retirement	2,905,000	2,050,000	2,420,000	2,845,000
Interest	790,150	799,726	842,963	863,624
Paying agent fees	6,737	9,479	8,257	8,232
Bond issuance costs	89,977	76,669	100,690	132,045
Total expenditures	<u>15,232,071</u>	<u>15,375,955</u>	<u>18,544,581</u>	<u>22,287,012</u>
Revenues over (under) expenditures	<u>(1,861,265)</u>	<u>(1,994,783)</u>	<u>(4,678,921)</u>	<u>(6,483,859)</u>
Other financing sources (uses):				
Sale of capital assets	11,635	98,817	6,175	75,376
Capital lease proceeds	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Bond issuance/bond premium	4,362,037	2,946,950	3,005,000	6,835,000
Insurance recoveries	-	-	-	-
Redemption of refunded bonds	-	-	-	(1,265,000)
Payment to refunded bond escrow agent	(1,960,379)	-	-	-
Transfers in	1,727,783	1,767,911	1,900,187	3,063,829
Transfers out	(1,730,162)	(1,592,133)	(1,791,948)	(3,083,110)
Total other financing sources (uses)	<u>2,410,914</u>	<u>3,221,545</u>	<u>3,119,414</u>	<u>5,626,095</u>
Special items:				
Grand Rapids / Itasca County Airport	-	-	-	-
Merger with Grand Rapids Township	-	-	-	-
Net change in fund balance	<u>\$549,649</u>	<u>\$1,226,762</u>	<u>(\$1,559,507)</u>	<u>(\$857,764)</u>
Debt service as a percentage of noncapital expenditures	30.1%	23.1%	22.5%	24.2%

Table 4

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$5,717,261	\$6,024,517	\$6,553,504	\$6,772,986	\$6,951,608	\$7,549,081
255,052	226,118	202,354	324,015	275,941	343,241
4,302,317	5,933,373	4,434,468	4,671,032	5,014,278	3,887,034
1,326,354	1,063,987	1,546,363	1,760,500	990,937	835,650
1,604,785	2,415,698	3,658,568	2,160,357	2,021,418	1,945,088
142,528	191,552	160,984	204,756	172,374	150,911
159,010	184,059	128,235	80,298	122,519	109,041
275,921	380,749	350,181	388,486	441,708	378,950
<u>13,783,228</u>	<u>16,420,053</u>	<u>17,034,657</u>	<u>16,362,430</u>	<u>15,990,783</u>	<u>15,198,996</u>
1,879,463	2,045,880	1,864,611	2,013,753	2,591,609	2,318,002
2,500,602	2,551,622	2,639,573	2,829,259	3,074,009	3,224,886
2,117,665	2,706,560	2,786,207	2,853,198	3,188,479	2,575,664
1,731,467	1,745,924	1,709,487	1,731,099	1,735,137	1,720,627
541,014	369,809	393,733	523,877	570,460	545,535
3,836,307	8,398,558	7,640,162	6,370,341	3,698,823	749,073
2,177,668	2,990,512	3,239,850	3,925,000	5,040,000	2,475,000
965,697	903,583	802,977	881,735	815,457	764,607
7,842	6,204	8,630	8,855	8,775	8,000
39,692	42,489	127,049	112,905	70,491	-
<u>15,797,417</u>	<u>21,761,141</u>	<u>21,212,279</u>	<u>21,250,022</u>	<u>20,793,240</u>	<u>14,381,394</u>
<u>(2,014,189)</u>	<u>(5,341,088)</u>	<u>(4,177,622)</u>	<u>(4,887,592)</u>	<u>(4,802,457)</u>	<u>817,602</u>
4,957	5,360	51,788	55,254	6,900	2,000
136,444	-	-	-	-	-
925,000	525,000	-	1,525,000	-	-
825,000	1,030,000	7,397,605	4,134,377	3,000,000	-
-	-	105,707	41,032	47,329	35,950
(635,000)	-	-	-	-	-
-	-	-	-	-	-
1,058,790	1,044,991	705,445	1,855,266	1,053,297	602,038
(1,333,243)	(1,041,491)	(601,945)	(1,802,051)	(1,049,797)	(498,538)
<u>981,948</u>	<u>1,563,860</u>	<u>7,658,600</u>	<u>5,808,878</u>	<u>3,057,729</u>	<u>141,450</u>
-	347,629	-	-	-	-
574,001	-	-	-	-	-
<u>(458,240)</u>	<u>(\$3,429,599)</u>	<u>\$3,480,978</u>	<u>\$921,286</u>	<u>(\$1,744,728)</u>	<u>\$959,052</u>
25.2%	27.6%	26.3%	31.4%	33.9%	23.7%

