

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 30, 2017

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF GRAND RAPIDS, MINNESOTA (Itasca County)

\$3,045,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017B

PROPOSAL OPENING: December 11, 2017, 10:00 A.M., C.T.

CONSIDERATION: December 11, 2017, 5:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,045,000* General Obligation Refunding Bonds, Series 2017B (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 429 and 475, and Sections 469.178, 475.58, and 475.67, by the City of Grand Rapids, Minnesota (the "City"), for the purpose of effecting a current refunding of certain outstanding general obligations of the City for an interest cost savings as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: December 28, 2017

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$510,000	2025	\$45,000	2031	\$50,000
2020	495,000	2026	45,000	2032	55,000
2021	495,000	2027	45,000	2033	60,000
2022	480,000	2028	45,000	2034	65,000
2023	345,000	2029	50,000		
2024	205,000	2030	55,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2018 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2028 and thereafter are subject to call for prior redemption on February 1, 2027 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$3,008,460

GOOD FAITH DEPOSIT: A cashier's check in the amount of \$60,900 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: U.S. Bank National Association, St. Paul, Minnesota.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein is deemed by the issuer to be final as of the date hereof for purposes of SEC Rule 15c2-12(b)(1), however, the pricing and underwriting information is subject to revision, completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

		<u>Term Expires</u>
Dale Adams	Mayor	January 2019
Richard Blake	Council Member	January 2019
Dale Christy	Council Member	January 2021
Tasha Connelly	Council Member	January 2021
Bill Zeige	Council Member	January 2019

ADMINISTRATION

Tom Pagel, City Administrator
Barb Baird, Finance Director
Kim Gibeau-Johnson, City Clerk

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin, Chicago, Illinois and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Grand Rapids, Minnesota (the "City") and the issuance of its \$3,045,000* General Obligation Refunding Bonds, Series 2017B (the "Bonds" or the "Obligations"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds (the "Award Resolution") to be adopted by the City Council on December 11, 2017.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 28, 2017. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapters 429 and 475 and Sections 469.178, 475.58, and 475.67, for the purpose of effecting a current refunding of the City's \$2,505,000 General Obligation Improvement Bonds, Series 2006C (the "Series 2006C Bonds"); the City's \$1,775,000 General Obligation Improvement Bonds, Series 2007A (the "Series 2007A Bonds"); the City's \$850,000 General Obligation Tax Increment Bonds, Series 2008A (the "Series 2008A Bonds"); the City's \$1,010,000 General Obligation Street Reconstruction Bonds, Series 2008B (the "Series 2008B Bonds"); and the City's \$1,145,000 General Obligation Improvement Bonds, Series 2008C (the "Series 2008C Bonds") for an interest cost savings as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 386334
Series 2006C Bonds	10/1/06	2/1/18	Par	2020 (term) 2022 (term)	4.00% 4.00%	\$320,000 <u>300,000</u>	K96 L38
Total Series 2006C Bonds Being Refunded						<u>\$620,000</u>	

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 386334
Series 2007A Bonds	9/1/07	2/1/18	Par	2020 (term) 2023 (term)	4.10% 4.15%	\$260,000 <u>420,000</u>	M78 N28
Total Series 2007A Bonds Being Refunded						<u>\$680,000</u>	

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 386334
Series 2008A Bonds	8/1/08	2/1/18	Par	2021 (term)	4.20%	\$80,000	R40
				2025 (term)	4.40%	140,000	R81
				2028 (term)	4.50%	130,000	S31
				2034 (term)	4.60%	<u>355,000</u>	S98
Total Series 2008A Bonds Being Refunded						<u>\$705,000</u>	

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 386334
Series 2008B Bonds	11/1/08	2/1/18	Par	2019 (term)	4.20%	\$70,000	U38
				2021 (term)	4.40%	145,000	U53
				2024 (term)	4.60%	<u>240,000</u>	U87
Total Series 2008B Bonds Being Refunded						<u>\$455,000</u>	

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 386334
Series 2008C Bonds	11/1/08	2/1/18	Par	2019 (term)	4.20%	\$80,000	W28
				2021 (term)	4.40%	160,000	W44
				2024 (term)	4.60%	<u>250,000</u>	W77
Total Series 2008C Bonds Being Refunded						<u>\$490,000</u>	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payments due on February 1, 2018 the Series 2006C Bonds, the Series 2007A Bonds, the Series 2008A Bonds, the Series 2008B Bonds, and the Series 2008C Bonds from their respective Debt Service Funds.

ESTIMATED SOURCES AND USES

Sources		
Par Amount of Bonds	<u>\$3,045,000</u>	
Total Sources		\$3,045,000
Uses		
Deposit to Current Refunding Fund	\$2,950,000	
Contingency	3,460	
Estimated Discount	36,540	
Finance Related Expenses	<u>55,000</u>	
Total Uses		\$3,045,000

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the prior Bonds, from tax increment revenues generated by existing development within Tax Increment Financing Districts No. 1-4 and 1-6, and from ad valorem property taxes. Receipt of special assessments and tax increment revenues and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by S&P Global Ratings.

The City has requested a rating on this issue from S&P Global Ratings, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to the Award Resolution by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. However, in the interest of full disclosure, the City notes the following: Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and other information would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is excluded from taxable net income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of a corporation not otherwise included in the minimum tax base is included in adjusted current earnings for purposes of calculating the alternative minimum tax that may be imposed with respect to corporations. Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by a financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016, have been audited by Redpath and Company, Ltd., St. Paul, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments and tax increment revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2014/15	2015/16	2016/17
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% ² Over \$2,140,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2016/17 Economic Market Value \$823,206,784¹

	2016/17 Assessor's Estimated Market Value	2016/17 Net Tax Capacity
Real Estate	\$747,461,800	\$ 8,717,053
Personal Property	44,620,420	882,231
Total Valuation	<u>\$792,082,220</u>	<u>\$ 9,599,284</u>
Less: Captured Tax Increment Tax Capacity ²		(283,313)
Fiscal Disparities Contribution ³		(1,193,072)
Power Line Adjustment ⁴		(816)
Taxable Net Tax Capacity		<u>\$ 8,122,083</u>
Plus: Fiscal Disparities Distribution ³		682,207
Adjusted Taxable Net Tax Capacity		<u><u>\$ 8,804,290</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Grand Rapids is about 96.84% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$823,206,784.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of Grand Rapids.

³ Each community in the taconite credit area contributes 40% of the growth in its commercial- industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

⁴ Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

2016/17 NET TAX CAPACITY BY CLASSIFICATION

	2016/17 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$3,393,475	35.35%
Agricultural	94,900	0.99%
Commercial/industrial	3,728,091	38.84%
Public utility	29,454	0.31%
Railroad operating property	168,008	1.75%
Non-homestead residential	1,263,490	13.16%
Commercial & residential seasonal/rec.	36,809	0.38%
Other	2,826	0.03%
Personal property	882,231	9.19%
Total	<u>\$9,599,284</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2012/13	\$768,776,550	\$700,760,500	\$9,339,266	\$8,552,897	- 1.53%
2013/14	754,740,246	685,928,546	9,047,574	8,219,705	- 1.83%
2014/15	762,916,480	694,368,880	9,159,474	8,615,218	+ 1.08%
2015/16	786,530,358	717,919,658	9,518,397	7,505,938	+ 3.10%
2016/17	792,082,220	723,471,368	9,599,284	8,804,290	+ 0.71%

¹ Net Tax Capacity is before fiscal disparities adjustments and includes tax increment and power line values.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment or power line values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2016/17 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Blandin Paper Company	Timber	\$ 620,276	6.46%
Enbridge Energy LP	Utility	434,648	4.53%
Walmart Real Estate	Commercial	207,352	2.16%
Burlington Northern	Industrial	146,572	1.53%
Enbridge Pipelines	Utility	139,513	1.45%
Grand Hospitality, LLC	Commercial	113,995	1.19%
ASV, Inc.	Industrial	112,032	1.17%
Target Corporation	Commercial	108,442	1.13%
Arrowhead Promotion	Commercial	106,404	1.11%
Home Depot	Commercial	100,430	1.05%
Total		<u><u>\$2,089,664</u></u>	<u><u>21.77%</u></u>

City's Total 2016/17 Net Tax Capacity \$9,599,284

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Itasca County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues	\$ 23,475,000
Total g.o. debt being paid from tax increment revenues	25,000
Total g.o. debt being paid from taxes	8,155,000
Total g.o. debt being paid from state aid	3,250,000
Total g.o. debt being paid from special assessments and taxes	6,850,000
Total g.o. debt being paid from special assessments, taxes and tax abatement revenues	2,550,000
Total g.o. debt being paid from special assessments, taxes and tax increment revenues (includes the Bonds)*	<u>3,045,000</u>
Total General Obligation Debt*	<u><u>\$ 47,350,000</u></u>

Lease Purchase Obligations (see schedule following)²

Total lease purchase obligations paid by annual appropriations ³	<u><u>\$1,472,535</u></u>
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*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

² Computers and copiers have not been included, however, information related to these leases can be reviewed in the audit.

³ Non-general obligation debt has not been included in the debt ratios.

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 1/22/2017)

Fiscal Year Ending	Drinking Water-FFA 1999		Tax GO Wastewater Series 2009A		Clean Water-FFA 2009E		Tax GO Wastewater Series 2011A		GO Utility Series 2012D		Tax GO Utility Series 2013C		% Paid	Principal Outstanding	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2018	\$1,079,657	2/20	71,000	4,376	100,000	9,745	1,250,000	511,589	440,000	59,545	95,000	41,188	130,000	71,725	2018
2019			75,000	2,219	105,000	5,145	1,286,000	475,339	455,000	47,446	95,000	39,288	135,000	66,575	2019
2020							1,324,000	435,045	480,000	33,340	95,000	37,388	140,000	64,768	2020
2021							1,362,000	399,649	500,000	17,500	100,000	35,438	145,000	60,351	2021
2022							1,402,000	360,151	500,000	33,438	100,000	33,438	150,000	55,350	2022
2023							1,442,000	319,493	500,000	31,256	105,000	28,894	155,000	49,819	2023
2024							1,484,000	277,675	500,000	28,894	105,000	26,400	160,000	43,613	2024
2025							1,527,000	234,639	500,000	26,400	105,000	23,650	170,000	36,913	2025
2026							1,571,000	190,356	500,000	23,650	115,000	20,603	180,000	29,688	2026
2027							1,617,000	144,796	500,000	20,603	115,000	17,383	185,000	21,931	2027
2028							1,664,000	97,904	500,000	17,383	115,000	14,373	195,000	13,613	2028
2029							1,712,000	49,648	500,000	14,373	100,000	11,423	205,000	4,613	2029
2030									500,000	11,423	100,000	8,323	100,000		2030
2031									500,000	8,323	105,000	5,145	105,000		2031
2032									500,000	5,145	105,000	1,759	105,000		2032
2033									500,000	1,759	105,000		105,000		2033
			212,000	6,697	205,000	14,890	18,856,000	3,499,284	14,875,000	157,830	1,655,000	375,944	1,955,000	520,956	
													23,475,000	4,575,501	28,050,501

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Tax Incremental Revenues
(As of 12/28/2017)

GO TIF Bonds
Series 2008A

Dated Amount	8/1/2008 \$850,000	Maturity	2/1	Fiscal Year Ending	2018	Total Principal	25,000	Total Interest	525	Total P & I	25,525	Principal Outstanding	0	% Paid	100.00%	Fiscal Year Ending	2018

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 12/28/2017)

