

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2016

Prepared by:

Finance Department

Barbara Baird
Finance Director

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I. INTRODUCTORY SECTION

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June 15, 2017

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 for the fiscal year ended December 31, 2016, 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, 2016, 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, 2016, 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 system, 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 pages 94-97 as part of the basic financial statements for the government funds. 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 138-146.

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., and Magnetation LLC (recently acquired by ERP Iron Ore), 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 2016 was just below the 10 year average of \$21.8M with permits for projects reaching a total value of \$17.6M. In terms of the number of permits issued, 2016's 553 permits was above the 10 year average of 497. In 2017 the planned construction of: a new 82 unit Fairfield Inn and Suites, two production brewpubs, a new Culver's restaurant, the renovation and repurposing of a wing of the Grand Itasca Clinic and Hospital, new boat dealership, a new Casey's General Store gas/convenience store, a new kidney dialysis clinic, a 20 unit addition to Majestic Pines senior assisted living campus and other projects in the planning phase are indications that permitted development activity will be brisk.

The 106 housing units permitted in 2015, which included 83 apartment units, were completed and came on-line in 2016 with a great response from the market and rapid absorption. Housing development in Grand Rapids has continued to see steady growth with over 650 new residential units being constructed since 2005.

The Grand Rapids EDA (GREDA) executed a purchase and development contract with United Development Solutions of St. Cloud for the sale of a GREDA commercial site in the downtown riverfront area resulting in the development of an 82 unit Fairfield Inn and Suites. This project sale has a planned closing date of May 1, 2017.

In collaboration with the Iron Range Resources and Rehabilitation Board (IRRRB), who provided business financing and a grant, GREDA closed on the sale of a 3 acre site in their Airport South Industrial Park for Swan Machine's development a new 14,000 sf manufacturing facility. When completed in May, this facility will be the primary satellite facility for the growing Perham, MN based company. This facility will generate 16 new machinist positions in addition to the 7 already established in their leased space since 2014. At their Perham headquarters, Swan Machine is co-located with another company under their ownership by the name of Kit Masters. Swan Machine and Kit Masters have grown from a total of 4 employees in 2003 to now collectively employing over 150 people at an average wage of over \$20/hour, excluding management/ownership positions. Of the total, approximately 100 of the employees works for Swan Machine. Swan Machine is a job shop that takes direct orders for large and small fabrication runs from a list of medium and large volume clients. Approximately 25% of Swan Machine's business volume is in providing fabrication for Kit Masters, who specializes in medium and heavy duty aftermarket components for large trucks, buses, and construction equipment, with an emphasis on remanufactured fan clutches, and fan clutch rebuild kits. Kit Masters serves over 1,000 customers in 3,000 ship-to locations worldwide.

After two plus years of discussions with Kestrel Aircraft, now ONE Aviation Corporation (OAC), about various development opportunities in Grand Rapids, OAC is locating a subsidiary, ACC Manufacturing (ACC), to two facilities on and near the Grand Rapids/Itasca County Airport. The business functions of ACC in the Grand Rapids location will consist of: machining tool molds/masters, fabrication of composite material parts and assembling of parts assemblies for OAC's current production aircraft the Eclipse 550 jet and, to a lesser extent, for their development aircraft, the Kestrel K350. The location of ACC to Grand Rapids will result in the creation of 16 to 22 full time positions that will pay a minimum wage of \$18.00/hour exclusive of benefits. The types of positions to be located to Grand Rapids consist of: machinists, CNC programmers, CAD designers, Composite Technicians, and General Production.

In December of 2016 the City completed a land exchange with Blandin Paper Company. This exchange provided a 10 acre City property adjacent to the west end of the Blandin facility in exchange for a 45 acre site adjacent to the Grand Itasca Clinic and Hospital which has recently merged with Fairview Health Systems. The site obtained by Blandin will provide industrial expansion area for the company and the site obtained by the City will provide area for a mixture of future housing growth.

In 2011 Magnetation Inc, relocated their corporate headquarters to Grand Rapids. Magnetation, Inc. a rapidly expanding company which has 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 LLC entered into Chapter 11 bankruptcy proceedings in 2015. In February of 2017, it was announced that ERP Iron Ore LLC had closed on the purchase of all of Magnetation LLC assets including the plant in Grand Rapids, which prior to its October 2016 idling, was employing 350. The announcement of the completed acquisition by ERP Iron Ore came with an announcement they intend, as a first step, to re-open the Grand Rapids plant and the pellet production plant in Reynolds, IN.

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

Energy reduction continued to be a focus of the City. The conversion to LED light fixtures continued in City Hall, the Library, and on local streets.

Street projects continued to assist the City in achieving its goal of becoming a “walkable” community. City Project 2017-1, the 5th Street N and 8th Avenue NE Street Improvements Project, focuses generally on the bituminous overlay of 5th Street N from 6th Avenue NW to 8th Avenue NE and on 8th Avenue NE from 7th Street NE to 4th Street NW as well as the reconstruction of 8th Avenue NE from 4th Street NE to the Horn Bridge. It also includes the construction of a new sidewalk on 8th Avenue NE from 7th St N to Highway 2. Additional improvements include upgrades to sidewalk accessibility, the sanitary sewer collection system, the street lighting system and associated appurtenances. The completion of Crystal Lake Boulevard along the south and east sides of Crystal Lake were a huge improvement to the safety of pedestrians, bikers, vehicles and water quality.

In 2014 the University of Minnesota estimated a positive economic impact of \$3.4 million as a result of activities at the city owned IRA Civic Center. This impact was primarily a result of 12 hockey tournaments consisting of 8 teams that are conducted by the Grand Rapids Amateur Hockey Association (GRAHA), from mid-November through mid-February each winter. After the completion of the study GRAHA increased the tournament sizes from eight teams to twelve further increasing the positive economic impact to the city’s hotels and restaurants. Unfortunately, the growth in tournaments decreased the available ice time to our local youth. To eliminate the risk of reducing tournament sizes and economic impact, the City partnered with GRAHA and constructed a Multi-Use Pavilion, that serves as a third hockey rink in the winter and provides an additional 20,000 square feet of dry floor space in the spring, summer, and fall. The \$1 million pavilion was funded with \$720k of non-city and \$280k of city funds.

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, 2015. This was the twenty-fourth 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, 2015

Executive Director/CEO

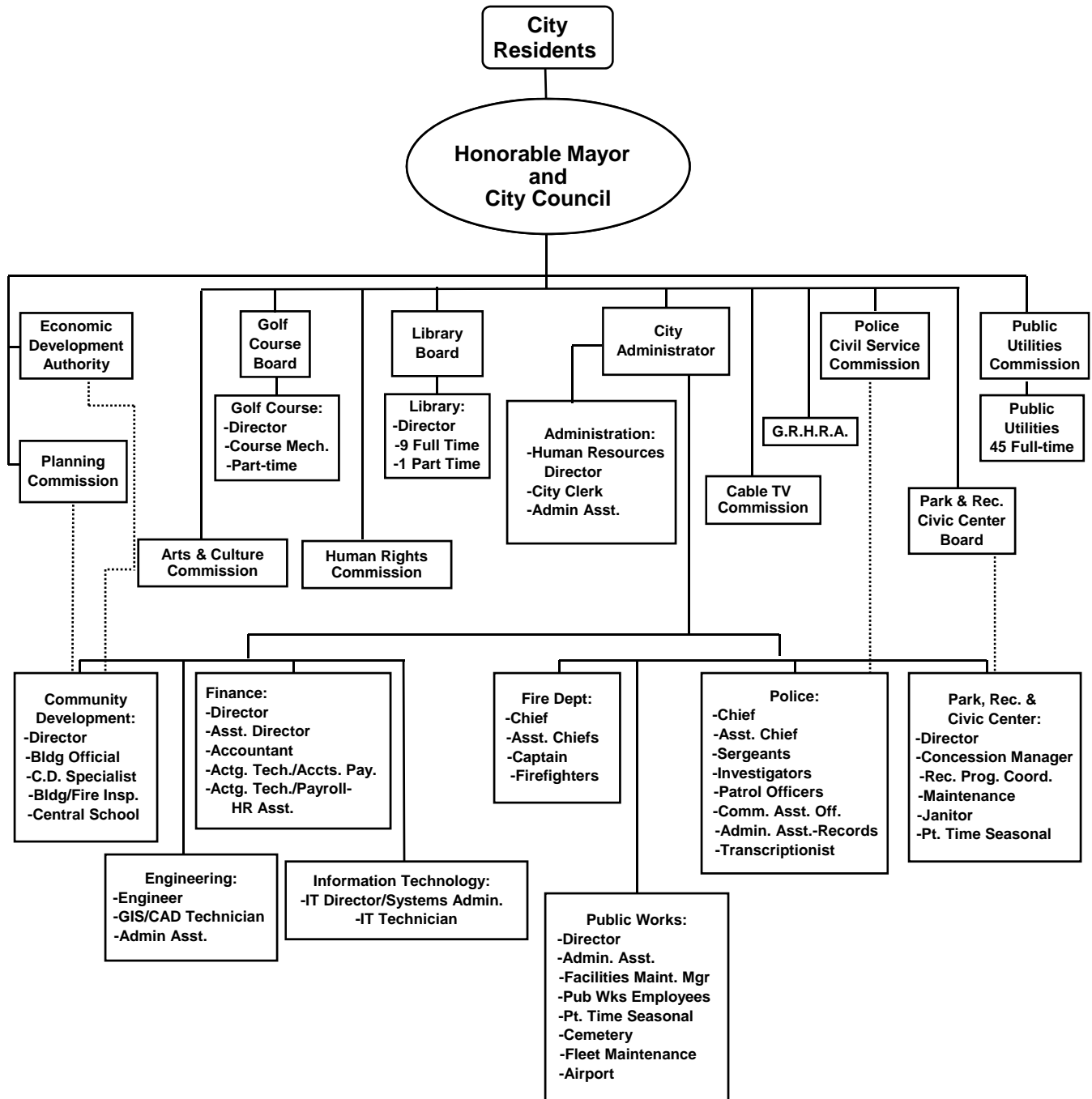
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CITY OF GRAND RAPIDS, MINNESOTA
PRINCIPAL CITY OFFICIALS AND DEPARTMENT HEADS
 December 31, 2016

	<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..... Matt Wegwerth	
Chief of Police..... Scott Johnson	
Information Technology..... Erik Scott	
Director of Golf Operations..... Robert Cahill	
Director of Parks and Recreation..... Dale Anderson	

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City of Grand Rapids Organization Chart



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II. FINANCIAL SECTION

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. 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 54 percent, 45 percent, and 58 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Grand Rapids, Minnesota's 2015 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 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 of 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, 2017, 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, 2017

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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, 2016. 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 \$53,147,406 (net position). Of this amount, \$4,294,656 (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 \$5,185,937 due to assumption changes and investment earnings. This is more fully described on page 23.

The City's total net position increased by \$1,196,560. The governmental activities of the City increased by \$1,397,111. The City has levied less than the debt service payment for General Obligation Improvement Refunding Bonds 2009B and used fund balance of \$17,000. This bond will mature in 2016 and has sufficient fund balance for final debt payment. The Permanent Improvement Fund used \$209,000 of fund balance for various projects within the City.

The business-type activities decreased by \$200,551 due to a \$100,000 increase in personnel costs, \$25,000 increase in vehicle maintenance repairs and a \$49,500 increase in contracted services for necessary projects.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,997,230. Of this amount, \$7,144,332 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 \$6,238,930. Of that amount, \$636,954 was in a nonspendable form, \$17,577 was restricted, \$517,869 was committed and \$5,066,530 was unassigned.

The City's total debt decreased from \$24,918,536 to \$24,505,668 (excluding compensated absences). The City issued General Obligation Street Reconstruction Bonds, Series 2016A for \$2,170,000 in 2016.

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 2016, 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
- IRA Civic Center Projects
- 2016 Infrastructure Bonds

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 91 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 110 through 137 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 \$53,147,406 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$39,768,359 or 76%) 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$22,164,239	\$21,584,016	\$438,750	\$558,282	\$22,602,989	\$22,142,298
Capital assets	60,331,404	58,033,084	2,797,345	2,841,005	63,128,749	60,874,089
Total assets	82,495,643	79,617,100	3,236,095	3,399,287	85,731,738	83,016,387
Total deferred outflows of resources	6,076,730	890,346	-	-	6,076,730	890,346
Long-term liabilities outstanding	35,170,516	29,717,434	14,501	11,808	35,185,017	29,729,242
Other liabilities	2,161,287	1,614,091	86,467	51,801	2,247,754	1,665,892
Total liabilities	37,331,803	31,331,525	100,968	63,609	37,432,771	31,395,134
Total deferred inflows of resources	1,228,291	560,753	-	-	1,228,291	560,753
Net position:						
Net investment in capital assets	36,971,014	33,884,548	2,797,345	2,841,005	39,768,359	36,725,553
Restricted	9,084,391	9,717,936	-	-	9,084,391	9,717,936
Unrestricted	3,956,874	5,012,684	337,782	494,673	4,294,656	5,507,357
Total net position	\$50,012,279	\$48,615,168	\$3,135,127	\$3,335,678	\$53,147,406	\$51,950,846

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 (\$4,294,656) 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*. 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 \$5,185,937 at December 31, 2016 due to the assumption changes and investment earnings projections from Public Employees Retirement Association's own actuarial study. Pension-related amounts included in the above schedule related to the standard are as follows:

Deferred outflows of resources	\$5,958,004
Noncurrent assets	-
Deferred inflows of resources	(1,183,425)
Noncurrent liabilities	(9,960,516)
Total	<u><u>(\$5,185,937)</u></u>

Governmental Activities

Governmental activities increased the City's net position by \$1,397,111 in 2016. Key elements of this increase are as follows:

- Charges for services decreased by \$54,572. Public Works decreased by \$106,942 due to a decrease in fleet maintenance charges and no contract for GIS data fees. Public Safety increased by \$18,860 due to an increase in fire contract fees. Culture and Recreation increased by \$30,520 due to a \$26,500 increase in charges for services at the Library for processing passport applications.
- Operating grants and contributions increased by \$649,945. General Government increased by \$ 314,442 due to a land swap with the Blandin Foundation. Public Safety decreased by \$58,332 due to a decrease in the Towards Zero Death Grant proceeds and ISD#318 Liaison proceeds. Culture and Recreation increased by \$180,741 due to a Mighty Ducks grant for \$130,065. Interest and fees on long-term debt increased by \$87,508 due to having bond issuance costs of approximately \$52,700.

Management's Discussion and Analysis

- Capital grants and contributions decreased by \$2,717,673. Public works increased by \$2,046,297 due to federal and state one-time grants for specific infrastructure projects. Culture and Recreation increased \$704,104 due to pledges and contributions received for a multi-use pavilion project.
- Taxes increased by \$305,056. The City had an increase in the certified levy of approximately 5% over the previous year's certified levy. The City received \$70,750 in delinquent taxes and tax forfeit sales that was not budgeted. In addition, \$50,000 was received in additional fiscal disparities distribution.
- General Government expenses increased by \$656,869. Implementing GASB No. 68, Accounting and Financial Reporting for Pension-an Amendment of GASB Statement No. 27 resulted in additional costs of \$81,293 for general government pensions. In 2016, the City acted as the fiscal agent for the Kiesler Wellness Center infrastructure project with costs of \$258,500 and \$203,000 was used toward the purchase of a hangar to be used for manufacturing aeronautic components. In addition, the City had building condemnation and demolition fees of approximately \$82,000 in 2016.
- Public Safety expenses increased by \$534,272. Implementing GASB No. 68, Accounting and Financial Reporting for Pension-an Amendment of GASB Statement No. 27 resulted in additional costs of \$632,544 for public safety pensions. The police department spent an additional \$96,365 for personnel and staff training which includes tuition reimbursement.
- Public works expenses increased by \$406,713. Implementing GASB No. 68, Accounting and Financial Reporting for Pension-an Amendment of GASB Statement No. 27 resulted in additional costs of \$62,758 for public works pensions. There was approximately \$219,837 in unanticipated expenses for storm water and infrastructure maintenance. Public works also incurred \$45,419 in vehicle maintenance and repairs.
- Culture and Recreation expenses increased by \$339,382. Implementing GASB No. 68, Accounting and Financial Reporting for Pension-an Amendment of GASB Statement No. 27 resulted in additional costs of \$52,953 for culture and recreation pensions. Also, the Civic Center purchased two Zamboni's; a grant covered the cost of one. The cost for one Zamboni was approximately \$130,000. The Library had approximately \$155,690 in endowment fund expenditures.

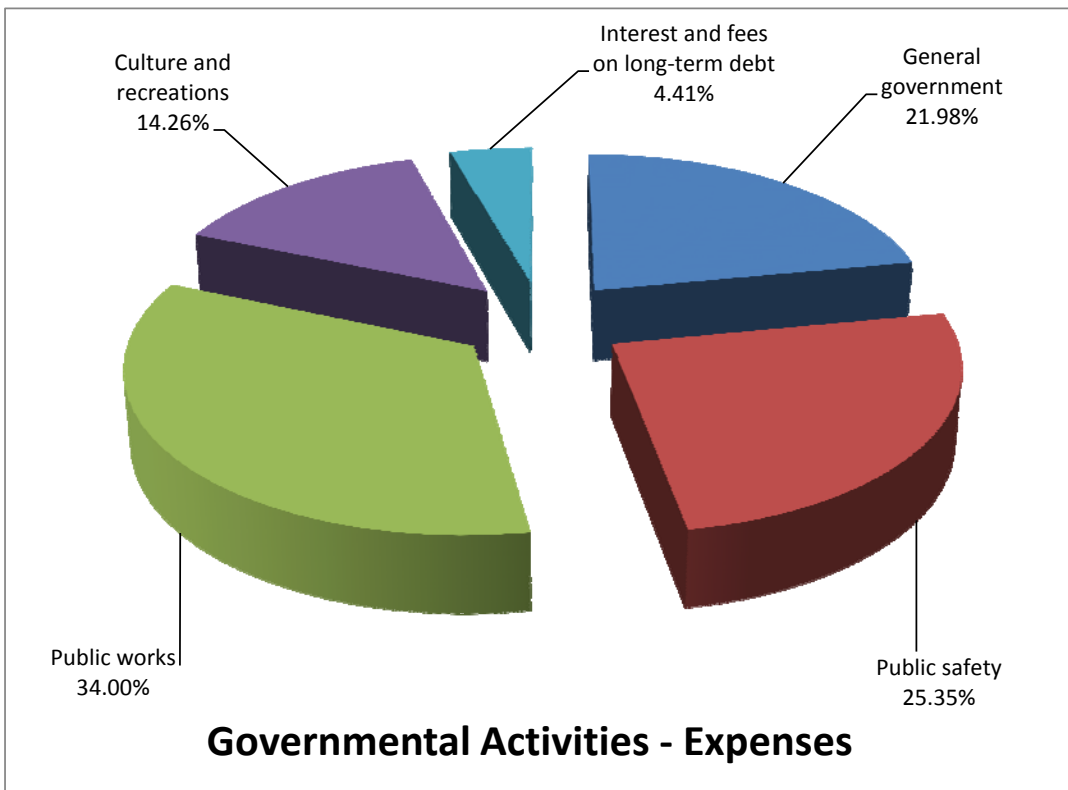
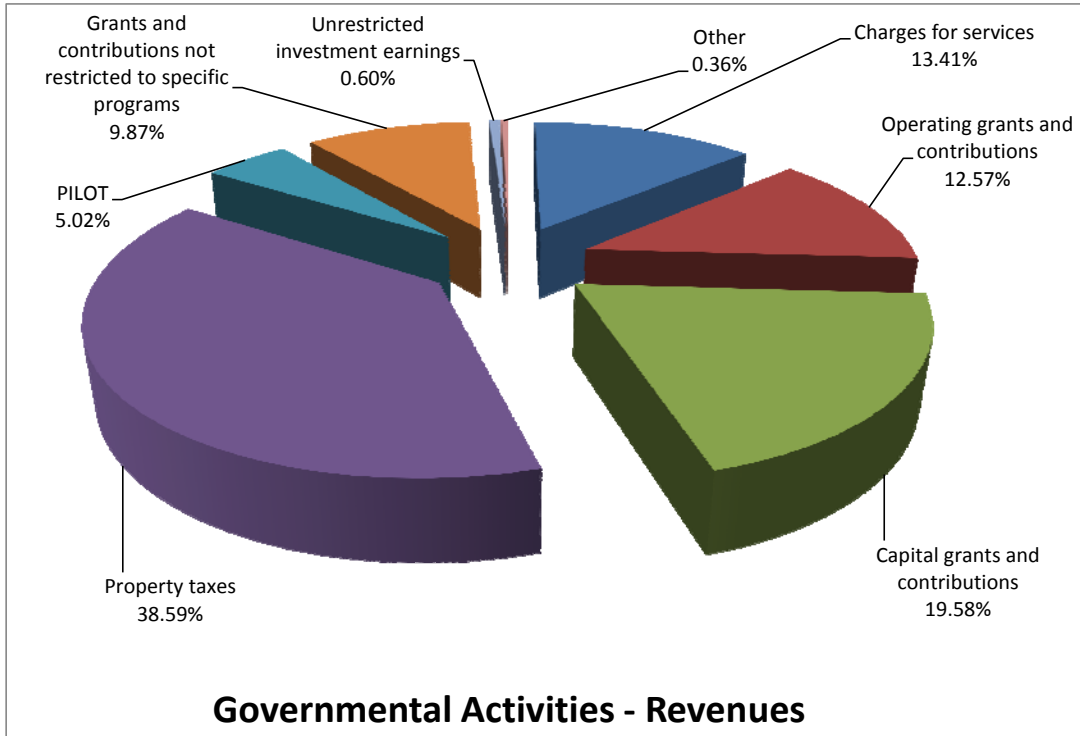
Management's Discussion and Analysis

City of Grand Rapids' Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$2,412,709	\$2,467,281	\$1,136,633	\$1,149,858	\$3,549,342	\$3,617,139
Operating grants and contributions	2,262,521	1,615,576	-	-	2,262,521	1,615,576
Capital grants and contributions	3,523,916	806,243	-	-	3,523,916	806,243
General revenues:						
Taxes	6,945,795	6,640,739	-	-	6,945,795	6,640,739
Payments in lieu of taxes (PILOT)	903,478	902,766	-	-	903,478	902,766
Grants and contributions not restricted to specific programs	1,776,992	1,742,132	-	-	1,776,992	1,742,132
Unrestricted investment earnings	107,331	109,041	5,619	6,349	112,950	115,390
Gain on sale of capital assets	14,196	-	-	331	14,196	331
Insurance recoveries	50,778	7,450	-	-	50,778	7,450
Miscellaneous	-	-	-	2,652	-	2,652
Total revenues	<u>17,997,716</u>	<u>14,291,228</u>	<u>1,142,252</u>	<u>1,159,190</u>	<u>19,139,968</u>	<u>15,450,418</u>
Expenses:						
General government	3,649,895	2,993,026	-	-	3,649,895	2,993,026
Public safety	4,208,454	3,674,182	-	-	4,208,454	3,674,182
Public works	5,646,605	5,239,892	-	-	5,646,605	5,239,892
Culture and recreation	2,367,449	2,028,067	-	-	2,367,449	2,028,067
Interest and fees on long-term debt	731,702	740,526	1,341	1,549	733,043	742,075
Golf course	-	-	649,786	596,565	649,786	596,565
Storm water utility	-	-	688,176	440,557	688,176	440,557
Total expenses	<u>16,604,105</u>	<u>14,675,693</u>	<u>1,339,303</u>	<u>1,038,671</u>	<u>17,943,408</u>	<u>15,714,364</u>
Change in net position before transfers	1,393,611	(384,465)	(197,051)	120,519	1,196,560	(263,946)
Transfers - primary government	<u>3,500</u>	<u>103,500</u>	<u>(3,500)</u>	<u>(103,500)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,397,111</u>	<u>(280,965)</u>	<u>(200,551)</u>	<u>17,019</u>	<u>1,196,560</u>	<u>(263,946)</u>
Net position - January 1, as previously reported	48,615,168	51,971,935	3,335,678	3,318,659	51,950,846	55,290,594
Prior period adjustment	-	(3,075,802)	-	-	-	(3,075,802)
Net position - January 1, as restated	<u>48,615,168</u>	<u>48,896,133</u>	<u>3,335,678</u>	<u>3,318,659</u>	<u>51,950,846</u>	<u>52,214,792</u>
Net position - December 31	<u>\$50,012,279</u>	<u>\$48,615,168</u>	<u>\$3,135,127</u>	<u>\$3,335,678</u>	<u>\$53,147,406</u>	<u>\$51,950,846</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 decreased the City's net position by \$200,551 in 2016. 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 \$83,704 (which includes a decrease of \$15,103 for the Pokegama Golf Course's portion of the decrease in net position of the internal service fund) in 2016 compared to a \$9,758 decrease in 2015. This is because of the green fee revenues were down by approximately \$30,353 and the wages increased by approximately \$34,496.

