



CITY OF GRAND RAPIDS

Meeting Agenda Full Detail City Council Work Session

Monday, April 23, 2018

4:30 PM

Conference Room 2A

CALL TO ORDER: Pursuant to due notice and call thereof a Special Meeting/Worksession of the Grand Rapids City Council will be held on Monday, April 23, 2018 at 4:30 p.m. in City Hall Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a call of roll, the following members were present:

Discussion Items

1. 18-0273 Financial Statement Presentation by David J. Mol, Partner, Redpath & Company, Ltd.
Attachments: [GR Final Issued AML 12.31.17 \(1\).pdf](#)
[GR Draft CAFR 4-18-18](#)
[GR Draft IC Report 4-18-18](#)
[GR Draft LC Report 4-18-18](#)

2. 14-0789 Review 5:00 PM Regular Meeting

ADJOURN

Attest: Kimberly Gibeau, City Clerk



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 18-0273 **Version:** 1 **Name:** 2017 Financial Presentation
Type: Agenda Item **Status:** CC Worksession
File created: 4/17/2018 **In control:** City Council Work Session
On agenda: 4/23/2018 **Final action:**
Title: Financial Statement Presentation by David J. Mol, Partner, Redpath & Company, Ltd.
Sponsors:
Indexes:
Code sections:
Attachments: [GR Final Issued AML 12.31.17 \(1\).pdf](#)
[GR Draft CAFR 4-18-18](#)
[GR Draft IC Report 4-18-18](#)
[GR Draft LC Report 4-18-18](#)

Date	Ver.	Action By	Action	Result
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Financial Statement Presentation by David J. Mol, Partner, Redpath & Company, Ltd.

Background Information:

Attached please find the following reports that will be discussed at the Council Work Session on April 23, 2018:

- Audit Management Letter
- Draft** Comprehensive Annual Financial Report (CAFR)
- Draft** Independent Auditor's Report on Compliance and on Internal Controls
- Draft** State Legal Compliance Report

Mr. Dave Mol, Partner, Redpath & Company, Ltd. will be here on Monday, April 23, 2018 to make a presentation to the City Council of the audited financial statements, the Management Letter, Report on Compliance and Internal Controls, and State Legal Compliance at the 4:00 p.m. work session.

If time is limited for you, please review the Audit Management Letter. This report gives a concise overview of the 2017 City of Grand Rapids' financial health.

Hard copies will be available Friday for your review.

The draft reports will be finalized when we receive the Public Utilities audited financial statements.

CITY OF GRAND RAPIDS, MINNESOTA

AUDIT MANAGEMENT LETTER

December 31, 2017

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

We have substantially completed the 2017 audit of the financial statements of the City of Grand Rapids, Minnesota (the City) and the Economic Development Authority (EDA). The Public Utilities Commission (PUC) is considered a “component unit” of the City. As such, the financial statements of the PUC are included in the City’s Annual Financial Report. The audit of the PUC will begin in early May. Therefore, we have issued draft financial statements pending completion of the PUC audit.

Following this introduction letter is a Report Summary and Executive Summary with page references to the areas discussed. Thank you for the opportunity to serve the City. We are available to discuss this report with you.

A handwritten signature in cursive script that reads "Redpath and Company, Ltd.".

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 17, 2018

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REPORT SUMMARY

Several reports are issued in conjunction with the audit. The Comprehensive Annual Financial Report (CAFR) and Report on Internal Control and Legal Compliance Report have been issued in draft form. Accounting standards require the financial statements of the Public Utilities Commission be included in the City’s financial statements. At the time of issuance of this Management Letter, the PUC’s audited financial statements were not available. Upon the issuance of the PUC’s financial statements, the City’s financial statements will be updated and issued in final form. A summary is as follows:

Report Name	Elements of Report	Overview
<i>Comprehensive Annual Financial Report (CAFR)</i>	<ul style="list-style-type: none"> • Auditor’s opinion • Management’s Discussion and Analysis • Financial statements • Footnotes • Supplemental information 	<ul style="list-style-type: none"> • It is anticipated that an unmodified (“clean”) opinion will be issued on the Basic Financial Statements
<i>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</i>	<i>Results of testing</i> <ul style="list-style-type: none"> • Internal controls over financial reporting • Compliance with laws, regulations, contracts and grants 	<ul style="list-style-type: none"> • No findings of noncompliance • No internal control findings
<i>State Legal Compliance Report</i>	<ul style="list-style-type: none"> • Results of testing certain provisions of Minnesota Statutes 	<ul style="list-style-type: none"> • No findings of noncompliance
<i>Audit Management Letter</i>	<i>Analysis of financial condition and other issues</i> <ul style="list-style-type: none"> • Comparisons and trend analysis • Policies and procedures • Audit committee communications 	<ul style="list-style-type: none"> • See page 3 of this report for Executive Summary

EXECUTIVE SUMMARY

Several areas highlighted for your reference include the following:

Awards:

- The City of Grand Rapids has been awarded the Certificate of Achievement for Excellence in Financial Reporting for the past 25 years. See page 6

Key Financial Indicators:

- The City’s property tax collection rate in 2017 was over 99%. The special assessment collection rate was 99% for 2017. See page 10
- The fund balance of the City’s General Fund increased \$31,641 during 2017. The General Fund has met the desired cash flow reserve needs. However, the emergency reserve requirements were not met at December 31, 2017. Page 15
- A comparison of Debt Service Fund assets and outstanding debt is shown herein. Page 25

2017 Highlights:

- The City issued the 2017B bonds to refund five Bond Issues. The refunding will result in a debt service savings of \$215,000.

For the Future:

- We recommend the City continue to monitor actual results of the Debt Service Funds with the projected amounts to ensure adequate funding of the Debt Service Funds. Page 26
- Governmental accounting standards affecting future years are summarized. Page 35

Required auditor communications are included in this report. Page 36

GOVERNMENT ACCOUNTING VS. PRIVATE SECTOR ACCOUNTING

The City’s financial statements are presented in a format that is significantly different than financial statements of a private business.

The key differences that impact accounting and financial reporting include the following:

- A. Service motive vs. profit motive
- B. Stewardship vs. return on investment
- C. Appropriated budget vs. financial plan

Service Motive vs. Profit Motive

In the private-sector, there generally is a direct relationship between what an individual pays and what that same individual receives. A customer that purchases two rolls of paper from Blandin Paper would expect to pay more than a customer purchasing one roll of paper. This is referred to as an “exchange-type” transaction.

The situation is different for most goods and services provided by the City of Grand Rapids, Minnesota. Generally, there is not a direct relationship between what a resident pays in taxes and the specific services that same resident receives from the City. This is referred to as a “non-exchange” transaction.

Stewardship vs. Return on Investment

Users of private-sector financial statements are investors and creditors. Investors interested in financial information that enables them to evaluate a business’s ability to generate a return on their investment. Stock holders are concerned about earnings and earnings per share.

Governmental Accounting and Financial Reporting

Citizens and creditors of the City need financial information that allows them to assess the City's stewardship of the financial resources provided. In other words, the financial statements need to demonstrate accountability. This accountability is a foundation of fund accounting. Maintaining separate funds demonstrates accountability to taxpayers, creditors and grantors.

Budget vs. Financial Plan

Budgets are prepared by both private sector businesses and governments. The private-sector budgets often serve as a management tool for financial planning. In a government, a budget serves as authorization to spend resources for the provision of goods and services. For the City of Grand Rapids, there are annual budgets and project budgets. The Annual Budget Report includes the budget for thirteen individual funds. Additionally, the budget process uses multiple internal meetings, several meetings with the City Council, and public meetings.

Summary

Financial reporting of budgetary performance serves as an accountability/compliance tool for the City Council and taxpayers.

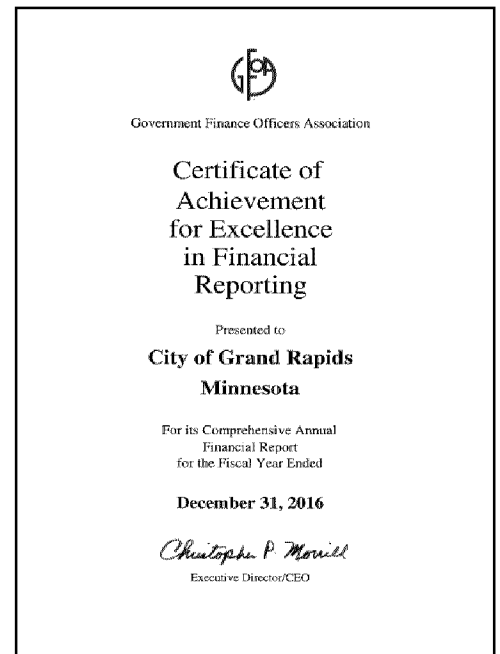
In summary, the City's financial statements serve to demonstrate accountability and compliance to taxpayers, creditors and grantors of council action, regulations, and grant agreements.

**NATIONAL RECOGNITION FOR
EXCELLENCE IN FINANCIAL REPORTING**

The “Certificate of Achievement for Excellence in Financial Reporting” is an award program offered by the Government Finance Officers Association of the United States and Canada (GFOA). This Award Program has three key objectives:

- Recognize governments that issue a high-quality CAFR.
- Easily readable and understandable Financial Report.
- Providing educational materials, comments, and suggestions for improvements to program participants.

The City of Grand Rapids, Minnesota has been awarded the Certificate of Achievement for Excellence in Financial Reporting for twenty-five consecutive years (every year since 1992).



FINANCIAL REPORTING ENTITY

The Governmental Accounting Standards Board (GASB) is the standard setting body for accounting principles and financial reporting. The foundation of financial reporting is the distinction between the *primary government* and *component units*.

A primary government consists of all organizations that make up its legal entity. Characteristics of a primary government are a) it has a separately elected governing body, b) it is legally separate, and c) it is fiscally independent of other governments. All funds, organizations, institutions, agencies and departments that are not legally separate are, for financial reporting purposes, part of a primary government.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

The City's finance department has evaluated all of the entities related to the City. A summary of this analysis is as follows:

<u>Entity</u>	<u>Relationship</u>
Library Board	Part of Primary Government
Arts and Culture Advisory Board	Part of Primary Government
Pokegama Golf Course Board	Part of Primary Government
Civic Center/Park & Recreation Board	Part of Primary Government
Human Rights Commission	Part of Primary Government
Planning Commission	Part of Primary Government
Airport Advisory Board	Part of Primary Government
Public Utilities Commission	Component Unit – included in CAFR
E.D.A.	Component Unit – included in CAFR
H.R.A.	Excluded - Related Organization
Fire Relief Association	Excluded

ACCOUNT BALANCE ANALYSIS OF THE FUND FINANCIAL STATEMENTS

Summary of Financial Activity

The schedule below presents a condensed financial summary of all funds:

<u>Fund Type</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Interfund Transfers (Net)</u>	<u>Increase (Decrease) in Fund Balance</u>	<u>Fund Balance 12/31/2017</u>	<u>Cash Balance 12/31/2017</u>
General Fund	\$9,002,000	\$8,186,000	(\$785,000)	\$31,000	\$6,271,000	\$4,599,000
Special Revenue Funds	2,332,000	2,560,000	250,000	22,000	768,000	926,000
Debt Service Funds	6,467,000	3,730,000	124,000	2,861,000	9,777,000	11,036,000
Capital Project Funds	3,980,000	4,802,000	415,000	(407,000)	689,000	1,071,000
Enterprise Funds	1,172,000	1,365,000	(4,000)	(197,000)	2,979,000	320,000
Total	<u>\$22,953,000</u>	<u>\$20,643,000</u>	<u>\$ -</u>	<u>\$2,310,000</u>	<u>\$20,484,000</u>	<u>\$17,952,000</u>

Additional detail by fund is presented on the next page.

City of Grand Rapids, Minnesota

Audit Management Letter

Fund Financial Statements

All Funds Financial Summary - 2017						
	Fund	Revenue and Other Sources	Expenditures and Other Uses	Interfund Transfers (Net)	Increase (Decrease) in Fund Balance/ Net Position	Fund Balance/ Net Position 12/31/17
1	General	\$9,001,899	\$8,185,619	(\$784,639)	\$31,641	\$6,270,571
	Special Revenue Funds:					
2	Public Library	892,507	861,257	-	31,250	514,909
3	Central School	63,652	121,971	63,839	5,520	56,871
4	Airport Operations	204,664	215,047	20,000	9,617	196,614
4	IRA Civic Center	737,927	907,179	145,067	(24,185)	(163,033)
5	Recreation Programs	61,389	63,652	-	(2,263)	1,924
6	Haz-Mat	87,515	87,515	-	-	973
7	Police Forfeiture	16,431	18,725	-	(2,294)	63,683
8	Cemetery	231,905	227,989	-	3,916	88,794
9	Domestic Animal Control Facility	36,017	56,217	20,200	-	7,621
	Debt Service Funds:					
10	Debt Service Reserve	44	-	-	44	4,965
11	Equipment Certificates of 2009D	148,352	140,454	-	7,898	202,497
12	Improvement Bonds	2,279,019	2,326,022	1,764,491	1,717,488	6,772,757
13	Street Reconstruction Bonds	261,064	434,546	605,000	431,518	1,570,350
14	G.O. State-Aid Street Bonds	322,892	323,163	-	(271)	365
15	Refunding Bonds	3,013,290	59,693	(2,950,000)	3,597	3,597
16	Tax Increment 1-6 Old Hospital Housing	58,070	53,747	705,000	709,323	770,095
17	Tax Increment 1-6 Old Hospital Housing Paygo	32,809	29,441	-	3,368	7,252
18	Tax Increment 1-5 Black Bear Homes	24,575	91,380	-	(66,805)	-
19	Tax Increment 1-4 Oakwood Terrace	33,248	85	-	33,163	367,906
20	Tax Increment 1-7 Block 37 Redevelopment	15,784	14,257	-	1,527	11,962
21	Tax Increment 1-8 Lakewood Heights	35,639	32,093	-	3,546	13,953
22	Tax Increment 1-9 Majestic Pines	166,657	152,767	-	13,890	23,720
22	Tax Increment 1-10 River Hills	32,564	29,423	-	3,141	3,141
23	Tax Abatement - 1st Ave Condo	43,150	42,881	-	269	24,242
	Capital Project Funds:					
24	General Capital Improvement Projects	99,945	237,356	81,562	(55,849)	73,367
25	Municipal State Aid	49,072	258,004	-	(208,932)	169,894
26	Park Acquisition and Development	309	-	-	309	34,503
27	Arts and Culture Capital Project	-	-	27,030	27,030	27,030
28	Capital Equipment Replacement	136,327	690,074	150,000	(403,747)	(420,552)
29	Infrastructure Bonds	3,085,528	2,888,142	(27,030)	170,356	197,331
30	Airport Capital Fund	454,827	470,037	-	(15,210)	41,646
31	7th Avenue Bridge Rehabilitation	-	-	(122,529)	(122,529)	455,652
32	IRA Civic Center Project	135,444	252,237	280,000	163,207	(231,462)
33	Permanent Improvement Revolving	18,745	5,864	25,509	38,390	342,015
	Enterprise Funds:					
34	Golf Course	577,179	674,937	(3,500)	(101,258)	2,523,740
35	Storm Water	594,826	689,836	-	(95,010)	455,418
	Total	\$22,953,265	\$20,641,610	\$0	\$2,311,655	\$20,484,311

Property Taxes

Property tax collections (excluding tax increment levies) were as follows for the past four years:

	2014	2015	2016	2017
Property tax levy ⁽¹⁾	<u>\$6,281,859</u>	<u>\$6,845,166</u>	<u>\$6,951,560</u>	<u>\$7,258,674</u>
Receipts:				
Current year levy	6,201,927	6,774,792	6,847,996	7,169,418
Delinquent (prior year levy)	<u>70,464</u>	<u>32,403</u>	<u>63,396</u>	<u>70,312</u>
Total receipts	<u>6,272,391</u>	<u>6,807,195</u>	<u>6,911,392</u>	<u>7,239,730</u>
Collection rates:				
Collections of current year levy as a percent of levy	<u>98.73%</u>	<u>98.97%</u>	<u>98.51%</u>	<u>98.77%</u>
Total receipts as percent of current year levy	<u>99.85%</u>	<u>99.45%</u>	<u>99.42%</u>	<u>99.74%</u>

⁽¹⁾Includes annexation portion of levy for 2012 through 2014

Fiscal Disparities (Property Tax Revenue Sharing)

The Iron Range Fiscal Disparities program consists of Cook County, Lake County and portions of St. Louis, Itasca, Aitkin and Crow Wing Counties. Under the program, 40 percent of the growth in commercial, industrial, and public utility value since the base year (1995) is contributed to the Pool.

The tax capacity contributed to the Pool is then distributed to all participants based on market value and population of each jurisdiction.

For 2018, the City of Grand Rapids contributed \$1,216,383 of tax capacity and received a distribution of \$691,411 in cash for a net contribution of approximately \$312,023 of cash to other LGU's in the program.

Special Assessments

Special assessment collections have been as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Current portion due	<u>\$633,916</u>	<u>\$607,197</u>	<u>\$525,555</u>	<u>\$512,628</u>
Receipts:				
Current	609,576	551,895	514,410	503,676
Delinquent	<u>69,706</u>	<u>30,821</u>	<u>8,963</u>	<u>10,012</u>
Total receipts	<u>679,282</u>	<u>582,716</u>	<u>523,373</u>	<u>513,688</u>
Collection rates:				
Collection of amounts due	<u>96.2%</u>	<u>90.9%</u>	<u>97.9%</u>	<u>98.3%</u>
Total collections as a percent of amount due	<u>107.2%</u>	<u>96.0%</u>	<u>99.6%</u>	<u>100.2%</u>

As shown above, the City experienced an increase in its collection rates for 2017. The delinquent special assessment receivable balance was \$180,222 at December 31, 2017. We recommend the City continue to monitor the special assessment collection rate and consider the impact on the funding of debt service payments.

Pension Liability

In 2015, the City implemented GASB Statement No. 68, which required the reporting of the City of Grand Rapids’s proportionate share of the PERA Net Pension Liability (NPL). During 2017, the City’s share of PERA’s NPL decreased. The schedule below presents the components of the change in NPL. During 2017, the City paid it’s required contribution to the Plan. The required contribution is a percentage of eligible wages.

	General Employees Plan	Police and Fire Plan	Total
Change in net pension liability:			
Change in actuarial assumptions ⁽¹⁾	(\$334,075)	(\$2,511,053)	(2,845,128)
Change in proportion ⁽²⁾	42,627	(434,761)	(392,134)
Experience difference ⁽³⁾	109,826	40,711	150,537
Earnings difference ⁽⁴⁾	(565,818)	(561,221)	(1,127,039)
Grand Rapids' share of 2017 pension expense	150,898	(314,310)	(163,412)
Contributions to the plan by City of Grand Rapids	(252,589)	(217,891)	(470,480)
Contributions to the plan by State of Minnesota	-	(11,790)	(11,790)
Increase in net pension liability	<u>(849,131)</u>	<u>(4,010,315)</u>	<u>(4,859,446)</u>
Beginning net pension liability	<u>4,181,545</u>	<u>5,778,971</u>	<u>9,960,516</u>
Ending net pension liability	<u><u>\$3,332,414</u></u>	<u><u>\$1,768,656</u></u>	<u><u>\$5,101,070</u></u>

1. The assumed investment return was changed from 5.6% to 7.5% for Police and Fire. The assumed post-retirement benefit increase was reduced.
2. The City's proportionate share of the total NPL decreased.
3. This is the change between expected and actual experience in the measurement of the pension liability.
4. This is the difference between projected and actual earnings on plan investments.

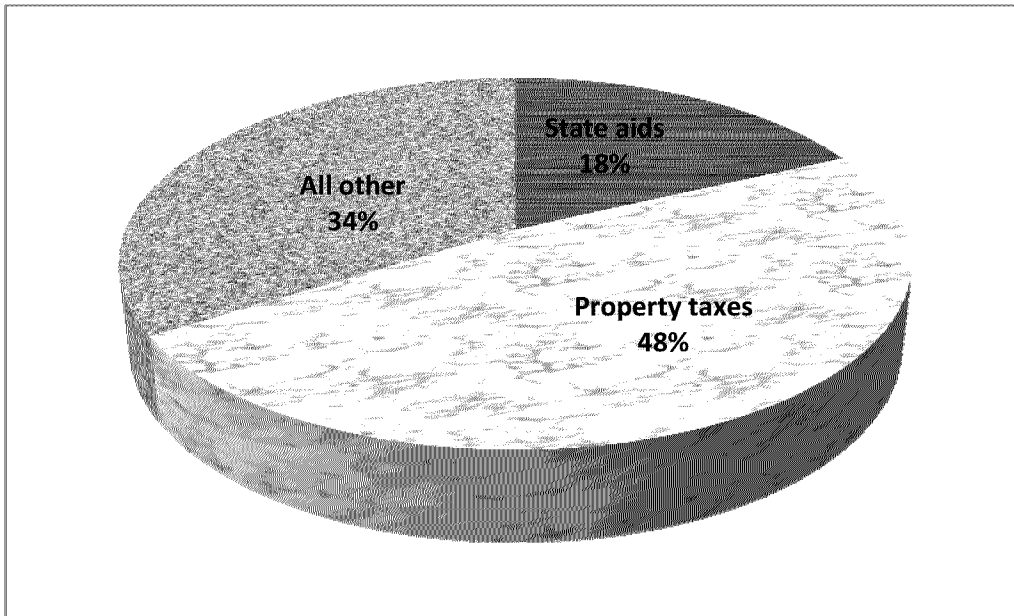
GENERAL FUND

The General Fund of the City is maintained to account for the current operating and capital outlay expenditures common to all cities. These basic services include (but are not limited to) public safety, public works, parks, culture and recreation and general government. A summary of the revenue sources of the General Fund of the City of Grand Rapids is as follows:

Year	Property Taxes		State Tax Relief (LGA, MVHC and Supplemental Aid)		All Other Revenue ⁽¹⁾		Total Revenue	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2008	\$3,110,734	45%	\$1,471,454	21%	\$2,277,395	34%	\$6,859,583	100%
2009	3,306,743	44%	1,744,986	23%	2,413,295	33%	7,465,024	100%
2010	3,107,526	46%	1,273,488	19%	2,412,831	35%	6,793,845	100%
2011	3,403,815	46%	1,288,735	18%	2,431,938	36%	7,124,488	100%
2012	3,666,921	46%	1,220,693	16%	2,838,309	38%	7,725,923	100%
2013	3,677,404	46%	1,214,925	16%	2,914,954	38%	7,807,283	100%
2014	3,622,374	44%	1,507,585	18%	3,032,665	38%	8,162,624	100%
2015	3,946,640	47%	1,556,892	18%	2,942,815	35%	8,446,347	100%
2016	4,156,865	48%	1,587,017	18%	2,847,848	34%	8,591,730	100%
2017	4,358,987	48%	1,582,391	18%	3,060,521	34%	9,001,899	100%

⁽¹⁾"All other revenue" includes the PUC payment in lieu of tax.

A chart of 2017 General Fund revenue sources is as follows:



The fund balance of the General Fund increased by \$31,641 in 2017 as follows:

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues	\$8,702,000	\$8,890,000	\$188,000
Expenditures	8,107,000	8,186,000	(79,000)
Revenues over (under) expenditures	595,000	704,000	109,000
Other sources (uses):			
Sale of capital assets	-	106,000	106,000
Insurance recoveries	-	6,000	6,000
Transfers in	4,000	31,000	27,000
Transfers out	(511,000)	(815,000)	(304,000)
total other sources (uses)	(507,000)	(672,000)	(165,000)
Net change in fund balance	\$88,000	\$32,000	(\$56,000)

Detail of the preceding budget variances is presented in Statement 10 of the 2017 Comprehensive Annual Financial Report. A summary of the budget variances is as follows:

Revenue:

Property taxes – had a favorable variance of \$74,000 primarily due to the collection of prior year taxes and excess TIF.

Licenses and permits – had favorable variance of \$55,000 due to permits for the new Casey’s, the expansion at Grand Itasca, and the new facility for Essentia clinic.

Expenditures:

Police protection – had a favorable variance of \$102,000 primarily due to TZD OT wages (\$26,000 and health insurance (\$25,000).

City-wide – had unfavorable variance of \$77,000 primarily due to city’s additional 20/80 insurance (\$30,000) and Arts and Culture expenditures (\$35,000).

Public Works – the unfavorable variance of \$175,000 is due to street light maintenance (\$65,000), other contracted services (\$20,000) and building maintenance (\$20,000)

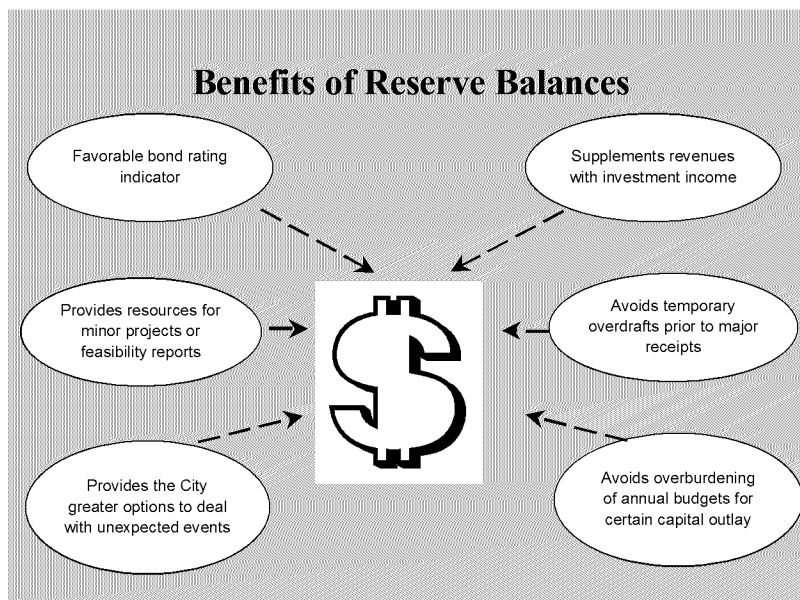
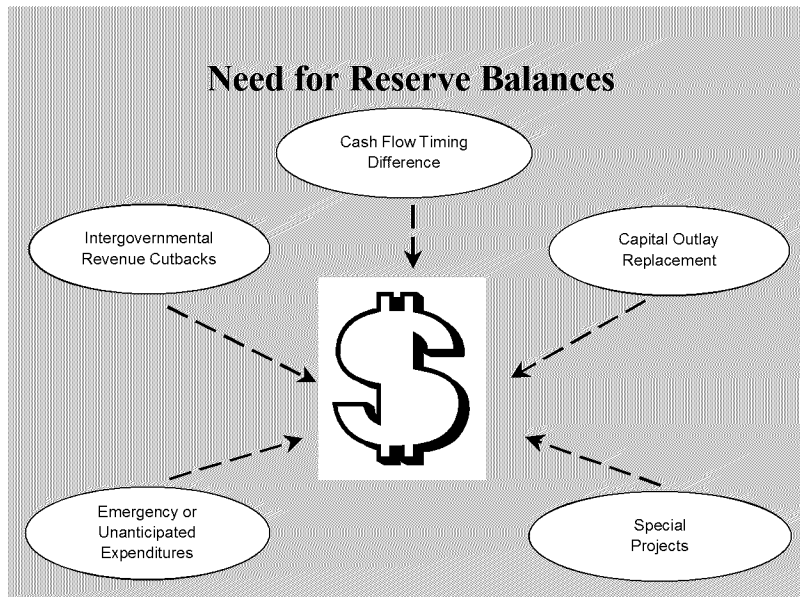
The City's General Fund balance has been as follows for the past ten years:

General Fund Balance		
<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Increase (Decrease)⁽¹⁾</u>
2008	\$5,072,000	(\$730,000)
2009	4,749,000	(323,000)
2010	4,941,000	192,000
2011	5,021,000	80,000
2012	5,516,000	495,000
2013	5,497,000	(19,000)
2014	5,651,000	154,000
2015	6,001,000	350,000
2016	6,239,000	238,000
2017	6,271,000	32,000

⁽¹⁾Rounded to nearest thousand

The fund balance of a city's general fund is a key financial indicator. Management controls over the level of fund balance is based on a city's philosophy and approach to determining optimum balances.

A summary of the purposes and benefits of General Fund designated balances is as follows:



Summary of General Fund Balance

The City has a policy regarding General Fund Reserve Balances (Resolution 11-110). The City's policy for reserves in the General Fund is:

Minimum cash flow – to equal 50% of the following year's General Fund property tax and anticipated local government aids.

Compensated absences – equal to the sum of flexible time off and compensatory time for all 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, 2017, the unassigned fund balance of the General Fund available for reserves was \$4,526,746, compared to its targeted balance of \$5,224,215. See schedule on next page.

In addition, the City has established a specified amount of General Fund balance for revenue stabilization, which is reported as committed fund balance. When sufficient reserves exist, the amount committed is equal to 10% of the prior year annual revenues.

General Fund

At December 31, 2017, the fund balance of the General Fund was as follows:

Fund Balance Constraint	Balance 12/31/16	2017 Increase (Decrease)	Balance 12/31/17	Targeted Balance	Difference
Nonspendable:					
Interfund loan	\$590,609	\$410,312	\$1,000,921	\$1,000,921	\$ -
Prepaid items	46,345	60,960	107,305	107,305	-
Restricted:					
Cash - Superior USA	10,451	2,437	12,888	12,888	-
Donor restrictions	7,126	1,663	8,789	8,789	-
Committed:					
Revenue stabilization	517,869	96,053	613,922	854,136	(240,214)
Unassigned (Available for Reserves)					
Cash flow	3,381,834	69,506	3,451,340	3,451,340	-
Compensated absences	367,939	15,412	383,351	383,351	-
Emergency / unanticipated	843,650	(151,595)	692,055	854,136	(162,081)
Economic development	473,107	(473,107)	-	697,469	(697,469)
Unassigned	-	-	-	-	-
Total	\$6,238,930	\$31,641	\$6,270,571	\$7,370,335	(\$1,099,764)

SPECIAL REVENUE FUNDS

Special Revenue Funds are a classification of funds to account for revenues (and expenditures related thereto) segregated by City policy or Federal or State statutes for specific purposes. The City maintained the following Special Revenue Funds during 2017:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2017	Comments
Public Library	\$892,507	\$861,257	\$ -	\$31,250	\$514,909	This fund had a balanced budget for 2017. Revenues exceeded budget by \$29,000.
Central School	63,652	121,971	63,839	5,520	56,871	The City budgeted an increase in fund balance of \$5,400.
Airport Operations	204,663	215,047	20,000	9,616	196,613	This fund had a balanced budget for 2017. Expenditures were under budget by \$8,500.
IRA Civic Center	737,927	907,179	145,067	(24,185)	(163,033)	The City budgeted an increase of \$31,326. Electricity costs for 2017 exceeded budget by \$77,000 due to new meter providing accurate readings.
Recreation Programs	61,389	63,652	-	(2,263)	1,924	Revenues were under budget by \$11,000 and expenditures were under budget by \$9,000.
Haz-Mat	87,515	87,515	-	-	973	Balanced budget for 2017.
Police Forfeiture	16,431	18,725	-	(2,294)	63,683	Budgeted an increase in fund balance of \$11,000. Expenditures exceeded budget by \$5,500 and revenues were under budget by \$7,500.
Cemetery	231,905	227,989	-	3,916	88,794	Balanced budget for 2017. Expenditures were under budget by \$5,000.
Domestic Animal Control Facility	36,017	56,217	20,200	-	7,621	Balanced budget for 2017. Receives budgeted transfer from General Fund.
Totals	\$2,332,006	\$2,559,552	\$249,106	\$21,560	\$768,355	

Recreation Programs Fund

This Fund has experienced a decrease in fund balance for the past five years as shown below.

<u>Year</u>	<u>Fund Balance Increase (Decrease)</u>	<u>Year End Fund Balance</u>
2013	(\$16,515)	\$25,380
2014	(16,252)	9,128
2015	(12,540)	(3,412)
2016	7,599	4,187
2017	(2,263)	1,924
2018 Budget	-	1,924

We recommend the City monitor the financial activity of this Fund and determine an additional funding sources are necessary.