Fiscal Year Ending	GO Imp Bonds Series 2006C		Street Rec Series 2008B		Tax GO Equ Cert Series 2009D		Street Rec Series 2013B		Street Rec Series 2016A		Street Rec Series 2017A		Total P & I	Total Interest	Total Principal	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2018			160,000	3,200	70,000	1,470	130,000	9,473	115,000	42,910	0	60,278	934,318	219,318	715,000	7,440,000	8.77%	2018
2019							245,000	94,713	130,000	46,460	90,000	65,625	894,071	204,071	600,000	6,840,000	16.13%	2019
2020							250,000	87,213	130,000	37,860	120,000	62,475	892,348	197,348	595,000	6,335,000	22.32%	2020
2021							260,000	79,488	135,000	35,210	125,000	58,600	893,498	153,498	520,000	5,815,000	28.69%	2021
2022							270,000	71,988	135,000	32,510	125,000	55,050	873,248	159,248	520,000	5,295,000	35.07%	2022
2023							280,000	63,738	140,000	28,760	130,000	51,225	884,723	144,723	540,000	4,755,000	41.69%	2023
2024							280,000	55,488	140,000	26,960	135,000	47,250	884,698	129,698	550,000	4,200,000	48.69%	2024
2025							280,000	46,938	145,000	24,110	140,000	43,125	893,173	114,173	575,000	3,625,000	55.89%	2025
2026							300,000	37,713	150,000	21,160	145,000	38,850	892,723	97,723	595,000	3,030,000	62.94%	2026
2027							305,000	27,891	150,000	16,160	145,000	34,500	890,541	80,541	600,000	2,430,000	70.29%	2027
2028							320,000	17,325	155,000	12,010	150,000	29,963	887,396	62,396	625,000	1,865,000	77.97%	2028
2029							335,000	5,863	155,000	8,660	155,000	25,119	886,051	43,051	645,000	1,160,000	85.78%	2029
2030									160,000	6,860	160,000	20,118	946,978	28,978	320,000	840,000	89.71%	2030
2031									165,000	5,445	165,000	14,794	945,873	20,199	330,000	510,000	93.75%	2031
2032									165,000	1,815	170,000	9,058	945,873	10,673	335,000	175,000	97.65%	2032
2033									175,000	1,815	175,000	3,063	175,000	3,063	175,000	0	100.00%	2033
			160,000	3,200	70,000	1,470	3,360,000	12,746	2,170,000	352,340	2,130,000	619,290	8,155,000	1,679,078	8,155,000	9,834,078		

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From State Aid
(As of 12/28/2017)

Fiscal Year Ending	Street-MSA Series 2007B		Street-MSA Series 2012B		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity						
2018					340,000	68,439	408,439	2,910,000	10.46%	2018
2019					345,000	62,093	407,093	2,565,000	21.08%	2019
2020					350,000	55,139	405,139	2,215,000	31.85%	2020
2021					355,000	47,520	402,520	1,860,000	42.77%	2021
2022					355,000	39,265	394,265	1,505,000	53.69%	2022
2023					290,000	32,025	322,025	1,215,000	62.62%	2023
2024					295,000	25,808	320,808	920,000	71.69%	2024
2025					300,000	19,113	319,113	620,000	80.92%	2025
2026					305,000	11,926	316,926	315,000	90.31%	2026
2027					315,000	4,095	319,095	0	100.00%	2027
					3,250,000	365,421	3,615,421			

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments & Taxes
(As of 12/28/2017)

Dated Amount	GO Imp Bonds Series 2007A		GO Cap Imp Series 2008C		Tax GO Imp Bonds Series 2009C		GO Imp and Cap Imp Series 2010A		GO Imp and Ref 1) Series 2011B	
	9/1/2007 \$1,775,000	11/1/2008 \$1,145,000	9/1/2009 \$4,565,000	11/1/2010 \$1,750,000	12/1/2011 \$1,555,000	2/1	2/1	2/1	2/1	
Maturity	2/1	2/1	2/1	2/1	2/1	2/1	2/1	2/1	2/1	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	125,000	2,563	75,000	1,575	310,000	126,465	180,000	17,700	125,000	20,153
2019			315,000	112,009	315,000	112,009	55,000	14,884	120,000	17,950
2020			320,000	96,768	320,000	96,768	55,000	13,303	105,000	15,629
2021			325,000	80,964	325,000	80,964	60,000	11,575	70,000	13,660
2022			340,000	64,335	340,000	64,335	60,000	9,700	70,000	11,963
2023			345,000	46,866	345,000	46,866	60,000	7,750	70,000	10,143
2024			355,000	28,664	355,000	28,664	60,000	5,725	70,000	8,183
2025			365,000	9,673	365,000	9,673	65,000	3,534	75,000	6,008
2026							65,000	1,178	75,000	3,701
2027									80,000	1,260
2028							660,000	85,350	860,000	108,648

1) This issue refunded the 2013 through 2020 maturities of the City's \$2,460,000 General Obligation Improvement and Refunding Bonds, Series 2003A dated December 1, 2003.

Continued on next page...

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness Continued
General Obligation Debt Being Paid From Special Assessments & Taxes
(As of 12/28/2017)

Fiscal Year Ending	GO Imp Bonds Series 2012A		GO Imp Ref Bonds 2) Series 2013A		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest				
2018	4/1/2012 \$2,245,000	2/1	140,000	41,028	1,155,000	5,695,000	16.86%	2018
2019			145,000	39,030	835,000	4,860,000	29.05%	2019
2020			145,000	36,710	820,000	4,040,000	41.02%	2020
2021			145,000	34,100	775,000	3,265,000	52.34%	2021
2022			150,000	31,148	620,000	2,645,000	61.39%	2022
2023			155,000	27,868	630,000	2,015,000	70.58%	2023
2024			155,000	23,644	640,000	1,375,000	79.93%	2024
2025			155,000	18,606	660,000	715,000	89.56%	2025
2026			160,000	13,488	300,000	415,000	93.94%	2026
2027			165,000	8,206	245,000	170,000	97.52%	2027
2028			170,000	2,763	170,000	0	100.00%	2028
			1,685,000	276,589	6,850,000	7,907,741		

2) This issue refunded the 2014 through 2021 maturities of the City's \$3,705,000 General Obligation Improvement and Refunding Bonds, Series 2004A dated November 1, 2004.

CITY OF GRAND RAPIDS, MINNESOTA

Schedule of Bonded Indebtedness

General Obligation Debt Being Paid From Special Assessments, Taxes and Tax Abatement Revenues
(As of 12/28/2017)

**GO Imp Bonds
Series 2014A**

Dated Amount	11/1/2014 \$3,000,000							
Maturity	2/1							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2018	235,000	49,480	235,000	49,480	284,480	2,315,000	9.22%	2018
2019	235,000	47,101	235,000	47,101	282,101	2,080,000	18.43%	2019
2020	245,000	44,094	245,000	44,094	289,094	1,835,000	28.04%	2020
2021	205,000	40,770	205,000	40,770	245,770	1,630,000	36.08%	2021
2022	200,000	37,330	200,000	37,330	237,330	1,430,000	43.92%	2022
2023	205,000	33,480	205,000	33,480	238,480	1,225,000	51.96%	2023
2024	210,000	29,120	210,000	29,120	239,120	1,015,000	60.20%	2024
2025	215,000	24,230	215,000	24,230	239,230	800,000	68.63%	2025
2026	150,000	19,775	150,000	19,775	169,775	650,000	74.51%	2026
2027	155,000	15,885	155,000	15,885	170,885	495,000	80.59%	2027
2028	160,000	11,710	160,000	11,710	171,710	335,000	86.86%	2028
2029	165,000	7,240	165,000	7,240	172,240	170,000	93.33%	2029
2030	170,000	2,465	170,000	2,465	172,465	0	100.00%	2030
	2,550,000	362,680	2,550,000	362,680	2,912,680			

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments, Taxes and Tax Increment Revenues
(As of 12/28/2017)

Refunding 1)
Series 2017B

Fiscal Year Ending	Dated Amount	Maturity	Estimated		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
	12/28/17									
	\$3,045,000*	2/1								
2018	0		0	28,443	0	28,443	3,045,000	0.00%	2018	
2019	510,000		510,000	45,268	510,000	45,268	2,535,000	16.75%	2019	
2020	495,000		495,000	39,369	495,000	39,369	2,040,000	33.00%	2020	
2021	495,000		495,000	32,686	495,000	32,686	1,545,000	49.26%	2021	
2022	480,000		480,000	25,378	480,000	25,378	1,065,000	65.02%	2022	
2023	345,000		345,000	18,811	345,000	18,811	720,000	76.35%	2023	
2024	205,000		205,000	14,171	205,000	14,171	515,000	83.09%	2024	
2025	45,000		45,000	11,950	45,000	11,950	470,000	84.56%	2025	
2026	45,000		45,000	11,084	45,000	11,084	425,000	86.04%	2026	
2027	45,000		45,000	10,184	45,000	10,184	380,000	87.52%	2027	
2028	45,000		45,000	9,228	45,000	9,228	335,000	89.00%	2028	
2029	50,000		50,000	8,158	50,000	8,158	285,000	90.64%	2029	
2030	55,000		55,000	6,909	55,000	6,909	230,000	92.45%	2030	
2031	50,000		50,000	5,598	50,000	5,598	180,000	94.09%	2031	
2032	55,000		55,000	4,231	55,000	4,231	125,000	95.89%	2032	
2033	60,000		60,000	2,678	60,000	2,678	65,000	97.87%	2033	
2034	65,000		65,000	926	65,000	926	0	100.00%	2034	
			3,045,000	275,069	3,045,000	275,069	3,320,069			

*Preliminary, subject to change.

1) This issue is refunding the 2019 through 2022 maturities of the City's \$2,505,000 General Obligation Improvement Bonds, Series 2006C, dated October 1, 2006; the 2019 through 2023 maturities of the City's \$1,775,000 General Obligation Improvement Bonds, Series 2007A, dated September 1, 2007; the 2019 through 2034 maturities of the City's \$850,000 General Obligation Tax Increment Bonds, Series 2008A, dated August 1, 2008; the 2019 through 2024 maturities of the City's \$1,010,000 General Obligation Street Reconstruction Bonds, Series 2008B, dated November 1, 2008; and the 2019 through 2024 maturities of the City's \$1,145,000 General Obligation Improvement Bonds, Series 2008C, dated November 1, 2008. The refunded maturities will be called for prior redemption on February 1, 2018 and have not been included in the calculation of debt ratios.

CITY OF GRAND RAPIDS, MINNESOTA
Schedule of Bonded Indebtedness
Non-GO Debt Being Paid From Annual Appropriations
(As of 12/28/2017)

Equipment Lease
2015

Fiscal Year Ending	Dated Amount	Maturity	Principal		Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest					
	10/15/15 \$1,710,000								
		4/15, 10/15							
2018			77,832	19,437	19,437	97,270	1,394,703	5.29%	2018
2019			78,860	18,410	18,410	97,270	1,315,843	10.64%	2019
2020			79,901	17,369	17,369	97,270	1,235,942	16.07%	2020
2021			80,955	16,314	16,314	97,270	1,154,987	21.56%	2021
2022			82,024	15,246	15,246	97,270	1,072,963	27.13%	2022
2023			83,107	14,163	14,163	97,270	989,857	32.78%	2023
2024			84,204	13,066	13,066	97,270	905,653	38.50%	2024
2025			85,315	11,955	11,955	97,270	820,338	44.29%	2025
2026			86,441	10,828	10,828	97,270	733,897	50.16%	2026
2027			87,582	9,687	9,687	97,270	646,315	56.11%	2027
2028			88,738	8,531	8,531	97,270	557,576	62.13%	2028
2029			89,910	7,360	7,360	97,270	467,667	68.24%	2029
2030			91,096	6,173	6,173	97,270	376,570	74.43%	2030
2031			92,299	4,971	4,971	97,270	284,271	80.70%	2031
2032			93,517	3,752	3,752	97,270	190,754	87.05%	2032
2033			94,752	2,518	2,518	97,270	96,002	93.48%	2033
2034			96,002	1,267	1,267	97,270	0	100.00%	2034
			1,472,535	181,049	181,049	1,653,584			

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes a portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience (includes a portion of the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2016/17 Assessor's Estimated Market Value	\$792,082,220
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 23,762,467
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹ (includes a portion of the Bonds)*	(9,265,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(1,472,535)</u>
Unused Debt Limit*	<u><u>\$ 13,024,932</u></u>

*Preliminary, subject to change.