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 decreased \$116,847 (which includes a decrease of \$18,892 for the Storm Water Utility Fund's portion of the decrease in net position of the internal service fund) in 2016 compared to a \$26,777 increase in 2015. The decrease is due to an increase in personnel and contracted services of approximately \$115,500. Vehicle maintenance and repairs are over by \$25,780. 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 \$14,997,230. Approximately 4% of this total amount (\$655,288) constitutes nonspendable fund balance and approximately 48% (\$7,144,332) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$1,229,744) and assigned (\$1,480,898) by City Council, as well as unassigned fund balance (\$4,486,968). Additional information about the City's fund balance classifications can be found in Note 16.

The general fund balance increased by \$238,055 in 2016, compared to a \$350,393 increase in 2015. Prior to other financing sources and uses and special items, the General Fund balance increased \$650,011 in 2016 compared to a \$768,832 increase in 2015. Key elements of this increase are as follows:

- The City's tax levy for the General Fund increased \$217,270 for 2016. Property taxes increased primarily due to a 5% increase in the General Fund levy.
- Miscellaneous revenue was \$30,843 over budget due largely to \$16,711 from contributions to the Arts & Culture Commission and \$4,600 in hunting permits.
- The General Government expenditures were under budget by \$66,455 due largely to an unfilled position in Building Maintenance, approximately \$49,848 under budget.

Management's Discussion and Analysis

The IRA Civic Center Projects had a fund balance decrease of \$394,669 due to the new multi-use pavilion project expenditures.

The 2016 Infrastructure Bonds had a fund balance increase of \$92,253 due to the issuance of the 2016 General Obligation Street Reconstruction Bonds as well as federal and state one-time grants for specific infrastructure projects.

The nonmajor special revenue funds increased by \$13,987 for 2016.

- The Airport Operations had a fund balance increase of \$15,037 due to expenses coming in lower than budgeted by approximately \$12,042.
- The Civic Center had \$103,019 of expenditures over revenue in 2016 but other financing sources of \$45,810. The overall decrease was due to the purchase of two new electric Zamboni's.
- The Public Library had \$19,416 of revenues over expenditures in 2016 due to \$26,350 in unbudgeted passport processing revenue.
- The Cemetery had \$16,853 of revenues over expenditures in 2016 due to a milder winter with using less liquefied petroleum gas, and a reduction in contracted services.

The non-major debt service funds increased by \$486,798. This is due to a \$528,000 operating transfer into 2013B General Obligation Improvement Bonds.

The non-major capital project funds decreased by \$1,018,933. The Capital Equipment Fund had a decrease in fund balance of \$201,689 due to the purchase of capital equipment. The 2013 Infrastructure Bonds had a decrease of \$428,342 due to the transfer and closure to the debt service fund. The General Capital improvement fund had a fund balance decrease of \$335,189 due to the Blandin Land Swap cost and the purchase of a manufacturing hangar.

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 an operating loss of \$65,407. Operating expenses increased by \$41,124 and operating revenues decreased by \$19,559 in part due to a decrease in sales of greens fees and an increase in personnel costs.

The Storm Water Utility had an operating loss of \$110,039. Operating expenses increased by \$232,025 due to \$65,617 increase in personnel costs. Contracted services and vehicle maintenance and repairs increased by 75,166.

Budgetary Highlights

General Fund. The General Fund had an increase in fund balance of \$238,055. The General Fund revenue was over budget by \$70,157. The City received approximately \$33,866 more in Police and Fire Insurance Premium not budgeted. The City also had a budgeted full-time position that was not filled until late in 2016.

Total expenditures were under budget by \$5,385. Public Works was over budget by \$32,190 due to an increase in personnel costs. The Public Safety Department was under budget by \$31,504 due to a lower number of fire calls causing the personnel expense to come in lower.

Management's Discussion and Analysis

Miscellaneous was over by \$75,541 due to the City paying an \$8,567 for a pierringer agreement. The City had \$36,650 in building condemnation and EAW fees. The City's health insurance co-pay and deductibles were over by \$15,448. General government was under budget by \$66,455 primarily due to an unfilled full-time position in Building Maintenance.

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, 2016, amounts to \$63,128,749 (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	
	2016	2015	2016	2015	2016	2015
Land and land improvements	\$6,006,414	\$6,006,414	\$906,387	\$906,387	\$6,912,801	\$6,912,801
Building and improvements	10,625,297	10,822,749	1,522,588	1,586,517	12,147,885	12,409,266
Vehicles, equipment and furniture	4,160,307	3,826,485	368,370	281,759	4,528,677	4,108,244
Infrastructure	34,450,124	36,561,374	-	-	34,450,124	36,561,374
Construction in progress	5,089,262	816,062	-	66,342	5,089,262	882,404
Total	<u>\$60,331,404</u>	<u>\$58,033,084</u>	<u>\$2,797,345</u>	<u>\$2,841,005</u>	<u>\$63,128,749</u>	<u>\$60,874,089</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 \$24,505,668 (excluding compensated absences), a decrease of \$412,868 from 2015. Of the total outstanding amount:

- \$18,505,000 is general obligation improvement debt that is supported in part by special assessments,
- \$750,000 is general obligation tax increment debt which financed the City's economic development program,
- \$4,985,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$265,668 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	
	2016	2015	2016	2015	2016	2015
General obligation improvement bonds	\$18,505,000	\$18,175,000	\$ -	\$ -	\$18,505,000	\$18,175,000
General obligation tax increment bonds	750,000	770,000	-	-	750,000	770,000
Other general obligation bonds	4,985,000	5,705,000	-	-	4,985,000	5,705,000
Capital leases, loans, bond premium	265,668	268,536	-	-	265,668	268,536
Total	<u>\$24,505,668</u>	<u>\$24,918,536</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24,505,668</u>	<u>\$24,918,536</u>

The City issued General Obligation Street Reconstruction Bonds, Series 2016A for \$2,170,000 in 2016.

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 \$23,595,911. Of the City's outstanding debt, \$5,471,403 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

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CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2016

With Comparative Amounts for December 31, 2015

Statement 1

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Total		Economic Development Authority	Public Utilities Commission
			2016	2015		
Assets:						
Cash and investments	\$16,022,592	\$545,540	\$16,568,132	\$16,018,402	\$674,931	\$5,118,264
Accrued interest receivable	20,311	-	20,311	19,900	-	11,068
Due from other governmental units	443,043	-	443,043	714,956	157,185	-
Due from primary government	-	-	-	-	-	111,587
Due from component units	198,084	46,738	244,822	360,129	-	-
Accounts receivable - net	120,425	7,830	128,255	167,793	109,020	2,660,476
Pledges receivable	329,500	-	329,500	-	-	-
Internal balances	167,605	(167,605)	-	-	-	-
Prepaid items	85,465	6,247	91,712	153,640	-	198,805
Property taxes receivable	160,215	-	160,215	113,138	648	-
Special assessments receivable	3,233,721	-	3,233,721	3,821,450	-	-
Inventories - at cost	-	-	-	-	-	706,932
Land held for resale	436,000	-	436,000	-	2,316,697	-
Notes receivable	-	-	-	-	251,284	-
Restricted cash and investments	-	-	-	-	-	1,698,997
Restricted accounts receivable	-	-	-	-	-	22,299,358
Financial assurance landfill closure	-	-	-	-	-	3,450,004
Net pension asset	947,278	-	947,278	772,890	-	-
Capital assets - nondepreciable	11,095,676	906,387	12,002,063	7,795,205	-	2,838,302
Capital assets - net of accumulated depreciation	49,235,728	1,890,958	51,126,686	53,078,884	-	62,761,549
Regulatory assets	-	-	-	-	-	274,580
Non-utility property - net of amortization	-	-	-	-	-	1,129,582
Total assets	82,495,643	3,236,095	85,731,738	83,016,387	3,509,765	103,259,504
Deferred outflows of resources:						
Service territory acquisition	-	-	-	-	-	109,565
Related to pensions	6,076,730	-	6,076,730	890,346	-	1,319,109
Total deferred outflows of resources	6,076,730	0	6,076,730	890,346	0	1,428,674
Liabilities:						
Accounts payable	591,443	21,500	612,943	226,275	12,998	1,807,613
Accrued wages payable	221,458	21,040	242,498	193,652	-	88,082
Due to other governmental units	49,566	2,297	51,863	48,110	67,960	75,003
Due to component units	81,684	26,804	108,488	72,662	-	-
Contracts payable	550,922	-	550,922	-	6,088	-
Deposits payable	10,692	13,000	23,692	19,350	-	259,404
Due to primary government	-	-	-	-	-	180,901
Accrued interest payable	279,594	637	280,231	297,271	-	269,922
Unearned revenue	375,928	1,189	377,117	531,591	-	100,795
Net pension liability:						
Due in more than one year	9,960,516	-	9,960,516	4,409,626	-	3,158,487
Landfill closure costs:						
Due in more than one year	-	-	-	-	-	3,450,004
Noncurrent liabilities:						
Due within one year	2,649,753	67	2,649,820	2,645,685	17,500	2,371,644
Due in more than one year	22,266,544	6,618	22,273,162	22,666,607	973,000	25,035,699
Other post employment benefits:						
Due in more than one year	293,703	7,816	301,519	284,305	-	-
Total liabilities	37,331,803	100,968	37,432,771	31,395,134	1,077,546	36,797,554
Deferred inflows of resources:						
Demand payment deferral	-	-	-	-	-	21,648,808
Related to pensions	1,228,291	-	1,228,291	560,753	-	449,026
Purchased power	-	-	-	-	-	23,720
Other deferred credits	-	-	-	-	-	50,458
Total deferred inflows of resources	1,228,291	0	1,228,291	560,753	0	22,172,012
Net position:						
Net investment in capital assets	36,971,014	2,797,345	39,768,359	36,725,553	-	39,374,349
Restricted for:						
Debt service	9,060,732	-	9,060,732	9,201,658	-	-
Other purposes	23,659	-	23,659	516,274	-	1,181,470
Unrestricted	3,956,874	337,782	4,294,656	5,507,361	2,432,219	5,162,793
Total net position	\$50,012,279	\$3,135,127	\$53,147,406	\$51,950,846	\$2,432,219	\$45,718,612

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, 2016

With Comparative Amounts for The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$3,649,895	\$458,276	\$323,400	\$ -
Public safety	4,208,454	580,225	503,033	-
Public works	5,646,605	326,167	825,391	2,819,812
Culture and recreation	2,367,449	1,048,041	363,555	704,104
Interest and fees on long-term debt	731,702	-	247,142	-
Total governmental activities	<u>16,604,105</u>	<u>2,412,709</u>	<u>2,262,521</u>	<u>3,523,916</u>
Business-type activities:				
Golf course	651,127	569,276	-	-
Storm water utility	688,176	567,357	-	-
Total business-type activities	<u>1,339,303</u>	<u>1,136,633</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$17,943,408</u>	<u>\$3,549,342</u>	<u>\$2,262,521</u>	<u>\$3,523,916</u>
Component units:				
Economic Development Authority	\$672,853	\$95,665	\$698,123	\$ -
Public Utilities Commission	<u>25,282,162</u>	<u>22,698,610</u>	<u>-</u>	<u>3,298,605</u>
Total component units	<u>\$25,955,015</u>	<u>\$22,794,275</u>	<u>\$698,123</u>	<u>\$3,298,605</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.

Net (Expense) Revenue and Changes in Net Position Primary Government				Component Units	
Governmental Activities	Business-Type Activities	Total 2016	Total 2015	Economic Development Authority	Public Utilities Commission
(\$2,868,219)	\$ -	(\$2,868,219)	(\$2,398,550)	\$ -	\$ -
(3,125,196)	-	(3,125,196)	(2,532,437)	-	-
(1,675,235)	-	(1,675,235)	(3,316,916)	-	-
(251,749)	-	(251,749)	(957,798)	-	-
(484,560)	-	(484,560)	(580,892)	-	-
<u>(8,404,959)</u>	<u>0</u>	<u>(8,404,959)</u>	<u>(9,786,593)</u>	<u>0</u>	<u>0</u>
-	(81,851)	(81,851)	(8,615)	-	-
-	(120,819)	(120,819)	122,454	-	-
<u>0</u>	<u>(202,670)</u>	<u>(202,670)</u>	<u>113,839</u>	<u>0</u>	<u>0</u>
<u>(8,404,959)</u>	<u>(202,670)</u>	<u>(8,607,629)</u>	<u>(9,672,754)</u>	<u>0</u>	<u>0</u>
				120,935	-
				<u>-</u>	<u>715,053</u>
				<u>120,935</u>	<u>715,053</u>
6,945,795	-	6,945,795	6,640,739	56,562	-
903,478	-	903,478	902,766	-	-
1,776,992	-	1,776,992	1,742,132	-	-
107,331	5,619	112,950	115,390	6,487	40,886
14,196	-	14,196	331	-	-
50,778	-	50,778	7,450	-	-
3,500	(3,500)	-	-	-	-
<u>9,802,070</u>	<u>2,119</u>	<u>9,804,189</u>	<u>9,408,808</u>	<u>63,049</u>	<u>40,886</u>
<u>1,397,111</u>	<u>(200,551)</u>	<u>1,196,560</u>	<u>(263,946)</u>	<u>183,984</u>	<u>755,939</u>
48,615,168	3,335,678	51,950,846	55,290,594	2,248,235	44,962,673
-	-	-	(3,075,802)	-	-
<u>48,615,168</u>	<u>3,335,678</u>	<u>51,950,846</u>	<u>52,214,792</u>	<u>2,248,235</u>	<u>44,962,673</u>
<u>\$50,012,279</u>	<u>\$3,135,127</u>	<u>\$53,147,406</u>	<u>\$51,950,846</u>	<u>\$2,432,219</u>	<u>\$45,718,612</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 3

	101 General Fund	429 IRA Civic Center Projects	477 2016 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
					2016	2015
Assets						
Cash and investments	\$5,252,104	\$48,904	\$495,786	\$10,225,798	\$16,022,592	\$15,369,381
Accrued interest receivable	20,311	-	-	-	20,311	19,900
Due from other governmental units	290,947	-	-	128,194	419,141	688,604
Due from other funds	291,231	-	-	10,689	301,920	208,900
Due from component units	16,915	-	-	181,169	198,084	313,735
Accounts receivable	47,979	-	-	72,446	120,425	159,662
Pledges receivable	-	329,500	-	-	329,500	-
Interfund loan receivable	713,951	-	-	-	713,951	351,106
Land held for resale	436,000	-	-	-	436,000	-
Prepaid items	46,345	-	-	39,120	85,465	151,840
Taxes receivable - delinquent	107,123	-	-	53,092	160,215	113,138
Special assessments receivable	97,504	-	-	3,186,217	3,283,721	3,871,450
Total assets	\$7,320,410	\$378,404	\$495,786	\$13,896,725	\$22,091,325	\$21,247,716
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$151,987	\$15,434	\$51,705	\$372,317	\$591,443	\$216,396
Accrued wages payable	179,676	-	-	41,782	221,458	187,521
Due to other governmental units	26,544	271	-	22,751	49,566	45,415
Due to component units	66,627	-	-	15,057	81,684	59,388
Contracts payable	-	139,776	398,317	12,829	550,922	-
Due to other funds	-	288,092	-	13,828	301,920	208,900
Deposits payable	112	-	-	10,580	10,692	10,350
Interfund loan payable	-	-	-	586,645	586,645	210,346
Unearned revenue	15,907	-	-	360,021	375,928	521,473
Total liabilities	440,853	443,573	450,022	1,435,810	2,770,258	1,459,789
Deferred inflows of resources:						
Unavailable revenue	640,627	329,500	-	3,353,710	4,323,837	4,208,188
Total deferred inflows of resources	640,627	329,500	0	3,353,710	4,323,837	4,208,188
Fund balances:						
Nonspendable	636,954	-	-	18,334	655,288	333,442
Restricted	17,577	-	45,764	6,988,138	7,051,479	7,029,961
Committed	517,869	-	-	804,728	1,322,597	1,069,938
Assigned	-	-	-	1,480,898	1,480,898	2,076,696
Unassigned	5,066,530	(394,669)	-	(184,893)	4,486,968	5,069,702
Total fund balances	6,238,930	(394,669)	45,764	9,107,205	14,997,230	15,579,739
Total liabilities, deferred inflows of resources, and fund balances	\$7,320,410	\$378,404	\$495,786	\$13,896,725	\$22,091,325	\$21,247,716
Fund balance reported above					\$14,997,230	\$15,579,739
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.					60,331,404	58,033,084
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:						
Delinquent taxes					160,215	113,138
Assessments not yet due or delinquent					3,233,722	3,821,450
Pledges not yet due					329,500	-
Due from component units					114,400	223,600
Due from other governmental units					23,902	26,352
Land held for resale					436,000	-
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					(24,444,088)	(24,833,312)
Capital lease and loans payable					(61,580)	(85,224)
Accrued interest payable					(279,594)	(296,567)
Compensated absences payable					(410,629)	(389,272)
Other post employment benefits					(293,703)	(276,981)
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.					(5,145,638)	(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					947,278	772,890
Deferred outflows of resources					118,726	33,077
Deferred inflows of resources					(44,866)	-
Net position of governmental activities					\$50,012,279	\$48,615,168

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

Statement 4

GOVERNMENTAL FUNDS

For The Year Ended December 31, 2016

With Comparative Totals For The Year Ended December 31, 2015

	101 General Fund	429 IRA Civic Center Projects	477 2016	Other	Totals Governmental Funds	
			Infrastructure Bonds	Governmental Funds	2016	2015
Revenues:						
Taxes:						
General property	\$4,156,865	\$ -	\$ -	\$2,312,363	\$6,469,228	\$6,388,250
Tax abatements	-	-	-	63,528	63,528	26,923
Tax increments	-	-	-	365,962	365,962	231,142
Payments in lieu of taxes (PILOT)	903,478	-	-	-	903,478	902,766
Licenses and permits	259,518	-	-	-	259,518	343,241
Intergovernmental	2,230,732	-	1,902,943	1,593,308	5,726,983	3,887,034
Special assessments	18,437	-	-	971,495	989,932	835,650
Charges for services	807,721	-	-	1,172,720	1,980,441	1,945,088
Fines and forfeits	73,858	-	-	66,145	140,003	150,911
Investment income	42,610	-	-	64,721	107,331	109,041
Contributions and donations	21,052	374,604	-	238,643	634,299	124,609
Other	27,091	-	-	237,627	264,718	254,341
Total revenues	8,541,362	374,604	1,902,943	7,086,512	17,905,421	15,198,996
Expenditures:						
Current:						
General government	1,884,681	-	-	1,158,603	3,043,284	2,318,002
Public safety	3,179,061	-	-	163,231	3,342,292	3,224,886
Public works	2,193,786	-	-	537,472	2,731,258	2,575,664
Culture and recreation	119,282	-	-	1,828,371	1,947,653	1,720,627
Miscellaneous	514,541	-	-	-	514,541	545,535
Capital outlay/construction	-	769,273	3,972,180	1,129,228	5,870,681	749,073
Debt service:						
Principal retirement	-	-	-	2,590,000	2,590,000	2,475,000
Interest	-	-	-	711,789	711,789	764,607
Paying agent fees	-	-	-	7,600	7,600	8,000
Bond issuance costs	-	-	52,693	-	52,693	-
Total expenditures	7,891,351	769,273	4,024,873	8,126,294	20,811,791	14,381,394
Revenues over (under) expenditures	650,011	(394,669)	(2,121,930)	(1,039,782)	(2,906,370)	817,602
Other financing sources (uses):						
Sale of capital assets	17,400	-	-	38,000	55,400	2,000
Bond issuance	-	-	2,170,000	-	2,170,000	-
Bond premium	-	-	44,183	-	44,183	-
Insurance recoveries	42,968	-	-	7,810	50,778	35,950
Transfers in	3,500	-	-	999,217	1,002,717	604,432
Transfers out	(475,824)	-	-	(523,393)	(999,217)	(500,932)
Total other financing sources (uses)	(411,956)	0	2,214,183	521,634	2,323,861	141,450
Net change in fund balance	238,055	(394,669)	92,253	(518,148)	(582,509)	959,052
Fund balance - January 1	6,000,875	-	(46,489)	9,625,353	15,579,739	14,620,687
Fund balance - December 31	\$6,238,930	(\$394,669)	\$45,764	\$9,107,205	\$14,997,230	\$15,579,739

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, 2016
With Comparative Amounts For The Year Ended December 31, 2015

Statement 5

	2016	2015
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)	(\$582,509)	\$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	(3,320,865)	(3,257,776)
Capital outlay	5,870,681	749,073
Capital outlay not capitalized	(226,798)	(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.	16,506	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.	(41,204)	(97,289)
In the governmental funds, contributions of land held for resale are offset with unavailable revenues. However, in the statement of activities, these contributions are reported as revenues.	436,000	-
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	47,077	(5,575)
Change in deferred and delinquent special assessments	(587,728)	(721,136)
Change in pledges receivable	329,500	-
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	(109,200)	(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:		
Proceeds from the issuance of bonds	(2,170,000)	-
Principal payments on bonds, capital leases and loans payable	2,603,644	2,488,644
Current year bond premium and amortization of bond premium	(20,776)	21,786
Change in due from other governmental units accrual related to a federal credit on BAB bonds	(2,450)	(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	(21,357)	2,583
Change in other post employment benefits and termination benefits payable	(16,722)	(14,796)
Change in accrued interest payable	16,973	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	215,171	(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.	(1,038,832)	(142,969)
Change in net position of governmental activities (Statement 2)	<u>\$1,397,111</u>	<u>(\$280,965)</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, 2016