Public Library

Approximately 60% of the funding of library operations is from property taxes and state aids which are not received until the second-half of the year. Therefore, like the General Fund, a portion of the fund balance is required for cash flow purposes. In response to this circumstance, the Library Board adopted resolution 2012-12 amending the fund balance policy. A summary of Public Library Fund balance at December 31, 2017 is as follows:

Fund Balance Constraint	December 31, 2017		
	Targeted Balance	Actual Balance	Difference
Nonspendable:			
Prepaid items	\$14,274	\$14,274	\$ -
Committed:			
Cash flow	415,344	415,344	-
Compensated absences	40,717	40,717	-
Emergency/unanticipated expenditures	62,781	44,574	18,207
Major equipment replacement	71,750	-	71,750
Total committed	590,592	500,635	89,957
Total fund balance	\$604,866	\$514,909	\$89,957

As shown above, the actual fund balance is \$89,957 less than the targeted fund balance at December 31, 2017.

IRA Civic Center

A summary of activity of this Fund is as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 Budget</u>
Revenue	\$738,082	\$700,298	\$849,709	\$716,852	\$782,900
Expenditures:					
Operating	674,128	661,270	692,597	749,122	770,833
Capital outlay	<u>66,676</u>	<u>112,406</u>	<u>260,131</u>	<u>158,057</u>	<u>-</u>
Revenues over (under) expenditures	(2,722)	(73,378)	(103,019)	(190,327)	12,067
Other sources:					
Insurance recoveries	-	31,103	7,810	7,000	-
Sale of capital assets	-	-	38,000	14,075	-
Transfers from other funds	<u>31,516</u>	<u>19,554</u>	<u>-</u>	<u>145,067</u>	<u>-</u>
Net change in fund balance	28,794	(22,721)	(57,209)	(24,185)	12,067
Fund balance (deficit) - January 1	<u>(87,712)</u>	<u>(58,918)</u>	<u>(81,639)</u>	<u>(138,848)</u>	<u>(163,033)</u>
Fund balance (deficit) - December 31	<u><u>(\$58,918)</u></u>	<u><u>(\$81,639)</u></u>	<u><u>(\$138,848)</u></u>	<u><u>(\$163,033)</u></u>	<u><u>(\$150,966)</u></u>

The Fund deficit of (\$163,033) at December 31, 2017 is partially financed by an interfund loan of \$109,030 which is to be repaid over ten years (through 2025). The capital outlay for 2017 was the dehumidification system.

We recommend the City continue to monitor the financial results of this Fund.

DEBT SERVICE FUNDS

Debt Service Funds are a type of governmental fund to account for the accumulation of resources for the payment of interest and principal on debt (other than Enterprise Fund debt).

Current governmental reporting standards for fund financial statements do not provide for the matching of long-term debt with its related financing sources. Although this information can be found in the City’s Comprehensive Annual Financial Report, it is located in several separate sections. The following schedule extracts information from the Comprehensive Annual Financial Report to provide an overview analysis of long-term debt and its related funding.

City of Grand Rapids, Minnesota

Audit Management Letter

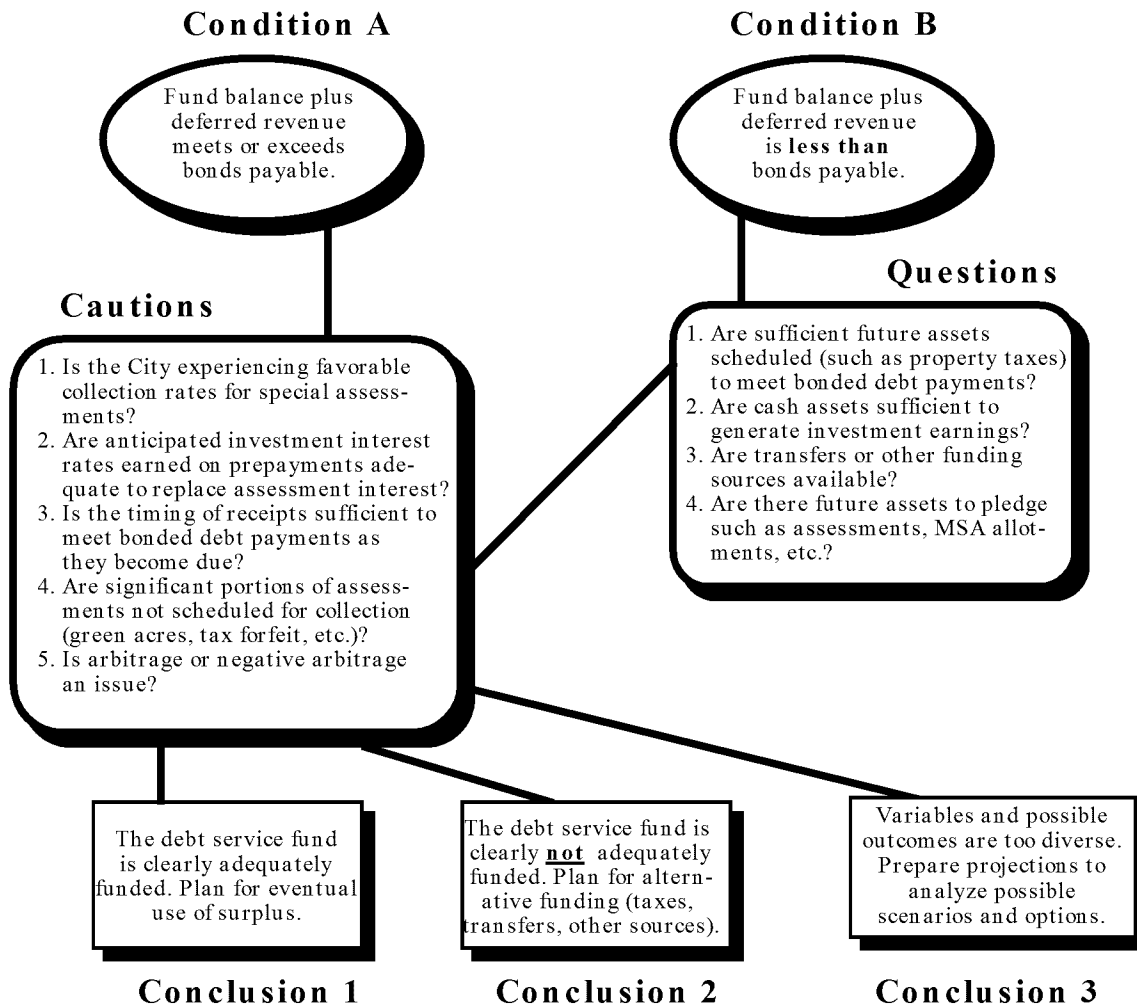
Debt Service Funds

The reader is cautioned that 1) future interest revenue from assessments and investments, and 2) future interest expense on bonded debt, is not included in the following schedule.

Fund Description	December 31, 2017			Outstanding Debt	Scheduled Ad-valorem Property Taxes	Final Maturity Date
	Fund Balance	Deferred Revenue	Total			
General Debt:						
Debt Service Reserve	\$4,965	\$ -	4,965	\$ -	\$ -	N/A
State Aid Street Bonds of 2007B	15,039	-	15,039	375,000	-	(4) 4/1/2022
Street Reconstruction Bonds of 2008B	570,403	24,109	594,512	525,000	(6) -	2/1/2018
Equipment Certificates of 2009D	202,497	-	202,497	265,000	144,581	(1) 2/1/2019
Capital Improvement Plan Bonds of 2010A	-	-	-	100,000	-	2/1/2018
State Aid Street Bonds of 2012B	365	-	365	2,875,000	-	(4) 10/1/2027
Street Reconstruction Bonds of 2017A	54,917	232,584	287,501	2,130,000	2,535,559	2/1/2033
Total general debt	<u>848,186</u>	<u>256,693</u>	<u>1,104,879</u>	<u>6,270,000</u>	<u>2,680,140</u>	
Tax Increment Debt:						
Tax Increment District 1-4 (Oakwood Terrace)	367,906	-	367,906	-	-	(2)
Tax Increment District 1-5 (Black Bear Homes)	-	-	-	-	-	(2)
Tax Increment District 1-6 (Old Hospital Housing Bonds)	770,095	-	770,095	730,000	(6) -	(3) 2/1/2018
Tax Increment District 1-6 (Old Hospital Housing Paygo)	7,252	-	7,252	-	-	
Tax Increment District 1-7 (Block 37 Redevelopment)	11,962	-	11,962	-	-	(2)
Tax Increment District 1-8 (Lakewood Heights)	13,953	-	13,953	-	-	(2)
Tax Increment District 1-9 (Majestic Pines)	23,720	-	23,720	-	-	(2)
Tax Increment District 1-10 (River Hills)	3,141	-	3,141	-	-	(2)
1st Avenue Condo Tax Abatement	24,242	-	24,242	-	-	(2)
Total tax increment debt	<u>1,222,271</u>	<u>0</u>	<u>1,222,271</u>	<u>730,000</u>	<u>0</u>	
Special Assessment Debt:						
Improvement Bonds of 2006C	1,447,359	243,670	1,691,029	780,000	(6) -	2/1/2018
Improvement Bonds of 2007A	922,166	119,218	1,041,384	805,000	(6) -	2/1/2018
Improvement Bonds of 2008C	654,487	66,686	721,173	565,000	(6) -	2/1/2018
Improvement Bonds of 2009C	809,444	309,407	1,118,851	2,675,000	2,122,982	(1) 2/1/2025
Improvement Bonds of 2010A	312,062	62,939	375,001	560,000	401,002	2/1/2026
Improvement Bonds of 2011B	413,548	291,153	704,701	860,000	513,502	2/1/2027
Improvement Bonds of 2012A	870,227	277,861	1,148,088	1,685,000	1,285,482	2/1/2028
Improvement Bonds of 2013A	580,263	547,879	1,128,142	770,000	303,813	2/1/2021
Improvement Bonds of 2013B	999,947	329,649	1,329,596	3,360,000	2,692,822	2/1/2029
Improvement Bonds of 2014A	390,794	104,731	495,525	2,550,000	2,566,626	2/1/2030
Improvement Bonds of 2016A	302,451	196,729	499,180	2,170,000	2,476,616	2/1/3032
Refunding Bonds of 2017B	3,597	-	3,597	2,920,000	1,643,391	(3) 2/1/2034
Supplemental levy	-	-	-	-	(515,000)	(5)
Total special assessment debt	<u>7,706,345</u>	<u>2,549,922</u>	<u>10,256,267</u>	<u>19,700,000</u>	<u>13,491,236</u>	
Total - All Debt Service Funds	<u>\$9,776,802</u>	<u>\$2,806,615</u>	<u>\$12,583,417</u>	<u>\$26,700,000</u>	<u>\$16,171,376</u>	

(1) These are "Build America Bonds", the interest is subsidized by a federal credit.
(2) These TIF districts have "pay-as-you-go" obligations.
(3) Does not include future tax increment levies
(4) To be paid by MSA allotments
(5) This amount represents decreased levies which were approved to eliminate projected cash surpluses in various Debt Service Funds.
(6) These bonds were refunded on 2/1/18 with proceeds of the 2017B bonds

The following decision chart prompts questions to further evaluate a fund's financial position:



We recommend the City continue to compare actual results of the Debt Service Funds with the projected amounts to ensure adequate funding of the Debt Service Funds and/or possibly reduce future tax levies.

TAX INCREMENT DISTRICTS

The City of Grand Rapids currently has the following tax increment districts:

- TIF 1-4 Oakwood Terrace
- TIF 1-5 Black Bear Homes
- TIF 1-6 Old Hospital Housing
- TIF 1-7 Block 37 Redevelopment
- TIF 1-8 Lakewood Heights
- TIF 1-9 Majestic Pines
- TIF 1-10 River Hills Apartments

Tax Increment 1-4 (Oakwood Terrace)

The final payment on a pay-as-you-go note was made in 2006. The fund no longer has note or debt service payments and is collecting tax increment. Any extra tax increment from this district has been pledged to pay any shortfalls of TIF 1-6 (relating to the 2008A TIF Bonds only). This pledge was made because the owner of Oakwood Terrace is the same owner as the Old Hospital Housing.

Tax Increment 1-5 (Black Bear Homes)

This district is a housing district. All twenty-one owner-occupied housing units have now been built and sold. The City contributed \$9,000 per home for documented site improvements for a total of \$189,000. TIF expenditures were funded by an interfund loan from the General Capital Improvement Fund. The interfund loan has been repaid. This TIF district was decertified and the remaining TIF dollars (\$91,038) were sent to the county for distribution.

Tax Increment 1-6 (Old Hospital Housing)

The district is divided into two main parcels:

1. Assisted Living Facility on the East Clinic site:
 - 2008 was the first year tax increment was received relating to this parcel.
 - The tax increment (90%) is used to make debt service payments on the \$850,000 G.O. TIF Bonds, 2008A. This bond issue was refunded by the 2017B Bonds.
2. Old hospital site was redeveloped into low to moderate income housing:
 - The old hospital was demolished in 2008. TIF Bond proceeds financed the demolition costs.
 - The tax increment derived from this site is used to make the debt service payments on the \$307,500 Tax Increment Revenue Notes, 2008B (paygo).
 - The outstanding balance of this note at December 31, 2017 was \$307,500.

The District also has an obligation to pay the \$15,057.57 2008C TIF Note (paygo):

- Payable only from TIF administrative revenues received through the county.
- The administrative portion the City is entitled to keep is 10% of the tax increment.
- Half of this (5% of total) is pledged to repay the 2008C TIF Note.
- Both of the above portions of the District (Funds 371 and 373) made payments towards the 2008C Note.
- The City splits the tax increment revenue by parcel number when it comes in so that the correct amounts go to each fund.
- Each fund contributes its 5% portion (assuming enough increment was received) so that in total, 5% is contributed.
- The obligation ended August 1, 2014.

Tax Increment 1-7 (Block 37 Redevelopment)

The tax increment derived from this site is used to pay the \$389,300 2008A TIF Note (paygo). 90% of the increment collected is pledged to pay the note. The outstanding balance of this note was \$389,300 at December 31, 2017.

The District also had an obligation to pay the \$2,010.81 2008D TIF Note (paygo). The note was payable only from TIF administrative revenues received through the County. The obligation ended August 1, 2011.

Tax Increment 1-8 (Lakewood Heights)

The tax increment derived from this site are used to pay the \$350,000 2013A TIF Note (paygo). 90% of the increment collected is pledged to pay the note. 2013 was the first year tax increment was received. The outstanding balance of this note was \$295,657 at December 31, 2017.

Tax Increment 1-9 (Majestic Pines)

The tax increment derived from this site are used to pay the \$385,355.68 2015A TIF Note. 90% of tax increment collected is pledged to pay the 2015A Note and 5% of tax increment collected is pledged to pay the, \$12,099.69 2015B Note. The administrative portion the City is entitled to keep is 10% of tax increment collected. However, half of this amount is pledged to repay the 2015B TIF Note. The outstanding balance on the 2015A note at December 31, 2017 was \$91,949. The outstanding balance on the 2015B note at December 31, 2017 was \$0.

Tax Increment 1-10 (River Hills)

Tax increment derived from the district are used to pay the \$300,000 2016A TIF Note. 90% of the increment collected is pledged to pay the Note. The outstanding balance of this Note was \$292,947.

CAPITAL PROJECT FUNDS

The financial activity of the Capital Project Funds for 2017 was as follows:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2017	Comments
General Capital Improvement Projects	\$99,945	\$237,356	\$81,562	(\$55,849)	\$73,367	2017 expenditures include \$113,000 for the MS River Pedestrian Bridge project and \$30,900 for the Kiesler Wellness Center project.
Municipal State Aid	49,072	258,004	-	(208,932)	169,894	2017 expenditures include \$131,000 for the Street Lighting project.
Park Acquisition and Development	309	-	-	309	34,503	
Arts and Culture Capital Project	-	-	27,030	27,030	27,030	
Capital Equipment Replacement	136,327	690,074	150,000	(403,747)	(420,552)	2017 expenditures include Dodge Truck (\$60,000); Epoke spreader (\$97,000); Mack Tandem (\$112,000), Chevy 1-Ton Truck (\$29,000); Mack Truck Fabrication (\$129,000); and 3 Ford Explorer squad cars for \$119,000.
Airport Capital Fund	454,827	470,037	-	(15,210)	41,646	2017 expenditures include \$50,000 for the Airport Master plan project; \$36,500 for the Apron Design project; and \$194,000 for the Taxilane Utilities and Taxilane project.
IRA Civic Center Projects	135,444	252,237	280,000	163,207	(231,462)	2017 expenditures are for the Multi-Use Outdoor Pavilion.
7th Avenue Bridge Rehabilitation	-	-	(122,529)	(122,529)	455,652	This fund is intended for future bridge repair and/or reconstruction.
Permanent Improvement Revolving	18,745	5,864	25,509	38,390	342,016	
2000 Infrastructure - Other	-	300	-	(300)	5,782	
2016 Infrastructure - Bonded	24,331	161,396	-	(137,065)	(91,301)	2017 expenditures include 5th St N improvements
2017 Infrastructure - Bonded	3,061,197	2,719,916	(27,030)	314,251	289,380	2017 expenditures include 4th Ave. & 13th St NW; 9th Street NE; 14th St NW Overlay; 8th Ave. NE Storm Water.
2018 Infrastructure - Bonded	-	6,530	-	(6,530)	(6,530)	
Totals	\$3,980,197	\$4,801,714	\$414,542	(\$406,975)	\$689,425	

ENTERPRISE FUNDS

The City maintains two Enterprise Funds, the Pokegama Golf Course and the Storm Water Utility Fund.

Pokegama Golf Course Fund

A summary of golf course operations for the preceding four years is as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating revenue	\$555,588	\$588,835	\$569,276	\$567,053
Operating expenses	<u>553,000</u>	<u>593,559</u>	<u>634,682</u>	<u>673,732</u>
Operating income (loss)	2,588	(4,724)	(65,406)	(106,679)
Other income (expense) - net	51,019	1,472	306	8,921
Transfers in	-	-	-	-
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>
Change in net assets	<u><u>\$50,107</u></u>	<u><u>(\$6,752)</u></u>	<u><u>(\$68,600)</u></u>	<u><u>(\$101,258)</u></u>

The 2017 budget anticipated a net income of \$161. Revenue for 2017 was \$36,000 less than budgeted. Expenditures for 2017 was \$70,000 more than budgeted. Part-time wages exceeded budget by \$27,000 and golf cart maintenance (new batteries) exceeded budget by \$19,000.

Storm Water Utility Fund

This Fund was established in 2004. The transfers out of the Fund are for the storm water utility's portion of infrastructure improvements made during the year.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating revenue	\$553,074	\$561,023	\$559,245	\$590,824
Operating expenses	<u>425,389</u>	<u>437,259</u>	<u>669,284</u>	<u>689,836</u>
Operating income	127,685	123,764	(110,039)	(99,012)
Other income (expense) - net	4,429	6,311	12,084	4,002
Transfers out	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$132,114</u>	<u>\$30,075</u>	<u>(\$97,955)</u>	<u>(\$95,010)</u>

The transfer out for 2015 was for the 2014 Infrastructure project.

The City budgeted \$554,000 for 2017 operating expenses. Actual operating expenses exceeded budget in contracted services (\$80,000) primarily due to storm pond revitalization; and in Personnel costs (\$50,000).

ECONOMIC DEVELOPMENT AUTHORITY

This organization was established and began operations in 1987 pursuant to Minnesota Statute 458C (subsequently amended and recodified). During 1994, the City adopted resolution 94-164 which modified the previous enabling resolution to refer to current statutory authority for EDA's as contained in Chapter 469 of Minnesota Statutes. Among other things, this resolution impacted the financial reporting of the EDA. The EDA is reported as a discrete component unit, similar to the Public Utilities Commission.

Fund balances of EDA funds are as follows:

Fund	Revenue	Expenditures	Change in Fund Balance	Fund Balance 12/31/2017
General	\$2,305	\$16,057	(\$13,752)	\$28,558
Capital Project	294,115	285,124	8,991	713,421
Total	\$296,420	\$301,181	(\$4,761)	\$741,979

Capital Project expenditures for 2017 include the following:

CBIL Loans issued	\$125,100
Swan Machine site work	76,585
Airport South Ind. Park	9,612
Loan repayments	44,403
All other	29,424
Total	<u>\$285,124</u>

Economic Development Authority

The EDA has several loans payable. A summary of these loans is as follows:

<u>Payee</u>	<u>Purpose</u>	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/17</u>
Blandin Foundation	Block 20 & 21 soil remediation	\$100,000	\$ -	\$ -	\$100,000
Blandin Foundation	Airport industrial park	332,500	-	17,500	315,000
Blandin Foundation	Commercial building improvement loans	175,000	-	18,266	156,734
IRRRB	Airport Hangar	293,000	-	-	293,000
IFDL	Airport Hangar	90,000	-	8,637	81,363
	Total	<u>\$990,500</u>	<u>\$ -</u>	<u>\$44,403</u>	<u>\$946,097</u>

The EDA also has inventory of Land Held for resale in the amount of \$2,316,696. A summary of these assets are as follows:

Industrial park East	\$274,500
Airport South Industrial Park - Phase 1	162,212
Airport South Industrial Park - Phase 2	197,739
Airport Roads	576,344
Manufacturing Hangar	580,000
Block 5	258,601
Blocks 20 and 21	267,300
	<u>\$2,316,696</u>

ACCOUNTING STANDARDS

Governmental Accounting Standards Board (GASB) statements that are required to be implemented in future years that may affect the City are as follows:

<u>Upcoming GASB Statements</u>	<u>City Implementation Required By</u>
Statement No. 75 <i>Accounting and Financial Reporting for Postemployment Benefits other than Pensions.</i>	2018
Statement No. 83 <i>Certain Asset Retirement Obligations.</i>	2019
Statement No. 84 <i>Fiduciary Activities.</i>	2019
Statement No. 85 <i>Omnibus 2017.</i>	2018
Statement No. 86 <i>Certain Debt Extinguishment</i>	2018
Statement No. 87 <i>Leases</i>	2020
Statement No. 88 <i>Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements</i>	2019

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We have substantially completed the audit of the 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 of the City of Grand Rapids, Minnesota for the year ended December 31, 2017. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated February 5, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. The City approved a revised purchasing policy effective April 10, 2017.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and

current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimation of the factors relating to the net OPEB obligation, and the net pension liability and the pension related deferred inflows and outflows. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosures most likely to be considered sensitive are Note 8 – Retirement Plans.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. There were no corrected misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We will be requesting certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management’s discussion and analysis and the budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on that RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, statistical section and other information section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the City Council and Management of the City of Grand Rapids, Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2017

Prepared by:

Finance Department

Barbara Baird
Finance Director

* DOES NOT INCLUDE PUC AND FIRE RELIEF INFORMATION *

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CITY OF GRAND RAPIDS, MINNESOTA
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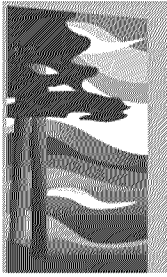
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I. INTRODUCTORY SECTION

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June XX, 2018

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, 2017, 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, 2017, 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 unmodified ("clean") opinion that the City of Grand Rapids' financial statements for the fiscal year ended December 31, 2017, 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 11,435. 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 49,000 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 29.

The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments, however, require the special approval of the governing Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 94 as part of the 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 140 to 148.

Local economy

Grand Rapids is a regional center with a retail market area population of approximately 49,000 and home to several state education and governmental agencies as well as the site of Itasca County government operations. The City is the regional headquarters for the Minnesota Department of Natural Resources and the home of Itasca Community College

A major contributor to the local economy is forestry and its related products and activities. The UPM Blandin Paper Mill, historically one of the City's largest employers, operates in the City of Grand Rapids. UPM announced in October of 2017 the decommissioning of an older, less productive, paper machine and resulting layoff of 150 positions. With that transition now complete, it is apparent that the majority of the employees in effected positions have chosen a voluntary separation offer by the company, with many able to retire and remain in the community. The impact of the line closure is expected to be less than originally thought and Blandin has already begun to call back some of the laid off employees. Blandin continues to be one of few paper production facilities, nationwide, maintaining a full order sheet and delivering a profit to the parent company. In December of 2016 the City completed a land exchange with Blandin. 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 as well as the proposed location for a new elementary school.

Iron ore mining industries also contribute to Grand Rapids economy. In February of 2017, ERP Iron Ore purchased Grand Rapids headquartered Magnetation LLC, a scam mining company who had filed for Chapter 11 protection. ERP has begun hiring employees to staff up for full production by mid-summer out of the iron ore concentrating facility located less than a mile from the northern boundary of Grand Rapids. The employment at this facility is expected to reach approximately 160.

Grand Rapids is also home to All Season Vehicles, Inc. ASV employs approximately 160 in their Grand Rapids based manufacturing of compact track loaders and skid steer loaders. In 2017, the Grand Rapids Economic Development Authority secured a DEED Minnesota Investment Fund grant to assist ASV with a project to move their parts distribution from a third party logistics company in Southaven, MS to a leased space in the Grand Rapids industrial park, where ASV is located. This move to bring their parts distribution in-house in Grand Rapids resulted in the creation of 13 new positions.

Building permit activity in 2017 was above the 10 year average of \$20.0M with permits for projects reaching a total value of \$26.2M, with commercial projects accounting for \$20.7M of the total. In terms of the number of permits issued, the 2017 total of 557 permits was above the 10 year average of 528. In 2017, development highlights included the opening of a new brewpub, a new Culver's restaurant, the renovation and repurposing of a wing of the Grand Itasca Clinic and Hospital, a new boat dealership, a new Casey's General Store gas/convenience store, a new kidney dialysis clinic, a new 25,000 sf Essentia Clinic and a 16 unit addition to the Majestic Pines senior assisted living campus.

Grand Rapids has added 439 new housing units since 2010. This growth has increased the State Demographer's estimated Grand Rapids population from 10,869 in 2010 to 11,435 in 2016. This 5.2% growth in population over that period is the highest of any similar sized or larger community in the Northeast Region of the state.

The City is also currently working with a developer who has secured a purchase agreement with the intent of demolishing a functionally obsolete, recently closed, 124 room hotel and developing a new 80 unit hotel, together with 3-4 other smaller commercial developments on the same parcel.

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 is in an agreement with the City of LaPrairie to provide Financial Services that will also provide additional resources for the City.

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. The Policy outlines a method to replenish the amount used over an eight-year period. Due to the loss of state aids, the City has had to utilize the revenue stabilization policy and will be replenishing the fund balance over the next several years.

In 2017, the City implemented the Uniform Guidance for Procurement Procedures to ensure that the procurement process complies with all applicable legal requirements, federal and state regulations. To ensure that the goods and services required by the City are obtained using established procedures that comply with all legal requirements for public purpose expenditures while promoting fair and open competition to ensure public confidence in the procurement process, ensure fair and equitable treatment of vendors who transact business with the City, and provide safeguards for the maintenance of a procurement system of quality and integrity.

Major initiatives

In 2017, the City Council establish a goal to: *Create a master plan for expansion and improvements to the IRA Civic Center that considers multiple community needs.* In the Spring of 2017, potential community partners were identified and in June an architect was hired to prepare the master plan.

Through the master plan process key community needs were identified as follows: 1.) Help address the daycare/early childhood shortage gap in Itasca County at around 517 slots; 2.) Provide space for the recently established Boys and Girls Club of Grand Rapids and Greenway; 3.) Create an indoor playground for people to utilize, especially for three quarters of the year; 4.) Provide sports rehabilitation/training services close to student athletes; 5.) Make the facility ADA compliant and mobility friendly; and 6.) Address critical needs of the existing facility by replacing the roof structure and refrigeration system in the west venue and upgrading the locker rooms to better accommodate the mix of boys and girls athletics.

As a result of the community needs, a master plan concept was developed expanding the existing facility by around 100,000 square feet with an opinion of cost of \$30 million.

Moving forward in 2018 the City will pursue \$12.5 million in grant funding and conduct a referendum asking the citizens of Grand Rapids to consider a 1.0% local sales tax to fund the remaining \$17.5 million. If approved, the local sales and use tax will allow for over half of the expenditure to be paid by non-residents.

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, 2016. This was the twenty-fifth 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, 2016

Christopher P. Morrill

Executive Director/CEO

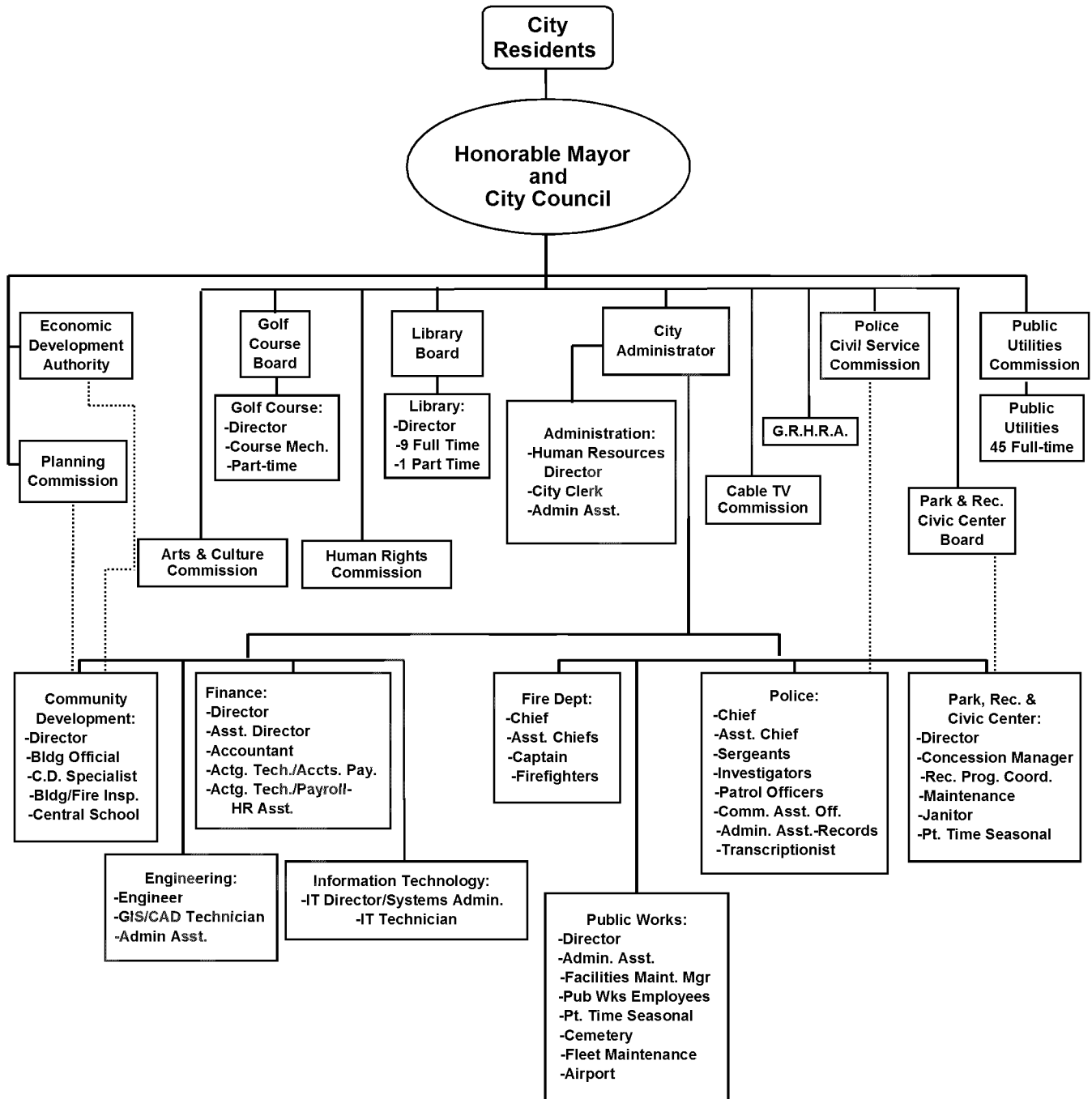
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CITY OF GRAND RAPIDS, MINNESOTA
PRINCIPAL CITY OFFICIALS AND DEPARTMENT HEADS
 December 31, 2017

	<u>Term Expires</u>
Mayor:	
Dale Adams	December 31, 2018
Council Members:	
Dale Christy	December 31, 2020
Tasha Connelly	December 31, 2020
Richard Blake	December 31, 2018
Bill Zeige	December 31, 2018
City Administrator..... Tom Pagel	
Finance Director - Treasurer..... Barbara Baird	
Fire Chief..... Mike Liebel	
Director of Public Works..... Jeff Davies	
Director of Library Services..... Marcia Anderson	
Director of Community Development..... Rob Mattei	
Director of 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, 2017, 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 ___ percent, ___ percent, and ___ 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, 2017, 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 2016 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, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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, the schedules of pension contributions, the schedule of changes in the net pension liability and related ratios and the schedule of 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. 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 _____, 2018, 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.
St. Paul, Minnesota

_____, 2018

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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, 2017. 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 \$52,375,164 (net position).