¹ Also includes the Series 2006C refunding portion of the Bonds (\$640,000 estimated principal amount), and the Series 2008B refunding portion of the Bonds (\$470,000 estimated principal amount).

OVERLAPPING DEBT¹

Taxing District	2016/17 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Itasca County	\$ 64,682,821	14.4013%	\$17,453,500	\$ 2,513,531
I.S.D. No. 316 (Greenway)	7,106,398	5.3201%	18,390,000 ³	978,366
I.S.D. No. 318 (Grand Rapids)	45,866,328	19.4851%	29,710,000	<u>5,789,023</u>
City's Share of Total Overlapping Debt				<u><u>\$ 9,280,920</u></u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in official statements obtained on EMMA and the Municipal Advisor's records.

³ Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota. Also, the Taconite Environmental Protection Fund is responsible for 80 percent of the principal and interest on the Series 2015A Bonds (\$665,000 outstanding).

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$823,206,784)	Debt/ Current Population Estimate (10,996)
Direct G.O. Debt Being Paid From:			
Revenues	\$ 23,475,000		
Tax Increment Revenues	25,000		
Taxes	8,155,000		
State Aid	3,250,000		
Special Assessments & Taxes	6,850,000		
Special Assessments, Taxes & Tax Abatement Revenues	2,550,000		
Special Assessments, Taxes & Tax Increment Revenues*	<u>3,045,000</u>		
Total General Obligation Debt (includes the Obligations)*	\$ 47,350,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(23,475,000)</u>		
Tax Supported General Obligation Debt*	\$ 23,875,000	2.90%	\$2,171.24
City's Share of Total Overlapping Debt	<u>\$ 9,280,920</u>	<u>1.13%</u>	<u>\$844.03</u>
Total*	<u>\$ 33,155,920</u>	<u>4.03%</u>	<u>\$3,015.27</u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2012/13	\$5,727,451	\$5,626,053	\$5,708,033	99.66%
2013/14	5,855,503	5,775,870	5,842,678	99.78%
2014/15	6,416,516	6,354,093	6,405,167	99.82%
2015/16	6,532,767	6,429,666	6,429,666	98.42%
2016/17	6,840,376	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES⁴

	2012/13	2013/14	2014/15	2015/16	2016/17
Itasca County	52.104%	55.137%	56.246%	59.349%	61.422%
City of Grand Rapids	68.999%	79.308%	79.245%	79.275%	82.719%
I.S.D. No. 316 (Greenway)	39.615%	40.423%	35.704%	36.103%	33.131%
I.S.D. No. 318 (Grand Rapids)	17.862%	18.583%	16.618%	16.530%	16.909%
ARDC	0.165%	0.175%	0.168%	0.174%	0.172%

Referendum Market Value Rates:

I.S.D. No. 316 (Greenway)	0.03430%	0.05611%	0.09375%	0.09581%	0.00098%
I.S.D. No. 318 (Grand Rapids)	0.01849%	0.09541%	0.11146%	0.11326%	0.00125%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Itasca County.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2016.

³ Second half tax payments on agricultural property are due on November 15th of each year.

⁴ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

THE ISSUER

CITY GOVERNMENT

The City of Grand Rapids was organized as a municipality in 1891. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator, City Clerk and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 76 full-time, 13 part-time, and 59 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee 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. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services, Inc. #345 (Sergeants)	December 31, 2017
Law Enforcement Labor Services, Inc. #239 (Officers)	December 31, 2017
Int'l Union of Operating Engineers Local #49	December 31, 2017
Int'l Union of Operating Engineers Local #49 (Clerical)	December 31, 2017
AFSME #3456A - Library	December 31, 2017

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City has completed an actuarial study of its obligations. The study shows an actuarial accrued liability of \$472,675 with a discount rate of 3.5% as of January 1, 2017. The City is currently funding these obligations on a pay-as-you-go basis.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of June 30, 2017)

Fund	Total Cash and Investments
General	\$ 5,045,256
Special Revenue	752,163
Debt Service	5,395,522
Capital Projects	1,467,504
Enterprise Funds	392,281
TIF Debt Service Funds	598,620
Agency Funds	143,064
Total Funds on Hand	<u><u>\$13,794,410</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2014	2015	2016
Pokegama Golf Course			
Total Operating Revenues	\$ 555,588	\$ 588,835	\$ 569,276
Less: Operating Expenses	<u>(553,000)</u>	<u>(593,559)</u>	<u>(634,683)</u>
Operating Income	\$ 2,588	\$ (4,724)	\$ (65,407)
Plus: Depreciation	<u>99,961</u>	<u>100,767</u>	<u>105,276</u>
Revenues Available for Debt Service	<u><u>\$ 102,549</u></u>	<u><u>\$ 96,043</u></u>	<u><u>\$ 39,869</u></u>
Storm Water Utility¹			
Total Operating Revenues	\$ 553,074	\$ 561,023	\$ 559,245
Less: Operating Expenses	<u>(425,389)</u>	<u>(437,259)</u>	<u>(669,284)</u>
Operating Income	\$ 127,685	\$ 123,764	\$ (110,039)
Plus: Depreciation	<u>28,745</u>	<u>28,745</u>	<u>40,143</u>
Revenues Available for Debt Service	<u><u>\$ 156,430</u></u>	<u><u>\$ 152,509</u></u>	<u><u>\$ (69,896)</u></u>
Electric- Public Utilities Commission			
Total Operating Revenues	\$14,822,539	\$14,944,554	\$ 14,764,345
Less: Operating Expenses	<u>(14,122,305)</u>	<u>(14,110,825)</u>	<u>(14,107,145)</u>
Operating Income	\$ 700,234	\$ 833,729	\$ 657,200
Plus: Depreciation	<u>885,873</u>	<u>1,088,960</u>	<u>968,813</u>
Revenues Available for Debt Service	<u><u>\$ 1,586,107</u></u>	<u><u>\$ 1,922,689</u></u>	<u><u>\$ 1,626,013</u></u>
Water- Public Utilities Commission			
Total Operating Revenues	\$1,581,167	\$1,668,295	\$ 1,622,794
Less: Operating Expenses	<u>(1,567,616)</u>	<u>(1,544,471)</u>	<u>(1,594,162)</u>
Operating Income	\$ 13,551	\$ 123,824	\$ 28,632
Plus: Depreciation	<u>288,841</u>	<u>314,493</u>	<u>294,060</u>
Revenues Available for Debt Service	<u><u>\$ 302,392</u></u>	<u><u>\$ 438,317</u></u>	<u><u>\$ 322,692</u></u>

¹ The increased expenses in 2016 are due to additional money being spent on cleaning retention ponds, cleaning catch basins and fixing rain gardens. The City increased the storm water fees starting in July of 2017 to offset these expenses.

ENTERPRISE FUNDS continued...

	2014	2015	2016
Wastewater Collection- Public Utilities Commission			
Total Operating Revenues	\$ 1,535,584	\$ 1,515,178	\$ 1,413,578
Less: Operating Expenses	<u>(1,165,333)</u>	<u>(1,249,100)</u>	<u>(1,253,196)</u>
Operating Income	\$ 370,251	\$ 266,078	\$ 160,382
Plus: Depreciation	<u>174,919</u>	<u>165,385</u>	<u>147,010</u>
Revenues Available for Debt Service	<u>\$ 545,170</u>	<u>\$ 431,463</u>	<u>\$ 307,392</u>
Wastewater Treatment- Public Utilities Commission¹			
Total Operating Revenues	\$ 4,580,498	\$ 4,637,393	\$ 4,719,770
Less: Operating Expenses	<u>(6,377,470)</u>	<u>(6,452,941)</u>	<u>(6,572,941)</u>
Operating Income	\$ (1,796,972)	\$ (1,815,548)	\$ (1,853,171)
Plus: Depreciation	<u>1,432,470</u>	<u>1,470,622</u>	<u>1,503,822</u>
Revenues Available for Debt Service	<u>\$ (364,502)</u>	<u>\$ (344,926)</u>	<u>\$ (349,349)</u>

¹ The Public Utilities Commission constructed landfill sites to dispose of industrial waste from Blandin Paper. Cost of the sites is deferred and expensed over the estimated useful life of the individual site. Blandin paid for a portion of the cost, which has been deferred and amortized as revenue to offset a portion of the expense. Debt was issued to cover remaining capital costs. Blandin pays a demand charge sufficient to pay annual debt service

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2013 Audited	2014 Audited	2015 Audited	2016 Audit	2017 Adopted Budget ¹
Revenues					
Taxes:					
General Property	\$ 3,677,404	\$ 3,622,374	\$ 3,946,640	\$ 4,156,865	\$ 4,539,564
Payments in lieu of taxes (PILOT)	901,179	903,494	902,766	903,478	902,000
Licenses and permits	323,845	275,821	343,201	259,518	277,700
Intergovernmental	1,928,560	2,207,733	2,234,631	2,230,732	1,935,998
Special assessments	0	0	8,584	18,437	0
Charges for services	749,880	859,225	780,592	807,721	913,246
Fines and forfeitures	145,870	96,201	92,775	73,858	91,000
Investment income	30,260	41,488	43,908	42,610	31,300
Contributions and donations	12,697	33,400	63,512	21,052	3,500
Other	37,588	122,888	19,891	27,091	11,300
Total Revenues	\$ 7,807,283	\$ 8,162,624	\$ 8,436,500	\$ 8,541,362	\$ 8,705,608
Expenditures					
Current:					
General government	\$ 1,835,912	\$ 1,749,911	\$ 1,759,172	\$ 1,884,681	\$ 2,015,168
Public safety	2,705,084	2,938,182	3,088,561	3,179,061	3,425,223
Public works	2,285,533	2,261,689	2,154,103	2,193,786	2,173,177
Culture and recreation	106,613	113,042	120,297	119,282	136,050
Miscellaneous	523,877	0	545,535	514,541	519,970
Capital Outlay	0	570,460	0	0	0
Total Expenditures	\$ 7,457,019	\$ 7,633,284	\$ 7,667,668	\$ 7,891,351	\$ 8,269,588
Excess of revenues over (under) expenditures	\$ 350,264	\$ 529,340	\$ 768,832	\$ 650,011	\$ 436,020
Other Financing Sources (Uses)					
Sale of capital assets	\$ 5,254	\$ 2,400	\$ 2,000	\$ 17,400	\$ 0
Insurance recoveries	29,287	18,329	4,347	42,968	0
Operating transfers in	25,106	32,808	3,500	3,500	0
Operating transfers out	(429,669)	(429,072)	(428,286)	(475,824)	(436,020)
Total Other Financing Sources (Uses)	\$ (404,563)	\$ (396,264)	\$ (424,786)	\$ (472,324)	\$ (436,020)
Net Changes in Fund Balances	\$ (19,758)	\$ 153,805	\$ 350,393	\$ 238,055	\$ 0
General Fund Balance January 1	5,516,435	5,496,677	5,650,482	6,000,875	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$ 5,496,677	\$ 5,650,482	\$ 6,000,875	\$ 6,238,930	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 607,301	\$ 401,947	\$ 306,783	\$ 636,954	
Restricted	12,479	14,268	17,185	17,577	
Committed	243,403	331,201	422,995	517,869	
Unassigned	4,633,494	4,903,066	5,253,912	5,066,530	
Total	\$ 5,496,677	\$ 5,650,482	\$ 6,000,875	\$ 6,238,930	

¹ The 2017 budget was adopted on December 12, 2016.