With Comparative Totals For Enterprise Funds For December 31, 2015

Statement 6

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama	655 Storm Water	Totals		Activities
	Golf Course	Utility	2016	2015	Internal Service
					2016
Assets:					
Current assets:					
Cash and cash equivalents	\$150,204	\$395,336	\$545,540	\$649,021	\$ -
Due from component units	-	46,738	46,738	46,394	-
Accounts receivable	4,459	3,371	7,830	8,131	-
Pledges receivable - net	-	-	-	-	-
Prepaid items	4,997	1,250	6,247	1,800	-
Total current assets	159,660	446,695	606,355	705,346	0
Noncurrent assets:					
Capital assets:					
Construction in progress	-	-	-	66,342	-
Land and land improvements	871,481	34,906	906,387	906,387	-
Buildings and structures	2,290,486	-	2,290,486	2,290,486	-
Machinery, equipment and furniture	802,269	291,706	1,093,975	925,873	-
Total capital assets	3,964,236	326,612	4,290,848	4,189,088	0
Less: Allowance for depreciation	(1,351,375)	(142,128)	(1,493,503)	(1,348,083)	-
Net capital assets	2,612,861	184,484	2,797,345	2,841,005	0
Total noncurrent assets	2,612,861	184,484	2,797,345	2,841,005	0
Total assets	2,772,521	631,179	3,403,700	3,546,351	0
Deferred outflows of resources - pension related	-	-	-	-	5,958,004
Liabilities:					
Current liabilities:					
Accounts payable	1,475	20,025	21,500	9,879	-
Accrued wages payable	2,829	18,211	21,040	6,131	-
Due to other governmental units	1,417	880	2,297	2,695	-
Due to component units	1,057	25,747	26,804	13,274	-
Accrued interest payable	637	-	637	704	-
Deposits payable	-	13,000	13,000	9,000	-
Interfund loan payable	127,306	-	127,306	140,760	-
Compensated absences payable - current	67	-	67	510	-
Unearned revenue	1,189	-	1,189	10,118	-
Total current liabilities	135,977	77,863	213,840	193,071	0
Noncurrent liabilities:					
Compensated absences payable	3,730	2,888	6,618	3,974	-
Other post employment benefits	7,816	-	7,816	7,324	-
Net pension liability	-	-	-	-	9,960,516
Total noncurrent liabilities	11,546	2,888	14,434	11,298	9,960,516
Total liabilities	147,523	80,751	228,274	204,369	9,960,516
Deferred inflows of resources - pension related	-	-	-	-	1,183,425
Net position:					
Investment in capital assets	2,612,861	184,484	2,797,345	2,841,005	-
Unrestricted	12,137	365,944	378,081	500,977	(5,185,937)
Total net position	\$2,624,998	\$550,428	\$3,175,426	\$3,341,982	(\$5,185,937)
Net position reported above			\$3,175,426	\$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.			(40,299)	(6,304)	
Net position of business-type activities			\$3,135,127	\$3,335,678	

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, 2016
 With Comparative Totals For Enterprise Funds For The Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama Golf Course	655 Storm Water Utility	Totals		Internal Service
			2016	2015	2016
Operating revenues:					
Season passes	\$166,781	\$ -	\$166,781	\$167,322	\$ -
Green fees	230,519	-	230,519	245,421	-
Special play	9,287	-	9,287	8,074	-
Rentals and leases	162,689	-	162,689	168,018	-
Charges for service	-	559,245	559,245	561,023	467,804
Total operating revenues	<u>569,276</u>	<u>559,245</u>	<u>1,128,521</u>	<u>1,149,858</u>	<u>467,804</u>
Operating expenses:					
Personnel services	275,839	336,300	612,139	467,171	1,569,884
Materials and supplies	46,557	44,687	91,244	100,675	-
Other services and charges	207,011	248,154	455,165	333,460	-
Depreciation	105,276	40,143	145,419	129,512	-
Total operating expenses	<u>634,683</u>	<u>669,284</u>	<u>1,303,967</u>	<u>1,030,818</u>	<u>1,569,884</u>
Operating income (loss)	<u>(65,407)</u>	<u>(110,039)</u>	<u>(175,446)</u>	<u>119,040</u>	<u>(1,102,080)</u>
Nonoperating revenues (expenses):					
Intergovernmental revenue	-	-	-	-	29,253
Investment income	1,647	3,972	5,619	6,349	-
Interest expense	(1,341)	-	(1,341)	(1,549)	-
Miscellaneous revenue	-	8,112	8,112	2,652	-
Gain (loss) on sale of capital assets	-	-	-	331	-
Total nonoperating revenues (expenses)	<u>306</u>	<u>12,084</u>	<u>12,390</u>	<u>7,783</u>	<u>29,253</u>
Income before contributions and transfers	<u>(65,101)</u>	<u>(97,955)</u>	<u>(163,056)</u>	<u>126,823</u>	<u>(1,072,827)</u>
Transfers out	<u>(3,500)</u>	<u>-</u>	<u>(3,500)</u>	<u>(103,500)</u>	<u>-</u>
Total transfers and contributions	<u>(3,500)</u>	<u>0</u>	<u>(3,500)</u>	<u>(103,500)</u>	<u>0</u>
Change in net position	<u>(68,601)</u>	<u>(97,955)</u>	<u>(166,556)</u>	<u>23,323</u>	<u>(1,072,827)</u>
Net position - January 1	<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 - December 31	<u>\$2,624,998</u>	<u>\$550,428</u>	<u>\$3,175,426</u>	<u>\$3,341,982</u>	<u>(\$5,185,937)</u>
Changes in net position reported above			(\$166,556)	\$23,323	
Adjustment to report the cumulative internal balance for the net effect of activity between the internal service funds and the enterprise funds over time.			<u>(33,995)</u>	<u>(6,304)</u>	
Change in net position of business-type activities (Statement 2)			<u>(\$200,551)</u>	<u>\$17,019</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, 2016

With Comparative Totals For The Year Ended December 31, 2015

Statement 8

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama	655 Storm Water	Totals		Internal Service
	Golf Course	Utility	2016	2015	2016
Cash flows from operating activities:					
Receipts from customers and users	\$560,364	\$567,297	\$1,127,661	\$1,161,703	\$ -
Receipts from interfund charges for pension benefits	-	-	-	-	467,804
Intergovernmental revenue	-	-	-	-	29,253
Payment to suppliers	(257,205)	(264,898)	(522,103)	(422,761)	-
Payments to other funds for services provided	-	-	-	-	(497,057)
Payment to employees	(275,291)	(319,246)	(594,537)	(463,178)	-
Net cash flows provided by operating activities	<u>27,868</u>	<u>(16,847)</u>	<u>11,021</u>	<u>275,764</u>	<u>0</u>
Cash flows from noncapital financing activities:					
Interfund borrowing cash payments	(13,454)	-	(13,454)	(31,221)	-
Interest on interfund borrowing	(1,408)	-	(1,408)	(1,720)	-
Transfers out	(3,500)	-	(3,500)	(103,500)	-
Net cash flows provided by (used in) noncapital financing activities	<u>(18,362)</u>	<u>0</u>	<u>(18,362)</u>	<u>(136,441)</u>	<u>0</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(99,000)	(2,759)	(101,759)	(76,327)	-
Sale of capital assets	-	-	-	331	-
Net cash flows (used in) capital and related financing activities	<u>(99,000)</u>	<u>(2,759)</u>	<u>(101,759)</u>	<u>(75,996)</u>	<u>0</u>
Cash flows from investing activities:					
Investment income	<u>1,647</u>	<u>3,972</u>	<u>5,619</u>	<u>6,349</u>	<u>-</u>
Net increase in cash and cash equivalents	(87,847)	(15,634)	(103,481)	69,676	0
Cash and cash equivalents - January 1	<u>238,051</u>	<u>410,970</u>	<u>649,021</u>	<u>579,345</u>	<u>-</u>
Cash and cash equivalents - December 31	<u>\$150,204</u>	<u>\$395,336</u>	<u>\$545,540</u>	<u>\$649,021</u>	<u>\$0</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>(\$65,407)</u>	<u>(\$110,039)</u>	<u>(\$175,446)</u>	<u>\$119,040</u>	<u>(\$1,102,080)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	105,276	40,143	145,419	129,512	-
Miscellaneous revenue	-	8,112	8,112	2,652	-
Intergovernmental revenue	-	-	-	-	29,253
Changes in assets and liabilities:					
Decrease (increase) in receivables	17	(60)	(43)	5,061	-
Decrease (increase) in prepaid items	(3,197)	(1,250)	(4,447)	1,046	-
Decrease (increase) in deferred outflows of resources	-	-	-	-	(5,100,735)
Increase (decrease) in unearned revenue	(8,929)	-	(8,929)	4,132	-
Increase (decrease) in payables	108	46,247	46,355	14,321	5,550,890
Increase (decrease) in deferred inflows of resources	-	-	-	-	622,672
Total adjustments	<u>93,275</u>	<u>93,192</u>	<u>186,467</u>	<u>156,724</u>	<u>1,102,080</u>
Net cash provided by operating activities	<u>\$27,868</u>	<u>(\$16,847)</u>	<u>\$11,021</u>	<u>\$275,764</u>	<u>\$0</u>
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, 2016
With Comparative Totals For December 31, 2015

Statement 9

	Agency Funds	
	2016	2015
Assets:		
Cash and investments	\$110,897	\$127,526
Accounts receivable	822	-
Total assets	<u>\$111,719</u>	<u>\$127,526</u>
Liabilities:		
Accounts payable	\$14,993	\$21,266
Due to third-party grantees	96,726	106,260
Total liabilities	<u>\$111,719</u>	<u>\$127,526</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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 *IRA Civic Center Project Fund* accounts for the Multi-Use Outdoor Pavilion Project.

The *2016 Infrastructure – Bonded Capital Project Fund* accounts for Projects funded by the 2016A Improvement Bonds.

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 between the City's enterprise funds and various other functions of government. 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.
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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	\$797,681	\$989,099	\$191,418
IRA Civic Center	697,158	952,728	255,570
Recreation Programs	60,745	63,983	3,238
Haz-Mat	45,000	51,816	6,816
Police Forfeiture	3,000	14,079	11,079

The expenditures exceeding budget were funded by available fund balance or interfund loan.

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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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.

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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, 2016, 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:

<u>Assets</u>	
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 2016, 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 2016 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, 2015, 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.

W. DEFINED BENEFIT PENSION PLANS

PERA:

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.

Fire Relief:

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.

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, 2016 the carrying amount of the City's deposits with financial institutions was \$10,776,671.

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, 2016, the bank balance of the City's deposits was \$10,735,307 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.

CITY OF GRAND RAPIDS, MINNESOTA
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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.

As of December 31, 2016, 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	\$102,064	\$102,064	\$ -	\$ -
Federal home loan bank-step	Aaa	149,634	-	-	149,634
Federal farm credit notes	Aaa	105,968	-	105,968	-
US Treasury Notes	Aaa	275,742	75,086	200,656	-
Brokered CD's	NR	5,245,000	1,365,000	2,949,000	931,000
Mutual fund	Aaa	644,909	644,909	-	-
Other	NR	48,902	48,902	-	-
Total		<u>\$6,572,219</u>	<u>\$2,235,961</u>	<u>\$3,255,624</u>	<u>\$1,080,634</u>
			Total investments	\$6,572,219	
			Deposits	10,776,671	
			Petty cash	5,070	
			Total cash and investments	<u>\$17,353,960</u>	

NR - Not Rated

CITY OF GRAND RAPIDS, MINNESOTA
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The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2016:

Investment Type	12/31/2016	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
FHLB Notes	\$102,064	\$ -	\$102,064	\$ -
Federal home loan bank-step	149,634	-	149,634	-
Federal Farm Credit Notes	105,968	-	105,968	-
US Treasury Notes	275,742	275,742	-	-
Brokered CD's	5,245,000	-	5,245,000	-
Other	48,902	-	48,902	-
Total/Subtotal	5,927,310	\$275,742	\$5,651,568	\$0
Investments not categorized:				
Mutual Fund	644,909			
	<u>\$6,572,219</u>			

Following is a reconciliation of the City's cash and investment balances as of December 31, 2016:

Cash and investments - primary government:	
Governmental and business-type (Statement 1)	\$16,568,132
Fiduciary (Statement 9)	110,897
Cash and investments - EDA (Statement 1)	674,931
	<u>\$17,353,960</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, 2016

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, 2016 for the Public Utilities Commission are as follows:

Demand deposits and cash on hand	\$4,943,261
Certificates of deposits - negotiable	<u>1,874,000</u>
Total cash and investments	6,817,261
Less restricted amounts	<u>(1,698,997)</u>
Total cash and investments - unrestricted	<u><u>\$5,118,264</u></u>

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2016 are as follows:

	Primary Government					EDA
	Major Funds				Total	
	IRA	2016		Nonmajor		
General	Civic Center Project	Infrastructure - Bonded	Funds			
Special assessments receivable	\$56,872	\$ -	\$ -	\$2,325,495	\$2,382,367	\$ -
Property taxes receivable	41,515	-	-	19,205	60,720	-
Interfund loan receivable	590,609	-	-	-	590,609	-
Pledges Receivable	-	329,500	-	-	329,500	-
Notes receivable	-	-	-	-	-	179,799
Receivable from PUC	-	-	-	5,200	5,200	-
	<u>\$688,996</u>	<u>\$329,500</u>	<u>\$0</u>	<u>\$2,349,900</u>	<u>\$3,368,396</u>	<u>\$179,799</u>

PLEDGES RECEIVABLE

The City is constructing a multi-use pavilion addition to the IRA Civic Arena. A portion of the funding was a capital drive, which began in 2016. As of December 31, 2016, outstanding pledges receivable were \$329,500.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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:

	Property Taxes	Special Assessments	Due from Component Unit	Land Held for Resale	Notes Receivable	Other Receivables	Total
Primary government:							
Major funds:							
General Fund	\$107,123	\$97,504	\$ -	\$436,000	\$ -	\$ -	\$640,627
IRA Civic Center Project Fund	-	-	-	-	-	329,500	329,500
2016 Infrastructure - Bonded	-	-	-	-	-	-	-
Nonmajor Funds	53,092	3,186,217	114,400	-	-	-	3,353,709
Total primary government	<u>160,215</u>	<u>3,283,721</u>	<u>114,400</u>	<u>436,000</u>	<u>0</u>	<u>329,500</u>	<u>4,323,836</u>
EDA (discretely presented component unit)	648	-	-	2,316,697	251,284	107,350	2,675,979
Total unavailable revenue	<u>\$160,863</u>	<u>\$3,283,721</u>	<u>\$114,400</u>	<u>\$2,752,697</u>	<u>\$251,284</u>	<u>\$436,850</u>	<u>\$6,999,815</u>

Note 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City has approved five 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, 2016 is as follows:

	Interfund Loan Receivable	Interfund Loan Payable
Major funds:		
General Fund	\$713,952	\$ -
Pokegama Golf Course	-	127,307
IRA Civic Center	-	125,360
Nonmajor funds:		
Special revenue funds:		
Airport Operations	-	7,000
Capital Projects Funds:		
Capital Equipment Replacement	-	454,285
	<u>\$713,952</u>	<u>\$713,952</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Amounts reported as due to/from other funds at December 31, 2016 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$291,231	\$ -
IRA Civic Center Projects	-	288,092
2017 Infrastructure Bonds	-	10,689
Nonmajor Funds:		
Special Revenue Funds:		
Haz-Mat	-	3,139
Capital Project Funds:		
Permanent Improvement Revolving	<u>10,689</u>	<u>-</u>
Total	<u><u>\$301,920</u></u>	<u><u>\$301,920</u></u>

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:

	<u>Transfers In</u>		
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfers out:			
General Fund	\$ -	\$475,824	\$475,824
Nonmajor Governmental Funds	-	523,393	523,393
Golf Course	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total	<u><u>\$3,500</u></u>	<u><u>\$999,217</u></u>	<u><u>\$1,002,717</u></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 2016, the City made transfers from the General Fund to Special Revenue Funds (\$70,087) 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 (\$250,000) for capital purposes. Transfers were also made to allocate funds for capital purposes (\$10,661), operating purposes (\$7,642) and to close funds (\$514,327).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 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	\$6,006,414	\$ -	\$ -	\$6,006,414
Construction in progress	816,062	4,943,394	(670,194)	5,089,262
Total capital assets, not being depreciated	<u>6,822,476</u>	<u>4,943,394</u>	<u>(670,194)</u>	<u>11,095,676</u>
Capital assets, being depreciated:				
Buildings and improvements	27,375,905	433,526	(111,691)	27,697,740
Vehicles, equipment and furniture	10,505,230	953,662	(265,854)	11,193,038
Infrastructure	65,624,145	-	-	65,624,145
Total capital assets, being depreciated	<u>103,505,280</u>	<u>1,387,188</u>	<u>(377,545)</u>	<u>104,514,923</u>
Less accumulated depreciation for:				
Buildings and improvements	16,553,157	619,141	(99,855)	17,072,443
Vehicles, equipment and furniture	6,678,745	590,474	(236,487)	7,032,732
Infrastructure	29,062,770	2,111,250	-	31,174,020
Total accumulated depreciation	<u>52,294,672</u>	<u>3,320,865</u>	<u>(336,342)</u>	<u>55,279,195</u>
Total capital assets being depreciated - net	<u>51,210,608</u>	<u>(1,933,677)</u>	<u>(41,203)</u>	<u>49,235,728</u>
Governmental activities capital assets - net	<u>\$58,033,084</u>	<u>\$3,009,717</u>	<u>(\$711,397)</u>	<u>\$60,331,404</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	2,760	(69,102)	-
Total capital assets, not being depreciated	<u>972,729</u>	<u>2,760</u>	<u>(69,102)</u>	<u>906,387</u>
Capital assets, being depreciated:				
Buildings and improvements	2,290,486	-	-	2,290,486
Machinery, equipment and furniture	925,873	168,101	-	1,093,974
Total capital assets, being depreciated	<u>3,216,359</u>	<u>168,101</u>	<u>0</u>	<u>3,384,460</u>
Less accumulated depreciation for:				
Buildings and improvements	703,968	63,929	-	767,897
Machinery, equipment and furniture	644,115	81,490	-	725,605
Total accumulated depreciation	<u>1,348,083</u>	<u>145,419</u>	<u>0</u>	<u>1,493,502</u>
Total capital assets being depreciated - net	<u>1,868,276</u>	<u>22,682</u>	<u>0</u>	<u>1,890,958</u>
Business-type activities capital assets - net	<u>\$2,841,005</u>	<u>\$25,442</u>	<u>(\$69,102)</u>	<u>\$2,797,345</u>

CITY OF GRAND RAPIDS, MINNESOTA
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$87,641
Public safety	272,401
Public works, including depreciation of general infrastructure assets	2,654,696
Culture and recreation	306,127
Total depreciation expense - governmental activities	<u>\$3,320,865</u>
Business-type activities:	
Golf course	\$105,276
Storm water utility	40,143
Total depreciation expense - business-type activities	<u>\$145,419</u>

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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

As of December 31, 2016, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

Primary Government	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/16
Governmental Activities:					
G.O. Tax Increment Bonds:					
Tax Increment Bonds Series 2008A	3.75 - 4.60	8/1/2008	2/1/2034	\$850,000	\$750,000
G.O. Improvement Bonds:					
Improvement Bonds of 2001B	3.00 - 5.00	10/1/2001	2/1/2017	470,000	35,000
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022	2,505,000	950,000
Improvement Bonds of 2007A	4.00 - 4.15	9/1/2007	2/1/2023	1,775,000	930,000
Improvement Bonds of 2007B	4.00 - 4.10	12/15/2007	4/1/2022	1,150,000	450,000
Improvement Bonds of 2008C	3.25 - 4.60	11/1/2008	2/1/2024	1,145,000	640,000
Improvement Refunding Bonds of 2009B	1.00 - 3.00	6/1/2009	2/1/2016	1,265,000	-
Improvement Bonds of 2009C	1.85 - 5.30	9/1/2009	2/1/2025	4,565,000	2,975,000
Improvement Bonds of 2010A	0.75 - 3.625	11/1/2010	2/1/2026	1,115,000	645,000
Improvement Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027	1,555,000	995,000
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028	2,245,000	1,825,000
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027	4,175,000	3,140,000
Improvement Bonds of 2013A	0.30 - 1.35	5/8/2013	2/1/2021	1,525,000	970,000
Improvement Bonds of 2014A	0.50 - 2.90	11/1/2014	2/1/2030	3,000,000	2,780,000
Improvement Bonds of 2016A	0.85 - 2.20	10/5/2016	2/1/2032	2,170,000	2,170,000
Total G.O. Improvement Bonds				28,660,000	18,505,000
Other General Obligation Bonds:					
Capital Improvement Plan Bonds of 2006B	4.00	10/1/2006	2/1/2017	1,785,000	220,000
Street Reconstruction Bonds of 2008B	3.25 - 4.60	11/1/2008	2/1/2024	1,010,000	590,000
Equipment Certificates of 2009D	2.00 - 4.85	9/1/2009	2/1/2019	1,005,000	390,000
Capital Improvement Plan Bonds of 2010A	0.75 - 2.25	11/1/2010	2/1/2018	635,000	190,000
Street Reconstruction Bonds of 2013B	3.00 - 3.5	9/1/2013	2/1/2029	4,025,000	3,595,000
Total other general obligation bonds				8,460,000	4,985,000
Total bonded debt - governmental activities				37,970,000	24,240,000
Capital lease payable	0.00	11/22/2010	12/31/2020	136,444	54,580
Airport loan payable to Itasca County	0.00	2001	2017	147,000	7,000
Bond premium				354,920	204,088
Compensated absences				-	410,629
Total governmental activities				\$38,608,364	\$24,916,297
Business-Type Activities:					
Compensated absences				\$ -	\$6,685
Total business-type activities				\$0	\$6,685
Component Units:					
EDA:					
Note payable - Airport Ind Park/Kent	0.00	7/16/2015	7/16/2035	\$350,000	\$332,500
Note payable - Block 20 & 21 Soil	0.00	8/5/2010	8/5/2019	100,000	100,000
Note payable - Blandin	0.00	2016	2026	175,000	175,000
Note payable - IRRRB	1.00	12/2/2016	8/1/2036	293,000	293,000
Note payable - IEDC	1.00	11/15/2016	11/1/2026	90,000	90,000
Total EDA				1,008,000	990,500
Public Utilities:					
Equipment lease payable	2.64	10/15/2015	10/15/2025	1,700,000	1,549,353
G.O. Revenue Note Series 1999	3.04	1/3/2000	1/1/2019	1,079,657	212,000
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016	1,915,000	-
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00 - 4.90	6/1/2009	12/1/2019	925,000	305,000
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029	26,370,232	18,856,000
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60 - 3.50	7/25/2011	12/1/2021	3,965,000	2,305,000
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033	2,025,000	1,750,000
G.O. Utility Revenue Bonds of 2013C	2.06 - 4.50	9/1/2013	2/1/2029	2,305,000	2,085,000
Total public utilities				40,284,889	27,062,353
Total component units				\$41,292,889	\$28,052,853

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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
2017	\$20,000	\$33,170	\$1,835,000	\$491,747	\$735,000	\$156,350
2018	25,000	32,225	1,905,000	455,193	540,000	134,415
2019	25,000	31,175	1,915,000	407,365	450,000	116,877
2020	25,000	30,125	1,915,000	356,294	325,000	103,093
2021	30,000	28,970	1,835,000	303,248	335,000	92,178
2022	30,000	27,680	1,680,000	249,408	335,000	81,003
2023	35,000	26,250	1,490,000	198,584	350,000	69,488
2024	35,000	24,710	1,375,000	152,689	365,000	57,443
2025	40,000	23,060	1,320,000	107,791	290,000	46,938
2026	40,000	21,280	905,000	73,827	300,000	37,713
2027	45,000	19,368	865,000	50,288	305,000	27,881
2028	45,000	17,342	485,000	32,345	320,000	17,325
2029	50,000	15,180	320,000	19,250	335,000	5,863
2030	55,000	12,765	330,000	11,325	-	-
2031	55,000	10,235	165,000	5,445	-	-
2032	60,000	7,590	165,000	1,815	-	-
2033	65,000	4,715	-	-	-	-
2034	70,000	1,610	-	-	-	-
2035	-	-	-	-	-	-
Total	<u>\$750,000</u>	<u>\$367,450</u>	<u>\$18,505,000</u>	<u>\$2,916,614</u>	<u>\$4,985,000</u>	<u>\$946,567</u>

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

Year Ending December 31,	Revenue Bonds and Notes	
	PUC Component Unit	
	Principal	Interest
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	2,107,000	512,918
2022-2026	8,776,000	1,741,312
2027-2031	6,108,000	404,605
2032-2033	210,000	6,903
Total	<u>\$25,513,000</u>	<u>\$5,330,449</u>

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CHANGE IN LONG-TERM LIABILITIES

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

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
G.O. Tax increment bonds	\$770,000	\$ -	(\$20,000)	\$750,000	\$20,000
G.O. Improvement bonds	18,175,000	2,170,000	(1,840,000)	18,505,000	1,835,000
Other G.O. bonds	5,705,000	-	(720,000)	4,985,000	735,000
Bond premium	183,312	44,183	(23,407)	204,088	-
Capital lease payable	68,224	-	(13,644)	54,580	13,644
Loans payable	17,000	-	(10,000)	7,000	7,000
Compensated absences	389,272	61,041	(39,684)	410,629	39,109
Total governmental activities	<u>\$25,307,808</u>	<u>\$2,275,224</u>	<u>(\$2,666,735)</u>	<u>\$24,916,297</u>	<u>\$2,649,753</u>
<u>Business Type Activities:</u>					
Compensated absences	<u>\$4,484</u>	<u>\$2,532</u>	<u>(\$331)</u>	<u>\$6,685</u>	<u>\$67</u>
<u>Component Units:</u>					
Note payables - EDA	\$450,000	\$558,000	(\$17,500)	\$990,500	\$34,558
G.O. Revenue Bonds and Notes - PUC	27,730,000	-	(2,217,000)	25,513,000	2,038,000
Equipment lease payable - PUC	268,233	1,431,767	(150,647)	1,549,353	154,650
Unamortized premiums and discounts - PUC	(8,614)	-	(1,763)	(6,851)	-
Compensated absences - PUC	337,818	251,970	(240,447)	349,341	1,748,994
Total component units	<u>\$30,288,998</u>	<u>\$2,241,737</u>	<u>(\$2,627,357)</u>	<u>\$28,395,343</u>	<u>\$3,976,202</u>

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

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, 2016 is \$81,864. Depreciation in the amount of \$13,644 has been recorded as depreciation expense during 2016.