Net position of the government-wide financial statements was negatively impacted in the current year by \$5,549,788 due to assumption changes and investment earnings. This is more fully described on page 23.

The City's total net position decreased by \$772,242. The governmental activities of the City decreased by \$555,765. Public Works had additional expenditures on capital outlay for the Grand Rapids Public Utilities of \$765,000. The decrease is also due to the loss of one-time capital grants received in 2016 for \$2,004,000 and several miscellaneous grants totaling \$670,537.

The business-type activities decreased by \$216,477 due to the Pokegama Golf Course entering in to a capital equipment lease for \$142,000. The Storm Water Utility Fund had extensive maintenance on retention ponds and drainage ways that exceeded the budget by \$81,487.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,505,153. Of this amount, \$9,966,754 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 \$6,270,571. Of that amount, \$1,108,226 was in a non-spendable form, \$21,677 was restricted, \$613,922 was committed and \$4,526,726 was unassigned.

The City's total debt increased from \$24,505,668 to \$27,289,045 (excluding compensated absences). The City issued General Obligation Street Reconstruction Bonds, Series 2017A for \$2,130,000 and Improvement Refunding Bonds of 2017B for \$2,920,000 in 2017.

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 32 through 34 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.

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

Management's Discussion and Analysis

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 2017, 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
- Capital Equipment Replacement
- 2017 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.

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.

Management's Discussion and Analysis

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 92 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, agency funds, and the Economic Development Authority (EDA) component unit is presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 107 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 \$52,375,164 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$40,416,692 or 77%) 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$23,474,455	\$22,164,239	\$388,098	\$438,750	\$23,862,553	\$22,602,989
Capital assets	60,841,673	60,331,404	2,904,137	2,797,345	63,745,810	63,128,749
Total assets	<u>84,316,128</u>	<u>82,495,643</u>	<u>3,292,235</u>	<u>3,236,095</u>	<u>87,608,363</u>	<u>85,731,738</u>
Total deferred outflows of resources	3,489,403	6,076,730	-	-	3,489,403	6,076,730
Long-term liabilities outstanding	33,031,198	35,170,516	120,822	14,501	33,152,020	35,185,017
Other liabilities	1,453,558	2,161,287	252,763	86,467	1,706,321	2,247,754
Total liabilities	<u>34,484,756</u>	<u>37,331,803</u>	<u>373,585</u>	<u>100,968</u>	<u>34,858,341</u>	<u>37,432,771</u>
Total deferred inflows of resources	3,864,261	1,228,291	-	-	3,864,261	1,228,291
Net position:						
Net investment in capital assets	37,512,555	36,971,014	2,904,137	2,797,345	40,416,692	39,768,359
Restricted	12,109,254	9,084,391	-	-	12,109,254	9,084,391
Unrestricted	(165,295)	3,956,874	14,513	337,782	(150,782)	4,294,656
Total net position	<u>\$49,456,514</u>	<u>\$50,012,279</u>	<u>\$2,918,650</u>	<u>\$3,135,127</u>	<u>\$52,375,164</u>	<u>\$53,147,406</u>

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 is (\$150,782).

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

Management's Discussion and Analysis

In 2016, the City adopted 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 \$5,549,788 at December 31, 2017 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	\$3,370,677
Noncurrent assets	-
Deferred inflows of resources	(3,819,395)
Noncurrent liabilities	<u>(5,101,070)</u>
Total	<u><u>(\$5,549,788)</u></u>

Governmental Activities

Governmental activities decreased the City's net position by \$555,765 in 2017. Key elements of this decrease are as follows:

- Public works expenditures increased by \$721,460 due to additional expenditures on capital outlay for the Grand Rapids Public Utilities on project CP2009-1. The City also had to replace a section of street lights that had exceeded their useful life expectancy for \$131,000.
- Operating grants and contributions decreased by \$1,083,479 due to one-time pass through grants received in 2016. The grants totaled approximately \$670,535.
- Interest and fees on long-term debt increased by \$139,431 due to the bond issuance costs of 112,000 and the decertification of a TIF district for \$91,000.
- Capital grants and contributions decreased by \$2,112,200 due to a one-time Federal Highway grant received in 2016 in the amount of \$1.3 million for City project CP2017-1. The City also received \$504,000 in 2016 for capital contributions for the Community Multi-Use Pavilion. The Blandin Foundation contributed \$200,000 for the Pavilion project.

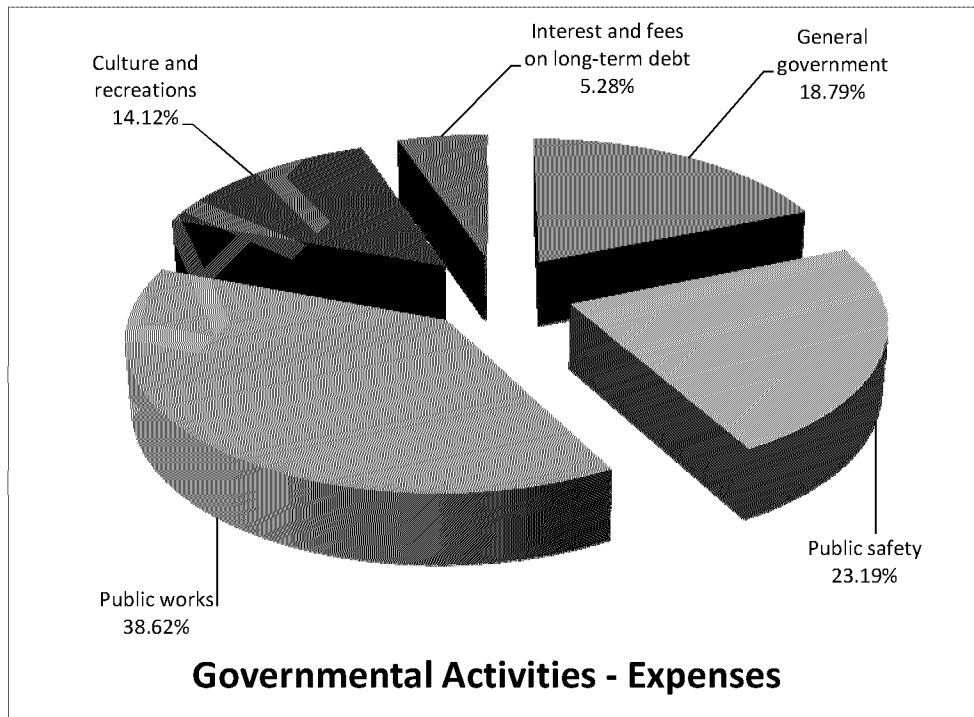
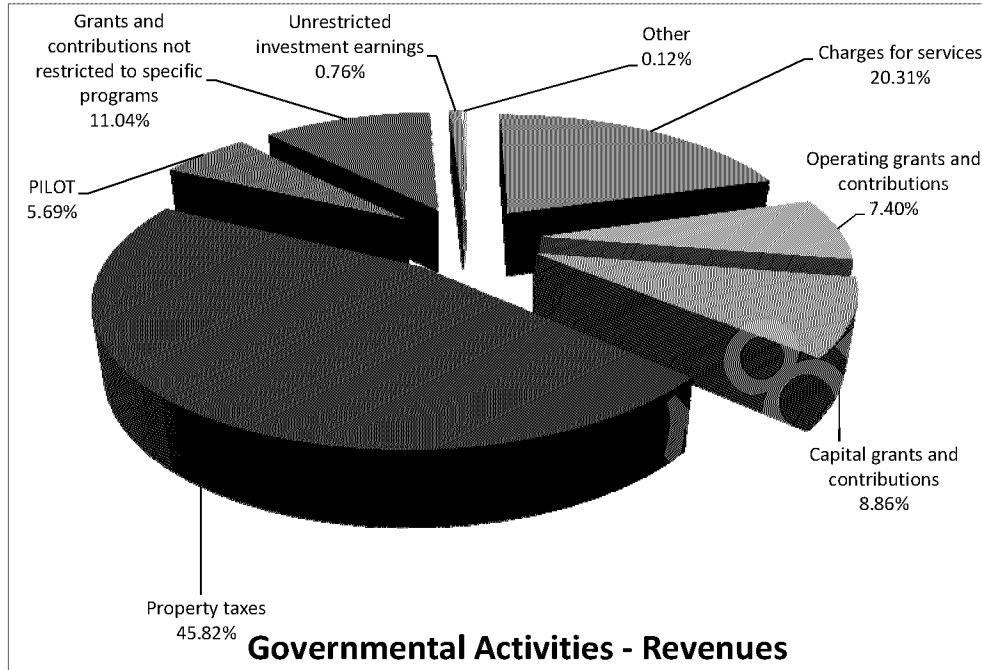
Management's Discussion and Analysis

City of Grand Rapids' Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$3,236,947	\$2,412,709	\$1,160,000	\$1,136,633	\$4,396,947	\$3,549,342
Operating grants and contributions	1,179,042	2,262,521	-	-	1,179,042	2,262,521
Capital grants and contributions	1,410,953	3,523,916	-	-	1,410,953	3,523,916
General revenues:						
Taxes	7,239,603	6,945,795	-	-	7,239,603	6,945,795
Payments in lieu of taxes (PILOT)	906,119	903,478	-	-	906,119	903,478
Grants and contributions not restricted to specific programs	1,759,578	1,776,992	1,000	-	1,760,578	1,776,992
Unrestricted investment earnings	121,034	107,331	3,884	5,619	124,918	112,950
Gain on sale of capital assets	60,429	14,196	5,750	-	66,179	14,196
Insurance recoveries	15,678	50,778	945	-	16,623	50,778
Total revenues	<u>15,929,383</u>	<u>17,997,716</u>	<u>1,171,579</u>	<u>1,142,252</u>	<u>17,100,962</u>	<u>19,139,968</u>
Expenses:						
General government	3,096,685	3,649,895	-	-	3,096,685	3,649,895
Public safety	3,825,116	4,208,454	-	-	3,825,116	4,208,454
Public works	6,368,065	5,646,605	-	-	6,368,065	5,646,605
Culture and recreation	2,327,649	2,367,449	-	-	2,327,649	2,367,449
Interest and fees on long-term debt	871,133	731,702	-	1,341	871,133	733,043
Golf course	-	-	683,231	649,786	683,231	649,786
Storm water utility	-	-	701,325	688,176	701,325	688,176
Total expenses	<u>16,488,648</u>	<u>16,604,105</u>	<u>1,384,556</u>	<u>1,339,303</u>	<u>17,873,204</u>	<u>17,943,408</u>
Change in net position before transfers	(559,265)	1,393,611	(212,977)	(197,051)	(772,242)	1,196,560
Transfers - primary government	<u>3,500</u>	<u>3,500</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(555,765)</u>	<u>1,397,111</u>	<u>(216,477)</u>	<u>(200,551)</u>	<u>(772,242)</u>	<u>1,196,560</u>
Net position - January 1, as previously reported	50,012,279	48,615,168	3,135,127	3,335,678	53,147,406	51,950,846
Prior period adjustment	-	-	-	-	-	-
Net position - January 1, as restated	<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>
Net position - December 31	<u>\$49,456,514</u>	<u>\$50,012,279</u>	<u>\$2,918,650</u>	<u>\$3,135,127</u>	<u>\$52,375,164</u>	<u>\$53,147,406</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 \$216,477 in 2017. 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 \$101,258 (which includes a decrease of \$8,294 for the Pokegama Golf Course's portion of the decrease in net position of the internal service fund) in 2017 compared to an \$83,704 decrease in 2016. This is because of an increase in the liabilities and depreciation expense due to a capital lease payable for \$142,000 for leased equipment.

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 \$95,436 (which includes a decrease of \$11,489 for the Storm Water Utility Fund's portion of the decrease in net position of the internal service fund) in 2017 compared to a \$116,847 increase in 2016. The decrease is due to contracted services being over budget by \$81,487, pond and drainage repairs. Vehicle maintenance repairs was over budget by \$31,190. 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 \$17,505,153. Approximately 7% of this total amount (\$1,145,577) constitutes non-spendable fund balance and approximately 57% (\$9,966,754) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$1,362,320) and assigned (\$1,433,487) by City Council, as well as unassigned fund balance (\$3,597,015). Additional information about the City's fund balance classifications can be found in Note 15.

The general fund balance increased by \$31,641 in 2017, compared to a \$238,055 increase in 2016. Prior to other financing sources and uses and special items, the General Fund balance increased \$704,849 in 2017 compared to a \$650,011 increase in 2016. Key elements of this increase are as follows:

- Non business license and permit revenue increased \$71,192. The permit activity in 2017 was above the 10 year average of \$20 million. Some of the development highlights included renovation and repurposing a wing of the Grand Itasca Clinic and Hospital, a new 25,000 sf Essentia Clinic, and a 16-unit addition to the Majestic Pines senior assisted living campus.
- Charges for services increased \$99,534 due to an increase in administrative charges for projects CP2017-1 and CP2009-1.

Management's Discussion and Analysis

- Community development current personnel services expenditures decreased by \$24,327 due to the transition of the Building Official to the Build Maintenance department.
- Public works other services and charges expenditures decreased by \$54,515 due to the elimination of the Facility Lease payment, bond was paid in full in 2017.

The Capital Equipment Replacement fund had a fund balance decrease of \$403,747 due to capital equipment purchases totaling \$687,000.

The 2017 Infrastructure Bonds had a fund balance increase of \$314,251 due to a premium on the issuance of bonds in the amount of \$159,881 and the Grand Rapids Public Utilities reimbursing infrastructure costs of \$591,927.

The non-major special revenue funds increased by \$21,561 for 2017.

- The Airport Operations had a fund balance increase of \$9,617 due to personnel expenditures lower than budgeted and in other charges and services the electricity was \$8,200 lower than the budgeted amount.
- The Civic Center had \$190,327 of expenditures over revenue in 2017 but other financing sources of \$166,142. The overall decrease was due to an unexpected increase for the cost of electricity due to an improperly installed electric meter.
- The Public Library had \$28,193 of revenues over expenditures in 2017 due to a retirement of a full-time librarian and filling the position later in the year.

The non-major debt service funds increased by \$2,861,696. This is due to the issuance of \$2,920,000 General Obligation Refunding Bonds, Series 2017B.

The non-major capital project funds decreased by \$317,479. The 2016 Infrastructure Bonds had a decrease of \$137,065 due to engineering costs of \$107,000 and administrative fees of \$47,000. The 7th Ave Bridge Rehab Fund had a fund balance decrease of \$122,529 due to a transfer for engineering costs.

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 \$106,679. Operating expenses increased by \$39,049 and operating revenues decreased by \$2,223 in part due a decrease in season passes sold. Unbudgeted expenditures for course improvements of \$14,180 and golf cart maintenance costs of \$18,918.

The Storm Water Utility had an operating loss of \$99,438. Operating expenses increased by \$20,552. Contracted services and vehicle maintenance and repairs increased by \$75,236 due to the maintenance and repair of ponds and drainage ways with costs of \$161,480.

Management's Discussion and Analysis

Budgetary Highlights

General Fund. The General Fund had an increase in fund balance of \$31,641. The General Fund revenue was over budget by \$188,360. The City received approximately \$23,170 more in Police and Fire Insurance Premium not budgeted. Building permit revenue was \$52,650 higher than budgeted. The City also received \$62,930 in unbudgeted delinquent taxes.

Total expenditures were over budget by \$78,530. Public Works was over budget by \$174,522 due to a \$47,280 increase in general maintenance and repairs. The part-time personnel was over budget by \$11,000. The Public Works department have been replacing street lights with LED lights when they need to be replaced or repaired, the unbudgeted amount was \$65,765. The Public Safety Department was under budget by \$119,036 due to a lower number of fire calls causing the personnel expense to come in lower. The City of Grand Rapids has a contract to provide security at the Grand Itasca Hospital and Clinic. This contract came in \$32,168 under budget. Miscellaneous was over budget by \$95,981 due to unbudgeted building condemnation fees of \$19,787. The City's health insurance co-pay and deductibles were over by \$28,880.

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, 2017, amounts to \$63,745,810 (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	
	2017	2016	2017	2016	2017	2016
Land and land improvements	\$6,006,414	\$6,006,414	\$910,812	\$906,387	\$6,917,226	\$6,912,801
Building and improvements	10,092,256	10,625,297	1,460,655	1,522,588	11,552,911	12,147,885
Vehicles, equipment and furniture	4,292,770	4,160,307	532,670	368,370	4,825,440	4,528,677
Infrastructure	36,531,123	34,450,124	-	-	36,531,123	34,450,124
Construction in progress	3,919,110	5,089,262	-	-	3,919,110	5,089,262
Total	<u>\$60,841,673</u>	<u>\$60,331,404</u>	<u>\$2,904,137</u>	<u>\$2,797,345</u>	<u>\$63,745,810</u>	<u>\$63,128,749</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 \$27,289,045 (excluding compensated absences), an increase of \$2,783,377 from 2016. Of the total outstanding amount:

- \$17,420,000 is general obligation improvement debt that is supported in part by special assessments,
- \$730,000 is general obligation tax increment debt which financed the City's economic development program,
- \$8,550,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$589,045 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	
	2017	2016	2017	2016	2017	2016
General obligation improvement bonds	\$17,420,000	\$18,505,000	\$ -	\$ -	\$17,420,000	\$18,505,000
General obligation tax increment bonds	730,000	750,000	-	-	730,000	750,000
Other general obligation bonds	8,550,000	4,985,000	-	-	8,550,000	4,985,000
Capital leases, loans, bond premium	477,077	265,668	111,968	-	589,045	265,668
Total	<u>\$27,177,077</u>	<u>\$24,505,668</u>	<u>\$111,968</u>	<u>\$0</u>	<u>\$27,289,045</u>	<u>\$24,505,668</u>

The City issued General Obligation Street Reconstruction Bonds, Series 2017A for \$2,130,000 and General Obligation Improvement Refunding Bonds, Series 2017B for \$2,920,000 in 2017. General Obligation Improvement Bond Series, 2006C, 2007A & 2008C, General Obligation Street Reconstruction Bond, Series 2008B and Tax Increment Bond, Series 2008A will be paid off on February 1, 2018.

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 \$23,762,467. Of the City's outstanding debt, \$6,588,263 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.

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BASIC FINANCIAL STATEMENTS

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CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2017
With Comparative Amounts for December 31, 2016

Statement 1

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Total		Economic Development Authority	Public Utilities Commission
			2017	2016		
Assets:						
Cash and investments	\$17,631,704	\$320,220	\$17,951,924	\$16,568,132	\$778,451	\$ -
Accrued interest receivable	25,725	-	25,725	20,311	-	-
Due from other governmental units	543,042	-	543,042	443,043	936	-
Due from primary government	-	-	-	-	-	-
Due from component units	92,807	51,292	144,099	244,822	-	-
Accounts receivable - net	147,227	9,198	156,425	128,255	139,601	-
Pledges receivable	223,435	-	223,435	329,500	-	-
Internal balances	173,799	(173,799)	-	-	-	-
Prepaid items	144,656	7,388	152,044	91,712	-	-
Property taxes receivable	126,380	-	126,380	160,215	-	-
Special assessments receivable	2,982,402	-	2,982,402	3,233,721	-	-
Inventories - at cost	-	-	-	-	-	-
Land held for resale	436,000	-	436,000	436,000	2,316,697	-
Notes receivable	-	-	-	-	279,693	-
Restricted cash and investments	-	-	-	-	-	-
Restricted accounts receivable	-	-	-	-	-	-
Financial assurance landfill closure	-	-	-	-	-	-
Net pension asset	947,278	-	947,278	947,278	-	-
Capital assets - nondepreciable	9,925,524	910,812	10,836,336	12,002,063	-	-
Capital assets - net of accumulated depreciation	50,916,149	1,993,325	52,909,474	51,126,686	-	-
Regulatory assets	-	-	-	-	-	-
Non-utility property - net of amortization	-	-	-	-	-	-
Total assets	84,316,128	3,118,436	87,434,564	85,731,738	3,515,378	0
Deferred outflows of resources:						
Service territory acquisition	-	-	-	-	-	-
Related to pensions	3,489,403	-	3,489,403	6,076,730	-	-
Total deferred outflows of resources	3,489,403	0	3,489,403	6,076,730	0	0
Liabilities:						
Accounts payable	545,367	5,191	550,558	612,943	20,655	-
Accrued wages payable	230,009	12,590	242,599	242,498	-	-
Due to other governmental units	43,981	1,209	45,190	51,863	67,919	-
Due to component units	99,219	20,823	120,042	108,488	-	-
Contracts payable	104,673	-	104,673	550,922	-	-
Deposits payable	16,914	18,860	35,774	23,692	-	-
Due to primary government	-	-	-	-	-	-
Accrued interest payable	281,101	569	281,670	280,231	-	-
Unearned revenue	132,294	11,588	143,882	377,117	-	-
Compensated absences:						
Due within one year	43,287	1,451	44,738	-	-	-
Due in more than one year	380,781	6,683	387,464	-	-	-
Net pension liability:						
Due in more than one year	5,101,070	-	5,101,070	9,960,516	-	-
Landfill closure costs:						
Due in more than one year	-	-	-	-	-	-
Noncurrent liabilities:						
Due within one year	5,433,664	26,404	5,460,068	2,649,820	26,188	-
Due in more than one year	21,743,413	85,564	21,828,977	22,273,162	919,909	-
Other post employment benefits:						
Due in more than one year	328,983	8,854	337,837	301,519	-	-
Total liabilities	34,484,756	199,786	34,684,542	37,432,771	1,034,671	0
Deferred inflows of resources:						
Demand payment deferral	-	-	-	-	-	-
Related to pensions	3,864,261	-	3,864,261	1,228,291	-	-
Purchased power	-	-	-	-	-	-
Other deferred credits	-	-	-	-	-	-
Total deferred inflows of resources	3,864,261	0	3,864,261	1,228,291	0	0
Net position:						
Net investment in capital assets	37,512,555	2,904,137	40,416,692	39,768,359	-	-
Restricted for:						
Debt service	11,919,302	-	11,919,302	9,060,732	-	-
Itasca County share of airport	97,837	-	97,837	-	-	-
Other purposes	92,115	-	92,115	23,659	-	-
Unrestricted	(165,295)	14,513	(150,782)	4,294,656	2,480,707	-
Total net position	\$49,456,514	\$2,918,650	\$52,375,164	\$53,147,406	\$2,480,707	\$0

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, 2017

With Comparative Amounts for The Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$3,096,685	\$559,770	\$8,156	\$ -
Public safety	3,825,116	587,714	545,413	-
Public works	6,368,065	1,048,588	376,109	1,360,635
Culture and recreation	2,327,649	1,040,875	17,246	50,318
Interest and fees on long-term debt	871,133	-	232,118	-
Total governmental activities	<u>16,488,648</u>	<u>3,236,947</u>	<u>1,179,042</u>	<u>1,410,953</u>
Business-type activities:				
Golf course	683,231	567,053	-	-
Storm water utility	701,325	592,947	-	-
Total business-type activities	<u>1,384,556</u>	<u>1,160,000</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$17,873,204</u>	<u>\$4,396,947</u>	<u>\$1,179,042</u>	<u>\$1,410,953</u>
Component units:				
Economic Development Authority	\$141,180	\$5,653	\$110,423	\$73,592
Public Utilities Commission	-	-	-	-
Total component units	<u>\$141,180</u>	<u>\$5,653</u>	<u>\$110,423</u>	<u>\$73,592</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 2017	Total 2016	Economic Development Authority	Public Utilities Commission
(\$2,528,759)	\$ -	(\$2,528,759)	(\$2,868,219)	\$ -	\$ -
(2,691,989)	-	(2,691,989)	(3,125,196)	-	-
(3,582,733)	-	(3,582,733)	(1,675,235)	-	-
(1,219,210)	-	(1,219,210)	(251,749)	-	-
(639,015)	-	(639,015)	(484,560)	-	-
<u>(10,661,706)</u>	<u>0</u>	<u>(10,661,706)</u>	<u>(8,404,959)</u>	<u>0</u>	<u>0</u>
-	(116,178)	(116,178)	(81,851)	-	-
-	(108,378)	(108,378)	(120,819)	-	-
<u>0</u>	<u>(224,556)</u>	<u>(224,556)</u>	<u>(202,670)</u>	<u>0</u>	<u>0</u>
<u>(10,661,706)</u>	<u>(224,556)</u>	<u>(10,886,262)</u>	<u>(8,607,629)</u>	<u>0</u>	<u>0</u>
				48,488	-
				<u>-</u>	<u>-</u>
				<u>48,488</u>	<u>0</u>
7,239,603	-	7,239,603	6,945,795	-	-
906,119	-	906,119	903,478	-	-
1,759,578	1,000	1,760,578	1,776,992	-	-
121,034	3,884	124,918	112,950	-	-
60,429	5,750	66,179	14,196	-	-
15,678	945	16,623	50,778	-	-
3,500	(3,500)	-	-	-	-
<u>10,105,941</u>	<u>8,079</u>	<u>10,114,020</u>	<u>9,804,189</u>	<u>0</u>	<u>0</u>
<u>(555,765)</u>	<u>(216,477)</u>	<u>(772,242)</u>	<u>1,196,560</u>	<u>48,488</u>	<u>0</u>
50,012,279	3,135,127	53,147,406	51,950,846	2,432,219	45,718,612
-	-	-	-	-	-
<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>
<u>\$49,456,514</u>	<u>\$2,918,650</u>	<u>\$52,375,164</u>	<u>\$53,147,406</u>	<u>\$2,480,707</u>	<u>\$45,718,612</u>

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

	101 General Fund	407 Capital Equipment Replacement	478 2017 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
					2017	2016
Assets						
Cash and investments	\$4,598,901	\$769,300	\$318,974	\$11,944,529	\$17,631,704	\$16,022,592
Accrued interest receivable	25,725	-	-	-	25,725	20,311
Due from other governmental units	347,798	-	39,106	134,870	521,774	419,141
Due from other funds	327,788	-	-	26,873	354,661	301,920
Due from component units	26,038	-	-	66,769	92,807	198,084
Accounts receivable	51,031	-	-	96,196	147,227	120,425
Pledges receivable	-	-	-	223,435	223,435	329,500
Interfund loan receivable	1,187,606	-	-	-	1,187,606	713,951
Land held for resale	436,000	-	-	-	436,000	436,000
Prepaid items	107,305	12,209	-	25,142	144,656	85,465
Taxes receivable - delinquent	112,308	-	-	14,072	126,380	160,215
Special assessments receivable	77,356	-	-	2,955,046	3,032,402	3,283,721
Total assets	\$7,297,856	\$781,509	\$358,080	\$15,486,932	\$23,924,377	\$22,091,325
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$115,969	\$129,699	\$8,675	\$291,024	\$545,367	\$591,443
Accrued wages payable	185,564	-	-	44,445	230,009	221,458
Due to other governmental units	14,756	-	-	29,225	43,981	49,566
Due to component units	70,642	-	-	28,577	99,219	81,684
Contracts payable	-	-	60,025	44,648	104,673	550,922
Due to other funds	-	-	-	354,661	354,661	301,920
Deposits payable	8,031	-	-	8,883	16,914	10,692
Interfund loan payable	-	964,858	-	109,031	1,073,889	586,645
Unearned revenue	6,659	107,504	-	18,131	132,294	375,928
Total liabilities	401,621	1,202,061	68,700	928,625	2,601,007	2,770,258
Deferred inflows of resources:						
Unavailable revenue	625,664	-	-	3,192,553	3,818,217	4,323,837
Total deferred inflows of resources	625,664	0	0	3,192,553	3,818,217	4,323,837
Fund balances:						
Nonspendable	1,108,226	12,209	-	25,142	1,145,577	676,074
Restricted	21,677	-	-	9,945,077	9,966,754	7,051,479
Committed	613,922	-	-	748,398	1,362,320	1,322,597
Assigned	-	-	289,380	1,144,107	1,433,487	1,480,898
Unassigned	4,526,746	(432,761)	-	(496,970)	3,597,015	4,466,182
Total fund balances	6,270,571	(420,552)	289,380	11,365,754	17,505,153	14,997,230
Total liabilities, deferred inflows of resources, and fund balances	\$7,297,856	\$781,509	\$358,080	\$15,486,932	\$23,924,377	\$22,091,325
Fund balance reported above					\$17,505,153	\$14,997,230
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.						
					60,841,673	60,331,404
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					126,380	160,215
Assessments not yet due or delinquent					2,982,402	3,233,722
Pledges not yet due					223,435	329,500
Due from component units					-	114,400
Due from other governmental units					21,268	23,902
Land held for resale					436,000	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					(27,136,141)	(24,444,088)
Capital lease and loans payable					(40,936)	(61,580)
Accrued interest payable					(281,101)	(279,594)
Compensated absences payable					(424,068)	(410,629)
Other post employment benefits					(328,983)	(293,703)
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.						
					(5,489,706)	(5,145,638)
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	947,278
Deferred outflows of resources					118,726	118,726
Deferred inflows of resources					(44,866)	(44,866)
Net position of governmental activities					\$49,456,514	\$50,012,279

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, 2017

With Comparative Totals For The Year Ended December 31, 2016

	101 General Fund	407 Capital Equipment Replacement	478 2017 Infrastructure Bonds	Other Governmental Funds	Totals Governmental Funds	
					2017	2016
Revenues:						
Taxes:						
General property	\$4,358,987	\$111,970	\$ -	\$2,352,000	\$6,822,957	\$6,469,228
Tax abatements	-	-	-	62,875	62,875	63,528
Tax increments	-	-	-	387,606	387,606	365,962
Payments in lieu of taxes (PILOT)	906,119	-	-	-	906,119	903,478
Licenses and permits	332,376	-	-	-	332,376	259,518
Intergovernmental	2,225,330	6,631	179,389	1,335,931	3,747,281	5,600,443
Special assessments	16,864	-	-	614,418	631,282	989,932
Charges for services	907,285	-	-	1,175,978	2,083,263	1,980,441
Fines and forfeits	59,347	-	-	57,020	116,367	140,003
Investment income	43,158	3,570	-	74,306	121,034	107,331
Contributions and donations	18,218	156	-	169,655	188,029	634,299
Reimbursement from component unit	-	-	591,927	24,331	616,258	126,540
Other	22,784	-	-	290,299	313,083	264,718
Total revenues	<u>8,890,468</u>	<u>122,327</u>	<u>771,316</u>	<u>6,544,419</u>	<u>16,328,530</u>	<u>17,905,421</u>
Expenditures:						
Current:						
General government	1,988,407	2,159	-	413,623	2,404,189	3,043,284
Public safety	3,207,050	-	-	134,722	3,341,772	3,342,292
Public works	2,320,501	-	-	501,802	2,822,303	2,731,258
Culture and recreation	117,072	-	-	1,814,578	1,931,650	1,947,653
Miscellaneous	552,589	-	-	-	552,589	514,541
Capital outlay/construction	-	687,915	2,667,591	1,381,088	4,736,594	5,870,681
Debt service:						
Principal retirement	-	-	-	2,597,000	2,597,000	2,590,000
Interest	-	-	-	680,534	680,534	711,789
Paying agent fees	-	-	-	7,150	7,150	7,600
Decertify TIF districts	-	-	-	91,038	91,038	-
Bond issuance costs	-	-	52,325	59,693	112,018	52,693
Total expenditures	<u>8,185,619</u>	<u>690,074</u>	<u>2,719,916</u>	<u>7,681,228</u>	<u>19,276,837</u>	<u>20,811,791</u>
Revenues over (under) expenditures	<u>704,849</u>	<u>(567,747)</u>	<u>(1,948,600)</u>	<u>(1,136,809)</u>	<u>(2,948,307)</u>	<u>(2,906,370)</u>
Other financing sources (uses):						
Bond issuance	-	-	2,130,000	-	2,130,000	2,170,000
Refunding bond issuance	-	-	-	2,920,000	2,920,000	-
Bond premium	-	-	159,881	93,286	253,167	44,183
Sale of capital assets	105,810	14,000	-	14,075	133,885	55,400
Insurance recoveries	5,621	-	-	10,057	15,678	50,778
Transfers in	30,684	275,000	-	3,810,458	4,116,142	1,002,717
Transfers out	(815,323)	(125,000)	(27,030)	(3,145,289)	(4,112,642)	(999,217)
Total other financing sources (uses)	<u>(673,208)</u>	<u>164,000</u>	<u>2,262,851</u>	<u>3,702,587</u>	<u>5,456,230</u>	<u>2,323,861</u>
Net change in fund balance	31,641	(403,747)	314,251	2,565,778	2,507,923	(582,509)
Fund balance - January 1	6,238,930	(16,805)	(24,871)	8,799,976	14,997,230	15,579,739
Fund balance - December 31	<u>\$6,270,571</u>	<u>(\$420,552)</u>	<u>\$289,380</u>	<u>\$11,365,754</u>	<u>\$17,505,153</u>	<u>\$14,997,230</u>