GENERAL INFORMATION

LOCATION

The City of Grand Rapids, with a 2010 U.S. Census population of 10,869 and a current population estimate of 10,996, and comprising an area of 24.44 square miles, is located approximately 178 miles north of the Minneapolis-St. Paul metropolitan area. The City of Grand Rapids is the county seat of Itasca County.

LARGER EMPLOYERS¹

Larger employers in the City of Grand Rapids include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 318 (Itasca County)	Elementary and secondary education	650
Grand Itasca Clinic & Hospital	Medical clinic and hospital	526
Itasca County	County government and services	431
UPM Blandin	Paper manufacturer	400
Grand Village	Nursing home	250
Arrowhead Promotions	Promotions/fund-raising	220
Walmart Supercenter	Retail	183
ASV Inc	Construction machinery	153
Minnesota Department of Natural Resources	Government offices/state	150
City of Grand Rapids	Municipal government and services	148
Lake Country Power	Electric Company	135

Source: *ReferenceUSA, written and telephone survey (November 2017), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

BUILDING PERMITS

	2013	2014	2015	2016	2017 ¹
<u>New Single Family Homes</u>					
No. of building permits	12	17	13	12	8
Valuation	\$1,956,000	\$3,220,210	\$462,000	\$2,078,982	\$1,803,752
<u>New Multiple Family Buildings</u>					
No. of building permits	8	1	8	0	2
Valuation	\$4,000,000	\$2,000,000	\$4,620,000	\$0	\$450,000
<u>New Commercial/Industrial</u>					
No. of building permits	9	4	10	8	5
Valuation	\$13,374,440	\$1,820,298	\$8,640,593	\$8,006,849	\$5,484,200
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	596	494	531	550	519
Valuation	\$26,832,907	\$22,612,188	\$33,945,971	\$18,350,854	\$25,742,142

Source: The City.

¹ As of November 17, 2017.

U.S. CENSUS DATA

Population Trend: City of Grand Rapids, Minnesota

2000 U.S. Census population	7,764
2010 U.S. Census population	10,869
2015 State Demographer's Estimate	10,996
Percent of Change 2000 - 2010	+ 39.99%

Income and Age Statistics

	City of Grand Rapids	Itasca County	State of Minnesota	United States
2015 per capita income	\$20,056	\$25,219	\$32,157	\$28,930
2015 median household income	\$39,777	\$47,761	\$61,492	\$53,889
2015 median family income	\$46,140	\$56,479	\$77,055	\$66,011
2015 median gross rent	\$614	\$642	\$848	\$928
2015 median value owner occupied units	\$139,500	\$155,500	\$186,200	\$178,600
2015 median age	41.7 yrs.	45.9 yrs.	37.7 yrs.	37.6 yrs.

	State of Minnesota	United States
City % of 2015 per capita income	62.37%	69.33%
City % of 2015 median family income	59.88%	69.90%

Housing Statistics

	<u>City of Grand Rapids</u>		
	2000	2015	Percent of Change
All Housing Units	3,621	4,934	36.26%

Source: 2000 and 2010 Census of Population and Housing, and 2015 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Itasca County	Itasca County	State of Minnesota	
2013	18,969	6.0%	4.9%	
2014	19,138	5.1%	4.2%	
2015	19,178	4.3%	3.7%	
2016	19,370	4.7%	3.8%	
2017, October	20,143		2.8%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there has been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2016

Prepared by:

Finance Department

Barbara Baird
Finance Director



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Economic Development Authority (a discretely presented component unit), each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit), which represent 54 percent, 45 percent, and 58 percent, respectively, of the assets, net position, and revenues of the primary government and its discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Public Utilities Commission were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Grand Rapids, Minnesota's 2015 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in our report dated June 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of funding progress, the schedules of proportionate share of net pension liability and the schedules of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Rapids, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section and other information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of the City of Grand Rapids, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rapids, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Grand Rapids (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 6 of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,147,406 (net position). Of this amount, \$4,294,656 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

Net position of the government-wide financial statements was negatively impacted in the current year by \$5,185,937 due to assumption changes and investment earnings. This is more fully described on page 23.

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,937,230. Of this amount, \$7,144,332 is restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions.

At the end of the current fiscal year the general fund balance was \$6,238,930. Of that amount, \$636,954 was in a nonspendable form, \$17,577 was restricted, \$517,869 was committed and \$5,066,530 was unassigned.

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Management's Discussion and Analysis

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

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

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For 2016, the City maintained three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the following major funds:

- General fund
- IRA Civic Center Projects
- 2016 Infrastructure Bonds

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

The City adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

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

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

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

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

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

Management's Discussion and Analysis

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

- Lodging Tax
- Cable TV Commission

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 91 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, agency funds, and the Economic Development Authority (EDA) component unit is presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 110 through 137 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$53,147,406 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$39,768,359 or 76%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GRAND RAPIDS' NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$21,164,239	\$21,584,016	\$438,750	\$538,282	\$22,602,989	\$22,122,298
Capital assets	60,331,404	58,033,084	2,797,345	2,841,005	63,128,749	60,874,089
Total assets	82,495,643	79,617,100	3,236,095	3,379,287	85,731,738	83,016,387
Total deferred outflows of resources	6,076,230	890,346	-	-	6,076,230	890,346
Long-term liabilities outstanding	35,170,516	28,717,434	14,501	11,808	35,185,017	29,729,242
Other liabilities	2,161,287	1,614,091	86,467	51,801	2,247,754	1,665,892
Total liabilities	37,331,803	31,331,525	100,968	63,609	37,432,771	31,395,134
Total deferred inflows of resources	1,228,291	560,753	-	-	1,228,291	560,753
Net position:						
Net investment in capital assets	36,971,034	33,868,548	2,797,345	2,841,005	39,768,359	36,705,653
Unrestricted	9,094,391	9,717,936	-	-	9,094,391	9,717,936
Unassigned	3,966,874	5,012,684	337,782	494,673	4,294,656	5,407,357
Total net position	\$50,032,279	\$48,615,168	\$3,135,127	\$3,335,678	\$53,147,406	\$51,950,846

Management's Discussion and Analysis

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,294,656) may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

Net position was negatively impacted by \$5,185,937 at December 31, 2016 due to the assumption changes and investment earnings projections from Public Employees Retirement Association's own actuarial study. Pension-related amounts included in the above schedule related to the standard are as follows:

Deferred outflows of resources	\$5,958,004
Noncurrent assets	
Deferred inflows of resources	(1,183,425)
Noncurrent liabilities	(9,660,516)
Total	(\$5,185,937)

Governmental Activities

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

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

Management's Discussion and Analysis

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

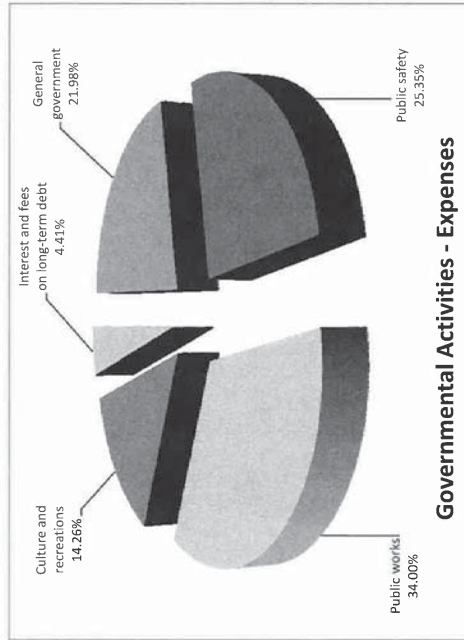
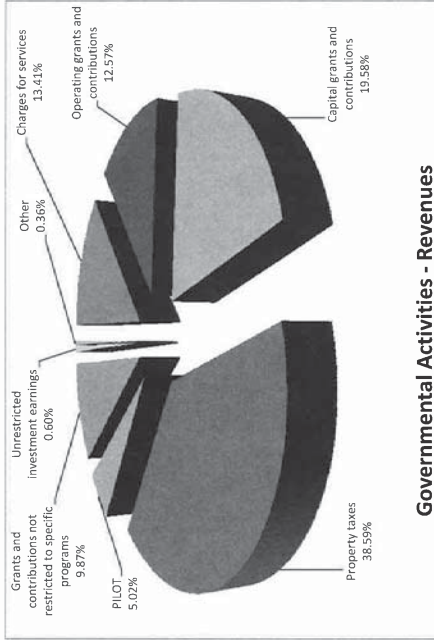
Management's Discussion and Analysis

City of Grand Rapids' Changes in Net Position

	Governmental Activities			Business-Type Activities			Totals	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues:								
Program revenues:								
Charges for services	\$2,412,709	\$2,467,281	\$1,136,633	\$1,149,858	\$3,549,342	\$3,617,139		
Operating grants and contributions	2,262,321	1,615,576	-	-	2,262,521	1,615,576		
Capital grants and contributions	3,223,916	806,243	-	-	3,523,916	806,243		
General revenues:								
Taxes	6,945,795	6,640,739	-	-	6,945,795	6,640,739		
Payments in lieu of taxes (PILOT)	903,478	902,766	-	-	903,478	902,766		
Grants and contributions not restricted to specific programs	1,776,992	1,742,132	-	-	1,776,992	1,742,132		
Unrestricted investment earnings	107,331	109,041	5,619	6,349	112,950	115,390		
Gain on sale of capital assets	14,196	-	-	331	14,196	331		
Insurance recoveries	50,778	7,450	-	2,652	50,778	7,450		
Miscellaneous	-	-	-	-	-	2,652		
Total revenues	17,997,716	14,291,228	1,142,232	1,159,190	19,139,968	15,450,418		
Expenses:								
General government	3,649,895	2,993,026	-	-	3,649,895	2,993,026		
Public safety	4,208,454	3,674,182	-	-	4,208,454	3,674,182		
Public works	5,646,605	5,239,892	-	-	5,646,605	5,239,892		
Culture and recreation	2,367,449	2,028,067	-	-	2,367,449	2,028,067		
Interest and fees on long-term debt	731,702	740,526	1,341	1,549	733,043	742,075		
Golf course	-	-	649,786	596,565	649,786	596,565		
Storm water utility	16,604,105	14,675,693	1,339,303	1,038,671	688,176	440,557		
Total expenses	1,393,611	(384,465)	(197,051)	120,519	1,196,560	(263,946)		
Change in net position before transfers	3,500	103,500	(3,500)	(103,500)				
Transfers - primary government	1,397,111	(280,965)	(200,551)	17,019	1,196,560	(263,946)		
Change in net position	48,615,168	51,971,935	3,335,678	3,318,659	\$1,950,846	\$5,290,594		
Net position - January 1, as previously reported								
Prior period adjustment								
Net position - January 1, as restated								
Net position - December 31	\$50,012,279	\$48,615,168	\$3,135,127	\$3,335,678	\$53,147,406	\$51,950,846		

Management's Discussion and Analysis

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



Management's Discussion and Analysis

Business-Type Activities

Business-type activities decreased the City's net position by \$200,551 in 2016. The City has two business-type activities – Pokegama Golf Course and a Storm Water Utility Fund. The net position of the Pokegama Golf Course decreased \$83,704 (which includes a decrease of \$15,103 for the Pokegama Golf Course's portion of the decrease in net position of the internal service fund) in 2016 compared to a \$9,758 decrease in 2015. This is because of the green fee revenues were down by approximately \$30,353 and the wages increased by approximately \$34,496.