The present value of future minimum lease payments as of December 31, 2016 is \$54,580. The lease is payable in annual installments of \$13,644 through the year 2020.

TAXABLE LIMITED REVENUE NOTE, SERIES 2015

To enhance development, the City issued a \$320,000 Taxable Limited Revenue Note in 2015 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

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solely from available tax abatement, it is not reflected in the financial statements of the City. At December 31, 2016 the principal amount outstanding on the note was \$302,102.

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.

The EDA obtained a loan from the Blandin Foundation in the amount of \$175,000 for the purpose of providing financing for economic development projects. The loan proceeds were used to provide loans to private developers. The debt to the Blandin Foundation is payable solely from and to the extent of repayment of the developer loans.

In 2016, the EDA entered into a \$293,000 loan agreement with the IRRRB. The proceeds were used to finance the acquisition of an airport hangar. The note is to be repaid from all net lease revenues from the hangar.

In 2016, the EDA entered into a \$90,000 loan agreement with Itasca Economic Development Corporation. The proceeds of the note were used for the acquisition of an airport hangar. The note is payable in annual installments of \$9,502 plus interest at 1.0%.

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, 2016, the outstanding balance on the note was \$18,856,000.

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.

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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, 2016, the outstanding balance on the note was \$1,549,353.

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.

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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	\$35,875	\$37,603	\$37,127
Capital Improvement Plan Bonds, 2006B	Refunded 1996A Public Utilities Revenue Bonds	Receipts from PUC	100%	2006-2017	\$224,400	\$223,000	\$223,000
G.O. Improvement, 2006C	Infrastructure improvements	Special assessments	100%	2006-2023	\$1,061,400	\$211,400	\$158,305
G.O. Improvement, 2007A	Infrastructure improvements	Special assessments	33%	2007-2024	\$1,068,449	\$165,716	\$33,358
G.O. Improvement, 2007B	Street reconstruction	MSA allotments	100%	2007-2022	\$504,751	\$94,650	\$94,650
G.O. Tax Increment, 2008A	Demolition costs in TIF 1-6	Tax increment	100%	2009-2034	\$1,117,450	\$53,965	\$56,856
G.O. Street Reconstruction, 2008B	Street reconstruction	Special assessments	20%	2009-2023	\$700,943	\$92,298	\$6,079
G.O. Improvement, 2008C	Infrastructure improvements	Special assessments	38%	2009-2023	\$758,032	\$104,663	\$39,930
G.O. Improvement, 2009B	Refunded 96B, 98A, 99A and Improvement bonds	Special assessments	19%	2009-2016	\$ -	\$15,225	\$523
G.O. Improvement, 2009C (Build America Bond)	Infrastructure improvements	Special assessments Federal BAB credit	24% 10%	2010-2024	\$3,680,558	\$452,190	\$452,190
G.O. Equip. Certificates, 2009D (Build America Bond)	2009 Ladder Truck	Federal BAB credit	7%	2010-2019	\$417,800	\$140,110	\$6,560
G.O. Improvement and CIP, 2010A	Infrastructure improvements, refund existing debt	Special assessments	35%	2011-2025	\$194,275	\$94,838	\$204,800
G.O. Improvement, 2011B	Infrastructure improvements, refund existing debt	Special assessments	56%	2012-2026	\$1,125,806	\$153,886	\$153,885
G.O. Improvement, 2012A	Infrastructure improvements	Special assessments Ad Valorem Taxes	32%	2013-2027	\$2,165,966	\$183,968	\$183,968
G.O. Improvement, 2012B	Street reconstruction	MSA allotments	100%	2013-2027	\$3,524,959	\$319,937	\$319,938
G.O. Improvement, 2013A	Refunded 2004A and 2005A Bonds	Special assessments	41%	2014-2021	\$995,680	\$214,518	\$753,380
G.O. Street Reconstruction, 2013B	Street reconstruction	Ad Valorem Taxes	100%	2014-2029	\$4,394,144	\$351,163	\$130,383
G.O. Improvement, 2014A	Street reconstruction, abatement, CIP Projects, and equipment	Special assessments	20%	2014-2029	\$3,194,022	\$272,698	\$11,796
G.O. Improvement, 2016A	Street reconstruction, abatement, CIP Projects, and equipment	Special assessments	20%	2016-2032	\$2,558,567	\$ -	\$16,435

Note 8 DEFINED BENEFIT PENSION PLANS

A. 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.

B. BENEFITS PROVIDED

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

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

C. CONTRIBUTIONS

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

1. GERS Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the GERS for the year ended December 31, 2016, were \$243,845. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the year ended December 31, 2016, were \$223,959. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. GERS Pension Costs

At December 31, 2016, the City reported a liability of \$4,181,545 for its proportionate share of the GERS's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$54,641. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .0515% which was a decrease of .0007% from its proportion measured as of June 30, 2015.

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For the year ended December 31, 2016, the City recognized pension expense of \$544,879 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$16,293 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund

At December 31, 2016, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$339,689
Changes in actuarial assumptions	818,750	-
Difference between projected and actual investment earnings	793,676	-
Changes in proportion	-	124,652
Contributions paid to PERA subsequent to the measurement date	123,752	-
Total	<u>\$1,736,178</u>	<u>\$464,341</u>

\$123,752 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2017	\$300,954
2018	300,954
2019	395,133
2020	151,044
2021	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2016, the City reported a liability of \$5,778,971 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .1440% which was a decrease of .0060% from its proportion measured as of June 30, 2015. The City also recognized \$12,960 for the year ended December 31, 2016, as pension revenue (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the

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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.

For the year ended December 31, 2016, the City recognized pension expense of \$1,008,712 for its proportionate share of the PEPFF's pension expense.

At December 31, 2016, 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	\$ -	\$662,957
Changes in actuarial assumptions	3,180,420	-
Difference between projected and actual investment earnings	881,912	-
Changes in proportion	50,402	56,127
Contributions paid to PERA subsequent to the measurement date	109,092	-
Total	<u>\$4,221,826</u>	<u>\$719,084</u>

\$109,092 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2017	\$732,549
2018	732,549
2019	732,550
2020	661,283
2021	534,719
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for GERF and RP-2000 tables for PEPFF for

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males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for GERF and PEPFF.

Actuarial Assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in The General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009. The most recent five-year experience study for the Police and Fire Plan was completed in 2016, but the result were not adopted at the time of valuation.

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

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

The long-term expected rate of return on pension plan investments is 7.5%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statute. Based on that assumption, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

G. 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 (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the GERF net pension liability	\$5,939,033	\$4,181,545	\$2,733,853
	<u>1% Decrease in Discount Rate (4.6%)</u>	<u>Discount Rate (5.6%)</u>	<u>1% Increase in Discount Rate (6.6%)</u>
City's proportionate share of the PEPPF net pension liability	\$8,089,792	\$5,778,971	\$3,890,854

H. 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.

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I. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2016 is as follows:

GERF	\$561,172
PEPFF	1,008,712
Fire Relief (note 10)	<u>69,695</u>
Total	<u><u>\$1,639,579</u></u>

Note 9 PUBLIC EMPLOYEES 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.

Total contributions made by the City during fiscal year 2016 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required</u>
<u>Employee</u>	<u>Employer (Pension Expense)</u>	<u>Employee</u>	<u>Employer</u>	<u>Rate</u>
\$1,440	\$1,440	5%	5%	5%

Note 10 SINGLE EMPLOYER PLAN

A. 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 Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69.

B. 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.

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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.

C. EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2016, the following employees were covered by the benefit terms:

Retired members entitled to benefits, but have not received them	5
Current members:	
Fully vested (20 years or more)	2
Partially vested (10 years to 19 years)	12
Nonvested (less than 10 years)	15
Total	34

D. 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, 2016, 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, 2016, were \$129,759.

E. NET PENSION LIABILITY

The City's net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2016 rolled forward to December 31, 2016.

F. ACTUARIAL ASSUMPTIONS

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

Investment rate of return	6.25%
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.

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	7.00%	2.25%
Fixed income	17.00%	3.25%
Equities	74.00%	7.25%
Other	2.00%	6.00%
Total portfolio	100.00%	6.00%

G. DISCOUNT RATES

The discount rate used to measure the total pension liability was 6.25%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the

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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.

H. 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, 2016	\$1,132,230	\$1,905,120	(\$772,890)
Changes for the year:			
Service cost	72,757		72,757
Interest	68,376		68,376
Differences between expected and actual experience	-		-
Contributions - employer		5,000	(5,000)
On behalf contributions - State of MN		130,759	(130,759)
Contributions - employee		-	-
Net investment income		138,089	(138,089)
Benefit payments	(130,773)	(130,773)	
Administrative expense		(10,672)	10,672
Other changes	(52,345)	-	(52,345)
Net changes	(41,985)	132,403	(174,388)
Balance at December 31, 2016	<u>\$1,090,245</u>	<u>\$2,037,523</u>	<u>(\$947,278)</u>

I. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease in Discount Rate (5.25%)	Discount Rate (6.25%)	1% Increase in Discount (7.25%)
Net pension liability (asset)	(\$900,829)	(\$947,278)	(\$991,667)

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J. 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.

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

For the year ended December 31, 2016, the City recognized pension expense of \$69,695. The City also recognized \$130,759 for the year ended December 31, 2016, as pension expense (and grant revenue) for the State of Minnesota’s on-behalf contribution to the plan. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual economic investment earnings	\$113,726	\$ -
Liability gains	-	35,078
Assumption changes	-	9,788
Employee contributions after the measurement date	5,000	-
Total	\$118,726	\$44,866

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2017	\$20,954
2018	20,954
2019	20,954
2020	20,954
2021	(7,478)
2022	(7,478)

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

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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, 2016, was calculated as follows:

Annual required contribution (ARC)	\$92,143
Interest on net OPEB obligation	11,372
Adjustment to ARC	<u>(16,122)</u>
Annual OPEB cost	87,393
Contributions made during the year	<u>(70,179)</u>
Increase in net OPEB obligation	17,214
Net OPEB obligation - beginning of year	<u>284,305</u>
Net OPEB obligation - end of year	<u>\$301,519</u>

The net OPEB obligation is allocated as follows:

Governmental activities	\$293,703
Business-type activities	<u>7,816</u>
Total	<u>\$301,519</u>

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

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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, 2016	\$87,393	\$70,179	80.3%	\$301,519
December 31, 2015	87,818	62,344	71.0%	284,305
December 31, 2014	87,392	59,798	68.4%	258,831

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, 2016, 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. During 2015, the final early termination benefit payment was made.

Note 13 TAX ABATEMENTS – PAY-AS-YOU-GO TAX INCREMENT

A. 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.

B. TAX ABATEMENTS – PAY-AS-YOU-GO TAX INCREMENT

The City provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The City has five tax increment pay-as-you-go agreements. The agreements are not a general obligation of the City and are payable solely from available tax increment. Accordingly, these agreements are not reflected in the financial statements of the City. Details of the pay-as-you-go notes are as follows:

TIF District #1-6, Old Hospital:

Issued in 2008 (2008B) in the principal sum of \$307,500 with an interest rate of 7.75 % per annum. Principal and interest 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 derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest

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payments will be completed February 1, 2032. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2032. The current year abatement (TIF note payments) amounted to \$22,481. At December 31, 2016, the principal amount outstanding on the note was \$307,500.

TIF District #1-7, Block 37:

Issued in 2008 (2008A) in the principal sum of \$389,300 with an interest rate of 7.25% per annum. Principal and interest 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 derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest payments will be completed February 1, 2035. The current year abatement (TIF note payments) amounted to \$14,092. At December 31, 2016, the principal amount outstanding on the note was \$389,300.

TIF District #1-8, Lakewood Heights:

Issued in 2013 (2013A) in the principal sum of \$350,000 with an interest rate of 5.00% per annum. Principal and interest shall be paid on August 1, 2013 and each February 1 and August 1 thereafter to and including February 1, 2035. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. Principal and interest payments will be completed February 1, 2039. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2039. The current year abatement (TIF note payments) amounted to \$31,929. At December 31, 2016, the principal amount outstanding on the note was \$312,184.

TIF District #1-9, Majestic Pines:

Issued in 2015 (2015A) in the principal sum of \$385,356 with an interest rate of 5.00% per annum. Principal and interest 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 derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest payments will be completed February 1, 2021. The current year abatement (TIF note payments) amounted to \$149,592. At December 31, 2016, the principal amount outstanding on the note was \$233,651.

TIF District #1-9, Majestic Pines:

Issued in 2015 (2015B) in the principal sum of \$12,100 with an interest rate of 5.00 % per annum. Principal and interest 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 derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 95% of all tax increment received in the prior six

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months. The payment reimburses the developer for public improvements. Principal and interest payments will be completed February 1, 2021. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2021. The current year abatement (TIF note payments) amounted to \$8,310. At December 31, 2016, the principal amount outstanding on the note was \$2,911.

C. ARBITRAGE

The City issued greater than \$5 million of bonds in the years 2006, 2007 and 2011 and, therefore; is required to rebate excess investment income relating to these issues to the federal government. The City calculates arbitrage rebate every five years as permitted by arbitrage regulations. The extent of the City's liability for arbitrage rebates for bond issues not currently requiring five year rebate calculations is not determinable at this time. However, in the opinion of management, any such liability would be immaterial.

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 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

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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 \$1,129,582 of non-utility property. This amount consists of deferred debits relating to the 2007 Landfill Phases 5 and 6 \$0, the 2009 Landfill Phase 7 (\$270,242), and the 2011 Landfill Phase 8 (\$859,340).

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 \$93,990.

Note 16 FUND BALANCE

A. CLASSIFICATIONS

Definitions of fund balance classifications are included in Note 1P. At December 31, 2016, a summary of the governmental fund balance classifications are as follows:

	General Fund	IRA Civic Center Project	Improvement 2016 Infrastructure Bonded	Other Governmental Funds	Total
Nonspendable:					
Prepaid items	\$46,345	\$ -	\$ -	\$18,334	\$64,679
Interfund loans receivable	590,609	-	-	-	590,609
Restricted:					
Debt service	-	-	-	6,915,106	6,915,106
Unspent bond proceeds	-	-	45,764	-	45,764
Law enforcement	-	-	-	66,950	66,950
Other purposes	17,577	-	-	6,082	23,659
Committed:					
Revenue stabilization	517,869	-	-	-	517,869
Public library	-	-	-	478,243	478,243
Central school	-	-	-	49,796	49,796
Airport operations	-	-	-	185,705	185,705
Recreation programs	-	-	-	3,562	3,562
Cemetery	-	-	-	80,427	80,427
Domestic animal control facility	-	-	-	6,995	6,995
Assigned:					
Capital purposes	-	-	-	1,480,898	1,480,898
Unassigned	5,066,530	(394,669)	-	(184,893)	4,486,968
Total	\$6,238,930	(\$394,669)	\$45,764	\$9,107,205	\$14,997,230

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.

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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, 2016, the unassigned fund balance of the General Fund was \$5,066,530, compared to its targeted unassigned fund balance of 5,290,892 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, 2016 is as follows:

Revenue stabilization at December 31, 2014	\$331,201
2015 replenishment	91,794
Revenue stabilization at December 31, 2015	422,995
2016 replenishment	94,874
Revenue stabilization at December 31, 2016	\$517,869

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 2016 was 30,540 kW.

B. CONSTRUCTION COMMITMENTS

The primary government has two active construction projects as of December 31, 2010. The remaining commitment on these projects totaled \$230,890.

The Economic Development Authority has one active construction project as of December 31, 2016. The remaining commitment on this project is \$65,244.

The Public Utilities Commission has several active construction projects as of December 31, 2016. The remaining commitment on these projects is \$269,736. As of June 9, 2017, the Commission has awarded additional contracts in 2017 totaling \$314,570.

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	\$1,523,359
Post-closure care cost estimate	1,396,354
Contingency action	<u>530,291</u>
Total	<u><u>\$3,450,004</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. 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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

On January 27, 2017 and January 14, 2016, Blandin Paper Company established an irrevocable letter of credit for \$3,450,004 and \$3,370,759 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, 2016, there were three bond issues outstanding, with an estimated aggregate principal amount payable of \$4,613,882.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 2016 was \$868,000.

Note 22 DEFICIT FUND BALANCES

At December 31, 2016, individual funds with deficit fund balances are as follows:

Special Revenue Funds:	
IRA Civic Center	(\$138,848)
Capital Project Funds:	
Capital Equipment Replacement	(16,805)
2017 Infrastructure Bonds	(24,871)

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 \$4,719,770 for 2016. 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 2016 were \$2,629,697.

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. 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. 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.

Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 83 *Certain Asset Retirement Obligations.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

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, 2017 the date the financial statements were available to be issued.

Note 26 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
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	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Revenues:					
Taxes:					
General property taxes	\$4,390,829	\$4,138,923	\$4,156,865	\$17,942	\$3,946,640
Payment in lieu of taxes:					
Housing and Redevelopment Authority	33,000	33,000	35,478	2,478	34,766
Public utilities	868,000	868,000	868,000	-	868,000
Total taxes	<u>5,291,829</u>	<u>5,039,923</u>	<u>5,060,343</u>	<u>20,420</u>	<u>4,849,406</u>
Licenses and permits:					
Business	34,350	34,350	39,640	5,290	39,640
Nonbusiness	211,500	211,500	219,878	8,378	303,561
Total licenses and permits	<u>245,850</u>	<u>245,850</u>	<u>259,518</u>	<u>13,668</u>	<u>343,201</u>
Intergovernmental:					
Federal:					
Public safety grants	40,000	40,000	33,787	(6,213)	40,997
State:					
Local government aid	1,322,103	1,322,103	1,322,103	-	1,307,862
Market value homestead credit	-	-	208	208	304
Taconite supplemental aid	-	251,906	251,906	-	245,589
Taconite credit - mobile homes	-	-	2,800	2,800	3,137
Trunk highway maintenance agreement	23,858	23,858	-	(23,858)	11,929
Municipal state aid street maintenance	186,200	186,200	186,200	-	186,200
Police aid	135,000	135,000	157,107	22,107	152,201
Fire aid	125,000	125,000	131,759	6,759	133,098
Police training aid	6,000	6,000	6,566	566	7,797
PERA aid	11,695	11,695	11,695	-	11,695
Storm reimbursement	-	-	-	-	1,034
State - miscellaneous	500	500	11,446	10,946	14,654
US Gas Tax Refund	500	500	-	(500)	-
Local:					
School District #318	122,031	122,031	115,155	(6,876)	118,134
Total intergovernmental	<u>1,972,887</u>	<u>2,224,793</u>	<u>2,230,732</u>	<u>5,939</u>	<u>2,234,631</u>
Charges for services:					
General government	127,493	127,493	176,312	48,819	206,687
Public safety	495,296	495,296	450,859	(44,437)	416,072
Public works	188,550	188,550	173,050	(15,500)	150,333
Culture and recreation	7,500	7,500	7,500	-	7,500
Total charges for services	<u>818,839</u>	<u>818,839</u>	<u>807,721</u>	<u>(11,118)</u>	<u>780,592</u>
Fines and forfeits	94,500	94,500	73,858	(20,642)	92,775
Special assessments	-	-	18,437	18,437	8,584
Investment income	30,000	30,000	42,610	12,610	43,908
Miscellaneous:					
Donations/contributions	-	-	21,052	21,052	63,512
Rentals and leases	2,500	2,500	2,984	484	3,265
Other	14,800	14,800	24,107	9,307	16,626
Total miscellaneous	<u>17,300</u>	<u>17,300</u>	<u>48,143</u>	<u>30,843</u>	<u>83,403</u>
Total revenues	<u>8,471,205</u>	<u>8,471,205</u>	<u>8,541,362</u>	<u>70,157</u>	<u>8,436,500</u>