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, 2017
With Comparative Amounts For The Year Ended December 31, 2016

Statement 5

	<u>2017</u>	<u>2016</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)	\$2,507,923	(\$582,509)
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	(3,359,541)	(3,320,865)
Capital outlay	4,736,594	5,870,681
Capital outlay not capitalized	(813,328)	(226,798)
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.	20,000	16,506
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.	(73,456)	(41,204)
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	(33,835)	47,077
Change in deferred and delinquent special assessments	(251,320)	(587,728)
Change in pledges receivable	(106,065)	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	(114,400)	(109,200)
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	(5,050,000)	(2,170,000)
Principal payments on bonds, capital leases and loans payable	2,610,644	2,603,644
Current year bond premium and amortization of bond premium	(232,053)	(20,776)
Change in due from other governmental units accrual related to a federal credit on BAB bonds	(2,634)	(2,450)
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	(13,439)	(21,357)
Change in other post employment benefits and termination benefits payable	(35,280)	(16,722)
Change in accrued interest payable	(1,507)	16,973
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
An internal service fund is used by management to charge pension costs to individual funds. This amount is the portion of net revenue attributable to governmental activities.	<u>(344,068)</u>	<u>(1,038,832)</u>
Change in net position of governmental activities (Statement 2)	<u><u>(\$555,765)</u></u>	<u><u>\$1,397,111</u></u>

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

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2017

With Comparative Totals For Enterprise Funds For December 31, 2016

Statement 6

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama	655 Storm Water	Totals		Activities
	Golf Course	Utility	2017	2016	Internal Service
					2017
Assets:					
Current assets:					
Cash and cash equivalents	\$103,469	\$216,751	\$320,220	\$545,540	\$ -
Due from component units	-	51,292	51,292	46,738	-
Accounts receivable	6,252	2,946	9,198	7,830	-
Prepaid items	6,088	1,300	7,388	6,247	-
Total current assets	115,809	272,289	388,098	606,355	0
Noncurrent assets:					
Capital assets:					
Land and land improvements	871,481	39,331	910,812	906,387	-
Buildings and structures	2,290,486	-	2,290,486	2,290,486	-
Machinery, equipment and furniture	890,666	384,283	1,274,949	1,093,975	-
Total capital assets	4,052,633	423,614	4,476,247	4,290,848	0
Less: Allowance for depreciation	(1,385,930)	(186,180)	(1,572,110)	(1,493,503)	-
Net capital assets	2,666,703	237,434	2,904,137	2,797,345	0
Total noncurrent assets	2,666,703	237,434	2,904,137	2,797,345	0
Total assets	2,782,512	509,723	3,292,235	3,403,700	0
Deferred outflows of resources - pension related	-	-	-	-	3,370,677
Liabilities:					
Current liabilities:					
Accounts payable	3,200	1,991	5,191	21,500	-
Accrued wages payable	5,942	6,648	12,590	21,040	-
Due to other governmental units	711	498	1,209	2,297	-
Due to component units	1,451	19,372	20,823	26,804	-
Accrued interest payable	569	-	569	637	-
Deposits payable	-	18,860	18,860	13,000	-
Interfund loan payable	113,717	-	113,717	127,306	-
Compensated absences payable - current	138	1,313	1,451	67	-
Capital lease payable - current	26,404	-	26,404	-	-
Unearned revenue	11,588	-	11,588	1,189	-
Total current liabilities	163,720	48,682	212,402	213,840	0
Noncurrent liabilities:					
Compensated absences payable	634	6,049	6,683	6,618	-
Capital lease payable	85,564	-	85,564	-	-
Other post employment benefits	8,854	-	8,854	7,816	-
Net pension liability	-	-	-	-	5,101,070
Total noncurrent liabilities	95,052	6,049	101,101	14,434	5,101,070
Total liabilities	258,772	54,731	313,503	228,274	5,101,070
Deferred inflows of resources - pension related	-	-	-	-	3,819,395
Net position:					
Investment in capital assets	2,666,703	237,434	2,904,137	2,797,345	-
Unrestricted	(142,963)	217,558	74,595	378,081	(5,549,788)
Total net position	\$2,523,740	\$454,992	\$2,978,732	\$3,175,426	(\$5,549,788)
Net position reported above			\$2,978,732	\$3,175,426	
Adjustment to report the cumulative internal balance for the net effect of activity between the internal service fund and the enterprise funds over time.			(60,082)	(40,299)	
Net position of business-type activities			\$2,918,650	\$3,135,127	

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, 2017

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

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama Golf Course	655 Storm Water Utility	Totals		Activities
			2017	2016	Internal Service 2017
Operating revenues:					
Season passes	\$159,281	\$ -	\$159,281	\$166,781	\$ -
Green fees	235,731	-	235,731	230,519	-
Special play	9,800	-	9,800	9,287	-
Rentals and leases	162,241	-	162,241	162,689	-
Charges for service	-	590,398	590,398	559,245	478,948
Total operating revenues	<u>567,053</u>	<u>590,398</u>	<u>1,157,451</u>	<u>1,128,521</u>	<u>478,948</u>
Operating expenses:					
Personnel services	283,946	308,912	592,858	612,139	855,799
Materials and supplies	43,778	38,029	81,807	91,244	-
Other services and charges	231,559	298,842	530,401	455,165	-
Depreciation	114,449	44,053	158,502	145,419	-
Total operating expenses	<u>673,732</u>	<u>689,836</u>	<u>1,363,568</u>	<u>1,303,967</u>	<u>855,799</u>
Operating income (loss)	<u>(106,679)</u>	<u>(99,438)</u>	<u>(206,117)</u>	<u>(175,446)</u>	<u>(376,851)</u>
Nonoperating revenues (expenses):					
Intergovernmental revenue	-	-	-	-	13,000
Investment income	1,307	2,577	3,884	5,619	-
Interest expense	(1,205)	-	(1,205)	(1,341)	-
Insurance recoveries	945	-	945	-	-
Capital contributions	1,000	-	1,000	-	-
Miscellaneous revenue	1,124	1,425	2,549	8,112	-
Gain (loss) on sale of capital assets	5,750	-	5,750	-	-
Total nonoperating revenues (expenses)	<u>8,921</u>	<u>4,002</u>	<u>12,923</u>	<u>12,390</u>	<u>13,000</u>
Income before contributions and transfers	<u>(97,758)</u>	<u>(95,436)</u>	<u>(193,194)</u>	<u>(163,056)</u>	<u>(363,851)</u>
Transfers out	<u>(3,500)</u>	<u>-</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Total transfers and contributions	<u>(3,500)</u>	<u>0</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>0</u>
Change in net position	<u>(101,258)</u>	<u>(95,436)</u>	<u>(196,694)</u>	<u>(166,556)</u>	<u>(363,851)</u>
Net position - January 1	<u>2,624,998</u>	<u>550,428</u>	<u>3,175,426</u>	<u>3,341,982</u>	<u>(5,185,937)</u>
Net position - December 31	<u>\$2,523,740</u>	<u>\$454,992</u>	<u>\$2,978,732</u>	<u>\$3,175,426</u>	<u>(\$5,549,788)</u>
Changes in net position reported above			(\$196,694)	(\$166,556)	
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>(19,783)</u>	<u>(33,995)</u>	
Change in net position of business-type activities (Statement 2)			<u>(\$216,477)</u>	<u>(\$200,551)</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, 2017

With Comparative Totals For The Year Ended December 31, 2016

Statement 8

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama	655 Storm Water	Totals		Activities
	Golf Course	Utility	2017	2016	Internal Service 2017
Cash flows from operating activities:					
Receipts from customers and users	\$576,783	\$587,694	\$1,164,477	\$1,127,661	\$ -
Receipts from interfund charges for pension benefits	-	-	-	-	478,948
Intergovernmental revenue	-	-	-	-	-
Payment to suppliers	(275,015)	(355,852)	(630,867)	(522,103)	-
Payments to other funds for services provided	-	-	-	-	(478,948)
Payment to employees	(282,820)	(316,001)	(598,821)	(594,537)	-
Net cash flows provided by operating activities	18,948	(84,159)	(65,211)	11,021	0
Cash flows from noncapital financing activities:					
Interfund borrowing cash payments	(13,589)	-	(13,589)	(13,454)	-
Interest on interfund borrowing	(1,273)	-	(1,273)	(1,408)	-
Insurance recoveries	945	-	945	-	-
Transfers out	(3,500)	-	(3,500)	(3,500)	-
Net cash flows provided by (used in) noncapital financing activities	(17,417)	0	(17,417)	(18,362)	0
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(19,794)	(97,003)	(116,797)	(101,759)	-
Principal payment on capital lease	(30,779)	-	(30,779)	-	-
Capital contributions	1,000	-	1,000	-	-
Net cash flows (used in) capital and related financing activities	(49,573)	(97,003)	(146,576)	(101,759)	0
Cash flows from investing activities:					
	1,307	2,577	3,884	5,619	-
Net increase in cash and cash equivalents	(46,735)	(178,585)	(225,320)	(103,481)	0
Cash and cash equivalents - January 1	150,204	395,336	545,540	649,021	-
Cash and cash equivalents - December 31	\$103,469	\$216,751	\$320,220	\$545,540	\$0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(\$106,679)	(\$99,438)	(\$206,117)	(\$175,446)	(\$376,851)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	114,449	44,053	158,502	145,419	-
Miscellaneous revenue	1,124	1,425	2,549	8,112	-
Intergovernmental revenue	-	-	-	-	13,000
Changes in assets and liabilities:					
Decrease (increase) in receivables	(1,793)	(4,129)	(5,922)	(43)	-
Decrease (increase) in prepaid items	(1,091)	(50)	(1,141)	(4,447)	-
Decrease (increase) in deferred outflows of resources	-	-	-	-	2,587,327
Increase (decrease) in unearned revenue	10,399	-	10,399	(8,929)	-
Increase (decrease) in payables	2,539	(26,020)	(23,481)	46,355	(4,859,446)
Increase (decrease) in deferred inflows of resources	-	-	-	-	2,635,970
Total adjustments	125,627	15,279	140,906	186,467	376,851
Net cash provided by operating activities	\$18,948	(\$84,159)	(\$65,211)	\$11,021	\$0
Noncash capital and related financing activities:					
None					

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
 December 31, 2017
 With Comparative Totals For December 31, 2016

Statement 9

	Agency Funds	
	2017	2016
Assets:		
Cash and investments	\$135,940	\$110,897
Accounts receivable	-	822
Prepaid items	580	-
Total assets	<u>\$136,520</u>	<u>\$111,719</u>
Liabilities:		
Accounts payable	\$15,732	\$14,993
Due to third-party grantees	120,788	96,726
Total liabilities	<u>\$136,520</u>	<u>\$111,719</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.

The City Council abolished the Airport Advisory Board on March 26, 2018.

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, 2017

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 *Capital Equipment Replacement Fund* accounts for the accumulation of resources for capital equipment replacement.

The *2017 Infrastructure Bonds Fund* accounts for Projects funded by the 2017A 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, 2017

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	\$860,422	\$861,257	\$835
Central School	102,625	121,971	19,346
IRA Civic Center	701,674	907,179	205,505
Haz-Mat	60,000	87,515	27,515
Police Forfeiture	13,200	18,725	5,525

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.

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

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, 2017, no interest was capitalized in connection with construction in progress.

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

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

M. INTERFUND TRANSACTIONS AND BALANCES

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

Short-term receivables and payables between funds are classified as “due from other funds” or “due to other funds” on the balance sheet. Such items, which are expected to be eliminated in 2018, 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 15C.

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 2017 are described in Notes 3, 7, 19, and 20.

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, 2016, 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. PENSION PLANS

COST SHARING MULTIPLE – EMPLOYER PLANS

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 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.

SINGLE EMPLOYER PLAN

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, 2017 the carrying amount of the City's deposits with financial institutions was \$12,055,591.

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, 2017, the bank balance of the City's deposits was \$12,127,469 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
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
Federal National Meeting Association Step	Aaa	\$148,610	-	-	148,610
Federal Farm Credit Notes	Aaa	102,663	-	102,663	-
US Treasury Notes	Aaa	273,453	99,734	173,719	-
Brokered CD's	NR	6,230,750	1,492,755	4,342,995	395,000
Other	NR	48,778	48,778	-	-
Total		<u>\$6,804,254</u>	<u>\$1,641,267</u>	<u>\$4,619,377</u>	<u>\$543,610</u>
			Total investments		\$6,804,254
			Deposits		12,055,591
			Petty cash		6,470
			Total cash and investments		<u>\$18,866,315</u>

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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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The City has the following recurring fair value measurements as of December 31, 2017:

Investment Type	12/31/2017	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Federal National Meeting Association Step	148,610	-	148,610	-
Federal Farm Credit Notes	102,663	-	102,663	-
US Treasury Notes	273,453	273,453	-	-
Brokered CD's	6,230,750	-	6,230,750	-
Other	48,778	-	48,778	-
Total	6,804,254	\$273,453	\$6,530,801	\$0

Following is a reconciliation of the City’s cash and investment balances as of December 31, 2017:

Cash and investments - primary government:	
Governmental and business-type (Statement 1)	\$17,951,924
Fiduciary (Statement 9)	135,940
Cash and investments - EDA (Statement 1)	778,451
	<u>\$18,866,315</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.

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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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, 2017 for the Public Utilities Commission are as follows:

Demand deposits and cash on hand	\$ -
Certificates of deposits - negotiable	-
Total cash and investments	<u>-</u>
Less restricted amounts	-
Total cash and investments - unrestricted	<u><u>\$0</u></u>

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2017 are as follows:

	Primary Government					EDA
	Major Funds			Nonmajor Funds	Total	
	General	Capital Equipment Replacement	2017 Infrastructure Bonds			
Special assessments receivable	\$53,962	\$ -	\$ -	\$2,148,186	\$2,202,148	\$ -
Property taxes receivable	69,045	-	-	8,651	77,696	-
Interfund loan receivable	1,000,921	-	-	-	1,000,921	-
Pledges Receivable	-	-	-	223,435	223,435	-
Notes receivable	-	-	-	-	-	236,087
	<u>\$1,123,928</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,380,272</u>	<u>\$3,504,200</u>	<u>\$236,087</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 shown above, as of December 31, 2017, outstanding pledges receivable were \$223,435.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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	Land Held for Resale	Notes Receivable	Other Receivables	Total
Primary government:						
Major funds:						
General Fund	\$112,308	\$77,356	\$436,000	\$ -	\$ -	\$625,664
Nonmajor Funds	14,072	2,955,046	-	-	223,435	3,192,553
Total primary government	<u>126,380</u>	<u>3,032,402</u>	<u>436,000</u>	<u>0</u>	<u>223,435</u>	<u>3,818,217</u>
EDA (discretely presented component unit)	-	-	2,316,697	279,693	88,435	2,684,825
Total unavailable revenue	<u>\$126,380</u>	<u>\$3,032,402</u>	<u>\$2,752,697</u>	<u>\$279,693</u>	<u>\$311,870</u>	<u>\$6,503,042</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, 2017 is as follows:

	Interfund Loan Receivable	Interfund Loan Payable
Major funds:		
General Fund	\$1,187,606	\$ -
Capital Equipment Replacement	-	964,858
Pokegama Golf Course	-	113,717
Nonmajor funds:		
Special revenue funds:		
IRA Civic Center	-	109,031
	<u>\$1,187,606</u>	<u>\$1,187,606</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Amounts reported as due to/from other funds at December 31, 2017 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$327,788	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
Haz-Mat	-	4,009
Airport Operations	26,873	-
IRA Civic Center	-	58,984
Recreation Programs	-	575
Capital Project Funds:		
Airport Capital Fund	-	26,873
IRA Civic Center Projects	-	189,050
2016 Infrastructure Bonds	-	69,125
2018 Infrastructure Bonds	-	6,045
	<u>\$354,661</u>	<u>\$354,661</u>
Total	<u>\$354,661</u>	<u>\$354,661</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.

Amounts reported as interfund transfers at December 31, 2017 are as follows:

	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Capital Equipment Replacement Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:				
General Fund	\$ -	\$275,000	\$540,323	\$815,323
Capital Equipment Replacement Fund	-	-	125,000	125,000
2017 Infrastructure Bonds	-	-	27,030	27,030
Nonmajor Governmental Funds	27,184	-	3,118,105	3,145,289
Golf Course	3,500	-	-	3,500
Total	<u>\$30,684</u>	<u>\$275,000</u>	<u>\$3,810,458</u>	<u>\$4,116,142</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 2017, the City made transfers from the General Fund to Special Revenue Funds (\$104,039) 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 (\$561,284) for capital purposes. Transfers were also made to allocate funds for capital purposes (\$149,559), debt service purposes (\$2,950,000) operating purposes (\$175,751) and to close funds (\$25,509).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 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	5,089,262	3,009,527	(4,179,679)	3,919,110
Total capital assets, not being depreciated	<u>11,095,676</u>	<u>3,009,527</u>	<u>(4,179,679)</u>	<u>9,925,524</u>
Capital assets, being depreciated:				
Buildings and improvements	27,697,740	158,058	(143,908)	27,711,890
Vehicles, equipment and furniture	11,193,038	775,682	(177,239)	11,791,481
Infrastructure	65,624,145	4,179,679	(113,204)	69,690,620
Total capital assets, being depreciated	<u>104,514,923</u>	<u>5,113,419</u>	<u>(434,351)</u>	<u>109,193,991</u>
Less accumulated depreciation for:				
Buildings and improvements	17,072,443	618,361	(71,170)	17,619,634
Vehicles, equipment and furniture	7,032,732	642,500	(176,521)	7,498,711
Infrastructure	31,174,020	2,098,681	(113,204)	33,159,497
Total accumulated depreciation	<u>55,279,195</u>	<u>3,359,542</u>	<u>(360,895)</u>	<u>58,277,842</u>
Total capital assets being depreciated - net	<u>49,235,728</u>	<u>1,753,877</u>	<u>(73,456)</u>	<u>50,916,149</u>
Governmental activities capital assets - net	<u>\$60,331,404</u>	<u>\$4,763,404</u>	<u>(\$4,253,135)</u>	<u>\$60,841,673</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	\$4,425	\$ -	\$910,812
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>906,387</u>	<u>4,425</u>	<u>0</u>	<u>910,812</u>
Capital assets, being depreciated:				
Buildings and improvements	2,290,486	-	-	2,290,486
Machinery, equipment and furniture	1,093,974	260,869	(79,894)	1,274,949
Total capital assets, being depreciated	<u>3,384,460</u>	<u>260,869</u>	<u>(79,894)</u>	<u>3,565,435</u>
Less accumulated depreciation for:				
Buildings and improvements	767,897	61,934	-	829,831
Machinery, equipment and furniture	725,605	96,568	(79,894)	742,279
Total accumulated depreciation	<u>1,493,502</u>	<u>158,502</u>	<u>(79,894)</u>	<u>1,572,110</u>
Total capital assets being depreciated - net	<u>1,890,958</u>	<u>102,367</u>	<u>0</u>	<u>1,993,325</u>
Business-type activities capital assets - net	<u>\$2,797,345</u>	<u>\$106,792</u>	<u>\$0</u>	<u>\$2,904,137</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Governmental activities:	
General government	\$93,772
Public safety	270,210
Public works, including depreciation of general infrastructure assets	2,681,530
Culture and recreation	314,030
Total depreciation expense - governmental activities	<u>\$3,359,542</u>
Business-type activities:	
Golf course	\$114,449
Storm water utility	44,053
Total depreciation expense - business-type activities	<u>\$158,502</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, 2017

As of December 31, 2017, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/17
Primary Government					
<u>Governmental Activities:</u>					
G.O. Tax Increment Bonds:					
Tax Increment Bonds Series 2008A	3.75 - 4.60	8/1/2008	2/1/2034	\$850,000	\$730,000
G.O. Improvement Bonds:					
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022	2,505,000	780,000
Improvement Bonds of 2007A	4.00 - 4.15	9/1/2007	2/1/2023	1,775,000	805,000
Improvement Bonds of 2007B	4.00 - 4.10	12/15/2007	4/1/2022	1,150,000	375,000
Improvement Bonds of 2008C	3.25 - 4.60	11/1/2008	2/1/2024	1,145,000	565,000
Improvement Bonds of 2009C	1.85 - 5.30	9/1/2009	2/1/2025	4,565,000	2,675,000
Improvement Bonds of 2010A	0.75 - 3.625	11/1/2010	2/1/2026	1,115,000	560,000
Improvement Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027	1,555,000	860,000
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028	2,245,000	1,685,000
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027	4,175,000	2,875,000
Improvement Bonds of 2013A	0.30 - 1.35	5/8/2013	2/1/2021	1,525,000	770,000
Improvement Bonds of 2014A	0.50 - 2.90	11/1/2014	2/1/2030	3,000,000	2,550,000
Improvement Refunding Bonds of 2017B	2.30-3.00	12/28/2017	2/1/2034	2,920,000	2,920,000
Total G.O. Improvement Bonds				<u>27,675,000</u>	<u>17,420,000</u>
Other General Obligation Bonds:					
Street Reconstruction Bonds of 2008B	3.25 - 4.60	11/1/2008	2/1/2024	1,010,000	525,000
Equipment Certificates of 2009D	2.00 - 4.85	9/1/2009	2/1/2019	1,005,000	265,000
Capital Improvement Plan Bonds of 2010A	0.75 - 2.25	11/1/2010	2/1/2018	635,000	100,000
Street Reconstruction Bonds of 2013B	3.00 - 3.5	9/1/2013	2/1/2029	4,025,000	3,360,000
Street Reconstruction Bonds of 2016A	0.85 - 2.20	10/5/2016	2/1/2032	2,170,000	2,170,000
Street Reconstruction Bonds of 2017A	3.00-3.50	9/7/2017	2/1/2033	2,130,000	2,130,000
Total other general obligation bonds				<u>10,975,000</u>	<u>8,550,000</u>
Total bonded debt - governmental activities				<u>39,500,000</u>	<u>26,700,000</u>
Capital lease payable	0.00	11/22/2010	12/31/2020	136,444	40,936
Bond premium				608,087	436,141
Compensated absences				-	424,068
Total governmental activities				<u>\$40,244,531</u>	<u>\$27,601,145</u>
<u>Business-Type Activities:</u>					
Compensated absences				\$ -	\$8,134
Capital lease payable	3.84	7/20/2017	7/19/2022	142,747	111,968
Total business-type activities				<u>\$142,747</u>	<u>\$120,102</u>
<u>Component Units:</u>					
EDA:					
Note payable - Airport Ind Park/Kent	0.00	7/16/2015	7/16/2035	\$350,000	\$315,000
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	156,734
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	81,363
Total EDA				<u>1,008,000</u>	<u>946,097</u>
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				<u>40,284,889</u>	<u>27,062,353</u>
Total component units				<u>\$41,292,889</u>	<u>\$28,008,450</u>

CITY OF GRAND RAPIDS, MINNESOTA
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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
2018	\$730,000	\$16,375	\$3,580,000	\$426,199	\$1,110,000	\$227,422
2019	-	-	1,880,000	379,410	600,000	204,072
2020	-	-	1,885,000	332,084	505,000	187,548
2021	-	-	1,810,000	282,699	520,000	173,498
2022	-	-	1,645,000	232,690	520,000	159,248
2023	-	-	1,460,000	185,135	540,000	144,723
2024	-	-	1,345,000	140,934	555,000	129,698
2025	-	-	1,215,000	97,496	575,000	114,173
2026	-	-	795,000	65,562	595,000	97,722
2027	-	-	760,000	44,046	600,000	80,541
2028	-	-	375,000	27,960	625,000	62,398
2029	-	-	215,000	16,540	645,000	43,031
2030	-	-	225,000	10,190	320,000	28,978
2031	-	-	50,000	6,150	330,000	20,199
2032	-	-	55,000	4,575	335,000	10,873
2033	-	-	60,000	2,850	175,000	3,063
2034	-	-	65,000	975	-	-
2035	-	-	-	-	-	-
Total	\$730,000	\$16,375	\$17,420,000	\$2,255,495	\$8,550,000	\$1,687,182

Year Ending December 31,	PUC Component Unit	
	Principal	Interest
2018	\$2,202,000	\$698,170
2019	2,268,000	638,011
2020	2,161,000	573,561
2021	2,233,000	512,918
2022-2026	9,461,000	1,741,312
2027-2031	6,568,000	404,605
2032-2033	210,000	6,903
Total	\$25,103,000	\$4,575,480

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
G.O. Tax increment bonds	\$750,000	\$ -	(\$20,000)	\$730,000	\$730,000
G.O. Improvement bonds	16,335,000	2,920,000	(1,835,000)	17,420,000	3,580,000
Other G.O. bonds	7,155,000	2,130,000	(735,000)	8,550,000	1,110,000
Bond premium	204,088	253,167	(21,114)	436,141	-
Capital lease payable	54,580	-	(13,644)	40,936	13,664
Loans payable	7,000	-	(7,000)	-	-
Compensated absences	410,629	63,456	(50,017)	424,068	43,287
Total governmental activities	<u>\$24,916,297</u>	<u>\$5,366,623</u>	<u>(\$2,681,775)</u>	<u>\$27,601,145</u>	<u>\$5,476,951</u>
<u>Business Type Activities:</u>					
Capital lease payable	\$ -	\$142,747	(\$30,779)	111,968	\$26,404
Compensated absences	6,685	8,369	(6,920)	8,134	1,451
Total business-type activities	<u>\$6,685</u>	<u>\$151,116</u>	<u>(\$37,699)</u>	<u>\$120,102</u>	<u>\$27,855</u>
<u>Component Units:</u>					
Note payables - EDA	\$990,500	\$ -	(\$44,403)	\$946,097	\$26,188
G.O. Revenue Bonds and Notes - PUC	25,513,000	-	-	25,513,000	-
Equipment lease payable - PUC	1,549,353	-	-	1,549,353	-
Unamortized premiums and discounts - PUC	(6,851)	-	-	(6,851)	-
Compensated absences - PUC	349,341	-	-	349,341	-
Total component units	<u>\$28,395,343</u>	<u>\$0</u>	<u>(\$44,403)</u>	<u>\$28,350,940</u>	<u>\$26,188</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, 2017 is \$109,155. Depreciation in the amount of \$13,644 has been recorded as depreciation expense during 2017.

During 2017, the City entered into an equipment lease with TCF Equipment Finance relating to the use of equipment for the golf course. This agreement qualifies as a capital lease with an interest rate of 3.84%. The cost of the assets acquired through the lease was \$148,747 and accumulated depreciation on these assets at December 31, 2017 is \$7,437. Depreciation in the amount of \$7,437 has been recorded as depreciation expense during 2017.

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The present value of future minimum lease payments as of December 31, 2017 is as follows:

2018	\$44,423
2019	44,423
2020	44,423
2021	30,780
Total	<u>164,049</u>
Less: Amount representing interest	<u>(11,149)</u>
Net capital lease obligation	<u><u>152,900</u></u>

CURRENT REFUNDING

On December 28, 2017, the City of Grand Rapids issued the \$2,920,000 Improvement Refunding Bonds, Series 2017B to refund on February 1, 2018 the following bond issues:

- Improvement Bonds of 2006C
- Improvement Bonds of 2007A
- Tax Increment Bonds of 2008A
- Street Reconstruction Bonds of 2008B
- Improvement Bonds of 2008C

The entire amount of the reissue proceeds was used for early redemption of the bonds. The City refunded the bonds to reduce interest rates. The refunding yields a net present value benefit of \$215,696.

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 solely from available tax abatement, it is not reflected in the financial statements of the City. At December 31, 2017 the principal amount outstanding on the note was \$269,052.

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.

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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 including 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, 2017, the outstanding balance on the note was \$19,269,000.

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.

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, 2017, the outstanding balance on the note was \$1,394,703.

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.

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

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	\$ -
Capital Improvement Plan Bonds, 2006B	Refunded 1996A Public Utilities Revenue Bonds	Receipts from PUC	100%	2006-2017	\$ -	\$224,400	\$224,400
G.O. Improvement, 2006C ⁽¹⁾	Infrastructure improvements	Special assessments	100%	2006-2023	\$795,600	\$204,600	\$40,384
G.O. Improvement, 2007A ⁽¹⁾	Infrastructure improvements	Special assessments	33%	2007-2024	\$821,608	\$160,715	\$32,841
G.O. Improvement, 2007B	Street reconstruction	MSA allotments	100%	2007-2022	\$413,101	\$91,650	\$91,650
G.O. Tax Increment, 2008A ⁽¹⁾	Demolition costs in TIF 1-6	Tax increment	100%	2009-2034	\$746,375	\$53,170	\$56,891
G.O. Street Reconstruction, 2008B ⁽¹⁾	Street reconstruction	Special assessments	20%	2009-2023	\$536,650	\$89,633	\$5,887
G.O. Improvement, 2008C ⁽¹⁾	Infrastructure improvements	Special assessments	38%	2009-2023	\$577,525	\$101,588	\$10,862
G.O. Improvement, 2009C (Build America Bond)	Infrastructure improvements	Special assessments Federal BAB credit Ad Valorem Taxes	24% 10% 66%	2010-2024	\$3,240,743	\$439,815	\$128,426
G.O. Equip. Certificates, 2009D (Build America Bond)	2009 Ladder Truck	Federal BAB credit Ad Valorem Taxes	7% 93%	2010-2019	\$277,746	\$140,054	\$4,905
G.O. Improvement and CIP, 2010A	Infrastructure improvements, refund existing debt	Special assessments Ad Valorem Taxes	35% 75%	2011-2025	\$745,349	\$93,150	\$54,185
G.O. Improvement, 2011B	Infrastructure improvements, refund existing debt	Special assessments Ad Valorem Taxes	56% 46%	2012-2026	\$968,646	\$157,160	\$97,592
G.O. Improvement, 2012A	Infrastructure improvements	Special assessments Ad Valorem Taxes	32% 68%	2013-2027	\$1,982,558	\$182,672	\$134,258
G.O. Improvement, 2012B	Street reconstruction	MSA allotments	100%	2013-2027	\$3,202,322	\$322,637	\$322,638
G.O. Improvement, 2013A	Refunded 2004A and 2005A Bonds	Special assessments Ad Valorem Taxes	41% 59%	2014-2021	\$787,275	\$208,405	\$94,892
G.O. Street Reconstruction, 2013B	Street reconstruction	Ad Valorem Taxes	100%	2014-2029	\$4,050,031	\$344,113	\$105,224
G.O. Improvement, 2014A	Street reconstruction, abatement, CIP Projects, and equipment	Special assessments Ad Valorem Taxes	20% 80%	2014-2029	\$2,912,679	\$281,343	\$11,343
G.O. Street Reconstruction, 2016A	Street reconstruction, abatement, CIP Projects, and equipment	Special assessments Ad Valorem Taxes	80%	2016-2032	\$2,522,340	\$36,227	\$21,973
G.O. Street Reconstruction, 2017A	Street reconstruction, abatement, CIP Projects, and equipment	Special assessments Ad Valorem Taxes	13% 87%	2018-2033	\$2,749,290	\$ -	\$ -
G.O. Refunding, 2017B	Refund of 2006A, 2007A, 2008A, 2008B and 2008C bonds	Special assessments Tax Increment Ad Valorem Taxes	11% 28% 61%	2018-2034	\$3,329,215	\$ -	\$ -

1. The 2017B bonds Current Refunded these bonds on February 1, 2018. the amount presented as remaining principal and interest for these bonds is the February 1, 2018 principal and interest payment plus the bonds called for redemption on February 1, 2018.

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 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the GERS for the year ended December 31, 2017, were \$257,796. 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 2017. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the year ended December 31, 2017, were \$221,152. 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, 2017, the City reported a liability of \$3,332,414 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 2017. 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 \$41,879. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .0522% which was an increase of .0007% from its proportion measured as of June 30, 2016.

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For the year ended December 31, 2017, the City recognized pension expense of \$451,205 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$1,210 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, 2017, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$109,826	\$214,687
Changes in actuarial assumptions	553,252	334,075
Difference between projected and actual investment earnings	22,096	-
Changes in proportion	30,670	67,730
Contributions paid to PERA subsequent to the measurement date	129,945	-
Total	<u>\$845,789</u>	<u>\$616,492</u>

\$129,945 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>
2018	\$99,297
2019	194,395
2020	(52,887)
2021	(141,453)
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$1,768,656 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .1310% which was a decrease of .0130% from its proportion measured as of June 30, 2016. The City also recognized \$11,790 for the year ended December 31, 2017, 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 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.