The Storm Water Utility Fund is used to pay for storm water maintenance and infrastructure construction. The net position of the Storm Water Utility Fund decreased \$116,847 (which includes a decrease of \$18,892 for the Storm Water Utility Fund's portion of the decrease in net position of the internal service fund) in 2016 compared to a \$26,777 increase in 2015. The decrease is due to an increase in personnel and contracted services of approximately \$115,500. Vehicle maintenance and repairs are over by \$25,780. This fund was established in 2004 with storm water utility charges implemented on January 1, 2005. Any funds that are not used for storm water utility maintenance by the Public Works Department are used to reduce storm water infrastructure improvement project costs.

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,997,230. Approximately 4% of this total amount (\$655,288) constitutes nonspendable fund balance and approximately 48% (\$7,144,332) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$1,229,744) and assigned (\$1,480,898) by City Council, as well as unassigned fund balance (\$4,486,968). Additional information about the City's fund balance classifications can be found in Note 16.

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

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

Budgetary Highlights

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

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

Management's Discussion and Analysis

Miscellaneous was over by \$75,541 due to the City paying an \$8,567 for a pierring agreement. The City had \$36,850 in building condemnation and EAW fees. The City's health insurance co-pay and deductibles were over by \$15,448. General government was under budget by \$66,455 primarily due to an unfilled full-time position in Building Maintenance.

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

Capital Asset and Debt Administration

Capital assets. The City's gross investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$63,128,749 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment.

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

	Governmental Activities		Business-Type Activities		Totals
	2016	2015	2016	2015	
Land and land improvements	\$6,006,414	\$6,006,414	\$906,387	\$906,387	\$6,912,801
Building and improvements	10,625,297	10,822,749	1,522,588	1,586,517	12,147,885
Vehicles, equipment and furniture	4,160,307	3,826,485	368,370	281,759	4,528,677
Infrastructure	34,450,124	36,561,374	-	-	34,450,124
Construction in progress	5,082,262	816,062	-	66,342	5,089,262
Total	\$60,331,404	\$58,033,084	\$2,797,345	\$2,841,005	\$63,128,749

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

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$24,505,668 (excluding compensated absences), a decrease of \$412,868 from 2015. Of the total outstanding amount:

- \$18,505,000 is general obligation improvement debt that is supported in part by special assessments,
- \$750,000 is general obligation tax increment debt which financed the City's economic development program,
- \$4,985,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$265,668 of capital lease and loans payable in addition to unamortized bond premiums.

Management's Discussion and Analysis

City of Grand Rapids' Outstanding Debt

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

	Governmental Activities		Business-Type Activities		Totals
	2016	2015	2016	2015	
General obligation improvement bonds	\$18,505,000	\$18,175,000	\$-	\$-	\$18,505,000
General obligation tax increment bonds	750,000	770,000	-	-	750,000
Other general obligation bonds	4,985,000	5,705,000	-	-	4,985,000
Capital leases, loans, bond premium	265,668	268,536	-	-	265,668
Total	\$24,505,668	\$24,918,536	\$0	\$0	\$24,505,668

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

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City is \$23,595,911. Of the City's outstanding debt, \$5,471,403 is counted within the statutory limitation.

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

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

CITY OF GRAND RAPIDS, MINNESOTA
 STATEMENT OF NET POSITION
 December 31, 2016
 With Comparative Amounts for December 31, 2015

Statement 1

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

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

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2016

With Comparative Amounts for The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$3,649,895	\$458,276	\$323,400	\$ -
Public safety	4,208,454	580,225	503,033	-
Public works	5,646,605	326,167	825,391	2,819,812
Culture and recreation	2,367,449	1,048,041	363,555	704,104
Interest and fees on long-term debt	731,702	-	247,142	-
Total governmental activities	<u>16,604,105</u>	<u>2,412,709</u>	<u>2,262,521</u>	<u>3,523,916</u>
Business-type activities:				
Golf course	651,127	569,276	-	-
Storm water utility	688,176	567,357	-	-
Total business-type activities	<u>1,339,303</u>	<u>1,136,633</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$17,943,408</u>	<u>\$3,549,342</u>	<u>\$2,262,521</u>	<u>\$3,523,916</u>
Component units:				
Economic Development Authority	\$672,853	\$95,665	\$698,123	\$ -
Public Utilities Commission	25,282,162	22,698,610	-	3,298,605
Total component units	<u>\$25,955,015</u>	<u>\$22,794,275</u>	<u>\$698,123</u>	<u>\$3,298,605</u>
General revenues:				
General property taxes				
Payments in lieu of taxes (PILOT)				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Gain on sale of capital assets				
Insurance recoveries				
Transfers				
Total general revenues, special items and transfers				
Change in net position				
Net position - January 1, as previously reported				
Prior period adjustment				
Net position - January 1, as restated				
Net position - December 31				

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

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

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

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

Statement 3

	101 General Fund	429 IRA Civic Center Projects	477 2016 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
					2016	2015
Assets						
Cash and investments	\$5,252,104	\$48,904	\$495,786	\$10,225,798	\$16,022,592	\$15,369,381
Accrued interest receivable	20,311	-	-	-	20,311	19,900
Due from other governmental units	290,947	-	-	128,194	419,141	688,604
Due from other funds	291,231	-	-	10,689	301,920	208,900
Due from component units	16,915	-	-	181,169	198,084	313,735
Accounts receivable	47,979	-	-	72,446	120,425	159,662
Pledges receivable	-	329,500	-	-	329,500	-
Interfund loan receivable	713,951	-	-	-	713,951	351,106
Land held for resale	436,000	-	-	-	436,000	-
Prepaid items	46,345	-	-	39,120	85,465	151,840
Taxes receivable - delinquent	107,123	-	-	53,092	160,215	113,138
Special assessments receivable	97,504	-	-	3,186,217	3,283,721	3,871,450
Total assets	\$7,320,410	\$378,404	\$495,786	\$13,896,725	\$22,091,325	\$21,247,716
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$151,987	\$15,434	\$51,705	\$372,317	\$591,443	\$216,396
Accrued wages payable	179,676	-	-	41,782	221,458	187,521
Due to other governmental units	26,544	271	-	22,751	49,566	45,415
Due to component units	66,627	-	-	15,057	81,684	59,388
Contracts payable	-	139,776	398,317	12,829	550,922	-
Due to other funds	-	288,092	-	13,828	301,920	208,900
Deposits payable	112	-	-	10,580	10,692	10,350
Interfund loan payable	-	-	-	586,645	586,645	210,346
Unearned revenue	15,907	-	-	360,021	375,928	521,473
Total liabilities	440,853	443,573	450,022	1,435,810	2,770,258	1,459,789
Deferred inflows of resources:						
Unavailable revenue	640,627	329,500	-	3,353,710	4,323,837	4,208,188
Total deferred inflows of resources	640,627	329,500	0	3,353,710	4,323,837	4,208,188
Fund balances:						
Nonspendable	636,954	-	-	18,334	655,288	333,442
Restricted	17,577	-	45,764	6,988,138	7,051,479	7,029,961
Committed	517,869	-	-	804,728	1,322,597	1,069,938
Assigned	-	-	-	1,480,898	1,480,898	2,076,696
Unassigned	5,066,530	(394,669)	-	(184,893)	4,486,968	5,069,702
Total fund balances	6,238,930	(394,669)	45,764	9,107,205	14,997,230	15,579,739
Total liabilities, deferred inflows of resources, and fund balances	\$7,320,410	\$378,404	\$495,786	\$13,896,725	\$22,091,325	\$21,247,716
Fund balance reported above					\$14,997,230	\$15,579,739
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.					60,331,404	58,033,084
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:						
Delinquent taxes					160,215	113,138
Assessments not yet due or delinquent					3,233,722	3,821,450
Pledges not yet due					329,500	-
Due from component units					114,400	223,600
Due from other governmental units					23,902	26,352
Land held for resale					436,000	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:						
Bonds payable and unamortized bond premium					(24,444,088)	(24,833,312)
Capital lease and loans payable					(61,580)	(85,224)
Accrued interest payable					(279,594)	(296,567)
Compensated absences payable					(410,629)	(389,272)
Other post employment benefits					(293,703)	(276,981)
An internal service fund is used by management to charge the costs of pension benefits to individual funds.						
The assets and liabilities are included in the governmental activities on the Statement of Net Position.					(5,145,638)	(4,106,806)
Amounts pertaining to the Grand Rapids Fire Relief Association Pension Plan are not current financial resources, and, therefore, are not reported in the governmental funds:						
Net pension asset					947,278	772,890
Deferred outflows of resources					118,726	33,077
Deferred inflows of resources					(44,866)	-
Net position of governmental activities					\$50,012,279	\$48,615,168

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

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

Statement 4

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

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

CITY OF GRAND RAPIDS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016
With Comparative Amounts For The Year Ended December 31, 2015

Statement 5

	2016	2015
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)	(\$582,509)	\$959,052
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(3,320,865)	(3,257,776)
Capital outlay	5,870,681	749,073
Capital outlay not capitalized	(226,798)	(9,083)
Governmental funds do not record contributions of capital assets. However, in the statement of activities the fair value of those assets are reported as capital contributions.	16,506	32,728
In the statement of activities only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(41,204)	(97,289)
In the governmental funds, contributions of land held for resale are offset with unavailable revenues. However, in the statement of activities, these contributions are reported as revenues.	436,000	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in delinquent taxes	47,077	(5,575)
Change in deferred and delinquent special assessments	(587,728)	(721,136)
Change in pledges receivable	329,500	-
Governmental funds report loan disbursements as expenditures and the related loan repayments as revenues. However, in the statement of activities these transactions have no effect on net assets. The amounts of the differences are:		
Receipts on loans receivable	(109,200)	(212,200)
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts of these differences are:		
Proceeds from the issuance of bonds	(2,170,000)	-
Principal payments on bonds, capital leases and loans payable	2,603,644	2,488,644
Current year bond premium and amortization of bond premium	(20,776)	21,786
Change in due from other governmental units accrual related to a federal credit on BAB bonds	(2,450)	(2,234)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:		
Change in compensated absences payable	(21,357)	2,583
Change in other post employment benefits and termination benefits payable	(16,722)	(14,796)
Change in accrued interest payable	16,973	10,295
Governmental funds report Fire Department pension contributions as expenditures, however pension expense is reported in the statement of activities. This is the amount by which pension expense exceeded pension contributions.		
Pension expense	215,171	(82,068)
An internal service fund is used by management to charge pension costs to individual funds. This amount is the portion of net revenue attributable to governmental activities.	(1,038,832)	(142,969)
Change in net position of governmental activities (Statement 2)	<u>\$1,397,111</u>	<u>(\$280,965)</u>

