



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

CITY OF GRAND RAPIDS

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Review regular meeting agenda.

MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited, 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 City of Grand Rapids, Minnesota as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated _____, 2014. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit). 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. Accordingly, the Public Utilities Commission is not covered by this report.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 Political Subdivisions*. 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.

HLB TAUTGES REDPATH, LTD.

_____, 2014

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters

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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.

HLB TAUTGES REDPATH, LTD.

_____, 2014

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, 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 _____, 2014. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit). 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. Accordingly, the Public Utilities Commission is not covered by this report.

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.

Ice Arena Rental Receipts

The IRA Civic Center has three primary customers of ice rental time (GRAHA, ISD 318 and Star of the North). Our review of the ice rental billing and receipts disclosed the following:

- Star of the North was not billed timely on two occasions – October 2013 ice rental was invoiced on January 17, 2014 and January 2014 ice rental was invoiced on March 17, 2014.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, 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.

Closing

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.

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.

System Limitation on Review of Time Card Approval

During our review of the payroll system, it was determined that documentation of electronic approval of time sheets can only be maintained for a period of six months after each pay period. This system limitation does not enable an adequate retention of the internal control related to time sheets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We identified the following known items that have not been recorded in the 2013 financial statements:

- ERIP program – The City chose to expense in 2013 the payment that was due in January 2014 (\$70,000). This is not in accordance with Government Accounting Standards. As such, liabilities are understated by \$70,000 at December 31, 2013.
- Unamortized Bond Issuance Costs – The City was required to implement GASB No. 65 in 2013. GASB 65 required that any unamortized bond issuance costs as of January 1, 2013 be eliminated (written-off) by restating prior period financial statements. The City chose to eliminate bond issuance costs (\$333,000) by expensing the unamortized amount in 2013 rather than restating prior periods.

Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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.

Management Representations

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, resulted in accounts previously presented as liabilities being reclassified as deferred inflows of resources.

We noted no transactions entered into by the governmental unit 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, the value of land held for resale, the allocation of project costs between the City and the Public Utilities Commission, and allowance for uncollectible receivables (special assessments and golf course pledges). 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.

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.

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, 2013. 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 engagement letter and during the planning stage of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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. As described in Note 22 to the financial statements, the City changed accounting policies by adopting statement of Governmental Accounting Standards (GASB Statements) No. 61 and 65.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (i.e. blending). The requirements of GASB 61 did not have an effect on the City of Grand Rapids, Minnesota.

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. 67 <i>Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.</i>	2014
Statement No. 68 <i>Financial Reporting for Pensions – an amendment of GASB Statement No. 27.</i>	2015
Statement No. 69 <i>Government Combinations and Disposal of Government Operations.</i>	2014
Statement No. 70 <i>Accounting and Financial Reporting for Non-exchange Financial Guarantees.</i>	2014
Statement No. 71 <i>Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.</i>	2015

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 12/31/2013
General	\$23,533	\$12,314	\$11,219	\$80,858
Capital Project	1,287,371	1,053,960	233,411	827,066
Total	\$1,310,904	\$1,066,274	\$244,630	\$907,924

The Capital Project Fund 2013 expenditures include the following:

DC Manufacturing and Hammerlund Site Work	\$554,745
St. Joes Demolition	\$391,817

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating revenue	\$505,336	\$498,587	\$498,189	\$551,049
Operating expenses	<u>413,097</u>	<u>377,107</u>	<u>341,286</u>	<u>434,932</u>
Operating income	92,239	121,480	156,903	116,117
Other income (expense) - net	2,205	4,248	4,095	1,999
Transfers out	<u>(56,333)</u>	<u>-</u>	<u>(100,000)</u>	<u>(49,715)</u>
Change in net assets	<u>\$38,111</u>	<u>\$125,728</u>	<u>\$60,998</u>	<u>\$68,401</u>

The transfer out for 2012 was to the 2012 Infrastructure Capital Project Fund for the SE 4th Street and Horseshoe/Isleview projects.

The transfer out for 2013 was to the Capital Equipment Replacement Fund.

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating revenue	\$548,820	\$553,201	\$561,653	\$524,670
Operating expenses	<u>451,315</u>	<u>546,903</u>	<u>559,013</u>	<u>552,765</u>
Operating income (loss)	97,505	6,298	2,640	(28,095)
Other income (expense) - net	155,245	7,230	4,948	4,484
Transfers in	317,300	-	-	-
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>
Change in net assets	<u>\$566,550</u>	<u>\$10,028</u>	<u>\$4,088</u>	<u>(\$27,111)</u>

For 2010, the “other income (expense)” includes a gain on sale of capital assets (primarily land) in the amount of \$57,827 and capital contributions in the amount of \$97,352.

CAPITAL PROJECT FUNDS

The financial activity of the Capital Project Funds for 2013 was as follows:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2013	Comments
General Capital Improvement Projects	\$1,115,000	\$1,207,000	\$4,000	(\$88,000)	\$342,000	2013 expenditures include \$961,000 for the ICC Signal project funded by IRRRB and State; and \$149,000 to Reif Center for parking lot.
Municipal State Aid	105,000	22,000	(50,000)	33,000	222,000	
Park Acquisition and Development	33,000	29,000	-	4,000	13,000	
Capital Equipment Replacement	192,000	796,000	237,000	(367,000)	(209,000)	2013 expenditures include a Rescue Pumper (\$603,000), Chevy Tahoe (\$40,000), and a snowblower (\$99,000).
Street Light and Utility Services	-	-	-	-	10,000	
Airport Capital Fund	560,000	669,000	-	(109,000)	13,000	2013 expenditures include land purchase (\$180,000) and hangar apron (\$354,000).
IRA Civic Center Capital Reserve	-	-	-	-	4,000	
7th Avenue Bridge Rehabilitation	-	-	-	-	578,000	
Permanent Improvement Revolving	4,000	194,000	44,000	(146,000)	515,000	2013 expenditures include project 2013-3 Freisen 1st Ave. (\$163,000).
2000 Infrastructure - Other	-	-	-	-	6,000	
2011 Infrastructure - Bonded	-	-	(950,000)	(950,000)	-	\$905,000 transferred to 2012C Grant Anticipation Bonds debt service fund and \$45,000 transferred to PIR.
2012 Infrastructure - Bonded	21,000	309,000	-	(288,000)	454,000	Accounts for infrastructure projects (SE 4th Street Horseshoe/Isleview).
2013 Infrastructure - Bonded	4,443,000	3,349,000	-	1,094,000	531,000	Accounts for Infrastructure projects (7th Av NW, City-wide Overlays, 4th Ave NE, Remer Adtn, Golf Course Road, and Horseshoe).
2014 Infrastructure - Bonded	-	19,000	-	(19,000)	(19,000)	Accounts for Infrastructure projects (Crystal Lake Blvd and City-wide overlays Urban).
Totals	\$6,473,000	\$6,594,000	(\$715,000)	(\$836,000)	\$2,460,000	

As shown above, the Street and Light Utility Fund, IRA Civic Center Projects Fund, 2000 Infrastructure Fund, and the 7th Avenue Bridge Rehab Fund have not had significant activity for the past several years. We recommend Management consider the continued need for these funds and consider if these funds should be closed to a council designated fund.

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 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 will be 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.

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.
2. Old hospital site, low to moderate income housing will be built here:
 - 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 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 ends August 1, 2014.

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

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.

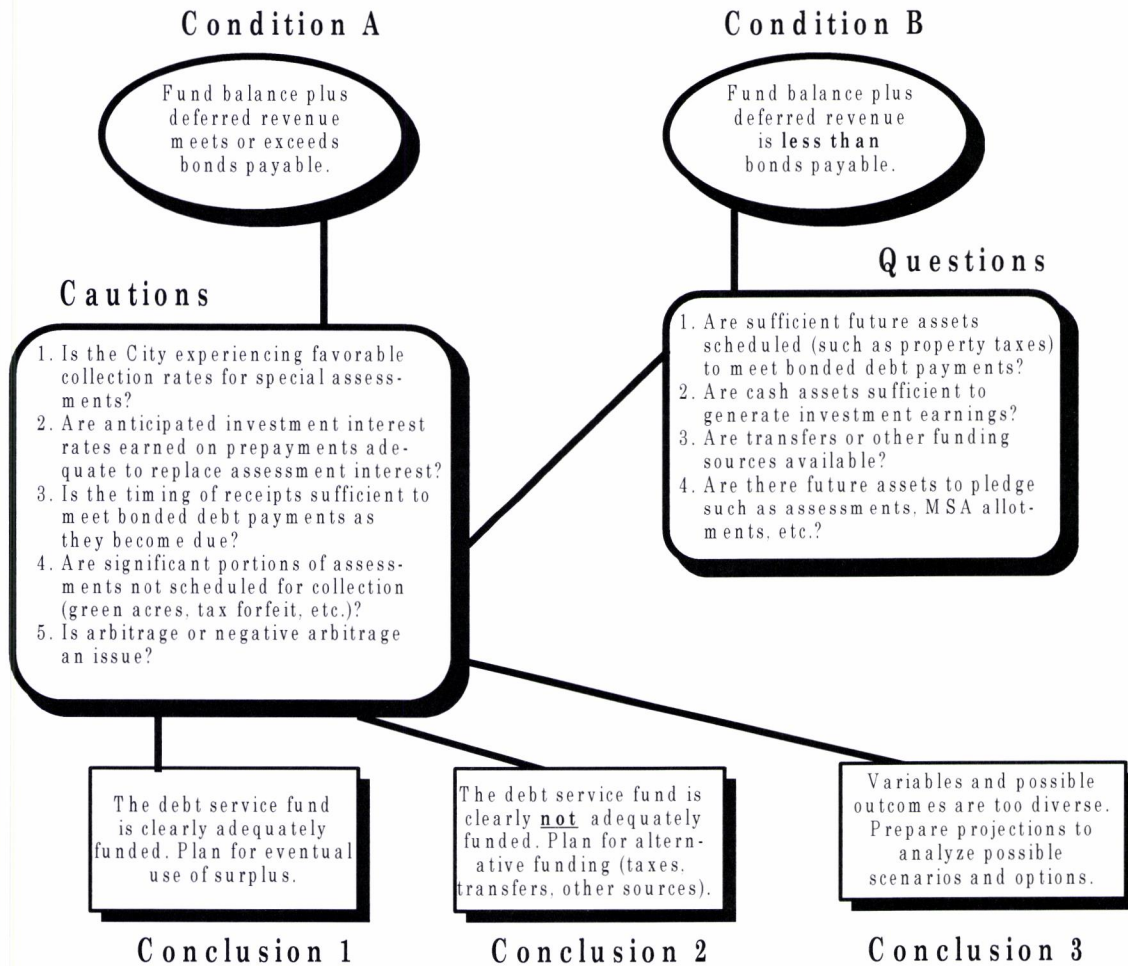
Tax Increment 1-5 (Black Bear Homes)

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 are funded by an interfund loan from the General Capital Improvement Fund.

During 2010, the City requested our office to prepare a debt service analysis update of the City's special assessment Debt Service Funds. Based on the 2010 debt study, we concluded that for several bond issues, the tax levy in future years can be reduced.

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.

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



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, 2013			Outstanding Debt	Scheduled Ad-valorem Property Taxes	Final Maturity Date
	Fund Balance	Deferred Revenue	Total			
General Debt:						
Debt Service Reserve	\$4,790	\$ -	\$4,790	\$ -	\$ -	N/A
State Aid Street Bonds of 2005B	5,427	-	5,427	245,000	-	(4) 4/1/2015
Capital Improvement Plan Bonds of 2006B	6,275	960,192	966,467	830,000	-	2/1/2017
State Aid Street Bonds of 2007B	16,093	-	16,093	675,000	-	(4) 4/1/2022
Street Reconstruction Bonds of 2008B	132,366	42,151	174,517	780,000	783,750	2/1/2024
Equipment Certificates of 2009D	156,882	1,252	158,134	740,000	707,956	(1) 2/1/2024
Capital Improvement Plan Bonds of 2010A	-	-	-	460,000	-	2/1/2026
State Aid Street Bonds of 2012B	(491)	-	(491)	3,920,000	-	(4) 10/1/2027
Grant Anticipation Notes of 2012C	906,933	-	906,933	905,000	-	2/1/2014
Total general debt	1,228,275	1,003,595	2,231,870	8,555,000	1,491,706	
Tax Increment Debt:						
Tax Increment District 1-4 (Oakwood Terrace)	238,784	-	238,784	-	-	(2)
Tax Increment District 1-5 (Black Bear Homes)	(54,756)	12	(54,744)	-	-	(2)
Tax Increment District 1-6 (Old Hospital Housing Bonds)	55,028	-	55,028	805,000	-	(3) 2/1/2034
Tax Increment District 1-6 (Old Hospital Housing Paygo)	(2,964)	1,599	(1,365)	-	-	
Tax Increment District 1-7 (Block 37 Redevelopment)	6,201	-	6,201	-	-	(2)
Tax Increment District 1-8 (Lakewood Heights)	1,631	-	1,631	-	-	(2)
Total tax increment debt	243,924	1,611	245,535	805,000	0	
Special Assessment Debt:						
Improvement Bonds of 2001B	116,230	13,702	129,932	130,000	47,267	2/1/2017
Improvement Bonds of 2004A	-	-	-	-	-	(6) 6/15/2013
Improvement Bonds of 2005A	1,938,527	646,761	2,585,288	1,785,000	-	(6) 2/1/2014
Improvement Bonds of 2006C	934,027	866,271	1,800,298	1,450,000	400,763	2/1/2022
Improvement Bonds of 2007A	284,263	212,972	497,235	1,290,000	1,065,467	2/1/2023
Improvement Bonds of 2008C	181,131	225,369	406,500	865,000	703,103	2/1/2024
Improvement Bonds of 2009B	323,846	16,785	340,631	265,000	45,057	2/1/2016
Improvement Bonds of 2009C	812,017	538,691	1,350,708	3,865,000	3,348,560	(1) 2/1/2025
Improvement Bonds of 2010A	304,714	286,287	591,001	930,000	963,907	2/1/2026
Improvement Bonds of 2011B	326,198	731,499	1,057,697	1,410,000	732,037	2/1/2027
Improvement Bonds of 2012A	405,194	439,873	845,067	2,245,000	1,691,633	2/1/2028
Improvement Bonds of 2013A	351,249	332,358	683,607	1,525,000	816,855	2/1/2021
Improvement Bonds of 2013B	317,745	483,897	801,642	4,025,000	4,079,292	2/1/2029
Supplemental levy	-	-	-	-	(373,422)	(5)
Total special assessment debt	6,295,141	4,794,465	11,089,606	19,785,000	13,520,519	
Total - All Debt Service Funds	\$7,767,340	\$5,799,671	\$13,567,011	\$29,145,000	\$15,012,225	

(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 by the 2013A Bonds.

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.

*Special Revenue Funds***IRA Civic Center**

A summary of activity of this Fund is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	\$602,569	\$632,303	\$670,748	\$671,373
Expenditures	<u>623,246</u>	<u>640,535</u>	<u>696,195</u>	<u>674,407</u>
Revenue over (under) expenditures	(20,677)	(8,232)	(25,447)	(3,034)
Transfers in	-	27,450	27,000	27,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(20,677)	19,218	1,553	23,966
Fund balance (deficit) - January 1	<u>(111,772)</u>	<u>(132,449)</u>	<u>(113,231)</u>	<u>(111,678)</u>
Fund balance (deficit) - December 31	<u><u>(\$132,449)</u></u>	<u><u>(\$113,231)</u></u>	<u><u>(\$111,678)</u></u>	<u><u>(\$87,712)</u></u>

The Fund deficit of (\$87,712) at December 31, 2013 is partially financed by an interfund loan of \$38,166 which is being repaid with interest through 2015.

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

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 fund balance at December 31, 2013 is as follows:

Fund Balance Constraint	December 31, 2013		
	Targeted Balance	Actual Balance	Difference
Nonspendable:			
Prepaid items	\$16,251	\$16,251	\$ -
Committed:			
Cash flow	366,987	366,987	-
Compensated absences	34,169	34,169	-
Emergency/unanticipated expenditures	54,086	24,462	29,624
Major equipment replacement	61,813	-	61,813
Total committed	517,055	425,618	91,437
Total fund balance	\$533,306	\$441,869	\$91,437

As shown above, the actual fund balance is \$91,437 less than the targeted fund balance at December 31, 2013.

Recreation Programs Fund

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

<u>Year</u>	<u>Fund Balance Increase (Decrease)</u>	<u>Year-End Fund Balance</u>
2009	\$2,255	\$48,712
2010	(1,661)	47,051
2011	(4,589)	42,462
2012	(567)	41,895
2013	(16,515)	25,380

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

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 2013:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2013	Comments
Public Library	\$799,000	\$789,000	\$ -	\$10,000	\$442,000	Balanced budget for 2013. Donation revenue exceeded budget by \$60,000. Capital outlay exceed budget by \$50,000 for solar sunflowers and energy dashboard.
Central School	81,000	135,000	-	(54,000)	40,000	Budgeted decrease in fund balance of \$60,000.
Airport Operations	200,000	229,000	10,000	(19,000)	92,000	Budgeted decrease in fund balance of \$10,000.
IRA Civic Center	671,000	674,000	27,000	24,000	(88,000)	Balanced budget for 2013. Capital outlay was under budget by \$12,000 and City received an insurance recovery of \$12,000 related to the ice compressor.
Recreation Programs	56,000	73,000	-	(17,000)	25,000	Balanced budget for 2013. Expenditures exceeded budget by \$18,000, primarily related to the Mud Run event and consultant for park and trail plan.
Haz-Mat	87,000	87,000	-	-	1,000	Both revenues and expenditures exceeded budget by \$40,000 related to additional haz-mat training.
Police Forfeiture	27,000	28,000	-	(1,000)	59,000	
Cemetery	187,000	175,000	-	12,000	62,000	Balanced budget for 2013. Personnel expenditures were less than budgeted for 2013.
Domestic Animal Control Facility	33,000	62,000	29,000	-	7,000	Receives budgeted transfer from General fund.
Totals	\$2,141,000	\$2,252,000	\$66,000	(\$45,000)	\$640,000	

City of Grand Rapids, Minnesota

Audit Management Letter

General Fund

At December 31, 2013, the fund balance of the General Fund was as follows:

Fund Balance Constraint	Balance 12/31/12	Increases (Decreases)	Balance 12/31/13	Targeted Balance	Difference
Nonspendable:					
Interfund loan	\$697,305	(\$155,166)	\$542,139	\$542,139	\$ -
Prepaid items	185,558	(120,396)	65,162	65,162	-
Restricted:					
Cash - Superior USA	6,986	423	7,409	7,409	-
Donor restrictions	6,200	(1,130)	5,070	5,070	-
Committed:					
Revenue stabilization	156,520	86,883	243,403	772,592	(529,189)
Unassigned:					
Cash flow	2,832,299	137,721	2,970,020	2,970,020	-
Compensated absences	313,725	26,120	339,845	339,845	-
Emergency / unanticipated	712,449	60,143	772,592	772,592	-
Economic development	605,393	(54,356)	551,037	697,469	(146,432)
Total	<u>\$5,516,435</u>	<u>(\$19,758)</u>	<u>\$5,496,677</u>	<u>\$6,172,298</u>	<u>(\$675,621)</u>

Summary of General Fund Balance

Accounting standards categorizes fund balance of governmental funds into five areas: nonspendable, restricted, committed, assigned and unassigned. These five categories replaced the previous three fund balance categories of reserved, designated and undesignated.

Fund balance previously reported as undesignated is now classified as unassigned. However, previous fund balance policies have essentially remained the same. The City adopted Resolution 11-110 amending its previous General Fund Balance Policy. The City's policy for unassigned funds 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.

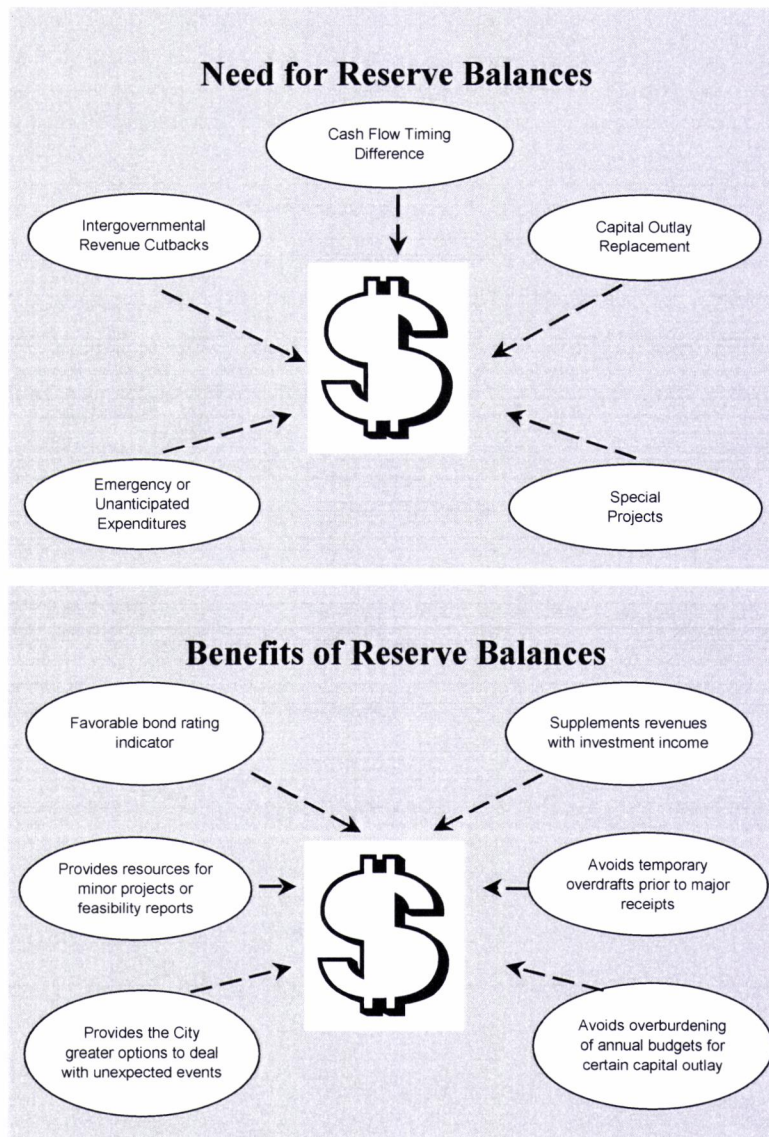
Emergency or unanticipated expenditures – equal to 10% of the prior year General Fund annual revenues.

Neighborhood and economic development – equal to the principal amount of the sale of the liquor store.

At December 31, 2013, the unassigned fund balance of the General Fund was \$4,633,000, compared to its targeted unassigned fund balance of \$4,780,000.

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.

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



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

General Fund Balance		
<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Increase (Decrease)⁽¹⁾</u>
1999	\$4,723,000	(\$79,000)
2000	5,300,000	577,000
2001	6,123,000	823,000
2002	5,673,000	(450,000)
2003	5,676,000	3,000
2004	5,676,000	-
2005	5,716,000	40,000
2006	5,731,000	15,000
2007	5,802,000	71,000
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)

⁽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.

Detail of the preceding budget variances is presented in Statement 10 of the 2013 Comprehensive Annual Financial Report. A summary of the budget variances is as follows:

Revenue:

Taxes – the favorable variance of \$109,000 is primarily due to the collection of delinquent taxes.

Intergovernmental – the favorable variance of \$203,000 is primarily due to receipt of excess school levy from the state (\$70,000) and a federal Toward Zero Death (TZD) grant (\$42,000).

Fines and forfeits – the unfavorable variance of \$90,000 is due in part to a new policy for 2013 relating to traffic fines.

Expenditures:

Public safety – ended the year with a net unfavorable variance. Within this net unfavorable variance was other charges and services exceeding budget (\$54,000) and capital outlay exceeding budget (\$25,000) in the police department.

Public works – the unfavorable variance of \$196,000 is primarily due to wages exceeding budget.

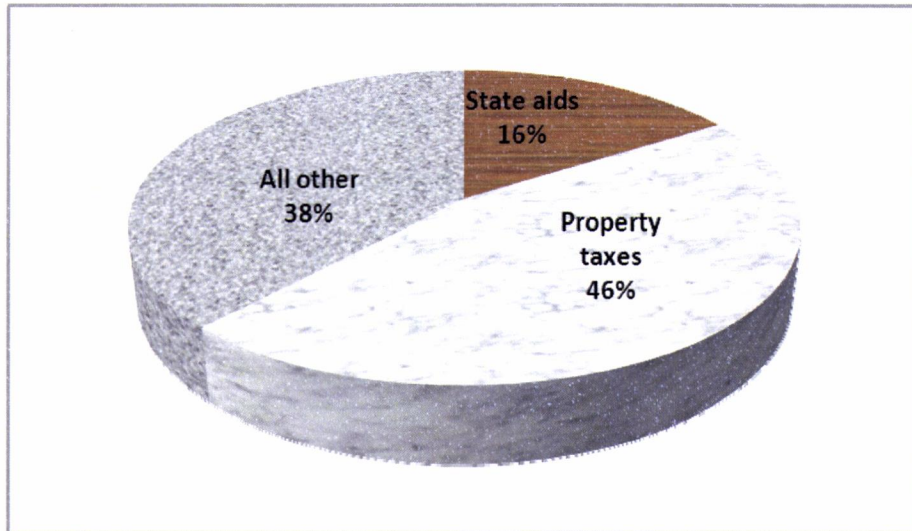
City-Wide – an unfavorable variance of \$45,000 is due to the ERIP program.

Special projects – the unfavorable variance of \$53,000 is due to a contribution to the Historical Society.

The fund balance of the General Fund decreased by \$20,000 in 2013 as follows:

Amounts are rounded to nearest thousand			
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Taxes	\$4,470,000	\$4,579,000	\$109,000
Licenses and permits	247,000	324,000	77,000
Intergovernmental	1,726,000	1,929,000	203,000
Charges for services	713,000	750,000	37,000
Fines and forfeits	236,000	146,000	(90,000)
Investment income	29,000	30,000	1,000
Donations/contributions	-	13,000	13,000
Other	13,000	37,000	24,000
Total revenues	<u>7,434,000</u>	<u>7,808,000</u>	<u>374,000</u>
Expenditures:			
General government:			
Mayor and council	115,000	110,000	5,000
Administration	471,000	492,000	(21,000)
Finance	449,000	450,000	(1,000)
Information technology	190,000	195,000	(5,000)
Community development	347,000	365,000	(18,000)
Building maintenance - City hall	214,000	223,000	(9,000)
Public safety:			
Police protection	2,095,000	2,158,000	(63,000)
Fire protection	509,000	547,000	(38,000)
Public works:			
Public works	1,464,000	1,769,000	(305,000)
Engineering	298,000	271,000	27,000
Fleet maintenance	241,000	246,000	(5,000)
Culture and recreation	104,000	107,000	(3,000)
City-wide	411,000	456,000	(45,000)
Special projects	15,000	68,000	(53,000)
Total expenditures	<u>6,923,000</u>	<u>7,457,000</u>	<u>(534,000)</u>
Revenues over (under) expenditures	<u>511,000</u>	<u>351,000</u>	<u>(160,000)</u>
Other financing sources (uses):			
Sale of capital assets	-	5,000	5,000
Insurance recoveries	-	29,000	29,000
Transfers in	23,000	25,000	2,000
Transfers out	(434,000)	(430,000)	4,000
Total other financing sources (uses)	<u>(411,000)</u>	<u>(371,000)</u>	<u>40,000</u>
Net change in fund balance	<u>\$100,000</u>	<u>(\$20,000)</u>	<u>(\$120,000)</u>

A chart of 2013 General Fund revenue sources is as follows:



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:

General Fund Revenue By Source								
Year	State Tax Relief (LGA, MVHC and Supplemental Aid)		Property Taxes		All Other Revenue ⁽¹⁾		Total Revenue	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2004	\$1,767,624	30%	\$2,519,324	42%	\$1,688,027	28%	\$5,974,975	100%
2005	1,636,064	26%	2,641,250	42%	2,043,116	32%	6,320,430	100%
2006	1,870,768	28%	2,663,258	39%	2,244,836	33%	6,778,862	100%
2007	1,861,245	27%	2,741,655	40%	2,333,589	33%	6,936,489	100%
2008	1,471,454	21%	3,110,734	45%	2,277,395	34%	6,859,583	100%
2009	1,744,986	23%	3,306,743	44%	2,413,295	33%	7,465,024	100%
2010	1,273,488	19%	3,107,526	46%	2,412,831	35%	6,793,845	100%
2011	1,288,735	18%	3,403,815	46%	2,431,938	36%	7,124,488	100%
2012	1,220,693	16%	3,666,921	46%	2,838,309	38%	7,725,923	100%
2013	1,214,925	16%	3,677,404	46%	2,914,954	38%	7,807,283	100%

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

Special Assessments

Special assessment collections have been as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Current portion due	<u>\$1,013,237</u>	<u>\$956,035</u>	<u>\$848,710</u>	<u>\$739,732</u>
Receipts:				
Current	955,810	824,639	762,948	697,612
Delinquent	5,430	21,431	27,272	16,351
Total receipts	<u>961,240</u>	<u>846,070</u>	<u>790,220</u>	<u>713,963</u>
Current collection rate	<u>94.3%</u>	<u>86.3%</u>	<u>89.9%</u>	<u>94.3%</u>
Total collection rate	<u>94.9%</u>	<u>88.5%</u>	<u>93.1%</u>	<u>96.5%</u>

As shown above, the City experienced an increase in its collection rates in 2013. The delinquent special assessment receivable balance was \$286,437 at December 31, 2013. We recommend the City continue to monitor the special assessment collection rate and consider the impact on the funding of debt service payments.