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For the year ended December 31, 2017, the City recognized pension expense of \$403,384 for its proportionate share of the PEPFF's pension expense.

At December 31, 2017, 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	\$40,711	\$469,237
Changes in actuarial assumptions	2,314,639	2,511,053
Difference between projected and actual investment earnings	20,003	-
Changes in proportion	37,802	222,613
Contributions paid to PERA subsequent to the measurement date	111,733	-
Total	<u>\$2,524,888</u>	<u>\$3,202,903</u>

\$111,733 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>
2018	(\$4,251)
2019	(4,247)
2020	(66,938)
2021	(184,417)
2022	(529,895)
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2017, 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 both plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the GERF through 2044 and PEPFF through 2064 and then 2.5% thereafter.

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 most recent five-year experience study for the Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Police and Fire Fund

- The single discount rate was changed from 5.6% to 7.5%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year for 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed from healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the selection period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was in 2016 was 7.5%. 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 and the PEPFF 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.

At June 30, 2016, the Police and Fire Fund projected benefit payments to exceed the funds projected fiduciary net position after June 30, 2056 and therefore used a single discount rate of 5.6%, which as stated above, increased to 7.5% at June 30, 2017.

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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERF net pension liability	\$5,168,821	\$3,332,414	\$1,828,980
City's proportionate share of the PEPFF net pension liability	\$3,330,895	\$1,768,656	\$478,941

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.

I. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2017 is as follows:

GERF	\$452,415
PEPFF	403,384
Fire Relief (note 10)	<u>-</u>
Total	<u><u>\$855,799</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 2017 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>
\$1,584	\$1,584	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.

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

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

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

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

A participant's beneficiary shall be as follows:

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

State Supplemental Benefits

Minnesota Statute 424A.10 provides for the payment of a supplemental benefit equal to ten percent of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of a State income tax exclusion for lump sum distributions and will no longer be available if State tax law is modified to exclude lump sum distributions from State income tax. The Association qualifies for these benefits.

C. EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2017, the following employees were covered by the benefit terms:

Retired members entitled to benefits, but have not received them	
Current members:	
Fully vested (20 years or more)	
Partially vested (10 years to 19 years)	
Nonvested (less than 10 years)	_____
Total	0

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

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Relief Association. The City's contributions to the Relief for the year ended December 31, 2017, were \$ _____. 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, 2017, were \$ _____.

E. NET PENSION LIABILITY

The City's net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017.

F. ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2017 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.

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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 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.

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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, 2017	\$1,090,245	\$2,037,523	(\$947,278)
Changes for the year:			
Service cost	-		-
Interest	-		-
Differences between expected and actual experience	-		-
Contributions - employer		-	-
On behalf contributions - State of MN		-	-
Contributions - employee		-	-
Net investment income		-	-
Benefit payments	-	-	-
Administrative expense		-	-
Other changes	-	-	-
Net changes	-	-	-
Balance at December 31, 2017	<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)			

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, 2017, the City recognized pension expense of \$_____. The City also recognized \$_____ for the year ended December 31, 2017, as pension expense (and grant revenue) for the State of Minnesota’s on-behalf contribution to the plan. At December 31, 2017, 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	\$ -	\$ -
Liability gains	-	-
Assumption changes	-	-
Employee contributions after the measurement date	-	-
Total	\$0	\$0

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
2018	
2019	
2020	
2021	
2022	

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, 2017. At that date, monthly retiree premiums were:

<u>Plan</u>	<u>Single</u>	<u>Family</u>
49er's Plan	\$1,170	\$1,170
City Plan Blue Cross/Blue Shield	626	1,566

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C. PARTICIPANTS

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

Retired participants and beneficiaries currently	2
Active employees	<u>74</u>
Total	<u><u>76</u></u>
Participating employers	<u><u>1</u></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, 2017, was calculated as follows:

Annual required contribution (ARC)	\$77,288
Interest on net OPEB obligation	10,554
Adjustment to ARC	<u>(16,114)</u>
Annual OPEB cost	71,728
Contributions made during the year	<u>35,410</u>
Increase in net OPEB obligation	36,318
Net OPEB obligation - beginning of year	<u>301,519</u>
Net OPEB obligation - end of year	<u><u>\$337,837</u></u>

The net OPEB obligation is allocated as follows:

Governmental activities	\$328,983
Business-type activities	<u>8,854</u>
Total	<u><u>\$337,837</u></u>

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For governmental activities, the net OPEB obligation is generally liquidated by the General Fund. 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, 2017	\$71,728	\$35,410	49.4%	\$337,837
December 31, 2016	87,393	70,179	80.3%	301,519
December 31, 2015	87,818	62,344	71.0%	284,305

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, 2017	\$0	\$472,675	\$472,675	0.0%	\$4,588,531	10.3%

*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, 2017, was 22 years.

Note 12 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 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 \$29,441. At December 31, 2017, 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 \$14,093. At December 31, 2017, 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, 2017, the principal amount outstanding on the note was \$295,657.

TIF District #1-9, Majestic Pines:

Issued in 2015 (2015A) in the principal sum of \$385,356 with an interest rate of 4.00% 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 \$149,633. At December 31, 2017, the principal amount outstanding on the note was \$91,949.

TIF District #1-9, Majestic Pines:

Issued in 2015 (2015B) in the principal sum of \$12,100 with an interest rate of 4.00 % 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 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 \$2,970. At December 31, 2017, the principal amount outstanding on the note was \$0.

TIF District #1-10, River Hills Apartments:

Issued in 2017 (2016A) in the principal sum of \$300,000 with an interest rate of 4.00% per annum. Principal and interest shall be paid on August 1, 2017 and each February 1 and August 1 thereafter to and including February 1, 2033. 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, 2033. The current year abatement (TIF note payments) amounted to \$29,253. At December 31, 2017, the principal amount outstanding on the note was \$292,947.

1st Avenue Condominiums Abatement:

Issued in 2015, this Taxable Limited Revenue Note, Series 2015 in the principal sum of \$320,000 with an interest rate of 3.00% 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, 2030. Payments are payable solely from available tax abatement derived from the developed/redeveloped property and paid to the City and to Itasca County. The Taxable Limited Revenue Note provides for payment to the developer equal to all tax abatement received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest payments will be completed February 1, 2030. The current year abatement (TIF note payments) amounted to \$42,881. At December 31, 2017, the principal amount outstanding on the note was \$269,052.

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 13 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 14 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

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

On the statement of net position, the Commission reports \$1,129,582 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 15 FUND BALANCE

A. CLASSIFICATIONS

Definitions of fund balance classifications are included in Note 1P. At December 31, 2017, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Equipment Replacement	2017 Infrastructure Bonds	Other Governmental Funds	Total
Nonspendable:					
Prepaid items	\$107,305	\$12,209	\$ -	\$25,142	\$144,656
Interfund loans receivable	1,000,921	-	-	-	1,000,921
Restricted:					
Debt service	-	-	-	9,776,802	9,776,802
Unspent bond proceeds	-	-	-	-	-
Law enforcement	-	-	-	64,656	64,656
Other purposes	21,677	-	-	103,619	125,296
Committed:					
Revenue stabilization	613,922	-	-	-	613,922
Public library	-	-	-	500,635	500,635
Central school	-	-	-	55,231	55,231
Airport operations	-	-	-	97,837	97,837
Recreation programs	-	-	-	1,274	1,274
Cemetery	-	-	-	86,451	86,451
Domestic animal control facility	-	-	-	6,970	6,970
Assigned:					
Capital purposes	-	-	289,380	1,144,107	1,433,487
Unassigned	4,526,746	(432,761)	-	(496,970)	3,597,015
Total	\$6,270,571	(\$420,552)	\$289,380	\$11,365,754	\$17,505,153

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, 2017, the unassigned fund balance of the General Fund was \$4,526,746, compared to its targeted unassigned fund balance of \$5,224,215 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, 2017 is as follows:

Revenue stabilization at December 31, 2015	\$422,995
2016 replenishment	94,874
Revenue stabilization at December 31, 2016	517,869
2017 replenishment	96,053
Revenue stabilization at December 31, 2017	\$613,922

Note 16 COMMITMENTS

A. POWER CONTRACT

Minnesota Power (MP) provides wholesale electric service to the Public Utilities Commission under a contract that expires December 31, 2024, with no minimum requirement for power purchased. The contract provides that the Public Utilities Commission may add new renewable generation capacity up to ten percent (10%) (non-cumulative) of the total Public Utilities Commission load, based on the

previous year's average annual billed demand, excluding any existing renewable generation capacity prior to September 1, 2015. In addition, beginning in 2019, the generation capacity charge for each year is based on the previous year generation capacity charge adjusted as determined by the power supply formula rate for capacity except that the generation capacity charge shall not increase by more than 2% from the previous year generation capacity charge or decrease by more than 1% from the previous service year generation capacity charge. The base energy charge is reset annually on January 1 based on the previous year service actual energy cost pursuant to the power supply formula rate of energy. The peak power requirements for 2016 was 30,540 kW.

B. CONSTRUCTION COMMITMENTS

The primary government has four active construction projects as of December 31, 2017. The remaining commitment on these projects totaled \$38,854.

The Public Utilities Commission has several active construction projects as of December 31, 2017. 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	\$ -
Post-closure care cost estimate	-
Contingency action	-
Total	<u><u>\$0</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.

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 17 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 18 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, 2017, there were three bond issues outstanding, with an estimated aggregate principal amount payable of \$4,175,451.

Note 19 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. The 2006B Refunding Bonds were paid in full during 2017.

Note 20 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 2017 was \$868,000.

Note 21 DEFICIT FUND BALANCES

At December 31, 2017, individual funds with deficit fund balances are as follows:

Major Funds:	
Capital Equipment Replacement	(\$420,552)
Special Revenue Funds:	
IRA Civic Center	(163,033)
Capital Project Funds:	
IRA Civic Center Projects	(231,462)
2016 Infrastructure Bonds	(91,301)
2018 Infrastructure Bonds	(6,530)

Note 22 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 \$ _____ for 2017. 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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

defer the recognition of the revenue until the debt service on the bonds are paid. The total demand charges paid by Blandin for 2017 were \$ _____.

Note 23 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. 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.

Statement No. 85 *Omnibus 2017*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 86 *Certain Debt Estinguishment Issues*. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87 *Leases*. The provisions of this statements are effective for periods beginning after December 15, 2019.

Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this statements are effective for periods beginning after June 15, 2018.

The effect these standards may have on future financial statements is not determinable at this time.

Note 24 SUBSEQUENT EVENTS

Subsequent events have been evaluated for recognition or disclosure through _____, 2018 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 10
Page 1 of 4

	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Revenues:					
Taxes:					
General property taxes	\$4,539,564	\$4,288,911	\$4,358,987	\$70,076	\$4,156,865
Payment in lieu of taxes:					
Housing and Redevelopment Authority	34,000	34,000	38,119	4,119	35,478
Public utilities	868,000	868,000	868,000	-	868,000
Total taxes	5,441,564	5,190,911	5,265,106	74,195	5,060,343
Licenses and permits:					
Business	38,950	38,950	40,306	1,356	39,640
Nonbusiness	238,750	238,750	292,070	53,320	219,878
Total licenses and permits	277,700	277,700	332,376	54,676	259,518
Intergovernmental:					
Federal:					
Public safety grants	20,000	20,000	16,772	(3,228)	33,787
State:					
Local government aid	1,322,103	1,322,103	1,329,161	7,058	1,322,103
Market value homestead credit	-	-	211	211	208
Taconite supplemental aid	-	250,653	250,653	-	251,906
Taconite credit - mobile homes	-	-	2,366	2,366	2,800
Trunk highway maintenance agreement	-	-	-	-	-
Municipal state aid street maintenance	186,200	186,200	186,200	-	186,200
Police aid	145,000	145,000	159,549	14,549	157,107
Fire aid	125,000	125,000	129,622	4,622	131,759
Police training aid	6,000	6,000	6,359	359	6,566
PERA aid	11,695	11,695	11,695	-	11,695
Storm reimbursement	-	-	-	-	-
State - miscellaneous	500	500	13,445	12,945	11,446
US Gas Tax Refund	500	500	-	(500)	-
Local:					
School District #318	119,000	119,000	119,297	297	115,155
Total intergovernmental	1,935,998	2,186,651	2,225,330	38,679	2,230,732
Charges for services:					
General government	282,975	282,975	204,931	(78,044)	176,312
Public safety	475,721	475,721	468,956	(6,765)	450,859
Public works	147,050	147,050	225,898	78,848	173,050
Culture and recreation	7,500	7,500	7,500	-	7,500
Total charges for services	913,246	913,246	907,285	(5,961)	807,721
Fines and forfeits	91,000	91,000	59,347	(31,653)	73,858
Special assessments	-	-	16,864	16,864	18,437
Investment income	30,000	30,000	43,158	13,158	42,610
Miscellaneous:					
Donations/contributions	-	-	18,218	18,218	21,052
Rentals and leases	3,000	3,000	2,891	(109)	2,984
Other	9,600	9,600	19,893	10,293	24,107
Total miscellaneous	12,600	12,600	41,002	28,402	48,143
Total revenues	8,702,108	8,702,108	8,890,468	188,360	8,541,362

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 10
Page 2 of 4

	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personnel services	\$45,339	\$45,339	\$45,237	(\$102)	\$41,137
Materials and supplies	-	-	59	59	100
Other services and charges	41,450	41,450	42,416	966	42,886
Total mayor and city council	86,789	86,789	87,712	923	84,123
Administration:					
Current:					
Personnel services	409,385	409,385	419,917	10,532	399,130
Materials and supplies	4,150	4,150	1,677	(2,473)	3,816
Other services and charges	50,800	50,800	46,744	(4,056)	39,772
Total administration	464,335	464,335	468,338	4,003	442,718
Finance:					
Current:					
Personnel services	437,398	437,398	437,376	(22)	409,940
Materials and supplies	6,050	6,050	2,275	(3,775)	3,057
Other services and charges	52,750	52,750	48,794	(3,956)	45,280
Total finance	496,198	496,198	488,445	(7,753)	458,277
Information technology:					
Current:					
Personnel services	165,744	165,744	167,168	1,424	160,621
Materials and supplies	27,700	27,700	14,443	(13,257)	21,453
Other services and charges	46,600	46,600	49,928	3,328	31,733
Total information technology	240,044	240,044	231,539	(8,505)	213,807
Community development:					
Current:					
Personnel services	431,213	431,213	417,819	(13,394)	442,146
Materials and supplies	5,500	5,500	6,824	1,324	4,356
Other charges and services	45,400	45,400	40,119	(5,281)	36,723
Total community development	482,113	482,113	464,762	(17,351)	483,225
Building maintenance - city hall:					
Current:					
Personnel services	154,622	154,622	156,522	1,900	100,479
Materials and supplies	11,700	11,700	9,567	(2,133)	19,848
Other charges and services	79,367	79,367	81,522	2,155	82,204
Total building maintenance - city hall	245,689	245,689	247,611	1,922	202,531
Total general government	2,015,168	2,015,168	1,988,407	(26,761)	1,884,681

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Public safety:					
Police protection:					
Current:					
Personnel services	\$2,384,095	\$2,384,095	\$2,333,074	(\$51,021)	\$2,316,968
Materials and supplies	112,300	112,300	98,890	(13,410)	95,212
Other charges and services	273,191	273,191	236,846	(36,345)	255,296
Total police protection	<u>2,769,586</u>	<u>2,769,586</u>	<u>2,668,810</u>	<u>(100,776)</u>	<u>2,667,476</u>
Fire protection:					
Current:					
Personnel services	394,962	394,962	390,430	(4,532)	373,327
Materials and supplies	53,450	53,450	60,176	6,726	51,921
Other charges and services	107,225	107,225	87,634	(19,591)	86,337
Total fire protection	<u>555,637</u>	<u>555,637</u>	<u>538,240</u>	<u>(17,397)</u>	<u>511,585</u>
Total public safety	<u>3,325,223</u>	<u>3,325,223</u>	<u>3,207,050</u>	<u>(118,173)</u>	<u>3,179,061</u>
Public works:					
Public works:					
Current:					
Personnel services	826,105	826,105	850,112	24,007	769,141
Materials and supplies	208,200	208,200	213,721	5,521	204,250
Other services and charges	361,900	361,900	445,857	83,957	500,372
Street lighting	223,000	223,000	284,037	61,037	248,506
Total public works	<u>1,619,205</u>	<u>1,619,205</u>	<u>1,793,727</u>	<u>174,522</u>	<u>1,722,269</u>
Engineering:					
Current:					
Personnel services	229,271	229,271	240,160	10,889	184,458
Materials and supplies	4,100	4,100	1,905	(2,195)	5,185
Other services and charges	45,300	45,300	35,644	(9,656)	41,596
Total engineering	<u>278,671</u>	<u>278,671</u>	<u>277,709</u>	<u>(962)</u>	<u>231,239</u>
Fleet maintenance:					
Current:					
Personnel services	188,201	188,201	193,477	5,276	182,844
Materials and supplies	21,900	21,900	18,571	(3,329)	18,484
Other services and charges	65,200	65,200	37,017	(28,183)	38,950
Total fleet maintenance	<u>275,301</u>	<u>275,301</u>	<u>249,065</u>	<u>(26,236)</u>	<u>240,278</u>
Total public works	<u>2,173,177</u>	<u>2,173,177</u>	<u>2,320,501</u>	<u>147,324</u>	<u>2,193,786</u>

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Current:					
Personnel services	\$117,250	\$117,250	\$105,474	(\$11,776)	\$107,407
Materials and supplies	3,900	3,900	687	(3,213)	845
Other services and charges	14,900	14,900	10,911	(3,989)	11,030
Total culture and recreation	<u>136,050</u>	<u>136,050</u>	<u>117,072</u>	<u>(18,978)</u>	<u>119,282</u>
Miscellaneous:					
City-wide:					
Current:					
Other services and charges	432,471	432,471	508,393	75,922	468,926
Special projects:					
Current:					
Other services and charges	25,000	25,000	44,196	19,196	45,615
Total miscellaneous	<u>457,471</u>	<u>457,471</u>	<u>552,589</u>	<u>95,118</u>	<u>514,541</u>
Total expenditures	<u>8,107,089</u>	<u>8,107,089</u>	<u>8,185,619</u>	<u>78,530</u>	<u>7,891,351</u>
Revenues over (under) expenditures	<u>595,019</u>	<u>595,019</u>	<u>704,849</u>	<u>109,830</u>	<u>650,011</u>
Other financing sources (uses):					
Sale of capital assets	-	-	105,810	105,810	17,400
Insurance recoveries	-	-	5,621	5,621	42,968
Transfers in	3,500	3,500	30,684	27,184	3,500
Transfers out	(511,020)	(511,020)	(815,323)	(304,303)	(475,824)
Total other financing sources (uses)	<u>(507,520)</u>	<u>(507,520)</u>	<u>(673,208)</u>	<u>(165,688)</u>	<u>(411,956)</u>
Net change in fund balance	<u>\$87,499</u>	<u>\$87,499</u>	31,641	<u>(\$55,858)</u>	238,055
Fund balance - January 1			<u>6,238,930</u>		<u>6,000,875</u>
Fund balance - December 31			<u>\$6,270,571</u>		<u>\$6,238,930</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, 2017

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, 2017	\$ -	\$472,675	\$472,675	0.0%	\$4,588,531	10.3%
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%

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

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION

Statement 12

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Year Ended December 31, 2017

Measurement Date June 30	Fiscal Year Ending December 31	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
2015	2015	0.0522%	\$2,705,275	\$ -	\$2,705,275	\$2,975,003	90.9%	78.2%
2016	2016	0.0515%	4,181,545	54,641	4,236,186	3,160,670	134.0%	68.9%
2017	2017	0.0522%	3,332,414	41,879	3,374,293	3,354,712	100.6%	75.9%

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, 2017

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%
December 31, 2017	257,796	257,796	-	3,437,287	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

Statement 14

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -

PUBLIC EMPLOYEES POLICE AND FIRE FUND

For The Year Ended December 31, 2017

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its 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%
June 30, 2017	December 31, 2017	0.1310%	1,768,656	1,348,835	131.1%	85.4%

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, 2017

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 - Employee Payroll (b/c)
December 31, 2015	\$219,785	\$219,785	\$ -	\$1,354,978	16.2%
December 31, 2016	223,959	223,959	-	1,382,461	16.2%
December 31, 2017	221,152	221,152	-	1,365,140	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, 2017

Fiscal year ending	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Measurement date	<u>December 31, 2016</u>	<u>December 31, 2015</u>
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	<u>(130,773)</u>	<u>(222,729)</u>
Net change in total pension liability	(41,985)	(81,355)
Total pension liability - beginning	<u>1,132,230</u>	<u>1,213,585</u>
Total pension liability - ending (a)	<u><u>\$1,090,245</u></u>	<u><u>\$1,132,230</u></u>
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	<u>132,403</u>	<u>(196,500)</u>
Plan fiduciary net position - beginning	<u>1,905,120</u>	<u>2,101,620</u>
Plan fiduciary net position - ending (b)	<u><u>\$2,037,523</u></u>	<u><u>\$1,905,120</u></u>
Net pension liability / (asset) - ending (a) - (b)	<u><u>(\$947,278)</u></u>	<u><u>(\$772,890)</u></u>
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

Statement 17

SCHEDULE OF CONTRIBUTIONS⁽¹⁾-

GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION

For The Year Ended December 31, 2017

<u>Fiscal Year</u> <u>Ending</u>	<u>Statutorily</u> <u>Required</u> <u>Contribution</u> <u>(a)</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Statutorily Required</u> <u>Contribution (b)</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u> <u>(a-b)</u>	<u>Covered-</u> <u>Employee</u> <u>Payroll</u> <u>(c)</u>	<u>Contributions as a</u> <u>Percentage of</u> <u>Covered-Employee</u> <u>Payroll (b/c)</u>
December 31, 2015	\$ -	\$5,000	(\$5,000)	(2)	(2)
December 31, 2016	-	5,000	(5,000)	(2)	(2)
December 31, 2017	-	-	-		

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

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

2017 Changes

Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.6% to 7.5%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year for 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the selection period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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.

**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, 2017

With Comparative Totals For December 31, 2016

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2017	2016
Assets					
Cash and investments	\$926,101	\$9,947,836	\$1,070,592	\$11,944,529	\$10,225,798
Due from other governmental units	45,949	-	88,921	134,870	128,194
Due from other funds	26,873	-	-	26,873	10,689
Due from component units	-	-	66,769	66,769	181,169
Accounts receivable	77,697	-	18,499	96,196	72,446
Prepaid items	25,142	-	-	25,142	39,120
Taxes receivable - delinquent	14,072	-	-	14,072	53,092
Pledges receivable	-	-	223,435	223,435	-
Special assessments receivable	-	2,806,615	148,431	2,955,046	3,186,217
Total assets	\$1,115,834	\$12,754,451	\$1,616,647	\$15,486,932	\$13,896,725
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$55,375	\$147,205	\$88,444	\$291,024	\$372,317
Accrued wages payable	44,445	-	-	44,445	41,782
Due to other governmental units	5,396	23,829	-	29,225	22,751
Due to component units	28,577	-	-	28,577	15,057
Contracts payable	-	-	44,648	44,648	12,829
Due to other funds	63,568	-	291,093	354,661	13,828
Deposits payable	8,883	-	-	8,883	10,580
Interfund loan payable	109,031	-	-	109,031	586,645
Unearned revenue	18,131	-	-	18,131	360,021
Total liabilities	333,406	171,034	424,185	928,625	1,435,810
Deferred inflows of resources:					
Unavailable revenue	14,072	2,806,615	371,866	3,192,553	3,353,710
Total deferred inflows of resources	14,072	2,806,615	371,866	3,192,553	3,353,710
Fund balance:					
Nonspendable	25,142	-	-	25,142	18,334
Restricted	162,493	9,776,802	5,782	9,945,077	6,988,138
Committed	748,398	-	-	748,398	804,728
Assigned	-	-	1,144,107	1,144,107	1,480,898
Unassigned	(167,677)	-	(329,293)	(496,970)	(184,893)
Total fund balance	768,356	9,776,802	820,596	11,365,754	9,107,205
Total liabilities, deferred inflows of resources, and fund balance	\$1,115,834	\$12,754,451	\$1,616,647	\$15,486,932	\$13,896,725

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2017
With Comparative Totals For The Year Ended December 31, 2016

Statement 19

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2017	2016
Revenues:					
Taxes:					
General property	\$805,335	\$1,546,665	\$ -	\$2,352,000	\$2,312,363
Tax abatements	-	62,875	-	62,875	63,528
Tax increments	-	387,606	-	387,606	365,962
Licenses and permits	-	-	-	-	-
Intergovernmental	228,623	562,785	544,523	1,335,931	1,593,308
Special assessments	-	597,924	16,494	614,418	971,495
Charges for services	1,175,978	-	-	1,175,978	1,172,720
Fines and forfeits	57,020	-	-	57,020	66,145
Investment income	11,241	56,878	6,187	74,306	64,721
Contributions and donations	26,211	-	143,444	169,655	238,643
Reimbursement from component unit	-	-	24,331	24,331	-
Other	3,467	239,138	47,694	290,299	237,627
Total revenues	2,307,875	3,453,871	782,673	6,544,419	7,086,512
Expenditures:					
Current:					
General government	-	301,537	112,086	413,623	1,158,603
Public safety	134,722	-	-	134,722	163,231
Public works	436,036	-	65,766	501,802	537,472
Culture and recreation	1,796,002	-	18,576	1,814,578	1,828,371
Capital outlay/construction	185,792	-	1,195,296	1,381,088	1,129,228
Debt service:					
Principal retirement	7,000	2,590,000	-	2,597,000	2,590,000
Interest	-	680,534	-	680,534	711,789
Paying agent fees	-	7,150	-	7,150	7,600
Decertify TIF districts	-	91,038	-	91,038	-
Bond issuance costs	-	59,693	-	59,693	-
Total expenditures	2,559,552	3,729,952	1,391,724	7,681,228	8,126,294
Revenues over (under) expenditures	(251,677)	(276,081)	(609,051)	(1,136,809)	(1,039,782)
Other financing sources (uses):					
Bond issuance	-	-	-	-	-
Reunding bond issuance	-	2,920,000	-	2,920,000	-
Bond premium	-	93,286	-	93,286	-
Sale of capital assets	14,075	-	-	14,075	38,000
Insurance recoveries	10,057	-	-	10,057	7,810
Transfers in	249,106	3,100,000	461,352	3,810,458	999,217
Transfers out	-	(2,975,509)	(169,780)	(3,145,289)	(523,393)
Total other financing sources (uses)	273,238	3,137,777	291,572	3,702,587	521,634
Net change in fund balance	21,561	2,861,696	(317,479)	2,565,778	(518,148)
Fund balance - January 1	746,795	6,915,106	1,138,075	8,799,976	9,625,353
Fund balance - December 31	\$768,356	\$9,776,802	\$820,596	\$11,365,754	\$9,107,205
Reconciliation of beginning fund balance to prior year ending fund balance:					\$9,107,205
Prior year ending fund balance reported					
Add prior year ending fund balance for funds reported as major in prior year and nonmajor in current year:					
429 IRA Civic Center Projects					(394,669)
477 2016 Infrastructure Bonds					45,764
Subtract prior year ending fund balance for funds reported as nonmajor in prior year and major in current year:					
407 Capital Equipment Replacement					(16,805)
478 2017 Infrastructure Bonds					(24,871)
Current Year Beginning Fund Balance					\$8,799,976

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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, 2017
With Comparative Totals For December 31, 2016

	<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	\$512,042	\$70,117	\$180,837	\$ -
Due from other governmental units	35,509	-	1,276	1,261
Due from other funds	-	-	26,873	-
Accounts receivable	-	852	1,300	72,557
Prepaid items	14,274	1,640	940	4,644
Taxes receivable - delinquent	11,000	-	-	-
Total assets	<u>\$572,825</u>	<u>\$72,609</u>	<u>\$211,226</u>	<u>\$78,462</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$21,462	\$5,553	\$3,627	\$22,779
Accrued wages payable	19,373	-	2,500	15,358
Due to other governmental units	3,013	-	179	2,032
Due to component units	2,408	1,277	4,571	19,600
Due to other funds	-	-	-	58,984
Deposits payable	-	8,883	-	-
Interfund loan payable	-	-	-	109,031
Unearned revenue	660	25	3,735	13,711
Total liabilities	<u>46,916</u>	<u>15,738</u>	<u>14,612</u>	<u>241,495</u>
Deferred inflows of resources:				
Unavailable revenue	11,000	-	-	-
Total deferred inflows of resources	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance (deficit):				
Nonspendable	14,274	1,640	940	4,644
Restricted	-	-	97,837	-
Committed	500,635	55,231	97,837	-
Unassigned	-	-	-	(167,677)
Total fund balance (deficit)	<u>514,909</u>	<u>56,871</u>	<u>196,614</u>	<u>(163,033)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$572,825</u>	<u>\$72,609</u>	<u>\$211,226</u>	<u>\$78,462</u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2017	2016
\$ -	\$ -	\$63,683	\$91,339	\$8,083	\$926,101	\$995,909
-	6,367	-	441	1,095	45,949	45,483
-	-	-	-	-	26,873	-
2,988	-	-	-	-	77,697	70,275
650	-	-	2,343	651	25,142	18,334
-	-	-	3,072	-	14,072	16,438
<u>\$3,638</u>	<u>\$6,367</u>	<u>\$63,683</u>	<u>\$97,195</u>	<u>\$9,829</u>	<u>\$1,115,834</u>	<u>\$1,146,439</u>
\$ -	\$1,213	\$ -	\$373	\$368	\$55,375	\$150,090
1,139	172	-	4,662	1,241	44,445	41,782
-	-	-	8	164	5,396	2,751
-	-	-	286	435	28,577	14,387
575	4,009	-	-	-	63,568	3,139
-	-	-	-	-	8,883	10,580
-	-	-	-	-	109,031	132,360
-	-	-	-	-	18,131	28,117
<u>1,714</u>	<u>5,394</u>	<u>0</u>	<u>5,329</u>	<u>2,208</u>	<u>333,406</u>	<u>383,206</u>
-	-	-	3,072	-	14,072	16,438
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,072</u>	<u>0</u>	<u>14,072</u>	<u>16,438</u>
650	-	-	2,343	651	25,142	18,334
-	973	63,683	-	-	162,493	66,950
1,274	-	-	86,451	6,970	748,398	804,728
-	-	-	-	-	(167,677)	(143,217)
<u>1,924</u>	<u>973</u>	<u>63,683</u>	<u>88,794</u>	<u>7,621</u>	<u>768,356</u>	<u>746,795</u>
<u>\$3,638</u>	<u>\$6,367</u>	<u>\$63,683</u>	<u>\$97,195</u>	<u>\$9,829</u>	<u>\$1,115,834</u>	<u>\$1,146,439</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, 2017
With Comparative Totals For The Year Ended December 31, 2016

	<u>211 Public Library</u>	<u>225 Central School</u>	<u>226 Airport Operations</u>	<u>228 IRA Civic Center</u>
Revenues:				
General property taxes	\$626,974	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	36,789	-	86,671	-
Charges for services	178,963	63,142	114,575	716,826
Fines and forfeits	12,432	-	-	-
Investment income	8,095	233	1,783	26
Contributions and donations	26,197	-	-	-
Other	-	277	1,635	-
Total revenues	<u>889,450</u>	<u>63,652</u>	<u>204,664</u>	<u>716,852</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	208,047	-
Culture and recreation	861,257	121,971	-	749,122
Capital outlay	-	-	-	158,057
Debt service - loan repayment	-	-	7,000	-
Total expenditures	<u>861,257</u>	<u>121,971</u>	<u>215,047</u>	<u>907,179</u>
Revenues over (under) expenditures	<u>28,193</u>	<u>(58,319)</u>	<u>(10,383)</u>	<u>(190,327)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	14,075
Insurance recoveries	3,057	-	-	7,000
Transfers in	-	63,839	20,000	145,067
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>3,057</u>	<u>63,839</u>	<u>20,000</u>	<u>166,142</u>
Net change in fund balance	31,250	5,520	9,617	(24,185)
Fund balance (deficit) - January 1	<u>483,659</u>	<u>51,351</u>	<u>186,997</u>	<u>(138,848)</u>
Fund balance (deficit) - December 31	<u>\$514,909</u>	<u>\$56,871</u>	<u>\$196,614</u>	<u>(\$163,033)</u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2017	2016
\$ -	\$ -	\$ -	\$178,361	\$ -	\$805,335	\$777,032
-	-	-	-	-	-	-
-	87,515	7,182	10,466	-	228,623	317,302
61,384	-	-	41,088	-	1,175,978	1,172,720
-	-	8,600	-	35,988	57,020	66,145
5	-	549	550	-	11,241	7,874
-	-	-	-	14	26,211	196,548
-	-	100	1,440	15	3,467	5,656
<u>61,389</u>	<u>87,515</u>	<u>16,431</u>	<u>231,905</u>	<u>36,017</u>	<u>2,307,875</u>	<u>2,543,277</u>
-	74,145	4,360	-	56,217	134,722	120,100
-	-	-	227,989	-	436,036	414,386
63,652	-	-	-	-	1,796,002	1,828,059
-	13,370	14,365	-	-	185,792	271,860
-	-	-	-	-	7,000	10,000
<u>63,652</u>	<u>87,515</u>	<u>18,725</u>	<u>227,989</u>	<u>56,217</u>	<u>2,559,552</u>	<u>2,644,405</u>
<u>(2,263)</u>	<u>0</u>	<u>(2,294)</u>	<u>3,916</u>	<u>(20,200)</u>	<u>(251,677)</u>	<u>(101,128)</u>
-	-	-	-	-	14,075	38,000
-	-	-	-	-	10,057	7,810
-	-	-	-	20,200	249,106	74,229
-	-	-	-	-	-	(4,924)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,200</u>	<u>273,238</u>	<u>115,115</u>
(2,263)	0	(2,294)	3,916	0	21,561	13,987
<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>\$1,924</u>	<u>\$973</u>	<u>\$63,683</u>	<u>\$88,794</u>	<u>\$7,621</u>	<u>\$768,356</u>	<u>\$746,795</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, 2017
With Comparative Totals For December 31, 2016