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

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2016

With Comparative Totals For Enterprise Funds For December 31, 2015

Statement 6

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

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

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

Statement 7

For The Year Ended December 31, 2016

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

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama Golf Course	655 Storm Water Utility	Totals		Internal Service
			2016	2015	2016
Operating revenues:					
Season passes	\$166,781	\$ -	\$166,781	\$167,322	\$ -
Green fees	230,519	-	230,519	245,421	-
Special play	9,287	-	9,287	8,074	-
Rentals and leases	162,689	-	162,689	168,018	-
Charges for service	-	559,245	559,245	561,023	467,804
Total operating revenues	<u>569,276</u>	<u>559,245</u>	<u>1,128,521</u>	<u>1,149,858</u>	<u>467,804</u>
Operating expenses:					
Personnel services	275,839	336,300	612,139	467,171	1,569,884
Materials and supplies	46,557	44,687	91,244	100,675	-
Other services and charges	207,011	248,154	455,165	333,460	-
Depreciation	105,276	40,143	145,419	129,512	-
Total operating expenses	<u>634,683</u>	<u>669,284</u>	<u>1,303,967</u>	<u>1,030,818</u>	<u>1,569,884</u>
Operating income (loss)	<u>(65,407)</u>	<u>(110,039)</u>	<u>(175,446)</u>	<u>119,040</u>	<u>(1,102,080)</u>
Nonoperating revenues (expenses):					
Intergovernmental revenue	-	-	-	-	29,253
Investment income	1,647	3,972	5,619	6,349	-
Interest expense	(1,341)	-	(1,341)	(1,549)	-
Miscellaneous revenue	-	8,112	8,112	2,652	-
Gain (loss) on sale of capital assets	-	-	-	331	-
Total nonoperating revenues (expenses)	<u>306</u>	<u>12,084</u>	<u>12,390</u>	<u>7,783</u>	<u>29,253</u>
Income before contributions and transfers	<u>(65,101)</u>	<u>(97,955)</u>	<u>(163,056)</u>	<u>126,823</u>	<u>(1,072,827)</u>
Transfers out	<u>(3,500)</u>	<u>-</u>	<u>(3,500)</u>	<u>(103,500)</u>	<u>-</u>
Total transfers and contributions	<u>(3,500)</u>	<u>0</u>	<u>(3,500)</u>	<u>(103,500)</u>	<u>0</u>
Change in net position	<u>(68,601)</u>	<u>(97,955)</u>	<u>(166,556)</u>	<u>23,323</u>	<u>(1,072,827)</u>
Net position - January 1	<u>2,693,599</u>	<u>648,383</u>	<u>3,341,982</u>	<u>3,318,659</u>	<u>(4,113,110)</u>
Net position - December 31	<u>\$2,624,998</u>	<u>\$550,428</u>	<u>\$3,175,426</u>	<u>\$3,341,982</u>	<u>(\$5,185,937)</u>
Changes in net position reported above			(\$166,556)	\$23,323	
Adjustment to report the cumulative internal balance for the net effect of activity between the internal service funds and the enterprise funds over time.			<u>(33,995)</u>	<u>(6,304)</u>	
Change in net position of business-type activities (Statement 2)			<u>(\$200,551)</u>	<u>\$17,019</u>	

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

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2016

With Comparative Totals For The Year Ended December 31, 2015

Statement 8

	Business-Type Activities - Enterprise Funds				Governmental
	613 Pokegama Golf Course	655 Storm Water Utility	Totals		Internal Service
			2016	2015	2016
Cash flows from operating activities:					
Receipts from customers and users	\$560,364	\$567,297	\$1,127,661	\$1,161,703	\$ -
Receipts from interfund charges for pension benefits	-	-	-	-	467,804
Intergovernmental revenue	-	-	-	-	29,253
Payment to suppliers	(257,205)	(264,898)	(522,103)	(422,761)	-
Payments to other funds for services provided	-	-	-	-	(497,057)
Payment to employees	(275,291)	(319,246)	(594,537)	(463,178)	-
Net cash flows provided by operating activities	27,868	(16,847)	11,021	275,764	0
Cash flows from noncapital financing activities:					
Interfund borrowing cash payments	(13,454)	-	(13,454)	(31,221)	-
Interest on interfund borrowing	(1,408)	-	(1,408)	(1,720)	-
Transfers out	(3,500)	-	(3,500)	(103,500)	-
Net cash flows provided by (used in) noncapital financing activities	(18,362)	0	(18,362)	(136,441)	0
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(99,000)	(2,759)	(101,759)	(76,327)	-
Sale of capital assets	-	-	-	331	-
Net cash flows (used in) capital and related financing activities	(99,000)	(2,759)	(101,759)	(75,996)	0
Cash flows from investing activities:					
Investment income	1,647	3,972	5,619	6,349	-
Net increase in cash and cash equivalents	(87,847)	(15,634)	(103,481)	69,676	0
Cash and cash equivalents - January 1	238,051	410,970	649,021	579,345	-
Cash and cash equivalents - December 31	\$150,204	\$395,336	\$545,540	\$649,021	\$0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(\$65,407)	(\$110,039)	(\$175,446)	\$119,040	(\$1,102,080)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	105,276	40,143	145,419	129,512	-
Miscellaneous revenue	-	8,112	8,112	2,652	-
Intergovernmental revenue	-	-	-	-	29,253
Changes in assets and liabilities:					
Decrease (increase) in receivables	17	(60)	(43)	5,061	-
Decrease (increase) in prepaid items	(3,197)	(1,250)	(4,447)	1,046	-
Decrease (increase) in deferred outflows of resources	-	-	-	-	(5,100,735)
Increase (decrease) in unearned revenue	(8,929)	-	(8,929)	4,132	-
Increase (decrease) in payables	108	46,247	46,355	14,321	5,550,890
Increase (decrease) in deferred inflows of resources	-	-	-	-	622,672
Total adjustments	93,275	93,192	186,467	156,724	1,102,080
Net cash provided by operating activities	\$27,868	(\$16,847)	\$11,021	\$275,764	\$0
Noncash capital and related financing activities:					
None					

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
 December 31, 2016
 With Comparative Totals For December 31, 2015

Statement 9

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

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

COMPONENT UNITS

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

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

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

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

RELATED ORGANIZATION

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

JOINT POWERS COOPERATIVE AGREEMENT

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. BUDGETARY INFORMATION

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

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

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

1. The City Administrator submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following January 1. These budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution on a fund basis.
4. Interdepartmental or interfund appropriations and deletions are or may be authorized by the City Council with fund (contingency) reserves or additional revenues. Management can amend budgets within each department.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and certain Special Revenue Funds.

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 not 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:

	Final Budget	Actual	Amount Over Budget
Nonmajor Funds:			
Public Library	\$797,681	\$989,099	\$191,418
IRA Civic Center	697,158	932,728	235,570
Recreation Programs	60,745	63,983	3,238
Haz-Wat	45,000	51,816	6,816
Police Forfeiture	3,000	14,079	11,079

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

E. CASH AND INVESTMENTS

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

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

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

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

F. INVESTMENT INCOME

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

G. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

H. SPECIAL ASSESSMENT REVENUE RECOGNITION

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

I. INVENTORIES

GOVERNMENTAL FUNDS

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

J. PREPAID ITEMS

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

K. LAND HELD FOR RESALE

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

L. CAPITAL ASSETS

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

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

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

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2016, no interest was capitalized in connection with construction in progress.

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

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

M. INTERFUND TRANSACTIONS AND BALANCES

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

Short-term receivables and payables between funds are classified as "due from other funds" or "due to other funds" on the balance sheet. Such items, which are expected to be eliminated in 2016, represent temporary balances due to interfund billings or reclassifications of funds with internally reported negative cash balances.

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

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

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

N. COMPENSATED ABSENCES

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

O. LONG-TERM OBLIGATIONS

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

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

P. FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

- In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed. The City Council retains the authority to assign fund balance, which is performed by resolution when a fund is established.

- In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Currently, no individual has been delegated this authority because no fund balance is assigned in the General Fund.

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

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

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

Q. TRANSACTIONS BETWEEN THE CITY AND ITS COMPONENT UNITS

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

Significant transactions between the City and its component units during 2016 are described in footnotes 3, 7, 20, and 21.

R. USE OF ESTIMATES

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

S. UTILITY REVENUE RECOGNITION

Billings are rendered and recorded monthly based on metered usage.

T. RECLASSIFICATIONS

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

U. COMPARATIVE TOTALS

The basic fund financial statements and combining and individual fund financial statements and schedules include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles.

Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

V. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

W. DEFINED BENEFIT PENSION PLANS

PERA:
Pensions. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

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

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

At December 31, 2016 the carrying amount of the City's deposits with financial institutions was \$10,776,671.

Custodial credit risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2016, the bank balance of the City's deposits was \$10,735,307 all of which was either insured by the Federal Deposit Insurance Corporation (FDIC) or covered by perfected pledged collateral held in the City's name.

CITY OF GRAND RAPIDS, MINNESOTA
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 December 31, 2016

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

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

As of December 31, 2016, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	
FHLB notes	Aaa	\$102,064	\$	\$	\$	
Federal home loan bank-step	Aaa	149,634	*	105,968	149,634	
Federal farm credit notes	Aaa	105,968	*	200,656	*	
US Treasury Notes	Aaa	275,742	75,086	2,949,000	931,000	
Brokered CDs	NR	5,245,000	1,365,000	644,909	*	
Mutual fund	Aaa	644,909	48,902	\$3,255,624	\$1,086,634	
Other	NR	48,902	\$2,235,961	*	*	
Total		\$6,572,219				
NR - Not Rated			Total investments			\$6,572,219
			Deposits			10,776,671
			Petty cash			3,070
			Total cash and investments			<u>\$17,353,960</u>

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

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

Investment Type	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments at fair value:			
FHLB Notes	\$	\$102,064	\$
Federal home loan bank-step	-	149,634	-
Federal farm credit notes	-	105,968	-
US Treasury Notes	275,742	-	-
Brokered CDs	-	5,245,000	-
Other	-	48,902	-
Total/Subtotal	\$,927,310	\$275,742	\$5,651,568

Investments not categorized:
 Mutual Fund

644,909
\$6,572,219

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

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

C. INVESTMENT RISKS

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

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

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

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

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

Investment balances at December 31, 2016 for the Public Utilities Commission are as follows:

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

Note 3 RECEIVABLES

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

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

PLEDGES RECEIVABLE

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

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

Note 4 UNAVAILABLE REVENUES

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

Primary government:	Property Taxes	Special Assessments	Due from Component Unit	Land Held for Reuse	Notes Receivable	Other Receivables	Total
General Fund	\$107,123	\$97,504	\$ -	\$436,000	\$ -	\$ -	\$640,627
IRA Civic Center Project Fund	-	-	-	-	-	329,500	329,500
IRA Civic Center - Bonded	\$1,092	3,186,217	114,400	-	-	-	3,333,709
Nonmajor Funds	169,215	3,283,721	114,400	436,000	-	329,500	4,333,836
Total primary government	277,430	3,467,442	228,800	436,000	-	329,500	4,333,836
EDA (discretely presented component unit)	648	-	-	231,697	-	107,350	2,675,979
Total unavailable revenue	\$169,863	\$3,283,721	\$114,400	\$2,322,697	\$231,284	\$436,850	\$6,999,815

Note 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City has approved five interfund loans. One loan was made to the Pokegama Golf Course for the Pokegama Golf and Park Place Project. Loans were also made to the IRA Civic Center Fund, the Airport Operations Fund and the Capital Equipment Replacement Fund as financing to those funds for capital expenditures. A summary at December 31, 2016 is as follows:

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

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

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

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

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		Total
	General	Nonmajor Governmental Funds	
Transfers out:			
General Fund	\$ -	\$475,824	\$475,824
Nonmajor Governmental Funds	-	523,393	523,393
Golf Course	3,500	-	3,500
Total	\$3,500	\$999,217	\$1,002,717

The City makes routine interfund transfers to allocate financial resources to the funds that receive benefit from services provided by another fund or to establish or close-out funds. During 2016, the City made transfers from the General Fund to Special Revenue Funds (\$70,087) to provide ongoing support, to the Improvement Refunding Bonds of 2013B Debt Service Fund (\$150,000) as part of its debt financing plan, and to Capital Project Funds (\$250,000) for capital purposes. Transfers were also made to allocate funds for capital purposes (\$10,661), operating purposes (\$7,642) and to close funds (\$514,327).