Property Taxes

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

	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽¹⁾
Property tax levy	<u>\$5,275,002</u>	<u>\$5,734,540</u>	<u>\$5,910,987</u>	<u>\$6,125,207</u>
Receipts:				
Current (includes MVHC and supplemental aid)	4,956,991	5,445,836	5,863,061	6,013,791
Delinquent	<u>75,110</u>	<u>41,525</u>	<u>56,206</u>	<u>64,722</u>
Total receipts	<u>5,032,101</u>	<u>5,487,361</u>	<u>5,919,267</u>	<u>6,078,513</u>
Collection rates:				
Current	<u>93.97%</u>	<u>94.97%</u>	<u>99.19%</u>	<u>98.18%</u>
Current and delinquent	<u>95.40%</u>	<u>95.69%</u>	<u>100.14%</u>	<u>99.24%</u>

⁽¹⁾Includes annexation portion of levy

ACCOUNT BALANCE ANALYSIS OF THE FUND FINANCIAL STATEMENTS

Summary of Financial Activity

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

All Funds Financial Summary - 2013						
	Fund	Revenue and Other Sources	Expenditures and Other Uses	Interfund Transfers (Net)	Increase (Decrease) in Fund Balance/ Net Position	Fund Balance/ Net Position 12/31/13
1	General	\$7,842,000	\$7,457,000	(\$405,000)	(\$20,000)	\$5,497,000
	Special Revenue Funds:					
2	Public Library	799,000	789,000	-	10,000	442,000
3	Central School	81,000	135,000	-	(54,000)	40,000
4	Airport Operations	200,000	229,000	10,000	(19,000)	92,000
4	IRA Civic Center	671,000	674,000	27,000	24,000	(88,000)
5	Recreation Programs	56,000	73,000	-	(17,000)	25,000
6	Haz-Mat	87,000	87,000	-	-	1,000
7	Police Forfeiture	27,000	28,000	-	(1,000)	59,000
8	Cemetery	187,000	175,000	-	12,000	62,000
9	Domestic Animal Control Facility	33,000	62,000	29,000	-	7,000
	Debt Service Funds:					
10	Debt Service Reserve	-	-	-	-	5,000
11	Equipment Certificates of 2009D	151,000	143,000	-	8,000	157,000
12	Grant Anticipation Notes of 2012C	-	7,000	906,000	899,000	907,000
13	Improvement Bonds	5,092,000	4,457,000	201,000	836,000	6,449,000
14	Tax Abatement	-	-	-	-	-
15	G.O. CIP Refunding Bonds of 2006B	222,000	222,000	-	-	6,000
16	Tax Increment 1-6 Old Hospital Housing	63,000	55,000	-	8,000	55,000
17	Tax Increment 1-6 Old Hospital Housing Paygo	27,000	25,000	-	2,000	(3,000)
18	Tax Increment 1-5 Black Bear Homes	38,000	4,000	-	34,000	(55,000)
19	Tax Increment 1-4 Oakwood Terrace	31,000	-	-	31,000	239,000
20	Tax Increment 1-7 Block 37 Redevelopment	20,000	18,000	-	2,000	6,000
21	Tax Increment 1-8 Lakewood Heights	18,000	16,000	-	2,000	2,000
	Capital Project Funds:					
22	General Capital Improvement Projects	1,115,000	1,207,000	4,000	(88,000)	342,000
23	Municipal State Aid	105,000	22,000	(50,000)	33,000	222,000
24	Park Acquisition and Development	33,000	29,000	-	4,000	13,000
25	Capital Equipment Replacement	192,000	796,000	237,000	(367,000)	(209,000)
26	Street Light and Utility Services	-	-	-	-	10,000
27	Infrastructure Bonds	4,464,000	3,677,000	(950,000)	(163,000)	972,000
28	Airport Capital Fund	560,000	669,000	-	(109,000)	13,000
29	IRA Civic Center Capital Reserve	-	-	-	-	4,000
30	7th Avenue Bridge Rehabilitation	-	-	-	-	578,000
31	Permanent Improvement Revolving	4,000	194,000	44,000	(146,000)	515,000
	Enterprise Funds:					
31	Golf Course	531,000	555,000	(3,000)	(27,000)	2,650,000
32	Storm Water	555,000	435,000	(50,000)	70,000	488,000
	Total	\$23,204,000	\$22,240,000	\$0	\$964,000	\$19,503,000

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:

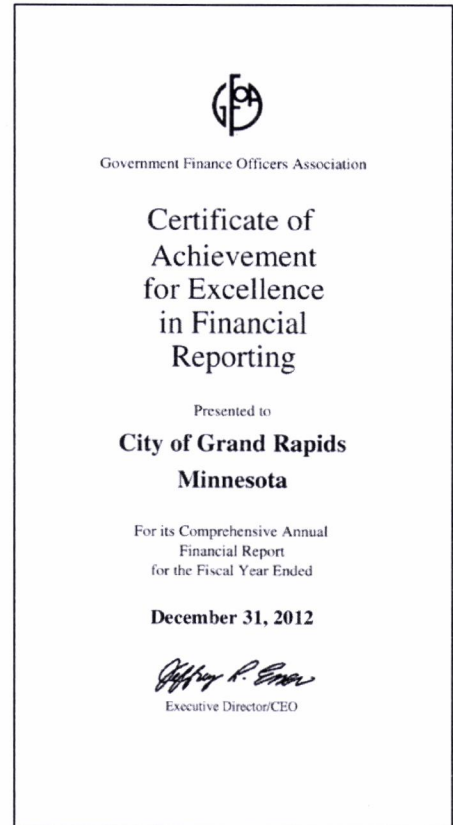
<u>Entity</u>	<u>Relationship</u>
Library Board	Part of Primary Government
Central School Commission	Part of Primary Government
Golf Course Board	Part of Primary Government
Recreation/Park and Civic Center Advisory Board	Part of Primary Government
Grand Rapids Human Rights Commission	Part of Primary Government
Airport Advisory Board	Part of Primary Government
Public Utilities Commission	Component Unit
E.D.A.	Component Unit
H.R.A.	Excluded - Related Organization
Fire Relief Association	Excluded

**CERTIFICATE OF ACHIEVEMENT 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 Certificate of Achievement Program has three key objectives:

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

The City of Grand Rapids, Minnesota has been awarded the Certificate of Achievement for Excellence for every year since 1992.



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 agreement.

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.

EXECUTIVE SUMMARY

Several areas highlighted for your reference include the following:

The City of Grand Rapids, Minnesota has been awarded the Certificate of Achievement for Excellence in Financial Reporting for every year since 1992.	Page 6
The City's total property tax collection rate in 2013 was 99.24%, a decrease from 100.14% for 2012. The total special assessment collection rate increased from 93.1% in 2012 to 96.5% in 2013.	Page 9
The fund balance of the City's General Fund decreased \$20,000 during 2013. Budget variances are shown herein.	Page 13
A comparison of Debt Service Fund assets and outstanding debt is shown herein.	Page 23
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 25
Governmental accounting standards affecting future years are summarized.	Page 34
Required auditor communications are included in this report.	Page 35

REPORT SUMMARY

Several reports are issued in conjunction with the audit. The 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
<i>Federal Single Audit</i>	<i>Results of testing:</i> <ul style="list-style-type: none"> • Compliance with federal grant requirements • Internal controls over grant compliance 	<ul style="list-style-type: none"> • It is anticipated the federal compliance audit will be completed in August 2014

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TAUTGES REDPATH, LTD.
Certified Public Accountants

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

We have substantially completed the 2013 audit of the financial statements of the City of Grand Rapids, Minnesota (the City) and the 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 black ink that reads "HLB Tautges Redpath, Ltd." in a cursive style.

HLB TAUTGES REDPATH, LTD.

April 22, 2014

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CITY OF GRAND RAPIDS, MINNESOTA

AUDIT MANAGEMENT LETTER

December 31, 2013

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\$4,565,000 Improvement Bonds Series 2009C ⁽²⁾	\$1,005,000 Equipment Certificates Series 2009D ⁽²⁾	\$1,750,000 Improvement and CIP Bonds Series 2010A	\$1,555,000 Improvement and Refunding Bonds Series 2011B	\$2,245,000 Improvement Bonds Series 2012A	\$1,525,000 Improvement Refdg Bonds Series 2013A	\$4,025,000 Improvement Bonds Series 2013B	Total
\$309,506	\$138,117	\$145,941	\$54,647	\$134,120	\$98,328	\$200,887	\$1,406,658
309,278	140,268	140,973	54,746	133,236	119,289	263,396	1,445,474
303,279	141,966	135,610	54,675	132,061	117,446	256,142	1,432,676
307,321	143,319	140,381	54,467	130,518	120,670	253,551	1,430,942
305,114	144,286	8,073	54,054	133,857	123,684	255,346	1,305,952
302,266	-	54,608	58,755	131,572	121,028	256,312	1,195,974
299,186	-	58,648	57,848	128,985	116,410	261,667	1,194,241
306,205	-	57,130	56,943	131,341	-	260,893	1,085,315
301,787	-	55,611	55,779	133,284	-	254,204	1,060,177
302,370	-	53,936	54,615	129,704	-	257,333	931,548
302,248	-	57,510	58,407	124,414	-	259,470	802,049
-	-	55,486	56,792	124,376	-	260,709	497,363
-	-	-	60,309	124,165	-	261,161	445,635
-	-	-	-	-	-	255,543	255,543
-	-	-	-	-	-	259,764	259,764
-	-	-	-	-	-	262,914	262,914
<u>\$3,348,560</u>	<u>\$707,956</u>	<u>\$963,907</u>	<u>\$732,037</u>	<u>\$1,691,633</u>	<u>\$816,855</u>	<u>\$4,079,292</u>	<u>\$15,012,225</u>

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2013

Year of Levy/ Collection	Supplemental Improvement Bond Levy ⁽¹⁾	\$470,000 Improvement Bonds Series 2001B	\$2,505,000 Improvement Bonds Series 2006C	\$1,775,000 Improvement Bonds Series 2007A	\$1,010,000 GO Street Reconstr Bonds Series 2008B	\$1,145,000 Improvement Bonds Series 2008C	\$1,265,000 Improvement and Refunding Bonds Series 2009B
2013/2014	(\$55,000)	\$12,575	\$56,300	\$119,923	\$81,022	\$74,501	\$35,791
2014/2015	(70,929)	17,609	53,937	122,325	79,123	72,957	9,266
2015/2016	(44,730)	17,083	51,532	119,268	77,089	71,255	-
2016/2017	(34,500)	-	49,147	116,210	80,304	69,554	-
2017/2018	(34,500)	-	46,763	118,271	77,981	73,023	-
2018/2019	(34,500)	-	44,387	114,867	75,657	71,022	-
2019/2020	(34,500)	-	41,994	116,713	78,437	68,853	-
2020/2021	(27,500)	-	39,610	118,274	75,735	66,684	-
2021/2022	(19,670)	-	17,093	119,616	78,126	64,347	-
2022/2023	(17,593)	-	-	-	80,276	70,907	-
2023/2024	-	-	-	-	-	-	-
2024/2025	-	-	-	-	-	-	-
2025/2026	-	-	-	-	-	-	-
2026/2027	-	-	-	-	-	-	-
2027/2028	-	-	-	-	-	-	-
2028/2029	-	-	-	-	-	-	-
	<u>(\$373,422)</u>	<u>\$47,267</u>	<u>\$400,763</u>	<u>\$1,065,467</u>	<u>\$783,750</u>	<u>\$703,103</u>	<u>\$45,057</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.

	2014 Tax Capacity Values	2013 Tax Capacity Values
Taxable valuations:		
Real estate	\$8,430,133	\$8,731,591
Personal property	618,235	608,469
Net tax capacity	9,048,368	9,340,060
Less: Captured tax increment value	(137,925)	(135,839)
Fiscal disparities contributions	(1,120,826)	(1,146,266)
	<u>\$7,789,617</u>	<u>\$8,057,955</u>

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2009B Improvement Refunding Bonds	2009C Improvement Bonds	2010A Improvement Bonds	2011B Improvement Refunding Bonds	2012A Improvement Bonds	2012B Improvement Bonds	2013A Improvement Bonds	Total
\$265,000	\$3,865,000	\$930,000	\$1,410,000	\$2,245,000	\$3,920,000	\$1,525,000	\$20,600,000
5,456	1,195,589	166,775	206,524	476,930	569,710	59,331	3,605,780
<u>\$270,456</u>	<u>\$5,060,589</u>	<u>\$1,096,775</u>	<u>\$1,616,524</u>	<u>\$2,721,930</u>	<u>\$4,489,710</u>	<u>\$1,584,331</u>	<u>\$24,205,780</u>
\$209,106	\$469,120	\$122,800	\$171,503	\$186,068	\$323,122	\$153,683	\$4,212,829
46,125	458,721	116,463	165,330	185,368	321,692	220,450	2,259,650
15,225	452,190	109,963	153,885	184,528	319,937	214,518	2,064,276
-	439,815	103,325	157,160	183,408	322,637	208,405	2,009,177
-	436,465	96,575	145,153	181,938	319,789	207,105	1,917,803
-	427,009	69,885	137,950	185,118	321,443	205,505	1,869,805
-	416,768	68,303	120,629	182,942	322,489	198,484	1,814,340
-	405,964	71,575	83,660	180,478	322,908	176,181	1,722,268
-	404,335	69,700	81,962	182,722	317,728	-	1,524,568
-	391,866	67,750	80,142	184,572	322,025	-	1,280,344
-	383,663	65,725	78,182	181,162	320,807	-	1,121,609
-	374,673	68,534	81,007	176,125	319,112	-	1,019,451
-	-	66,177	78,701	176,088	316,926	-	637,892
-	-	-	81,260	175,888	319,095	-	576,243
-	-	-	-	175,525	-	-	175,525
<u>\$270,456</u>	<u>\$5,060,589</u>	<u>\$1,096,775</u>	<u>\$1,616,524</u>	<u>\$2,721,930</u>	<u>\$4,489,710</u>	<u>\$1,584,331</u>	<u>\$24,205,780</u>

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2013

	2001B Improvement Bonds	2005A Improvement Bonds	2005B Improvement Bonds	2006C Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds	2008C Improvement Bonds
Bonds payable	\$130,000	\$1,785,000	\$245,000	\$1,450,000	\$1,290,000	\$675,000	\$865,000
Future interest payable	13,188	33,841	9,097	255,600	275,094	122,701	215,944
Totals	<u>\$143,188</u>	<u>\$1,818,841</u>	<u>\$254,097</u>	<u>\$1,705,600</u>	<u>\$1,565,094</u>	<u>\$797,701</u>	<u>\$1,080,944</u>
Payments to maturity:							
2014	\$35,549	\$1,818,841	\$126,784	\$219,700	\$165,315	\$100,650	\$110,588
2015	34,161	-	127,313	213,100	165,615	97,650	107,662
2016	37,603	-	-	211,400	165,715	94,650	104,662
2017	35,875	-	-	204,600	160,715	91,650	101,587
2018	-	-	-	188,000	155,653	88,650	98,475
2019	-	-	-	181,600	155,425	85,650	100,220
2020	-	-	-	175,200	150,095	82,650	96,780
2021	-	-	-	159,000	149,629	79,613	93,260
2022	-	-	-	153,000	148,923	76,538	89,660
2023	-	-	-	-	148,009	-	85,980
2024	-	-	-	-	-	-	92,070
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-
	<u>\$143,188</u>	<u>\$1,818,841</u>	<u>\$254,097</u>	<u>\$1,705,600</u>	<u>\$1,565,094</u>	<u>\$797,701</u>	<u>\$1,080,944</u>

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS
December 31, 2013

Exhibit 2

	Tax Increment Bonds Series 2008A	Capital Improvement Plan Bonds Series 2006B	Street Reconstruction Bonds Series 2008B	Equipment Certificates Series 2009D	Capital Improvement Plan Bonds Series 2010A	Grant Anticipation Notes Series 2012C	Street Reconstruction Bonds Series 2013B	Total
Bonds payable	\$805,000	\$830,000	\$780,000	\$740,000	\$460,000	\$905,000	\$4,025,000	\$8,545,000
Future interest payable	471,501	68,000	200,472	101,267	22,950	2,263	1,152,995	2,019,448
Totals	<u>\$1,276,501</u>	<u>\$898,000</u>	<u>\$980,472</u>	<u>\$841,267</u>	<u>\$482,950</u>	<u>\$907,263</u>	<u>\$5,177,995</u>	<u>\$10,564,448</u>
Payments to maturity:								
2014	\$50,371	\$224,300	\$92,334	\$143,720	\$97,538	\$907,263	\$115,076	\$1,630,602
2015	54,715	226,300	94,897	139,637	96,300	-	317,613	929,462
2016	53,965	223,000	92,298	140,110	94,837	-	351,163	955,373
2017	53,170	224,400	89,633	140,054	93,150	-	344,113	944,520
2018	57,225	-	91,830	139,472	101,125	-	341,987	731,639
2019	56,175	-	88,890	138,274	-	-	339,713	623,052
2020	55,125	-	85,880	-	-	-	342,212	483,217
2021	58,970	-	87,690	-	-	-	339,488	486,148
2022	57,680	-	84,315	-	-	-	331,688	473,683
2023	61,250	-	85,750	-	-	-	333,738	480,738
2024	59,710	-	86,955	-	-	-	335,487	482,152
2025	63,060	-	-	-	-	-	336,938	399,998
2026	61,280	-	-	-	-	-	337,712	398,992
2027	64,368	-	-	-	-	-	332,881	397,249
2028	62,342	-	-	-	-	-	337,325	399,667
2029	65,180	-	-	-	-	-	340,862	406,042
2030	67,765	-	-	-	-	-	-	67,765
2031	65,235	-	-	-	-	-	-	65,235
2032	67,590	-	-	-	-	-	-	67,590
2033	69,715	-	-	-	-	-	-	69,715
2034	71,610	-	-	-	-	-	-	71,610
	<u>\$1,276,501</u>	<u>\$898,000</u>	<u>\$980,472</u>	<u>\$841,267</u>	<u>\$482,950</u>	<u>\$907,263</u>	<u>\$5,177,995</u>	<u>\$10,564,448</u>

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Prior Years		Payable 01/01/13	2013		Payable 12/31/13	Due in 2014	
Original Issue	Payments		Issued	Payments		Principal	Interest
\$850,000	\$30,000	\$820,000	\$ -	\$15,000	\$805,000	\$15,000	\$35,371
470,000	310,000	160,000	-	30,000	130,000	30,000	5,548
2,460,000	2,460,000	-	-	-	-	-	-
3,705,000	2,070,000	1,635,000	-	1,635,000	-	-	-
3,450,000	1,430,000	2,020,000	-	235,000	1,785,000	1,785,000	33,841
1,105,000	745,000	360,000	-	115,000	245,000	120,000	6,785
2,505,000	880,000	1,625,000	-	175,000	1,450,000	165,000	54,700
1,775,000	370,000	1,405,000	-	115,000	1,290,000	115,000	50,315
1,150,000	400,000	750,000	-	75,000	675,000	75,000	25,650
1,145,000	205,000	940,000	-	75,000	865,000	75,000	35,587
1,265,000	795,000	470,000	-	205,000	265,000	205,000	4,106
4,565,000	410,000	4,155,000	-	290,000	3,865,000	295,000	174,120
1,115,000	80,000	1,035,000	-	105,000	930,000	100,000	22,801
1,555,000	-	1,555,000	-	145,000	1,410,000	145,000	26,503
2,245,000	-	2,245,000	-	-	2,245,000	140,000	45,718
4,175,000	-	4,175,000	-	255,000	3,920,000	260,000	63,122
1,525,000	-	-	1,525,000	-	1,525,000	140,000	13,683
34,210,000	10,155,000	22,530,000	1,525,000	3,455,000	20,600,000	3,650,000	562,479
1,785,000	770,000	1,015,000	-	185,000	830,000	195,000	29,300
1,010,000	170,000	840,000	-	60,000	780,000	60,000	32,335
1,005,000	155,000	850,000	-	110,000	740,000	115,000	28,720
635,000	85,000	550,000	-	90,000	460,000	90,000	7,538
905,000	-	905,000	-	-	905,000	905,000	2,263
4,025,000	-	-	4,025,000	-	4,025,000	-	115,076
9,365,000	1,180,000	4,160,000	4,025,000	445,000	7,740,000	1,365,000	215,232
136,444	27,288	109,156	-	13,644	95,512	13,644	-
100,000	-	100,000	-	-	100,000	-	-
147,000	100,000	47,000	-	10,000	37,000	10,000	-
1,079,657	613,657	466,000	-	61,000	405,000	63,000	12,312
4,700,000	4,700,000	-	-	-	-	-	-
1,915,000	1,025,000	890,000	-	205,000	685,000	215,000	33,928
925,000	255,000	670,000	-	90,000	580,000	90,000	23,960
26,370,232	2,988,022	23,382,210	-	1,083,210	22,299,000	1,115,000	646,672
3,965,000	80,000	3,885,000	-	380,000	3,505,000	390,000	88,760
2,025,000	-	2,025,000	-	-	2,025,000	90,000	48,638
2,305,000	-	-	2,305,000	-	2,305,000	-	73,505
43,284,889	9,661,679	31,318,210	2,305,000	1,819,210	31,804,000	1,963,000	927,775
\$88,093,333	\$21,153,967	\$59,084,366	\$7,855,000	\$5,757,854	\$61,181,512	\$7,016,644	\$1,740,857

CITY OF GRAND RAPIDS, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2013

	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 2003A	2.00-4.35	12/1/2003	1/27/2012
Improvement Bonds of 2004A	3.00-4.15	11/1/2004	2/1/2021
Improvement Bonds of 2005A	3.00-3.90	9/1/2005	2/1/2021
Improvement Bonds of 2005B	3.50-3.70	9/1/2005	4/1/2015
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022
Improvement Bonds of 2007A	4.00-4.15	9/1/2007	2/1/2023
Improvement Bonds of 2007B	4.00-4.10	12/15/2007	4/1/2022
Improvement Bonds of 2008C	3.25-4.60	11/1/2008	2/1/2024
Improvement Refunding Bonds of 2009B	1.00-3.00	6/1/2009	2/1/2016
Improvement Bonds of 2009C	1.85-5.30	9/1/2009	2/1/2025
Improvement Bonds of 2010A	0.75-3.625	11/1/2010	2/1/2026
Improvement Refunding Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027
Improvement Bonds of 2013A	.30-1.35	5/8/2013	2/1/2021
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
Grant Anticipation Notes of 2012C	0.50	4/1/2012	2/1/2014
Street Reconstruction Bonds of 2013B	3.00-3.50	9/1/2013	2/1/2029
Total Other General Obligation Debt			
Capital Lease Payable to Itasca County	0.00	1/22/2010	12/31/2020
Note payable (EDA)	0.00	8/5/2010	8/5/2015
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	8/20/2019
Taxable G.O. Wastewater Revenue Bonds of 2001A	5.00-6.50	10/1/2001	12/1/2021
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00-4.90	6/1/2009	12/1/2019
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60-3.50	7/25/2011	12/1/2021
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033
Taxable G.O. Utility Revenue Bonds of 2013C	2.00-4.50	9/1/2013	2/1/2029
Total Revenue Bonds (Public Utilities)			
Total bonded indebtedness			

IV. OTHER INFORMATION (UNAUDITED)

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

Table 19

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	15	14	16	18	18	20	20	20
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of streets maintained	71	75	77	77	88	92	93	93	93	93
Miles of sidewalks maintained	18	20	23	77	88	90	91	91	91	91
Miles of curbs and gutters maintained	94	105	108	108	109	112	112	112	112	112
Parks and recreation:										
Community parks and playgrounds	22	22	23	23	24	24	24	24	24	24
Total acres	225	225	226	226	227	227	227	227	227	227

Source: Various City Departments

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

Table 18

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Physical and sexual assaults	131	141	177	156	170	160	303	405	449	605
Parking citations	440	440	1,221	640	755	763	590	849	579	537
DUI arrests	67	94	129	134	138	104	91	171	199	135
Traffic citations	794	1,397	1,535	1,305	2,419	1,754	2,959	2,588	2764	2,113
Accidents	565	587	450	507	557	550	531	569	536	543
Fire:										
Emergency responses	172	199	163	194	174	182	172	166	200	174
Haz-Mat responses	27	35	46	3	4	5	27	4	4	14
Inspections	61	59	72	68	62	91	103	112	69	62
Community development:										
Permits issued:										
Commercial	59	51	82	104	97	97	109	120	133	138
Governmental	5	5	5	15	7	-	11	14	14	16
Residential	231	264	263	294	271	376	401	386	495	442
Public works:										
Streets swept (miles)	71	75	77	77	88	92	93	93	93	93
Roads (miles)	71	75	77	77	88	92	93	93	93	93
Streetlights	995	1,030	1,057	1,062	1,093	1,288	1,290	1,321	1,321	1,326
Parks and recreation:										
Playgrounds	10	10	10	10	10	10	10	10	10	10
Baseball/softball fields	6	6	6	6	6	6	6	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
Library:										
Volumes in collection	80,200	81,802	80,118	81,491	88,570	84,440	82,338	79,400	79,866	75,343
Total volumes borrowed	172,999	183,840	179,729	189,860	196,315	190,895	202,908	187,569	187,035	183,311
Golf course:										
Number of passes sold										
Junior*	58	57	30	79	100	104	115	115	64	57
Young adult*	15	19	10	12	19	20	22	27	38	18
Single	154	163	144	156	139	145	135	129	120	106
Family	111	114	89	175	83	89	85	80	79	63

*Junior=Children ages 10 to 18

*Young Adult=Ages 19 to 24

Source: Various City Departments

CITY OF GRAND RAPIDS, MINNESOTA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Table 17

Function/Program	Full-time Equivalent Employees as of December 31									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Administration	4.00	4.00	4.50	4.50	4.50	4.25	4.25	4.25	4.00	4.00
Finance	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	5.00
Community development	2.00	3.00	3.00	3.55	4.05	4.05	4.05	4.05	4.05	4.05
Engineering	3.00	3.00	4.00	3.45	3.45	3.45	2.45	2.45	2.45	2.45
Information technology	1.00	1.00	2.00	2.00	2.00	2.00	1.00	2.00	2.00	2.00
Police officers and dispatchers	19.00	20.00	21.00	22.00	23.50	23.50	20.50	20.50	21.50	21.50
Public works	13.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00	14.00	14.00
Parks and recreation	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Library	8.25	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75
Golf course	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	60.50	62.25	66.75	70.25	71.25	72.25	71.00	66.00	65.00	66.75

The City has 30 paid-on-call firefighters.

Source: City Finance Department

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

Table 16

Taxpayer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318	600	1	6.49%	929	1	9.09%
Grand Itasca Clinic & Hospital	600	2	6.49%	600	2	5.87%
UPM Blandin Paper Mill	450	3	4.87%	520	3	5.09%
Itasca County	390	4	4.22%	402	4	3.94%
Arrowhead Promo & Fulfillment	290	5	3.14%	234	5	2.29%
Wal-Mart(1)	280	6	3.03%	200	6	1.96%
City of Grand Rapids(1)	225	7	2.43%	-	-	-
Terex Corporation(3)	220	8	2.38%	-	-	-
Grand Village Nursing Home(2)	160	9	1.73%	182	8	1.78%
Itasca Community College(1)	140	10	1.51%	-	-	-
Minnesota Diversified	-	-	-	195	7	1.91%
Ainsworth Corporation(4)	-	-	-	180	9	1.76%
Cub Foods	-	-	-	125	10	1.22%
Total	3,355		36.28%	3,567		34.92%
All other employers	5,892		63.72%	6,648		65.08%
Total	9,247		100.00%	10,215		100.00%

Source: Telephone survey of individual employers, March 2013

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

(2) Formerly Itasca County Nursing Home.

(3) Formerly ASV, Inc.

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2004	8,478	Information Not Available		11.70%
2005	8,543		8.90%	
2006	8,790		8.70%	
2007	8,790		9.30%	
2008	8,926		12.40%	
2009	9,690		13.70%	
2010	10,869		9.60%	
2011	10,869		9.90%	
2012	10,869		7.60%	
2013	10,869		6.70%	

Source: Minnesota Department of Employment and Economic Development

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	
2004	\$428,556	\$785,000	\$453,765	34.60%	\$479,315	\$370,000	\$137,482	94.45%
2005	623,283	745,000	480,012	50.88%	473,574	395,000	111,777	93.45%
2006	934,350	1,190,000	651,791	50.73%	368,863	420,000	84,120	73.17%
2007	1,100,441	1,520,000	640,238	50.94%	348,098	450,000	54,440	69.01%
2008	1,045,175	1,860,000	771,301	39.72%	342,682	480,000	22,543	68.19%
2009	1,014,822	1,975,000	775,452	36.90%	98,936	105,000	40,359	68.06%
2010	1,013,237	1,980,000	775,452	36.77%	131,032	-	37,340	350.92%
2011	824,639	1,460,000	653,434	39.02%	151,953	15,000	37,059	291.89%
2012	762,948	1,490,000	589,994	36.68%	172,671	15,000	36,497	335.30%
2013	697,612	1,610,000	587,496	31.75%	193,981	15,000	35,934	380.85%

Special assessment collections do not include prepayments.

Excludes component units.

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

Table 13

Market value	\$700,800,200
Debt limit percentage	3%
Debt limit amount	<u>21,024,006</u>
Debt applicable to limit	
General obligation bonds	6,835,000
Less:	
Cash and equivalents in G.O. Bond Debt Service Funds	<u>(1,036,564)</u>
Total net debt applicable to limit	<u>5,798,436</u>
Legal debt margin	<u>\$15,225,570</u>

Legal Debt Margin Calculation for Fiscal Years 2004 Through 2013

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
2004	8,478	\$8,462,312	\$1,237,190	\$7,225,122	14.62%	\$146
2005	8,543	9,591,816	1,162,160	8,429,656	12.12%	136
2006	8,790	9,964,959	993,774	8,971,185	9.97%	113
2007	8,790	11,021,978	2,482,899	8,539,079	22.53%	282
2008	8,926	18,121,485	3,169,571	14,951,914	17.49%	355
2009	9,690	22,612,941	3,896,539	18,716,402	17.23%	402
2010	10,869	21,687,759	4,270,649	17,417,110	19.69%	393
2011	10,869	23,525,196	3,015,083	20,510,113	12.82%	277
2012	10,869	21,388,662	2,565,287	18,823,375	11.99%	236
2013	10,869	21,024,006	5,798,436	15,225,570	27.58%	533

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 taxable market value.