	301 Debt Service Reserve	305 Refunding Bonds of 2017B	309 Equipment Certificates of 2009D	351 Improvement Bonds of 2006C	353 Improvement Bonds of 2007A
Assets					
Cash and investments	\$4,965	\$3,597	\$202,497	\$1,447,359	\$922,166
Due from component units	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-
Special assessments:					
Delinquent	-	-	-	-	2,266
Deferred	-	-	-	113,632	116,952
Special deferred	-	-	-	130,038	-
Total assets	\$4,965	\$3,597	\$202,497	\$1,691,029	\$1,041,384
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-
Due to component units	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	0	0	0	0	0
Deferred inflows of resources:					
Unavailable revenue	-	-	-	243,670	119,218
Total deferred inflows of resources	0	0	0	243,670	119,218
Fund balance:					
Restricted	4,965	3,597	202,497	1,447,359	922,166
Total fund balance	4,965	3,597	202,497	1,447,359	922,166
Total liabilities, deferred inflows of resources, and fund balance	\$4,965	\$3,597	\$202,497	\$1,691,029	\$1,041,384

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
\$15,039	\$654,487	\$570,403	\$809,444	\$312,062	\$413,548	\$870,227	\$365
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	553	181	3,930	15,572	608	4,509	-
-	42,091	23,928	305,477	47,367	290,545	268,200	-
-	24,042	-	-	-	-	5,152	-
<u>\$15,039</u>	<u>\$721,173</u>	<u>\$594,512</u>	<u>\$1,118,851</u>	<u>\$375,001</u>	<u>\$704,701</u>	<u>\$1,148,088</u>	<u>\$365</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>
-	66,686	24,109	309,407	62,939	291,153	277,861	-
<u>0</u>	<u>66,686</u>	<u>24,109</u>	<u>309,407</u>	<u>62,939</u>	<u>291,153</u>	<u>277,861</u>	<u>0</u>
15,039	654,487	570,403	809,444	312,062	413,548	870,227	365
<u>15,039</u>	<u>654,487</u>	<u>570,403</u>	<u>809,444</u>	<u>312,062</u>	<u>413,548</u>	<u>870,227</u>	<u>365</u>
<u>\$15,039</u>	<u>\$721,173</u>	<u>\$594,512</u>	<u>\$1,118,851</u>	<u>\$375,001</u>	<u>\$704,701</u>	<u>\$1,148,088</u>	<u>\$365</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2017
With Comparative Totals For December 31, 2016

	364 Improvement Refunding Bonds of 2013A	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	368 G.O. Improvement Reconstruction Bonds of 2017A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
Assets							
Cash and investments	\$580,263	\$999,947	\$390,794	\$302,451	\$54,917	\$45,683	\$29,917
Due from component units	-	-	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-	-	-
Special assessments:							
Delinquent	55,041	17,909	-	775	-	-	-
Deferred	189,015	310,565	104,731	195,954	229,292	-	-
Special deferred	303,823	1,175	-	-	3,292	-	-
Total assets	\$1,128,142	\$1,329,596	\$495,525	\$499,180	\$287,501	\$45,683	\$29,917
Liabilities, Deferred Inflows of Resources, and Fund Balance							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$21,441	\$15,964
Due to other governments	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	0	0	0	0	0	21,441	15,964
Deferred inflows of resources:							
Unavailable revenue	547,879	329,649	104,731	196,729	232,584	-	-
Total deferred inflows of resources	547,879	329,649	104,731	196,729	232,584	0	0
Fund balance:							
Restricted	580,263	999,947	390,794	302,451	54,917	24,242	13,953
Total fund balance	580,263	999,947	390,794	302,451	54,917	24,242	13,953
Total liabilities, deferred inflows of resources, and fund balance	\$1,128,142	\$1,329,596	\$495,525	\$499,180	\$287,501	\$45,683	\$29,917

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	376 TIF 1-10 River Hills	380 TIF 1-9 Majestic Pines	Totals Nonmajor Debt Service Funds	
							2017	2016
\$770,095	\$19,008	\$20,562	\$23,829	\$367,906	\$17,768	\$98,537	\$9,947,836	\$7,274,885
-	-	-	-	-	-	-	-	114,400
-	-	-	-	-	-	-	-	33,505
-	-	-	-	-	-	-	101,344	107,740
-	-	-	-	-	-	-	2,237,749	2,455,343
-	-	-	-	-	-	-	467,522	464,230
<u>\$770,095</u>	<u>\$19,008</u>	<u>\$20,562</u>	<u>\$23,829</u>	<u>\$367,906</u>	<u>\$17,768</u>	<u>\$98,537</u>	<u>\$12,754,451</u>	<u>\$10,450,103</u>
\$ -	\$7,046	\$13,310	\$ -	\$ -	\$14,627	\$74,817	\$147,205	\$134,707
-	-	-	23,829	-	-	-	23,829	-
-	-	-	-	-	-	-	-	670
-	-	-	-	-	-	-	-	224,400
<u>0</u>	<u>7,046</u>	<u>13,310</u>	<u>23,829</u>	<u>0</u>	<u>14,627</u>	<u>74,817</u>	<u>171,034</u>	<u>359,777</u>
-	-	-	-	-	-	-	2,806,615	3,175,220
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,806,615</u>	<u>3,175,220</u>
770,095	11,962	7,252	-	367,906	3,141	23,720	9,776,802	6,915,106
<u>770,095</u>	<u>11,962</u>	<u>7,252</u>	<u>0</u>	<u>367,906</u>	<u>3,141</u>	<u>23,720</u>	<u>9,776,802</u>	<u>6,915,106</u>
<u>\$770,095</u>	<u>\$19,008</u>	<u>\$20,562</u>	<u>\$23,829</u>	<u>\$367,906</u>	<u>\$17,768</u>	<u>\$98,537</u>	<u>\$12,754,451</u>	<u>\$10,450,103</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, 2017
With Comparative Totals For The Year Ended December 31, 2016

	301 Debt Service Reserve	305 Refunding Bonds of 2017B	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	\$ -	\$ -	\$134,229	\$ -	\$ -	\$ -
Tax abatement	-	-	-	-	-	-
Tax increments	-	-	-	-	-	-
Intergovernmental:						
State:						
Supplemental aid	-	-	7,949	-	-	-
MSA	-	-	-	-	-	-
Other federal	-	-	-	-	-	-
Federal BAB credit	-	-	4,905	-	-	-
Special assessments	-	-	-	-	40,384	-
Fines and forfeits	-	-	-	-	-	-
Investment income	44	4	1,269	92	8,051	121
Other	-	-	-	-	-	224,400
Total revenues	44	4	148,352	92	48,435	224,521
Expenditures:						
General government:						
Current:						
Contractual services	-	-	-	-	-	-
Developer assistance	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	125,000	35,000	170,000	220,000
Interest	-	-	15,054	875	34,600	4,400
Paying agent fees	-	-	400	-	450	-
Decertify TIF districts	-	-	-	-	-	-
Bond issuance costs	-	59,693	-	-	-	-
Total expenditures	0	59,693	140,454	35,875	205,050	224,400
Revenues over (under) expenditures	44	(59,689)	7,898	(35,783)	(156,615)	121
Other financing sources (uses):						
Bond issuance	-	-	-	-	-	-
Refunding bond issuance	-	2,920,000	-	-	-	-
Bond premium	-	93,286	-	-	-	-
Transfer in	-	-	-	-	620,000	-
Transfer out	-	(2,950,000)	-	(16,691)	-	(8,818)
Total other financing sources (uses)	0	63,286	0	(16,691)	620,000	(8,818)
Net change in fund balance	44	3,597	7,898	(52,474)	463,385	(8,697)
Fund balance (deficit) - January 1	4,921	-	194,599	52,474	983,974	8,697
Fund balance (deficit) - December 31	\$4,965	\$3,597	\$202,497	\$0	\$1,447,359	\$0

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	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
\$108,597	\$ -	\$80,510	\$79,971	\$290,042	\$154,025	\$27,420	\$93,613	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
6,431	-	4,768	4,736	17,176	9,121	1,624	5,544	-
-	91,650	-	-	-	-	-	-	322,638
-	-	-	-	-	-	-	-	-
-	-	-	-	45,559	-	-	-	-
32,840	-	10,862	5,887	82,867	54,185	97,591	40,645	-
-	-	-	-	-	-	-	-	-
2,406	208	1,643	1,220	5,881	1,958	3,226	7,309	254
-	-	14,738	-	-	-	-	-	-
<u>150,274</u>	<u>91,858</u>	<u>112,521</u>	<u>91,814</u>	<u>441,525</u>	<u>219,289</u>	<u>129,861</u>	<u>147,111</u>	<u>322,892</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
125,000	75,000	75,000	65,000	300,000	175,000	135,000	140,000	265,000
35,715	16,650	26,588	24,633	139,815	21,475	22,160	42,673	57,638
350	375	375	375	400	400	525	525	525
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>161,065</u>	<u>92,025</u>	<u>101,963</u>	<u>90,008</u>	<u>440,215</u>	<u>196,875</u>	<u>157,685</u>	<u>183,198</u>	<u>323,163</u>
<u>(10,791)</u>	<u>(167)</u>	<u>10,558</u>	<u>1,806</u>	<u>1,310</u>	<u>22,414</u>	<u>(27,824)</u>	<u>(36,087)</u>	<u>(271)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
680,000	-	490,000	455,000	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>680,000</u>	<u>0</u>	<u>490,000</u>	<u>455,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
669,209	(167)	500,558	456,806	1,310	22,414	(27,824)	(36,087)	(271)
252,957	15,206	153,929	113,597	808,134	289,648	441,372	906,314	636
<u>\$922,166</u>	<u>\$15,039</u>	<u>\$654,487</u>	<u>\$570,403</u>	<u>\$809,444</u>	<u>\$312,062</u>	<u>\$413,548</u>	<u>\$870,227</u>	<u>\$365</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, 2017
With Comparative Totals For The Year Ended December 31, 2016

	364 Improvement Refunding Bonds of 2013A	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	368 G.O. Improvement Reconstruction Bonds of 2017A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
Revenues:							
Taxes:							
General property	\$47,414	\$105,224	\$262,387	\$163,233	\$ -	\$ -	\$ -
Tax abatement	19,994	-	-	-	-	42,881	-
Tax increments	-	-	-	-	-	-	35,477
Intergovernmental:							
State:							
Supplemental aid	2,808	6,231	15,539	9,667	-	-	-
MSA	-	-	-	-	-	-	-
Other federal	-	-	-	-	-	-	-
Federal BAB credit	-	-	-	-	-	-	-
Special assessments	94,892	49,724	11,343	21,973	54,731	-	-
Fines and forfeits	-	-	-	-	-	-	-
Investment income	4,585	8,071	2,739	1,995	232	269	162
Other	-	-	-	-	-	-	-
Total revenues	<u>169,693</u>	<u>169,250</u>	<u>292,008</u>	<u>196,868</u>	<u>54,963</u>	<u>43,150</u>	<u>35,639</u>
Expenditures:							
General government:							
Current:							
Contractual services	-	-	-	-	46	-	164
Developer assistance	-	-	-	-	-	42,881	31,929
Debt service:							
Principal retirement	200,000	235,000	230,000	-	-	-	-
Interest	8,405	109,113	51,343	36,227	-	-	-
Paying agent fees	750	425	450	450	-	-	-
Decertify TIF districts	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Total expenditures	<u>209,155</u>	<u>344,538</u>	<u>281,793</u>	<u>36,677</u>	<u>46</u>	<u>42,881</u>	<u>32,093</u>
Revenues over (under) expenditures	<u>(39,462)</u>	<u>(175,288)</u>	<u>10,215</u>	<u>160,191</u>	<u>54,917</u>	<u>269</u>	<u>3,546</u>
Other financing sources (uses):							
Bond issuance	-	-	-	-	-	-	-
Refunding bond issuance	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Transfer in	-	150,000	-	-	-	-	-
Transfer out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>(39,462)</u>	<u>(25,288)</u>	<u>10,215</u>	<u>160,191</u>	<u>54,917</u>	<u>269</u>	<u>3,546</u>
Fund balance (deficit) - January 1	<u>619,725</u>	<u>1,025,235</u>	<u>380,579</u>	<u>142,260</u>	<u>-</u>	<u>23,973</u>	<u>10,407</u>
Fund balance (deficit) - December 31	<u>\$580,263</u>	<u>\$999,947</u>	<u>\$390,794</u>	<u>\$302,451</u>	<u>\$54,917</u>	<u>\$24,242</u>	<u>\$13,953</u>

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	376 TIF 1-10 River Hills	380 TIF 1-9 Majestic Pines	Totals Nonmajor Debt Service Funds	
							2017	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,546,665	\$1,403,352
-	-	-	-	-	-	-	62,875	63,528
56,891	15,659	32,172	18,546	30,098	32,504	166,259	387,606	365,962
-	-	541	5,898	-	-	-	98,033	92,424
-	-	-	-	-	-	-	414,288	414,588
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	50,464	56,204
-	-	-	-	-	-	-	597,924	954,574
-	-	-	-	-	-	-	-	-
1,179	125	96	131	3,150	60	398	56,878	45,681
-	-	-	-	-	-	-	239,138	223,000
<u>58,070</u>	<u>15,784</u>	<u>32,809</u>	<u>24,575</u>	<u>33,248</u>	<u>32,564</u>	<u>166,657</u>	<u>3,453,871</u>	<u>3,619,313</u>
202	164	-	342	85	170	3,134	4,307	16,191
-	14,093	29,441	-	-	29,253	149,633	297,230	258,966
20,000	-	-	-	-	-	-	2,590,000	2,580,000
33,170	-	-	-	-	-	-	680,534	711,789
375	-	-	-	-	-	-	7,150	7,600
-	-	-	91,038	-	-	-	91,038	-
-	-	-	-	-	-	-	59,693	-
<u>53,747</u>	<u>14,257</u>	<u>29,441</u>	<u>91,380</u>	<u>85</u>	<u>29,423</u>	<u>152,767</u>	<u>3,729,952</u>	<u>3,574,546</u>
<u>4,323</u>	<u>1,527</u>	<u>3,368</u>	<u>(66,805)</u>	<u>33,163</u>	<u>3,141</u>	<u>13,890</u>	<u>(276,081)</u>	<u>44,767</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,920,000	-
-	-	-	-	-	-	-	93,286	-
705,000	-	-	-	-	-	-	3,100,000	528,016
-	-	-	-	-	-	-	(2,975,509)	(85,985)
<u>705,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,137,777</u>	<u>442,031</u>
709,323	1,527	3,368	(66,805)	33,163	3,141	13,890	2,861,696	486,798
60,772	10,435	3,884	66,805	334,743	-	9,830	6,915,106	6,428,308
<u>\$770,095</u>	<u>\$11,962</u>	<u>\$7,252</u>	<u>\$0</u>	<u>\$367,906</u>	<u>\$3,141</u>	<u>\$23,720</u>	<u>\$9,776,802</u>	<u>\$6,915,106</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, 2017
 With Comparative Totals For December 31, 2016

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development
Assets			
Cash and investments	\$101,837	\$170,542	\$34,503
Accounts receivable	18,499	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
Due from component units	-	-	-
Prepaid items	-	-	-
Taxes receivable - delinquent	-	-	-
Pledges receivable	-	-	-
Special assessments receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Special deferred	-	-	-
Total assets	\$120,336	\$170,542	\$34,503
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$46,969	\$648	\$ -
Interfund loan payable	-	-	-
Contracts payable	-	-	-
Due to other governments	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	46,969	648	0
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	0	0	0
Fund balance (deficit):			
Restricted	-	-	-
Assigned	73,367	169,894	34,503
Unassigned	-	-	-
Total fund balance (deficit)	73,367	169,894	34,503
Total liabilities, deferred inflows of resources, and fund balance	\$120,336	\$170,542	\$34,503

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2017
With Comparative Totals For December 31, 2016

	413 Airport Capital Fund	418 GR Arts and Culture Capital Project	429 IRA Civic Center Projects	431 7th Ave Bridge Rehab
Assets				
Cash and investments	\$ -	\$27,030	\$ -	\$455,652
Accounts receivable	-	-	-	-
Due from other governmental units	88,921	-	-	-
Due from other funds	-	-	-	-
Due from component units	-	-	-	-
Prepaid items	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Pledges receivable	-	-	223,435	-
Special assessments receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Special deferred	-	-	-	-
Total assets	\$88,921	\$27,030	\$223,435	\$455,652
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$17,502	\$ -	\$664	\$ -
Interfund loan payable	-	-	-	-
Contracts payable	2,900	-	41,748	-
Due to other governmental units	-	-	-	-
Due to other funds	26,873	-	189,050	-
Unearned revenue	-	-	-	-
Total liabilities	47,275	0	231,462	0
Deferred inflows of resources:				
Unavailable revenue	-	-	223,435	-
Total deferred inflows of resources	0	0	223,435	0
Fund balance (deficit):				
Restricted	-	-	-	-
Assigned	41,646	27,030	-	455,652
Unassigned	-	-	(231,462)	-
Total fund balance (deficit)	41,646	27,030	(231,462)	455,652
Total liabilities, deferred inflows of resources, and fund balance	\$88,921	\$27,030	\$223,435	\$455,652

458 2000 Infrastructure Other	477 2016 Infrastructure Bonds	479 2018 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
				2017	2016
\$5,782	\$ -	\$ -	\$275,246	\$1,070,592	\$1,955,004
-	-	-	-	18,499	2,171
-	-	-	-	88,921	82,711
-	-	-	-	-	10,689
-	-	-	66,769	66,769	66,769
-	-	-	-	-	20,786
-	-	-	-	-	3,149
-	-	-	-	223,435	-
-	-	-	12,914	12,914	11,744
-	-	-	128,074	128,074	139,717
-	-	-	7,443	7,443	7,443
<u>\$5,782</u>	<u>\$0</u>	<u>\$0</u>	<u>\$490,446</u>	<u>\$1,616,647</u>	<u>\$2,300,183</u>
\$ -	22,176	\$485	\$ -	\$88,444	\$87,520
-	-	-	-	-	454,285
-	-	-	-	44,648	12,829
-	-	-	-	-	20,000
-	69,125	6,045	-	291,093	10,689
-	-	-	-	-	107,504
<u>0</u>	<u>91,301</u>	<u>6,530</u>	<u>0</u>	<u>424,185</u>	<u>692,827</u>
-	-	-	148,431	371,866	162,052
<u>0</u>	<u>0</u>	<u>0</u>	<u>148,431</u>	<u>371,866</u>	<u>162,052</u>
5,782	-	-	-	5,782	6,082
-	-	-	342,015	1,144,107	1,480,898
-	(91,301)	(6,530)	-	(329,293)	(41,676)
<u>5,782</u>	<u>(91,301)</u>	<u>(6,530)</u>	<u>342,015</u>	<u>820,596</u>	<u>1,445,304</u>
<u>\$5,782</u>	<u>\$0</u>	<u>\$0</u>	<u>\$490,446</u>	<u>\$1,616,647</u>	<u>\$2,300,183</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, 2017
 With Comparative Totals For The Year Ended December 31, 2016

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development	413 Airport Capital Fund
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
State:				
MSA	-	46,350	-	-
Other intergovernmental	43,417	-	-	454,756
Special assessments	-	-	-	-
Investment income	834	2,722	309	71
Contributions and donations	8,000	-	-	-
Reimbursement from component unit	-	-	-	-
Other	47,694	-	-	-
Total revenues	<u>99,945</u>	<u>49,072</u>	<u>309</u>	<u>454,827</u>
Expenditures:				
Current:				
General government	105,922	-	-	-
Public safety	-	-	-	-
Public works	-	64,205	-	1,561
Culture and recreation	18,576	-	-	-
Capital outlay/construction	112,858	193,799	-	468,476
Total expenditures	<u>237,356</u>	<u>258,004</u>	<u>0</u>	<u>470,037</u>
Revenues over (under) expenditures	<u>(137,411)</u>	<u>(208,932)</u>	<u>309</u>	<u>(15,210)</u>
Other financing sources (uses):				
Transfers in	128,813	-	-	-
Transfers out	(47,251)	-	-	-
Total other financing sources (uses)	<u>81,562</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(55,849)	(208,932)	309	(15,210)
Fund balance (deficit) - January 1	<u>129,216</u>	<u>378,826</u>	<u>34,194</u>	<u>56,856</u>
Fund balance (deficit) - December 31	<u>\$73,367</u>	<u>\$169,894</u>	<u>\$34,503</u>	<u>\$41,646</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, 2017
 With Comparative Totals For The Year Ended December 31, 2016

	418 GR Arts and Culture Capital Project	429 IRA Civic Center Projects	431 7th Ave Bridge Rehab	458 2000 Infrastructure Other
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
State:				
MSA	-	-	-	-
Other intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Investment income	-	-	-	-
Contributions and donations	-	135,444	-	-
Reimbursement from component unit	-	-	-	-
Other	-	-	-	-
Total revenues	<u>0</u>	<u>135,444</u>	<u>0</u>	<u>0</u>
Expenditures:				
Current:				
General government	-	-	-	300
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay/construction	-	252,237	-	-
Total expenditures	<u>0</u>	<u>252,237</u>	<u>0</u>	<u>300</u>
Revenues over (under) expenditures	<u>0</u>	<u>(116,793)</u>	<u>0</u>	<u>(300)</u>
Other financing sources (uses):				
Transfers in	27,030	280,000	-	-
Transfers out	-	-	(122,529)	-
Total other financing sources (uses)	<u>27,030</u>	<u>280,000</u>	<u>(122,529)</u>	<u>0</u>
Net change in fund balance	27,030	163,207	(122,529)	(300)
Fund balance (deficit) - January 1	<u>-</u>	<u>(394,669)</u>	<u>578,181</u>	<u>6,082</u>
Fund balance (deficit) - December 31	<u>\$27,030</u>	<u>(\$231,462)</u>	<u>\$455,652</u>	<u>\$5,782</u>

477 2016 Infrastructure Bonds	479 2018 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
			2017	2016
\$ -	\$ -	\$ -	\$ -	\$131,979
-	-	-	46,350	56,241
-	-	-	498,173	656,549
-	-	16,494	16,494	16,921
-	-	2,251	6,187	11,166
-	-	-	143,444	42,095
24,331	-	-	24,331	-
-	-	-	47,694	8,971
<u>24,331</u>	<u>0</u>	<u>18,745</u>	<u>782,673</u>	<u>923,922</u>
-	-	5,864	112,086	883,446
-	-	-	-	43,131
-	-	-	65,766	123,086
-	-	-	18,576	312
161,396	6,530	-	1,195,296	857,368
<u>161,396</u>	<u>6,530</u>	<u>5,864</u>	<u>1,391,724</u>	<u>1,907,343</u>
<u>(137,065)</u>	<u>(6,530)</u>	<u>12,881</u>	<u>(609,051)</u>	<u>(983,421)</u>
-	-	25,509	461,352	396,972
-	-	-	(169,780)	(432,484)
<u>0</u>	<u>0</u>	<u>25,509</u>	<u>291,572</u>	<u>(35,512)</u>
(137,065)	(6,530)	38,390	(317,479)	(1,018,933)
<u>45,764</u>	<u>-</u>	<u>303,625</u>	<u>1,138,075</u>	<u>2,464,237</u>
<u>(\$91,301)</u>	<u>(\$6,530)</u>	<u>\$342,015</u>	<u>\$820,596</u>	<u>\$1,445,304</u>

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

Prior year ending fund balance reported above	\$1,445,304
Add prior year ending fund balance for funds reported as major in prior year and nonmajor in current year:	
429 IRA Civic Center Projects	(394,669)
477 2016 Infrastructure Bonds	45,764
Subtract prior year ending fund balance for funds reported as nonmajor in prior year and major in current year:	
407 Capital Equipment Replacement	16,805
478 2017 Infrastructure Bonds	24,871
Current year beginning fund balance	<u>\$1,138,075</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 26

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
General property taxes	\$666,240	\$629,451	\$626,974	\$591,437
Intergovernmental:				
State:				
Supplemental aid	-	36,789	36,789	36,327
Other	-	-	-	-
Charges for services:				
Townships	128,000	128,000	132,011	129,117
Other	36,982	36,982	46,952	46,978
Fines and forfeits	13,000	13,000	12,432	12,298
Investment income	2,500	2,500	8,095	4,670
Contributions and donations	11,700	11,700	26,197	186,548
Miscellaneous	2,000	2,000	-	1,140
Total revenues	<u>860,422</u>	<u>860,422</u>	<u>889,450</u>	<u>1,008,515</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	619,960	619,960	592,156	580,034
Materials and supplies	87,900	87,900	86,494	81,886
Other services and charges	152,562	152,562	182,607	315,450
Total current	<u>860,422</u>	<u>860,422</u>	<u>861,257</u>	<u>977,370</u>
Capital outlay	-	-	-	11,729
Total expenditures	<u>860,422</u>	<u>860,422</u>	<u>861,257</u>	<u>989,099</u>
Revenues over (under) expenditures	-	-	28,193	19,416
Other financing sources:				
Insurance recoveries	-	-	3,057	-
Transfers in	-	-	-	4,142
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,057</u>	<u>4,142</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	31,250	23,558
Fund balance - January 1			<u>483,659</u>	<u>460,101</u>
Fund balance - December 31			<u>\$514,909</u>	<u>\$483,659</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 27

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$85,150	\$85,150	\$63,113	\$67,826
Other	-	-	29	76
Investment income	-	-	233	320
Other	-	-	277	1,751
Total revenues	<u>85,150</u>	<u>85,150</u>	<u>63,652</u>	<u>69,973</u>
Expenditures:				
Culture and recreation:				
Current:				
Materials and supplies	3,500	3,500	2,545	3,529
Other services and charges	99,125	99,125	119,426	90,580
Total expenditures	<u>102,625</u>	<u>102,625</u>	<u>121,971</u>	<u>94,109</u>
Revenues over (under) expenditures	(17,475)	(17,475)	(58,319)	(24,136)
Other financing sources:				
Transfer in	<u>22,875</u>	<u>22,875</u>	<u>63,839</u>	<u>29,700</u>
Net change in fund balance	<u>\$5,400</u>	<u>\$5,400</u>	5,520	5,564
Fund balance - January 1			<u>51,351</u>	<u>45,787</u>
Fund balance - December 31			<u>\$56,871</u>	<u>\$51,351</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 28

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$110,782	\$110,782	\$107,994	\$107,763
Other	4,800	4,800	6,581	5,918
Intergovernmental:				
State operations reimbursement	66,668	66,668	66,671	66,668
Itasca County	20,000	20,000	20,000	20,000
Investment income	1,300	1,300	1,783	1,715
Other	-	-	1,635	85
Total revenues	<u>203,550</u>	<u>203,550</u>	<u>204,664</u>	<u>202,149</u>
Expenditures:				
Public works:				
Current:				
Personnel services	84,727	84,727	80,652	81,881
Materials and supplies	18,579	18,579	12,964	11,415
Other services and charges	113,244	113,244	114,431	103,816
Total current	<u>216,550</u>	<u>216,550</u>	<u>208,047</u>	<u>197,112</u>
Debt service - loan repayment	7,000	7,000	7,000	10,000
Total expenditures	<u>223,550</u>	<u>223,550</u>	<u>215,047</u>	<u>207,112</u>
Revenues over (under) expenditures	(20,000)	(20,000)	(10,383)	(4,963)
Other financing sources:				
Transfer in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	9,617	15,037
Fund balance - January 1			<u>186,997</u>	<u>171,960</u>
Fund balance - December 31			<u>\$196,614</u>	<u>\$186,997</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 29

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Rent	\$510,000	\$510,000	\$509,811	\$496,778
Concessions	137,500	137,500	115,178	118,567
Advertising	67,000	67,000	74,835	73,925
Other	18,500	18,500	17,002	20,109
Intergovernmental:				
State	-	-	-	130,066
Investment income	-	-	26	264
Contributions and donations	-	-	-	10,000
Total revenues	<u>733,000</u>	<u>733,000</u>	<u>716,852</u>	<u>849,709</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	359,612	359,612	350,008	345,854
Materials and supplies	109,200	109,200	91,101	103,196
Other services and charges	232,862	232,862	308,013	243,547
Capital outlay	-	-	158,057	260,131
Total expenditures	<u>701,674</u>	<u>701,674</u>	<u>907,179</u>	<u>952,728</u>
Revenues over (under) expenditures	<u>31,326</u>	<u>31,326</u>	<u>(190,327)</u>	<u>(103,019)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	14,075	38,000
Insurance recoveries	-	-	7,000	7,810
Transfers in	-	-	145,067	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>166,142</u>	<u>45,810</u>
Net change in fund balance	<u>\$31,326</u>	<u>\$31,326</u>	<u>(24,185)</u>	<u>(57,209)</u>
Fund balance (deficit) - January 1			<u>(138,848)</u>	<u>(81,639)</u>
Fund balance (deficit) - December 31			<u>(\$163,033)</u>	<u>(\$138,848)</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 30

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Fees	\$72,500	\$72,500	\$61,384	\$71,532
Investment income	-	-	5	50
Total revenues	<u>72,500</u>	<u>72,500</u>	<u>61,389</u>	<u>71,582</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	66,455	66,455	58,030	56,874
Materials and supplies	2,000	2,000	2,950	3,028
Other services and charges	4,000	4,000	2,672	4,081
Total expenditures	<u>72,455</u>	<u>72,455</u>	<u>63,652</u>	<u>63,983</u>
Revenues over (under) expenditures	<u>\$45</u>	<u>\$45</u>	(2,263)	7,599
Fund balance - January 1			<u>4,187</u>	<u>(3,412)</u>
Fund balance - December 31			<u>\$1,924</u>	<u>\$4,187</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 31

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Intergovernmental:				
State:				
Haz-Mat reimbursement	\$60,000	\$60,000	\$87,515	\$51,816
Expenditures:				
Public safety:				
Current:				
Personnel services	26,200	26,200	28,838	18,757
Materials and supplies	13,300	13,300	17,399	8,670
Other services and charges	20,500	20,500	27,908	24,389
Capital outlay	-	-	13,370	-
Total expenditures	60,000	60,000	87,515	51,816
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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 32

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$7,182	\$1,018
Fines and forfeits	14,000	14,000	8,600	20,029
Investment income	-	-	549	541
Miscellaneous	10,000	10,000	100	-
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>16,431</u>	<u>21,588</u>
Expenditures:				
Public safety:				
Current:				
Materials and supplies	11,200	11,200	4,082	3,956
Other services and charges	2,000	2,000	278	10,123
Capital outlay	-	-	14,365	-
Total expenditures	<u>13,200</u>	<u>13,200</u>	<u>18,725</u>	<u>14,079</u>
Revenues over (under) expenditures	10,800	10,800	(2,294)	7,509
Other financing sources:				
Transfers out	-	-	-	(4,924)
Net change in fund balance	<u>\$10,800</u>	<u>\$10,800</u>	(2,294)	2,585
Fund balance - January 1			<u>65,977</u>	<u>63,392</u>
Fund balance - December 31			<u>\$63,683</u>	<u>\$65,977</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