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

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:	\$6,006,414	\$ -	\$ -	\$6,006,414
Land and land improvements	816,062	4,943,394	(670,194)	5,089,262
Construction in progress	6,822,476	4,943,394	(670,194)	11,095,676
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and improvements	27,375,905	433,526	(111,691)	27,697,740
Vehicles, equipment and furniture	10,505,230	953,662	(265,854)	11,193,038
Infrastructure	65,624,145	-	-	65,624,145
Total capital assets, being depreciated	103,505,280	1,387,188	(377,545)	104,514,923
Less accumulated depreciation for:				
Buildings and improvements	16,553,157	619,141	(99,855)	17,072,443
Vehicles, equipment and furniture	6,678,745	590,474	(256,487)	7,032,732
Infrastructure	29,062,770	2,111,250	-	31,174,020
Total accumulated depreciation	52,294,672	3,320,865	(336,342)	55,279,195
Total capital assets being depreciated - net	51,210,608	(1,933,677)	(41,203)	49,235,728
Governmental activities capital assets - net	\$58,033,084	\$3,009,717	(\$711,397)	\$60,331,404
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$906,387	\$ -	\$ -	\$906,387
Construction in progress	66,342	2,760	(69,102)	-
Total capital assets, not being depreciated	972,729	2,760	(69,102)	906,387
Capital assets, being depreciated:				
Buildings and improvements	2,290,486	-	-	2,290,486
Machinery, equipment and furniture	925,873	168,101	-	1,093,974
Total capital assets, being depreciated	3,216,359	168,101	0	3,384,460
Less accumulated depreciation for:				
Buildings and improvements	703,968	63,929	-	767,897
Machinery, equipment and furniture	644,115	81,490	-	725,605
Total accumulated depreciation	1,348,083	145,419	0	1,493,502
Total capital assets being depreciated - net	1,868,276	22,682	0	1,890,958
Business-type activities capital assets - net	\$2,841,005	\$25,442	(\$69,102)	\$2,797,345

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

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

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

Note 7 LONG-TERM DEBT

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

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

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

Primary Government Governmental Activities:	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/16
G.O. Tax Increment Bonds Series 2008A	3.75 - 4.60	8/1/2008	2/1/2034	\$850,000	\$750,000
G.O. Improvement Bonds of 2001B	3.00 - 5.00	10/1/2001	2/1/2017	470,000	35,000
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022	2,585,000	890,000
Improvement Bonds of 2007A	4.00 - 4.15	9/1/2007	2/1/2023	1,775,000	930,000
Improvement Bonds of 2007B	4.00 - 4.10	12/15/2007	4/1/2022	1,150,000	450,000
Improvement Bonds of 2008C	3.25 - 4.60	1/1/2008	2/1/2024	1,145,000	640,000
Improvement Refunding Bonds of 2009B	1.00 - 3.00	6/1/2009	2/1/2016	1,265,000	-
Improvement Bonds of 2009C	1.85 - 5.30	9/1/2009	2/1/2025	4,585,000	2,975,000
Improvement Bonds of 2010A	0.75 - 3.625	1/1/2010	2/1/2026	1,115,000	645,000
Improvement Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027	1,555,000	995,000
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028	2,245,000	1,825,000
Improvement Bonds of 2012B	0.40 - 2.45	4/1/2012	2/1/2027	4,175,000	3,140,000
Improvement Bonds of 2013A	0.50 - 3.85	5/8/2012	2/1/2027	1,825,000	1,140,000
Improvement Bonds of 2014A	0.50 - 2.80	11/1/2014	2/1/2030	3,000,000	2,780,000
Improvement Bonds of 2016A	0.85 - 2.20	10/5/2016	2/1/2032	2,170,000	2,170,000
Total G.O. Improvement Bonds				28,460,000	18,503,000
Other General Obligation Bonds:					
Capital Improvement Plan Bonds of 2006B	4.00	10/1/2006	2/1/2017	1,785,000	220,000
Street Reconstruction Bonds of 2008B	3.25 - 4.60	1/1/2008	2/1/2024	1,010,000	590,000
Equipment Certificates of 2009D	2.00 - 4.85	9/1/2009	2/1/2019	1,005,000	390,000
Capital Improvement Plan Bonds of 2010A	0.75 - 2.25	1/1/2010	2/1/2018	635,000	190,000
Street Reconstruction Bonds of 2013B	3.00 - 3.5	9/1/2013	2/1/2029	4,025,000	3,395,000
Total other general obligation bonds				8,460,000	4,985,000
Total bonded debt - governmental activities				37,920,000	24,488,000
Capital lease payable to Iitasa County	0.00	11/22/2010	12/31/2020	147,000	7,000
Bond premium	0.00	2001	2017	354,920	204,088
Compensated absences				-	410,629
Total governmental activities				\$38,608,364	\$24,915,297
Business-Type Activities:					
Compensated absences				\$-	\$6,685
Total business-type activities				\$-	\$6,685
Component Units:					
EDA:					
Note payable - Airport Ind Park/Kent	0.00	7/16/2015	7/16/2035	\$350,000	\$332,500
Note payable - Block 20 & 21 Soil	0.00	8/5/2010	2026	100,000	100,000
Note payable - Blindin	0.00	2016		75,000	75,000
Note payable - ITCB	1.00	12/1/06	8/1/2016	290,000	290,000
Note payable - IEDC	1.00	11/15/2016	11/1/2026	90,000	90,000
Total EDA				1,008,000	990,500
Public Utilities:					
Equipment lease payable	2.64	10/15/2015	10/15/2025	1,700,000	1,549,353
G.O. Revenue Note Series 1999	3.04	1/3/2000	1/1/2019	1,079,657	212,000
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70 - 5.90	10/1/2006	6/1/2016	1,915,000	305,000
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00 - 4.90	6/1/2009	12/1/2019	925,000	-
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029	26,370,232	18,856,000
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60 - 3.90	7/25/2011	12/1/2021	3,965,000	2,305,000
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033	2,025,000	1,750,000
G.O. Utility Revenue Bonds of 2013C	2.06 - 4.50	9/1/2013	2/1/2029	4,234,889	2,768,353
Total public utilities				40,234,889	27,682,353
Total component units				\$41,292,889	\$28,052,853

CITY OF GRAND RAPIDS, MINNESOTA
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CHANGE IN LONG-TERM LIABILITIES

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

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Due Within One Year
Governmental Activities:					
Bonds payable:					
G.O. Tax increment bonds	\$770,000	\$ -	(\$20,000)	\$750,000	\$70,000
G.O. Improvement bonds	18,175,000	2,170,000	(1,840,000)	18,505,000	1,855,000
Other G.O. bonds	5,705,000	-	(720,000)	4,985,000	755,000
Bond premium	183,312	441,183	(23,407)	204,088	-
Capital lease payable	68,224	-	(13,644)	54,580	13,644
Loans payable	17,000	-	(10,000)	7,000	7,000
Compensated absences	389,272	61,041	(39,684)	410,629	39,109
Total governmental activities	\$25,307,808	\$2,275,224	(\$2,666,735)	\$24,916,297	\$2,649,753
Business Type Activities:					
Compensated absences	\$4,484	\$2,532	(\$331)	\$6,685	\$67
Component Units:					
Note payables - EDA	\$450,000	\$558,000	(\$17,500)	\$990,500	\$54,558
G.O. Revenue Bonds and Notes - PUC	27,750,000	-	(2,217,000)	25,533,000	2,058,000
Equipment lease payable - PUC	268,233	1,431,767	(150,647)	1,549,353	154,650
Unamortized premiums and discounts - PUC	(8,614)	-	(1,765)	(6,851)	-
Compensated absences - PUC	337,818	251,970	(240,447)	349,341	1,748,994
Total component units	\$30,288,998	\$2,241,737	(\$2,627,357)	\$28,995,343	\$3,976,202

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

CAPITAL LEASE PAYABLE

During 2010, the City entered into a Communications System Subscriber Agreement with Itasca County relating to the acquisition and use of radios for the City's police department. The agreement qualifies as a capital lease. The cost of the assets acquired through the lease was \$136,444 and accumulated depreciation on these assets at December 31, 2016 is \$81,864. Depreciation in the amount of \$13,644 has been recorded as depreciation expense during 2016.

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

TAXABLE LIMITED REVENUE NOTE, SERIES 2015

To enhance development, the City issued a \$320,000 Taxable Limited Revenue Note in 2015 with an interest rate of 3.0% per annum. Payments of principal and accrued interest on the note shall be payable in semi-annual installments payable on each February 1 and August 1, commencing August 1, 2015 and ceasing no later than February 1, 2030.

Payments are payable solely from available abatement, which shall mean the sum of City tax abatements and County tax abatements generated in the preceding six months with respect to the development property and remitted to the City by the County. Because the note is not a general obligation of the City and is payable

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

Year Ending December 31,	Loans Payable	
	Principal	Interest
2017	\$7,000	\$ -
Total	\$7,000	\$0

Year Ending December 31,	Revenue Bonds and Notes	
	PUC Component Unit	Interest
2017	\$2,038,000	\$754,969
2018	2,086,000	698,170
2019	2,149,000	638,011
2020	2,039,000	573,561
2021	2,107,000	512,918
2022-2026	8,776,000	1,741,312
2027-2031	6,108,000	404,605
2032-2033	210,000	6,903
Total	\$25,513,000	\$5,330,449

CITY OF GRAND RAPIDS, MINNESOTA
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soliely from available tax abatement), it is not reflected in the financial statements of the City. At December 31, 2016 the principal amount outstanding on the note was \$302,102.

TAXABLE NOTE PAYABLES - EDA

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

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

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

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

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

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

TAXABLE GENERAL OBLIGATION WASTEWATER REVENUE NOTE, SERIES 2009E

In 2009, the City authorized the issuance of the Taxable General Obligation Wastewater Revenue Note (Public Utilities Project), Series 2009E in the amount of \$28,509,779, payable to the Minnesota Public Facilities Authority. The bonds were closed in 2012 and the total draws made were \$26,370,232. As of December 31, 2016, the outstanding balance on the note was \$18,856,000.

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

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

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The demand charge is secured by an Irrevocable Letter of Credit issued by Norddea Bank Finland PLC, in accordance with Generally Accepted Accounting Principles, the Series 2009E Note is recorded in the financial statements of the Public Utilities Commission.

LEASE PURCHASE AGREEMENT

In 2015, the City entered into a Lease Purchase Agreement with US Bancorp Government Leasing and Finance, Inc. for the purchase of an Automated Meter Reading System (System). The agreement qualifies as a capital lease. The Lease Purchase Agreement provides for a ten-year lease in the principal amount of \$1,700,000 at an interest rate not to exceed 2.64% per annum, with a bargain purchase option of \$1 at the end of the lease term. Upon purchase the City will transfer title of the System to the Public Utilities Commission. As of December 31, 2016, the outstanding balance on the note was \$1,549,353.