CITY OF GRAND RAPIDS, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2013

Table 12

	<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⁾	\$29,504,593	100.00%	\$29,504,593
Overlapping debt:			
Itasca County	23,105,000	13.03%	3,010,181
School District 318	<u>46,025,000</u>	18.75%	<u>8,630,062</u>
Total overlapping debt	<u>69,130,000</u>		<u>11,640,243</u>
Total direct and overlapping debt	<u><u>\$98,634,593</u></u>		<u><u>\$41,144,836</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 outstanding debt of the governmental activities as presented on Table 10, plus unamortized bond premiums of \$227,081.

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

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

Table 11

General Bonded Debt Outstanding			
Fiscal Year	General Obligation Bonds	Percentage of Estimated Market Value <i>a</i>	Bonded Debt Per Capita <i>b</i>
2004	\$ -	0.0000%	\$ -
2005	-	0.0000%	-
2006	1,785,000	0.3583%	203.07
2007	1,785,000	0.3239%	203.07
2008	2,670,000	0.4420%	299.13
2009	3,515,000	0.4663%	362.75
2010	3,950,000	0.5464%	363.42
2011	3,675,000	0.4686%	338.12
2012	3,255,000	0.4169%	299.48
2013	6,835,000	0.9056%	628.85

a See Table 6 for Estimated Market Value data.

b Population can be found in Table 13.

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		
2004	\$ -	\$14,070,000	\$1,850,000	\$1,345,000	\$17,265,000	\$127,000	\$17,392,000	2,112
2005	-	17,685,000	1,455,000	1,270,000	20,410,000	102,000	20,512,000	2,419
2006	1,785,000	17,780,000	1,035,000	1,195,000	21,795,000	78,000	21,873,000	2,560
2007	1,785,000	19,185,000	585,000	1,115,000	22,670,000	53,000	22,723,000	2,585
2008	2,670,000	18,595,000	955,000	1,035,000	23,255,000	27,000	23,282,000	2,649
2009	3,515,000	20,665,000	850,000	950,000	25,980,000	-	25,980,000	2,911
2010	3,950,000	20,000,000	850,000	865,000	25,665,000	-	25,665,000	2,649
2011	3,675,000	18,890,000	835,000	194,650	23,594,650	-	23,594,650	2,171
2012	3,255,000	22,530,000	820,000	1,061,156	27,666,156	-	27,666,156	2,545
2013	6,835,000	20,600,000	805,000	1,037,512	29,277,512	-	29,277,512	2,694

Note: Personal income not available
 Excludes component units.

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
2004	\$3,848,998	\$3,788,329	98.42%	\$60,669	\$3,848,998	100.00%
2005	4,067,952	4,000,817	98.35%	67,135	4,067,952	100.00%
2006	4,185,550	4,129,799	98.67%	53,905	4,183,704	99.96%
2007	4,300,561	4,236,072	98.50%	60,157	4,295,967	99.89%
2008	4,743,955	4,680,998	98.67%	42,244	4,722,715	99.55%
2009	5,077,422	4,977,588	98.03%	38,860	5,014,161	98.75%
2010	5,275,002	4,956,991	93.97%	69,276	5,021,576	95.20%
2011	5,734,540	5,445,836	94.97%	48,382	5,494,218	95.81%
2012	5,910,987	5,863,061	99.19%	47,926	5,910,987	100.00%
2013	6,125,207	6,013,791	98.18%	-	6,013,791	98.18%

Source: Itasca County Auditor's Office

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

Table 8

Taxpayer	2013			2004		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
UPM Blandin Paper Mill	\$723,541	1	7.85%	\$721,350	1	7.83%
Enbridge Energy, LP	266,807	2	2.90%			0.00%
Wal-Mart Stores	224,356	3	2.43%	73,152	5	0.79%
Enbridge Energy, LP	139,206	4	1.51%			0.00%
Grand Hospitality LLC	131,077	5	1.42%			0.00%
Terex Corporation	119,112	6	1.29%			0.00%
Target Corporation	116,982	7	1.27%	71,808	6	0.78%
Arrowhead Promotion & Fulfillment Co	113,340	8	1.23%	90,968	4	0.99%
Home Depot USA, Inc	108,352	9	1.18%	94,772	3	1.03%
Grand Rapids State Bank	80,925	10	0.88%	56,358	10	0.61%
Jerry Miner Realty Inc	-	-	0.00%	94,846	2	1.03%
Grand Rapids Economic Dev. Authority	-	-	0.00%	57,236	8	0.62%
GR Development Corp.	-	-	0.00%	66,822	7	0.73%
Aquila, Inc	-	-	0.00%	56,652	9	0.61%
Total principal taxpayers	2,023,698		21.96%	1,383,964		23.85%
All other taxpayers	<u>7,191,071</u>		<u>78.04%</u>	<u>4,418,544</u> (a)		<u>76.15%</u>
Total	<u>\$9,214,769</u>		<u>100.00%</u>	<u>\$5,802,508</u>		<u>100.00%</u>

Source: Itasca County Auditor's Office

(a) Due to changes in the Minnesota Property tax law, decreases in the taxable net tax capacity were due to reductions in property class rates.
 2002 Taxable Net Tax Capacity was \$4,716,970

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	
2004	67.858	11.415	79.273	63.927	20.942	4.625	0.370	169.137
2005	62.136	9.203	71.339	58.510	17.596	4.603	0.333	152.381
2006	60.367	9.502	69.869	55.534	16.226	4.452	0.305	146.386
2007	56.521	9.201	65.722	51.522	15.132	4.122	0.272	136.702
2008	57.112	8.610	65.722	46.974	11.871	3.726	0.226	128.561
2009	49.022	10.041	59.063	44.000	13.798	1.738	0.208	118.118
2010	49.863	15.232	65.095	46.361	15.799	1.272	0.234	128.761
2011	51.112	12.778	63.890	44.904	17.051	-	0.218	126.063
2012	54.893	14.592	69.485	47.702	17.774	-	0.228	135.189
2013	54.778	14.221	68.999	50.869	17.862	-	0.247	137.977

*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

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
2004	\$2,829,729	\$2,656,134	\$89,991	\$5,575,854	\$377,899	\$5,197,955	79.273	\$423,115,600	1.23%
2005	3,217,394	3,023,343	114,520	6,355,257	290,684	6,064,573	71.339	479,590,790	1.26%
2006	3,350,118	3,083,559	117,525	6,551,202	355,615	6,195,587	69.869	498,247,965	1.24%
2007	3,816,933	3,206,895	122,243	7,146,071	381,146	6,764,925	65.654	551,098,890	1.23%
2008	4,084,756	3,662,227	122,241	7,869,224	437,925	7,431,299	65.764	604,049,500	1.23%
2009	5,010,410	4,410,100	200,285	9,620,795	617,081	9,003,714	58.374	753,764,700	1.19%
2010	4,945,974	4,107,439	187,142	9,240,555	1,171,820	8,068,735	65.095	722,925,300	1.12%
2011	5,332,018	4,224,074	487,931	10,044,023	1,042,860	9,001,163	63.890	784,173,200	1.15%
2012	4,709,194	4,226,300	445,047	9,380,541	1,075,330	8,305,211	69.485	780,687,600	1.06%
2013	4,505,919	4,181,742	653,369	9,341,030	1,127,446	8,213,584	68.999	769,618,250	1.07%

Source: Itasca County Auditor's Office

Table 5

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$464,692	\$424,628	\$728,689	\$821,768	\$493,124	\$597,344
1,007,217	1,286,533	823,295	915,580	1,073,037	1,100,379
3,853,979	5,122,533	2,819,062	5,613,348	4,825,540	4,537,627
1,073,066	1,050,224	962,131	1,283,989	1,014,136	1,066,206
<u>6,398,954</u>	<u>7,883,918</u>	<u>5,333,177</u>	<u>8,634,685</u>	<u>7,405,837</u>	<u>7,301,556</u>
494,371	1,353,040	646,172	561,196	561,753	524,670
478,596	484,528	505,336	498,587	498,189	551,049
<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>	<u>1,059,783</u>	<u>1,059,942</u>	<u>1,075,719</u>
<u>\$7,371,921</u>	<u>\$9,721,486</u>	<u>\$6,484,685</u>	<u>\$9,694,468</u>	<u>\$8,465,779</u>	<u>\$8,377,275</u>

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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
General government	\$428,018	\$398,214	\$426,070	\$505,461
Public safety	683,604	876,638	842,353	791,861
Public works	3,599,018	5,634,498	4,877,145	3,301,008
Culture and recreation	1,088,149	1,135,466	1,277,761	1,223,177
Total governmental activities program revenues	<u>5,798,789</u>	<u>8,044,816</u>	<u>7,423,329</u>	<u>5,821,507</u>
Business-type activities:				
Golf course	469,888	487,126	458,960	512,659
Storm water utility	-	440,657	432,955	485,603
Total business-type activities program revenues	<u>469,888</u>	<u>927,783</u>	<u>891,915</u>	<u>998,262</u>
Total primary government program revenues	<u>\$6,268,677</u>	<u>\$8,972,599</u>	<u>\$8,315,244</u>	<u>\$6,819,769</u>

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Table 4

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$5,141,487	\$5,501,090	\$5,717,261	\$6,024,517	\$6,553,504	\$6,772,986
207,233	271,416	255,052	226,118	202,354	324,015
2,966,264	5,930,076	4,302,317	5,933,373	4,434,468	4,671,032
1,817,539	1,580,506	1,326,354	1,063,987	1,546,363	1,760,500
2,656,951	1,768,797	1,604,785	2,415,698	3,658,568	2,160,357
202,321	170,589	142,528	191,552	160,984	204,756
534,160	274,557	159,010	184,059	128,235	80,298
339,705	306,122	275,921	380,749	350,181	388,486
<u>13,865,660</u>	<u>15,803,153</u>	<u>13,783,228</u>	<u>16,420,053</u>	<u>17,034,657</u>	<u>16,362,430</u>
2,904,262	2,286,301	1,879,463	2,045,880	1,864,611	2,013,753
2,615,025	3,136,407	2,500,602	2,551,622	2,639,573	2,829,259
2,115,328	2,060,388	2,117,665	2,706,560	2,786,207	2,853,198
1,794,133	1,745,838	1,731,467	1,745,924	1,709,487	1,731,099
403,579	616,948	541,014	369,809	393,733	523,877
5,340,344	8,592,229	3,836,307	8,398,558	7,640,162	6,370,341
2,420,000	2,845,000	2,177,668	2,990,512	3,239,850	3,925,000
842,963	863,624	965,697	903,583	802,977	881,735
8,257	8,232	7,842	6,204	8,630	8,855
100,690	132,045	39,692	42,489	127,049	112,905
<u>18,544,581</u>	<u>22,287,012</u>	<u>15,797,417</u>	<u>21,761,141</u>	<u>21,212,279</u>	<u>21,250,022</u>
<u>(4,678,921)</u>	<u>(6,483,859)</u>	<u>(2,014,189)</u>	<u>(5,341,088)</u>	<u>(4,177,622)</u>	<u>(4,887,592)</u>
6,175	75,376	4,957	5,360	51,788	55,254
-	-	136,444	-	-	-
-	-	925,000	525,000	-	1,525,000
3,005,000	6,835,000	825,000	1,030,000	7,397,605	4,134,377
-	-	-	-	105,707	41,032
-	(1,265,000)	(635,000)	-	-	-
-	-	-	-	-	-
1,900,187	3,063,829	1,058,790	1,044,991	705,445	1,855,266
<u>(1,791,948)</u>	<u>(3,083,110)</u>	<u>(1,333,243)</u>	<u>(1,041,491)</u>	<u>(601,945)</u>	<u>(1,802,051)</u>
<u>3,119,414</u>	<u>5,626,095</u>	<u>981,948</u>	<u>1,563,860</u>	<u>7,658,600</u>	<u>5,808,878</u>
-	-	-	347,629	-	-
-	-	574,001	-	-	-
<u>(\$1,559,507)</u>	<u>(\$857,764)</u>	<u>(\$458,240)</u>	<u>(\$3,429,599)</u>	<u>\$3,480,978</u>	<u>\$921,286</u>
22.5%	24.2%	25.2%	27.6%	26.3%	31.4%

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$4,835,185	\$4,560,272	\$4,603,545	\$4,718,695
Licenses and permits	221,574	218,984	261,308	342,178
Intergovernmental	2,683,606	4,339,505	4,368,302	3,126,346
Special assessments	714,438	1,095,157	1,427,730	1,770,868
Charges for services	1,359,973	1,465,506	1,442,030	2,184,707
Fines and forfeits	108,929	155,461	182,943	154,971
Investment income	284,643	473,405	685,853	785,302
Other	276,866	281,911	399,095	298,105
Total revenues	10,485,214	12,590,201	13,370,806	13,381,172
Expenditures:				
Current:				
General government	1,485,995	1,696,966	1,827,609	1,915,271
Public safety	2,007,343	2,109,319	2,270,087	2,377,536
Public works	1,800,362	1,657,717	1,827,653	1,893,997
Culture and recreation	1,522,410	1,645,368	1,701,061	1,835,221
Miscellaneous	200,658	245,714	274,962	243,642
Capital outlay/construction	5,135,895	8,221,728	3,538,835	4,174,414
Debt service:				
Principal retirement	2,075,000	2,630,000	2,905,000	2,050,000
Interest	651,325	651,299	790,150	799,726
Paying agent fees	6,137	7,005	6,737	9,479
Bond issuance costs	6,610	107,481	89,977	76,669
Total expenditures	14,891,735	18,972,597	15,232,071	15,375,955
Revenues over (under) expenditures	(4,406,521)	(6,382,396)	(1,861,265)	(1,994,783)
Other financing sources (uses):				
Sale of capital assets	25,419	16,416	11,635	98,817
Capital lease proceeds	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Bond issuance/bond premium	3,705,000	5,821,054	4,362,037	2,946,950
Insurance recoveries	190,000	-	-	-
Redemption of refunded bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	(1,960,379)	-
Transfers in	3,202,585	1,990,326	1,727,783	1,767,911
Transfers out	(3,204,503)	(1,847,123)	(1,730,162)	(1,592,133)
Total other financing sources (uses)	3,918,501	5,980,673	2,410,914	3,221,545
Special items:				
Grand Rapids / Itasca County Airport Merger with Grand Rapids Township	-	-	-	-
Net change in fund balance	(\$488,020)	(\$401,723)	\$549,649	\$1,226,762
Debt service as a percentage of noncapital expenditures	22.7%	24.8%	30.1%	23.1%

Table 3

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$224,509	\$219,727	\$497,935	\$ -	\$ -	\$ -
4,847,138	4,529,615	4,443,526	-	-	-
-	-	-	1,071,817	882,863	607,301
-	-	-	15,567	13,186	12,479
-	-	-	76,401	156,520	243,403
-	-	-	3,857,416	4,463,866	4,633,494
<u>5,071,647</u>	<u>4,749,342</u>	<u>4,941,461</u>	<u>5,021,201</u>	<u>5,516,435</u>	<u>5,496,677</u>
7,653,945	6,660,438	7,061,043	-	-	-
805,001	872,154	747,062	-	-	-
(120,115)	(121,906)	(130,205)	-	-	-
3,298,276	3,690,962	2,773,389	-	-	-
-	-	-	345,891	408,722	206,417
-	-	-	6,728,771	7,830,851	8,922,847
-	-	-	649,367	662,669	601,378
-	-	-	2,073,531	1,989,644	1,684,947
-	-	-	(2,855,610)	(964,192)	(546,851)
<u>11,637,107</u>	<u>11,101,648</u>	<u>10,451,289</u>	<u>6,941,950</u>	<u>9,927,694</u>	<u>10,868,738</u>
<u>\$16,708,754</u>	<u>\$15,850,990</u>	<u>\$15,392,750</u>	<u>\$11,963,151</u>	<u>\$15,444,129</u>	<u>\$16,365,415</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund:				
Reserved	\$235,408	\$216,786	\$254,671	\$264,264
Unreserved	5,441,087	5,499,269	5,476,583	5,537,743
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>5,676,495</u>	<u>5,716,055</u>	<u>5,731,254</u>	<u>5,802,007</u>
All other governmental funds:				
Reserved	6,453,883	6,009,348	6,170,610	7,420,555
Unreserved, reported in:				
Special revenue funds	509,117	569,641	657,929	771,353
Debt service funds	7,953	8,168	11,642	(89,202)
Capital projects funds	4,246,125	4,188,638	4,470,244	4,363,548
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other government funds	<u>11,217,078</u>	<u>10,775,795</u>	<u>11,310,425</u>	<u>12,466,254</u>
Total all funds	<u><u>\$16,893,573</u></u>	<u><u>\$16,491,850</u></u>	<u><u>\$17,041,679</u></u>	<u><u>\$18,268,261</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.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$4,472,247	\$4,684,768	\$4,793,026	\$5,180,915	\$5,725,515	\$5,896,074
682,276	854,072	853,542	854,710	854,998	901,179
1,632,339	1,946,680	1,452,870	1,470,249	1,382,817	1,442,510
534,160	274,557	159,010	184,059	128,235	80,298
-	11,553	4,957	5,360	83,853	67,523
-	-	-	-	63,471	26,696
-	-	-	6,212,220	-	-
-	-	574,001	-	-	-
83,078	(19,281)	(257,467)	3,500	103,500	53,215
<u>7,404,100</u>	<u>7,752,349</u>	<u>7,579,939</u>	<u>13,911,013</u>	<u>8,342,389</u>	<u>8,467,495</u>
12,312	16,195	2,271	6,313	5,885	3,385
219,966	-	61,827	-	5,530	5,266
(83,078)	19,281	257,467	(3,500)	(103,500)	(53,215)
<u>149,200</u>	<u>35,476</u>	<u>321,565</u>	<u>2,813</u>	<u>(92,085)</u>	<u>(44,564)</u>
<u>\$7,553,300</u>	<u>\$7,787,825</u>	<u>\$7,901,504</u>	<u>\$13,913,826</u>	<u>\$8,250,304</u>	<u>\$8,422,931</u>
(\$484,882)	\$675,524	(\$185,700)	\$8,971,243	\$836,866	\$1,554,334
316,026	1,005,764	605,909	135,756	65,086	41,290
<u>(\$168,856)</u>	<u>\$1,681,288</u>	<u>\$420,209</u>	<u>\$9,106,999</u>	<u>\$901,952</u>	<u>\$1,595,624</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General revenues and other changes in net position				
Governmental activities:				
Taxes	\$3,828,809	\$3,945,921	\$3,963,138	\$4,062,932
Payments in lieu of taxes (PILOT)	1,042,164	614,528	656,091	667,148
Unrestricted grants and contributions	1,929,916	1,795,229	2,048,839	2,043,737
Investment earnings	284,643	473,405	685,853	785,302
Gain on sale of capital assets	23,669	-	9,397	98,573
Insurance recoveries	-	-	-	-
Special item - Grand Rapids / Itasca County Airport	-	-	-	-
Special item - merger with Grand Rapids Township	-	-	-	-
Transfers	952	143,203	(2,379)	175,778
Total governmental activities	<u>7,110,153</u>	<u>6,972,286</u>	<u>7,360,939</u>	<u>7,833,470</u>
Business-type activities:				
Investment earnings	3,389	3,191	8,026	15,982
Gain on sale of capital assets	3,806	-	-	-
Transfers	(952)	(143,203)	2,379	(175,778)
Total business-type activities	<u>6,243</u>	<u>(140,012)</u>	<u>10,405</u>	<u>(159,796)</u>
Total primary government	<u>\$7,116,396</u>	<u>\$6,832,274</u>	<u>\$7,371,344</u>	<u>\$7,673,674</u>
Change in net position:				
Government activities	\$1,135,837	\$2,811,733	\$3,837,540	\$1,478,425
Business-type activities	(101,616)	(32,774)	97,951	(26,941)
Total primary government	<u>\$1,034,221</u>	<u>\$2,778,959</u>	<u>\$3,935,491</u>	<u>\$1,451,484</u>

Table 2
Page 1 of 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$3,257,703	\$3,139,210	\$2,407,660	\$2,362,986	\$2,206,280	\$2,420,199
2,904,780	3,611,752	2,789,559	2,836,212	2,929,368	3,117,628
5,018,711	5,144,636	4,841,814	5,390,413	6,772,303	5,601,025
2,243,609	2,267,791	2,270,942	2,255,043	2,235,595	2,000,748
863,133	950,717	978,289	907,838	921,653	1,309,223
<u>14,287,936</u>	<u>15,114,106</u>	<u>13,288,264</u>	<u>13,752,492</u>	<u>15,065,199</u>	<u>14,448,823</u>
473,579	496,554	455,315	549,733	561,484	554,933
332,562	370,726	411,849	377,107	341,287	434,932
806,141	867,280	867,164	926,840	902,771	989,865
<u>\$15,094,077</u>	<u>\$15,981,386</u>	<u>\$14,155,428</u>	<u>\$14,679,332</u>	<u>\$15,967,970</u>	<u>\$15,438,688</u>
\$401,562	\$405,500	\$457,201	\$401,410	\$434,949	\$590,194
510,127	463,110	388,484	447,864	433,622	478,032
206,256	405,086	261,584	432,900	419,069	716,553
426,215	404,920	409,234	434,724	440,565	451,836
581,602	585,044	515,812	506,187	521,523	500,351
614,629	1,100,342	1,027,304	1,240,128	1,572,878	1,358,914
3,658,563	4,673,279	2,463,006	5,349,509	3,737,070	3,439,782
<u>6,398,954</u>	<u>8,037,281</u>	<u>5,522,625</u>	<u>8,812,722</u>	<u>7,559,676</u>	<u>7,535,662</u>
494,371	516,832	548,820	553,201	561,653	524,670
478,596	484,528	505,336	498,587	498,189	551,049
-	-	-	-	-	-
-	836,208	97,352	7,995	100	-
<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>	<u>1,059,783</u>	<u>1,059,942</u>	<u>1,075,719</u>
<u>\$7,371,921</u>	<u>\$9,874,849</u>	<u>\$6,674,133</u>	<u>\$9,872,505</u>	<u>\$8,619,618</u>	<u>\$8,611,381</u>
(\$7,888,982)	(\$7,076,825)	(\$7,765,639)	(\$4,939,770)	(\$7,505,523)	(\$6,913,161)
166,826	970,288	284,344	132,943	157,171	85,854
<u>(7,722,156)</u>	<u>(6,106,537)</u>	<u>(7,481,295)</u>	<u>(4,806,827)</u>	<u>(7,348,352)</u>	<u>(6,827,307)</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$1,825,292	\$2,078,757	\$2,281,286	\$2,249,579
Public safety	2,163,003	2,206,081	2,794,668	2,452,364
Public works	4,975,913	5,086,588	2,857,286	4,309,921
Culture and recreation	2,142,322	2,130,496	2,188,722	2,324,697
Interest and fees on long-term debt	666,575	703,447	824,766	839,991
Total governmental activities expenses	<u>11,773,105</u>	<u>12,205,369</u>	<u>10,946,728</u>	<u>12,176,552</u>
Business-type activities:				
Golf course	556,797	575,457	555,627	518,409
Storm water utility	20,950	245,088	248,742	346,998
Total business-type activities expenses	<u>577,747</u>	<u>820,545</u>	<u>804,369</u>	<u>865,407</u>
Total primary government expenses	<u>\$12,350,852</u>	<u>\$13,025,914</u>	<u>\$11,751,097</u>	<u>\$13,041,959</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$329,037	\$382,986	\$422,888	\$477,296
Public safety	324,807	392,814	428,835	422,666
Public works	100,451	134,239	147,559	129,233
Culture and recreation:				
Ice rent	368,325	373,639	369,310	435,919
Other activities	584,713	569,332	585,736	594,848
Operating grants and contributions	554,581	599,446	832,273	743,317
Capital grants and contributions	3,536,875	5,592,360	4,636,728	3,018,228
Total governmental activities program revenues	<u>5,798,789</u>	<u>8,044,816</u>	<u>7,423,329</u>	<u>5,821,507</u>
Business-type activities:				
Charges for services:				
Golf course	469,888	487,126	454,960	506,659
Storm water utility	-	420,657	432,503	484,163
Operating grants and contributions	-	-	4,000	6,000
Capital grants and contributions	-	20,000	452	1,440
Total business-type activities program revenues	<u>469,888</u>	<u>927,783</u>	<u>891,915</u>	<u>998,262</u>
Total primary government program revenues	<u>\$6,268,677</u>	<u>\$8,972,599</u>	<u>\$8,315,244</u>	<u>\$6,819,769</u>
Net (expense) revenue:				
Governmental activities	(\$5,974,316)	(\$4,160,553)	(\$3,523,399)	(\$6,355,045)
Business-type activities	(107,859)	107,238	87,546	132,855
Total primary government net (expense) revenue	<u>(6,082,175)</u>	<u>(4,053,315)</u>	<u>(3,435,853)</u>	<u>(6,222,190)</u>

Table 1

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$15,968,208	\$18,102,326	\$19,133,457	\$31,703,299	\$30,975,963	\$31,861,617
17,300,543	17,035,306	13,417,300	12,379,387	12,077,081	7,330,832
7,166,636	5,973,279	8,374,454	5,813,768	7,680,276	13,095,205
<u>\$40,435,387</u>	<u>\$41,110,911</u>	<u>\$40,925,211</u>	<u>\$49,896,454</u>	<u>\$50,733,320</u>	<u>\$52,287,654</u>
\$999,474	\$1,985,565	\$2,827,242	\$2,793,653	\$2,755,540	\$2,864,018
-	-	-	-	-	-
335,339	355,012	119,244	236,409	339,608	272,420
<u>\$1,334,813</u>	<u>\$2,340,577</u>	<u>\$2,946,486</u>	<u>\$3,030,062</u>	<u>\$3,095,148</u>	<u>\$3,136,438</u>
\$16,967,682	\$20,087,891	\$21,960,699	\$34,496,952	\$33,731,503	\$34,725,635
17,300,543	17,035,306	13,417,300	12,379,387	12,077,081	7,330,832
7,501,975	6,328,291	8,493,698	6,050,177	8,019,884	13,367,625
<u>\$41,770,200</u>	<u>\$43,451,488</u>	<u>\$43,871,697</u>	<u>\$52,926,516</u>	<u>\$53,828,468</u>	<u>\$55,424,092</u>

CITY OF GRAND RAPIDS, MINNESOTA
NET POSITION BY COMPONENT
 Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$14,099,597	\$14,975,618	\$14,245,352	\$14,120,418
Restricted	11,204,673	13,315,671	17,374,649	18,556,197
Unrestricted	7,488,301	7,313,015	7,821,843	8,243,654
Total governmental activities net position	\$32,792,571	\$35,604,304	\$39,441,844	\$40,920,269
Business type activities:				
Net investment in capital assets	\$986,597	\$978,336	\$1,059,454	\$1,042,404
Restricted	-	-	-	-
Unrestricted	53,990	(30,559)	(13,726)	(23,617)
Total business-type activities net position	\$1,040,587	\$947,777	\$1,045,728	\$1,018,787
Primary government:				
Net investment in capital assets	\$15,086,194	\$15,953,954	\$15,304,806	\$15,162,822
Restricted	11,204,673	13,315,671	17,374,649	18,556,197
Unrestricted	7,542,291	7,282,456	7,808,117	8,220,037
Total primary government net position	\$33,833,158	\$36,552,081	\$40,487,572	\$41,939,056

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.