CITY OF GRAND RAPIDS, MINNESOTA
PROGRAM REVENUES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2006	2007	2008	2009
Governmental activities:				
General government	\$426,070	\$505,461	\$464,692	\$424,628
Public safety	842,353	791,861	1,007,217	1,286,533
Public works	4,877,145	3,301,008	3,853,979	5,122,533
Culture and recreation	1,277,761	1,223,177	1,073,066	1,050,224
Total governmental activities program revenues	7,423,329	5,821,507	6,398,954	7,883,918
Business-type activities:				
Golf course	458,960	512,659	494,371	1,353,040
Storm water utility	432,955	485,603	478,596	484,528
Total business-type activities program revenues	891,915	998,262	972,967	1,837,568
Total primary government program revenues	\$8,315,244	\$6,819,769	\$7,371,921	\$9,721,486

Table 5

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$728,689	\$821,768	\$493,124	\$597,344	\$566,308	\$594,476
823,295	915,580	1,073,037	1,100,379	1,122,613	1,141,745
2,819,062	5,613,348	4,825,540	4,537,627	3,325,271	1,922,976
962,131	1,283,989	1,014,136	1,066,206	1,059,045	1,070,269
<u>5,333,177</u>	<u>8,634,685</u>	<u>7,405,837</u>	<u>7,301,556</u>	<u>6,073,237</u>	<u>4,729,466</u>
646,172	561,196	561,753	524,670	555,588	589,499
505,336	498,587	498,189	551,049	553,074	563,011
<u>1,151,508</u>	<u>1,059,783</u>	<u>1,059,942</u>	<u>1,075,719</u>	<u>1,108,662</u>	<u>1,152,510</u>
<u>\$6,484,685</u>	<u>\$9,694,468</u>	<u>\$8,465,779</u>	<u>\$8,377,275</u>	<u>\$7,181,899</u>	<u>\$5,881,976</u>

CITY OF GRAND RAPIDS, MINNESOTA
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Table 6

<u>Fiscal Year Ended December 31</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>	<u>Less: Fiscal Disparity Contribution</u>	<u>Adjusted Tax Capacity Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value</u>	<u>Tax Capacity as a Percent of EMV</u>
2006	\$3,350,118	\$3,083,559	\$117,525	\$6,551,202	\$355,615	\$6,195,587	69.869	\$498,247,965	1.24%
2007	3,816,933	3,206,895	122,243	7,146,071	381,146	6,764,925	65.654	551,098,890	1.23%
2008	4,084,756	3,662,227	122,241	7,869,224	437,925	7,431,299	65.764	604,049,500	1.23%
2009	5,010,410	4,410,100	200,285	9,620,795	617,081	9,003,714	58.374	753,764,700	1.19%
2010	4,945,974	4,107,439	187,142	9,240,555	1,171,820	8,068,735	65.095	722,925,300	1.12%
2011	5,332,018	4,224,074	487,931	10,044,023	1,042,860	9,001,163	63.890	784,173,200	1.15%
2012	4,709,194	4,226,300	445,047	9,380,541	1,075,330	8,305,211	69.485	780,687,600	1.06%
2013	4,505,919	4,181,742	653,369	9,341,030	1,127,446	8,213,584	68.999	769,618,250	1.07%
2014	4,496,682	3,933,451	618,235	9,048,368	1,120,826	7,927,542	79.308	754,740,246	1.05%
2015	4,571,503	3,906,927	681,838	9,160,268	933,840	8,226,428	79.245	762,916,480	1.08%

Source: Itasca County Auditor's Office

CITY OF GRAND RAPIDS, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years

Table 7

Fiscal Year	Direct Rate - City of Grand Rapids			Overlapping Rates				Overlapping Tax Rate
	Operating	Debt	Total	Itasca County	School District #318	Grand Rapids Township*	Special Taxing District	
2006	60.367	9.502	69.869	55.534	16.226	4.452	0.305	146.386
2007	56.521	9.201	65.722	51.522	15.132	4.122	0.272	136.702
2008	57.112	8.610	65.722	46.974	11.871	3.726	0.226	128.561
2009	49.022	10.041	59.063	44.000	13.798	1.738	0.208	118.118
2010	49.863	15.232	65.095	46.361	15.799	1.272	0.234	128.761
2011	51.112	12.778	63.890	44.904	17.051	-	0.218	126.063
2012	54.893	14.592	69.485	47.702	17.774	-	0.228	135.189
2013	54.778	14.221	68.999	50.869	17.862	-	0.247	137.977
2014	60.623	18.685	79.308	53.852	18.583	-	0.260	152.003
2015	59.934	19.311	79.245	55.038	16.618	-	0.115	151.016

*Grand Rapids Township was annexed by the City of Grand Rapids on January 1, 2010

Source: Itasca County Auditor's Office

CITY OF GRAND RAPIDS, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Table 8