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
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	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personnel services	\$41,240	\$41,240	\$41,137	(\$103)	\$42,018
Materials and supplies	-	-	100	100	489
Other services and charges	42,450	42,450	42,886	436	43,267
Total mayor and city council	83,690	83,690	84,123	433	85,774
Administration:					
Current:					
Personnel services	410,665	410,665	399,130	(11,535)	376,207
Materials and supplies	3,150	3,150	3,816	666	8,720
Other services and charges	44,800	44,800	39,772	(5,028)	37,207
Total administration	458,615	458,615	442,718	(15,897)	422,134
Finance:					
Current:					
Personnel services	411,638	411,638	409,940	(1,698)	392,371
Materials and supplies	6,125	6,125	3,057	(3,068)	2,378
Other services and charges	48,700	48,700	45,280	(3,420)	63,623
Total finance	466,463	466,463	458,277	(8,186)	458,372
Information technology:					
Current:					
Personnel services	158,921	158,921	160,621	1,700	152,528
Materials and supplies	15,350	15,350	21,453	6,103	9,783
Other services and charges	39,700	39,700	31,733	(7,967)	59,479
Total information technology	213,971	213,971	213,807	(164)	221,790
Community development:					
Current:					
Personnel services	418,970	418,970	442,146	23,176	351,304
Materials and supplies	7,150	7,150	4,356	(2,794)	5,278
Other charges and services	42,900	42,900	36,723	(6,177)	37,584
Total community development	469,020	469,020	483,225	14,205	394,166
Building maintenance - city hall:					
Current:					
Personnel services	170,503	170,503	100,479	(70,024)	75,732
Materials and supplies	11,700	11,700	19,848	8,148	5,963
Other charges and services	81,450	81,450	82,204	754	95,241
Total building maintenance - city hall	263,653	263,653	202,531	(61,122)	176,936
Total general government	1,955,412	1,955,412	1,884,681	(70,731)	1,759,172

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
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	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Public safety:					
Police protection:					
Current:					
Personnel services	\$2,287,104	\$2,287,104	\$2,316,968	\$29,864	\$2,165,313
Materials and supplies	129,916	129,916	95,212	(34,704)	89,186
Other charges and services	268,080	268,080	255,296	(12,784)	302,688
Total police protection	<u>2,685,100</u>	<u>2,685,100</u>	<u>2,667,476</u>	<u>(17,624)</u>	<u>2,557,187</u>
Fire protection:					
Current:					
Personnel services	369,840	369,840	373,327	3,487	393,624
Materials and supplies	48,650	48,650	51,921	3,271	47,458
Other charges and services	106,975	106,975	86,337	(20,638)	90,292
Total fire protection	<u>525,465</u>	<u>525,465</u>	<u>511,585</u>	<u>(13,880)</u>	<u>531,374</u>
Total public safety	<u>3,210,565</u>	<u>3,210,565</u>	<u>3,179,061</u>	<u>(31,504)</u>	<u>3,088,561</u>
Public works:					
Public works:					
Current:					
Personnel services	717,407	717,407	769,141	51,734	804,707
Materials and supplies	228,100	228,100	204,250	(23,850)	191,932
Other services and charges	468,376	468,376	500,372	31,996	444,756
Street lighting	223,000	223,000	248,506	25,506	198,799
Total public works	<u>1,636,883</u>	<u>1,636,883</u>	<u>1,722,269</u>	<u>85,386</u>	<u>1,640,194</u>
Engineering:					
Current:					
Personnel services	209,943	209,943	184,458	(25,485)	211,659
Materials and supplies	4,100	4,100	5,185	1,085	10,147
Other services and charges	45,300	45,300	41,596	(3,704)	48,046
Total engineering	<u>259,343</u>	<u>259,343</u>	<u>231,239</u>	<u>(28,104)</u>	<u>269,852</u>
Fleet maintenance:					
Current:					
Personnel services	183,630	183,630	182,844	(786)	172,134
Materials and supplies	19,400	19,400	18,484	(916)	19,300
Other services and charges	62,340	62,340	38,950	(23,390)	52,623
Total fleet maintenance	<u>265,370</u>	<u>265,370</u>	<u>240,278</u>	<u>(25,092)</u>	<u>244,057</u>
Total public works	<u>2,161,596</u>	<u>2,161,596</u>	<u>2,193,786</u>	<u>32,190</u>	<u>2,154,103</u>

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
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	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Current:					
Personnel services	\$113,163	\$113,163	\$107,407	(\$5,756)	\$106,286
Materials and supplies	4,700	4,700	845	(3,855)	1,122
Other services and charges	12,300	12,300	11,030	(1,270)	12,889
Total culture and recreation	<u>130,163</u>	<u>130,163</u>	<u>119,282</u>	<u>(10,881)</u>	<u>120,297</u>
Miscellaneous:					
City-wide:					
Current:					
Early Retirement Incentive Plan	-	-	-	-	10,000
Other services and charges	414,000	414,000	468,926	54,926	378,620
Special projects:					
Current:					
Other services and charges	25,000	25,000	45,615	20,615	156,915
Total miscellaneous	<u>439,000</u>	<u>439,000</u>	<u>514,541</u>	<u>75,541</u>	<u>545,535</u>
Total expenditures	<u>7,896,736</u>	<u>7,896,736</u>	<u>7,891,351</u>	<u>(5,385)</u>	<u>7,667,668</u>
Revenues over (under) expenditures	<u>574,469</u>	<u>574,469</u>	<u>650,011</u>	<u>75,542</u>	<u>768,832</u>
Other financing sources (uses):					
Sale of capital assets	-	-	17,400	17,400	2,000
Insurance recoveries	-	-	42,968	42,968	4,347
Transfers in	3,500	3,500	3,500	-	3,500
Transfers out	(490,469)	(490,469)	(475,824)	14,645	(428,286)
Total other financing sources (uses)	<u>(486,969)</u>	<u>(486,969)</u>	<u>(411,956)</u>	<u>75,013</u>	<u>(418,439)</u>
Net change in fund balance	<u>\$87,500</u>	<u>\$87,500</u>	238,055	<u>\$150,555</u>	350,393
Fund balance - January 1			6,000,875		5,650,482
Fund balance - December 31			<u>\$6,238,930</u>		<u>\$6,000,875</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
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2016

Statement 12

Measurement Date	Fiscal Year Ending	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	December 31, 2015	0.0522%	\$2,705,275	\$ -	\$2,705,275	\$2,975,003	90.9%	78.2%
June 30, 2016	December 31, 2016	0.0515%	4,181,545	54,641	4,236,186	3,160,670	134.0%	68.9%

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, 2016

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	\$ -	\$3,114,384	7.5%
December 31, 2016	243,845	243,845	-	3,251,272	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, 2016

Statement 14

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	0.1500%	\$1,704,351	\$1,333,738	127.8%	86.6%
June 30, 2016	December 31, 2016	0.1440%	5,778,971	1,384,958	417.3%	63.9%

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, 2016

Statement 15

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered be
December 31, 2015	\$219,785	\$219,785	\$ -	\$1,354,978	16.2%
December 31, 2016	223,959	223,959	-	1,382,461	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, 2016

Fiscal year ending	December 31, 2016	December 31, 2015
Measurement date	December 31, 2016	December 31, 2015
Total pension liability:		
Service cost	\$72,757	\$75,241
Interest cost	68,376	66,133
Changes of benefit terms	-	-
Differences between expected and actual experience	(40,925)	-
Changes of assumptions	(11,420)	-
Benefit payments, including refunds of employee contributions	(130,773)	(222,729)
Net change in total pension liability	(41,985)	(81,355)
Total pension liability - beginning	1,132,230	1,213,585
Total pension liability - ending (a)	\$1,090,245	\$1,132,230
Plan fiduciary net position:		
Contributions - employer	\$5,000	\$5,000
Contributions - State of Minnesota	130,759	131,098
Contributions - employee	-	-
Net investment income	138,089	(98,329)
Benefit payments, including refunds of employee contributions	(130,773)	(222,729)
Administrative expense	(10,672)	(11,540)
Other	-	-
Net change in plan fiduciary net position	132,403	(196,500)
Plan fiduciary net position - beginning	1,905,120	2,101,620
Plan fiduciary net position - ending (b)	\$2,037,523	\$1,905,120
Net pension liability / (asset) - ending (a) - (b)	(\$947,278)	(\$772,890)
Plan fiduciary net position as a percentage of the total pension liability	186.89%	168.26%
Covered-employee payroll	(2)	(2)
Net pension liability as a percentage of covered employee payroll	(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.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS⁽¹⁾
GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION
For The Year Ended December 31, 2016

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)
December 31, 2016	-	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

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study date June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

PERA – Public Employees Police and Fire Fund

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2-37 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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.

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

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, 2016

With Comparative Totals For December 31, 2015

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2016	2015
Assets					
Cash and investments	\$995,909	\$7,274,885	\$1,955,004	\$10,225,798	\$9,099,763
Due from other governmental units	45,483	-	82,711	128,194	368,684
Due from other funds	-	-	10,689	10,689	175,630
Due from component units	-	114,400	66,769	181,169	82,471
Accounts receivable	70,275	-	2,171	72,446	123,859
Prepaid items	18,334	-	20,786	39,120	26,659
Taxes receivable - delinquent	16,438	33,505	3,149	53,092	25,014
Special assessments receivable	-	3,027,313	158,904	3,186,217	2,960,638
Total assets	\$1,146,439	\$10,450,103	\$2,300,183	\$13,896,725	\$12,862,718
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$150,090	\$134,707	\$87,520	\$372,317	\$157,732
Accrued wages payable	41,782	-	-	41,782	39,859
Due to other governmental units	2,751	-	20,000	22,751	15,606
Due to component units	14,387	670	-	15,057	14,419
Contracts payable	-	-	12,829	12,829	-
Due to other funds	3,139	-	10,689	13,828	208,900
Deposits payable	10,580	-	-	10,580	8,759
Interfund loan payable	132,360	-	454,285	586,645	2,103,466
Unearned revenue	28,117	224,400	107,504	360,021	178,415
Total liabilities	383,206	359,777	692,827	1,435,810	2,727,156
Deferred inflows of resources:					
Unavailable revenue	16,438	3,175,220	162,052	3,353,710	2,985,652
Total deferred inflows of resources	16,438	3,175,220	162,052	3,353,710	2,985,652
Fund balance:					
Nonspendable	18,334	-	-	18,334	26,659
Restricted	66,950	6,915,106	6,082	6,988,138	6,476,942
Committed	804,728	-	-	804,728	646,943
Assigned	-	-	1,480,898	1,480,898	2,076,696
Unassigned	(143,217)	-	(41,676)	(184,893)	(184,210)
Total fund balance	746,795	6,915,106	1,445,304	9,107,205	9,043,030
Total liabilities, deferred inflows of resources, and fund balance	\$1,146,439	\$10,450,103	\$2,300,183	\$13,896,725	\$12,862,718

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 19

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2016	2015
Revenues:					
Taxes:					
General property	\$777,032	\$1,403,352	\$131,979	\$2,312,363	\$2,383,186
Tax abatements	-	63,528	-	63,528	4,275
Tax increments	-	365,962	-	365,962	231,142
Licenses and permits	-	-	-	-	40
Intergovernmental	317,302	563,216	712,790	1,593,308	1,648,675
Special assessments	-	954,574	16,921	971,495	713,270
Charges for services	1,172,720	-	-	1,172,720	1,164,496
Fines and forfeits	66,145	-	-	66,145	58,136
Investment income	7,874	45,681	11,166	64,721	60,394
Contributions and donations	196,548	-	42,095	238,643	61,097
Other	5,656	223,000	8,971	237,627	8,150
Total revenues	<u>2,543,277</u>	<u>3,619,313</u>	<u>923,922</u>	<u>7,086,512</u>	<u>6,332,861</u>
Expenditures:					
Current:					
General government	-	275,157	883,446	1,158,603	558,679
Public safety	120,100	-	43,131	163,231	136,325
Public works	414,386	-	123,086	537,472	421,561
Culture and recreation	1,828,059	-	312	1,828,371	1,600,330
Capital outlay/construction	271,860	-	857,368	1,129,228	749,073
Debt service:					
Principal retirement	10,000	2,580,000	-	2,590,000	2,060,000
Interest	-	711,789	-	711,789	732,857
Paying agent fees	-	7,600	-	7,600	6,800
Total expenditures	<u>2,644,405</u>	<u>3,574,546</u>	<u>1,907,343</u>	<u>8,126,294</u>	<u>6,265,625</u>
Revenues over (under) expenditures	<u>(101,128)</u>	<u>44,767</u>	<u>(983,421)</u>	<u>(1,039,782)</u>	<u>67,236</u>
Other financing sources (uses):					
Sale of capital assets	38,000	-	-	38,000	-
Insurance recoveries	7,810	-	-	7,810	31,603
Transfers in	74,229	528,016	396,972	999,217	600,932
Transfers out	(4,924)	(85,985)	(432,484)	(523,393)	(72,646)
Total other financing sources (uses)	<u>115,115</u>	<u>442,031</u>	<u>(35,512)</u>	<u>521,634</u>	<u>559,889</u>
Net change in fund balance	13,987	486,798	(1,018,933)	(518,148)	627,125
Fund balance - January 1	<u>732,808</u>	<u>6,428,308</u>	<u>2,464,237</u>	<u>9,625,353</u>	<u>8,415,905</u>
Fund balance - December 31	<u><u>\$746,795</u></u>	<u><u>\$6,915,106</u></u>	<u><u>\$1,445,304</u></u>	<u><u>\$9,107,205</u></u>	<u><u>\$9,043,030</u></u>

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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, 2016
With Comparative Totals For December 31, 2015

	<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	\$535,359	\$73,288	\$221,565	\$4,100
Due from other governmental units	32,087	-	-	-
Accounts receivable	1,195	1,718	1,572	64,940
Prepaid items	5,416	1,555	1,292	4,369
Taxes receivable - delinquent	12,793	-	-	-
Total assets	<u>\$586,850</u>	<u>\$76,561</u>	<u>\$224,429</u>	<u>\$73,409</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$67,922	\$11,330	\$16,712	\$49,217
Accrued wages payable	18,832	-	3,069	13,441
Due to other governmental units	368	24	129	2,037
Due to component units	2,218	1,366	610	9,455
Due to other funds	-	-	-	-
Deposits payable	-	10,580	-	-
Interfund loan payable	-	-	7,000	125,360
Unearned revenue	1,058	1,910	9,912	12,747
Total liabilities	<u>90,398</u>	<u>25,210</u>	<u>37,432</u>	<u>212,257</u>
Deferred inflows of resources:				
Unavailable revenue	12,793	-	-	-
Total deferred inflows of resources	<u>12,793</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance (deficit):				
Nonspendable	5,416	1,555	1,292	4,369
Restricted	-	-	-	-
Committed	478,243	49,796	185,705	-
Unassigned	-	-	-	(143,217)
Total fund balance (deficit)	<u>483,659</u>	<u>51,351</u>	<u>186,997</u>	<u>(138,848)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$586,850</u>	<u>\$76,561</u>	<u>\$224,429</u>	<u>\$73,409</u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2016	2015
\$7,158	\$ -	\$65,977	\$87,526	\$936	\$995,909	\$799,383
-	4,377	-	839	8,180	45,483	93,840
-	-	-	850	-	70,275	123,859
625	-	-	4,451	626	18,334	26,659
-	-	-	3,645	-	16,438	9,201
<u>\$7,783</u>	<u>\$4,377</u>	<u>\$65,977</u>	<u>\$97,311</u>	<u>\$9,742</u>	<u>\$1,146,439</u>	<u>\$1,052,942</u>
\$ -	\$265	\$ -	\$4,239	\$405	\$150,090	\$58,598
1,106	-	-	4,175	1,159	41,782	39,859
-	-	-	98	95	2,751	15,567
-	-	-	276	462	14,387	14,419
-	3,139	-	-	-	3,139	33,270
-	-	-	-	-	10,580	8,759
-	-	-	-	-	132,360	69,550
2,490	-	-	-	-	28,117	70,911
<u>3,596</u>	<u>3,404</u>	<u>0</u>	<u>8,788</u>	<u>2,121</u>	<u>383,206</u>	<u>310,933</u>
-	-	-	3,645	-	16,438	9,201
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,645</u>	<u>0</u>	<u>16,438</u>	<u>9,201</u>
625	-	-	4,451	626	18,334	26,659
-	973	65,977	-	-	66,950	149,744
3,562	-	-	80,427	6,995	804,728	646,943
-	-	-	-	-	(143,217)	(90,538)
<u>4,187</u>	<u>973</u>	<u>65,977</u>	<u>84,878</u>	<u>7,621</u>	<u>746,795</u>	<u>732,808</u>
<u>\$7,783</u>	<u>\$4,377</u>	<u>\$65,977</u>	<u>\$97,311</u>	<u>\$9,742</u>	<u>\$1,146,439</u>	<u>\$1,052,942</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, 2016
With Comparative Totals For The Year Ended December 31, 2015

	211 Public Library	225 Central School	226 Airport Operations	228 IRA Civic Center
Revenues:				
General property taxes	\$591,437	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	36,327	-	86,668	130,066
Charges for services	176,095	67,902	113,681	709,379
Fines and forfeits	12,298	-	-	-
Investment income	4,670	320	1,715	264
Contributions and donations	186,548	-	-	10,000
Other	1,140	1,751	85	-
Total revenues	1,008,515	69,973	202,149	849,709
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	197,112	-
Culture and recreation	977,370	94,109	-	692,597
Capital outlay	11,729	-	-	260,131
Debt service - loan repayment	-	-	10,000	-
Total expenditures	989,099	94,109	207,112	952,728
Revenues over (under) expenditures	19,416	(24,136)	(4,963)	(103,019)
Other financing sources (uses):				
Sale of capital assets	-	-	-	38,000
Insurance recoveries	-	-	-	7,810
Transfers in	4,142	29,700	20,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	4,142	29,700	20,000	45,810
Net change in fund balance	23,558	5,564	15,037	(57,209)
Fund balance (deficit) - January 1	460,101	45,787	171,960	(81,639)
Fund balance (deficit) - December 31	\$483,659	\$51,351	\$186,997	(\$138,848)

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2016	2015
\$ -	\$ -	\$ -	\$185,595	\$ -	\$777,032	\$724,809
-	-	-	-	-	-	40
-	51,816	1,018	11,407	-	317,302	194,618
71,532	-	-	34,131	-	1,172,720	1,164,496
-	-	20,029	-	33,818	66,145	58,136
50	-	541	314	-	7,874	5,223
-	-	-	-	-	196,548	52,139
-	-	-	2,680	-	5,656	8,150
<u>71,582</u>	<u>51,816</u>	<u>21,588</u>	<u>234,127</u>	<u>33,818</u>	<u>2,543,277</u>	<u>2,207,611</u>
-	51,816	14,079	-	54,205	120,100	136,325
-	-	-	217,274	-	414,386	404,206
63,983	-	-	-	-	1,828,059	1,599,911
-	-	-	-	-	271,860	168,350
-	-	-	-	-	10,000	10,000
<u>63,983</u>	<u>51,816</u>	<u>14,079</u>	<u>217,274</u>	<u>54,205</u>	<u>2,644,405</u>	<u>2,318,792</u>
<u>7,599</u>	<u>0</u>	<u>7,509</u>	<u>16,853</u>	<u>(20,387)</u>	<u>(101,128)</u>	<u>(111,181)</u>
-	-	-	-	-	38,000	-
-	-	-	-	-	7,810	31,603
-	-	-	-	20,387	74,229	84,604
-	-	(4,924)	-	-	(4,924)	-
<u>0</u>	<u>0</u>	<u>(4,924)</u>	<u>0</u>	<u>20,387</u>	<u>115,115</u>	<u>116,207</u>
7,599	0	2,585	16,853	0	13,987	5,026
<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>\$4,187</u>	<u>\$973</u>	<u>\$65,977</u>	<u>\$84,878</u>	<u>\$7,621</u>	<u>\$746,795</u>	<u>\$732,808</u>

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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, 2016
With Comparative Totals For December 31, 2015

	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	351 Improvement Bonds of 2006C	352 GO CIP Refunding Bonds of 2006B	353 Improvement Bonds of 2007A
Assets						
Cash and investments	\$4,921	\$194,599	\$52,475	\$983,974	\$233,767	\$252,957
Due from other governments	-	-	-	-	-	-
Due from component units	-	-	-	-	114,400	-
Taxes receivable - delinquent	-	2,740	-	-	-	2,522
Special assessments:						
Delinquent	-	-	706	-	-	2,617
Deferred	-	-	-	144,598	-	140,265
Special deferred	-	-	-	130,038	-	-
Total assets	\$4,921	\$197,339	\$53,181	\$1,258,610	\$348,167	\$398,361
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to component units	-	-	-	-	670	-
Unearned revenue	-	-	-	-	224,400	-
Total liabilities	0	0	0	0	225,070	0
Deferred inflows of resources:						
Unavailable revenue	-	2,740	707	274,636	114,400	145,404
Total deferred inflows of resources	0	2,740	707	274,636	114,400	145,404
Fund balance:						
Restricted	4,921	194,599	52,474	983,974	8,697	252,957
Total fund balance	4,921	194,599	52,474	983,974	8,697	252,957
Total liabilities, deferred inflows of resources, and fund balance	\$4,921	\$197,339	\$53,181	\$1,258,610	\$348,167	\$398,361

354 G.O. State-Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	358 Improvement Bonds of 2009C	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B	361 Improvement Bonds of 2012A	362 G.O. State-Aid Street Bonds of 2012B
\$15,206	\$153,929	\$113,597	\$808,134	\$289,648	\$441,372	\$906,314	\$636
-	-	-	-	-	-	-	-
-	1,085	1,737	6,142	2,682	573	2,422	-
-	552	699	4,304	15,523	1,799	8,204	-
-	49,603	27,916	375,243	97,487	371,720	296,986	-
-	24,042	-	-	-	-	5,152	-
<u>\$15,206</u>	<u>\$229,211</u>	<u>\$143,949</u>	<u>\$1,193,823</u>	<u>\$405,340</u>	<u>\$815,464</u>	<u>\$1,219,078</u>	<u>\$636</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>
-	75,282	30,352	385,689	115,692	374,092	312,764	-
<u>0</u>	<u>75,282</u>	<u>30,352</u>	<u>385,689</u>	<u>115,692</u>	<u>374,092</u>	<u>312,764</u>	<u>0</u>
15,206	153,929	113,597	808,134	289,648	441,372	906,314	636
<u>15,206</u>	<u>153,929</u>	<u>113,597</u>	<u>808,134</u>	<u>289,648</u>	<u>441,372</u>	<u>906,314</u>	<u>636</u>
<u>\$15,206</u>	<u>\$229,211</u>	<u>\$143,949</u>	<u>\$1,193,823</u>	<u>\$405,340</u>	<u>\$815,464</u>	<u>\$1,219,078</u>	<u>\$636</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	364 Improvement Refunding Bonds of 2013A	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
Assets						
Cash and investments	\$619,725	\$1,025,236	\$380,579	\$142,260	\$44,409	\$26,371
Due from other governments	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Taxes receivable - delinquent	1,246	2,627	5,545	-	-	-
Special assessments:						
Delinquent	54,212	16,384	2,002	738	-	-
Deferred	268,924	351,306	111,998	219,297	-	-
Special deferred	303,823	1,175	-	-	-	-
Total assets	\$1,247,930	\$1,396,728	\$500,124	\$362,295	\$44,409	\$26,371
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$20,436	\$15,964
Due to component units	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	0	0	0	0	20,436	15,964
Deferred inflows of resources:						
Unavailable revenue	628,205	371,493	119,545	220,035	-	-
Total deferred inflows of resources	628,205	371,493	119,545	220,035	0	0
Fund balance:						
Restricted	619,725	1,025,235	380,579	142,260	23,973	10,407
Total fund balance	619,725	1,025,235	380,579	142,260	23,973	10,407
Total liabilities, deferred inflows of resources, and fund balance	\$1,247,930	\$1,396,728	\$500,124	\$362,295	\$44,409	\$26,371