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III. STATISTICAL SECTION (UNAUDITED)

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CITY OF GRAND RAPIDS, MINNESOTA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

Statement 31

ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT

For The Year Ended December 31, 2013

With Comparative Totals For The Year Ended December 31, 2012

	General	Capital Project	Totals	
			2013	2012
Revenue:				
General property taxes	\$21,605	\$55,556	\$77,161	\$46,898
Intergovernmental	1,535	687,963	689,498	208,417
Investment income	393	3,497	3,890	5,590
Miscellaneous:				
Loan repayment	-	390,589	390,589	16,783
Donations/contributions	-	-	-	5,000
Other	-	9,950	9,950	13,519
Total revenue	<u>23,533</u>	<u>1,147,555</u>	<u>1,171,088</u>	<u>296,207</u>
Expenditures:				
Economic development:				
Current:				
Materials and supplies	35	-	35	26
Other services and charges	12,279	994,064	1,006,343	260,992
Loan disbursement	-	59,896	59,896	36,807
Total expenditures	<u>12,314</u>	<u>1,053,960</u>	<u>1,066,274</u>	<u>297,825</u>
Revenue over (under) expenditures	<u>11,219</u>	<u>93,595</u>	<u>104,814</u>	<u>(1,618)</u>
Other financing sources:				
Proceeds from land sales	-	139,816	139,816	83,000
Net change in fund balance	11,219	233,411	244,630	81,382
Fund balance - January 1	<u>69,639</u>	<u>593,655</u>	<u>663,294</u>	<u>581,912</u>
Fund balance - December 31	<u>\$80,858</u>	<u>\$827,066</u>	<u>\$907,924</u>	<u>\$663,294</u>

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
 December 31, 2013
 With Comparative Totals For December 31, 2012

Statement 30

Assets	General	Capital Project	Totals	
			2013	2012
Cash and investments	\$80,858	\$804,926	\$885,784	\$669,221
Accounts receivable	-	41,873	41,873	-
Due from other governmental units	-	-	-	14,855
Inventory - land held for resale	-	1,233,217	1,233,217	1,350,617
Notes receivable	-	167,936	167,936	207,726
Total assets	\$80,858	\$2,247,952	\$2,328,810	\$2,242,419
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$1,760	\$1,760	\$14,255
Due to other governmental units	-	-	-	747
Contracts payable	-	18,125	18,125	5,780
Total liabilities	0	19,885	19,885	20,782
Deferred inflows of resources:				
Unavailable revenue	-	1,401,001	1,401,001	1,558,343
Total deferred inflows of resources	0	1,401,001	1,401,001	1,558,343
Fund balance:				
Assigned	-	827,066	827,066	593,655
Unassigned	80,858	-	80,858	69,639
Total fund balance	80,858	827,066	907,924	663,294
Total liabilities, deferred inflows of resources, and fund balance	\$80,858	\$2,247,952	\$2,328,810	\$2,242,419

COMPONENT UNIT

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

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CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2013

Statement 29

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Lodging Tax:				
Assets				
Cash and investments	\$18,384	\$16,700	\$18,384	\$16,700
Liabilities				
Accounts payable	\$18,384	\$16,700	\$18,384	\$16,700
Cable TV Commission:				
Assets				
Cash and investments	\$56,492	\$80,852	\$56,492	\$80,852
Liabilities				
Accounts payable	\$75	\$ -	\$75	\$ -
Due to third-party grantees	56,417	80,852	56,417	80,852
Total liabilities	\$56,492	\$80,852	\$56,492	\$80,852
Totals - All Agency Funds:				
Assets				
Cash and investments	\$74,876	\$97,552	\$74,876	\$97,552
Liabilities				
Accounts payable	\$18,459	\$16,700	\$18,459	\$16,700
Due to third-party grantees	56,417	80,852	56,417	80,852
Total liabilities	\$74,876	\$97,552	\$74,876	\$97,552

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
 December 31, 2013
 With Comparative Totals For December 31, 2012

Statement 28

	872 Lodging Tax	877 Cable TV Commision	Totals Agency Funds	
			2013	2012
Assets:				
Cash and investments	\$16,700	\$80,852	\$97,552	\$74,876
Liabilities:				
Accounts payable	\$16,700	\$ -	\$16,700	\$18,459
Due to third-party grantees	-	80,852	80,852	56,417
Total liabilities	\$16,700	\$80,852	\$97,552	\$74,876

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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 2013, 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.

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CITY OF GRAND RAPIDS, MINNESOTA

SPECIAL REVENUE FUND - 235 DOMESTIC ANIMAL CONTROL FACILITY

Statement 27

SCHEDULE OF REVENUE, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended December 31, 2013

With Comparative Actual Amounts For The Year Ended December 31, 2012

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Licenses and permits	\$350	\$350	\$170	\$336
Fines and forfeits	34,550	34,550	32,837	29,772
Other	-	-	522	-
Total revenue	<u>34,900</u>	<u>34,900</u>	<u>33,529</u>	<u>30,108</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	37,132	37,132	38,590	36,112
Materials and supplies	4,500	4,500	6,328	5,165
Other services and charges	15,515	15,515	17,389	14,135
Total expenditures	<u>57,147</u>	<u>57,147</u>	<u>62,307</u>	<u>55,412</u>
Revenue over (under) expenditures	(22,247)	(22,247)	(28,778)	(25,304)
Other financing sources:				
Transfers in	<u>22,400</u>	<u>22,400</u>	<u>28,500</u>	<u>27,000</u>
Net change in fund balance	<u>\$153</u>	<u>\$153</u>	(278)	1,696
Fund balance - January 1			<u>7,022</u>	<u>5,326</u>
Fund balance - December 31			<u>\$6,744</u>	<u>\$7,022</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 233 CEMETERY
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 26

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
General property taxes	\$148,527	\$148,527	\$147,405	\$164,385
Intergovernmental:				
State:				
Supplemental aid	10,473	10,473	10,473	12,703
Charges for services:				
Cemetery	25,320	25,320	27,435	27,815
Other	1,500	1,500	1,397	1,264
Total revenue	<u>185,820</u>	<u>185,820</u>	<u>186,710</u>	<u>206,167</u>
Expenditures:				
Public works:				
Current:				
Personnel services	138,979	138,979	129,234	139,177
Materials and supplies	6,500	6,500	8,897	12,119
Other services and charges	40,200	40,200	37,116	55,306
Total expenditures	<u>185,679</u>	<u>185,679</u>	<u>175,247</u>	<u>206,602</u>
Revenue over (under) expenditures	<u>141</u>	<u>141</u>	<u>11,463</u>	<u>(435)</u>
Other financing sources:				
Insurance recoveries	-	-	-	50,000
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
Net change in fund balance	<u>\$141</u>	<u>\$141</u>	11,463	49,565
Fund balance - January 1			<u>50,020</u>	<u>455</u>
Fund balance - December 31			<u>\$61,483</u>	<u>\$50,020</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 232 POLICE FORFEITURE
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 25

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Intergovernmental	\$ -	\$ -	\$10,687	\$1,676
Fines and forfeits	10,000	10,000	12,842	9,967
Investment income	-	-	357	475
Miscellaneous	8,000	8,000	3,147	6,401
Total revenue	<u>18,000</u>	<u>18,000</u>	<u>27,033</u>	<u>18,519</u>
Expenditures:				
Public safety:				
Current:				
Materials and supplies	18,000	18,000	15,227	12,591
Other services and charges	3,500	3,500	2,000	4,081
Capital outlay	-	-	10,687	5,606
Total expenditures	<u>21,500</u>	<u>21,500</u>	<u>27,914</u>	<u>22,278</u>
Revenue over (under) expenditures	(3,500)	(3,500)	(881)	(3,759)
Other financing sources:				
Insurance recoveries	-	-	-	12,827
Net change in fund balance	<u>(\$3,500)</u>	<u>(\$3,500)</u>	(881)	9,068
Fund balance - January 1			<u>59,655</u>	<u>50,587</u>
Fund balance - December 31			<u>\$58,774</u>	<u>\$59,655</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 231 HAZ-MAT
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 24

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Intergovernmental:				
State:				
Haz-Mat reimbursement	\$45,000	\$45,000	\$69,665	\$39,928
Haz-Mat terrorism grant	-	-	17,105	107,895
Total revenue	<u>45,000</u>	<u>45,000</u>	<u>86,770</u>	<u>147,823</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	24,655	24,655	29,741	22,533
Materials and supplies	5,400	5,400	5,505	15,239
Other services and charges	13,940	13,940	34,500	13,546
Total current	<u>43,995</u>	<u>43,995</u>	<u>69,746</u>	<u>51,318</u>
Capital outlay	<u>1,005</u>	<u>1,005</u>	<u>17,105</u>	<u>95,504</u>
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>86,851</u>	<u>146,822</u>
Revenue over (under) expenditures	<u>\$0</u>	<u>\$0</u>	(81)	1,001
Fund balance - January 1			<u>1,054</u>	<u>53</u>
Fund balance - December 31			<u>\$973</u>	<u>\$1,054</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 230 RECREATION PROGRAMS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 23

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rental	\$1,600	\$1,600	\$ -	\$225
Fees	52,600	52,600	49,310	55,744
Investment income	500	500	249	446
Contributions and donations	-	-	1,500	1,500
Total revenue	<u>54,700</u>	<u>54,700</u>	<u>51,059</u>	<u>57,915</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	52,039	52,039	46,232	45,901
Materials and supplies	800	800	12,048	10,872
Other services and charges	1,850	1,850	14,294	1,709
Total expenditures	<u>54,689</u>	<u>54,689</u>	<u>72,574</u>	<u>58,482</u>
Revenue over (under) expenditures	<u>\$11</u>	<u>\$11</u>	(21,515)	(567)
Fund balance - January 1			<u>41,895</u>	<u>42,462</u>
Fund balance - December 31			<u>\$20,380</u>	<u>\$41,895</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 228 IRA CIVIC CENTER
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 22

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$458,300	\$458,300	\$451,836	\$440,565
Concessions	138,500	138,500	116,934	129,991
Advertising	52,000	52,000	67,928	54,267
Other	19,500	19,500	22,930	16,433
Investment income	-	-	-	83
Total revenue	<u>668,300</u>	<u>668,300</u>	<u>659,628</u>	<u>641,339</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	329,792	329,792	326,442	309,855
Materials and supplies	107,600	107,600	107,622	112,857
Other services and charges	245,820	245,820	240,343	213,095
Capital outlay	12,000	12,000	-	60,388
Total expenditures	<u>695,212</u>	<u>695,212</u>	<u>674,407</u>	<u>696,195</u>
Revenue over (under) expenditures	<u>(26,912)</u>	<u>(26,912)</u>	<u>(14,779)</u>	<u>(54,856)</u>
Other financing sources (uses):				
Insurance recoveries	-	-	11,745	29,409
Transfers in	27,000	27,000	27,000	27,000
Total other financing sources (uses)	<u>27,000</u>	<u>27,000</u>	<u>38,745</u>	<u>56,409</u>
Net change in fund balance	<u>\$88</u>	<u>\$88</u>	23,966	1,553
Fund balance (deficit) - January 1			<u>(111,678)</u>	<u>(113,231)</u>
Fund balance (deficit) - December 31			<u><u>(\$87,712)</u></u>	<u><u>(\$111,678)</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 226 AIRPORT OPERATIONS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 21

	2013			2012
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$123,582	\$123,582	\$121,210	\$120,957
Other	4,850	4,850	4,706	5,782
Intergovernmental:				
State operations reimbursement	63,049	63,049	63,049	54,276
Itasca County	10,000	10,000	10,000	10,000
Investment income	2,000	2,000	982	1,552
Other	150	150	149	-
Total revenue	<u>203,631</u>	<u>203,631</u>	<u>200,096</u>	<u>192,567</u>
Expenditures:				
Public works:				
Current:				
Personnel services	65,072	65,072	62,712	49,821
Materials and supplies	13,325	13,325	19,124	11,497
Other services and charges	135,688	135,688	137,308	102,020
Total current	<u>214,085</u>	<u>214,085</u>	<u>219,144</u>	<u>163,338</u>
Debt service - loan repayment	10,000	10,000	10,000	24,850
Total expenditures	<u>224,085</u>	<u>224,085</u>	<u>229,144</u>	<u>188,188</u>
Revenue over (under) expenditures	(20,454)	(20,454)	(29,048)	4,379
Other financing sources:				
Transfer in	10,000	10,000	10,000	10,000
Net change in fund balance	<u>(\$10,454)</u>	<u>(\$10,454)</u>	(19,048)	14,379
Fund balance - January 1			<u>111,315</u>	<u>96,936</u>
Fund balance - December 31			<u>\$92,267</u>	<u>\$111,315</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 225 CENTRAL SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 20

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$52,323	\$52,323	\$75,365	\$63,419
Other	-	-	109	242
Intergovernmental	-	-	-	19,424
Investment income	-	-	316	975
Other	-	-	5,035	699
Total revenue	<u>52,323</u>	<u>52,323</u>	<u>80,825</u>	<u>84,759</u>
Expenditures:				
Culture and recreation:				
Current:				
Materials and supplies	3,600	3,600	3,735	3,756
Other services and charges	103,137	103,137	131,083	99,258
Capital outlay	5,337	5,337	-	38,849
Total expenditures	<u>112,074</u>	<u>112,074</u>	<u>134,818</u>	<u>141,863</u>
Revenue over (under) expenditures	(59,751)	(59,751)	(53,993)	(57,104)
Other financing sources:				
Transfer in	-	-	-	17,000
Net change in fund balance	<u>(\$59,751)</u>	<u>(\$59,751)</u>	(53,993)	(40,104)
Fund balance - January 1			94,075	134,179
Fund balance - December 31			<u>\$40,082</u>	<u>\$94,075</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 211 PUBLIC LIBRARY
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 19

	2013		Actual Amounts	2012 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
General property taxes	\$537,230	\$537,230	\$532,589	\$492,059
Intergovernmental:				
State:				
Supplemental aid	37,808	37,808	37,808	38,071
Other	-	-	-	997
Charges for services:				
Townships	133,000	133,000	125,549	129,590
Other	16,482	16,482	17,513	18,393
Fines and forfeits	15,000	15,000	13,207	17,952
Investment income	6,000	6,000	6,106	5,395
Contributions and donations	5,100	5,100	66,457	30,127
Miscellaneous	-	-	-	26,250
Total revenue	<u>750,620</u>	<u>750,620</u>	<u>799,229</u>	<u>758,834</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	530,634	530,634	529,314	511,787
Materials and supplies	87,600	87,600	79,997	86,355
Other services and charges	132,065	132,065	129,261	131,270
Total current	<u>750,299</u>	<u>750,299</u>	<u>738,572</u>	<u>729,412</u>
Capital outlay	-	-	50,222	30,647
Total expenditures	<u>750,299</u>	<u>750,299</u>	<u>788,794</u>	<u>760,059</u>
Revenue over (under) expenditures	321	321	10,435	(1,225)
Other financing sources:				
Transfers in	-	-	-	6,477
Net change in fund balance	<u>\$321</u>	<u>\$321</u>	10,435	5,252
Fund balance - January 1			<u>431,434</u>	<u>426,182</u>
Fund balance - December 31			<u>\$441,869</u>	<u>\$431,434</u>

INDIVIDUAL BUDGET TO ACTUAL STATEMENTS

SPECIAL REVENUE FUNDS

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458 2000 Infrastructure Other	473 2011 Infrastructure Bonded	474 2012 Infrastructure Bonded	476 2014 Infrastructure Bonded	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
					2013	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$130,909	\$126,819
-	-	-	-	-	103,232	138,275
-	-	-	-	-	1,673,613	1,483,122
-	-	20,713	-	-	20,713	1,831,529
37	-	-	-	3,748	13,737	24,666
-	-	-	-	-	38,094	38,652
<u>37</u>	<u>0</u>	<u>20,713</u>	<u>0</u>	<u>3,748</u>	<u>1,980,298</u>	<u>3,643,063</u>
-	-	-	-	30,563	76,621	72,864
-	-	-	-	-	-	-
-	-	-	-	670	173,274	267,452
-	-	-	-	-	4,115	5,336
-	-	309,093	19,129	163,167	2,989,885	5,582,665
-	-	-	-	-	-	109,410
<u>0</u>	<u>0</u>	<u>309,093</u>	<u>19,129</u>	<u>194,400</u>	<u>3,243,895</u>	<u>6,037,727</u>
<u>37</u>	<u>0</u>	<u>(288,380)</u>	<u>(19,129)</u>	<u>(190,652)</u>	<u>(1,263,597)</u>	<u>(2,394,664)</u>
-	-	-	-	-	50,000	51,253
-	-	-	-	-	-	(4,050)
-	-	-	-	-	-	40,135
-	-	-	-	-	-	6,107,257
-	-	-	-	44,484	307,477	372,697
-	(950,061)	-	-	-	(1,021,382)	(195,769)
<u>0</u>	<u>(950,061)</u>	<u>0</u>	<u>0</u>	<u>44,484</u>	<u>(663,905)</u>	<u>6,371,523</u>
37	(950,061)	(288,380)	(19,129)	(146,168)	(1,927,502)	3,976,859
6,316	950,061	743,105	-	660,978	3,858,025	(118,834)
<u>\$6,353</u>	<u>\$0</u>	<u>\$454,725</u>	<u>(\$19,129)</u>	<u>\$514,810</u>	<u>\$1,930,523</u>	<u>\$3,858,025</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2013
With Comparative Totals For The Year Ended December 31, 2012

	409 Street and Light Utility	413 Airport Capital Fund	429 IRA Civic Center Projects	431 7th Ave Bridge Rehab
Revenue:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
State:				
MSA	-	-	-	-
Other intergovernmental	-	560,350	-	-
Charges for services	-	-	-	-
Investment income	59	-	27	-
Contributions and donations	-	-	-	-
Total revenue	<u>59</u>	<u>560,350</u>	<u>27</u>	<u>0</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	109	-	-
Culture and recreation	-	-	-	-
Capital outlay/construction	-	668,265	-	-
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>0</u>	<u>668,374</u>	<u>0</u>	<u>0</u>
Revenue over (under) expenditures	<u>59</u>	<u>(108,024)</u>	<u>27</u>	<u>0</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Bond discount	-	-	-	-
Bond premium	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	59	(108,024)	27	0
Fund balance (deficit) - January 1	<u>9,853</u>	<u>120,644</u>	<u>4,468</u>	<u>578,181</u>
Fund balance (deficit) - December 31	<u><u>\$9,912</u></u>	<u><u>\$12,620</u></u>	<u><u>\$4,495</u></u>	<u><u>\$578,181</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
 SUBCOMBINING STATEMENT OF REVENUE,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR CAPITAL PROJECT FUNDS
 For The Year Ended December 31, 2013
 With Comparative Totals For The Year Ended December 31, 2012

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	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development	407 Capital Equipment Replacement
Revenue:				
General property taxes	\$ -	\$ -	\$ -	\$130,909
Intergovernmental:				
State:				
MSA	-	103,232	-	-
Other intergovernmental	1,103,962	-	-	9,301
Charges for services	-	-	-	-
Investment income	6,733	1,295	55	1,783
Contributions and donations	5,000	-	33,094	-
Total revenue	<u>1,115,695</u>	<u>104,527</u>	<u>33,149</u>	<u>141,993</u>
Expenditures:				
Current:				
General government	32,712	-	-	13,346
Public safety	-	-	-	-
Public works	150,671	21,824	-	-
Culture and recreation	-	-	4,115	-
Capital outlay/construction	1,023,934	-	24,307	781,990
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>1,207,317</u>	<u>21,824</u>	<u>28,422</u>	<u>795,336</u>
Revenue over (under) expenditures	<u>(91,622)</u>	<u>82,703</u>	<u>4,727</u>	<u>(653,343)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	50,000
Bond discount	-	-	-	-
Bond premium	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	4,173	-	-	258,820
Transfers out	-	(49,715)	-	(21,606)
Total other financing sources (uses)	<u>4,173</u>	<u>(49,715)</u>	<u>0</u>	<u>287,214</u>
Net change in fund balance	(87,449)	32,988	4,727	(366,129)
Fund balance (deficit) - January 1	<u>429,835</u>	<u>189,357</u>	<u>8,091</u>	<u>157,136</u>
Fund balance (deficit) - December 31	<u>\$342,386</u>	<u>\$222,345</u>	<u>\$12,818</u>	<u>(\$208,993)</u>

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431 7th Ave Bridge Rehab	458 2000 Infrastructure Other	474 2012 Infrastructure Bonded	476 2014 Infrastructure Bonded	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
					2013	2012
\$372,907	\$6,353	\$358,141	\$ -	\$44,484	\$2,510,241	\$2,398,459
-	-	-	-	-	2,002	-
-	-	75,871	-	-	600,249	1,088,827
205,274	-	-	-	474,720	679,994	784,676
-	-	20,713	-	-	20,713	220,209
-	-	-	-	-	65,604	95,749
-	-	-	-	-	181,200	312,200
-	-	-	-	-	1,209	-
-	-	-	-	194,782	194,782	4,846
-	-	-	-	6,287	6,287	6,287
<u>\$578,181</u>	<u>\$6,353</u>	<u>\$454,725</u>	<u>\$0</u>	<u>\$720,273</u>	<u>\$4,262,281</u>	<u>\$4,911,253</u>
\$ -	\$ -	\$ -	\$5,828	\$698	\$66,167	\$73,569
-	-	-	-	-	419,246	556,915
-	-	-	-	3,697	86,842	73,802
-	-	-	-	-	-	645
-	-	-	13,301	-	679,994	220,762
-	-	-	-	-	877,232	116,403
<u>0</u>	<u>0</u>	<u>0</u>	<u>19,129</u>	<u>4,395</u>	<u>2,129,481</u>	<u>1,042,096</u>
-	-	-	-	201,068	202,277	11,132
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>201,068</u>	<u>202,277</u>	<u>11,132</u>
-	-	-	-	-	181,200	386,823
-	6,353	454,725	-	-	461,078	1,673,114
578,181	-	-	-	514,810	1,684,947	1,989,644
-	-	-	(19,129)	-	(396,702)	(191,556)
<u>578,181</u>	<u>6,353</u>	<u>454,725</u>	<u>(19,129)</u>	<u>514,810</u>	<u>1,930,523</u>	<u>3,858,025</u>
<u>\$578,181</u>	<u>\$6,353</u>	<u>\$454,725</u>	<u>\$0</u>	<u>\$720,273</u>	<u>\$4,262,281</u>	<u>\$4,911,253</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2013
With Comparative Totals For December 31, 2012

Assets	407 Capital Equipment Replacement	409 Street and Light Utility	413 Airport Capital Fund	429 IRA Civic Center Projects
Cash and investments	\$315,755	\$9,912	\$ -	\$4,495
Accounts receivable	2,002	-	-	-
Due from other governmental units	-	-	524,378	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Interfund loan receivable	-	-	-	-
Prepaid items	-	-	181,200	-
Taxes receivable - delinquent	1,209	-	-	-
Special assessments receivable:				
Deferred	-	-	-	-
Special deferred	-	-	-	-
Total assets	\$318,966	\$9,912	\$705,578	\$4,495
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$10,445	\$ -
Interfund loan payable	419,246	-	-	-
Contracts payable	-	-	15,820	-
Due to other governmental units	-	-	-	-
Due to other funds	-	-	666,693	-
Unearned revenue	107,504	-	-	-
Total liabilities	526,750	0	692,958	0
Deferred inflows of resources:				
Unavailable revenue	1,209	-	-	-
Total deferred inflows of resources	1,209	0	0	0
Fund balance (deficit):				
Nonspendable	-	-	181,200	-
Restricted	-	-	-	-
Assigned	-	9,912	-	4,495
Unassigned	(208,993)	-	(168,580)	-
Total fund balance (deficit)	(208,993)	9,912	12,620	4,495
Total liabilities, deferred inflows of resources, and fund balance	\$318,966	\$9,912	\$705,578	\$4,495

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2013
 With Comparative Totals For December 31, 2012

Assets	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development
Cash and investments	\$1,163,031	\$222,345	\$12,818
Accounts receivable	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
Due from component unit	-	-	-
Interfund loan receivable	65,604	-	-
Prepaid items	-	-	-
Taxes receivable - delinquent	-	-	-
Special assessments receivable:			
Deferred	-	-	-
Special deferred	-	-	-
Total assets	<u>\$1,228,635</u>	<u>\$222,345</u>	<u>\$12,818</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$49,196	\$ -	\$ -
Interfund loan payable	-	-	-
Contracts payable	67,325	-	-
Due to other governmental units	-	-	-
Due to other funds	-	-	-
Unearned revenue	769,728	-	-
Total liabilities	<u>886,249</u>	<u>0</u>	<u>0</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance (deficit):			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	342,386	222,345	12,818
Unassigned	-	-	-
Total fund balance (deficit)	<u>342,386</u>	<u>222,345</u>	<u>12,818</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$1,228,635</u>	<u>\$222,345</u>	<u>\$12,818</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.

Street Light and Utility Services – accounts for new street light construction.

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

IRA Civic Center Capital Reserve – used to accumulate resources for IRA Civic Center capital purposes.

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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364 Improvement Refunding Bonds of 2013A	365 G.O. Street Reconstruction Bonds of 2013B	370 TIF 1-8 Lakewood Heights	371 TIF 1-6 Old Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 Old Hospital Housing Paygo	374 TIF 1-5 Black Bear Homes	375 TIF 1-4 Oakwood Terrace	Totals Nonmajor Debt Service Funds	
								2013	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,102,150	\$985,244
-	-	17,334	62,659	19,868	26,698	32,184	30,097	188,840	167,427
-	-	-	-	-	-	5,324	-	83,608	81,510
-	-	-	-	-	-	-	-	581,287	241,733
-	-	-	-	-	-	-	-	72,163	79,001
-	263,778	-	-	-	-	-	-	1,072,939	680,223
344	4,249	6	142	34	-	88	1,287	20,320	28,469
-	-	-	-	-	-	-	-	221,900	208,900
<u>344</u>	<u>268,027</u>	<u>17,340</u>	<u>62,801</u>	<u>19,902</u>	<u>26,698</u>	<u>37,596</u>	<u>31,384</u>	<u>3,343,207</u>	<u>2,472,507</u>
95	138	108	3,444	307	1,336	176	226	11,609	17,316
-	-	15,601	-	17,881	24,028	-	-	57,510	38,639
-	-	-	15,000	-	-	-	-	3,505,000	2,790,000
-	-	-	35,934	-	-	3,612	-	711,246	653,288
-	750	-	376	-	-	-	-	8,021	7,796
-	-	-	-	-	-	-	-	63,532	-
<u>95</u>	<u>888</u>	<u>15,709</u>	<u>54,754</u>	<u>18,188</u>	<u>25,364</u>	<u>3,788</u>	<u>226</u>	<u>4,356,918</u>	<u>3,507,039</u>
249	267,139	1,631	8,047	1,714	1,334	33,808	31,158	(1,013,711)	(1,034,532)
-	-	-	-	-	-	-	-	1,035,000	-
-	-	-	-	-	-	-	-	-	37,878
-	-	-	-	-	-	-	-	-	8,246
351,000	50,606	-	-	-	-	-	-	1,457,183	220,892
-	-	-	-	-	-	-	-	(351,000)	(72,449)
<u>351,000</u>	<u>50,606</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,141,183</u>	<u>194,567</u>
351,249	317,745	1,631	8,047	1,714	1,334	33,808	31,158	1,127,472	(839,965)
-	-	-	46,981	4,487	(4,298)	(88,564)	207,626	3,767,314	4,607,279
<u>\$351,249</u>	<u>\$317,745</u>	<u>\$1,631</u>	<u>\$55,028</u>	<u>\$6,201</u>	<u>(\$2,964)</u>	<u>(\$54,756)</u>	<u>\$238,784</u>	<u>\$4,894,786</u>	<u>\$3,767,314</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2013
With Comparative Totals For The Year Ended December 31, 2012

	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	363 G.O. Grant Anticipation Notes of 2012C
Revenue:						
Taxes:						
General property	\$291,086	\$139,740	\$50,554	\$124,523	\$ -	\$ -
Tax increments	-	-	-	-	-	-
Intergovernmental:						
State:						
Supplemental aid	20,681	9,906	3,592	8,847	-	-
MSA	-	-	-	-	351,679	-
Federal BAB credit	61,316	-	-	-	-	-
Special assessments	103,239	99,570	186,191	180,078	-	-
Investment income	3,368	946	917	1,231	24	315
Other revenue	-	-	-	-	-	-
Total revenue	<u>479,690</u>	<u>250,162</u>	<u>241,254</u>	<u>314,679</u>	<u>351,703</u>	<u>315</u>
Expenditures:						
General government:						
Current:						
Contractual services	95	96	95	141	96	95
Developer assistance	-	-	-	-	-	-
Debt service:						
Principal retirement	290,000	195,000	145,000	-	255,000	-
Interest	182,975	32,500	27,373	61,423	96,679	6,033
Paying agent fees	400	400	525	525	525	550
Bond issuance costs	-	-	-	-	-	-
Total expenditures	<u>473,470</u>	<u>227,996</u>	<u>172,993</u>	<u>62,089</u>	<u>352,300</u>	<u>6,678</u>
Revenue over (under) expenditures	<u>6,220</u>	<u>22,166</u>	<u>68,261</u>	<u>252,590</u>	<u>(597)</u>	<u>(6,363)</u>
Other financing sources (uses):						
Issuance of refunding bonds	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Bond issuance	-	-	-	-	-	-
Transfer in	-	-	-	-	-	905,577
Transfer out	-	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>905,577</u>
Net change in fund balance	6,220	22,166	68,261	252,590	(597)	899,214
Fund balance (deficit) - January 1	805,797	282,548	257,937	152,604	106	7,719
Fund balance (deficit) - December 31	<u>\$812,017</u>	<u>\$304,714</u>	<u>\$326,198</u>	<u>\$405,194</u>	<u>(\$491)</u>	<u>\$906,933</u>

349 G.O. State-Aid Street Bonds of 2005B	352 GO CIP Refunding Bonds of 2006B	353 Improvement Bonds of 2007A	354 G.O. State-Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	357 Improvement Refunding Bonds of 2009B
\$ -	\$ -	\$107,631	\$ -	\$69,384	\$72,769	\$745
-	-	-	-	-	-	-
-	-	7,647	-	4,930	5,170	53
125,958	-	-	103,650	-	-	-
-	-	-	-	-	-	-
-	-	37,586	-	19,972	31,724	40,270
122	239	1,160	173	761	477	1,566
-	221,900	-	-	-	-	-
<u>126,080</u>	<u>222,139</u>	<u>154,024</u>	<u>103,823</u>	<u>95,047</u>	<u>110,140</u>	<u>42,634</u>
95	97	95	2,845	95	95	94
-	-	-	-	-	-	-
115,000	185,000	115,000	75,000	75,000	60,000	205,000
10,958	-	54,915	28,650	38,419	34,600	8,463
402	431	350	375	375	375	400
-	36,900	-	-	-	-	-
<u>126,455</u>	<u>222,428</u>	<u>170,360</u>	<u>106,870</u>	<u>113,889</u>	<u>95,070</u>	<u>213,957</u>
<u>(375)</u>	<u>(289)</u>	<u>(16,336)</u>	<u>(3,047)</u>	<u>(18,842)</u>	<u>15,070</u>	<u>(171,323)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	150,000
-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>
<u>(375)</u>	<u>(289)</u>	<u>(16,336)</u>	<u>(3,047)</u>	<u>(18,842)</u>	<u>15,070</u>	<u>(21,323)</u>
<u>5,802</u>	<u>6,564</u>	<u>300,599</u>	<u>19,140</u>	<u>199,973</u>	<u>117,296</u>	<u>345,169</u>
<u>\$5,427</u>	<u>\$6,275</u>	<u>\$284,263</u>	<u>\$16,093</u>	<u>\$181,131</u>	<u>\$132,366</u>	<u>\$323,846</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2013
With Comparative Totals For The Year Ended December 31, 2012