Taxpayer	2015			2006		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
UPM Blandin Paper Mill	\$615,463	1	7.56%	\$762,309	1	9.37%
Enbridge Energy, LP	333,641	2	4.10%			0.00%
Wal-Mart Stores	207,352	3	2.55%	59,252	6	0.73%
Enbridge Energy Pipelines	141,488	4	1.74%			0.00%
Burlington Northern & Santa Fe	128,364	5	1.58%			0.00%
Grand Hospitality LLC	113,995	6	1.40%			0.00%
Terex Corporation	112,032	7	1.38%	58,782	7	0.72%
Target Corporation	108,442	8	1.33%	77,002	5	0.95%
Arrowhead Promotion & Fulfillment Co	106,404	9	1.31%	91,762	4	1.13%
Home Depot USA, Inc	100,430	10	1.23%	94,966	2	1.17%
Grand Rapids State Bank	-	-	0.00%	48,290	10	0.59%
Jerry Miner Realty Inc	-	-	0.00%	94,948	3	1.17%
GR Development Corp.	-	-	0.00%	57,236	8	0.70%
K Mart Corporation	-	-	0.00%	49,812	9	0.61%
Total principal taxpayers	1,967,611		24.17%	1,394,359		20.30%
All other taxpayers	6,171,964		75.83%	5,475,884		79.70%
Total	<u>\$8,139,575</u>		<u>100.00%</u>	<u>\$6,870,243</u>		<u>100.00%</u>

Source: Itasca County Auditor's Office

CITY OF GRAND RAPIDS, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 9

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$4,185,550	\$4,129,799	98.67%	\$53,905	\$4,183,704	99.96%
2007	4,300,561	4,236,072	98.50%	60,157	4,295,967	99.89%
2008	4,743,955	4,680,998	98.67%	42,244	4,722,715	99.55%
2009	5,077,422	4,977,588	98.03%	38,860	5,014,161	98.75%
2010	5,275,002	4,956,991	93.97%	69,276	5,021,576	95.20%
2011	5,734,540	5,445,836	94.97%	48,382	5,494,218	95.81%
2012	5,910,987	5,863,061	99.19%	47,926	5,910,987	100.00%
2013	6,125,207	6,013,791	98.18%	56,816	6,070,607	99.11%
2014	6,281,859	6,201,927	98.73%	-	6,201,927	98.73%
2015	6,845,166	6,774,792	98.97%	-	6,774,792	98.97%

Source: Itasca County Auditor's Office

CITY OF GRAND RAPIDS, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Table 10

Fiscal Year	Governmental Activities				Total Governmental Activities	Business-type Activities	Total Primary Government	Bonded Debt Per Capita
	General Obligation Bonds	General Obligation Impr Bonds	Tax Increment Bonds	Other Debt		Capital Leases		
2006	\$1,785,000	\$17,780,000	\$1,035,000	\$1,195,000	\$21,795,000	\$78,000	\$21,873,000	\$2,560
2007	1,785,000	19,185,000	585,000	1,115,000	22,670,000	53,000	22,723,000	2,585
2008	2,670,000	18,595,000	955,000	1,035,000	23,255,000	27,000	23,282,000	2,649
2009	3,515,000	20,665,000	850,000	950,000	25,980,000	-	25,980,000	2,911
2010	3,950,000	20,000,000	850,000	865,000	25,665,000	-	25,665,000	2,649
2011	3,675,000	18,890,000	835,000	194,650	23,594,650	-	23,594,650	2,171
2012	3,255,000	22,530,000	820,000	1,200,843	27,805,843	-	27,805,843	2,558
2013	6,835,000	20,600,000	805,000	1,264,593	29,504,593	-	29,504,593	2,715
2014	6,475,141	20,054,957	790,000	108,868	27,428,966	-	27,428,966	2,524
2015	5,794,793	18,268,519	770,000	85,224	24,918,536	-	24,918,536	2,293

Note: Personal income not available.
 Excludes component units.
 Includes unamortized issuance premium for 2014 and 2015.

CITY OF GRAND RAPIDS, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Table 11

General Bonded Debt Outstanding			
Fiscal Year	General Obligation Bonds <i>c</i>	Percentage of Estimated Market Value <i>a</i>	Bonded Debt Per Capita <i>b</i>
2006	\$1,785,000	0.3583%	203
2007	1,785,000	0.3239%	203.07
2008	2,670,000	0.4420%	299.13
2009	3,515,000	0.4663%	362.75
2010	3,950,000	0.5464%	363.42
2011	3,675,000	0.4686%	338.12
2012	3,255,000	0.4169%	299.48
2013	6,835,000	0.8881%	628.85
2014	6,475,141	0.8579%	595.74
2015	5,794,793	0.7596%	533.15

a See Table 6 for Estimated Market Value data.
b Population can be found in Table 13.
c Includes unamortized issuance premium for 2014 and 2015.

	<u>Net Debt Outstanding</u>	<u>% of Debt Applicable to City⁽²⁾</u>	<u>City of Grand Rapids Share of Debt</u>
Direct debt			
City of Grand Rapids ⁽¹⁾	\$24,918,536	100.00%	\$24,918,536
Overlapping debt:			
Itasca County	22,210,000	13.00%	2,887,963
School District 318	<u>39,385,000</u>	18.89%	<u>7,440,689</u>
Total overlapping debt	<u>61,595,000</u>		<u>10,328,651</u>
Total direct and overlapping debt	<u><u>\$86,513,536</u></u>		<u><u>\$35,247,187</u></u>

Source: Itasca County Auditor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This Schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Grand Rapids. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) Includes all debt related to governmental activities as presented in Table 10, plus unamortized bond premiums of \$183,312.