Statement 33

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
General property taxes	\$189,446	\$178,039	\$178,361	\$185,595
Intergovernmental:				
State:				
Supplemental aid	-	11,407	10,466	11,407
Charges for services:				
Cemetery	43,000	43,000	41,088	34,131
Investment income	-	-	550	314
Other	750	750	1,440	2,680
Total revenues	<u>233,196</u>	<u>233,196</u>	<u>231,905</u>	<u>234,127</u>
Expenditures:				
Public works:				
Current:				
Personnel services	174,696	174,696	186,432	173,165
Materials and supplies	13,700	13,700	16,367	10,698
Other services and charges	44,800	44,800	25,190	33,411
Total expenditures	<u>233,196</u>	<u>233,196</u>	<u>227,989</u>	<u>217,274</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	3,916	16,853
Fund balance - January 1			<u>84,878</u>	<u>68,025</u>
Fund balance - December 31			<u>\$88,794</u>	<u>\$84,878</u>

CITY OF GRAND RAPIDS, MINNESOTA

SPECIAL REVENUE FUND - 235 DOMESTIC ANIMAL CONTROL FACILITY

Statement 34

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended December 31, 2017

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

	2017		Actual Amounts	2016 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenues:				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Fines and forfeits	33,580	33,580	35,988	33,818
Donations	-	-	14	-
Miscellaneous	1,700	1,700	15	-
Total revenues	<u>35,280</u>	<u>35,280</u>	<u>36,017</u>	<u>33,818</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	42,211	42,211	38,727	36,977
Materials and supplies	5,000	5,000	2,737	3,419
Other services and charges	20,345	20,345	14,753	13,809
Total expenditures	<u>67,556</u>	<u>67,556</u>	<u>56,217</u>	<u>54,205</u>
Revenues over (under) expenditures	(32,276)	(32,276)	(20,200)	(20,387)
Other financing sources:				
Transfers in	<u>32,276</u>	<u>32,276</u>	<u>20,200</u>	<u>20,387</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	0	0
Fund balance - January 1			<u>7,621</u>	<u>7,621</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 2017, 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, 2017
 With Comparative Totals For December 31, 2016

Statement 35

	872 Lodging Tax	877 Cable TV Commision	Totals Agency Funds	
			2017	2016
Assets:				
Cash and investments	\$15,732	\$120,208	\$135,940	\$110,897
Accounts receivable	-	-	-	822
Prepaid items	-	580	580	-
Total assets	\$15,732	\$120,788	\$136,520	\$111,719
Liabilities:				
Accounts payable	\$15,732	\$ -	\$15,732	\$14,993
Due to third-party grantees	-	120,788	120,788	96,726
Total liabilities	\$15,732	\$120,788	\$136,520	\$111,719

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2017

Statement 36

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Lodging Tax:				
Assets				
Cash and investments	\$14,993	\$321,335	\$320,596	\$15,732
Total assets	<u>\$14,993</u>	<u>\$321,335</u>	<u>\$320,596</u>	<u>\$15,732</u>
Liabilities				
Accounts payable	<u>\$14,993</u>	<u>\$305,245</u>	<u>\$304,506</u>	<u>\$15,732</u>
Cable TV Commission:				
Assets				
Cash and investments	\$95,904	\$249,865	\$225,561	\$120,208
Accounts receivable	822	-	822	-
Prepaid items	-	580	-	580
Total assets	<u>\$96,726</u>	<u>\$250,445</u>	<u>\$226,383</u>	<u>\$120,788</u>
Liabilities				
Due to third-party grantees	<u>\$96,726</u>	<u>\$24,062</u>	<u>\$ -</u>	<u>\$120,788</u>
Totals - All Agency Funds:				
Assets				
Cash and investments	\$110,897	\$571,200	\$546,157	\$135,940
Accounts receivable	822	-	822	-
Prepaid items	-	580	-	580
Total assets	<u>\$111,719</u>	<u>\$571,780</u>	<u>\$546,979</u>	<u>\$136,520</u>
Liabilities				
Accounts payable	\$14,993	\$305,245	\$304,506	\$15,732
Due to third-party grantees	96,726	24,062	-	120,788
Total liabilities	<u>\$111,719</u>	<u>\$329,307</u>	<u>\$304,506</u>	<u>\$136,520</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, 2017
 With Comparative Totals For December 31, 2016

Statement 37

Assets	General	Capital Project	Totals	
			2017	2016
Cash and investments	\$27,019	\$751,432	\$778,451	\$674,931
Accounts receivable	1,995	137,606	139,601	109,020
Due from other governmental units	-	936	936	157,185
Inventory - land held for resale	-	2,316,697	2,316,697	2,316,697
Notes receivable	-	279,693	279,693	251,284
Taxes receivable - delinquent	-	-	-	648
Total assets	\$29,014	\$3,486,364	\$3,515,378	\$3,509,765
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$456	\$20,199	\$20,655	\$12,998
Due to other governmental units	-	67,919	67,919	67,960
Contracts payable	-	-	-	6,088
Total liabilities	456	88,118	88,574	87,046
Deferred inflows of resources:				
Unavailable revenue	-	2,684,825	2,684,825	2,675,979
Total deferred inflows of resources	0	2,684,825	2,684,825	2,675,979
Fund balance:				
Assigned	-	713,421	713,421	704,430
Unassigned	28,558	-	28,558	42,310
Total fund balance	28,558	713,421	741,979	746,740
Total liabilities, deferred inflows of resources, and fund balance	\$29,014	\$3,486,364	\$3,515,378	\$3,509,765

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, 2017

With Comparative Totals For The Year Ended December 31, 2016

	General	Capital Project	Totals	
			2017	2016
Revenues:				
General property taxes	\$ -	\$55,984	\$55,984	\$55,914
Intergovernmental	-	30,750	30,750	689,704
Charges for services	-	18,896	18,896	16,965
Investment income	310	6,850	7,160	6,487
Miscellaneous:				
Loan repayment	-	92,861	92,861	111,593
Other	1,995	88,774	90,769	8,419
Total revenues	2,305	294,115	296,420	889,082
Expenditures:				
Economic development:				
Current:				
Materials and supplies	7	2,065	2,072	29
Other services and charges	16,050	117,598	133,648	823,001
Loan disbursement	-	115,598	115,598	70,000
Capital outlay/construction	-	-	-	620,529
Debt service:				
Principal	-	45,268	45,268	-
Interest	-	4,595	4,595	-
Total expenditures	16,057	285,124	301,181	1,513,559
Revenues over (under) expenditures	(13,752)	8,991	(4,761)	(624,477)
Other financing sources:				
Proceeds from land sales	-	-	-	246,070
Proceeds from loan issuance	-	-	-	558,000
Total other financial sources	-	-	-	804,070
Net change in fund balance	(13,752)	8,991	(4,761)	179,593
Fund balance - January 1	42,310	704,430	746,740	567,147
Fund balance - December 31	\$28,558	\$713,421	\$741,979	\$746,740

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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			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$15,968,208	\$18,102,326	\$19,133,457	\$31,703,299
Restricted	17,300,543	17,035,306	13,417,300	12,379,387
Unrestricted	7,166,636	5,973,279	8,374,454	5,813,768
Total governmental activities net position	<u>\$40,435,387</u>	<u>\$41,110,911</u>	<u>\$40,925,211</u>	<u>\$49,896,454</u>
Business type activities:				
Net investment in capital assets	\$999,474	\$1,985,565	\$2,827,242	\$2,793,653
Restricted	-	-	-	-
Unrestricted	335,339	355,012	119,244	236,409
Total business-type activities net position	<u>\$1,334,813</u>	<u>\$2,340,577</u>	<u>\$2,946,486</u>	<u>\$3,030,062</u>
Primary government:				
Net investment in capital assets	\$16,967,682	\$20,087,891	\$21,960,699	\$34,496,952
Restricted	17,300,543	17,035,306	13,417,300	12,379,387
Unrestricted	7,501,975	6,328,291	8,493,698	6,050,177
Total primary government net position	<u>\$41,770,200</u>	<u>\$43,451,488</u>	<u>\$43,871,697</u>	<u>\$52,926,516</u>

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

Table 1

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$30,975,963	\$31,861,617	\$33,830,578	\$33,884,548	\$36,971,014	\$37,512,555
12,077,081	12,808,310	10,281,228	9,803,311	9,084,391	12,109,254
7,680,276	7,617,727	4,784,327	4,927,309	3,956,874	(165,295)
<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>	<u>\$49,456,514</u>
\$2,755,540	\$2,864,018	\$2,894,190	\$2,841,005	\$2,797,345	\$2,904,137
-	-	-	-	-	-
339,608	272,420	424,469	494,673	337,782	14,513
<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>	<u>\$2,918,650</u>
\$33,731,503	\$34,725,635	\$36,724,768	\$36,725,553	\$39,768,359	\$40,416,692
12,077,081	12,808,310	10,281,228	9,803,311	9,084,391	12,109,254
8,019,884	7,890,147	5,208,796	5,421,982	4,294,656	(150,782)
<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>	<u>\$52,375,164</u>

CITY OF GRAND RAPIDS, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$3,257,703	\$3,139,210	\$2,407,660	\$2,362,986
Public safety	2,904,780	3,611,752	2,789,559	2,836,212
Public works	5,018,711	5,144,636	4,841,814	5,390,413
Culture and recreation	2,243,609	2,267,791	2,270,942	2,255,043
Interest and fees on long-term debt	863,133	950,717	978,289	907,838
Total governmental activities expenses	<u>14,287,936</u>	<u>15,114,106</u>	<u>13,288,264</u>	<u>13,752,492</u>
Business-type activities:				
Golf course	473,579	496,554	455,315	549,733
Storm water utility	332,562	370,726	411,849	377,107
Total business-type activities expenses	<u>806,141</u>	<u>867,280</u>	<u>867,164</u>	<u>926,840</u>
Total primary government expenses	<u>\$15,094,077</u>	<u>\$15,981,386</u>	<u>\$14,155,428</u>	<u>\$14,679,332</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$401,562	\$405,500	\$457,201	\$401,410
Public safety	510,127	463,110	388,484	447,864
Public works	206,256	405,086	261,584	432,900
Culture and recreation:				
Ice rent	426,215	404,920	409,234	434,724
Other activities	581,602	585,044	515,812	506,187
Operating grants and contributions	614,629	1,100,342	1,027,304	1,240,128
Capital grants and contributions	3,658,563	4,673,279	2,463,006	5,349,509
Total governmental activities program revenues	<u>6,398,954</u>	<u>8,037,281</u>	<u>5,522,625</u>	<u>8,812,722</u>
Business-type activities:				
Charges for services:				
Golf course	494,371	516,832	548,820	553,201
Storm water utility	478,596	484,528	505,336	498,587
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	836,208	97,352	7,995
Total business-type activities program revenues	<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>	<u>1,059,783</u>
Total primary government program revenues	<u>\$7,371,921</u>	<u>\$9,874,849</u>	<u>\$6,674,133</u>	<u>\$9,872,505</u>
Net (expense) revenue:				
Governmental activities	(\$7,888,982)	(\$7,076,825)	(\$7,765,639)	(\$4,939,770)
Business-type activities	166,826	970,288	284,344	132,943
Total primary government net (expense) revenue	<u>(7,722,156)</u>	<u>(6,106,537)</u>	<u>(7,481,295)</u>	<u>(4,806,827)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$2,206,280	\$2,420,199	\$3,701,667	\$2,993,026	\$3,649,895	\$3,092,098
2,929,368	3,117,628	3,382,829	3,674,182	4,208,454	3,823,734
6,772,303	5,601,025	5,417,245	5,239,892	5,646,605	6,374,034
2,235,595	2,000,748	2,054,143	2,028,067	2,367,449	2,327,649
921,653	1,309,223	834,833	740,526	731,702	871,133
<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>	<u>16,488,648</u>
561,484	554,933	554,859	598,114	651,127	683,231
341,287	434,932	425,389	440,557	688,176	701,325
<u>902,771</u>	<u>989,865</u>	<u>980,248</u>	<u>1,038,671</u>	<u>1,339,303</u>	<u>1,384,556</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>	<u>\$17,873,204</u>
\$434,949	\$590,194	\$563,808	\$565,218	\$458,276	\$559,770
433,622	478,032	527,001	561,365	580,225	587,714
419,069	716,553	424,349	323,177	326,167	432,330
440,565	451,836	474,909	484,801	496,778	509,811
521,523	500,351	526,763	532,720	551,263	1,122,991
1,572,878	1,358,914	1,980,477	1,615,576	2,262,521	1,203,373
3,737,070	3,439,782	1,757,480	806,243	3,523,916	1,410,953
<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>	<u>5,826,942</u>
561,653	524,670	555,588	589,499	569,276	567,053
498,189	551,049	553,074	563,011	567,357	592,947
-	-	-	-	-	-
100	-	46,388	-	-	-
<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>1,160,000</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>	<u>\$6,986,942</u>
(\$7,505,523)	(\$6,913,161)	(\$9,135,930)	(\$9,786,593)	(\$8,404,959)	(\$10,661,706)
157,171	85,854	174,802	113,839	(202,670)	(224,556)
<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>	<u>(10,886,262)</u>

CITY OF GRAND RAPIDS, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
General revenues and other changes in net position				
Governmental activities:				
Taxes	\$4,472,247	\$4,684,768	\$4,793,026	\$5,180,915
Payments in lieu of taxes (PILOT)	682,276	854,072	853,542	854,710
Unrestricted grants and contributions	1,632,339	1,946,680	1,452,870	1,470,249
Investment earnings	534,160	274,557	159,010	184,059
Gain on sale of capital assets	-	11,553	4,957	5,360
Insurance recoveries	-	-	-	-
Special item - Grand Rapids / Itasca County Airport	-	-	-	6,212,220
Special item - merger with Grand Rapids Township	-	-	574,001	-
Transfers	83,078	(19,281)	(257,467)	3,500
Total governmental activities	<u>7,404,100</u>	<u>7,752,349</u>	<u>7,579,939</u>	<u>13,911,013</u>
Business-type activities:				
Unrestricted grants and contributions	-	-	-	-
Investment earnings	12,312	16,195	2,271	6,313
Gain on sale of capital assets	219,966	-	61,827	-
Insurance recoveries	-	-	-	-
Transfers	(83,078)	19,281	257,467	(3,500)
Total business-type activities	<u>149,200</u>	<u>35,476</u>	<u>321,565</u>	<u>2,813</u>
Total primary government	<u>\$7,553,300</u>	<u>\$7,787,825</u>	<u>\$7,901,504</u>	<u>\$13,913,826</u>
Change in net position:				
Government activities	(\$484,882)	\$675,524	(\$185,700)	\$8,971,243
Business-type activities	316,026	1,005,764	605,909	135,756
Total primary government	<u>(\$168,856)</u>	<u>\$1,681,288</u>	<u>\$420,209</u>	<u>\$9,106,999</u>

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$5,725,515	\$5,896,074	\$6,022,589	\$6,640,739	\$6,945,795	\$7,239,603
854,998	901,179	903,494	902,766	903,478	906,119
1,382,817	1,442,510	1,740,285	1,742,132	1,776,992	1,759,578
128,235	80,298	122,519	109,041	107,331	121,034
83,853	67,523	6,900	-	14,196	60,429
63,471	26,696	20,924	7,450	50,778	15,678
-	-	-	-	-	-
-	-	-	-	-	-
103,500	53,215	3,500	103,500	3,500	3,500
<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>	<u>10,105,941</u>
-	-	-	-	-	1,000
5,885	3,385	6,919	6,349	5,619	3,884
5,530	5,266	-	331	-	5,750
-	-	4,000	-	-	945
<u>(103,500)</u>	<u>(53,215)</u>	<u>(3,500)</u>	<u>(103,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>
<u>(92,085)</u>	<u>(44,564)</u>	<u>7,419</u>	<u>(96,820)</u>	<u>2,119</u>	<u>8,079</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>	<u>\$10,114,020</u>
\$836,866	\$1,554,334	(\$315,719)	(\$280,965)	\$1,397,111	(\$555,765)
<u>65,086</u>	<u>41,290</u>	<u>182,221</u>	<u>17,019</u>	<u>(200,551)</u>	<u>(216,477)</u>
<u>\$901,952</u>	<u>\$1,595,624</u>	<u>(\$133,498)</u>	<u>(\$263,946)</u>	<u>\$1,196,560</u>	<u>(\$772,242)</u>

CITY OF GRAND RAPIDS, MINNESOTA

FUND BALANCES - GOVERNMENTAL FUNDS⁽¹⁾

Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
General Fund:				
Reserved	\$224,509	\$219,727	\$497,935	\$ -
Unreserved	4,847,138	4,529,615	4,443,526	-
Fund balance:				
Nonspendable	-	-	-	1,071,817
Restricted	-	-	-	15,567
Committed	-	-	-	76,401
Unassigned	-	-	-	3,857,416
Total general fund	<u>5,071,647</u>	<u>4,749,342</u>	<u>4,941,461</u>	<u>5,021,201</u>
All other governmental funds:				
Reserved	7,653,945	6,660,438	7,061,043	-
Unreserved, reported in:				
Special revenue funds	805,001	872,154	747,062	-
Debt service funds	(120,115)	(121,906)	(130,205)	-
Capital projects funds	3,298,276	3,690,962	2,773,389	-
Fund balance:				
Nonspendable	-	-	-	345,891
Restricted	-	-	-	6,728,771
Committed	-	-	-	649,367
Assigned	-	-	-	2,073,531
Unassigned	-	-	-	(2,855,610)
Total all other government funds	<u>11,637,107</u>	<u>11,101,648</u>	<u>10,451,289</u>	<u>6,941,950</u>
 Total all funds	<u><u>\$16,708,754</u></u>	<u><u>\$15,850,990</u></u>	<u><u>\$15,392,750</u></u>	<u><u>\$11,963,151</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					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
882,863	607,301	401,947	306,783	636,954	1,108,226
13,186	12,479	14,268	17,185	17,577	21,677
156,520	243,403	331,201	422,995	517,869	613,922
4,463,866	4,633,494	4,903,066	5,253,912	5,066,530	4,526,746
<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>	<u>6,270,571</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
408,722	206,417	23,387	26,659	18,334	37,351
7,830,851	8,922,847	6,607,864	7,012,776	7,033,902	9,945,077
662,669	601,378	636,819	646,943	804,728	748,398
1,989,644	1,684,947	1,819,910	2,076,696	1,480,898	1,433,487
(964,192)	(546,851)	(117,775)	(184,210)	(579,562)	(929,731)
<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>11,234,582</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>	<u>\$17,505,153</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes	\$5,141,487	\$5,501,090	\$5,717,261	\$6,024,517
Licenses and permits	207,233	271,416	255,052	226,118
Intergovernmental	2,966,264	5,930,076	4,302,317	5,933,373
Special assessments	1,817,539	1,580,506	1,326,354	1,063,987
Charges for services	2,656,951	1,768,797	1,604,785	2,415,698
Fines and forfeits	202,321	170,589	142,528	191,552
Investment income	534,160	274,557	159,010	184,059
Other	339,705	306,122	275,921	380,749
Total revenues	<u>13,865,660</u>	<u>15,803,153</u>	<u>13,783,228</u>	<u>16,420,053</u>
Expenditures:				
Current:				
General government	2,904,262	2,286,301	1,879,463	2,045,880
Public safety	2,615,025	3,136,407	2,500,602	2,551,622
Public works	2,115,328	2,060,388	2,117,665	2,706,560
Culture and recreation	1,794,133	1,745,838	1,731,467	1,745,924
Miscellaneous	403,579	616,948	541,014	369,809
Capital outlay/construction	5,340,344	8,592,229	3,836,307	8,398,558
Debt service:				
Principal retirement	2,420,000	2,845,000	2,177,668	2,990,512
Interest	842,963	863,624	965,697	903,583
Paying agent fees	8,257	8,232	7,842	6,204
Decertify TIF districts	-	-	-	-
Bond issuance costs	100,690	132,045	39,692	42,489
Total expenditures	<u>18,544,581</u>	<u>22,287,012</u>	<u>15,797,417</u>	<u>21,761,141</u>
Revenues over (under) expenditures	<u>(4,678,921)</u>	<u>(6,483,859)</u>	<u>(2,014,189)</u>	<u>(5,341,088)</u>
Other financing sources (uses):				
Sale of capital assets	6,175	75,376	4,957	5,360
Capital lease proceeds	-	-	136,444	-
Issuance of refunding bonds	-	-	925,000	525,000
Bond issuance/bond premium	3,005,000	6,835,000	825,000	1,030,000
Insurance recoveries	-	-	-	-
Redemption of refunded bonds	-	(1,265,000)	(635,000)	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	1,900,187	3,063,829	1,058,790	1,044,991
Transfers out	(1,791,948)	(3,083,110)	(1,333,243)	(1,041,491)
Total other financing sources (uses)	<u>3,119,414</u>	<u>5,626,095</u>	<u>981,948</u>	<u>1,563,860</u>
Special items:				
Grand Rapids / Itasca County Airport	-	-	-	347,629
Merger with Grand Rapids Township	-	-	574,001	-
Net change in fund balance	<u>(\$1,559,507)</u>	<u>(\$857,764)</u>	<u>(\$458,240)</u>	<u>(\$3,429,599)</u>
Debt service as a percentage of noncapital expenditures	22.5%	24.2%	25.2%	27.6%

Table 4

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$6,553,504	\$6,772,986	\$6,951,608	\$7,549,081	\$7,802,196	\$8,179,557
202,354	324,015	275,941	343,241	259,518	332,376
4,434,468	4,671,032	5,014,278	3,887,034	5,726,983	3,771,612
1,546,363	1,760,500	990,937	835,650	989,932	631,282
3,658,568	2,160,357	2,021,418	1,945,088	1,980,441	2,083,233
160,984	204,756	172,374	150,911	140,003	116,367
128,235	80,298	122,519	109,041	107,331	121,034
350,181	388,486	441,708	378,950	899,017	1,093,069
<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>	<u>16,328,530</u>
1,864,611	2,013,753	2,591,609	2,318,002	3,047,872	2,404,189
2,639,573	2,829,259	3,074,009	3,224,886	3,338,016	3,340,909
2,786,207	2,853,198	3,188,479	2,575,664	2,731,258	2,822,303
1,709,487	1,731,099	1,735,137	1,720,627	1,947,341	1,931,650
393,733	523,877	570,460	545,535	514,541	553,452
7,640,162	6,370,341	3,698,823	749,073	5,870,681	4,736,594
3,239,850	3,925,000	5,040,000	2,475,000	2,590,000	2,597,000
802,977	881,735	815,457	764,607	711,789	680,534
8,630	8,855	8,775	8,000	7,600	7,150
-	-	-	-	-	91,038
127,049	112,905	70,491	-	52,693	112,018
<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>19,276,837</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>	<u>(2,948,307)</u>
51,788	55,254	6,900	2,000	55,400	133,885
-	-	-	-	-	-
-	1,525,000	-	-	-	3,013,286
7,397,605	4,134,377	3,000,000	-	2,214,183	2,289,881
105,707	41,032	47,329	35,950	50,778	15,678
-	-	-	-	-	-
-	-	-	-	-	-
705,445	1,855,266	1,053,297	602,038	1,002,717	4,116,142
(601,945)	(1,802,051)	(1,049,797)	(498,538)	(999,217)	(4,112,642)
<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>5,456,230</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$3,480,978</u>	<u>\$921,286</u>	<u>(\$1,744,728)</u>	<u>\$959,052</u>	<u>(\$582,509)</u>	<u>\$2,507,923</u>
26.3%	31.4%	33.9%	23.7%	22.1%	22.5%

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

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
General government	\$464,692	\$424,628	\$728,689	\$821,768
Public safety	1,007,217	1,286,533	823,295	915,580
Public works	3,853,979	5,122,533	2,819,062	5,613,348
Culture and recreation	1,073,066	1,050,224	962,131	1,283,989
Other	-	-	-	-
Total governmental activities program revenues	<u>6,398,954</u>	<u>7,883,918</u>	<u>5,333,177</u>	<u>8,634,685</u>
Business-type activities:				
Golf course	494,371	1,353,040	646,172	561,196
Storm water utility	478,596	484,528	505,336	498,587
Total business-type activities program revenues	<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>	<u>1,059,783</u>
 Total primary government program revenues	<u>\$7,371,921</u>	<u>\$9,721,486</u>	<u>\$6,484,685</u>	<u>\$9,694,468</u>

Table 5

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$493,124	\$597,344	\$566,308	\$594,476	\$781,676	\$567,926
1,073,037	1,100,379	1,122,613	1,141,745	1,083,258	1,133,127
4,825,540	4,537,627	3,325,271	1,922,976	3,971,370	2,193,405
1,014,136	1,066,206	1,059,045	1,070,269	2,115,700	1,700,366
-	-	-	-	-	232,118
<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>	<u>5,826,942</u>
561,753	524,670	555,588	589,499	569,276	567,053
498,189	551,049	553,074	563,011	567,357	592,947
<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>1,160,000</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>	<u>\$6,986,942</u>

CITY OF GRAND RAPIDS, MINNESOTA

TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Table 6

Fiscal Year Ended December 31	Residential Property	Commercial/ Industrial Property	All Other	Total Tax Capacity	Less: Fiscal Disparity Contribution	Adjusted Tax Capacity Value	Total Direct Tax Rate	Estimated Market Value	Tax Capacity as a Percent of EMV
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	9,518,397	1,109,824	8,408,573	79.232	786,530,358	1.07%
2017	4,756,343	3,960,710	882,231	9,599,284	1,192,888	8,406,396	82.208	792,082,220	1.06%

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	
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
2017	63.426	18.782	82.208	60.240	16.909	-	0.293	159.650

*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	2017			2008		
	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	6.46%	\$740,722	1	9.79%
Enbridge Energy, LP	434,648	2	4.53%	-	-	-
Wal-Mart Stores	207,352	3	2.16%	71,438	8	0.94%
Burlington Northern & Santa Fe	146,572	4	1.53%	-	-	-
Enbridge Energy Pipelines	139,513	5	1.45%	-	-	-
Grand Hospitality LLC	113,995	6	1.19%	-	-	-
ASV, Inc.	112,032	7	1.17%	126,906	2	1.68%
Target Corporation	108,442	8	1.13%	92,202	5	1.22%
Arrowhead Promotion & Fulfillment Co	106,404	9	1.11%	105,786	4	1.40%
Home Depot USA, Inc	100,430	10	1.03%	116,084	3	1.53%
Horseshoe Professional Bldg.	-	-	-	74,106	7	0.98%
Jerry Miner Realty Inc	-	-	-	79,370	6	1.05%
GR Development Corp.	-	-	-	64,958	9	0.86%
K Mart Corporation	-	-	-	58,950	10	0.78%
Total principal taxpayers	2,089,664		21.77%	1,530,522		20.22%
All other taxpayers	7,509,620		78.23%	6,038,916		79.78%
Total	<u>\$9,599,284</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
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%	79,316	5,525,152	96.35%
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%	94,635	6,108,426	99.73%
2014	6,281,859	6,201,927	98.73%	79,932	6,281,859	100.00%
2015	6,845,166	6,774,792	98.97%	66,265	6,841,057	99.94%
2016	6,951,560	6,847,996	98.51%	54,937	6,902,933	99.30%
2017	7,258,674	7,169,418	98.77%	-	7,169,418	98.77%

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		
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
2017	8,821,458	17,584,683	730,000	40,936	27,177,077	111,968	27,289,045	2,386

Note: Personal income not available.
 Excludes component units.
 Includes unamortized issuance premium for 2014 through 2017

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>
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
2017	8,821,458	1.1137%	771.44

a See Table 6 for Estimated Market Value data.
b Population can be found in Table 13.
c Includes unamortized issuance premium for 2014 through 2017

	<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⁾	\$27,177,077	100.00%	\$27,177,077
Overlapping debt:			
Itasca County	24,170,000	13.30%	3,214,610
School District 318	<u>33,590,000</u>	19.20%	<u>6,449,280</u>
Total overlapping debt	<u>57,760,000</u>		<u>9,663,890</u>
Total direct and overlapping debt	<u><u>\$84,937,077</u></u>		<u><u>\$36,840,967</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 \$436,141.

(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

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

Table 13

Legal Debt Margin Calculation for Fiscal Year 2017

Estimated Market value	\$792,082,220
Debt limit percentage*	<u>3%</u>
Debt limit amount	<u>23,762,467</u>
Debt applicable to limit:	
Lease revenue bonds	-
General obligation bonds	<u>8,821,458</u>
	8,821,458
Less:	
Cash and equivalents in G.O. Bond Debt Service Funds	<u>(2,233,195)</u>
Total net debt applicable to limit	<u>6,588,263</u>
Legal debt margin	<u><u>\$17,174,204</u></u>

Legal Debt Margin Calculation for Fiscal Years 2008 Through 2017

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
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
2017	11,435	23,762,467	6,588,263	17,174,204	27.73%	576.15

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	
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%
2017	412,018	1,495,000	380,497	21.97%	383,897	20,000	33,170	722.02%

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>
2008	8,926	Information Not Available		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%	
2017	11,435		6.10%	

Source: Minnesota Department of Employment and Economic Development

CITY OF GRAND RAPIDS, MINNESOTA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 16

Taxpayer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318(1)	650	1	8.28%	1,009	1	11.06%
Grand Itasca Clinic & Hospital	526	2	6.70%	600	2	6.58%
Itasca County	431	3	5.49%	400	4	4.39%
UPM Blandin Paper Mill	400	4	5.09%	500	3	5.48%
Grand Village Nursing Home(3)	250	5	3.18%	200	9	2.19%
Arrowhead Promo & Fulfillment	220	6	2.80%	250	6	2.74%
Wal-Mart	183	7	2.33%	302	5	3.31%
ASV Inc.(4)	153	8	1.95%	245	7	2.69%
Minnesota Department of Natural Resources	135	9	1.72%	-	-	-
City of Grand Rapids(2)	148	10	1.88%	225	8	2.47%
Target Corporation	-	-	-	150	10	1.64%
Total	3,096		39.42%	3,881		42.55%
All other employers	4,757		60.58%	5,239		57.45%
Total	7,853		100.00%	9,120		100.00%

Source: Minnesota Department of Employment and Economic Development

Source: ReferenceUSA, written and telephone survey (November 2017).

(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) Formerly known as Itasca County Nursing Home.

(4) Formerly Terex Corp., Inc.

CITY OF GRAND RAPIDS, MINNESOTA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Table 17

Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of December 31									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Administration	4.50	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.00	4.00
Finance	5.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Community development	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.55	4.55
Engineering	3.45	3.45	2.45	2.45	2.45	2.45	2.45	2.45	2.45	3.45
Information technology	2.00	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police officers and dispatchers	23.50	23.50	20.50	20.50	21.50	21.50	22.50	22.50	22.50	25.50
Public works	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00	14.00	16.00
Parks and recreation	4.00	4.00	4.00	3.00	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	8.50	8.50
Golf course	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	<u>72.25</u>	<u>71.00</u>	<u>66.00</u>	<u>65.00</u>	<u>65.75</u>	<u>66.75</u>	<u>67.75</u>	<u>67.75</u>	<u>68.00</u>	<u>74.00</u>

The City has 30 paid-on-call firefighters.