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	
						2016	2015
\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
-	-	-	-	-	-	-	2,136
-	-	-	-	-	-	114,400	-
-	-	4,184	-	-	-	33,505	14,261
-	-	-	-	-	-	107,740	124,057
-	-	-	-	-	-	2,455,343	2,630,902
-	-	-	-	-	-	464,230	33,282
<u>\$60,772</u>	<u>\$17,481</u>	<u>\$20,377</u>	<u>\$66,805</u>	<u>\$334,743</u>	<u>\$88,782</u>	<u>\$10,450,103</u>	<u>\$8,750,461</u>
\$ -	\$7,046	\$12,309	\$ -	\$ -	\$78,952	\$134,707	\$55,485
-	-	-	-	-	-	670	-
-	-	-	-	-	-	224,400	-
<u>0</u>	<u>7,046</u>	<u>12,309</u>	<u>0</u>	<u>0</u>	<u>78,952</u>	<u>359,777</u>	<u>55,485</u>
-	-	4,184	-	-	-	3,175,220	2,802,502
<u>0</u>	<u>0</u>	<u>4,184</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,175,220</u>	<u>2,802,502</u>
60,772	10,435	3,884	66,805	334,743	9,830	6,915,106	5,892,474
<u>60,772</u>	<u>10,435</u>	<u>3,884</u>	<u>66,805</u>	<u>334,743</u>	<u>9,830</u>	<u>6,915,106</u>	<u>5,892,474</u>
<u>\$60,772</u>	<u>\$17,481</u>	<u>\$20,377</u>	<u>\$66,805</u>	<u>\$334,743</u>	<u>\$88,782</u>	<u>\$10,450,103</u>	<u>\$8,750,461</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, 2016
With Comparative Totals For The Year Ended December 31, 2015

	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	351 Improvement Bonds of 2006C	352 GO CIP Refunding Bonds of 2006B
Revenues:					
Taxes:					
General property	\$ -	\$133,289	\$ -	\$6,043	\$ -
Tax abatement	-	-	-	-	-
Tax increments	-	-	-	-	-
Intergovernmental:					
State:					
Supplemental aid	-	8,188	-	374	-
MSA	-	-	-	-	-
Other federal	-	-	-	-	-
Federal BAB credit	-	6,560	-	-	-
Special assessments	-	-	4,527	158,305	-
Investment income	40	1,033	426	7,529	1,001
Other	-	-	-	-	223,000
Total revenues	<u>40</u>	<u>149,070</u>	<u>4,953</u>	<u>172,251</u>	<u>224,001</u>
Expenditures:					
General government:					
Current:					
Contractual services	-	314	-	314	158
Developer assistance	-	-	-	-	-
Debt service:					
Principal retirement	-	120,000	35,000	170,000	210,000
Interest	-	20,110	2,603	41,400	13,000
Paying agent fees	-	400	450	450	450
Total expenditures	<u>0</u>	<u>140,824</u>	<u>38,053</u>	<u>212,164</u>	<u>223,608</u>
Revenues over (under) expenditures	<u>40</u>	<u>8,246</u>	<u>(33,100)</u>	<u>(39,913)</u>	<u>393</u>
Other financing sources (uses):					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>40</u>	<u>8,246</u>	<u>(33,100)</u>	<u>(39,913)</u>	<u>393</u>
Fund balance (deficit) - January 1	<u>4,881</u>	<u>186,353</u>	<u>85,574</u>	<u>1,023,887</u>	<u>8,304</u>
Fund balance (deficit) - December 31	<u>\$4,921</u>	<u>\$194,599</u>	<u>\$52,474</u>	<u>\$983,974</u>	<u>\$8,697</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	361 Improvement Bonds of 2012A
\$110,335	\$ -	\$72,707	\$75,892	\$ -	\$287,443	\$126,926	\$35,617	\$123,567
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
6,779	-	4,496	4,670	-	17,647	7,790	2,203	7,591
-	94,650	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	49,644	-	-	-
33,358	-	39,930	6,079	523	64,856	57,937	100,176	46,581
1,518	196	757	619	371	5,283	1,617	3,087	6,766
-	-	-	-	-	-	-	-	-
<u>151,990</u>	<u>94,846</u>	<u>117,890</u>	<u>87,260</u>	<u>894</u>	<u>424,873</u>	<u>194,270</u>	<u>141,083</u>	<u>184,505</u>
312	314	313	314	2,026	313	314	316	314
-	-	-	-	-	-	-	-	-
125,000	75,000	75,000	65,000	15,000	300,000	180,000	130,000	140,000
40,715	19,650	29,663	27,298	225	152,190	24,800	23,885	43,968
350	375	375	375	-	400	400	525	525
<u>166,377</u>	<u>95,339</u>	<u>105,351</u>	<u>92,987</u>	<u>17,251</u>	<u>452,903</u>	<u>205,514</u>	<u>154,726</u>	<u>184,807</u>
(14,387)	(493)	12,539	(5,727)	(16,357)	(28,030)	(11,244)	(13,643)	(302)
-	-	-	-	-	-	-	-	-
-	-	-	-	(85,985)	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(85,985)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(14,387)	(493)	12,539	(5,727)	(102,342)	(28,030)	(11,244)	(13,643)	(302)
267,344	15,699	141,390	119,324	102,342	836,164	300,892	455,015	906,616
<u>\$252,957</u>	<u>\$15,206</u>	<u>\$153,929</u>	<u>\$113,597</u>	<u>\$0</u>	<u>\$808,134</u>	<u>\$289,648</u>	<u>\$441,372</u>	<u>\$906,314</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, 2016
With Comparative Totals For The Year Ended December 31, 2015

	362 G.O. State-Aid Street Bonds of 2012B	364 Improvement Refunding Bonds of 2013A	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement
Revenues:						
Taxes:						
General property	\$ -	\$42,186	\$130,383	\$258,964	\$ -	\$ -
Tax abatement	-	22,656	-	-	-	40,872
Tax increments	-	-	-	-	-	-
Intergovernmental:						
State:						
Supplemental aid	-	2,565	8,007	15,938	-	-
MSA	319,938	-	-	-	-	-
Other federal	-	-	-	-	-	-
Federal BAB credit	-	-	-	-	-	-
Special assessments	-	236,472	51,940	11,796	142,094	-
Investment income	237	3,896	5,041	2,010	357	227
Other	-	-	-	-	-	-
Total revenues	<u>320,175</u>	<u>307,775</u>	<u>195,371</u>	<u>288,708</u>	<u>142,451</u>	<u>41,099</u>
Expenditures:						
General government:						
Current:						
Contractual services	314	312	314	313	191	-
Developer assistance	-	-	-	-	-	40,872
Debt service:						
Principal retirement	260,000	205,000	235,000	220,000	-	-
Interest	59,938	9,518	116,163	52,698	-	-
Paying agent fees	525	750	425	450	-	-
Total expenditures	<u>320,777</u>	<u>215,580</u>	<u>351,902</u>	<u>273,461</u>	<u>191</u>	<u>40,872</u>
Revenues over (under) expenditures	<u>(602)</u>	<u>92,195</u>	<u>(156,531)</u>	<u>15,247</u>	<u>142,260</u>	<u>227</u>
Other financing sources (uses):						
Transfer in	-	-	528,016	-	-	-
Transfer out	-	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>528,016</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>(602)</u>	<u>92,195</u>	<u>371,485</u>	<u>15,247</u>	<u>142,260</u>	<u>227</u>
Fund balance (deficit) - January 1	<u>1,238</u>	<u>527,530</u>	<u>653,750</u>	<u>365,332</u>	<u>-</u>	<u>23,746</u>
Fund balance (deficit) - December 31	<u>\$636</u>	<u>\$619,725</u>	<u>\$1,025,235</u>	<u>\$380,579</u>	<u>\$142,260</u>	<u>\$23,973</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	
							2016	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,403,352	\$1,526,195
-	-	-	-	-	-	-	63,528	4,275
35,477	56,856	15,658	24,709	36,951	30,097	166,214	365,962	231,142
-	-	-	270	5,906	-	-	92,424	102,445
-	-	-	-	-	-	-	414,588	546,656
-	-	-	-	-	-	-	-	16,679
-	-	-	-	-	-	-	56,204	61,113
-	-	-	-	-	-	-	954,574	696,835
102	307	94	42	343	2,592	190	45,681	39,833
-	-	-	-	-	-	-	223,000	-
<u>35,579</u>	<u>57,163</u>	<u>15,752</u>	<u>25,021</u>	<u>43,200</u>	<u>32,689</u>	<u>166,404</u>	<u>3,619,313</u>	<u>3,225,173</u>
153	189	243	-	168	168	8,504	16,191	12,137
31,929	-	14,092	22,481	-	-	149,592	258,966	109,033
-	20,000	-	-	-	-	-	2,580,000	2,050,000
-	33,965	-	-	-	-	-	711,789	732,857
-	375	-	-	-	-	-	7,600	6,800
<u>32,082</u>	<u>54,529</u>	<u>14,335</u>	<u>22,481</u>	<u>168</u>	<u>168</u>	<u>158,096</u>	<u>3,574,546</u>	<u>2,910,827</u>
3,497	2,634	1,417	2,540	43,032	32,521	8,308	44,767	314,346
-	-	-	-	-	-	-	528,016	156,646
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(85,985)</u>	<u>(2,394)</u>
3,497	2,634	1,417	2,540	43,032	32,521	8,308	486,798	468,598
6,910	58,138	9,018	1,344	23,773	302,222	1,522	6,428,308	5,423,876
<u>\$10,407</u>	<u>\$60,772</u>	<u>\$10,435</u>	<u>\$3,884</u>	<u>\$66,805</u>	<u>\$334,743</u>	<u>\$9,830</u>	<u>\$6,915,106</u>	<u>\$5,892,474</u>

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

Prior year ending fund balance reported above	\$5,892,474
Add prior year ending fund balance for funds reported as major in prior year and nonmajor in current year:	
352 GO CIP Refunding Bonds of 2006B	8,304
364 Improvement Refunding Bonds of 2013A	527,530
Current Year Beginning Fund Balance	<u>\$6,428,308</u>

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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.

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.

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CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development
Assets			
Cash and investments	\$131,104	\$378,826	\$34,194
Accounts receivable	1,871	-	-
Due from other governmental units	12,829	-	-
Due from other funds	-	-	-
Due from component units	-	-	-
Prepaid items	-	-	-
Taxes receivable - delinquent	-	-	-
Special assessments receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Special deferred	-	-	-
Total assets	\$145,804	\$378,826	\$34,194
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$3,759	\$ -	\$ -
Interfund loan payable	-	-	-
Contracts payable	12,829	-	-
Due to other governments	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	16,588	0	0
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	0	0	0
Fund balance (deficit):			
Restricted	-	-	-
Assigned	129,216	378,826	34,194
Unassigned	-	-	-
Total fund balance (deficit)	129,216	378,826	34,194
Total liabilities, deferred inflows of resources, and fund balance	\$145,804	\$378,826	\$34,194

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	<u>407 Capital Equipment Replacement</u>	<u>413 Airport Capital Fund</u>	<u>431 7th Ave Bridge Rehab</u>
Assets			
Cash and investments	\$558,262	\$42,189	\$578,181
Accounts receivable	300	-	-
Due from other governmental units	-	69,882	-
Due from other funds	-	-	-
Due from component units	-	-	-
Prepaid items	20,786	-	-
Taxes receivable - delinquent	3,149	-	-
Special assessments receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Special deferred	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$582,497</u></u>	<u><u>\$112,071</u></u>	<u><u>\$578,181</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$14,364	\$55,215	\$ -
Interfund loan payable	454,285	-	-
Contracts payable	-	-	-
Due to other governmental units	20,000	-	-
Due to other funds	-	-	-
Unearned revenue	107,504	-	-
Total liabilities	<u>596,153</u>	<u>55,215</u>	<u>0</u>
Deferred inflows of resources:			
Unavailable revenue	3,149	-	-
Total deferred inflows of resources	<u>3,149</u>	<u>0</u>	<u>0</u>
Fund balance (deficit):			
Restricted	-	-	-
Assigned	-	56,856	578,181
Unassigned	(16,805)	-	-
Total fund balance (deficit)	<u>(16,805)</u>	<u>56,856</u>	<u>578,181</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$582,497</u></u>	<u><u>\$112,071</u></u>	<u><u>\$578,181</u></u>

458 2000 Infrastructure Other	478 2017 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
			2016	2015
\$6,082	\$ -	\$226,166	\$1,955,004	\$2,354,557
-	-	-	2,171	272,708
-	-	-	82,711	175,630
-	-	10,689	10,689	-
-	-	66,769	66,769	82,471
-	-	-	20,786	-
-	-	-	3,149	1,552
-	-	11,744	11,744	-
-	-	139,717	139,717	166,110
-	-	7,443	7,443	6,287
<u>\$6,082</u>	<u>\$0</u>	<u>\$462,528</u>	<u>\$2,300,183</u>	<u>\$3,059,315</u>
\$ -	14,182	\$ -	\$87,520	\$43,649
-	-	-	454,285	140,796
-	-	-	12,829	-
-	-	-	20,000	39
-	10,689	-	10,689	175,630
-	-	-	107,504	107,504
<u>0</u>	<u>24,871</u>	<u>0</u>	<u>692,827</u>	<u>467,618</u>
-	-	158,903	162,052	173,949
<u>0</u>	<u>0</u>	<u>158,903</u>	<u>162,052</u>	<u>173,949</u>
6,082	-	-	6,082	434,724
-	-	303,625	1,480,898	2,076,696
-	(24,871)	-	(41,676)	(93,672)
<u>6,082</u>	<u>(24,871)</u>	<u>303,625</u>	<u>1,445,304</u>	<u>2,417,748</u>
<u>\$6,082</u>	<u>\$0</u>	<u>\$462,528</u>	<u>\$2,300,183</u>	<u>\$3,059,315</u>

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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, 2016
With Comparative Totals For The Year Ended December 31, 2015

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development	407 Capital Equipment Replacement
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$131,979
Intergovernmental:				
State:				
MSA	-	56,241	-	-
Other intergovernmental	320,532	-	-	28,815
Special assessments	-	-	-	-
Investment income	2,157	3,521	217	3,099
Contributions and donations	-	-	21,229	20,866
Other	8,971	-	-	-
Total revenues	<u>331,660</u>	<u>59,762</u>	<u>21,446</u>	<u>184,759</u>
Expenditures:				
Current:				
General government	666,921	-	-	793
Public safety	-	-	-	43,131
Public works	-	122,546	-	-
Culture and recreation	-	-	312	-
Capital outlay/construction	5,665	-	-	593,306
Total expenditures	<u>672,586</u>	<u>122,546</u>	<u>312</u>	<u>637,230</u>
Revenues over (under) expenditures	<u>(340,926)</u>	<u>(62,784)</u>	<u>21,134</u>	<u>(452,471)</u>
Other financing sources (uses):				
Transfers in	5,737	-	-	254,924
Transfers out	-	-	-	(4,142)
Total other financing sources (uses)	<u>5,737</u>	<u>0</u>	<u>0</u>	<u>250,782</u>
Net change in fund balance	(335,189)	(62,784)	21,134	(201,689)
Fund balance (deficit) - January 1	<u>464,405</u>	<u>441,610</u>	<u>13,060</u>	<u>184,884</u>
Fund balance (deficit) - December 31	<u><u>\$129,216</u></u>	<u><u>\$378,826</u></u>	<u><u>\$34,194</u></u>	<u><u>(\$16,805)</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, 2016
With Comparative Totals For The Year Ended December 31, 2015

	413 Airport Capital Fund	431 7th Ave Bridge Rehab	458 2000 Infrastructure Other
Revenues:			
General property taxes	\$ -	\$ -	\$ -
Intergovernmental:			
State:			
MSA	-	-	-
Other intergovernmental	268,992	-	-
Special assessments	-	-	-
Investment income	-	-	-
Contributions and donations	-	-	-
Other	-	-	-
Total revenues	<u>268,992</u>	<u>0</u>	<u>0</u>
Expenditures:			
Current:			
General government	-	-	300
Public safety	-	-	-
Public works	540	-	-
Culture and recreation	-	-	-
Capital outlay/construction	230,383	-	-
Total expenditures	<u>230,923</u>	<u>0</u>	<u>300</u>
Revenues over (under) expenditures	<u>38,069</u>	<u>0</u>	<u>(300)</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	38,069	0	(300)
Fund balance (deficit) - January 1	<u>18,787</u>	<u>578,181</u>	<u>6,382</u>
Fund balance (deficit) - December 31	<u><u>\$56,856</u></u>	<u><u>\$578,181</u></u>	<u><u>\$6,082</u></u>

475 2013 Infrastructure Bonds	476 2014 Infrastructure Bonds	478 2017 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
				2016	2015
\$ -	\$ -	\$ -	\$ -	\$131,979	\$132,182
-	-	-	-	56,241	92,273
-	-	-	38,210	656,549	634,891
-	-	-	16,921	16,921	16,435
-	-	-	2,172	11,166	15,338
-	-	-	-	42,095	8,958
-	-	-	-	8,971	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>57,303</u>	<u>923,922</u>	<u>900,077</u>
-	-	-	215,432	883,446	437,509
-	-	-	-	43,131	-
-	-	-	-	123,086	17,355
-	-	-	-	312	419
-	3,143	24,871	-	857,368	580,723
<u>0</u>	<u>3,143</u>	<u>24,871</u>	<u>215,432</u>	<u>1,907,343</u>	<u>1,036,006</u>
<u>0</u>	<u>(3,143)</u>	<u>(24,871)</u>	<u>(158,129)</u>	<u>(983,421)</u>	<u>(135,929)</u>
-	50,326	-	85,985	396,972	359,682
(428,342)	-	-	-	(432,484)	(70,252)
<u>(428,342)</u>	<u>50,326</u>	<u>0</u>	<u>85,985</u>	<u>(35,512)</u>	<u>289,430</u>
(428,342)	47,183	(24,871)	(72,144)	(1,018,933)	153,501
<u>428,342</u>	<u>(47,183)</u>	<u>-</u>	<u>375,769</u>	<u>2,464,237</u>	<u>2,264,247</u>
<u>\$0</u>	<u>\$0</u>	<u>(\$24,871)</u>	<u>\$303,625</u>	<u>\$1,445,304</u>	<u>\$2,417,748</u>

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

Prior year ending fund balance reported above	\$2,417,748
Subtract prior year ending fund balance for funds reported as nonmajor in prior year and major in current year:	
477 2016 Infrastructure - Bonded	46,489
Current year beginning fund balance	<u>\$2,464,237</u>

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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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 26

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
General property taxes	\$632,999	\$596,672	\$591,437	\$571,557
Intergovernmental:				
State:				
Supplemental aid	-	36,327	36,327	36,122
Other	-	-	-	100
Charges for services:				
Townships	127,000	127,000	129,117	128,117
Other	11,182	11,182	46,978	26,933
Fines and forfeits	14,000	14,000	12,298	12,695
Investment income	2,500	2,500	4,670	2,451
Contributions and donations	8,100	8,100	186,548	51,198
Miscellaneous	1,900	1,900	1,140	500
Total revenues	<u>797,681</u>	<u>797,681</u>	<u>1,008,515</u>	<u>829,673</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	586,661	586,661	580,034	550,613
Materials and supplies	87,750	87,750	81,886	90,499
Other services and charges	123,270	123,270	315,450	133,146
Total current	<u>797,681</u>	<u>797,681</u>	<u>977,370</u>	<u>774,258</u>
Capital outlay	-	-	11,729	55,944
Total expenditures	<u>797,681</u>	<u>797,681</u>	<u>989,099</u>	<u>830,202</u>
Revenues over (under) expenditures	-	-	19,416	(529)
Other financing sources:				
Transfers in	-	-	4,142	-
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	23,558	(529)
Fund balance - January 1			<u>460,101</u>	<u>460,630</u>
Fund balance - December 31			<u>\$483,659</u>	<u>\$460,101</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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 27

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$84,300	\$84,300	\$67,826	\$86,114
Other	-	-	76	47
Investment income	-	-	320	310
Other	-	-	1,751	55
Total revenues	<u>84,300</u>	<u>84,300</u>	<u>69,973</u>	<u>86,526</u>
Expenditures:				
Culture and recreation:				
Current:				
Materials and supplies	3,500	3,500	3,529	3,624
Other services and charges	<u>102,250</u>	<u>102,250</u>	<u>90,580</u>	<u>93,041</u>
Total expenditures	<u>105,750</u>	<u>105,750</u>	<u>94,109</u>	<u>96,665</u>
Revenues over (under) expenditures	(21,450)	(21,450)	(24,136)	(10,139)
Other financing sources:				
Transfer in	<u>26,850</u>	<u>26,850</u>	<u>29,700</u>	<u>15,550</u>
Net change in fund balance	<u>\$5,400</u>	<u>\$5,400</u>	5,564	5,411
Fund balance - January 1			<u>45,787</u>	<u>40,376</u>
Fund balance - December 31			<u>\$51,351</u>	<u>\$45,787</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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 28

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$112,282	\$112,282	\$107,763	\$109,451
Other	4,800	4,800	5,918	5,423
Intergovernmental:				
State operations reimbursement	63,049	63,049	66,668	66,668
Itasca County	20,000	20,000	20,000	25,000
Investment income	1,000	1,000	1,715	1,500
Other	-	-	85	-
Total revenues	<u>201,131</u>	<u>201,131</u>	<u>202,149</u>	<u>208,042</u>
Expenditures:				
Public works:				
Current:				
Personnel services	87,214	87,214	81,881	73,327
Materials and supplies	18,125	18,125	11,415	9,301
Other services and charges	105,792	105,792	103,816	99,468
Total current	<u>211,131</u>	<u>211,131</u>	<u>197,112</u>	<u>182,096</u>
Debt service - loan repayment	10,000	10,000	10,000	10,000
Total expenditures	<u>221,131</u>	<u>221,131</u>	<u>207,112</u>	<u>192,096</u>
Revenues over (under) expenditures	(20,000)	(20,000)	(4,963)	15,946
Other financing sources:				
Transfer in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>24,500</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	15,037	40,446
Fund balance - January 1			<u>171,960</u>	<u>131,514</u>
Fund balance - December 31			<u>\$186,997</u>	<u>\$171,960</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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 29

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$491,000	\$491,000	\$496,778	\$490,836
Concessions	137,000	137,000	118,567	122,210
Advertising	67,000	67,000	73,925	69,319
Other	17,900	17,900	20,109	17,859
Intergovernmental:				
State	-	-	130,066	-
Investment income	-	-	264	74
Contributions and donations	-	-	10,000	-
Total revenues	<u>712,900</u>	<u>712,900</u>	<u>849,709</u>	<u>700,298</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	349,803	349,803	345,854	333,732
Materials and supplies	116,600	116,600	103,196	115,548
Other services and charges	230,755	230,755	243,547	211,990
Capital outlay	-	-	260,131	112,406
Total expenditures	<u>697,158</u>	<u>697,158</u>	<u>952,728</u>	<u>773,676</u>
Revenues over (under) expenditures	<u>15,742</u>	<u>15,742</u>	<u>(103,019)</u>	<u>(73,378)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	38,000	-
Insurance recoveries	-	-	7,810	31,103
Transfers in	-	-	-	19,554
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>45,810</u>	<u>50,657</u>
Net change in fund balance	<u>\$15,742</u>	<u>\$15,742</u>	<u>(57,209)</u>	<u>(22,721)</u>
Fund balance (deficit) - January 1			<u>(81,639)</u>	<u>(58,918)</u>
Fund balance (deficit) - December 31			<u>(\$138,848)</u>	<u>(\$81,639)</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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 30