(2) The percentage of overlapping debt applicable is estimated using the taxable market values. Applicable percentages were estimated by determining the portion of the county's and school district's taxable market value that is within the City's boundaries.

CITY OF GRAND RAPIDS, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

Table 13

Legal Debt Margin Calculation for Fiscal Year 2015

Estimated Market value	\$762,916,480
Debt limit percentage*	<u>3%</u>
Debt limit amount	<u>22,887,494</u>
Debt applicable to limit:	
Lease revenue bonds	-
General obligation bonds	<u>5,794,793</u>
	5,794,793
Less:	
Cash and equivalents in G.O. Bond Debt Service Funds	<u>(1,213,342)</u>
Total net debt applicable to limit	<u>4,581,451</u>
Legal debt margin	<u><u>\$18,306,043</u></u>

Legal Debt Margin Calculation for Fiscal Years 2006 Through 2015

Fiscal Year	Population	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit	Net Bonded Debt per Capita
2006	8,790	\$9,964,959	\$993,774	\$8,971,185	9.97%	113.06
2007	8,790	11,021,978	2,482,899	8,539,079	22.53%	282.47
2008	8,926	18,121,485	3,169,571	14,951,914	17.49%	355.09
2009	9,690	22,612,941	3,896,539	18,716,402	17.23%	402.12
2010	10,869	21,687,759	4,270,649	17,417,110	19.69%	392.92
2011	10,869	23,525,196	3,015,083	20,510,113	12.82%	277.40
2012	10,869	23,420,628	2,565,287	20,855,341	10.95%	236.02
2013	10,869	23,088,548	5,798,436	17,290,112	25.11%	533.48
2014	10,869	22,642,207	5,393,126	17,249,081	23.82%	496.19
2015	10,869	22,887,494	4,581,451	18,306,043	20.02%	421.52

Source: Itasca County Auditors Office and City Finance Department

*Beginning with issues having a settlement after June 30, 2008, State Statutes have increased the legal debt limit from 2% to 3% of the City's estimated market value.

CITY OF GRAND RAPIDS, MINNESOTA
PLEDGED REVENUE COVERAGE
 Last Ten Fiscal Years

Table 14

Fiscal Year	Improvement Bonds				Tax Increment Bonds			
	Special Assessment Collections	Debt Service		Coverage	Tax Increment Collections	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2006	\$934,350	\$1,190,000	\$651,791	50.73%	\$368,863	\$420,000	\$84,120	73.17%
2007	1,100,441	1,520,000	640,238	50.94%	348,098	450,000	54,440	69.01%
2008	1,045,175	1,860,000	771,301	39.72%	342,682	480,000	22,543	68.19%
2009	1,014,822	1,975,000	775,452	36.90%	98,936	105,000	40,359	68.06%
2010	1,013,237	1,980,000	775,452	36.77%	131,032	-	37,340	350.92%
2011	824,639	1,460,000	653,434	39.02%	151,953	15,000	37,059	291.89%
2012	762,948	1,490,000	589,994	36.68%	172,671	15,000	36,497	335.30%
2013	697,612	1,610,000	587,496	31.75%	193,981	15,000	35,934	380.85%
2014	609,576	1,645,000	466,922	28.86%	180,957	15,000	35,371	359.25%
2015	551,895	1,315,000	437,515	31.49%	237,023	20,000	34,715	433.20%

Special assessment collections do not include prepayments.

Excludes component units.

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	8,790	Information Not Available		8.70%
2007	8,790		9.30%	
2008	8,926		12.40%	
2009	9,690		13.70%	
2010	10,869		9.60%	
2011	10,869		9.90%	
2012	10,869		7.60%	
2013	10,869		6.70%	
2014	10,869		8.47%	
2015	10,869		10.60%	

Source: Minnesota Department of Employment and Economic Development

CITY OF GRAND RAPIDS, MINNESOTA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 16

Taxpayer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318(1)	600	1	6.64%	1,000	1	10.20%
UPM Blandin Paper Mill	500	2	5.53%	500	3	5.10%
Grand Itasca Clinic & Hospital	480	3	5.31%	600	2	6.12%
Itasca County	310	4	3.43%	390	4	3.98%
Arrowhead Promo & Fulfillment	280	5	3.10%	250	5	2.55%
City of Grand Rapids(1)	270	6	2.99%	116	10	1.18%
Minnesota Deversified	205	7	2.27%	250	6	2.55%
Terex Corporation(3)	190	8	2.10%	-	-	0.00%
Wal-Mart	185	9	2.05%	200	7	2.04%
Cub Foods	125	10	1.38%	-	-	0.00%
Grand Village Nursing Home(2)	-	-	0.00%	192	8	1.96%
Ainsworth Corportation(4)	-	-	0.00%	180	9	1.84%
Total	3,145		34.80%	3,678		37.50%
All other employers	5,892		65.20%	6,129		62.50%
Total	9,037		100.00%	9,807		100.00%

Source: Minnesota Department of Employment and Economic Development

Source: Northland Connection.com Northland's Portal for Economic Development Information

(1) Includes full- and part-time employees.