	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	347 Improvement Bonds of 2004
Revenue:				
Taxes:				
General property	\$ -	\$130,377	\$8,923	\$106,418
Tax increments	-	-	-	-
Intergovernmental:				
State:				
Supplemental aid	-	9,263	634	7,561
MSA	-	-	-	-
Federal BAB credit	-	10,847	-	-
Special assessments	-	-	6,404	104,127
Investment income	28	394	641	1,808
Other revenue	-	-	-	-
Total revenue	<u>28</u>	<u>150,881</u>	<u>16,602</u>	<u>219,914</u>
Expenditures:				
General government:				
Current:				
Contractual services	-	95	-	1,650
Developer assistance	-	-	-	-
Debt service:				
Principal retirement	-	110,000	30,000	1,635,000
Interest	-	32,325	6,891	49,496
Paying agent fees	-	400	431	431
Bond issuance costs	-	-	-	26,632
Total expenditures	<u>0</u>	<u>142,820</u>	<u>37,322</u>	<u>1,713,209</u>
Revenue over (under) expenditures	<u>28</u>	<u>8,061</u>	<u>(20,720)</u>	<u>(1,493,295)</u>
Other financing sources (uses):				
Issuance of refunding bonds	-	-	-	1,035,000
Bond premium	-	-	-	-
Bond issuance	-	-	-	-
Transfer in	-	-	-	-
Transfer out	-	-	-	(351,000)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>684,000</u>
Net change in fund balance	28	8,061	(20,720)	(809,295)
Fund balance (deficit) - January 1	<u>4,762</u>	<u>148,821</u>	<u>136,950</u>	<u>809,295</u>
Fund balance (deficit) - December 31	<u>\$4,790</u>	<u>\$156,882</u>	<u>\$116,230</u>	<u>\$0</u>

365 G.O. Street Reconstruction Bonds of 2013B	370 TIF 1-8 Lakewood Heights	371 TIF 1-6 Old Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 Old Hospital Housing Paygo	374 TIF 1-5 Black Bear Homes	375 TIF 1-4 Oakwood Terrace	Totals Nonmajor Debt Service Funds	
							2013	2012
							\$317,745	\$9,431
-	-	-	-	-	-	-	491	-
-	-	-	-	-	-	-	638,000	832,600
-	-	-	-	1,599	12	-	9,302	2,371
-	-	-	-	-	-	-	145,616	137,181
480,965	-	-	-	-	-	-	3,136,669	3,035,640
2,932	-	-	-	-	-	-	34,858	50,166
<u>\$801,642</u>	<u>\$9,431</u>	<u>\$56,595</u>	<u>\$15,142</u>	<u>\$11,179</u>	<u>\$10,860</u>	<u>\$238,784</u>	<u>\$9,279,807</u>	<u>\$8,264,966</u>
\$ -	\$7,800	\$1,567	\$8,941	\$12,544	\$ -	\$ -	\$31,740	\$28,303
-	-	-	-	-	-	-	491	-
-	-	-	-	-	-	-	547	804
-	-	-	-	-	65,604	-	65,604	95,749
-	-	-	-	-	-	-	322,192	-
<u>0</u>	<u>7,800</u>	<u>1,567</u>	<u>8,941</u>	<u>12,544</u>	<u>65,604</u>	<u>0</u>	<u>420,574</u>	<u>124,856</u>
483,897	-	-	-	1,599	12	-	3,964,447	4,372,796
483,897	0	0	0	1,599	12	0	3,964,447	4,372,796
317,745	1,631	55,028	6,201	-	-	238,784	4,952,997	3,860,176
-	-	-	-	(2,964)	(54,756)	-	(58,211)	(92,862)
317,745	1,631	55,028	6,201	(2,964)	(54,756)	238,784	4,894,786	3,767,314
<u>\$801,642</u>	<u>\$9,431</u>	<u>\$56,595</u>	<u>\$15,142</u>	<u>\$11,179</u>	<u>\$10,860</u>	<u>\$238,784</u>	<u>\$9,279,807</u>	<u>\$8,264,966</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2013
With Comparative Totals For December 31, 2012

	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B	361 Improvement Bonds of 2012A	362 G.O. State- Aid Street Bonds of 2012B	363 G.O. Grant Anticipation Notes of 2012C	364 Improvement Refunding Bonds of 2013A
Assets						
Cash and investments	\$304,714	\$326,198	\$406,082	\$ -	\$906,933	\$351,249
Due from other funds	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-
Taxes receivable - delinquent	1,247	-	1,148	-	-	996
Special assessments:						
Delinquent	9,951	69,086	2,144	-	-	1,610
Deferred	275,089	662,413	431,428	-	-	328,177
Special deferred	-	-	5,153	-	-	1,575
Total assets	\$591,001	\$1,057,697	\$845,955	\$0	\$906,933	\$683,607
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable	\$ -	\$ -	\$888	\$ -	\$ -	\$ -
Due to other funds	-	-	-	491	-	-
Due to component units	-	-	-	-	-	-
Interfund loan payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	0	0	888	491	0	0
Deferred inflows of resources:						
Unavailable revenue	286,287	731,499	439,873	-	-	332,358
Total deferred inflows of resources	286,287	731,499	439,873	0	0	332,358
Fund balance:						
Restricted	304,714	326,198	405,194	-	906,933	351,249
Unassigned	-	-	-	(491)	-	-
Total fund balance	304,714	326,198	405,194	(491)	906,933	351,249
Total liabilities, deferred inflows of resources, and fund balance	\$591,001	\$1,057,697	\$845,955	\$0	\$906,933	\$683,607

349 G.O. State- Aid Street Bonds of 2005B	352 GO CIP Refunding Bonds of 2006B	353 Improvement Bonds of 2007A	354 G.O. State- Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	357 Improvement Refunding Bonds of 2009B	358 Improvement Bonds of 2009C
\$4,936	\$329,014	\$284,263	\$16,093	\$181,132	\$132,366	\$323,846	\$812,018
491	-	-	-	-	-	-	-
-	638,000	-	-	-	-	-	-
-	-	907	-	-	-	-	2,141
-	-	700	-	54,620	703	544	5,878
-	-	211,365	-	146,706	41,448	15,085	530,671
-	-	-	-	24,042	-	1,156	-
<u>\$5,427</u>	<u>\$967,014</u>	<u>\$497,235</u>	<u>\$16,093</u>	<u>\$406,500</u>	<u>\$174,517</u>	<u>\$340,631</u>	<u>\$1,350,708</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	547	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	322,192	-	-	-	-	-	-
<u>0</u>	<u>322,739</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	638,000	212,972	-	225,369	42,151	16,785	538,691
<u>0</u>	<u>638,000</u>	<u>212,972</u>	<u>0</u>	<u>225,369</u>	<u>42,151</u>	<u>16,785</u>	<u>538,691</u>
5,427	6,275	284,263	16,093	181,131	132,366	323,846	812,017
-	-	-	-	-	-	-	-
<u>5,427</u>	<u>6,275</u>	<u>284,263</u>	<u>16,093</u>	<u>181,131</u>	<u>132,366</u>	<u>323,846</u>	<u>812,017</u>
<u>\$5,427</u>	<u>\$967,014</u>	<u>\$497,235</u>	<u>\$16,093</u>	<u>\$406,500</u>	<u>\$174,517</u>	<u>\$340,631</u>	<u>\$1,350,708</u>

CITY OF GRAND RAPIDS, MINNESOTA
 SUBCOMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 December 31, 2013
 With Comparative Totals For December 31, 2012

Assets	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	347 Improvement Bonds of 2004
Cash and investments	\$4,790	\$156,882	\$116,230	\$ -
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Taxes receivable - delinquent	-	1,252	-	-
Special assessments:				
Delinquent	-	-	380	-
Deferred	-	-	13,322	-
Special deferred	-	-	-	-
Total assets	<u>\$4,790</u>	<u>\$158,134</u>	<u>\$129,932</u>	<u>\$0</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to component units	-	-	-	-
Interfund loan payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deferred inflows of resources:				
Unavailable revenue	-	1,252	13,702	-
Total deferred inflows of resources	<u>0</u>	<u>1,252</u>	<u>13,702</u>	<u>0</u>
Fund balance:				
Restricted	4,790	156,882	116,230	-
Unassigned	-	-	-	-
Total fund balance	<u>4,790</u>	<u>156,882</u>	<u>116,230</u>	<u>0</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$4,790</u>	<u>\$158,134</u>	<u>\$129,932</u>	<u>\$0</u>

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.

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230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2013	2012
\$ -	\$ -	\$ -	\$147,405	\$ -	\$679,994	\$656,444
-	-	-	-	170	170	336
5,000	86,770	10,687	10,473	-	223,787	284,970
49,310	-	-	27,435	-	1,080,825	1,063,423
-	-	12,842	-	32,837	58,886	57,691
249	-	357	115	-	8,125	8,926
1,500	-	-	-	-	67,957	31,627
-	-	3,147	1,397	522	10,250	34,614
<u>56,059</u>	<u>86,770</u>	<u>27,033</u>	<u>186,825</u>	<u>33,529</u>	<u>2,129,994</u>	<u>2,138,031</u>
-	69,746	17,227	-	62,307	149,280	123,402
-	-	-	175,247	-	394,391	369,940
72,574	-	-	-	-	1,620,371	1,526,715
-	17,105	10,687	-	-	78,014	230,994
-	-	-	-	-	10,000	24,850
<u>72,574</u>	<u>86,851</u>	<u>27,914</u>	<u>175,247</u>	<u>62,307</u>	<u>2,252,056</u>	<u>2,275,901</u>
(16,515)	(81)	(881)	11,578	(28,778)	(122,062)	(137,870)
-	-	-	-	-	11,745	92,236
-	-	-	-	28,500	65,500	87,477
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,500</u>	<u>77,245</u>	<u>179,713</u>
(16,515)	(81)	(881)	11,578	(278)	(44,817)	41,843
41,895	1,054	59,655	50,020	7,022	684,792	642,949
<u>\$25,380</u>	<u>\$973</u>	<u>\$58,774</u>	<u>\$61,598</u>	<u>\$6,744</u>	<u>\$639,975</u>	<u>\$684,792</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2013
With Comparative Totals For The Year Ended December 31, 2012

	211 Public Library	225 Central School	226 Airport Operations	228 IRA Civic Center
Revenue:				
General property taxes	\$532,589	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	37,808	-	73,049	-
Charges for services	143,062	75,474	125,916	659,628
Fines and forfeits	13,207	-	-	-
Investment income	6,106	316	982	-
Contributions and donations	66,457	-	-	-
Other	-	5,035	149	-
Total revenue	<u>799,229</u>	<u>80,825</u>	<u>200,096</u>	<u>659,628</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	219,144	-
Culture and recreation	738,572	134,818	-	674,407
Capital outlay	50,222	-	-	-
Debt service - loan repayment	-	-	10,000	-
Total expenditures	<u>788,794</u>	<u>134,818</u>	<u>229,144</u>	<u>674,407</u>
Revenue over (under) expenditures	<u>10,435</u>	<u>(53,993)</u>	<u>(29,048)</u>	<u>(14,779)</u>
Other financing sources (uses):				
Insurance recoveries	-	-	-	11,745
Transfers in	-	-	10,000	27,000
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>38,745</u>
Net change in fund balance	10,435	(53,993)	(19,048)	23,966
Fund balance (deficit) - January 1	<u>431,434</u>	<u>94,075</u>	<u>111,315</u>	<u>(111,678)</u>
Fund balance (deficit) - December 31	<u>\$441,869</u>	<u>\$40,082</u>	<u>\$92,267</u>	<u>(\$87,712)</u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2013	2012
\$27,488	\$ -	\$58,774	\$66,960	\$ -	\$774,552	\$813,920
-	11,264	-	-	9,909	74,366	81,922
-	-	-	-	-	69,394	81,149
-	-	-	1,688	563	25,217	21,899
-	-	-	985	-	5,765	806
<u>\$27,488</u>	<u>\$11,264</u>	<u>\$58,774</u>	<u>\$69,633</u>	<u>\$10,472</u>	<u>\$949,294</u>	<u>\$999,696</u>
\$745	\$839	\$ -	\$4,574	\$310	\$68,835	\$59,277
930	-	-	2,256	867	30,612	22,981
3	3,116	-	62	849	7,009	5,108
-	-	-	158	389	13,452	11,951
-	6,336	-	-	1,313	48,013	61,315
430	-	-	-	-	10,857	11,773
-	-	-	-	-	75,166	102,881
-	-	-	-	-	49,610	38,812
<u>2,108</u>	<u>10,291</u>	<u>0</u>	<u>7,050</u>	<u>3,728</u>	<u>303,554</u>	<u>314,098</u>
-	-	-	985	-	5,765	806
-	-	-	985	-	5,765	806
-	-	-	1,688	563	25,217	21,899
-	973	58,774	-	-	105,318	116,084
25,380	-	-	59,910	6,181	601,378	662,669
-	-	-	-	-	(91,938)	(115,860)
<u>25,380</u>	<u>973</u>	<u>58,774</u>	<u>61,598</u>	<u>6,744</u>	<u>639,975</u>	<u>684,792</u>
<u>\$27,488</u>	<u>\$11,264</u>	<u>\$58,774</u>	<u>\$69,633</u>	<u>\$10,472</u>	<u>\$949,294</u>	<u>\$999,696</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2013
With Comparative Totals For December 31, 2012

	211 Public Library	225 Central School	226 Airport Operations	228 IRA Civic Center
Assets				
Cash and investments	\$421,852	\$64,024	\$135,454	\$ -
Due from other governmental units	32,727	-	20,466	-
Accounts receivable	-	6	8,086	61,302
Prepaid items	16,251	1,364	1,125	4,226
Taxes receivable - delinquent	4,780	-	-	-
Total assets	\$475,610	\$65,394	\$165,131	\$65,528
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$13,007	\$4,223	\$12,614	\$32,523
Accrued wages payable	12,382	-	1,854	12,323
Due to other governmental units	32	-	194	2,753
Due to component units	2,621	1,704	378	8,202
Due to other funds	-	7,500	-	32,864
Deposits payable	-	10,427	-	-
Interfund loan payable	-	-	37,000	38,166
Unearned revenue	919	1,458	20,824	26,409
Total liabilities	28,961	25,312	72,864	153,240
Deferred inflows of resources:				
Unavailable revenue	4,780	-	-	-
Total deferred inflows of resources	4,780	-	-	-
Fund balance (deficit):				
Nonspendable	16,251	1,364	1,125	4,226
Restricted	-	-	45,571	-
Committed	425,618	38,718	45,571	-
Unassigned	-	-	-	(91,938)
Total fund balance (deficit)	441,869	40,082	92,267	(87,712)
Total liabilities, deferred inflows of resources, and fund balance	\$475,610	\$65,394	\$165,131	\$65,528

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.

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CITY OF GRAND RAPIDS, MINNESOTA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Statement 12

For The Year Ended December 31, 2013

With Comparative Totals For The Year Ended December 31, 2012

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2013	2012
Revenue:					
Taxes:					
General property	\$679,994	\$1,102,150	\$130,909	\$1,913,053	\$1,768,507
Tax abatement	-	-	-	-	-
Tax increments	-	188,840	-	188,840	167,427
Licenses and permits	170	-	-	170	336
Intergovernmental	223,787	737,058	1,776,845	2,737,690	2,308,611
Special assessments	-	1,072,939	-	1,072,939	680,223
Charges for services	1,080,825	-	20,713	1,101,538	2,894,952
Fines and forfeits	58,886	-	-	58,886	57,691
Investment income	8,125	20,320	13,737	42,182	62,061
Contributions and donations	67,957	-	38,094	106,051	70,279
Other	10,250	221,900	-	232,150	243,514
Total revenue	<u>2,129,994</u>	<u>3,343,207</u>	<u>1,980,298</u>	<u>7,453,499</u>	<u>8,253,601</u>
Expenditures:					
Current:					
General government	-	69,119	76,621	145,740	128,819
Public safety	149,280	-	-	149,280	123,402
Public works	394,391	-	173,274	567,665	637,392
Culture and recreation	1,620,371	-	4,115	1,624,486	1,532,051
Capital outlay/construction	78,014	-	2,989,885	3,067,899	5,813,659
Debt service:					
Principal retirement	10,000	3,505,000	-	3,515,000	2,814,850
Interest	-	711,246	-	711,246	653,288
Paying agent fees	-	8,021	-	8,021	7,796
Bond issuance costs	-	63,532	-	63,532	109,410
Total expenditures	<u>2,252,056</u>	<u>4,356,918</u>	<u>3,243,895</u>	<u>9,852,869</u>	<u>11,820,667</u>
Revenue over (under) expenditures	<u>(122,062)</u>	<u>(1,013,711)</u>	<u>(1,263,597)</u>	<u>(2,399,370)</u>	<u>(3,567,066)</u>
Other financing sources (uses):					
Sale of capital assets	-	-	50,000	50,000	51,253
Issuance of refunding bonds	-	1,035,000	-	1,035,000	-
Bond discount	-	-	-	-	(4,050)
Bond issuance	-	-	-	-	6,115,503
Bond premium	-	-	-	-	78,013
Insurance recoveries	11,745	-	-	11,745	92,236
Transfers in	65,500	1,457,183	307,477	1,830,160	681,066
Transfers out	-	(351,000)	(1,021,382)	(1,372,382)	(268,218)
Total other financing sources (uses)	<u>77,245</u>	<u>2,141,183</u>	<u>(663,905)</u>	<u>1,554,523</u>	<u>6,745,803</u>
Net change in fund balance	<u>(44,817)</u>	<u>1,127,472</u>	<u>(1,927,502)</u>	<u>(844,847)</u>	<u>3,178,737</u>
Fund balance - January 1	<u>684,792</u>	<u>3,767,314</u>	<u>3,858,025</u>	<u>8,310,131</u>	<u>5,131,394</u>
Fund balance - December 31	<u>\$639,975</u>	<u>\$4,894,786</u>	<u>\$1,930,523</u>	<u>\$7,465,284</u>	<u>\$8,310,131</u>

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2013
 With Comparative Totals For December 31, 2012

Statement 11

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2013	2012
Assets					
Cash and investments	\$774,552	\$5,314,871	\$2,510,241	\$8,599,664	\$7,419,387
Cash with escrow agent	-	-	-	-	-
Due from other governmental units	74,366	-	600,249	674,615	1,170,749
Due from other funds	-	491	679,994	680,485	784,676
Due from component unit	-	638,000	20,713	658,713	1,052,809
Accounts receivable	69,394	-	2,002	71,396	81,149
Interfund loan receivable	-	-	65,604	65,604	95,749
Prepaid items	25,217	-	181,200	206,417	334,099
Taxes receivable - delinquent	5,765	9,302	1,209	16,276	3,177
Special assessments receivable	-	3,317,143	201,069	3,518,212	3,234,120
Total assets	\$949,294	\$9,279,807	\$4,262,281	\$14,491,382	\$14,175,915
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$68,835	\$31,740	\$66,167	\$166,742	\$161,149
Accrued wages payable	30,612	-	-	30,612	22,981
Due to other governmental units	7,009	-	-	7,009	5,753
Due to component units	13,452	547	-	13,999	12,755
Contracts payable	-	-	86,842	86,842	73,802
Due to other funds	48,013	491	679,994	728,498	282,077
Deposits payable	10,857	-	-	10,857	11,773
Interfund loan payable	75,166	65,604	419,246	560,016	755,545
Unearned revenue	49,610	322,192	877,232	1,249,034	155,215
Total liabilities	303,554	420,574	2,129,481	2,853,609	1,481,050
Deferred inflows of resources:					
Unavailable revenue	5,765	3,964,447	202,277	4,172,489	4,384,734
Total deferred inflows of resources	5,765	3,964,447	202,277	4,172,489	4,384,734
Fund balance:					
Nonspendable	25,217	-	181,200	206,417	408,722
Restricted	105,318	4,952,997	461,078	5,519,393	5,649,374
Committed	601,378	-	-	601,378	662,669
Assigned	-	-	1,684,947	1,684,947	1,989,644
Unassigned	(91,938)	(58,211)	(396,702)	(546,851)	(400,278)
Total fund balance	639,975	4,894,786	1,930,523	7,465,284	8,310,131
Total liabilities, deferred inflows of resources, and fund balance	\$949,294	\$9,279,807	\$4,262,281	\$14,491,382	\$14,175,915

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.

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NONMAJOR GOVERNMENTAL FUNDS

DRAFT 4/23/14

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

DRAFT 4/23/14

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH PLAN
For The Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (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, 2011	\$0	\$711,627	\$711,627	0.0%	\$3,289,834	21.6%
January 1, 2008	\$0	\$656,510	\$656,510	0.0%	\$3,208,245	20.5%

*Using the projected unit credit actuarial pay cost method.

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

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2013
 With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 10
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	2013				2012 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Current:					
Personnel services	\$157,173	\$89,764	\$93,583	\$3,819	\$151,526
Materials and supplies	6,700	6,700	1,337	(5,363)	13,065
Other services and charges	8,015	8,015	11,693	3,678	12,845
Total culture and recreation	<u>171,888</u>	<u>104,479</u>	<u>106,613</u>	<u>2,134</u>	<u>177,436</u>
Miscellaneous:					
City-wide:					
Current:					
Early Retirement Incentive Plan	120,000	120,000	190,000	70,000	120,000
Other services and charges	290,522	290,522	265,648	(24,874)	231,015
Special projects:					
Current:					
Other services and charges	15,000	15,000	68,229	53,229	42,718
Total miscellaneous	<u>425,522</u>	<u>425,522</u>	<u>523,877</u>	<u>98,355</u>	<u>393,733</u>
Total expenditures	<u>6,922,459</u>	<u>6,922,459</u>	<u>7,457,019</u>	<u>534,560</u>	<u>6,947,273</u>
Revenues over (under) expenditures	<u>511,545</u>	<u>511,545</u>	<u>350,264</u>	<u>(161,281)</u>	<u>778,650</u>
Other financing sources (uses):					
Sale of capital assets	-	-	5,254	5,254	535
Insurance recoveries	-	-	29,287	29,287	13,471
Transfers in	22,851	22,851	25,106	2,255	24,379
Transfers out	(434,396)	(434,396)	(429,669)	4,727	(321,801)
Total other financing sources (uses)	<u>(411,545)</u>	<u>(411,545)</u>	<u>(370,022)</u>	<u>41,523</u>	<u>(283,416)</u>
Net change in fund balance	<u>\$100,000</u>	<u>\$100,000</u>	<u>(19,758)</u>	<u>(\$119,758)</u>	<u>495,234</u>
Fund balance - January 1			<u>5,516,435</u>		<u>5,021,201</u>
Fund balance - December 31			<u>\$5,496,677</u>		<u>\$5,516,435</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
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2013
 With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 10
Page 3 of 4

	2013				2012 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Public safety:					
Police protection:					
Current:					
Personnel services	\$1,866,233	\$1,866,233	\$1,819,266	(\$46,967)	\$1,745,773
Materials and supplies	69,950	69,950	100,902	30,952	93,430
Other charges and services	158,700	158,700	212,680	53,980	183,383
Capital outlay	-	-	25,105	25,105	-
Total police protection	<u>2,094,883</u>	<u>2,094,883</u>	<u>2,157,953</u>	<u>63,070</u>	<u>2,022,586</u>
Fire protection:					
Current:					
Personnel services	357,673	357,673	385,722	28,049	345,419
Materials and supplies	51,850	51,850	60,580	8,730	48,571
Other charges and services	99,882	99,882	100,829	947	99,595
Capital outlay	-	-	-	-	2,286
Total fire protection	<u>509,405</u>	<u>509,405</u>	<u>547,131</u>	<u>37,726</u>	<u>495,871</u>
Total public safety	<u>2,604,288</u>	<u>2,604,288</u>	<u>2,705,084</u>	<u>100,796</u>	<u>2,518,457</u>
Public works:					
Public works:					
Current:					
Personnel services	643,261	643,261	839,602	196,341	730,120
Materials and supplies	181,800	181,800	271,973	90,173	220,673
Other services and charges	405,694	405,694	473,721	68,027	486,945
Street lighting	233,000	233,000	184,124	(48,876)	205,666
Capital outlay	-	-	-	-	9,186
Total public works	<u>1,463,755</u>	<u>1,463,755</u>	<u>1,769,420</u>	<u>305,665</u>	<u>1,652,590</u>
Engineering:					
Current:					
Personnel services	218,156	218,156	196,005	(22,151)	223,177
Materials and supplies	5,259	5,259	2,669	(2,590)	1,734
Other services and charges	74,780	74,780	71,820	(2,960)	41,464
Total engineering	<u>298,195</u>	<u>298,195</u>	<u>270,494</u>	<u>(27,701)</u>	<u>266,375</u>
Fleet maintenance:					
Current:					
Personnel services	167,640	167,640	165,651	(1,989)	162,257
Materials and supplies	16,550	16,550	19,429	2,879	17,291
Other services and charges	56,500	56,500	60,539	4,039	59,488
Total fleet maintenance	<u>240,690</u>	<u>240,690</u>	<u>245,619</u>	<u>4,929</u>	<u>239,036</u>
Total public works	<u>2,002,640</u>	<u>2,002,640</u>	<u>2,285,533</u>	<u>282,893</u>	<u>2,158,001</u>

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2013
 With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 10
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	2013				2012 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personnel services	\$41,733	\$41,733	\$40,611	(\$1,122)	\$41,165
Materials and supplies	-	-	492	492	69
Other services and charges	73,353	73,353	69,344	(4,009)	70,968
Total mayor and city council	115,086	115,086	110,447	(4,639)	112,202
Administration:					
Current:					
Personnel services	345,594	367,895	392,056	24,161	350,537
Materials and supplies	6,150	6,150	8,590	2,440	6,629
Other services and charges	96,705	96,705	91,452	(5,253)	129,952
Total administration	448,449	470,750	492,098	21,348	487,118
Finance:					
Current:					
Personnel services	335,046	380,154	380,407	253	326,687
Materials and supplies	6,250	6,250	5,314	(936)	8,479
Other services and charges	62,550	62,550	64,043	1,493	56,394
Total finance	403,846	448,954	449,764	810	391,560
Information technology:					
Current:					
Personnel services	131,938	131,938	136,543	4,605	123,704
Materials and supplies	5,150	5,150	5,949	799	2,552
Other services and charges	52,720	52,720	52,537	(183)	48,452
Total information technology	189,808	189,808	195,029	5,221	174,708
Community development:					
Current:					
Personnel services	311,368	311,368	327,607	16,239	297,774
Materials and supplies	4,625	4,625	3,622	(1,003)	2,373
Other charges and services	31,125	31,125	33,962	2,837	19,526
Total community development	347,118	347,118	365,191	18,073	319,673
Building maintenance - City hall:					
Current:					
Personnel services	124,887	124,887	129,892	5,005	135,741
Materials and supplies	9,950	9,950	7,587	(2,363)	12,234
Other charges and services	78,977	78,977	85,904	6,927	66,410
Total building maintenance - City hall	213,814	213,814	223,383	9,569	214,385
Total general government	1,718,121	1,785,530	1,835,912	50,382	1,699,646

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2013
With Comparative Actual Amounts For The Year Ended December 31, 2012

Statement 10
Page 1 of 4

	2013				2012 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Revenues:					
Taxes:					
General property taxes	\$3,569,648	\$3,569,648	\$3,677,404	\$107,756	\$3,666,921
Payment in lieu of taxes:					
Housing and Redevelopment Authority	32,000	32,000	33,179	1,179	31,998
Public utilities	868,000	868,000	868,000	-	823,000
Total taxes	4,469,648	4,469,648	4,578,583	108,935	4,521,919
Licenses and permits:					
Business	36,575	36,575	37,405	830	37,535
Nonbusiness	210,700	210,700	286,440	75,740	164,483
Total licenses and permits	247,275	247,275	323,845	76,570	202,018
Intergovernmental:					
Federal:					
Public safety grants	92,590	92,590	127,849	35,259	120,683
Storm reimbursement	-	-	-	-	19,848
State:					
Local government aid	963,000	963,000	963,410	410	964,932
Local performance aid	1,500	1,500	-	(1,500)	-
Market value homestead credit	-	-	4,031	4,031	1,755
Taconite supplemental aid	231,950	231,950	231,950	-	234,842
Taconite credit - mobile homes	-	-	15,534	15,534	19,164
Municipal state aid street maintenance	109,363	109,363	109,711	348	109,363
Police aid	120,000	120,000	133,911	13,911	115,427
Fire aid	86,000	86,000	129,478	43,478	88,438
Police training aid	5,000	5,000	6,835	1,835	6,310
PERA aid	11,695	11,695	11,695	-	11,695
Storm reimbursement	-	-	-	-	234,488
State - miscellaneous	500	500	88,316	87,816	18,935
US Gas Tax Refund	500	500	-	(500)	-
Local:					
School District #318	103,500	103,500	105,840	2,340	101,961
Total intergovernmental	1,725,598	1,725,598	1,928,560	202,962	2,047,841
Charges for services:					
General government	180,132	180,132	234,789	54,657	215,911
Public safety	268,050	268,050	279,177	11,127	280,454
Public works	257,282	257,282	229,914	(27,368)	261,251
Culture and recreation	7,140	7,140	6,000	(1,140)	6,000
Total charges for services	712,604	712,604	749,880	37,276	763,616
Fines and forfeits	236,500	236,500	145,870	(90,630)	103,293
Investment income	28,829	28,829	30,260	1,431	50,848
Miscellaneous:					
Donations/contributions	-	-	12,697	12,697	11,651
Rentals and leases	4,050	4,050	2,561	(1,489)	4,318
Other	9,500	9,500	35,027	25,527	20,419
Total miscellaneous	13,550	13,550	50,285	36,735	36,388
Total revenues	7,434,004	7,434,004	7,807,283	373,279	7,725,923

REQUIRED SUPPLEMENTARY INFORMATION

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Note 22 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2013, the City implemented GASB Statements No. 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (i.e. blending). GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* resulted in accounts previously presented as liabilities being reclassified as deferred inflows of resources.