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Fees	\$61,100	\$61,100	\$71,532	\$55,112
Investment income	-	-	50	66
Total revenues	<u>61,100</u>	<u>61,100</u>	<u>71,582</u>	<u>55,178</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	51,145	51,145	56,874	60,765
Materials and supplies	6,000	6,000	3,028	4,096
Other services and charges	3,600	3,600	4,081	2,857
Total expenditures	<u>60,745</u>	<u>60,745</u>	<u>63,983</u>	<u>67,718</u>
Revenues over (under) expenditures	<u>\$355</u>	<u>\$355</u>	7,599	(12,540)
Fund balance - January 1			<u>(3,412)</u>	<u>9,128</u>
Fund balance - December 31			<u>\$4,187</u>	<u>(\$3,412)</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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 31

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Intergovernmental:				
State:				
Haz-Mat reimbursement	\$45,000	\$45,000	\$51,816	\$53,004
Expenditures:				
Public safety:				
Current:				
Personnel services	24,800	24,800	18,757	17,369
Materials and supplies	5,500	5,500	8,670	16,980
Other services and charges	14,700	14,700	24,389	18,655
Total expenditures	45,000	45,000	51,816	53,004
Revenues over (under) expenditures	\$0	\$0	0	0
Fund balance - January 1			973	973
Fund balance - December 31			\$973	\$973

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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 32

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$1,018	\$4,038
Fines and forfeits	11,000	11,000	20,029	6,854
Investment income	-	-	541	494
Miscellaneous	6,500	6,500	-	5,740
Total revenues	<u>17,500</u>	<u>17,500</u>	<u>21,588</u>	<u>17,126</u>
Expenditures:				
Public safety:				
Current:				
Materials and supplies	1,000	1,000	3,956	11,018
Other services and charges	<u>2,000</u>	<u>2,000</u>	<u>10,123</u>	<u>7,744</u>
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>14,079</u>	<u>18,762</u>
Revenues over (under) expenditures	14,500	14,500	7,509	(1,636)
Other financing sources:				
Transfers out	<u>-</u>	<u>-</u>	<u>(4,924)</u>	<u>-</u>
Net change in fund balance	<u>\$14,500</u>	<u>\$14,500</u>	2,585	(1,636)
Fund balance - January 1			<u>63,392</u>	<u>65,028</u>
Fund balance - December 31			<u>\$65,977</u>	<u>\$63,392</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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 33

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
General property taxes	\$198,500	\$187,093	\$185,595	\$153,252
Intergovernmental:				
State:				
Supplemental aid	-	11,407	11,407	9,686
Charges for services:				
Cemetery	34,000	34,000	34,131	53,075
Investment income	-	-	314	328
Other	-	-	2,680	2,355
Total revenues	<u>232,500</u>	<u>232,500</u>	<u>234,127</u>	<u>218,696</u>
Expenditures:				
Public works:				
Current:				
Personnel services	175,898	175,898	173,165	166,916
Materials and supplies	12,800	12,800	10,698	12,577
Other services and charges	43,650	43,650	33,411	42,617
Total expenditures	<u>232,348</u>	<u>232,348</u>	<u>217,274</u>	<u>222,110</u>
Revenues over (under) expenditures	<u>\$152</u>	<u>\$152</u>	16,853	(3,414)
Fund balance - January 1			<u>68,025</u>	<u>71,439</u>
Fund balance - December 31			<u>\$84,878</u>	<u>\$68,025</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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 34

	2016		Actual Amounts	2015 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Licenses and permits	\$ -	\$ -	\$ -	\$40
Fines and forfeits	36,880	36,880	33,818	38,587
Donations	-	-	-	941
Total revenues	<u>36,880</u>	<u>36,880</u>	<u>33,818</u>	<u>39,568</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	40,191	40,191	36,977	46,580
Materials and supplies	6,600	6,600	3,419	3,636
Other services and charges	<u>22,825</u>	<u>22,825</u>	<u>13,809</u>	<u>14,343</u>
Total expenditures	<u>69,616</u>	<u>69,616</u>	<u>54,205</u>	<u>64,559</u>
Revenues over (under) expenditures	(32,736)	(32,736)	(20,387)	(24,991)
Other financing sources:				
Transfers in	<u>32,750</u>	<u>32,750</u>	<u>20,387</u>	<u>25,000</u>
Net change in fund balance	<u>\$14</u>	<u>\$14</u>	0	9
Fund balance - January 1			<u>7,621</u>	<u>7,612</u>
Fund balance - December 31			<u>\$7,621</u>	<u>\$7,621</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 2016, 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, 2016
 With Comparative Totals For December 31, 2015

Statement 35

	872 Lodging	877 Cable TV	Totals Agency Funds	
	Tax	Commision	2016	2015
Assets:				
Cash and investments	\$14,993	\$95,904	\$110,897	\$127,526
Accounts receivable	-	822	822	-
Total assets	\$14,993	\$96,726	\$111,719	\$127,526
Liabilities:				
Accounts payable	\$14,993	\$ -	\$14,993	\$21,266
Due to third-party grantees	-	96,726	96,726	106,260
Total liabilities	\$14,993	\$96,726	\$111,719	\$127,526

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2016

Statement 36

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Lodging Tax:				
Assets				
Cash and investments	\$21,266	\$14,993	\$21,266	\$14,993
Accounts receivable	-	-	-	-
Total assets	<u>\$21,266</u>	<u>\$14,993</u>	<u>\$21,266</u>	<u>\$14,993</u>
Liabilities				
Accounts payable	<u>\$21,266</u>	<u>\$14,993</u>	<u>\$21,266</u>	<u>\$14,993</u>
Cable TV Commission:				
Assets				
Cash and investments	\$106,260	\$95,904	\$106,260	\$95,904
Accounts receivable	-	822	-	822
Total assets	<u>\$106,260</u>	<u>\$96,726</u>	<u>\$106,260</u>	<u>\$96,726</u>
Liabilities				
Due to third-party grantees	<u>\$106,260</u>	<u>\$96,726</u>	<u>\$106,260</u>	<u>\$96,726</u>
Totals - All Agency Funds:				
Assets				
Cash and investments	\$127,526	\$110,897	\$127,526	\$110,897
Accounts receivable	-	822	-	822
Total assets	<u>\$127,526</u>	<u>\$111,719</u>	<u>\$127,526</u>	<u>\$111,719</u>
Liabilities				
Accounts payable	\$21,266	\$14,993	\$21,266	\$14,993
Due to third-party grantees	106,260	96,726	106,260	96,726
Total liabilities	<u>\$127,526</u>	<u>\$111,719</u>	<u>\$127,526</u>	<u>\$111,719</u>

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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, 2016
With Comparative Totals For December 31, 2015

Statement 37

Assets	General	Capital Project	Totals	
			2016	2015
Cash and investments	\$42,310	\$632,621	\$674,931	\$559,155
Accounts receivable	-	109,020	109,020	211,941
Due from other governmental units	-	157,185	157,185	48,289
Inventory - land held for resale	-	2,316,697	2,316,697	1,809,561
Notes receivable	-	251,284	251,284	198,168
Taxes receivable - delinquent	-	648	648	-
Total assets	\$42,310	\$3,467,455	\$3,509,765	\$2,827,114
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$12,998	\$12,998	\$1,446
Due to other governmental units	-	67,960	67,960	116,444
Contracts payable	-	6,088	6,088	10,989
Total liabilities	0	87,046	87,046	128,879
Deferred inflows of resources:				
Unavailable revenue	-	2,675,979	2,675,979	2,131,088
Total deferred inflows of resources	0	2,675,979	2,675,979	2,131,088
Fund balance:				
Assigned	-	704,430	704,430	512,452
Unassigned	42,310	-	42,310	54,695
Total fund balance	42,310	704,430	746,740	567,147
Total liabilities, deferred inflows of resources, and fund balance	\$42,310	\$3,467,455	\$3,509,765	\$2,827,114

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, 2016

With Comparative Totals For The Year Ended December 31, 2015

	General	Capital Project	Totals	
			2016	2015
Revenues:				
General property taxes	\$ -	\$55,914	\$55,914	\$56,067
Intergovernmental	-	689,704	689,704	279,389
Charges for services	-	16,965	16,965	10,179
Investment income	394	6,093	6,487	6,314
Miscellaneous:				
Loan repayment	-	111,593	111,593	109,893
Donations/contributions	-	-	-	3,832
Other	-	8,419	8,419	7,757
Total revenues	<u>394</u>	<u>888,688</u>	<u>889,082</u>	<u>473,431</u>
Expenditures:				
Economic development:				
Current:				
Materials and supplies	29	-	29	11
Other services and charges	12,750	810,251	823,001	552,394
Loan disbursement	-	70,000	70,000	109,952
Capital outlay/construction	-	620,529	620,529	576,344
Total expenditures	<u>12,779</u>	<u>1,500,780</u>	<u>1,513,559</u>	<u>1,238,701</u>
Revenues over (under) expenditures	(12,385)	(612,092)	(624,477)	(765,270)
Other financing sources:				
Proceeds from land sales	-	246,070	246,070	-
Proceeds from loan issuance	-	558,000	558,000	350,000
Total other financial sources	<u>-</u>	<u>804,070</u>	<u>804,070</u>	<u>350,000</u>
Net change in fund balance	(12,385)	191,978	179,593	(415,270)
Fund balance - January 1	<u>54,695</u>	<u>512,452</u>	<u>567,147</u>	<u>982,417</u>
Fund balance - December 31	<u>\$42,310</u>	<u>\$704,430</u>	<u>\$746,740</u>	<u>\$567,147</u>

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III. STATISTICAL SECTION (UNAUDITED)

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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			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$14,120,418	\$15,968,208	\$18,102,326	\$19,133,457
Restricted	18,556,197	17,300,543	17,035,306	13,417,300
Unrestricted	8,243,654	7,166,636	5,973,279	8,374,454
Total governmental activities net position	\$40,920,269	\$40,435,387	\$41,110,911	\$40,925,211
Business type activities:				
Net investment in capital assets	\$1,042,404	\$999,474	\$1,985,565	\$2,827,242
Restricted	-	-	-	-
Unrestricted	(23,617)	335,339	355,012	119,244
Total business-type activities net position	\$1,018,787	\$1,334,813	\$2,340,577	\$2,946,486
Primary government:				
Net investment in capital assets	\$15,162,822	\$16,967,682	\$20,087,891	\$21,960,699
Restricted	18,556,197	17,300,543	17,035,306	13,417,300
Unrestricted	8,220,037	7,501,975	6,328,291	8,493,698
Total primary government net position	\$41,939,056	\$41,770,200	\$43,451,488	\$43,871,697

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					
2011	2012	2013	2014	2015	2016
\$31,703,299	\$30,975,963	\$31,861,617	\$33,830,578	\$33,884,548	\$36,971,014
12,379,387	12,077,081	12,808,310	10,281,228	9,803,311	9,084,391
5,813,768	7,680,276	7,617,727	4,784,327	4,927,309	3,956,874
<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>	<u>\$50,012,279</u>
\$2,793,653	\$2,755,540	\$2,864,018	\$2,894,190	\$2,841,005	\$2,797,345
-	-	-	-	-	-
236,409	339,608	272,420	424,469	494,673	337,782
<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>	<u>\$3,135,127</u>
\$34,496,952	\$33,731,503	\$34,725,635	\$36,724,768	\$36,725,553	\$39,768,359
12,379,387	12,077,081	12,808,310	10,281,228	9,803,311	9,084,391
6,050,177	8,019,884	7,890,147	5,208,796	5,421,982	4,294,656
<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>	<u>\$53,147,406</u>

CITY OF GRAND RAPIDS, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$2,249,579	\$3,257,703	\$3,139,210	\$2,407,660
Public safety	2,452,364	2,904,780	3,611,752	2,789,559
Public works	4,309,921	5,018,711	5,144,636	4,841,814
Culture and recreation	2,324,697	2,243,609	2,267,791	2,270,942
Interest and fees on long-term debt	839,991	863,133	950,717	978,289
Total governmental activities expenses	<u>12,176,552</u>	<u>14,287,936</u>	<u>15,114,106</u>	<u>13,288,264</u>
Business-type activities:				
Golf course	518,409	473,579	496,554	455,315
Storm water utility	346,998	332,562	370,726	411,849
Total business-type activities expenses	<u>865,407</u>	<u>806,141</u>	<u>867,280</u>	<u>867,164</u>
 Total primary government expenses	 <u>\$13,041,959</u>	 <u>\$15,094,077</u>	 <u>\$15,981,386</u>	 <u>\$14,155,428</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$477,296	\$401,562	\$405,500	\$457,201
Public safety	422,666	510,127	463,110	388,484
Public works	129,233	206,256	405,086	261,584
Culture and recreation:				
Ice rent	435,919	426,215	404,920	409,234
Other activities	594,848	581,602	585,044	515,812
Operating grants and contributions	743,317	614,629	1,100,342	1,027,304
Capital grants and contributions	3,018,228	3,658,563	4,673,279	2,463,006
Total governmental activities program revenues	<u>5,821,507</u>	<u>6,398,954</u>	<u>8,037,281</u>	<u>5,522,625</u>
Business-type activities:				
Charges for services:				
Golf course	506,659	494,371	516,832	548,820
Storm water utility	484,163	478,596	484,528	505,336
Operating grants and contributions	6,000	-	-	-
Capital grants and contributions	1,440	-	836,208	97,352
Total business-type activities program revenues	<u>998,262</u>	<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>
 Total primary government program revenues	 <u>\$6,819,769</u>	 <u>\$7,371,921</u>	 <u>\$9,874,849</u>	 <u>\$6,674,133</u>
Net (expense) revenue:				
Governmental activities	(\$6,355,045)	(\$7,888,982)	(\$7,076,825)	(\$7,765,639)
Business-type activities	132,855	166,826	970,288	284,344
Total primary government net (expense) revenue	<u>(6,222,190)</u>	<u>(7,722,156)</u>	<u>(6,106,537)</u>	<u>(7,481,295)</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$2,362,986	\$2,206,280	\$2,420,199	\$3,701,667	\$2,993,026	\$3,649,895
2,836,212	2,929,368	3,117,628	3,382,829	3,674,182	4,208,454
5,390,413	6,772,303	5,601,025	5,417,245	5,239,892	5,646,605
2,255,043	2,235,595	2,000,748	2,054,143	2,028,067	2,367,449
907,838	921,653	1,309,223	834,833	740,526	731,702
<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>	<u>16,604,105</u>
549,733	561,484	554,933	554,859	598,114	651,127
377,107	341,287	434,932	425,389	440,557	688,176
<u>926,840</u>	<u>902,771</u>	<u>989,865</u>	<u>980,248</u>	<u>1,038,671</u>	<u>1,339,303</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>	<u>\$17,943,408</u>
\$401,410	\$434,949	\$590,194	\$563,808	\$565,218	\$458,276
447,864	433,622	478,032	527,001	561,365	580,225
432,900	419,069	716,553	424,349	323,177	326,167
434,724	440,565	451,836	474,909	484,801	496,778
506,187	521,523	500,351	526,763	532,720	551,263
1,240,128	1,572,878	1,358,914	1,980,477	1,615,576	2,262,521
5,349,509	3,737,070	3,439,782	1,757,480	806,243	3,523,916
<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>	<u>8,199,146</u>
553,201	561,653	524,670	555,588	589,499	569,276
498,587	498,189	551,049	553,074	563,011	567,357
-	-	-	-	-	-
7,995	100	-	46,388	-	-
<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>1,136,633</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>	<u>\$9,335,779</u>
(\$4,939,770)	(\$7,505,523)	(\$6,913,161)	(\$9,135,930)	(\$9,786,593)	(\$8,404,959)
132,943	157,171	85,854	174,802	113,839	(202,670)
<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>	<u>(8,607,629)</u>

CITY OF GRAND RAPIDS, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
General revenues and other changes in net position				
Governmental activities:				
Taxes	\$4,062,932	\$4,472,247	\$4,684,768	\$4,793,026
Payments in lieu of taxes (PILOT)	667,148	682,276	854,072	853,542
Unrestricted grants and contributions	2,043,737	1,632,339	1,946,680	1,452,870
Investment earnings	785,302	534,160	274,557	159,010
Gain on sale of capital assets	98,573	-	11,553	4,957
Insurance recoveries	-	-	-	-
Special item - Grand Rapids / Itasca County Airport	-	-	-	-
Special item - merger with Grand Rapids Township	-	-	-	574,001
Transfers	175,778	83,078	(19,281)	(257,467)
Total governmental activities	<u>7,833,470</u>	<u>7,404,100</u>	<u>7,752,349</u>	<u>7,579,939</u>
Business-type activities:				
Investment earnings	15,982	12,312	16,195	2,271
Gain on sale of capital assets	-	219,966	-	61,827
Insurance recoveries	-	-	-	-
Transfers	(175,778)	(83,078)	19,281	257,467
Total business-type activities	<u>(159,796)</u>	<u>149,200</u>	<u>35,476</u>	<u>321,565</u>
Total primary government	<u>\$7,673,674</u>	<u>\$7,553,300</u>	<u>\$7,787,825</u>	<u>\$7,901,504</u>
Change in net position:				
Government activities	\$1,478,425	(\$484,882)	\$675,524	(\$185,700)
Business-type activities	(26,941)	316,026	1,005,764	605,909
Total primary government	<u>\$1,451,484</u>	<u>(\$168,856)</u>	<u>\$1,681,288</u>	<u>\$420,209</u>

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$5,180,915	\$5,725,515	\$5,896,074	\$6,022,589	\$6,640,739	\$6,945,795
854,710	854,998	901,179	903,494	902,766	903,478
1,470,249	1,382,817	1,442,510	1,740,285	1,742,132	1,776,992
184,059	128,235	80,298	122,519	109,041	107,331
5,360	83,853	67,523	6,900	-	14,196
-	63,471	26,696	20,924	7,450	50,778
6,212,220	-	-	-	-	-
-	-	-	-	-	-
3,500	103,500	53,215	3,500	103,500	3,500
<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>	<u>9,802,070</u>
6,313	5,885	3,385	6,919	6,349	5,619
-	5,530	5,266	-	331	-
-	-	-	4,000	-	-
<u>(3,500)</u>	<u>(103,500)</u>	<u>(53,215)</u>	<u>(3,500)</u>	<u>(103,500)</u>	<u>(3,500)</u>
<u>2,813</u>	<u>(92,085)</u>	<u>(44,564)</u>	<u>7,419</u>	<u>(96,820)</u>	<u>2,119</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>	<u>\$9,804,189</u>
\$8,971,243	\$836,866	\$1,554,334	(\$315,719)	(\$280,965)	\$1,397,111
135,756	65,086	41,290	182,221	17,019	(200,551)
<u>\$9,106,999</u>	<u>\$901,952</u>	<u>\$1,595,624</u>	<u>(\$133,498)</u>	<u>(\$263,946)</u>	<u>\$1,196,560</u>

CITY OF GRAND RAPIDS, MINNESOTA

FUND BALANCES - GOVERNMENTAL FUNDS⁽¹⁾

Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
General Fund:				
Reserved	\$264,264	\$224,509	\$219,727	\$497,935
Unreserved	5,537,743	4,847,138	4,529,615	4,443,526
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>5,802,007</u>	<u>5,071,647</u>	<u>4,749,342</u>	<u>4,941,461</u>
All other governmental funds:				
Reserved	7,420,555	7,653,945	6,660,438	7,061,043
Unreserved, reported in:				
Special revenue funds	771,353	805,001	872,154	747,062
Debt service funds	(89,202)	(120,115)	(121,906)	(130,205)
Capital projects funds	4,363,548	3,298,276	3,690,962	2,773,389
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other government funds	<u>12,466,254</u>	<u>11,637,107</u>	<u>11,101,648</u>	<u>10,451,289</u>
Total all funds	<u><u>\$18,268,261</u></u>	<u><u>\$16,708,754</u></u>	<u><u>\$15,850,990</u></u>	<u><u>\$15,392,750</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					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,071,817	882,863	607,301	401,947	306,783	636,954
15,567	13,186	12,479	14,268	17,185	17,577
76,401	156,520	243,403	331,201	422,995	517,869
3,857,416	4,463,866	4,633,494	4,903,066	5,253,912	5,066,530
<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>	<u>6,238,930</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
345,891	408,722	206,417	23,387	26,659	18,334
6,728,771	7,830,851	8,922,847	6,607,864	7,012,776	7,033,902
649,367	662,669	601,378	636,819	646,943	804,728
2,073,531	1,989,644	1,684,947	1,819,910	2,076,696	1,480,898
(2,855,610)	(964,192)	(546,851)	(117,775)	(184,210)	(579,562)
<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>8,758,300</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>	<u>\$14,997,230</u>

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Taxes	\$4,718,695	\$5,141,487	\$5,501,090	\$5,717,261
Licenses and permits	342,178	207,233	271,416	255,052
Intergovernmental	3,126,346	2,966,264	5,930,076	4,302,317
Special assessments	1,770,868	1,817,539	1,580,506	1,326,354
Charges for services	2,184,707	2,656,951	1,768,797	1,604,785
Fines and forfeits	154,971	202,321	170,589	142,528
Investment income	785,302	534,160	274,557	159,010
Other	298,105	339,705	306,122	275,921
Total revenues	13,381,172	13,865,660	15,803,153	13,783,228
Expenditures:				
Current:				
General government	1,915,271	2,904,262	2,286,301	1,879,463
Public safety	2,377,536	2,615,025	3,136,407	2,500,602
Public works	1,893,997	2,115,328	2,060,388	2,117,665
Culture and recreation	1,835,221	1,794,133	1,745,838	1,731,467
Miscellaneous	243,642	403,579	616,948	541,014
Capital outlay/construction	4,174,414	5,340,344	8,592,229	3,836,307
Debt service:				
Principal retirement	2,050,000	2,420,000	2,845,000	2,177,668
Interest	799,726	842,963	863,624	965,697
Paying agent fees	9,479	8,257	8,232	7,842
Bond issuance costs	76,669	100,690	132,045	39,692
Total expenditures	15,375,955	18,544,581	22,287,012	15,797,417
Revenues over (under) expenditures	(1,994,783)	(4,678,921)	(6,483,859)	(2,014,189)
Other financing sources (uses):				
Sale of capital assets	98,817	6,175	75,376	4,957
Capital lease proceeds	-	-	-	136,444
Issuance of refunding bonds	-	-	-	925,000
Bond issuance/bond premium	2,946,950	3,005,000	6,835,000	825,000
Insurance recoveries	-	-	-	-
Redemption of refunded bonds	-	-	(1,265,000)	(635,000)
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	1,767,911	1,900,187	3,063,829	1,058,790
Transfers out	(1,592,133)	(1,791,948)	(3,083,110)	(1,333,243)
Total other financing sources (uses)	3,221,545	3,119,414	5,626,095	981,948
Special items:				
Grand Rapids / Itasca County Airport	-	-	-	-
Merger with Grand Rapids Township	-	-	-	574,001
Net change in fund balance	\$1,226,762	(\$1,559,507)	(\$857,764)	(\$458,240)
Debt service as a percentage of noncapital expenditures	23.1%	22.5%	24.2%	25.2%