(2) Formerly Itasca County Nursing Home.

(3) Formerly ASV, Inc.

(4) Formerly Potlach Corporation

CITY OF GRAND RAPIDS, MINNESOTA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Table 17

Function/Program	Full-time Equivalent Employees as of December 31									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Administration	4.50	4.50	4.50	4.25	4.25	4.25	4.00	4.00	4.00	4.00
Finance	5.00	5.00	5.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
Community development	3.00	3.55	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05
Engineering	4.00	3.45	3.45	3.45	2.45	2.45	2.45	2.45	2.45	2.45
Information technology	2.00	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00	2.00
Police officers and dispatchers	21.00	22.00	23.50	23.50	20.50	20.50	21.50	21.50	22.50	22.50
Public works	15.00	15.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00
Parks and recreation	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Library	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75
Golf course	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	<u>70.25</u>	<u>71.25</u>	<u>72.25</u>	<u>71.00</u>	<u>66.00</u>	<u>65.00</u>	<u>65.75</u>	<u>66.75</u>	<u>67.75</u>	<u>67.75</u>

The City has 30 paid-on-call firefighters.

Source: City Finance Department

CITY OF GRAND RAPIDS, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 18

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Physical and sexual assaults	177	156	170	160	303	405	449	605	460	441
Parking citations	1,221	640	755	763	590	849	579	537	314	239
DUI arrests	129	134	138	104	91	171	199	135	211	117
Traffic citations	1,535	1,305	2,419	1,754	2,959	2,588	2,764	2,113	1,544	2,175
Accidents	450	507	557	550	531	569	536	543	568	495
Fire:										
Emergency responses	163	194	174	182	172	166	200	174	138	167
Haz-Mat responses	46	3	4	5	27	4	4	14	36	53
Inspections	72	68	62	91	103	112	69	62	100	55
Community development:										
Permits issued:										
Commercial	82	104	97	97	109	120	133	138	96	110
Governmental	5	15	7	-	11	14	14	16	25	20
Residential	263	294	271	376	401	386	495	442	373	401
Public works:										
Streets swept (miles)	77	77	88	92	93	93	93	93	93	93
Roads (miles)	77	77	88	92	93	93	93	93	93	93
Streetlights	1,057	1,062	1,093	1,288	1,290	1,321	1,321	1,326	1,325	1,325
Parks and recreation:										
Playgrounds	10	10	10	10	10	10	10	10	10	10
Baseball/softball fields	6	6	6	6	6	7	7	7	7	7
Soccer fields	3	3	3	3	3	3	3	3	3	3
Skate park	1	1	1	1	1	1	1	1	1	1
Library:										
Volumes in collection	80,118	81,491	88,570	84,440	82,338	79,400	79,866	75,343	75,173	75,751
Total volumes borrowed	179,729	189,860	196,315	190,895	202,908	187,569	187,035	183,311	172,438	173,954
Golf course:										
Number of passes sold										
Junior*	30	79	100	104	115	115	64	57	59	77
Young adult*	10	12	19	20	22	27	38	18	14	15
Single	144	156	139	145	135	129	120	106	110	107
Family	89	175	83	89	85	80	79	63	63	74

*Junior =Children ages 10 to 18

*Young Adult=Ages 19 to 24

Source: Various City Departments

CITY OF GRAND RAPIDS, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 19

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	14	16	18	18	20	20	20	20	20
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of streets maintained	77	77	88	92	93	93	93	93	93	93
Miles of sidewalks maintained	23	77	88	90	91	91	91	91	91	100
Miles of curbs and gutters maintained	108	108	109	112	112	112	112	112	112	112
Parks and recreation:										
Community parks and playgrounds	23	23	24	24	24	24	24	24	24	26
Total acres	226	226	227	227	227	227	227	227	227	350