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CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

Note 19 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 2013 was \$868,000.

Note 20 DEFICIT FUND BALANCES

At December 31, 2013, individual funds with deficit fund balances are as follows:

Special Revenue Funds:	
IRA Civic Center	\$87,712
Debt Service Funds:	
TIF 1-5 Black Bear Homes	54,726
TIF 1-6 Old Hospital Housing Paygo	2,964
G.O. State-Aid Street Bonds of 2012B	491
Capital Project Funds:	
2014 Infrastructure Bonds	19,129
Capital Equipment Replacement	208,993

Note 21 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 2013. The Commission also has contracts with Blandin whereby Blandin pays demand charges for principal and interest on the General Obligation Revenue Bonds Series 2001A, 2006A, 2009A, 2009E and 2011A. For ratemaking purposes, the Commission has elected to defer the recognition of the revenue until the debt service on the bonds are paid. The total demand charges paid by Blandin for 2013 were \$_____.

Note 16 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 17 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, 2013, there were four bond issues outstanding, with an estimated aggregate principal amount payable of \$1,453,456.

Note 18 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 Public Utilities Commission has five active construction projects as of December 31, 2013. The remaining commitment on these projects is \$_____. As of June 14, 2013, the Commission has awarded five additional contracts in 2013 totaling \$_____.

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>\$ -</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 will be placed in service in 2013 with an estimated life of twenty years.

On January 10, 2013, Blandin Paper Company established an irrevocable letter of credit for \$3,349,343 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.

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, 2013 is as follows:

Revenue stabilization at December 31, 2011	\$76,401
2012 replenishment	<u>80,119</u>
Revenue stabilization at December 31, 2012	156,520
2013 replenishment	<u>86,883</u>
Revenue stabilization at December 31, 2013	<u><u>\$243,403</u></u>

Note 15 COMMITMENTS

A. POWER CONTRACT

The Public Utilities Commission is obligated to purchase its wholesale power requirements from Minnesota Power through June 30, 2019, and will continue thereafter unless either party terminates the agreement upon three years written notice to the other party, provided, however, such termination notice may not be delivered prior to June 30, 2016. The Commission may acquire generating capacity to serve up to a maximum of 2% of the previous year's 15 minute peak kW demand, but not greater than the 2,000 kW of renewable energy to offset some of the power used by the customer through its point of delivery. The peak power requirement for 2013 was _____ kW.

B. CONSTRUCTION COMMITMENTS

Significant construction commitments of the primary government at December 31, 2013 are as follows:

City Project	Contract Authorization	Expended as of 12/31/13	Committed
2012-3	\$573,226	\$551,597	\$21,629
2013-1	417,217	404,405	12,812
2013-3	<u>182,094</u>	<u>147,888</u>	<u>34,206</u>
	<u><u>\$1,172,537</u></u>	<u><u>\$1,103,890</u></u>	<u><u>\$68,647</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 14 FUND BALANCE

A. CLASSIFICATIONS

Definitions of fund balance classifications are included in Note 1P. At December 31, 2013, a summary of the governmental fund balance classifications are as follows:

	General Fund	Improvement Bonds of 2005A	Improvement Bonds of 2006C	2013 Infrastructure Bonds	Other Governmental Funds	Total
Nonspendable:						
Prepaid items	\$65,162	\$ -	\$ -	\$ -	\$206,417	\$271,579
Interfund loans receivable	542,139	-	-	-	-	542,139
Restricted:						
Debt service	-	1,938,527	934,027	-	4,952,997	7,825,551
Unspent bond proceeds	-	-	-	-	454,725	454,725
Law enforcement	-	-	-	-	58,774	58,774
Itasca County's equity in Airport	-	-	-	-	45,571	45,571
Other purposes	12,479	-	-	530,900	7,326	550,705
Committed						
Revenue stabilization	243,403	-	-	-	-	243,403
Public library	-	-	-	-	425,618	425,618
Central school	-	-	-	-	38,718	38,718
Airport operations	-	-	-	-	45,571	45,571
Recreation programs	-	-	-	-	25,380	25,380
Cemetery	-	-	-	-	59,910	59,910
Domestic animal control facility	-	-	-	-	6,181	6,181
Assigned:						
Capital purposes	-	-	-	-	1,684,947	1,684,947
Unassigned	4,633,494	-	-	-	(546,851)	4,086,643
Total	\$5,496,677	\$1,938,527	\$934,027	\$530,900	\$7,465,284	\$16,365,415

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

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

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

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

At December 31, 2013, the unassigned fund balance of the General Fund was \$4,633,494, compared to its targeted unassigned fund balance of \$4,779,926 based on the above policy.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Tax Increment Revenue Note, Series 2013A (TIF 1-8) – issued in 2013 in the principal sum of \$350,000 with an interest rate of 5.0% per annum. Principal and interest payments shall be paid on August 1, 2013 and each February 1 and August 1 thereafter to and including February 1, 2039. Payments are payable solely from available tax increment, which shall mean 90% of the net tax increment derived from the redevelopment property and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2039. At December 31, 2013 the principal amount outstanding on the note was \$342,679.

Note 12 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 13 OTHER DEFERRED DEBITS AND CREDITS

During 1997-1998, 2006-2007, 2009-2010 and 2011-2012, the Public Utilities Commission constructed landfill sites to dispose of industrial waste from Blandin Paper. The cost of the sites is deferred and expensed over the estimated useful life of the individual site. The entire cost of the 1997 and a portion of 2007 site was reimbursed by Blandin Paper and is recorded as a deferred credit. These deferred credits are amortized as revenue over the life of the landfill. The 2006A bonds were issued to fund the remaining portion of the 2007 landfill project. The 2009A bonds were issued to fund the 2009 landfill project and a portion of the 2011A 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 \$_____ of other deferred debits. This amount consists of deferred debits relating to the 2007 Landfill Phases 5 and 6 (\$_____), the 2007 Landfill Phase 7 (\$_____), the 2011 Landfill Phase 8 (\$_____) and the unamortized portion of the Water Tower Reconditioning Project (\$_____).

Note 10 TERMINATION BENEFITS

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

Twelve employees chose to participate in the ERIP program, all of which were approved by the City. The total cost of the termination benefits provided under the ERIP program is \$620,000. As of December 31, 2013, \$610,000 of benefits have been paid, resulting in a \$10,000 termination benefit liability at year end.

Note 11 TAX INCREMENT DISTRICTS

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

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

Tax Increment Revenue Note, Series 2008B (TIF 1-6) – issued in 2008 in the principal sum of \$307,500 with an interest rate of 7.75% per annum. Principal and interest payments shall be paid on August 1, 2010 and each February 1 and August 1 thereafter to and including February 1, 2032. Payments are payable solely from available tax increment, which shall mean 90% of the tax increment derived from the development property and received by the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2032. At December 31, 2013 the principal amount outstanding on the note was \$307,500.

Tax Increment Revenue Note, Series 2008C (TIF 1-6) – issued in 2008 in the principal sum of \$15,058 with an interest rate of 7.75% per annum. Principal and interest payments shall be paid on February 1, 2009 and each February 1 and August 1 thereafter to and including August 1, 2014. Payments are payable solely from administrative tax increment, which shall mean 5% of the tax increment attributable to the TIF District and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on August 1, 2014. At December 31, 2013 the principal amount outstanding on the note was \$1,869.

Tax Increment Revenue Note, Series 2008A (TIF 1-7) – issued in 2008 in the principal sum of \$389,300 with an interest rate of 7.25% per annum. Principal and interest payments shall be paid on August 1, 2009 and each February 1 and August 1 thereafter to and including February 1, 2035. Payments are payable solely from available tax increment, which shall mean 90% of the net tax increment derived from the redevelopment property and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2035. At December 31, 2013 the principal amount outstanding on the note was \$389,300.

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:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (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, 2011	\$0	\$711,627	\$711,627	0.0%	\$3,289,834	21.6%

*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, 2011 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 8.5%. This rate includes a 2.5% inflation rate. The health care cost trend rate is reduced by 0.5% 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, 2013, was 24 years.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013, was calculated as follows:

Annual required contribution (ARC)	\$73,164
Interest on net OPEB obligation	8,795
Adjustment to ARC	<u>(13,097)</u>
Annual OPEB cost	68,862
Contributions made during the year	<u>(57,512)</u>
Increase in net OPEB obligation	11,350
Net OPEB obligation - beginning of year	<u>219,876</u>
Net OPEB obligation - end of year	<u><u>\$231,226</u></u>

The net OPEB obligation is allocated as follows:

Governmental activities	\$225,299
Business-type activities	<u>5,927</u>
Total	<u><u>\$231,226</u></u>

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, 2013	\$68,862	\$57,512	83.5%	\$231,226
December 31, 2012	69,373	52,465	75.6%	219,876
December 31, 2011	71,691	48,301	67.4%	202,968

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, 2011. At that date, monthly retiree premiums were:

Plan	Single	Family
49er's Plan	\$922	\$922
City Plan Blue Cross/Blue Shield	\$354	\$884

C. PARTICIPANTS

As of the actuarial valuation dated December 2011, participants consisted of:

Retired participants and beneficiaries currently	20
Active employees	63
Total	83
Participating employers	1

CITY OF GRAND RAPIDS, MINNESOTA
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THREE-YEAR TREND INFORMATION

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2011	\$91,016	100%	\$ -
12/31/2012	93,438	100%	-
12/31/2013	132,478	100%	-

REQUIRED SUPPLEMENTARY INFORMATION

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Unfunded)/ Assets in Excess of AAL (UAAL)</u>	<u>Funded Ratio</u>
12/31/2011	\$1,763,048	\$1,591,125	\$171,923	111%
12/31/2012	1,844,479	1,606,665	237,814	115%
12/31/2013	2,149,922	1,624,842	525,080	132%

Note 9 OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 7, 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, an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report.

C. RETIREMENT - GRAND RAPIDS FIREMEN'S RELIEF ASSOCIATION

PLAN DESCRIPTION

All members of the Grand Rapids Fire Department are covered by a defined benefit plan administered by the Grand Rapids Firemen's Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69. The Association is comprised of volunteers and therefore there is no covered payroll.

The 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 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 Association within the parameters provided by State Statutes.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Grand Rapids Firemen's Relief Association, 18 NE Fifth Street, Grand Rapids, Minnesota, 55744.

FUNDING POLICY

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City of Grand Rapids and State Aid on an annual basis. These statutes are established and amended by the state legislature. The Association is comprised of volunteers; therefore, members have no contribution requirements. During the year, the City recognized as revenue and as an expenditure on-behalf payments of \$129,478 made by the State of Minnesota for the Fire Relief Association. The City's annual pension cost and related information for the 2013 is as follows:

Annual pension cost - total	\$132,478
Contributions made	
City	\$5,000
State aid - pass-through	\$127,478
Actuarial valuation date	12/31/13
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period:	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None
Age of service retirement	50
Post retirement benefit increases	None

CITY OF GRAND RAPIDS, MINNESOTA
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PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling 651-296-7460 or 1-800-652-9026.

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. The City was required to contribute the following percentages of annual covered payroll in 2013: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$212,936, \$203,380 and \$202,817, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012, and 2011 were \$184,238, \$177,043 and \$159,960, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

B. PERA DEFINED CONTRIBUTION PLAN

In 2013, four council members of the City were covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (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 percent of salary which is matched by the elected official's employer. 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 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2013 were:

	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	\$1,140	\$1,140	5.00%	5.00%	5.00%

Note 8 PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION DEFINED BENEFIT PLANS

PLAN DESCRIPTION

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

CITY OF GRAND RAPIDS, MINNESOTA
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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.

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	\$143,188	\$36,892	\$6,404
G.O. Improvement, 2004A	Infrastructure improvements	Special assessments	67%	2004-2021	\$ -	\$1,684,496	\$104,127
G.O. Improvement, 2005A	Infrastructure improvements	Special assessments	85%	2005-2021	\$1,818,841	\$307,089	\$66,660
G.O. Improvement, 2005B	Street reconstruction	MSA allotments	100%	2005-2015	\$254,097	\$125,958	\$125,958
Capital Improvement Plan Bonds, 2006B	Refunded 1996A Public Utilities Revenue Bonds	Receipts from PUC	100%	2006-2017	\$898,000	\$221,900	\$221,900
G.O. Improvement, 2006C	Infrastructure improvements	Special assessments	100%	2006-2023	\$1,705,600	\$236,500	\$620,901
G.O. Improvement, 2007A	Infrastructure improvements	Special assessments	33%	2007-2024	\$1,565,094	\$169,915	\$37,586
G.O. Improvement, 2007B	Street reconstruction	MSA allotments	100%	2007-2022	\$797,701	\$103,650	\$103,650
G.O. Tax Increment, 2008A	Demolition costs in TIF 1-6	Tax increment	100%	2009-2034	\$1,276,501	\$50,934	\$62,659
G.O. Street Reconstruction, 2008B	Street reconstruction	Special assessments	20%	2009-2023	\$980,472	\$94,600	\$31,724
G.O. Improvement, 2008C	Infrastructure improvements	Special assessments	38%	2009-2023	\$1,080,944	\$113,419	\$19,972
G.O. Improvement, 2009H	Refunded 96B, 98A, 99A and Improvement bonds	Special assessments	19%	2009-2016	\$270,456	\$213,462	\$40,270
G.O. Improvement, 2009C (Build America Bond)	Infrastructure improvements	Special assessments Federal BAB credit	24% 10%	2010-2024	\$5,060,589	\$472,975	\$164,555
G.O. Equip. Certificates, 2009D (Build America Bond)	2009 Ladder Truck	Federal BAB credit	7%	2010-2019	\$841,267	\$142,325	\$10,847
G.O. Improvement and CIP, 2010A	Infrastructure improvements, refund existing debt	Special assessments	35%	2011-2025	\$1,579,725	\$227,501	\$99,570
G.O. Improvement, 2011B	Infrastructure improvements, refund existing debt	Special assessments	56%	2012-2026	\$1,616,524	\$172,373	\$186,191
G.O. Improvement, 2012A	Infrastructure improvements	Special assessments	32%	2013-2027	\$2,721,930	\$61,424	\$180,078
G.O. Improvement, 2012B	Street reconstruction	MSA allotments	100%	2013-2027	\$4,489,710	\$351,679	\$351,679
G.O. Grant Anticipation Notes, 2012C	Temporary funding of infrastructure improvements	Federal grant proceeds	100%	2013-2014	\$907,263	\$6,034	\$ -
G.O. Improvement, 2013A	Refunded 2004A and 2005A Bonds	Special Assessments	41%	2014-2021	\$1,584,330	\$ -	\$ -
G.O. Street Reconstruction, 2013H	Street Reconstruction	Ad Valorem taxes	100%	2014-2029	\$5,177,995	\$ -	\$ -

CITY OF GRAND RAPIDS, MINNESOTA
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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, 2013 is \$54,578. Depreciation in the amount of \$13,644 has been recorded as depreciation expense during 2013.

The present value of future minimum lease payments as of December 31, 2013 is \$95,511. The lease is payable in annual installments of \$13,644 through the year 2020.

TAXABLE LIMITED REVENUE NOTE, SERIES 2012

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

Payments are payable solely from available abatement, which shall mean the sum of City tax abatements and County tax abatements generated in the preceding six months with respect to the development property and remitted to the City by the County. Because the note is not a general obligation of the City and is payable solely from available tax abatement, it is not reflected in the financial statements of the City. At December 31, 2013 the principal amount outstanding on the note was \$176,000.

TAXABLE NOTE PAYABLE - 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 maturity date of the note (August 15, 2015).

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.

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, 2013, the outstanding balance on the note was \$22,299,000.

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.

CITY OF GRAND RAPIDS, MINNESOTA
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CURRENT REFUNDING – 2013A BONDS

On May 8, 2013, the City issued \$1,035,000 in General Obligation Improvement Refunding Bonds, Series 2013A with interest rates between 0.30% and 1.35% to refund \$1,450,000 of outstanding 2004A General Obligation Improvement Bonds with interest rates between 3.00% and 4.15%. The net proceeds of \$1,035,000 (after the City equity contribution of \$415,000) was used to retire principal of the refunded bonds on July 29, 2013 (the call date).

The City refunded the 2004A General Obligation Capital Improvement Bonds to reduce its total debt service payments during the years 2014 through 2021 by \$136,589 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$113,082.

CROSSOVER REFUNDING – 2013A BONDS

On May 8, 2013, the City issued \$490,000 in General Obligation Improvement Refunding Bonds, Series 2013A with interest rates between 0.30% and 1.35% to advance refund \$1,785,000 of outstanding 2005A General Obligation Improvement Bonds with interest rates between 3.00% and 3.90%. The net proceeds (after the City equity contribution of \$1,077,000 and payment of issuance costs of \$15,315) were used to purchase U.S. government securities in the amount of \$1,551,685. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2014.

The City advance refunded the 2005A General Obligation Capital Improvement Bonds to reduce its total debt service payments during the years 2014 through 2021 by \$198,104 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$147,989.

The City is responsible for the debt service of the 2005A refunded bonds through the crossover date (February 1, 2014) and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds before the crossover date is payable from the escrow account. Assets held with the escrow agent total \$1,552,693 at December 31, 2013.

The financial statements present each bond issue and the escrow account assets pursuant to GASB No. 7. The effect on the financial statements is to report greater debt than, in substance, the City will be responsible for paying.

Year Ending December 31,	Refunded Bonds Total	Refunding Bonds Total	Debt Service Commitment	
			Escrow Account	City
2014	\$1,852,683	\$2,829	\$1,552,829	\$302,683
2015	-	78,872	-	78,872
2016	-	73,573	-	73,573
2017	-	73,222	-	73,222
2018	-	72,803	-	72,803
2019	-	72,312	-	72,312
2020	-	71,683	-	71,683
2021	-	65,877	-	65,877
Total	\$1,852,683	\$511,171	\$1,552,829	\$811,025

CITY OF GRAND RAPIDS, MINNESOTA
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Year Ending December 31,	Revenue Bonds and Notes	
	PUC Component Unit	
	Principal	Interest
2014	\$2,066,000	\$913,951
2015	2,127,000	854,387
2016	2,196,000	791,008
2017	2,020,000	730,942
2018	2,072,000	673,657
2019-2022	7,873,000	2,078,694
2023-2027	8,891,000	1,405,351
2028-2032	4,207,000	217,796
2033	105,000	1,758
Total	\$31,557,000	\$7,667,544

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Due Within One Year
Governmental Activities:					
Bonds payable:					
G.O. Tax increment bonds	\$820,000	\$ -	(\$15,000)	\$805,000	\$15,000
G.O. Improvement bonds	22,530,000	1,525,000	(3,455,000)	20,600,000	3,650,000
Other G.O. bonds	4,160,000	4,025,000	(445,000)	7,740,000	1,365,000
Bond premium	139,687	109,377	(21,983)	227,081	21,983
Capital lease payable	109,156	-	(13,644)	95,512	13,644
Loans payable	47,000	-	(10,000)	37,000	10,000
Compensated absences	345,657	71,094	(42,737)	374,014	54,263
Total governmental activities	<u>\$28,151,500</u>	<u>\$5,730,471</u>	<u>(\$4,003,364)</u>	<u>\$29,878,607</u>	<u>\$5,129,890</u>
Business Type Activities:					
Compensated absences	<u>\$4,321</u>	<u>\$435</u>	<u>(\$176)</u>	<u>\$4,580</u>	<u>\$680</u>
Component Units:					
Note payable - EDA	\$100,000	\$ -	\$ -	\$100,000	\$ -
G.O. Revenue Bonds and Notes - PUC	31,318,210	2,305,000	(1,819,210)	31,804,000	-
Other deferred credits - PUC	158,493	-	-	158,493	-
Compensated absences - PUC	426,616	-	-	426,616	-
Total component units	<u>\$32,003,319</u>	<u>\$2,305,000</u>	<u>(\$1,819,210)</u>	<u>\$32,489,109</u>	<u>\$0</u>

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

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
2014	\$15,000	\$35,371	\$3,650,000	\$562,829	\$1,365,000	\$215,231
2015	20,000	34,715	1,775,000	484,650	670,000	204,747
2016	20,000	33,965	1,620,000	444,276	720,000	181,408
2017	20,000	33,170	1,605,000	404,177	735,000	156,350
2018	25,000	32,225	1,555,000	362,803	540,000	134,415
2019	25,000	31,175	1,550,000	319,805	450,000	116,877
2020	25,000	30,125	1,540,000	274,340	325,000	103,093
2021	30,000	28,970	1,495,000	227,268	335,000	92,178
2022	30,000	27,680	1,345,000	179,568	335,000	81,003
2023	35,000	26,250	1,145,000	135,344	350,000	69,488
2024	35,000	24,710	1,025,000	96,609	365,000	57,443
2025	40,000	23,060	960,000	59,451	290,000	46,938
2026	40,000	21,280	605,000	32,892	300,000	37,713
2027	45,000	19,368	560,000	16,243	305,000	27,881
2028	45,000	17,342	170,000	5,525	320,000	17,325
2029	50,000	15,180	-	-	335,000	5,863
2030	55,000	12,765	-	-	-	-
2031	55,000	10,235	-	-	-	-
2032	60,000	7,590	-	-	-	-
2033	65,000	4,715	-	-	-	-
2034	70,000	1,610	-	-	-	-
Total	\$805,000	\$471,501	\$20,600,000	\$3,605,780	\$7,740,000	\$1,547,953

Year Ending December 31,	Loans Payable	
	Governmental Activities	
	Principal	Interest
2014	\$10,000	\$ -
2015	10,000	-
2016	10,000	-
2017	7,000	-
Total	\$37,000	\$0

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 7 LONG-TERM DEBT

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

As of December 31, 2013, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/13
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	\$805,000
G.O. Improvement Bonds:					
Improvement Bonds of 2001B	3.00 - 5.00	10/1/2001	2/1/2017	470,000	130,000
Improvement Bonds of 2005A	3.00 - 3.90	9/1/2005	2/1/2021	3,450,000	1,785,000
Improvement Bonds of 2005B	3.50 - 3.70	9/1/2005	4/1/2015	1,105,000	245,000
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022	2,505,000	1,450,000
Improvement Bonds of 2007A	4.00 - 4.15	9/1/2007	2/1/2023	1,775,000	1,290,000
Improvement Bonds of 2007B	4.00 - 4.10	12/15/2007	4/1/2022	1,150,000	675,000
Improvement Bonds of 2008C	3.25 - 4.60	11/1/2008	2/1/2024	1,145,000	865,000
Improvement Refunding Bonds of 2009B	1.00 - 3.00	6/1/2009	2/1/2016	1,265,000	265,000
Improvement Bonds of 2009C	1.85 - 5.30	9/1/2009	2/1/2025	4,565,000	3,865,000
Improvement Bonds of 2010A	0.75 - 3.625	11/1/2010	2/1/2026	1,115,000	930,000
Improvement Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027	1,555,000	1,410,000
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028	2,245,000	2,245,000
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027	4,175,000	3,920,000
Improvement Bonds of 2013A	0.30 - 1.35	5/8/2013	2/1/2021	1,525,000	1,525,000
Total G.O. Improvement Bonds				28,045,000	20,600,000
Other General Obligation Bonds:					
Capital Improvement Plan Bonds of 2006B	4.00	10/1/2006	2/1/2017	1,785,000	830,000
Street Reconstruction Bonds of 2008B	3.25 - 4.60	11/1/2008	2/1/2024	1,010,000	780,000
Equipment Certificates of 2009D	2.00 - 4.85	9/1/2009	2/1/2019	1,005,000	740,000
Capital Improvement Plan Bonds of 2010A	0.75 - 2.25	11/1/2010	2/1/2018	635,000	460,000
Grant Anticipation Notes of 2012C	0.50	4/1/2012	2/1/2014	905,000	905,000
Street Reconstruction Bonds of 2013B	3.00 - 3.5	9/1/2013	2/1/2029	4,025,000	4,025,000
Total other general obligation bonds				5,340,000	7,740,000
Total bonded debt - governmental activities				34,235,000	29,145,000
Capital lease payable	0.00	11/22/2010	12/31/2020	136,444	95,512
Airport loan payable to Itasca County	0.00	2001	2017	147,000	37,000
Bond premium				207,074	227,081
Compensated absences				345,657	374,014
Total governmental activities				\$35,071,175	\$29,878,607
<u>Business-Type Activities:</u>					
Compensated absences				\$4,580	\$4,580
Total business-type activities				\$4,580	\$4,580
<u>Component Units:</u>					
EDA:					
Note payable	0.00	8/5/2010	8/5/2015	\$100,000	\$100,000
Public Utilities:					
G.O. Revenue Note Series 1999	3.04	1/3/2000	1/1/2019	1,079,657	405,000
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016	1,915,000	685,000
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00 - 4.90	6/1/2009	12/1/2019	925,000	580,000
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029	26,370,232	22,299,000
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60 - 3.50	7/25/2011	12/1/2021	3,965,000	3,505,000
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033	2,025,000	2,025,000
G.O. Utility Revenue Bonds of 2013C	2.06 - 4.50	9/1/2013	2/1/2029	2,305,000	2,305,000
Total public utilities				38,584,889	31,804,000
Total component units				\$38,684,889	\$31,904,000

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

Governmental activities:	
General government	\$79,824
Public safety	266,807
Public works, including depreciation of general infrastructure assets	2,322,594
Culture and recreation	<u>266,776</u>
Total depreciation expense - governmental activities	<u><u>\$2,936,001</u></u>
Business-type activities:	
Golf course	\$87,612
Storm water utility	<u>19,568</u>
Total depreciation expense - business-type activities	<u><u>\$107,180</u></u>

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CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$5,496,552	\$196,524	\$ -	\$5,693,076
Construction in progress	4,604,435	4,937,957	(6,326,276)	3,216,116
Total capital assets, not being depreciated	<u>10,100,987</u>	<u>5,134,481</u>	<u>(6,326,276)</u>	<u>8,909,192</u>
Capital assets, being depreciated:				
Buildings and improvements	26,525,555	331,750	-	26,857,305
Vehicles, equipment and furniture	9,535,968	971,957	(364,196)	10,143,729
Infrastructure	54,815,108	5,880,217	-	60,695,325
Total capital assets, being depreciated	<u>90,876,631</u>	<u>7,183,924</u>	<u>(364,196)</u>	<u>97,696,359</u>
Less accumulated depreciation for:				
Buildings and improvements	14,783,566	581,458	-	15,365,024
Vehicles, equipment and furniture	5,263,308	587,249	(323,684)	5,526,873
Infrastructure	23,638,241	1,767,294	-	25,405,535
Total accumulated depreciation	<u>43,685,115</u>	<u>2,936,001</u>	<u>(323,684)</u>	<u>46,297,432</u>
Total capital assets being depreciated - net	<u>47,191,516</u>	<u>4,247,923</u>	<u>(40,512)</u>	<u>51,398,927</u>
Governmental activities capital assets - net	<u>\$57,292,503</u>	<u>\$9,382,404</u>	<u>(\$6,366,788)</u>	<u>\$60,308,119</u>
Primary Government				
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$906,387	\$ -	\$ -	\$906,387
Construction in progress	-	6,049	-	6,049
Total business-type activities	<u>906,387</u>	<u>6,049</u>	<u>0</u>	<u>912,436</u>
Capital assets, being depreciated:				
Buildings and improvements	2,190,771	-	-	2,190,771
Machinery, equipment and furniture	840,962	209,609	(165,877)	884,694
Total capital assets, being depreciated	<u>3,031,733</u>	<u>209,609</u>	<u>(165,877)</u>	<u>3,075,465</u>
Less accumulated depreciation for:				
Buildings and improvements	512,979	62,950	-	575,929
Machinery, equipment and furniture	669,601	44,230	(165,877)	547,954
Total accumulated depreciation	<u>1,182,580</u>	<u>107,180</u>	<u>(165,877)</u>	<u>1,123,883</u>
Total capital assets being depreciated - net	<u>1,849,153</u>	<u>102,429</u>	<u>0</u>	<u>1,951,582</u>
Business-type activities capital assets - net	<u>\$2,755,540</u>	<u>\$108,478</u>	<u>\$0</u>	<u>\$2,864,018</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

Interfund transfers:

	Transfers In		
	General	Nonmajor Governmental Funds	Total
Transfers out:			
General Fund	\$ -	\$429,669	\$429,669
Nonmajor Governmental Funds	21,606	1,350,776	1,372,382
Golf Course	3,500	-	3,500
Storm Water Utility	-	49,715	49,715
Totals	<u>\$25,106</u>	<u>\$1,830,160</u>	<u>\$1,855,266</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 2013, the City made transfers from the General Fund to Special Revenue Funds (\$65,500) to provide ongoing support and to the Improvement Refunding Bonds of 2009B Debt Service Fund (\$150,000) as part of its debt financing plan. Transfers were also made to allocate funds for capital purposes (\$686,205), operating purposes (\$3,500) and to close one fund (\$950,061).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City has approved six interfund loans. Two loans were made to the Pokegama Golf Course, one to purchase golf carts and another 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. An interfund loan to TIF 1-5 Black Bear Homes was made to provide developer assistance. A summary at December 31, 2013 is as follows:

	Interfund Loan Receivable	Interfund Loan Payable
Major funds:		
General Fund	\$697,305	\$ -
Pokegama Golf Course		202,893
Nonmajor funds:		
Special revenue funds:		
Airport Operations	-	37,000
IRA Civic Center	-	38,166
Debt Service Funds:		
TIF 1-5 Black Bear Homes	-	65,604
Capital Projects Funds:		
General Capital Improvement Projects	65,604	-
Capital Equipment Replacement	-	419,246
	<u>\$762,909</u>	<u>\$762,909</u>

Amounts reported as due to/from other funds at December 31, 2013 are as follows:

	Due From Other Funds	Due To Other Funds
Major Funds:		
General Fund	\$48,013	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
Central School	-	7,500
IRA Civic Center	-	32,864
Haz-Mat	-	6,336
Domestic Animal Control Facility	-	1,313
Debt Service Funds:		
G.O. State-Aid Street Bonds of 2005B	491	-
G.O. State-Aid Street Bonds of 2012B	-	491
Capital Project Funds:		
Airport Capital Fund	-	666,693
7th Avenue Bridge Rehab	205,274	-
Permanent Improvement Revolving	474,720	-
2014 Infrastructure Bonds	-	13,301
	<u>\$728,498</u>	<u>\$728,498</u>
Total		

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

PLEDGES RECEIVABLE

The City developed the Pokegama Golf and Park Place project after it was determined there were structural deficiencies in the current golf course clubhouse. The Pokegama Golf and Park Place project was developed to not only replace the existing clubhouse, but to add a park facility to the newly annexed area around the Pokegama Golf Course. Part of the funding schematic was a capital fund drive, which began in 2009. As of December 31, 2013, outstanding pledges receivable were \$29,663. An estimated allowance for doubtful accounts of \$19,763 has been recorded, resulting in a net pledges receivable balance of \$9,900 at year end.