Source: City Finance Department

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

Table 18

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Physical and sexual assaults	170	160	303	405	449	605	460	441	346	145
Parking citations	755	763	590	849	579	537	314	239	208	590
DUI arrests	138	104	91	171	199	135	211	117	110	94
Traffic citations	2,419	1,754	2,959	2,588	2,764	2,113	1,544	2,175	1,579	1,366
Accidents	557	550	531	569	536	543	568	495	451	416
Fire:										
Emergency responses	174	182	172	166	200	174	138	167	182	212
Haz-Mat responses	4	5	27	4	4	14	36	53	17	13
Inspections	62	91	103	112	69	62	100	55	6	5
Community development:										
Permits issued:										
Commercial	97	97	109	120	133	138	96	110	120	153
Governmental	7	-	11	14	14	16	25	20	29	22
Residential	271	376	401	386	495	442	373	401	405	382
Public works:										
Streets swept (miles)	88	92	93	93	93	93	93	93	93	93
Roads (miles)	88	92	93	93	93	93	93	93	93	93
Streetlights	1,093	1,288	1,290	1,321	1,321	1,326	1,325	1,325	1,325	1,578
Parks and recreation:										
Playgrounds	10	10	10	10	10	10	11	10	11	11
Baseball/softball fields	6	6	6	7	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	88,570	84,440	82,338	79,400	79,866	75,343	75,173	75,751	74,541	70,991
Total volumes borrowed	196,315	190,895	202,908	187,569	187,035	183,311	172,438	173,954	163,483	160,089
Golf course:										
Number of passes sold										
Junior*	100	104	115	115	64	57	59	77	57	46
Young adult*	19	20	22	27	38	18	14	15	12	11
Single	139	145	135	129	120	106	110	107	128	113
Family	83	89	85	80	79	63	63	74	63	60

*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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	18	18	20	20	20	20	20	20	20
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of streets maintained	88	92	93	93	93	93	93	93	95	95
Miles of sidewalks maintained	88	90	91	91	91	91	91	100	103	103
Miles of curbs and gutters maintained	109	112	112	112	112	112	112	112	113	113
Parks and recreation:										
Community parks and playgrounds	24	24	24	24	24	24	24	26	25	25
Total acres	227	227	227	227	227	227	227	350	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, 2017

	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 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 Refunding Bonds of 2017B	2.3 - 3.0	12/28/2017	2/1/2034
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
Street Reconstruction Bonds of 2016A	0.850 - 2.2	10/5/2016	2/1/2032
Street Reconstruction Bonds of 2017A	3.0 - 3.45	9/7/2017	2/1/2033
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 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 01/01/17	2017		Payable 12/31/17	Due in 2018	
Original Issue	Payments		Issued	Payments		Principal	Interest
\$850,000	\$100,000	\$750,000	\$ -	\$20,000	\$730,000	\$730,000	\$16,375
470,000	435,000	35,000	-	35,000	-	-	-
2,505,000	1,555,000	950,000	-	170,000	780,000	780,000	15,600
1,775,000	845,000	930,000	-	125,000	805,000	805,000	16,607
1,150,000	700,000	450,000	-	75,000	375,000	75,000	13,650
1,145,000	505,000	640,000	-	75,000	565,000	565,000	12,525
4,565,000	1,590,000	2,975,000	-	300,000	2,675,000	310,000	126,465
1,115,000	470,000	645,000	-	85,000	560,000	80,000	16,576
1,555,000	560,000	995,000	-	135,000	860,000	125,000	20,153
2,245,000	420,000	1,825,000	-	140,000	1,685,000	140,000	41,938
4,175,000	1,035,000	3,140,000	-	265,000	2,875,000	265,000	54,789
1,525,000	555,000	970,000	-	200,000	770,000	200,000	7,106
3,000,000	220,000	2,780,000	-	230,000	2,550,000	235,000	49,480
-	-	-	2,920,000	-	2,920,000	-	51,312
25,225,000	8,890,000	16,335,000	2,920,000	1,835,000	17,420,000	3,580,000	426,201
1,785,000	1,565,000	220,000	-	220,000	-	-	-
1,010,000	420,000	590,000	-	65,000	525,000	525,000	11,650
1,005,000	615,000	390,000	-	125,000	265,000	130,000	9,473
635,000	445,000	190,000	-	90,000	100,000	100,000	1,125
4,025,000	430,000	3,595,000	-	235,000	3,360,000	240,000	101,988
2,170,000	-	2,170,000	-	-	2,170,000	115,000	42,910
-	-	-	2,130,000	-	2,130,000	-	60,278
10,630,000	3,475,000	7,155,000	0	735,000	8,550,000	1,110,000	227,424
136,444	81,864	54,580	-	13,644	40,936	13,644	-
100,000	-	100,000	-	-	100,000	-	-
350,000	17,500	332,500	-	17,500	315,000	17,500	-
175,000	18,266	156,734	-	-	156,734	-	-
293,000	-	293,000	-	-	293,000	-	-
90,000	8,637	81,363	-	-	81,363	8,688	814
147,000	140,000	7,000	-	7,000	-	-	-
1,079,657	867,657	212,000	-	68,000	144,000	71,000	4,378
925,000	620,000	305,000	-	100,000	205,000	100,000	9,746
28,509,779	8,025,779	20,484,000	-	1,215,000	19,269,000	1,366,000	558,801
3,965,000	1,660,000	2,305,000	-	430,000	1,875,000	440,000	59,546
2,025,000	275,000	1,750,000	-	95,000	1,655,000	95,000	41,188
2,305,000	220,000	2,085,000	-	130,000	1,955,000	130,000	71,725
1,700,000	150,647	1,549,353	-	154,650	1,394,703	158,761	35,779
40,509,436	11,819,083	28,690,353	0	2,192,650	26,497,703	2,360,761	781,163
\$78,505,880	\$24,550,350	\$53,955,530	\$2,920,000	\$4,820,794	\$54,184,736	\$7,820,593	\$1,451,977

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CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS
December 31, 2017

Exhibit 2

	Tax Increment Bonds Series 2008A	Street Reconstruction Bonds Series 2008B	Equipment Certificates Series 2009D	Capital Improvement Plan Bonds Series 2010A	Street Reconstruction Bonds Series 2013B	Street Reconstruction Bonds Series 2016A	Street Reconstruction Bonds Series 2017A	Total
Bonds payable	\$730,000	\$525,000	\$265,000	\$100,000	\$3,360,000	\$2,170,000	\$2,130,000	\$9,280,000
Future interest payable	16,375	11,650	12,746	1,125	690,031	352,340	619,290	1,703,557
Totals	<u>\$746,375</u>	<u>\$536,650</u>	<u>\$277,746</u>	<u>\$101,125</u>	<u>\$4,050,031</u>	<u>\$2,522,340</u>	<u>\$2,749,290</u>	<u>\$10,983,557</u>
Payments to maturity:								
2018	\$746,375	\$536,650	\$139,472	\$101,125	\$341,987	\$157,910	\$60,278	\$2,083,797
2019	-	-	138,274	-	339,713	170,460	155,625	804,072
2020	-	-	-	-	342,212	167,860	182,475	692,547
2021	-	-	-	-	339,488	170,210	183,800	693,498
2022	-	-	-	-	331,688	167,510	180,050	679,248
2023	-	-	-	-	333,738	169,760	181,225	684,723
2024	-	-	-	-	335,487	166,960	182,250	684,697
2025	-	-	-	-	336,938	169,110	183,125	689,173
2026	-	-	-	-	337,712	171,160	183,850	692,722
2027	-	-	-	-	332,881	168,160	179,500	680,541
2028	-	-	-	-	337,325	170,110	179,963	687,398
2029	-	-	-	-	340,863	167,010	180,159	688,032
2030	-	-	-	-	-	168,860	180,118	348,978
2031	-	-	-	-	-	170,445	179,754	350,199
2032	-	-	-	-	-	166,815	179,058	345,873
2033	-	-	-	-	-	-	178,063	178,063
	<u>\$746,375</u>	<u>\$536,650</u>	<u>\$277,746</u>	<u>\$101,125</u>	<u>\$4,050,031</u>	<u>\$2,522,340</u>	<u>\$2,749,290</u>	<u>\$10,983,557</u>

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2017

	2006C Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds	2008C Improvement Bonds	2009C Improvement Bonds
Bonds payable	\$780,000	\$805,000	\$375,000	\$565,000	\$2,675,000
Future interest payable	15,600	16,607	38,101	12,525	565,743
Totals	<u>\$795,600</u>	<u>\$821,607</u>	<u>\$413,101</u>	<u>\$577,525</u>	<u>\$3,240,743</u>
Payments to maturity:					
2018	\$795,600	\$821,607	\$88,650	\$577,525	\$436,465
2019	-	-	85,650	-	427,009
2020	-	-	82,650	-	416,768
2021	-	-	79,613	-	405,964
2022	-	-	76,538	-	404,335
2023	-	-	-	-	391,866
2024	-	-	-	-	383,663
2025	-	-	-	-	374,673
2026	-	-	-	-	-
2027	-	-	-	-	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
2031	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
	<u>\$795,600</u>	<u>\$821,607</u>	<u>\$413,101</u>	<u>\$577,525</u>	<u>\$3,240,743</u>

2010A Improvement Bonds	2011B Improvement Refunding Bonds	2012A Improvement Bonds	2012B Improvement Bonds	2013A Improvement Bonds	2014A Improvement Bonds	Street Reconstruction Bonds Series 2017B	Total
\$560,000	\$860,000	\$1,685,000	\$2,875,000	\$770,000	\$2,550,000	2,920,000	\$17,420,000
84,224	108,646	297,558	327,322	17,275	362,679	409,215	2,255,495
<u>\$644,224</u>	<u>\$968,646</u>	<u>\$1,982,558</u>	<u>\$3,202,322</u>	<u>\$787,275</u>	<u>\$2,912,679</u>	<u>3,329,215</u>	<u>\$19,675,495</u>
\$96,575	\$145,153	\$181,938	\$319,789	\$207,105	\$284,480	\$51,312	\$4,006,199
69,885	137,950	185,118	321,443	205,505	282,100	544,750	2,259,410
68,303	120,629	182,942	322,489	198,484	289,094	535,725	2,217,084
71,575	83,660	180,478	322,908	176,181	245,770	526,550	2,092,699
69,700	81,962	182,722	317,728	-	237,330	507,375	1,877,690
67,750	80,142	184,572	322,025	-	238,480	360,300	1,645,135
65,725	78,182	181,162	320,807	-	239,120	217,275	1,485,934
68,534	81,007	176,125	319,112	-	239,230	53,815	1,312,496
66,177	78,701	176,088	316,926	-	169,775	52,895	860,562
-	81,260	175,888	319,095	-	170,885	56,918	804,046
-	-	175,525	-	-	171,710	55,725	402,960
-	-	-	-	-	172,240	59,300	231,540
-	-	-	-	-	172,465	62,725	235,190
-	-	-	-	-	-	56,150	56,150
-	-	-	-	-	-	59,575	59,575
-	-	-	-	-	-	62,850	62,850
-	-	-	-	-	-	65,975	65,975
<u>\$644,224</u>	<u>\$968,646</u>	<u>\$1,982,558</u>	<u>\$3,202,322</u>	<u>\$787,275</u>	<u>\$2,912,679</u>	<u>\$3,329,215</u>	<u>\$19,675,495</u>

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CITY OF GRAND RAPIDS, MINNESOTA

TAXABLE VALUATIONS

December 31, 2017

Exhibit 4

	2018 Tax Capacity Values	2017 Tax Capacity Values
	<u> </u>	<u> </u>
Taxable valuations:		
Real estate	\$8,666,121	\$8,717,053
Personal property	937,951	882,231
Net tax capacity	<u>9,604,072</u>	<u>9,599,284</u>
Less: Captured tax increment value	(255,705)	(283,535)
Fiscal disparities contributions	<u>(1,216,383)</u>	<u>(1,192,888)</u>
 Taxable net tax capacity	 <u><u>\$8,131,984</u></u>	 <u><u>\$8,122,861</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION BONDS
December 31, 2017

Year of Levy/ Collection	Supplemental Improvement Bond Levy ⁽¹⁾	\$1,775,000	\$1,010,000	\$1,145,000	\$4,565,000	\$1,005,000	\$1,750,000
		Improvement Bonds Series 2007A	GO Street Reconstr Bonds Series 2008B	Improvement Bonds Series 2008C	Improvement Bonds Series 2009C ⁽²⁾	Equipment Certificates Series 2009D ⁽²⁾	Improvement and CIP Bonds Series 2010A
2017/2018	(\$57,500)	\$ -	\$ -	\$ -	\$308,920	\$144,581	\$8,073
2018/2019	(82,500)	-	-	-	302,266	-	54,608
2019/2020	(82,500)	-	-	-	299,186	-	58,648
2020/2021	(32,500)	-	-	-	306,205	-	57,130
2021/2022	(32,500)	-	-	-	301,787	-	55,611
2022/2023	(32,500)	-	-	-	302,370	-	53,936
2023/2024	(55,000)	-	-	-	302,248	-	57,510
2024/2025	(55,000)	-	-	-	-	-	55,486
2025/2026	(55,000)	-	-	-	-	-	-
2026/2027	(30,000)	-	-	-	-	-	-
2027/2028	-	-	-	-	-	-	-
2028/2029	-	-	-	-	-	-	-
2029/2030	-	-	-	-	-	-	-
2030/2031	-	-	-	-	-	-	-
2031/2032	-	-	-	-	-	-	-
	<u>(\$515,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,122,982</u>	<u>\$144,581</u>	<u>\$401,002</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.

⁽³⁾Schedule of Deferred Tax Levies excludes levy for GO Improvement Bonds Series 2006C

\$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	\$2,130,000 GO Street Reconst Bonds Series 2017A	\$2,920,000 Improvement Refunding Bonds Series 2017B ⁽³⁾	Total
\$54,054	\$133,857	\$103,676	\$110,350	\$279,393	\$152,389	\$165,000	\$269,275	\$1,672,068
58,755	131,572	101,036	263,132	287,117	177,618	170,400	298,353	1,762,357
57,848	128,985	99,101	260,350	241,580	180,138	171,870	301,959	1,717,165
56,943	131,341	-	252,160	232,886	177,303	167,933	298,549	1,647,950
55,779	133,284	-	254,470	234,356	179,718	169,245	296,807	1,648,557
54,615	129,704	-	256,465	235,301	176,778	170,400	178,448	1,525,517
58,407	124,414	-	258,145	235,700	179,088	171,397	-	1,331,909
56,792	124,376	-	259,510	162,032	181,293	172,237	-	956,726
60,309	124,165	-	254,522	163,345	178,143	167,670	-	893,154
-	123,784	-	259,864	164,363	180,243	168,353	-	866,607
-	-	-	263,854	165,077	176,988	168,641	-	774,560
-	-	-	-	165,476	178,983	168,765	-	513,224
-	-	-	-	-	180,873	168,555	-	349,428
-	-	-	-	-	177,061	168,000	-	345,061
-	-	-	-	-	-	167,093	-	167,093
<u>\$513,502</u>	<u>\$1,285,482</u>	<u>\$303,813</u>	<u>\$2,692,822</u>	<u>\$2,566,626</u>	<u>\$2,476,616</u>	<u>\$2,535,559</u>	<u>\$1,643,391</u>	<u>\$16,171,376</u>

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

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

We have audited the 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Grand Rapids, Minnesota's basic financial statements, and have issued our report thereon dated _____, 2018. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Public Utilities Commission were not audited in accordance with *Government Auditing Standards*. Our report includes a reference to other auditors who audited the financial statements of the Public Utilities Commission (a discretely presented component unit), as described in our report on the City of Grand Rapids, Minnesota's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control over Financial Reporting

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

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Grand Rapids, Minnesota's internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2018

MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited the 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018. 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. The financial statements of the Public Utilities Commission were not audited in accordance with *Government Auditing Standards*. Our report includes a reference to other auditors who audited the financial statements of the Public Utilities Commission (a discretely presented component unit), as described in our report on the City of Grand Rapids, Minnesota's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2018

2017 Audit Review
April 23, 2018

David Mol, CPA
Partner
Phone: 651.407.5803
Email: dmol@redpathcpas.com

Reports to be Issued by Auditor

- Opinion on the Fair Presentation of the Financial Statements
- Report on Internal Controls
- Report on Minnesota Legal Compliance
- Audit Management Letter / Communication to Those Charged with Governance

Opinion on Financial Statements

- What did we do?
 - Audited the financial statements, which are the responsibility of management.
- How did we do it?
 - Audit Standards
 - GAAS (AICPA)
 - GAGAS (GAO)
 - Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- What is the result?
 - Draft report has been issued pending completion of PUC audit. A “clean” opinion is anticipated to be issued on the 2017 financial statements.

Excellence in Financial Reporting



Government Finance Officers Association

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

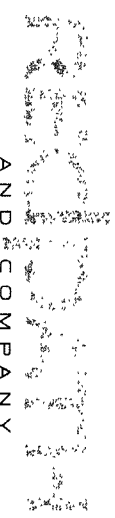
Presented to

**City of Grand Rapids
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Merrill
Executive Director/CEO



Report on Internal Controls

- What did we do?
 - We gained an understanding of internal controls in place and their effectiveness in order to design our audit procedures for expressing an opinion on the financial statements.
- How did we do it?
 - Obtain understanding of controls on each major class of transaction and account balance.
 - Select a sample of transactions and perform detailed tests to determine adherence to controls in place and effectiveness.
- What is the result?
 - Draft report has been issued. No findings on internal control over financial reporting.

Report on Minnesota Legal Compliance

- **What did we do?**
 - Followed the audit guide published by the Office of the State Auditor. The guide consists of seven sections:
 - Depositories of public funds and investments
 - Conflicts of interest
 - Public Indebtedness
 - Contracting bid laws
 - Claims and disbursements
 - Miscellaneous provisions
 - Tax increment
- **How did we do it?**
 - Select sample of transactions to test for compliance with statutory provisions.
- **What is the result?**
 - No findings of noncompliance.

Communication to Those Charged with Governance

- Accounting policies used and/or changed.
 - New disclosures regarding tax abatements and fair value of investments.
- Accounting estimates in the financial statements.
 - Net OPEB Obligation (\$338,000)
 - Net Pension Liability (\$5,101,000)
- No difficulties encountered in performing the audit.
- No disagreements with management.
- Other Matters
 - More changes in accounting standards on the way.

Financial Highlights

- Property tax collection rate – 99% for 2017
- Assessment collection rate – 99% for 2017
- The General Fund has met the desired cash flow reserve needs. However, the emergency reserve requirements were not met at December 31, 2017
- The City issued the 2017B bonds to refund five Bond Issues. The refunding will result in a debt service savings of \$215,000

Summary of Financial Activity

Fund Type	Revenues	Expenditures	Bonds Issued	Interfund Transfers (Net)	Increase (Decrease) in Fund Balance	Fund Balance 12/31/2017	Cash Balance 12/31/2017
General Fund	\$9,002,000	\$8,186,000	\$ -	(\$785,000)	\$31,000	\$6,271,000	\$4,599,000
Special Revenue Funds	2,332,000	2,560,000	-	250,000	22,000	768,000	926,000
Debt Service Funds	3,454,000	3,730,000	3,013,000	124,000	2,861,000	9,777,000	11,036,000
Capital Project Funds	1,690,000	4,802,000	2,290,000	415,000	(407,000)	689,000	1,071,000
Enterprise Funds	1,172,000	1,365,000	-	(4,000)	(197,000)	2,979,000	320,000
Total	<u>\$17,650,000</u>	<u>\$20,643,000</u>	<u>\$5,303,000</u>	<u>\$ -</u>	<u>\$2,310,000</u>	<u>\$20,484,000</u>	<u>\$17,952,000</u>

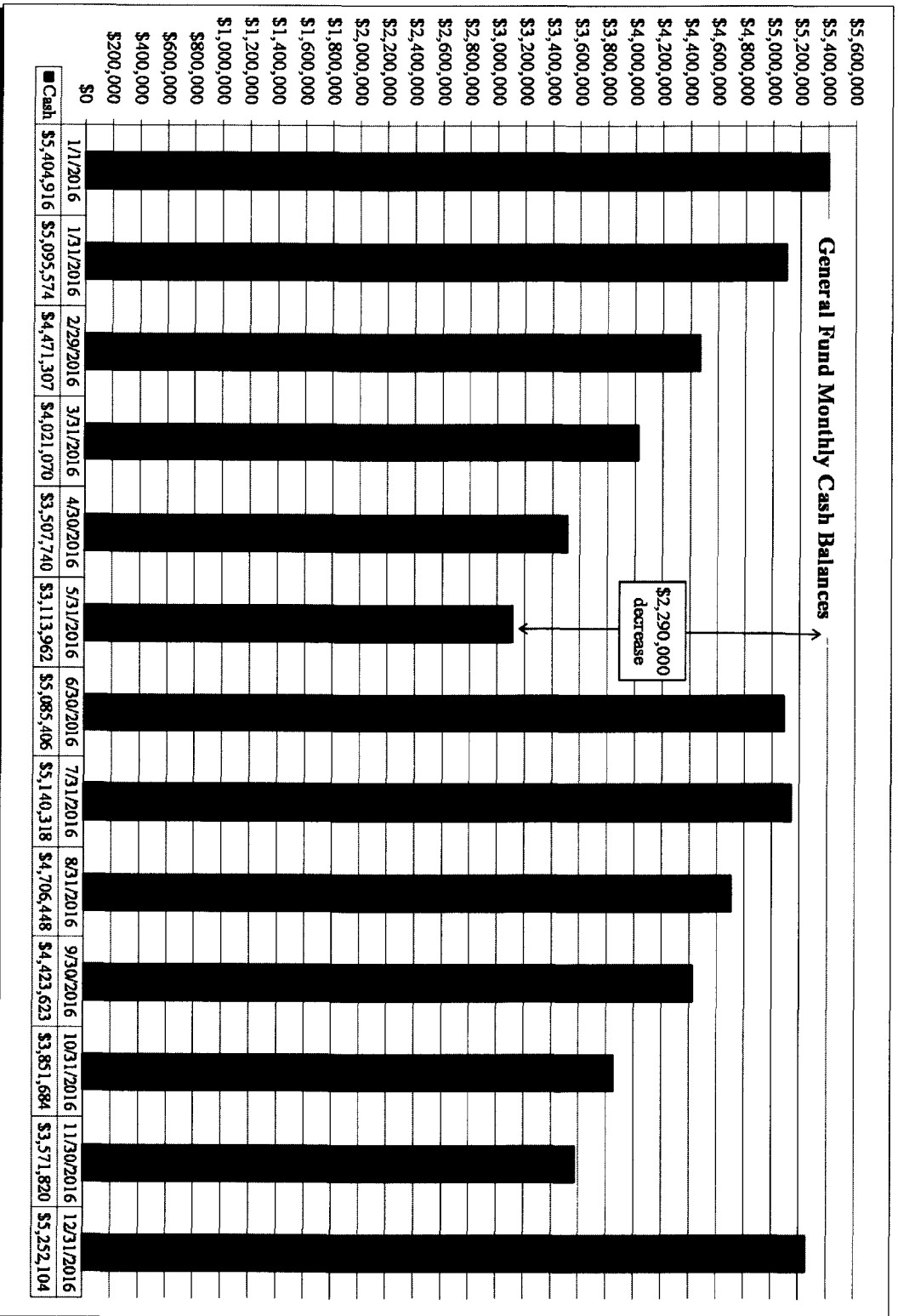
General Fund

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues	\$8,702,000	\$8,890,000	\$188,000
Expenditures	8,107,000	8,186,000	(79,000)
Revenues over (under) expenditures	595,000	704,000	109,000
Other sources (uses):			
Sale of capital assets	-	106,000	106,000
Insurance recoveries	-	6,000	6,000
Transfers in	4,000	31,000	27,000
Transfers out	(511,000)	(815,000)	(304,000)
Total other sources (uses)	(507,000)	(672,000)	(165,000)
Net change in fund balance	<u>\$88,000</u>	<u>\$32,000</u>	<u>(\$56,000)</u>

General Fund Balance

	Fund Balance Constraint	2017				
		Balance 12/31/16	Increase (Decrease)	Balance 12/31/17	Targeted Balance	Difference
1	Nonspendable:					
2	Interfund loan	\$590,609	\$410,312	\$1,000,921	\$1,000,921	\$ -
3	Prepaid items	46,345	60,960	107,305	107,305	-
4	Restricted:					
5	Cash - Superior USA	10,451	2,437	12,888	12,888	-
6	Donor restrictions	7,126	1,663	8,789	8,789	-
7	Committed:					
8	Revenue stabilization	517,869	96,053	613,922	854,136	(240,214)
9	Unassigned (Available for Reserves)					
10	Cash flow	3,381,834	69,506	3,451,340	3,451,340	-
11	Compensated absences	367,939	15,412	383,351	383,351	-
12	Emergency / unanticipated	843,650	(151,595)	692,055	854,136	(162,081)
13	Economic development	473,107	(473,107)	-	697,469	(697,469)
14	Unassigned	-	-	-	-	-
15	Total	<u>\$6,238,930</u>	<u>\$31,641</u>	<u>\$6,270,571</u>	<u>\$7,370,335</u>	<u>(\$1,099,764)</u>

General Fund Monthly Cash Balances



Special Revenue Funds

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2017	Comments
Public Library	\$892,507	\$861,257	\$ -	\$31,250	\$514,909	This fund had a balanced budget for 2017. Revenues exceeded budget by \$29,000.
Central School	63,652	121,971	63,839	5,520	56,871	The City budgeted an increase in fund balance of \$5,400.
Airport Operations	204,663	215,047	20,000	9,616	196,613	This fund had a balanced budget for 2017. Expenditures were under budget by \$8,500.
IRA Civic Center	737,927	907,179	145,067	(24,185)	(163,033)	The City budgeted an increase of \$31,326. Electricity costs for 2017 exceeded budget by \$77,000 due to new meter providing accurate readings.
Recreation Programs	61,389	63,652	-	(2,263)	1,924	Revenues were under budget by \$11,000 and expenditures were under budget by \$9,000.
Haz-Mat	87,515	87,515	-	-	973	Balanced budget for 2017.
Police Forfeiture	16,431	18,725	-	(2,294)	63,683	Budgeted an increase in fund balance of \$11,000. Expenditures exceeded budget by \$5,500 and revenues were under budget by \$7,500.
Cemetery	231,905	227,989	-	3,916	88,794	Balanced budget for 2017. Expenditures were under budget by \$5,000.
Domestic Animal Control Facility	36,017	56,217	20,200	-	7,621	Balanced budget for 2017. Receives budgeted transfer from General Fund.
Totals	\$2,332,006	\$2,559,552	\$249,106	\$21,560	\$768,355	

Recreation Programs Fund

Year	Fund Balance Increase (Decrease)	Year End Fund Balance
2013	(16,515)	25,380
2014	(16,252)	9,128
2015	(12,540)	(3,412)
2016	7,599	4,187
2017	(2,263)	1,924
2018 Budget	-	1,924

Debt Service Funds

Fund Description	December 31, 2017			Outstanding Debt	Scheduled Ad-valorem Property Taxes	Final Maturity Date
	Fund Balance	Deferred Revenue	Total			
Special Assessment Debt:						
1 Improvement Bonds of 2006C	1,447,359	243,670	1,691,029	780,000 (4)	-	2/1/2018
2 Improvement Bonds of 2007A	922,166	119,218	1,041,384	805,000 (4)	-	2/1/2018
3 Improvement Bonds of 2008C	654,487	66,686	721,173	565,000 (4)	-	2/1/2018
4 Improvement Bonds of 2009C	809,444	309,407	1,118,851	2,675,000	2,122,982 (1)	2/1/2025
5 Improvement Bonds of 2010A	312,062	62,939	375,001	560,000	401,002	2/1/2026
6 Improvement Bonds of 2011B	413,548	291,153	704,701	860,000	513,502	2/1/2027
7 Improvement Bonds of 2012A	870,227	277,861	1,148,088	1,685,000	1,285,482	2/1/2028
8 Improvement Bonds of 2013A	580,263	547,879	1,128,142	770,000	303,813	2/1/2021
9 Improvement Bonds of 2013B	999,947	329,649	1,329,596	3,360,000	2,692,822	2/1/2029
10 Improvement Bonds of 2014A	390,794	104,731	495,525	2,550,000	2,566,626	2/1/2030
11 Improvement Bonds of 2016A	302,451	196,729	499,180	2,170,000	2,476,616	2/1/3032
12 Refunding Bonds of 2017B	3,597	-	3,597	2,920,000	1,643,391 (2)	2/1/2034
13 Supplemental levy	-	-	-	-	(515,000)	(3)
14 Total special assessment debt	<u>7,706,345</u>	<u>2,549,922</u>	<u>10,256,267</u>	<u>19,700,000</u>	<u>13,491,236</u>	

(1) These are "Build America Bonds", the interest is subsidized by a federal credit.

(2) Does not include future tax increment levies

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

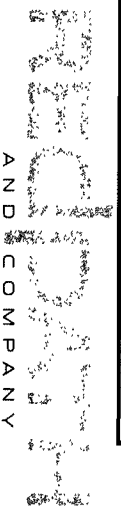
(4) These bonds were refunded on 2/1/18 with proceeds of the 2017B bonds

Debt Service Funds - TIF

Fund	Revenue and Other Sources	Expenditures and Other Uses	Increase (Decrease) in Fund Balance/ Net Position	Fund Balance 12/31/17	PAYGO Balance 12/31/17
Tax Increment 1-6 Old Hospital Housing	762,000	54,000	708,000	770,000	-
Tax Increment 1-6 Old Hospital Housing Paygo	33,000	29,000	4,000	7,000	307,000
Tax Increment 1-5 Black Bear Homes	25,000	91,000	(66,000)	-	-
Tax Increment 1-4 Oakwood Terrace	33,000	-	33,000	368,000	-
Tax Increment 1-7 Block 37 Redevelopment	16,000	14,000	2,000	12,000	389,000
Tax Increment 1-8 Lakewood Heights	36,000	32,000	4,000	14,000	296,000
Tax Increment 1-9 Majestic Pines	166,000	153,000	13,000	24,000	92,000
Tax Increment 1-10 River Hills	32,000	29,000	3,000	3,000	293,000
Total	\$1,103,000	\$402,000	\$701,000	\$1,198,000	\$1,377,000

Capital Project Funds

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2017	Comments
General Capital Improvement Projects	\$99,945	\$237,356	\$81,562	(\$5,849)	\$73,367	2017 expenditures include \$113,000 for the MS River Pedestrian Bridge project and \$30,900 for the Kessler Wellness Center project.
Municipal State Aid	49,072	258,004	-	(208,932)	169,894	2017 expenditures include \$131,000 for the Street Lighting project.
Park Acquisition and Development	309	-	-	309	34,503	
Arts and Culture Capital Project	-	-	27,030	27,030	27,030	
Capital Equipment Replacement	136,327	690,074	150,000	(403,747)	(420,552)	2017 expenditures include Dodge Truck (\$60,000); Epoke spreader (\$97,000); Mack Tandem (\$112,000), Chevy 1-Ton Truck (\$29,000); Mack Truck Fabrication (\$129,000); and 3 Ford Explorer squad cars for \$119,000.
Airport Capital Fund	454,827	470,037	-	(15,210)	41,646	2017 expenditures include \$50,000 for the Airport Master plan project; \$36,500 for the Apron Design project; and \$194,000 for the Taxlane Utilities and Taxlane project.
IRA Civic Center Projects	135,444	252,237	280,000	163,207	(231,462)	2017 expenditures are for the Multi-Use Outdoor Pavilion.
7th Avenue Bridge Rehabilitation	-	-	(122,529)	(122,529)	455,652	This fund is intended for future bridge repair and/or reconstruction.
Permanent Improvement Revolving	18,745	5,864	25,509	38,390	342,016	
2000 Infrastructure - Other	-	300	-	(300)	5,782	
2016 Infrastructure - Bonded	24,331	161,396	-	(137,065)	(91,301)	2017 expenditures include 5th St N improvements
2017 Infrastructure - Bonded	3,061,197	2,719,916	(27,030)	314,251	289,380	2017 expenditures include 4th Ave. & 13th St NW; 9th Street NE; 14th St NW Overlay; 8th Ave. NE Storm Water.
2018 Infrastructure - Bonded	-	6,530	-	(6,530)	(6,530)	
Totals	\$3,980,197	\$4,801,714	\$414,542	(\$406,975)	\$689,425	



Pokegama Golf Course

	2014	2015	2016	2017
Operating revenue	\$555,588	\$588,835	\$569,276	\$567,053
Operating expenses	553,000	593,559	634,682	673,732
Operating income (loss)	2,588	(4,724)	(65,406)	(106,679)
Other income (expense) - net	51,019	1,472	306	8,921
Transfers in	-	-	-	-
Transfers out	(3,500)	(3,500)	(3,500)	(3,500)
Change in net assets	<u>\$50,107</u>	<u>(\$6,752)</u>	<u>(\$68,600)</u>	<u>(\$101,258)</u>

Storm Water Utility

	2014	2015	2016	2017
Operating revenue	\$553,074	\$561,023	\$559,245	\$590,824
Operating expenses	425,389	437,259	669,284	689,836
Operating income	127,685	123,764	(110,039)	(99,012)
Other income (expense) - net	4,429	6,311	12,084	4,002
Transfers out	-	(100,000)	-	-
Change in net assets	<u>\$132,114</u>	<u>\$30,075</u>	<u>(\$97,955)</u>	<u>(\$95,010)</u>

EDA

Fund	Revenue	Expenditures	Change in Fund Balance	Fund Balance 12/31/2017
General	\$2,305	\$16,057	(\$13,752)	\$28,558
Capital Project	294,115	285,124	8,991	713,421
Total	\$296,420	\$301,181	(\$4,761)	\$741,979

CBIL Loans issued	125,100
Swan Machine site work	76,585
Airport South Ind. Park	9,612
Loan repayments	44,403
All other	<u>29,424</u>
Total	<u><u>\$285,124</u></u>