Source: Various City Departments

- This page intentionally left blank -

IV. OTHER INFORMATION (UNAUDITED)

CITY OF GRAND RAPIDS, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2015

	Interest Rates	Issue Date	Final Maturity Date
General Obligation Tax Increment Bonds:			
Tax Increment Bonds series 2008A	3.75-4.60	8/1/2008	2/1/2034
General Obligation Improvement Bonds:			
Improvement Bonds of 2001B	3.00-5.00	10/1/2001	2/1/2017
Improvement Bonds of 2005B	3.50-3.70	9/1/2005	4/1/2015
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022
Improvement Bonds of 2007A	4.00-4.15	9/1/2007	2/1/2023
Improvement Bonds of 2007B	4.00-4.10	12/15/2007	4/1/2022
Improvement Bonds of 2008C	3.25-4.60	11/1/2008	2/1/2024
Improvement Refunding Bonds of 2009B	1.00-3.00	6/1/2009	2/1/2016
Improvement Bonds of 2009C	1.85-5.30	9/1/2009	2/1/2025
Improvement Bonds of 2010A	0.75-3.625	11/1/2010	2/1/2026
Improvement Refunding Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027
Improvement Bonds of 2013A	.30-1.35	5/8/2013	2/1/2021
Improvement Bonds of 2014A	0.50-2.90	11/1/2014	2/1/2030
Total General Obligation Improvement Bonds			
Other General Obligation Debt:			
Capital Improvement Plan Refunding Bonds of 2006B	4.00	10/1/2006	2/1/2017
Street Reconstruction Bonds of 2008B	3.25-4.60	11/1/2008	2/1/2024
Equipment Certificates of 2009D	2.00-4.85	9/1/2009	2/1/2019
Capital Improvement Plan Bonds of 2010A	0.75-2.25	11/1/2010	2/1/2018
Street Reconstruction Bonds of 2013B	3.00-3.50	9/1/2013	2/1/2029
Total Other General Obligation Debt			
Capital Lease Payable to Itasca County	0.00	11/22/2010	12/31/2020
Note payable - Block 20 & 21 Soil	0.00	8/5/2010	8/5/2019
Note payable - Airport Ind Park/Kent	0.00	7/16/2015	7/16/2035
Airport loan payable to Itasca County	0.00	2001	2017
Revenue Bonds and Notes (Public Utilities):			
G.O. Water Revenue Note of 1999	3.04	1/3/2000	1/1/2019
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00-4.90	6/1/2009	12/1/2019
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60-3.50	7/25/2011	12/1/2021
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033
Taxable G.O. Utility Revenue Bonds of 2013C	2.00-4.50	9/1/2013	2/1/2029
Equipment Lease	2.64	10/15/2015	10/15/2025
Total Revenue Bonds (Public Utilities)			
Total bonded indebtedness			

Prior Years		Payable 01/01/15	2015		Payable 12/31/15	Due in 2016	
Original Issue	Payments		Issued	Payments		Principal	Interest
\$850,000	\$60,000	\$790,000	\$ -	\$20,000	\$770,000	\$20,000	\$33,965
470,000	310,000	100,000	-	30,000	70,000	35,000	2,603
1,105,000	745,000	125,000	-	125,000	-	-	-
2,505,000	880,000	1,285,000	-	165,000	1,120,000	170,000	41,400
1,775,000	370,000	1,175,000	-	120,000	1,055,000	125,000	40,716
1,150,000	400,000	600,000	-	75,000	525,000	75,000	19,650
1,145,000	205,000	790,000	-	75,000	715,000	75,000	29,663
1,265,000	795,000	60,000	-	45,000	15,000	15,000	225
4,565,000	410,000	3,570,000	-	295,000	3,275,000	300,000	152,190
1,115,000	80,000	830,000	-	95,000	735,000	90,000	19,963
1,555,000	-	1,265,000	-	140,000	1,125,000	130,000	23,886
2,245,000	-	2,105,000	-	140,000	1,965,000	140,000	43,968
4,175,000	-	3,660,000	-	260,000	3,400,000	260,000	59,937
1,525,000	-	1,385,000	-	210,000	1,175,000	205,000	9,518
3,000,000	-	3,000,000	-	-	3,000,000	220,000	52,698
27,595,000	4,195,000	19,950,000	0	1,775,000	18,175,000	1,840,000	496,417
1,785,000	770,000	635,000	-	205,000	430,000	210,000	13,000
1,010,000	170,000	720,000	-	65,000	655,000	65,000	27,298
1,005,000	155,000	625,000	-	115,000	510,000	120,000	20,110
635,000	85,000	370,000	-	90,000	280,000	90,000	4,838
4,025,000	-	4,025,000	-	195,000	3,830,000	235,000	116,163
8,460,000	1,180,000	6,375,000	0	670,000	5,705,000	720,000	181,409
136,444	27,288	81,868	-	13,644	68,224	13,644	-
100,000	-	100,000	-	-	100,000	-	-
350,000	-	-	350,000	-	350,000	17,500	-
147,000	100,000	27,000	-	10,000	17,000	10,000	-
1,079,657	613,657	342,000	-	64,000	278,000	66,000	8,452
1,915,000	1,025,000	470,000	-	230,000	240,000	240,000	7,050
925,000	255,000	490,000	-	90,000	400,000	95,000	17,750
26,370,232	2,988,022	21,184,000	-	1,147,000	20,037,000	1,181,000	581,074
3,965,000	80,000	3,115,000	-	400,000	2,715,000	410,000	78,077
2,025,000	-	1,935,000	-	90,000	1,845,000	95,000	44,988
2,305,000	-	2,305,000	-	90,000	2,215,000	130,000	77,088
1,710,000	-	-	1,710,000	-	1,710,000	74,830	22,440
40,294,889	4,961,679	29,841,000	1,710,000	2,111,000	29,440,000	2,291,830	836,919
\$77,933,333	\$10,523,967	\$57,164,868	\$2,060,000	\$4,599,644	\$54,625,224	\$4,912,974	\$1,548,710

- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS
December 31, 2015

Exhibit 2

	Tax Increment Bonds Series 2008A	Capital Improvement Plan Bonds Series 2006B	Street Reconstruction Bonds Series 2008B	Equipment Certificates Series 2009D	Capital Improvement Plan Bonds Series 2010A	Street Reconstruction Bonds Series 2013B	Total
Bonds payable	\$770,000	\$430,000	\$655,000	\$510,000	\$280,000	\$3,830,000	\$6,475,000
Future interest payable	401,415	17,400	138,241	47,910	9,112	915,306	1,529,384
Totals	<u>\$1,171,415</u>	<u>\$447,400</u>	<u>\$793,241</u>	<u>\$557,910</u>	<u>\$289,112</u>	<u>\$4,745,306</u>	<u>\$8,004,384</u>
Payments to maturity:							
2016	\$53,965	\$223,000	\$92,298	\$140,110	\$94,837	\$351,163	\$955,373
2017	53,170	224,400	89,633	140,054	93,150	344,113	944,520
2018	57,225	-	91,830	139,472	101,125	341,987	731,639
2019	56,175	-	88,890	138,274	-	339,713	623,052
2020	55,125	-	85,880	-	-	342,212	483,217
2021	58,970	-	87,690	-	-	339,488	486,148
2022	57,680	-	84,315	-	-	331,688	473,683
2023	61,250	-	85,750	-	-	333,738	480,738
2024	59,710	-	86,955	-	-	335,487	482,152
2025	63,060	-	-	-	-	336,938	399,998
2026	61,280	-	-	-	-	337,712	398,992
2027	64,368	-	-	-	-	332,881	397,249
2028	62,342	-	-	-	-	337,325	399,667
2029	65,180	-	-	-	-	340,862	406,042
2030	67,765	-	-	-	-	-	67,765
2031	65,235	-	-	-	-	-	65,235
2032	67,590	-	-	-	-	-	67,590
2033	69,715	-	-	-	-	-	69,715
2034	71,610	-	-	-	-	-	71,610
	<u>\$1,171,415</u>	<u>\$447,400</u>	<u>\$793,241</u>	<u>\$557,910</u>	<u>\$289,112</u>	<u>\$4,745,306</u>	<u>\$8,004,384</u>

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2015

	2001B Improvement Bonds	2006C Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds	2008C Improvement Bonds	2009B Improvement Refunding Bonds
Bonds payable	\$70,000	\$1,120,000	\$1,055,000	\$525,000	\$715,000	\$15,000
Future interest payable	3,478	152,800	179,164	74,401	147,694	225
Totals	<u>\$73,478</u>	<u>\$1,272,800</u>	<u>\$1,234,164</u>	<u>\$599,401</u>	<u>\$862,694</u>	<u>\$15,225</u>
Payments to maturity:						
2016	\$37,603	\$211,400	\$165,715	\$94,650	\$104,662	\$15,225
2017	35,875	204,600	160,715	91,650	101,587	-
2018	-	188,000	155,653	88,650	98,475	-
2019	-	181,600	155,425	85,650	100,220	-
2020	-	175,200	150,095	82,650	96,780	-
2021	-	159,000	149,629	79,613	93,260	-
2022	-	153,000	148,923	76,538	89,660	-
2023	-	-	148,009	-	85,980	-
2024	-	-	-	-	92,070	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
	<u>\$73,478</u>	<u>\$1,272,800</u>	<u>\$1,234,164</u>	<u>\$599,401</u>	<u>\$862,694</u>	<u>\$15,225</u>

2009C Improvement Bonds	2010A Improvement Bonds	2011B Improvement Refunding Bonds	2012A Improvement Bonds	2012B Improvement Bonds	2013A Improvement Bonds	2014A Improvement Bonds	Total
\$3,275,000	\$735,000	\$1,125,000	\$1,965,000	\$3,400,000	\$1,175,000	\$3,000,000	\$18,175,000
857,748	122,512	154,691	385,494	444,896	35,198	466,720	\$3,025,021
<u>\$4,132,748</u>	<u>\$857,512</u>	<u>\$1,279,691</u>	<u>\$2,350,494</u>	<u>\$3,844,896</u>	<u>\$1,210,198</u>	<u>\$3,466,720</u>	<u>\$21,200,021</u>
\$452,190	\$109,963	\$153,885	\$184,528	\$319,937	\$214,518	\$272,698	\$2,336,974
439,815	103,325	157,160	183,408	322,637	208,405	281,343	2,290,520
436,465	96,575	145,153	181,938	319,789	207,105	284,480	2,202,283
427,009	69,885	137,950	185,118	321,443	205,505	282,100	2,151,905
416,768	68,303	120,629	182,942	322,489	198,484	289,094	2,103,434
405,964	71,575	83,660	180,478	322,908	176,181	245,770	1,968,038
404,335	69,700	81,962	182,722	317,728	-	237,330	1,761,898
391,866	67,750	80,142	184,572	322,025	-	238,480	1,518,824
383,663	65,725	78,182	181,162	320,807	-	239,120	1,360,729
374,673	68,534	81,007	176,125	319,112	-	239,230	1,258,681
-	66,177	78,701	176,088	316,926	-	169,775	807,667
-	-	81,260	175,888	319,095	-	170,885	747,128
-	-	-	175,525	-	-	171,710	347,235
-	-	-	-	-	-	172,240	172,240
-	-	-	-	-	-	172,465	172,465
<u>\$4,132,748</u>	<u>\$857,512</u>	<u>\$1,279,691</u>	<u>\$2,350,494</u>	<u>\$3,844,896</u>	<u>\$1,210,198</u>	<u>\$3,466,720</u>	<u>\$21,200,021</u>