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 and unearned revenue reported in the governmental funds were as follows:

	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Due from Component Unit</u>	<u>Land Held for Resale</u>	<u>Notes Receivable</u>	<u>Total</u>
Primary government:						
Major funds:						
General Fund	\$127,965	\$64,343	\$ -	\$214,390	\$ -	\$406,698
Improvement Bonds of 2005A	-	646,761	-	-	-	646,761
Improvement Bonds of 2006C	-	866,271	-	-	-	866,271
Nonmajor Funds	<u>16,276</u>	<u>3,518,213</u>	<u>638,000</u>	<u>-</u>	<u>-</u>	<u>4,172,489</u>
Total primary government	<u>144,241</u>	<u>5,095,588</u>	<u>638,000</u>	<u>214,390</u>	<u>-</u>	<u>6,092,219</u>
EDA (discretely presented component unit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,233,217</u>	<u>167,784</u>	<u>1,401,001</u>
Total unavailable revenue	<u>\$144,241</u>	<u>\$5,095,588</u>	<u>\$638,000</u>	<u>\$1,447,607</u>	<u>\$167,784</u>	<u>\$7,493,220</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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.

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, 2013 for the Public Utilities Commission are as follows:

Demand deposits and cash on hand	
Mutual funds - bond funds	
US agencies - implicitly guaranteed	
Total cash and investments	_____
Less restricted amounts	
Total cash and investments - unrestricted	_____
	\$ -

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2013 are as follows:

	Primary Government					EDA
	Major Funds			Nonmajor Funds	Total	
	General	Improvement Bonds of 2005A	Improvement Bonds of 2006C			
Special assessments receivable	\$48,971	\$528,061	\$780,247	\$3,195,346	\$4,552,625	\$ -
Property taxes receivable	82,141	-	-	10,448	92,589	-
Interfund loan receivable	499,078	-	-	43,061	542,139	-
Notes receivable	-	-	-	-	-	167,783
Receivable from PUC	-	-	-	435,800	435,800	-
	\$630,190	\$528,061	\$780,247	\$3,684,655	\$5,623,153	\$167,783

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

As of December 31, 2013, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
FHLB notes	Aaa	\$335,507	\$ -	\$106,357	\$229,150
Federal farm credit notes	Aaa	109,487	-	-	109,487
US treasury notes	Aaa	576,339	100,289	378,112	97,938
Brokered cd's	NR	3,925,803	1,024,803	2,460,000	441,000
First American treasury fund	Aaa	527,439	527,439	-	-
Total		<u>\$5,474,575</u>	<u>\$1,652,531</u>	<u>\$2,944,469</u>	<u>\$877,575</u>
NR - Not Rated			Total investments	\$5,474,575	
			Deposits	12,607,735	
			Petty cash	5,570	
			Total cash and investments	<u>\$18,087,880</u>	

Following is a reconciliation of the City's cash and investment balances as of December 31, 2013:

Cash and investments - primary government:	
Governmental and business-type (Statement 1)	\$17,104,544
Fiduciary (Statement 9)	97,552
Cash and investments - EDA (Statement 1)	885,784
	<u>\$18,087,880</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).

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.

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, 2013 the carrying amount of the City's deposits with financial institutions was \$12,607,735.

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, 2013, the bank balance of the City's deposits was \$11,041,071, 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.

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, 2012, 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 no items that qualify for reporting in this category.

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 one 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 unit, land held for resale, and notes receivable.

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 14C.

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 2013 are described in footnotes 3, 6, 18, and 19.

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 2014, 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.

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 backtrending (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, 2013, 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

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.

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 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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Nonmajor Funds			
Public library	\$750,299	\$788,794	\$38,495
Central school	112,074	134,818	22,744
Airport operations	224,085	229,144	5,059
Recreation programs	54,689	72,574	17,885
Haz-Mat	45,000	86,851	41,851
Police forfeiture	21,500	27,914	6,414
Domestic animal control facility	57,147	62,307	5,160

The expenditures exceeding budget were funded by available fund balance.

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.

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

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

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

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

D. BUDGETARY INFORMATION

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

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

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

1. The City Administrator submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following January 1. These budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution on a fund basis.

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

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

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

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

The City reports the following major governmental funds:

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

The *Improvement Bonds of 2005A Fund* accounts for the accumulation of resources for, and payment of, principal, interest and related cash of the Improvement Bonds of 2005A.

The *Improvement Bonds of 2006C Fund* accounts for the accumulation of resources for, and payment of, principal, interest and related cash of the Improvement Bonds of 2006C.

The *2013 Infrastructure Bonds Fund* accounts for infrastructure improvements financed by the Improvement Bonds of 2013A and 2013B.

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.

JOINT POWERS COOPERATIVE AGREEMENT

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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.

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 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 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.

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
 December 31, 2013
 With Amounts For December 31, 2012

Statement 9

Assets:	Agency Funds	
	2013	2012
Cash and investments	\$97,552	\$74,876
Liabilities:		
Accounts payable	\$16,700	\$18,459
Due to third-party grantees	80,852	56,417
Total liabilities	\$97,552	\$74,876

DRAFT 4/23/14

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, 2013

With Comparative Totals For The Year Ended December 31, 2012

Statement 8

	Business-Type Activities - Enterprise Funds			
	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2013	2012
Cash flows from operating activities:				
Receipts from customers and users	\$559,565	\$548,587	\$1,108,152	\$1,054,328
Payment to suppliers	(244,688)	(216,310)	(460,998)	(417,886)
Payment to employees	(220,366)	(175,163)	(395,529)	(388,650)
Net cash flows provided by operating activities	<u>94,511</u>	<u>157,114</u>	<u>251,625</u>	<u>247,792</u>
Cash flows from noncapital financing activities:				
Change in interfund borrowing	(30,666)	-	(30,666)	(44,569)
Interest on interfund borrowing	(2,335)	-	(2,335)	(2,638)
Insurance recoveries	-	-	-	5,530
Transfers out	(3,500)	(49,715)	(53,215)	(103,500)
Net cash flows provided by (used in) noncapital financing activities	<u>(36,501)</u>	<u>(49,715)</u>	<u>(86,216)</u>	<u>(145,177)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(23,576)	(192,082)	(215,658)	(57,099)
Sale of capital assets	5,266	-	5,266	-
Capital contributions	41,163	-	41,163	46,401
Net cash flows (used in) capital and related financing activities	<u>22,853</u>	<u>(192,082)</u>	<u>(169,229)</u>	<u>(10,698)</u>
Cash flows from investing activities:				
Investment income	1,386	1,999	3,385	5,885
Net increase (decrease) in cash and cash equivalents	82,249	(82,684)	(435)	97,802
Cash and cash equivalents - January 1	152,993	358,511	511,504	413,702
Cash and cash equivalents - December 31	<u>\$235,242</u>	<u>\$275,827</u>	<u>\$511,069</u>	<u>\$511,504</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(28,095)	\$116,117	\$88,022	\$159,543
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	87,612	19,568	107,180	95,212
Changes in assets and liabilities:				
Decrease (increase) in receivables	(3,750)	(2,462)	(6,212)	(1,045)
Decrease (increase) in prepaid items	(124)	-	(124)	(832)
Increase (decrease) in unearned revenue	38,645	-	38,645	(4,469)
Increase (decrease) in payables	223	23,891	24,114	(617)
Total adjustments	<u>122,606</u>	<u>40,997</u>	<u>163,603</u>	<u>88,249</u>
Net cash provided by (used in) operating activities	<u>\$94,511</u>	<u>\$157,114</u>	<u>\$251,625</u>	<u>\$247,792</u>
Noncash capital and related financing activities:				
None				

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

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

Statement 7

For The Year Ended December 31, 2013

With Comparative Totals For The Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds			
	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2013	2012
Operating revenues:				
Season passes	\$149,087	\$ -	\$149,087	\$174,073
Green fees	207,377	-	207,377	225,801
Special play	7,530	-	7,530	7,819
Rentals and leases	160,676	-	160,676	153,960
Charges for service	-	551,049	551,049	498,189
Total operating revenues	<u>524,670</u>	<u>551,049</u>	<u>1,075,719</u>	<u>1,059,842</u>
Operating expenses:				
Personnel services	221,090	179,795	400,885	390,501
Materials and supplies	64,695	52,534	117,229	83,378
Other services and charges	179,368	183,035	362,403	331,208
Depreciation	87,612	19,568	107,180	95,212
Total operating expenses	<u>552,765</u>	<u>434,932</u>	<u>987,697</u>	<u>900,299</u>
Operating income (loss)	<u>(28,095)</u>	<u>116,117</u>	<u>88,022</u>	<u>159,543</u>
Nonoperating revenues (expenses):				
Investment income	1,386	1,999	3,385	5,885
Interest expense	(2,168)	-	(2,168)	(2,472)
Insurance recoveries	-	-	-	5,530
Gain (loss) on sale of capital assets	5,266	-	5,266	-
Total nonoperating revenues (expenses)	<u>4,484</u>	<u>1,999</u>	<u>6,483</u>	<u>8,943</u>
Income before contributions and transfers	<u>(23,611)</u>	<u>118,116</u>	<u>94,505</u>	<u>168,486</u>
Capital contributions	-	-	-	100
Transfers out	(3,500)	(49,715)	(53,215)	(103,500)
Total transfers and contributions	<u>(3,500)</u>	<u>(49,715)</u>	<u>(53,215)</u>	<u>(103,400)</u>
Change in net position	<u>(27,111)</u>	<u>68,401</u>	<u>41,290</u>	<u>65,086</u>
Net position - January 1	<u>2,677,355</u>	<u>417,793</u>	<u>3,095,148</u>	<u>3,030,062</u>
Net position - December 31	<u>\$2,650,244</u>	<u>\$486,194</u>	<u>\$3,136,438</u>	<u>\$3,095,148</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, 2013
With Comparative Totals For December 31, 2012

Statement 6

	Business-Type Activities - Enterprise Funds			
	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2013	2012
Assets:				
Current assets:				
Cash and cash equivalents	\$235,242	\$275,827	\$511,069	\$511,504
Due from component units	-	45,777	45,777	41,684
Accounts receivable	13,587	2,840	16,427	14,308
Pledges receivable - net	9,900	-	9,900	51,063
Prepaid items	2,072	-	2,072	1,948
Total current assets	260,801	324,444	585,245	620,507
Noncurrent assets:				
Capital assets:				
Construction in progress	6,049	-	6,049	-
Land and land improvements	871,481	34,906	906,387	906,387
Buildings and structures	2,190,771	-	2,190,771	2,190,771
Machinery, equipment and furniture	662,090	222,604	884,694	840,962
Total capital assets	3,730,391	257,510	3,987,901	3,938,120
Less: Allowance for depreciation	(1,079,389)	(44,494)	(1,123,883)	(1,182,580)
Net capital assets	2,651,002	213,016	2,864,018	2,755,540
Total noncurrent assets	2,651,002	213,016	2,864,018	2,755,540
Total assets	2,911,803	537,460	3,449,263	3,376,047
Liabilities:				
Current liabilities:				
Accounts payable	2,576	11,526	14,102	5,022
Accrued wages payable	1,845	5,429	7,274	2,484
Due to other governmental units	1,263	884	2,147	2,500
Due to component units	1,043	9,882	10,925	7,894
Accrued interest payable	1,045	-	1,045	1,212
Deposits payable	-	23,000	23,000	16,000
Due to other funds	-	-	-	60
Interfund loan payable	202,893	-	202,893	233,499
Compensated absences payable - current	135	545	680	1,508
Unearned revenue	40,932	-	40,932	2,287
Total current liabilities	251,732	51,266	302,998	272,466
Noncurrent liabilities:				
Compensated absences payable	3,900	-	3,900	2,813
Other post employment benefits	5,927	-	5,927	5,620
Total noncurrent liabilities	9,827	0	9,827	8,433
Total liabilities	261,559	51,266	312,825	280,899
Net position:				
Investment in capital assets	2,651,002	213,016	2,864,018	2,755,540
Unrestricted	(758)	273,178	272,420	339,608
Total net position	\$2,650,244	\$486,194	\$3,136,438	\$3,095,148

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

CITY OF GRAND RAPIDS, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013
With Comparative Amounts For The Year Ended December 31, 2012

Statement 5

	2013
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)	\$921,286
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	(2,936,005)
Capital outlay	6,370,341
Capital outlay not capitalized	(416,653)
Eliminate prior year's capitalized bond issuance costs	(376,607)
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 assets differs from the change in fund balance by the net book value of the capital assets sold.	(2,067)
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	24,267
Change in deferred and delinquent special assessments	(334,730)
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	(194,600)
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 assets. 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:	
Debt proceeds	(5,550,000)
Principal payments on bonds, capital leases and loans payable	3,938,644
Current year bond premium and amortization of bond premium	(87,394)
Change in due from other governmental units accrual related to a federal credit on BAB bonds	(1,644)
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	(28,357)
Change in other post employment benefits and termination benefits payable	178,957
Change in accrued interest payable	48,896
Change in net position of governmental activities (Statement 2)	\$1,554,334

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

351 Improvement Bonds of 2006C	475 2013 Infrastructure Bonds	Other Governmental Funds	Totals Governmental Funds	
			2013	2012
\$30,150	\$ -	\$1,913,053	\$5,657,760	\$5,505,946
-	-	-	25,207	25,133
-	-	188,840	188,840	167,427
-	-	-	901,179	854,998
-	-	170	324,015	202,354
2,142	-	2,737,690	4,671,032	4,434,468
620,901	-	1,072,939	1,760,500	1,546,363
-	308,939	1,101,538	2,160,357	3,658,568
-	-	58,886	204,756	160,984
2,537	-	42,182	80,298	128,235
-	-	106,051	118,748	81,930
-	-	232,150	269,738	268,251
<u>655,730</u>	<u>308,939</u>	<u>7,453,499</u>	<u>16,362,430</u>	<u>17,034,657</u>
32,004	-	145,740	2,013,753	1,864,611
-	-	149,280	2,829,259	2,639,573
-	-	567,665	2,853,198	2,786,207
-	-	1,624,486	1,731,099	1,709,487
-	-	-	523,877	393,733
-	3,277,337	3,067,899	6,370,341	7,640,162
175,000	-	3,515,000	3,925,000	3,239,850
61,500	-	711,246	844,835	802,977
431	-	8,021	8,855	8,630
-	71,165	63,532	149,805	127,049
<u>268,935</u>	<u>3,348,502</u>	<u>9,852,869</u>	<u>21,250,022</u>	<u>21,212,279</u>
<u>386,795</u>	<u>(3,039,563)</u>	<u>(2,399,370)</u>	<u>(4,887,592)</u>	<u>(4,177,622)</u>
-	-	50,000	55,254	51,788
-	-	1,035,000	1,525,000	-
-	-	-	-	(5,408)
-	4,025,000	-	4,025,000	7,325,000
-	109,377	-	109,377	78,013
-	-	11,745	41,032	105,707
-	-	1,830,160	1,855,266	705,445
-	-	(1,372,382)	(1,802,051)	(601,945)
<u>0</u>	<u>4,134,377</u>	<u>1,554,523</u>	<u>5,808,878</u>	<u>7,658,600</u>
386,795	1,094,814	(844,847)	921,286	3,480,978
547,232	(563,914)	8,310,131	15,444,129	11,963,151
<u>\$934,027</u>	<u>\$530,900</u>	<u>\$7,465,284</u>	<u>\$16,365,415</u>	<u>\$15,444,129</u>

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

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For The Year Ended December 31, 2013

With Comparative Totals For The Year Ended December 31, 2012

	101 General Fund	348 Improvement Bonds of 2005A
Revenues:		
Taxes:		
General property	\$3,677,404	\$37,153
Tax abatements	-	25,207
Tax increments	-	-
Payments in lieu of taxes (PILOT)	901,179	-
Licenses and permits	323,845	-
Intergovernmental	1,928,560	2,640
Special assessments	-	66,660
Charges for services	749,880	-
Fines and forfeits	145,870	-
Investment income	30,260	5,319
Contributions and donations	12,697	-
Other	37,588	-
Total revenues	<u>7,807,283</u>	<u>136,979</u>
Expenditures:		
Current:		
General government	1,835,912	97
Public safety	2,679,979	-
Public works	2,285,533	-
Culture and recreation	106,613	-
Miscellaneous	523,877	-
Capital outlay/construction	25,105	-
Debt service:		
Principal retirement	-	235,000
Interest	-	72,089
Paying agent fees	-	403
Bond issuance costs	-	15,108
Total expenditures	<u>7,457,019</u>	<u>322,697</u>
Revenues over (under) expenditures	<u>350,264</u>	<u>(185,718)</u>
Other financing sources (uses):		
Sale of capital assets	5,254	-
Issuance of refunding bonds	-	490,000
Bond discount	-	-
Bond issuance	-	-
Bond premium	-	-
Insurance recoveries	29,287	-
Transfers in	25,106	-
Transfers out	(429,669)	-
Total other financing sources (uses)	<u>(370,022)</u>	<u>490,000</u>
Net change in fund balance	(19,758)	304,282
Fund balance - January 1	5,516,435	1,634,245
Fund balance - December 31	<u>\$5,496,677</u>	<u>\$1,938,527</u>

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

351 Improvement Bonds of 2006C	475 2013 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
			2013	2012
\$ -	\$ -	\$206,417	\$813,718	\$1,291,585
934,027	530,900	5,519,393	8,935,326	7,844,037
-	-	601,378	844,781	819,189
-	-	1,684,947	1,684,947	1,989,644
-	-	(546,851)	4,086,643	3,499,674
<u>934,027</u>	<u>530,900</u>	<u>7,465,284</u>	<u>16,365,415</u>	<u>15,444,129</u>
<u>\$1,800,298</u>	<u>\$595,872</u>	<u>\$14,491,382</u>	<u>\$25,678,231</u>	<u>\$24,698,499</u>
			\$16,365,415	\$15,444,129
			60,308,119	57,292,503
			144,241	119,974
			5,045,588	5,380,318
			214,390	214,390
			638,000	832,600
			30,576	32,220
			(29,372,081)	(27,649,687)
			(132,512)	(156,156)
			(344,769)	(393,665)
			(374,014)	(345,657)
			(10,000)	(200,000)
			<u>(225,299)</u>	<u>(214,256)</u>
			<u>\$52,287,654</u>	<u>\$50,356,713</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
With Comparative Totals For December 31, 2012

Liabilities, Deferred Inflows of Resources, and Fund Balances (continued)	101 General Fund	348 Improvement Bonds of 2005A
Fund balances:		
Nonspendable	\$607,301	\$ -
Restricted	12,479	1,938,527
Committed	243,403	-
Assigned	-	-
Unassigned	4,633,494	-
Total fund balances	5,496,677	1,938,527
 Total liabilities, deferred inflows of resources, and fund balances	 \$6,205,391	 \$2,585,288

Fund balance reported above

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.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavilable revenue in the funds:

- Delinquent taxes
- Assessments not yet due or delinquent
- Land held for resale
- Due from component unit
- Due from other governmental units

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
- Capital lease and loans payable
- Accrued interest payable
- Compensated absences payable
- Termination benefits payable
- Other post employment benefits

Net position of governmental activities

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

351 Improvement Bonds of 2006C	475 2013 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
			2013	2012
\$934,027	\$595,872	\$8,599,664	\$15,040,782	\$13,573,191
-	-	-	1,552,693	-
-	-	-	20,242	24,293
-	-	674,615	1,056,973	1,810,053
-	-	680,485	728,498	846,051
-	-	658,713	712,495	1,080,797
-	-	71,396	77,841	90,731
-	-	65,604	762,909	989,044
-	-	206,417	271,579	519,657
-	-	16,276	144,241	119,974
866,271	-	3,518,212	5,095,588	5,430,318
-	-	-	214,390	214,390
<u>\$1,800,298</u>	<u>\$595,872</u>	<u>\$14,491,382</u>	<u>\$25,678,231</u>	<u>\$24,698,499</u>
\$ -	\$2,770	\$166,742	\$274,962	\$287,250
-	-	30,612	146,971	124,330
-	-	7,009	44,619	28,218
-	-	13,999	48,706	46,337
-	62,202	86,842	149,044	73,802
-	-	728,498	728,498	845,991
-	-	10,857	12,674	14,723
-	-	560,016	560,016	755,545
-	-	1,249,034	1,255,107	480,892
<u>0</u>	<u>64,972</u>	<u>2,853,609</u>	<u>3,220,597</u>	<u>2,657,088</u>
<u>866,271</u>	<u>-</u>	<u>4,172,489</u>	<u>6,092,219</u>	<u>6,597,282</u>
<u>866,271</u>	<u>0</u>	<u>4,172,489</u>	<u>6,092,219</u>	<u>6,597,282</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
With Comparative Totals For December 31, 2012

	<u>101 General Fund</u>	<u>348 Improvement Bonds of 2005A</u>
Assets		
Cash and investments	\$4,525,386	\$385,833
Cash with escrow agent	-	1,552,693
Accrued interest receivable	20,242	-
Due from other governmental units	382,358	-
Due from other funds	48,013	-
Due from component unit	53,782	-
Accounts receivable	6,445	-
Interfund loan receivable	697,305	-
Prepaid items	65,162	-
Taxes receivable - delinquent	127,965	-
Special assessments receivable	64,343	646,762
Land held for resale	214,390	-
	<u>\$6,205,391</u>	<u>\$2,585,288</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts payable	\$105,450	\$ -
Accrued wages payable	116,359	-
Due to other governmental units	37,610	-
Due to component units	34,707	-
Contracts payable	-	-
Due to other funds	-	-
Deposits payable	1,817	-
Interfund loan payable	-	-
Unearned revenue	6,073	-
Total liabilities	<u>302,016</u>	<u>0</u>
Deferred inflows of resources:		
Unavailable revenue	406,698	646,761
Total deferred inflows of resources	<u>406,698</u>	<u>646,761</u>

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority	Public Utilities Commission
\$ -	(\$1,822,855)	\$ -	(\$1,822,855)	\$ -	\$ -
21,326	(2,017,249)	-	(2,017,249)	-	-
3,385,362	(1,063,398)	-	(1,063,398)	-	-
33,094	(934,542)	-	(934,542)	-	-
-	(1,075,117)	-	(1,075,117)	-	-
<u>3,439,782</u>	<u>(6,913,161)</u>	<u>0</u>	<u>(6,913,161)</u>	<u>0</u>	<u>0</u>
-	-	(30,263)	(30,263)	-	-
-	-	116,117	116,117	-	-
<u>0</u>	<u>0</u>	<u>85,854</u>	<u>85,854</u>	<u>0</u>	<u>0</u>
<u>\$3,439,782</u>	<u>(6,913,161)</u>	<u>85,854</u>	<u>(6,827,307)</u>	<u>0</u>	<u>0</u>
\$ -				(21,661)	-
-				-	-
<u>\$0</u>				<u>(21,661)</u>	<u>0</u>
	5,896,074	-	5,896,074	77,161	
	901,179	-	901,179	-	
	1,442,510	-	1,442,510	27,898	
	80,298	3,385	83,683	3,890	
	67,523	-	67,523	-	
	26,696	5,266	31,962	-	
	53,215	(53,215)	-	-	
	<u>8,467,495</u>	<u>(44,564)</u>	<u>8,422,931</u>	<u>108,949</u>	<u>0</u>
	1,554,334	41,290	1,595,624	87,288	0
	<u>50,733,320</u>	<u>3,095,148</u>	<u>53,828,468</u>	<u>2,121,637</u>	<u>-</u>
	<u>\$52,287,654</u>	<u>\$3,136,438</u>	<u>\$55,424,092</u>	<u>\$2,208,925</u>	<u>\$0</u>

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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$2,420,199	\$590,194	\$7,150
Public safety	3,117,628	478,032	601,021
Public works	5,601,025	716,553	435,712
Culture and recreation	2,000,748	952,187	80,925
Interest and fees on long-term debt	1,309,223	-	234,106
Total governmental activities	14,448,823	2,736,966	1,358,914
Business-type activities:			
Golf course	554,933	524,670	-
Storm water utility	434,932	551,049	-
Total business-type activities	989,865	1,075,719	0
Total primary government	\$15,438,688	\$3,812,685	\$1,358,914
Component units:			
Economic Development Authority	\$1,006,378	\$290,751	\$693,966
Public Utilities Commission	-	-	-
Total component units	\$1,006,378	\$290,751	\$693,966
General revenues:			
General property taxes			
Payments in lieu of taxes (PILOT)			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings (loss)			
Gain on sale of capital assets			
Insurance recoveries			
Transfers			
Total general revenues, special items and transfers			
Change in net position			
Net position - January 1			
Net position - December 31			

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2013

Statement 1

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Economic	Public
	Activities	Activities	2013	Development Authority	Utilities Commission
Assets:					
Cash and investments	\$15,040,782	\$511,069	\$15,551,851	\$885,784	
Cash with escrow agent	1,552,693		1,552,693		
Accrued interest	20,242	-	20,242	-	
Due from other governmental units	1,087,549	-	1,087,549	-	
Due from primary government	-	-	-	-	
Due from component units	712,495	45,777	758,272	-	
Accounts receivable - net	77,841	26,327	104,168	41,873	
Internal balances	202,893	(202,893)	-	-	
Prepaid items	271,579	2,072	273,651	-	
Property taxes receivable	144,241	-	144,241	-	
Special assessments receivable	5,045,588	-	5,045,588	-	
Inventories - at cost	-	-	-	-	
Land held for resale	214,390	-	214,390	1,233,217	
Notes receivable	-	-	-	167,936	
Restricted cash and investments	-	-	-	-	
Restricted accounts receivable	-	-	-	-	
Financial assurance landfill closure	-	-	-	-	
Capital assets - nondepreciable	8,909,192	912,436	9,821,628	-	
Capital assets - net of accumulated depreciation	51,398,927	1,951,582	53,350,509	-	
Total assets	<u>84,678,412</u>	<u>3,246,370</u>	<u>87,924,782</u>	<u>2,328,810</u>	<u>0</u>
Liabilities:					
Accounts payable	274,962	14,102	289,064	1,760	
Accrued wages and other liabilities	146,971	7,274	154,245	-	
Due to other governmental units	44,619	2,147	46,766	-	
Due to component units	48,706	10,925	59,631	-	
Contracts payable	149,044	-	149,044	18,125	
Deposits payable	12,674	23,000	35,674	-	
Due to primary government	-	-	-	-	
Accrued interest payable	344,769	1,045	345,814	-	
Unearned revenue	1,255,107	40,932	1,296,039	-	
Termination benefits payable:					
Due within one year	-	-	-	-	
Due in more than one year	10,000	-	10,000	-	
Other post employment benefits	225,299	5,927	231,226	-	
Landfill closure costs:					
Due in more than one year	-	-	-	-	
Demand payment deferral:					
Due within one year	-	-	-	-	
Due in more than one year	-	-	-	-	
Noncurrent liabilities:					
Due within one year	5,129,890	680	5,130,570	-	
Due in more than one year	24,748,717	3,900	24,752,617	100,000	
Total liabilities	<u>32,390,758</u>	<u>109,932</u>	<u>32,500,690</u>	<u>119,885</u>	<u>0</u>
Net position:					
Net investment in capital assets	31,861,617	2,864,018	34,725,635	-	
Restricted for:					
Debt service	6,675,782	-	6,675,782	-	
Itasca County's equity interest in Airport	45,571	-	45,571	-	
Other purposes	609,479	-	609,479	-	
Unrestricted	13,095,205	272,420	13,367,625	2,208,925	
Total net position	<u>\$52,287,654</u>	<u>\$3,136,438</u>	<u>\$55,424,092</u>	<u>\$2,208,925</u>	<u>\$0</u>

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

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BASIC FINANCIAL STATEMENTS

DRAFT 4/23/14

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$29,504,593 (excluding compensated absences), an increase of \$1,698,750 from 2012. Of the total outstanding amount:

- \$20,600,000 is general obligation improvement debt that is supported in part by special assessments,
- \$805,000 is general obligation tax increment debt which financed the City's economic development program,
- \$7,740,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$359,593 of capital lease and loans payable in addition to unamortized bond premiums.

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	
	2013	2012	2013	2012	2013	2012
General obligation improvement bonds	\$20,600,000	\$22,530,000	\$ -	\$ -	\$20,600,000	\$22,530,000
General obligation tax increment bonds	805,000	820,000	-	-	805,000	820,000
Other general obligation bonds	7,740,000	4,160,000	-	-	7,740,000	4,160,000
Capital leases, loans, bond premium	359,593	295,843	-	-	359,593	295,843
Total	<u>\$29,504,593</u>	<u>\$27,805,843</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,504,593</u>	<u>\$27,805,843</u>

During 2013, the City issued two bonds for infrastructure:

- \$1,525,000 General Obligation Improvement Refunding Bonds, Series 2013A
- \$4,025,000 General Obligation Street Reconstruction Bonds, Series 2013B

At that time, Moody's Investor Services assigned an A1 rating to these bond issues, and affirmed the A1 rating on the City's outstanding debt.