Table 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$6,024,517	\$6,553,504	\$6,772,986	\$6,951,608	\$7,549,081	\$7,802,196
226,118	202,354	324,015	275,941	343,241	259,518
5,933,373	4,434,468	4,671,032	5,014,278	3,887,034	5,726,983
1,063,987	1,546,363	1,760,500	990,937	835,650	989,932
2,415,698	3,658,568	2,160,357	2,021,418	1,945,088	1,980,441
191,552	160,984	204,756	172,374	150,911	140,003
184,059	128,235	80,298	122,519	109,041	107,331
380,749	350,181	388,486	441,708	378,950	899,017
<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>	<u>17,905,421</u>
2,045,880	1,864,611	2,013,753	2,591,609	2,318,002	3,047,872
2,551,622	2,639,573	2,829,259	3,074,009	3,224,886	3,338,016
2,706,560	2,786,207	2,853,198	3,188,479	2,575,664	2,731,258
1,745,924	1,709,487	1,731,099	1,735,137	1,720,627	1,947,341
369,809	393,733	523,877	570,460	545,535	514,541
8,398,558	7,640,162	6,370,341	3,698,823	749,073	5,870,681
2,990,512	3,239,850	3,925,000	5,040,000	2,475,000	2,590,000
903,583	802,977	881,735	815,457	764,607	711,789
6,204	8,630	8,855	8,775	8,000	7,600
42,489	127,049	112,905	70,491	-	52,693
<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>20,811,791</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>	<u>(2,906,370)</u>
5,360	51,788	55,254	6,900	2,000	55,400
-	-	-	-	-	-
525,000	-	1,525,000	-	-	-
1,030,000	7,397,605	4,134,377	3,000,000	-	2,214,183
-	105,707	41,032	47,329	35,950	50,778
-	-	-	-	-	-
-	-	-	-	-	-
1,044,991	705,445	1,855,266	1,053,297	602,038	1,002,717
(1,041,491)	(601,945)	(1,802,051)	(1,049,797)	(498,538)	(999,217)
<u>1,563,860</u>	<u>7,658,600</u>	<u>5,808,878</u>	<u>3,057,729</u>	<u>141,450</u>	<u>2,323,861</u>
<u>347,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(\$3,429,599)</u>	<u>\$3,480,978</u>	<u>\$921,286</u>	<u>(\$1,744,728)</u>	<u>\$959,052</u>	<u>(\$582,509)</u>
27.6%	26.3%	31.4%	33.9%	23.7%	22.1%

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

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
General government	\$505,461	\$464,692	\$424,628	\$728,689
Public safety	791,861	1,007,217	1,286,533	823,295
Public works	3,301,008	3,853,979	5,122,533	2,819,062
Culture and recreation	1,223,177	1,073,066	1,050,224	962,131
Total governmental activities program revenues	5,821,507	6,398,954	7,883,918	5,333,177
Business-type activities:				
Golf course	512,659	494,371	1,353,040	646,172
Storm water utility	485,603	478,596	484,528	505,336
Total business-type activities program revenues	998,262	972,967	1,837,568	1,151,508
Total primary government program revenues	\$6,819,769	\$7,371,921	\$9,721,486	\$6,484,685

Table 5

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$821,768	\$493,124	\$597,344	\$566,308	\$594,476	\$781,676
915,580	1,073,037	1,100,379	1,122,613	1,141,745	1,083,258
5,613,348	4,825,540	4,537,627	3,325,271	1,922,976	3,971,370
1,283,989	1,014,136	1,066,206	1,059,045	1,070,269	2,115,700
<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>	<u>7,952,004</u>
561,196	561,753	524,670	555,588	589,499	569,276
498,587	498,189	551,049	553,074	563,011	567,357
<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>1,136,633</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>	<u>\$9,088,637</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>
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%
2016	4,724,671	3,974,339	819,387	9,158,397	1,109,824	8,408,573	79.232	786,530,358	1.07%

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	
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
2016	62.105	17.127	79.232	58.157	16.530	-	0.296	154.215

*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	2016			2007		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
UPM Blandin Paper Mill	\$620,276	1	6.52%	\$740,722	1	7.78%
Enbridge Energy, LP	434,648	2	4.57%			0.00%
Wal-Mart Stores	207,352	3	2.18%	71,438	8	0.75%
Burlington Northern & Santa Fe	146,572	4	1.54%			0.00%
Enbridge Energy Pipelines	139,513	5	1.47%			0.00%
Grand Hospitality LLC	113,995	6	1.20%			0.00%
ASV, Inc.	112,032	7	1.18%	126,906	2	1.33%
Target Corporation	108,442	8	1.14%	92,202	5	0.97%
Arrowhead Promotion & Fulfillment Co	106,404	9	1.12%	105,786	4	1.11%
Home Depot USA, Inc	100,430	10	1.03%	116,084	3	1.22%
Horseshoe Professional Bldg.	-	-	0.00%	74,106	7	0.78%
Jerry Miner Realty Inc	-	-	0.00%	79,370	6	0.83%
GR Development Corp.	-	-	0.00%	64,958	9	0.68%
K Mart Corporation	-	-	0.00%	58,950	10	0.62%
Total principal taxpayers	2,089,664		21.95%	1,530,522		20.22%
All other taxpayers	7,428,733		78.05%	6,038,916		79.78%
Total	<u>\$9,518,397</u>		<u>100.00%</u>	<u>\$7,569,438</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
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%	44,419	4,725,417	99.61%
2009	5,077,422	4,977,588	98.03%	95,001	5,072,589	99.90%
2010	5,275,002	4,956,991	93.97%	82,729	5,039,720	95.54%
2011	5,734,540	5,445,836	94.97%	77,773	5,523,609	96.32%
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%	82,071	6,095,862	99.52%
2014	6,281,859	6,201,927	98.73%	73,378	6,275,305	99.90%
2015	6,845,166	6,774,792	98.97%	51,272	6,826,064	99.72%
2016	6,951,560	6,847,996	98.51%	-	6,847,996	98.51%

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		
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
2016	7,276,630	16,417,458	750,000	61,580	24,505,668	-	24,505,668	2,255

Note: Personal income not available.
 Excludes component units.
 Includes unamortized issuance premium for 2014, 2015 and 2016.

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>
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
2016	7,276,630	0.9252%	669.48

a See Table 6 for Estimated Market Value data.
b Population can be found in Table 13.
c Includes unamortized issuance premium for 2014, 2015 and 2016.

	<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⁾	\$24,505,668	0.00%	\$24,505,668
Overlapping debt:			
Itasca County	20,715,000	13.29%	2,753,024
School District 318	<u>35,960,000</u>	19.27%	<u>6,929,492</u>
Total overlapping debt	<u>56,675,000</u>		<u>9,682,516</u>
Total direct and overlapping debt	<u><u>\$81,180,668</u></u>		<u><u>\$34,188,184</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 \$204,088.

(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 2016

Estimated Market value	\$786,530,358
Debt limit percentage*	<u>3%</u>
Debt limit amount	<u>23,595,911</u>
Debt applicable to limit:	
Lease revenue bonds	-
General obligation bonds	<u>7,276,630</u>
	7,276,630
Less:	
Cash and equivalents in G.O. Bond Debt Service Funds	<u>(1,805,043)</u>
Total net debt applicable to limit	<u>5,471,587</u>
Legal debt margin	<u><u>\$18,124,324</u></u>

Legal Debt Margin Calculation for Fiscal Years 2007 Through 2016

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
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
2016	10,869	23,595,911	5,471,587	18,124,324	23.19%	503.41

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	
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%
2016	514,410	1,505,000	416,830	26.77%	372,139	20,000	33,965	689.59%

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>
2007	8,790	Information Not Available		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%	
2016	10,869		4.50%	

Source: Minnesota Department of Employment and Economic Development

CITY OF GRAND RAPIDS, MINNESOTA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 16

Taxpayer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318(1)	650	1	8.21%	1,009	1	11.06%
Grand Itasca Clinic & Hospital	600	2	7.58%	600	2	6.58%
Itasca County	431	3	5.44%	400	4	4.39%
UPM Blandin Paper Mill	400	4	5.05%	500	3	5.48%
City of Grand Rapids(2)	247	5	3.12%	225	8	2.47%
ASV Inc.(3)	240	6	3.03%	245	7	2.69%
Wal-Mart	183	7	2.31%	302	5	3.31%
Grand Village Nursing Home	150	8	1.89%	200	9	2.19%
Lake Country Power	135	9	1.70%			0.00%
Minnesota Department of Natural Resources	125	10	1.59%			0.00%
Target Corporation	-	-		150	10	
Arrowhead Promo & Fulfillment	-	-	0.00%	250	9	2.74%
Total	3,161		39.93%	3,881		40.91%
All other employers	4,757		60.08%	5,239		59.09%
Total	7,918		100.00%	9,120		100.00%

Source: Minnesota Department of Employment and Economic Development

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

(1) Reflects contracted employees. With seasonal and casual employees, the employee count would be closer to 1,000.

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

(3) Terex Corp., Inc.

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Administration	4.50	4.50	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.00
Finance	5.00	5.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00
Community development	3.55	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.55
Engineering	3.45	3.45	3.45	2.45	2.45	2.45	2.45	2.45	2.45	2.45
Information technology	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Police officers and dispatchers	22.00	23.50	23.50	20.50	20.50	21.50	21.50	22.50	22.50	22.50
Public works	15.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00	14.00
Parks and recreation	4.00	4.00	4.00	4.00	3.00	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	8.50
Golf course	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	71.25	72.25	71.00	66.00	65.00	65.75	66.75	67.75	67.75	68.00

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Physical and sexual assaults	156	170	160	303	405	449	605	460	441	346
Parking citations	640	755	763	590	849	579	537	314	239	208
DUI arrests	134	138	104	91	171	199	135	211	117	110
Traffic citations	1,305	2,419	1,754	2,959	2,588	2,764	2,113	1,544	2,175	1,579
Accidents	507	557	550	531	569	536	543	568	495	451
Fire:										
Emergency responses	194	174	182	172	166	200	174	138	167	182
Haz-Mat responses	3	4	5	27	4	4	14	36	53	17
Inspections	68	62	91	103	112	69	62	100	55	6
Community development:										
Permits issued:										
Commercial	104	97	97	109	120	133	138	96	110	120
Governmental	15	7	-	11	14	14	16	25	20	29
Residential	294	271	376	401	386	495	442	373	401	405
Public works:										
Streets swept (miles)	77	88	92	93	93	93	93	93	93	93
Roads (miles)	77	88	92	93	93	93	93	93	93	93
Streetlights	1,062	1,093	1,288	1,290	1,321	1,321	1,326	1,325	1,325	1,325
Parks and recreation:										
Playgrounds	10	10	10	10	10	10	10	11	10	11
Baseball/softball fields	6	6	6	6	7	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	81,491	88,570	84,440	82,338	79,400	79,866	75,343	75,173	75,751	74,541
Total volumes borrowed	189,860	196,315	190,895	202,908	187,569	187,035	183,311	172,438	173,954	163,483
Golf course:										
Number of passes sold										
Junior*	79	100	104	115	115	64	57	59	77	57
Young adult*	12	19	20	22	27	38	18	14	15	12
Single	156	139	145	135	129	120	106	110	107	128
Family	175	83	89	85	80	79	63	63	74	63

*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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	16	18	18	20	20	20	20	20	20
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of streets maintained	77	88	92	93	93	93	93	93	93	95
Miles of sidewalks maintained	77	88	90	91	91	91	91	91	100	103
Miles of curbs and gutters maintained	108	109	112	112	112	112	112	112	112	113
Parks and recreation:										
Community parks and playgrounds	23	24	24	24	24	24	24	24	26	25
Total acres	226	227	227	227	227	227	227	227	350	350

Source: Various City Departments

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IV. OTHER INFORMATION (UNAUDITED)

CITY OF GRAND RAPIDS, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2016

	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 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
Improvement Bonds of 2016A	0.850 - 2.2	10/5/2016	2/1/2032
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
Note payable - Blandin	0.00	2016	2026
Note payable - IRRRB	1.00	12/2/2016	8/1/1936
Note payable - IEDC	1.00	11/15/2015	11/1/2026
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 01/01/16	2016		Payable 12/31/16	Due in 2017	
Original Issue	Payments		Issued	Payments		Principal	Interest
\$850,000	\$80,000	\$770,000	\$ -	\$20,000	\$750,000	\$20,000	\$33,170
470,000	400,000	70,000	-	35,000	35,000	35,000	875
2,505,000	1,385,000	1,120,000	-	170,000	950,000	170,000	34,600
1,775,000	720,000	1,055,000	-	125,000	930,000	125,000	35,715
1,150,000	625,000	525,000	-	75,000	450,000	75,000	16,650
1,145,000	430,000	715,000	-	75,000	640,000	75,000	26,587
1,265,000	1,250,000	15,000	-	15,000	-	-	-
4,565,000	1,290,000	3,275,000	-	300,000	2,975,000	300,000	139,815
1,115,000	380,000	735,000	-	90,000	645,000	85,000	18,325
1,555,000	430,000	1,125,000	-	130,000	995,000	135,000	22,160
2,245,000	280,000	1,965,000	-	140,000	1,825,000	140,000	43,408
4,175,000	775,000	3,400,000	-	260,000	3,140,000	265,000	57,637
1,525,000	350,000	1,175,000	-	205,000	970,000	200,000	8,405
3,000,000	-	3,000,000	-	220,000	2,780,000	230,000	51,343
-	-	-	2,170,000	-	2,170,000	-	36,227
26,490,000	8,315,000	18,175,000	2,170,000	1,840,000	18,505,000	1,835,000	491,747
1,785,000	770,000	430,000	-	210,000	220,000	220,000	4,400
1,010,000	170,000	655,000	-	65,000	590,000	65,000	24,633
1,005,000	155,000	510,000	-	120,000	390,000	125,000	15,054
635,000	85,000	280,000	-	90,000	190,000	90,000	3,150
4,025,000	-	3,830,000	-	235,000	3,595,000	235,000	109,113
8,460,000	1,180,000	5,705,000	0	720,000	4,985,000	735,000	156,350
136,444	68,220	68,224	-	13,644	54,580	13,644	-
100,000	-	100,000	-	-	100,000	-	-
350,000	-	350,000	-	17,500	332,500	17,500	-
-	-	-	175,000	-	175,000	-	-
-	-	-	293,000	-	293,000	8,422	10,868
-	-	-	90,000	-	90,000	8,636	8,652
147,000	130,000	17,000	-	10,000	7,000	7,000	-
1,079,657	613,657	278,000	-	66,000	212,000	66,000	8,452
1,915,000	1,025,000	240,000	-	240,000	-	240,000	7,050
925,000	255,000	400,000	-	95,000	305,000	95,000	17,750
26,370,232	2,988,022	20,037,000	-	1,181,000	18,856,000	1,181,000	581,074
3,965,000	80,000	2,715,000	-	410,000	2,305,000	410,000	78,077
2,025,000	-	1,845,000	-	95,000	1,750,000	95,000	44,988
2,305,000	-	2,215,000	-	130,000	2,085,000	130,000	77,088
268,233	-	268,233	1,431,767	150,647	1,549,353	74,830	22,440
38,853,122	4,961,679	27,998,233	1,431,767	2,367,647	27,062,353	2,291,830	836,919
\$75,386,566	\$14,734,899	\$53,183,457	\$4,159,767	\$4,988,791	\$52,354,433	\$4,937,032	\$1,537,706

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CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS
December 31, 2016

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	\$750,000	\$220,000	\$590,000	\$390,000	\$190,000	\$3,595,000	\$5,735,000
Future interest payable	367,450	4,400	110,943	27,800	4,275	799,143	1,314,011
Totals	<u>\$1,117,450</u>	<u>\$224,400</u>	<u>\$700,943</u>	<u>\$417,800</u>	<u>\$194,275</u>	<u>\$4,394,143</u>	<u>\$7,049,011</u>
Payments to maturity:							
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
2035	-	-	-	-	-	-	-
	<u>\$1,117,450</u>	<u>\$224,400</u>	<u>\$700,943</u>	<u>\$417,800</u>	<u>\$194,275</u>	<u>\$4,394,143</u>	<u>\$7,049,011</u>

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2016

	2001B Improvement Bonds	2006C Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds	2008C Improvement Bonds	2009C Improvement Bonds
Bonds payable	\$35,000	\$950,000	\$930,000	\$450,000	\$640,000	\$2,975,000
Future interest payable	875	111,400	138,449	54,751	118,032	705,558
Totals	<u>\$35,875</u>	<u>\$1,061,400</u>	<u>\$1,068,449</u>	<u>\$504,751</u>	<u>\$758,032</u>	<u>\$3,680,558</u>
Payments to maturity:						
2017	\$35,875	\$204,600	\$160,715	\$91,650	\$101,587	\$439,815
2018	-	188,000	155,653	88,650	98,475	436,465
2019	-	181,600	155,425	85,650	100,220	427,009
2020	-	175,200	150,095	82,650	96,780	416,768
2021	-	159,000	149,629	79,613	93,260	405,964
2022	-	153,000	148,923	76,538	89,660	404,335
2023	-	-	148,009	-	85,980	391,866
2024	-	-	-	-	92,070	383,663
2025	-	-	-	-	-	374,673
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$35,875</u>	<u>\$1,061,400</u>	<u>\$1,068,449</u>	<u>\$504,751</u>	<u>\$758,032</u>	<u>\$3,680,558</u>

2010A Improvement Bonds	2011B Improvement Refunding Bonds	2012A Improvement Bonds	2012B Improvement Bonds	2013A Improvement Bonds	2014A Improvement Bonds	Street Reconstruction Bonds Series 2016A	Total
\$645,000	\$995,000	\$1,825,000	\$3,140,000	\$970,000	\$2,780,000	2,170,000	\$18,505,000
102,549	130,806	340,966	384,959	25,680	414,022	388,567	2,916,614
<u>\$747,549</u>	<u>\$1,125,806</u>	<u>\$2,165,966</u>	<u>\$3,524,959</u>	<u>\$995,680</u>	<u>\$3,194,022</u>	<u>2,558,567</u>	<u>\$21,421,614</u>
\$103,325	\$157,160	\$183,408	\$322,637	\$208,405	\$281,343	\$36,227	\$2,326,747
96,575	145,153	181,938	319,789	207,105	284,480	157,910	2,360,193
69,885	137,950	185,118	321,443	205,505	282,100	170,460	2,322,365
68,303	120,629	182,942	322,489	198,484	289,094	167,860	2,271,294
71,575	83,660	180,478	322,908	176,181	245,770	170,210	2,138,248
69,700	81,962	182,722	317,728	-	237,330	167,510	1,929,408
67,750	80,142	184,572	322,025	-	238,480	169,760	1,688,584
65,725	78,182	181,162	320,807	-	239,120	166,960	1,527,689
68,534	81,007	176,125	319,112	-	239,230	169,110	1,427,791
66,177	78,701	176,088	316,926	-	169,775	171,160	978,827
-	81,260	175,888	319,095	-	170,885	168,160	915,288
-	-	175,525	-	-	171,710	170,110	517,345
-	-	-	-	-	172,240	167,010	339,250
-	-	-	-	-	172,465	168,860	341,325
-	-	-	-	-	-	170,445	170,445
-	-	-	-	-	-	166,815	166,815
<u>\$747,549</u>	<u>\$1,125,806</u>	<u>\$2,165,966</u>	<u>\$3,524,959</u>	<u>\$995,680</u>	<u>\$3,194,022</u>	<u>\$2,558,567</u>	<u>\$21,421,614</u>

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	2017 Tax Capacity Values	2016 Tax Capacity Values
	<u> </u>	<u> </u>
Taxable valuations:		
Real estate	\$8,717,053	\$8,699,010
Personal property	882,231	819,387
Net tax capacity	<u>9,599,284</u>	<u>9,518,397</u>
Less: Captured tax increment value	(283,535)	(263,174)
Fiscal disparities contributions	<u>(1,192,888)</u>	<u>(1,109,824)</u>
 Taxable net tax capacity	 <u><u>\$8,122,861</u></u>	 <u><u>\$8,145,399</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2016

Year of Levy/ Collection	Supplemental Improvement Bond Levy ⁽¹⁾	\$1,775,000 Improvement Bonds Series 2007A	\$1,010,000 GO Street Reconstr Bonds Series 2008B	\$1,145,000 Improvement Bonds Series 2008C	\$4,565,000 Improvement Bonds Series 2009C ⁽²⁾	\$1,005,000 Equipment Certificates Series 2009D ⁽²⁾
2016/2017	(\$57,500)	\$116,210	\$80,304	\$69,554	\$310,800	\$143,740
2017/2018	(57,500)	118,271	77,981	73,023	305,114	144,286
2018/2019	(82,500)	114,867	75,657	71,022	302,266	-
2019/2020	(82,500)	116,713	78,437	68,853	299,186	-
2020/2021	(32,500)	118,274	75,735	66,684	306,205	-
2021/2022	(32,500)	119,616	78,126	64,347	301,787	-
2022/2023	(32,500)	-	80,276	70,907	302,370	-
2023/2024	(55,000)	-	-	-	302,248	-
2024/2025	(55,000)	-	-	-	-	-
2025/2026	(55,000)	-	-	-	-	-
2026/2027	(30,000)	-	-	-	-	-
2027/2028	-	-	-	-	-	-
2028/2029	-	-	-	-	-	-
2029/2030	-	-	-	-	-	-
2030/2031	-	-	-	-	-	-
	<u>(\$572,500)</u>	<u>\$703,951</u>	<u>\$546,516</u>	<u>\$484,390</u>	<u>\$2,429,976</u>	<u>\$288,026</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.

\$1,750,000 Improvement and CIP Bonds Series 2010A	\$1,555,000 Improvement & 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	\$2,170,000 GO Street Reconst Bonds Series 2016A	Total
\$140,381	\$54,467	\$130,518	\$100,676	\$112,660	\$281,614	\$175,000	\$1,658,424
8,073	54,054	133,857	103,676	260,350	279,393	187,268	1,687,846
54,608	58,755	131,572	101,036	263,132	287,117	177,618	1,555,150
58,648	57,848	128,985	99,101	260,350	241,580	180,138	1,507,339
57,130	56,943	131,341	-	252,160	232,886	177,303	1,442,161
55,611	55,779	133,284	-	254,470	234,356	179,718	1,444,594
53,936	54,615	129,704	-	256,465	235,301	176,778	1,327,852
57,510	58,407	124,414	-	258,145	235,700	179,088	1,160,512
55,486	56,792	124,376	-	259,510	162,032	181,293	784,489
-	60,309	124,165	-	254,522	163,345	178,143	725,484
-	-	123,784	-	259,864	164,363	180,243	698,254
-	-	-	-	263,854	165,077	176,988	605,919
-	-	-	-	-	165,476	178,983	344,459
-	-	-	-	-	-	180,873	180,873
-	-	-	-	-	-	177,061	177,061
<u>\$541,383</u>	<u>\$567,969</u>	<u>\$1,416,000</u>	<u>\$404,489</u>	<u>\$2,955,482</u>	<u>\$2,848,240</u>	<u>\$2,686,495</u>	<u>\$15,300,417</u>

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