- This page intentionally left blank -

	2016 Tax Capacity Values	2015 Tax Capacity Values
	<u> </u>	<u> </u>
Taxable valuations:		
Real estate	\$8,699,010	\$8,478,430
Personal property	819,387	681,838
Net tax capacity	<u>9,518,397</u>	<u>9,160,268</u>
Less: Captured tax increment value	(263,174)	(171,413)
Fiscal disparities contributions	<u>(1,109,824)</u>	<u>(933,840)</u>
 Taxable net tax capacity	 <u><u>\$8,145,399</u></u>	 <u><u>\$8,055,015</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2015

Year of Levy/ Collection	Supplemental Improvement Bond Levy ⁽¹⁾	\$470,000 Improvement Bonds Series 2001B	\$2,505,000 Improvement Bonds Series 2006C	\$1,775,000 Improvement Bonds Series 2007A	\$1,010,000 GO Street Reconstr Bonds Series 2008B	\$1,145,000 Improvement Bonds Series 2008C	\$1,265,000 Improvement and Refunding Bonds Series 2009B
2015/2016	\$ (48,383)	\$ -	\$ 23,549	\$ 119,268	\$ 77,089	\$ 71,255	\$ -
2016/2017	(34,500)	-	49,147	116,210	80,304	69,554	-
2017/2018	(34,500)	-	46,763	118,271	77,981	73,023	-
2018/2019	(34,500)	-	44,387	114,867	75,657	71,022	-
2019/2020	(34,500)	-	41,994	116,713	78,437	68,853	-
2020/2021	(27,500)	-	39,610	118,274	75,735	66,684	-
2021/2022	(19,670)	-	17,093	119,616	78,126	64,347	-
2022/2023	(17,593)	-	-	-	80,276	70,907	-
2023/2024	-	-	-	-	-	-	-
2024/2025	-	-	-	-	-	-	-
2025/2026	-	-	-	-	-	-	-
2026/2027	-	-	-	-	-	-	-
2027/2028	-	-	-	-	-	-	-
2028/2029	-	-	-	-	-	-	-
	<u>(\$251,146)</u>	<u>\$0</u>	<u>\$262,543</u>	<u>\$823,219</u>	<u>\$623,605</u>	<u>\$555,645</u>	<u>\$0</u>

⁽¹⁾This column represents decreased levies which were approved to eliminate projected cash surpluses in various Debt Service Funds.

⁽²⁾These are Build America Bonds and the amount presented is after reduction for Federal Credit.

\$4,565,000 Improvement Bonds Series 2009C ⁽²⁾	\$1,005,000 Equipment Certificates Series 2009D ⁽²⁾	\$1,750,000 Improvement and CIP Bonds Series 2010A	\$1,555,000 Improvement and Refunding Bonds Series 2011B	\$2,245,000 Improvement Bonds Series 2012A	\$1,525,000 Improvement Refdgd Bonds Series 2013A	\$4,025,000 Improvement Bonds Series 2013B	\$3,000,000 Improvement Bonds Series 2014A	Total
\$ 307,320	\$ 142,542	\$ 135,610	\$ 54,675	\$ 132,061	\$ 94,791	\$ 114,812	\$ 278,055	\$ 1,502,644
307,321	143,319	140,381	54,467	130,518	100,676	262,660	241,614	1,661,671
305,114	144,286	8,073	54,054	133,857	103,676	260,350	239,393	1,530,341
302,266	-	54,608	58,755	131,572	101,036	263,132	247,117	1,429,919
299,186	-	58,648	57,848	128,985	99,101	260,350	196,580	1,372,195
306,205	-	57,130	56,943	131,341	-	252,160	187,886	1,264,468
301,787	-	55,611	55,779	133,284	-	254,470	189,356	1,249,799
302,370	-	53,936	54,615	129,704	-	256,465	190,301	1,120,981
302,248	-	57,510	58,407	124,414	-	258,145	190,700	991,424
-	-	55,486	56,792	124,376	-	259,510	162,032	658,196
-	-	-	60,309	124,165	-	254,522	163,345	602,341
-	-	-	-	123,784	-	259,864	164,363	548,011
-	-	-	-	123,784	-	263,854	165,077	552,715
-	-	-	-	123,784	-	263,854	165,476	553,114
<u>\$2,733,817</u>	<u>\$430,147</u>	<u>\$676,993</u>	<u>\$622,644</u>	<u>\$1,795,629</u>	<u>\$499,280</u>	<u>\$3,484,148</u>	<u>\$2,781,295</u>	<u>\$15,037,819</u>

- This page intentionally left blank -