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 \$21,024,006. Of the City's outstanding debt, \$5,798,436 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.

Management's Discussion and Analysis

Budgetary Highlights

General Fund. The General Fund had a decrease in fund balance of \$19,758. The General Fund revenue was over budget by \$373,279. The General Fund received \$109,000 more in delinquent taxes and property taxes on previously annexed areas than budgeted as discussed earlier. The City also received approximately \$48,500 in state and federal funds for grants not budgeted, and approximately \$60,000 more in Police and Fire Insurance Premium not budgeted. The City also received \$70,000 in excess school levy.

Total expenditures were over budget by \$534,560 due to the Public Works being over budget by \$282,893 due to record snow storms. The Public Safety Department was over budget by \$100,796 due to motor fuels exceeding the budget by \$21,000 and a \$15,000 increase to the general liability insurance due to a change in asset allocation. Capital outlay is over by \$25,000 due to the purchase of a new squad care to replace the one demolished. City wide costs were also over budget by \$45,126 due to retirees health insurance contribution of \$70,000 that was paid early.

This decrease in the fund balance puts the City within \$147,000 of its targeted unassigned fund balance for the General Fund and contributes to the amount the City has committed to revenue stabilization pay back.

The General Fund Personnel budgets in Administration, Finance, and Recreation were amended for 2013.

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, 2013, amounts to \$63,172,137 (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	
	2013	2012	2013	2012	2013	2012
Land and land improvements	\$5,693,076	\$5,496,552	\$906,387	\$906,387	\$6,599,463	\$6,402,939
Building and improvements	11,492,281	11,741,989	1,614,841	1,677,792	13,107,122	13,419,781
Vehicles, equipment and furniture	4,616,855	4,272,660	336,741	171,361	4,953,596	4,444,021
Infrastructure	35,289,791	31,176,867	-	-	35,289,791	31,176,867
Construction in progress	3,216,116	4,604,435	6,049	-	3,222,165	4,604,435
Total	\$60,308,119	\$57,292,503	\$2,864,018	\$2,755,540	\$63,172,137	\$60,048,043

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

Management's Discussion and Analysis

The 2006C Improvement Bonds had a fund balance increase of \$386,795 due to \$442,500 in prepayments of assessments. The 2006B Refunding Bonds had a slight fund balance decrease due to fiscal fees exceeding investment income. The 2005A Improvement Bonds had a fund balance increase of \$304,282 due to a cross over refunding bond that was issued to pay off the bond issue in February 2014. The 2013 Infrastructure Bonds increased by \$1,094,814 due to bonds that were issued in 2013 for street reconstruction projects.

The nonmajor special revenue funds decreased by \$44,817 for 2013.

- The Central School had deficit of (\$53,993) due to extensive building maintenance repairs.
- The Civic Center had \$23,966 in revenue over expenditures in 2013 but previously had a deficit of (\$111,678) due to a loan and previous year's deficits, consequently the deficit was reduced to (\$87,712).
- The City received the Itasca Calvary Cemetery as part of the final annexation of Grand Rapids Township in 2010. In 2013, the Cemetery fund had revenues over expenditures of \$11,578, due to personnel costs being less than budgeted.

The nonmajor debt service funds increased by (\$1,127,762). The 2012C Grant Anticipation Note received federal proceeds in the amount of \$877,000 in October of 2013 and the final payoff will be February 2014. The 2004A and 2005A Improvement bonds were refunded in 2013 and the bond proceeds are recorded in that fund. The 2012A Improvement Bond issue received the first tax levy for the principal amount due for the February bond payment totaling \$124,500.

The nonmajor capital project funds increased by \$1,927,502. The 2011 Infrastructure Bonds decreased by \$950,061 due to a closing and transferring the Federal Grant Anticipation proceeds to the debt service fund for final Payoff in February 2014. The 2012 Infrastructure Bonds decreased by \$288,380 due to final construction payment on project. The Permanent Improvement Revolving Fund decreased by \$146,168 due to infrastructure construction for property being developed with the owner being specially assessed at 100%.

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

The Golf Course had operating loss of \$28,095. While the operating expenses decreased by \$6,247, the operating revenues decreased by \$36,983 due to a significant reduction in season pass sales.

The Storm Water Utility had operating income of \$116,117. Operating revenues increased by \$52,860 due to rate increases in the storm water utility fees. Operating expenses increased by \$93,645 due to a \$32,000 increase in contracted services, a \$24,000 increase in motor fuels and a \$15,000 increase in personnel costs because of record snow storms. There was also an operating transfer for \$49,715 for a capital asset purchase.

Management's Discussion and Analysis

Business-Type Activities

Business-type activities increased the City's net position by \$41,290 in 2013. 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 \$27,111 in 2013 compared to a \$4,089 increase in 2012. The Golf Course purchased a utility tractor for \$16,400 in 2013.

The Storm Water Utility Fund is used to pay for storm water maintenance and infrastructure construction. The net position of the Storm Water Utility Fund increased \$68,401 in 2013 compared to a \$60,997 increase in 2012. 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.

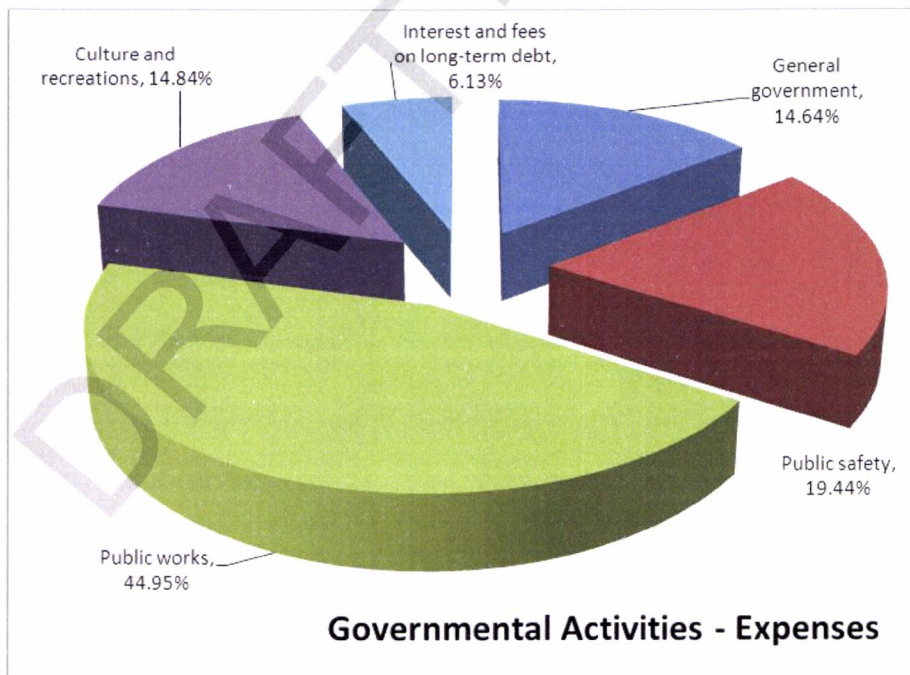
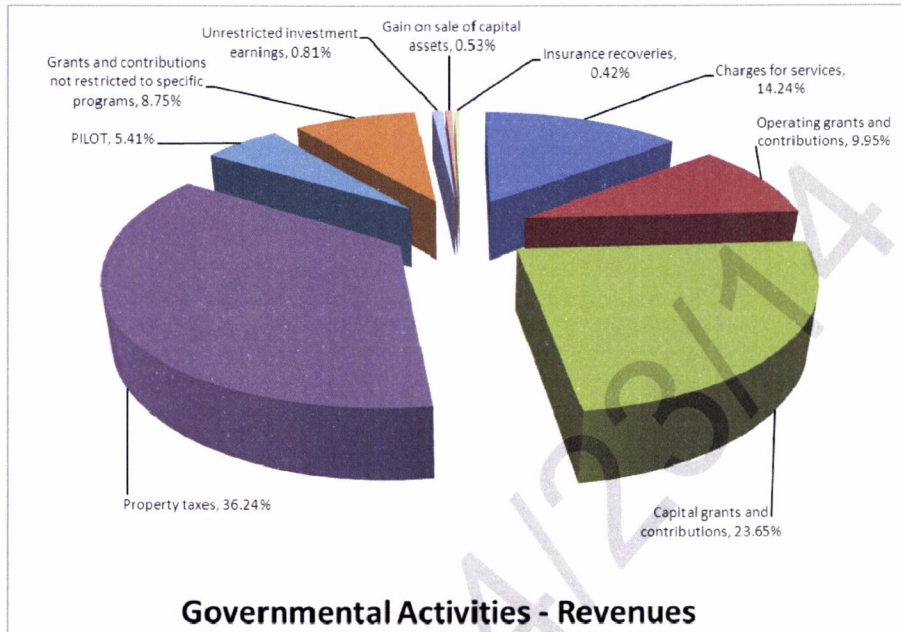
At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,365,415. Approximately 5% of this total amount (\$813,718) constitutes nonspendable fund balance and approximately 55% (\$8,935,326) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$844,781) and assigned (\$1,684,947) by City Council, as well as unassigned fund balance (\$4,086,643). Additional information about the City's fund balance classifications can be found in Note 14.

The general fund balance decreased by \$19,758 in 2013, compared to a \$495,234 increase in 2012. Prior to other financing sources and uses and special items, the General Fund balance increased \$350,264 in 2013 compared to a \$77,650 increase in 2012. Key elements of this increase are as follows:

- The City's tax levy for the General Fund increased \$216,839 for 2013. Property taxes from the annexed areas and payment of delinquent property taxes were \$109,000 over the budgeted amount.
- Intergovernmental revenue was \$202,962 over budget due largely to \$70,000 in excess school levy from the State of Minnesota, \$60,389 in additional insurance premiums from State of Minnesota. There were also several other grants that were received that had not been budgeted totaling \$48,500.
- The Public Works expenditure budget was over budget by \$305,665 due largely to record snowfalls. January through April 2013 had record snow storms along with December 2013 with a record setting 30.5 inches.

Management's Discussion and Analysis

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



Management's Discussion and Analysis

City of Grand Rapids' Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$2,736,966	\$2,249,728	\$1,075,719	\$1,059,842	\$3,812,685	\$3,309,570
Operating grants and contributions	1,358,914	1,572,878	-	-	1,358,914	1,572,878
Capital grants and contributions	3,439,782	3,737,070	-	100	3,439,782	3,737,170
General revenues:						
Taxes	5,896,074	5,725,515	-	-	5,896,074	5,725,515
Payments in lieu of taxes (PILOT)	901,179	854,998	-	-	901,179	854,998
Grants and contributions not restricted to specific programs	1,442,510	1,382,817	-	-	1,442,510	1,382,817
Unrestricted investment earnings	80,298	128,235	3,385	5,885	83,683	134,120
Gain on sale of capital assets	67,523	83,853	-	-	67,523	83,853
Insurance recoveries	26,696	63,471	5,266	5,530	31,962	69,001
Total revenues	<u>15,949,942</u>	<u>15,798,565</u>	<u>1,084,370</u>	<u>1,071,357</u>	<u>17,034,312</u>	<u>16,869,922</u>
Expenses:						
General government	2,420,199	2,206,280	-	-	2,420,199	2,206,280
Public safety	3,117,628	2,929,368	-	-	3,117,628	2,929,368
Public works	5,601,025	6,772,303	-	-	5,601,025	6,772,303
Culture and recreation	2,000,748	2,235,595	-	-	2,000,748	2,235,595
Interest and fees on long-term debt	1,309,223	921,653	-	-	1,309,223	921,653
Golf course	-	-	554,933	561,484	554,933	561,484
Storm water utility	-	-	434,932	341,287	434,932	341,287
Total expenses	<u>14,448,823</u>	<u>15,065,199</u>	<u>989,865</u>	<u>902,771</u>	<u>15,438,688</u>	<u>15,967,970</u>
Change in net position before special items and transfers	1,501,119	733,366	94,505	168,586	1,595,624	901,952
Special items	-	-	-	-	-	-
Transfers - primary government	53,215	103,500	(53,215)	(103,500)	-	-
Change in net position	1,554,334	836,866	41,290	65,086	1,595,624	901,952
Net position - January 1	<u>50,733,320</u>	<u>49,896,454</u>	<u>3,095,148</u>	<u>3,030,062</u>	<u>53,828,468</u>	<u>52,926,516</u>
Net position - December 31	<u>\$52,287,654</u>	<u>\$50,733,320</u>	<u>\$3,136,438</u>	<u>\$3,095,148</u>	<u>\$55,424,092</u>	<u>\$53,828,468</u>

Management's Discussion and Analysis

- Capital grants and contributions decreased by \$297,288. In 2012, the City received less grant funding for infrastructure than in 2013. Public Works did receive a \$456,000 Federal Grant for Airport Capital Projects.
- Taxes increased by \$170,559. The City received \$39,000 more in taxes from the newly annexed area than budgeted and \$92,000 in delinquent taxes and tax forfeit sales that was not budgeted. Also, \$96,000 was received in additional fiscal disparities distribution.
- General Government expenses increased by \$213,919 due to easement purchases and demolition cost. Payment made to component unit for \$27,712 for land sale. Adjustments in salaries for the compensation study along with increases to salaries and healthcare benefits.
- Public Safety expenses increased by \$188,260 due to adjustments in salaries for the compensation study along with increases to salaries and healthcare benefits.
- Public works expenses decreased by \$1,171,278 due to the expensed portion of the projects decreasing from 2012 to 2013 by approximately \$1,300,000.
- Culture and Recreation expenses decreased by \$ 234,847 due to the IRA Civic Center building being fully depreciated in 2012.
- Interest and fees on long-term debt increased by \$387,570 due to unamortized bond issuance costs that were expensed in 2013 with the implementation of GASB No. 65.

Management's Discussion and Analysis

CITY OF GRAND RAPIDS' NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$24,370,293	\$23,455,790	\$382,352	\$386,948	\$24,752,645	\$23,842,738
Capital assets	60,308,119	57,292,503	2,864,018	2,755,540	63,172,137	60,048,043
Total assets	<u>\$84,678,412</u>	<u>\$80,748,293</u>	<u>\$3,246,370</u>	<u>\$3,142,488</u>	<u>\$87,924,782</u>	<u>\$83,890,781</u>
Long-term liabilities outstanding	\$30,113,906	\$28,565,756	\$10,507	\$9,941	\$30,124,413	\$28,575,697
Other liabilities	2,276,852	1,449,217	99,425	37,399	2,376,277	1,486,616
Total liabilities	<u>\$32,390,758</u>	<u>\$30,014,973</u>	<u>\$109,932</u>	<u>\$47,340</u>	<u>\$32,500,690</u>	<u>\$30,062,313</u>
Net position:						
Net investment in capital assets	\$31,861,617	\$30,975,963	\$2,864,018	\$2,755,540	\$34,725,635	\$33,731,503
Restricted	7,330,832	12,077,081	-	-	7,330,832	12,077,081
Unrestricted	13,095,205	7,680,276	272,420	339,608	13,367,625	8,019,884
Total net position	<u>\$52,287,654</u>	<u>\$50,733,320</u>	<u>\$3,136,438</u>	<u>\$3,095,148</u>	<u>\$55,424,092</u>	<u>\$53,828,468</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 (\$13,367,625) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities

Governmental activities increased the City's net position by \$1,554,334 in 2013. Key elements of this increase are as follows:

- Charges for services increased by \$487,238. General Government increased by \$155,245 due to new contracts with Arbo Township maintenance services and an increase in building permit revenue. Public Works increased by \$297,484 due to infrastructure payments from the Public Utilities Commission. Public Safety increased by \$44,410 due to the implementation of the Traffic Education Program. Culture and Recreation decreased by \$9,901 due to a \$7,400 reduction in class activity fees and a \$4,700 reduction in Library fines.
- Operating grants and contributions decreased by \$213,964. General Government and Culture and Recreation decreased by \$273,483 due to one-time grants that were received in 2012. Public Works increased by \$103,950 due to Taconite Production Tax proceeds to be distributed to the Myles Reif Performing Arts Center project. Public Safety increased by \$89,800 due to increases in both fire and police insurance premium tax, and \$16,000 in additional Haz-Mat training proceeds.

Management's Discussion and Analysis

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 46 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 through 87 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, agency funds, and 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 95 through 143 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 \$55,424,092 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$34,725,635 or 63% percent) 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.

Management's Discussion and Analysis

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 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 2013, the City maintained four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the following major funds:

- General fund
- General Obligation Improvement Bonds of 2005A – Debt service fund
- General Obligation Improvement Bonds of 2006C – Debt service fund
- 2013 Infrastructure Bonds – Capital project fund

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

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

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

The basic governmental fund financial statements can be found on pages 36 through 42 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.

The basic proprietary fund financial statements can be found on page 43 through 45 of this report.

Management's Discussion and Analysis

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

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

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

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

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

The government-wide financial statements can be found on pages 33 through 35 of this report.

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

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, 2013. 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 7 of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$55,424,092 (net position). Of this amount, \$13,367,625 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position increased by \$1,595,624. The governmental activities of the City increased by \$1,554,334 due to the amount of the expensed portion of projects decreasing from 2012 to 2013 by approximately \$1,300,000. The IRA Civic Center building was fully depreciated in 2012 decreasing the depreciation expense by approximately \$259,000.

The Business-Type Activities increased by \$41,290 due to an operating gain of approximately \$68,401 in the Storm Water Utility Fund.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,365,415. Of this amount, \$8,935,326 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 \$5,496,677. Of that amount, \$607,301 was in a nonspendable form, \$12,479 was restricted, \$243,403 was committed and \$4,633,494 was unassigned.

The City's total debt increased from \$27,805,843 to \$29,504,593 (excluding compensated absences). The City issued the following bonds in 2013:

- \$1,525,000 General Obligation Improvement Refunding Bonds, Series 2013A
- \$4,025,000 General Obligation Street Reconstruction Bonds, Series 2013B

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.

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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, 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 _____, 2014, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

HLB TAUTGES REDPATH, LTD.

_____, 2014

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Implementation of GASB 65

As described in Note 22 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Grand Rapids, Minnesota's 2012 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 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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 information and the schedule of funding progress, 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

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, 2013, and the related notes to the financial statements, which collectively comprise City of Grand Rapids, Minnesota'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 of the total net position and _____ percent of total 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.

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

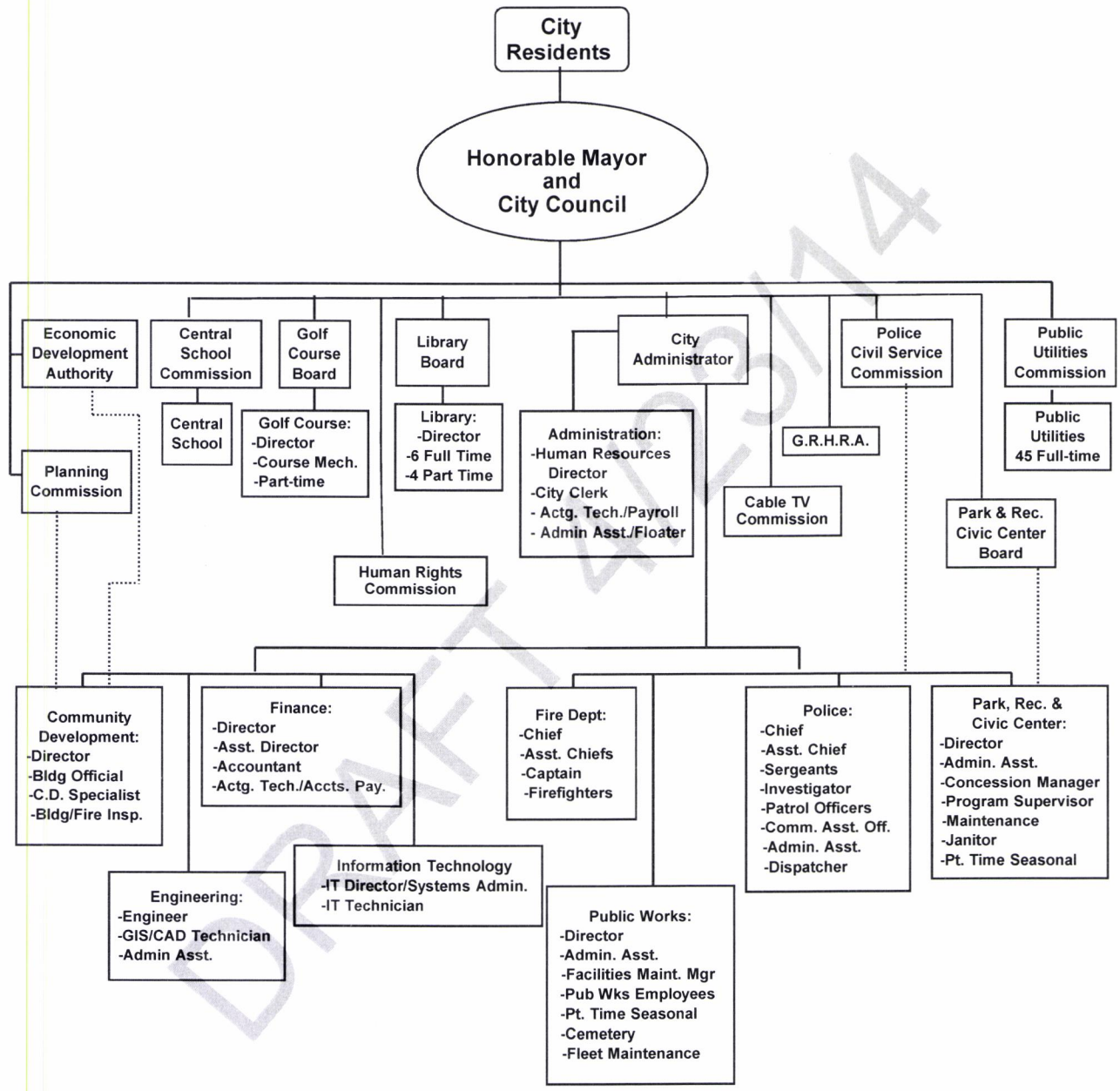
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II. FINANCIAL SECTION

DRAFT 4/23/14

City of Grand Rapids Organization Chart



CITY OF GRAND RAPIDS, MINNESOTA
PRINCIPAL CITY OFFICIALS
December 31, 2013

	<u>Term Expires</u>
Mayor: Dale Adams	December 31, 2014
Council Members: Barb Sanderson	December 31, 2014
Joe Chandler	December 31, 2014
Dale Christy	December 31, 2016
Ed Zabinski	December 31, 2016
City Administrator: Shawn Gillen (through February 28, 2013)	Appointed
Tom Pagel (beginning March 1, 2013)	Appointed
Finance Director - Treasurer: Shirley Miller (through June 28, 2013)	Appointed
Barbara Baird (beginning June 29, 2013)	Appointed

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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, 2012

Executive Director/CEO

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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

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

Relevant Financial Policies

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

Major initiatives

Energy reduction continued to be a focus of the City in 2013. The conversation to LED light fixtures continued in City Hall, the Library, and on local streets.

Continued extension of natural gas through a franchise agreement with NW Gas, extended natural gas to more rural residential areas in the Isleview, Horseshoe Lake, and Mishawaka Road Corridors. In addition, the City entered into a joint powers agreement with Harris Township for the regulation of gas rates. This agreement and extensions reduced the cost of living for residents who connected to the system by approximately \$600 annually.

Street projects continued to assist the City in achieving its goal of becoming a “walkable” community. New sidewalk was installed along 13th Street SW/SE along with trail construction on 21st Street SE.

On road ATV/OHV routes were designated in the SE area of the City. These designations will allow for the connection of the City’s hotels and restaurant’s to hundreds of miles of trails to the south of the City creating additional tourism and economic development.

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, 2012. This was the twenty first 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.

In 2010, the City established a TIF Housing District for a 58-unit housing project. The first two structures were opened in the spring of 2012 with all 29 units pre-leased. The second 29-unit structure is nearing completion. Based upon the developments great success, the developer, Kuepers, Inc., is now planning the construction of a third 29-unit apartment structure, scheduled to begin in June of 2013.

In July of 2013, the City approved an application for a TIF housing district to support the public infrastructure required to develop a new 73-unit senior housing/assisting living facility beginning in August 2013. This project, an estimated cost of \$10.8 million, is being developed by Majestic Pines Grand LLC on a 13-acre site near the hospital.

The GREDA, with City and Itasca County tax abatement assistance, and grant assistance from the Iron Range Resources and Rehabilitation Board (IRRRB), facilitated the sale of a downtown block comprised of a vacant church, rectory, and parochial school. The proposed project, being developed by Innovative Partners, LLC, involves the removal of all abandoned structures and the development of two four-story, 18-unit, market rate apartment structures, at an estimated construction cost of \$5.5 million. The demolition work is set to begin in early spring 2013 and construction of the apartments is set to begin in July 2013.

In the fall of 2012, GREDA attracted the relocation and expansion of DC Manufacturing to a GREDA development site adjacent to the Itasca Eco-Industrial Park in the City. Since its establishment in 1990, DC Manufacturing has established an extensive national and international client base made up of many of the world's largest power companies. The new 9,800 square-foot manufacturing building is developed on property purchased by the Company from GREDA. GREDA partnered with the City, Itasca County and the IRRRB in attracting this expansion. In June of 2013, GREDA attracted the relocation and expansion of Hammerlund Construction, a growing local employer with an annual payroll of approximately \$15 million, will construct a new headquarters, equipment yard and equipment service building, beginning in July of 2013. The \$2.7M project is partially funded by a \$350,000 grant from IRRRB to the City.

In 2011 Magnetation Inc, relocated their corporate headquarters to Grand Rapids. Magnetation, Inc. a rapidly expanding company which has recently formed a partnership with AK Steel, was incorporated in December 2006 and is a business that is based on a unique and proprietary mineral processing circuit (the Magnetation Process™ (patented) & Rev3™ Separator (patent-pending) invented and developed by Magnetation principles. The Magnetation Process™ is designed to produce iron ore concentrate by recovering weakly magnetic iron oxide particles from low-grade natural ore tailings basins, already-mined iron formation stockpiles and newly mined iron formation. Magnetation's first plant in nearby Keewatin, MN came online in 2009 and was quickly expanded to increase output capacity in 2010. Construction of the second plant in Taconite, MN began in 2011. Magnetation's rapid growth will necessitate a third facility in Chisholm, Minnesota, which is projected to employ hundreds over the next five years.

The City is located on the western edge of the Mesabi Iron Range. Minnesota Steel, owned by Essar Global Limited, is building the first complex in North America to include iron mining, ore processing, direct reduction, and steelmaking on a single site approximately 16 miles east of Grand Rapids. Minnesota Steel's 1.6 billion dollar investment will combine a high-quality ore body with modern and commercially proven technology to develop a vertically integrated steel mill. The construction of the first phase, which will establish taconite production on the site, is well underway. Essar has set as a goal to have 75% of the building construction for this phase done, with buildings enclosed, by November 2013. To date, Essar has already invested some \$200M in owner equity in the project. Once both phases are on-line, including steel making, the plant will employ approximately 500 full-time employees and will generate approximately 2,000 spin-off jobs. During this construction, the project will employ approximately 2,500 workers.

Long-term financial planning

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

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

Profile of the Government

The Village of Grand Rapids was incorporated on June 11, 1891, and became a statutory City on January 9, 1974. The City of Grand Rapids, the Itasca County seat, is located 180 miles north of Minneapolis and St. Paul, Minnesota, in the north central part of the state. The City is located in the heart of a resort and recreation area and is the major commercial service and industrial center. The City of Grand Rapids currently occupies a land area of 24.40 square miles and serves a population of 10,869. The City of Grand Rapids signed an Annexation Agreement with the Grand Rapids Township in 2000 and the City annexed the last area of the Township on January 1, 2010. The City of Grand Rapids is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation. The City is the region's retail trade, health care, education and cultural center with a market draw of more than 40,000 people.

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

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

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

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

The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments, however, require the special approval of the governing Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 88 as part of the 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 126-134.

Local economy

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



June XX, 2014

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, 2013, 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 HLB Tautges Redpath, 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 HLB Tautges Redpath, 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, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion that the City of Grand Rapids' financial statements for the fiscal year ended December 31, 2013, 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.

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I. INTRODUCTORY SECTION

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2013

Prepared by:

Finance Department

Barbara Baird
Finance Director



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 14-0412 **Version:** 1 **Name:** Financial Statement Presentation
Type: Agenda Item **Status:** CC Worksession
File created: 4/10/2014 **In control:** City Council Work Session
On agenda: 4/28/2014 **Final action:**
Title: Financial Statement Presentation by David J. Mol, Partner, HLB Tautges Redpath, Ltd.

Sponsors:

Indexes:

Code sections:

Attachments: [Grand Rapids - Final Draft CAFR 4-23-14.pdf](#)
[Grand Rapids - Final Draft Issued AML 4-23-14.pdf](#)
[Grand Rapids - Final Issued Proofed Draft IC and LC 4-23-14.pdf](#)

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

Background Information:

Attached please find the following reports that will be discussed at the Council work session on Monday, April 28, 2014:

- 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, HLB Tautges Redpath, Ltd. will be here on Monday April 28, 2014 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 2013 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

Meeting Agenda Full Detail

City Council Work Session

Monday, April 28, 2014

4:00 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 28, 2014 at 4:00 p.m. in 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. [14-0412](#) Financial Statement Presentation by David J. Mol, Partner, HLB Tautges Redpath, Ltd.
Attachments: [Grand Rapids - Final Draft CAFR 4-23-14.pdf](#)
[Grand Rapids - Final Draft Issued AML 4-23-14.pdf](#)
[Grand Rapids - Final Issued Proofed Draft IC and LC 4-23-14.pdf](#)
2. [14-0454](#) Review regular meeting agenda.

ADJOURN

ATTEST: Tom Pagel, City Administrator