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

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

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

Note 8 DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

B. BENEFITS PROVIDED

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

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated

REVENUE PLEDGED

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

Bond Issue	Use of Proceeds	Revenue Pledged			Current Year	
		Type	Percent of Total Debt Service	Term of Pledge	Principal and Interest to be Paid	Revenue Received
R.O. Improvement, 2008B	Infrastructure improvements	Special assessments	72%	2001-2017	\$37,680	\$73,127
Special Improvement Tax Bonds, 2008B	Refunded 1994 Public Utilities Revenue Bonds	Receipts from PUC	100%	2006-2017	\$23,400	\$23,000
R.O. Improvement, 2009C	Infrastructure improvements	Special assessments	100%	2006-2023	\$1,061,400	\$18,305
R.O. Improvement, 2007A	Infrastructure improvements	Special assessments	13%	2007-2024	\$1,068,419	\$33,336
R.O. Improvement, 2007B	Street reconstruction	MSA allotments	100%	2007-2023	\$581,734	\$84,630
R.O. Tax Increase, 2008A	Debt service on RFP 1-4	Tax increase	100%	2009-2024	\$1,172,400	\$56,895
R.O. Street Reconstruction, 2008B	Street reconstruction	Special assessments	20%	2009-2023	\$700,943	\$6,079
R.O. Improvement, 2009C (Bald Avenue Road)	Infrastructure improvements	Special assessments	38%	2009-2024	\$758,032	\$79,970
R.O. Improvement, 2009B	Refunded 2003, 2004, 2005, and 2006 Public Utility Bonds	Special assessments	19%	2006-2020	\$ -	\$5,225
R.O. Improvement, 2009C (Bald Avenue Road)	Infrastructure improvements	Special assessments	24%	2010-2024	\$1,680,538	\$182,190
R.O. Equip. Certificate, 2009D (Bald Avenue Road)	2009 Ladder Truck	Special assessments	7%	2010-2019	\$417,800	\$5,460
R.O. Improvement, 2010A	Infrastructure improvements, street crossing, and stormwater	Special assessments	15%	2011-2025	\$194,275	\$28,800
R.O. Improvement, 2011B	Infrastructure improvements, street crossing, and stormwater	Special assessments	96%	2012-2020	\$1,123,806	\$153,885
R.O. Improvement, 2012A	Infrastructure improvements	Special assessments	27%	2013-2021	\$2,465,966	\$16,068
R.O. Improvement, 2012B	Street reconstruction	MSA allotments	100%	2014-2027	\$3,524,939	\$119,938
R.O. Improvement, 2013A	Refunded 2004A and 2006A Bonds	Special assessments	41%	2014-2021	\$952,680	\$753,300
R.O. Street Reconstruction, 2013B	Street reconstruction	MSA allotments	100%	2014-2029	\$4,494,144	\$130,383
R.O. Improvement, 2014A	Street reconstruction, abatement, CIP Project, and equipment	Special assessments	80%	2014-2020	\$3,194,022	\$11,796
R.O. Improvement, 2016A	Street reconstruction, abatement, CIP Project, and equipment	Special assessments	20%	2016-2023	\$2,588,267	\$16,315

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Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unretired Social Security benefits capped at 66.

2. PEPFF Benefits

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

C. CONTRIBUTIONS

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

1. GERF Contributions

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

2. PEPFF Contributions

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

D. PENSION COSTS

1. GERF Pension Costs

At December 31, 2016, the City reported a liability of \$4,181,545 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$54,641. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .0515% which was a decrease of .0007% from its proportion measured as of June 30, 2015.

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

At December 31, 2016, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

\$123,752 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

2. PEPFF Pension Costs

At December 31, 2016, the City reported a liability of \$5,778,971 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .1440% which was a decrease of .0060% from its proportion measured as of June 30, 2015. The City also recognized \$12,960 for the year ended December 31, 2016, as pension revenue (and an offsetting reduction of net liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the

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PEPPF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPPF each year, starting in fiscal year 2014.

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

At December 31, 2016, the City reported its proportionate share of the PEPPF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$662,957
Changes in actuarial assumptions	3,180,420	-
Difference between projected and actual investment earnings	881,912	-
Changes in proportion	50,402	56,127
Contributions paid to PERA	-	-
Subsequent to the measurement date	109,092	-
Total	<u>\$4,221,826</u>	<u>\$719,084</u>

\$109,092 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

E. ACTUARIAL ASSUMPTIONS

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

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

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

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

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

General Employees Fund

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

Police and Fire Fund

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

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

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

F. DISCOUNT RATE

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

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

G. PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

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

H. PENSION PLAN FIDUCIARY NET POSITION

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

I. PENSION EXPENSE

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

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

Note 9 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

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

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$1,440	\$1,440	5%	5%	5%

Note 10 SINGLE EMPLOYER PLAN

A. PLAN DESCRIPTION

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

B. BENEFITS PROVIDED

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

Twenty Year Service Pension

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

Disability Benefits

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

Survivor Benefits

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

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

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

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

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

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

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

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

State Supplemental Benefits

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

C. EMPLOYEES COVERED BY BENEFIT TERMS

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

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

D. CONTRIBUTIONS

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City and State aid on an annual basis. These statutes are established and amended by the state legislature. The Relief Association is comprised of volunteers; therefore, members have no contribution requirements. The City receives the State aid contribution and is required by state statutes to pass this through as payment to the Relief Association. The City's contributions to the Relief for the year ended December 31, 2016, were \$5,000. The City's contributions exceeded the required contribution of \$5,000 as set by state statute. State aid contributions for the year ended December 31, 2016, were \$129,759.

E. NET PENSION LIABILITY

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

F. ACTUARIAL ASSUMPTIONS

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

Investment rate of return	6.25%
20-year municipal bond yield	3.50%
Projected salary increases	2.50%
Inflation	None
Cost-of-living adjustments	5.00%
Age of service retirement	50
Post retirement benefit increase	None

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation. All results are then rounded to the nearest quarter percentage point.

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

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

Asset Class	Portfolio Weight	Expected Class Return
Cash	7.00%	2.25%
Fixed income	17.00%	3.25%
Equities	74.00%	7.25%
Other	2.00%	6.00%
Total portfolio	100.00%	6.00%

G. DISCOUNT RATES

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

evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations." The determination of the discount rate assumed that the plan's current overfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, the plan's long-term expected return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. CHANGES IN THE NET PENSION LIABILITY

	Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)
Balance at January 1, 2016	\$1,132,230	\$1,905,120
Changes for the year:		
Service cost	72,757	72,757
Interest	68,376	68,376
Differences between expected and actual experience	-	5,000
Contributions - employer	-	130,759
On behalf contributions - State of MN	-	-
Contributions - employee	-	-
Net investment income	138,089	138,089
Benefit payments	(130,773)	(130,773)
Administrative expense	(52,345)	(10,672)
Other changes	(41,985)	-
Net changes	(132,403)	(174,388)
Balance at December 31, 2016	\$1,090,245	\$2,037,523
		(\$947,278)

I. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

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

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and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

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

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

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

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

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

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J. PENSION PLAN FIDUCIARY NET POSITION

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

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

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

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

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

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

Note 11 - OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 8, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees and police and firefighters disabled in the line of duty, through a single-employer defined benefit plan. The term *Plan* refers to the City's requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions

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C. PARTICIPANTS

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

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

D. FUNDING POLICY

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

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2016, was calculated as follows:

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

The net OPEB obligation is allocated as follows:

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

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

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2016	\$87,393	\$70,179	80.2%	\$301,519
December 31, 2015	87,818	62,344	71.0%	284,305
December 31, 2014	87,392	59,798	68.4%	258,831

F. FUNDED STATUS AND FUNDING PROGRESS

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

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

*Using the projected unit credit actuarial pay cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

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

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

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

being amortized using the level percentage of projected payroll method over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 23 years.

Note 12. TERMINATION BENEFITS

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

Twelve employees chose to participate in the ERIP program, all of which were approved by the City. The total cost of the termination benefits provided under the ERIP program is \$620,000. During 2015, the final early termination benefit payment was made.

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

A. TAX INCREMENT DISTRICTS

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

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

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

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

TIF District #1-6, Old Hospital:

Issued in 2008 (2008B) in the principal sum of \$307,500 with an interest rate of 7.75 % per annum. Principal and interest shall be paid on August 1, 2010 and each February 1 and August 1 thereafter to and including February 1, 2032. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest

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

TIF District #1-7, Block 37:

Issued in 2008 (2008A) in the principal sum of \$389,300 with an interest rate of 7.25% per annum. Principal and interest shall be paid on August 1, 2009 and each February 1 and August 1 thereafter to and including February 1, 2035. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest payments will be completed February 1, 2035. The current year abatement (TIF note payments) amounted to \$14,092. At December 31, 2016, the principal amount outstanding on the note was \$389,300.

TIF District #1-8, Lakewood Heights:

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

TIF District #1-9, Majestic Pines:

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

TIF District #1-9, Majestic Pines:

Issued in 2015 (2015B) in the principal sum of \$12,100 with an interest rate of 5.00 % per annum. Principal and interest shall be paid on August 1, 2015 and each February 1 and August 1 thereafter to and including February 1, 2021. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 95% of all tax increment received in the prior six

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

C. ARBITRAGE

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

Note 14 CONTINGENCIES

A. LITIGATION

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

B. FEDERAL AND STATE FUNDS

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

C. TAX INCREMENT DISTRICTS

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

Note 15 OTHER DEFERRED DEBITS AND CREDITS

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

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bonds were issued for the 2011 project. Blandin Paper pays a demand charge in amounts sufficient to pay principal and interest on these bonds. For ratemaking purposes, the Commission has elected to defer the demand charge revenue until the debt service is paid.

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

GRPUC performed water tower reconditioning in 2008 - 2009 at a total cost of \$469,951. The commission has elected to create a regulatory asset for this cost and amortize it over 10 years which is the estimated useful life of the enhancement. The unamortized portion of the Water Tower Reconditioning Project is \$93,990.

Note 16 FUND BALANCE

A. CLASSIFICATIONS

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

	General Fund	IRA Civic Center Project	Improvement 2016 Infrastructure Bonded	Other Governmental Funds	Total
Nonspendable:					
Prepaid items	\$46,245	\$ -	\$ -	\$18,334	\$64,679
Interfund items receivable	590,609	-	-	-	590,609
Restricted:					
Debt service	-	-	-	6,915,106	6,915,106
Unspent bond proceeds	-	-	45,764	66,950	112,714
Law enforcement	-	-	-	66,950	66,950
Other purposes	17,577	-	-	6,082	23,659
Committed:					
Public safety	517,869	-	-	478,243	996,112
Public library	-	-	-	49,796	49,796
General school	-	-	-	185,705	185,705
Airport operations	-	-	-	3,562	3,562
Recreation programs	-	-	-	80,427	80,427
Construction	-	-	-	6,995	6,995
Domestic animal control facility	-	-	-	1,480,898	1,480,898
Assigned:					
Capital purposes	5,066,530	(394,669)	-	(183,893)	4,488,068
Unassigned					
Total	\$6,238,930	(\$394,669)	\$45,764	\$91,107,205	\$14,997,230

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

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

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

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

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

At December 31, 2016, the unassigned fund balance of the General Fund was \$5,066,530, compared to its targeted unassigned fund balance of 5,290,892 based on the above policy.

C. REVENUE STABILIZATION

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

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

Due to the recession which began in 2008, the City depleted its revenue stabilization reserve in 2010. During 2011, the City began replenishing the reserve in accordance with its policy described above. The reserve at December 31, 2016 is as follows:

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

Note 17 COMMITMENTS

A. POWER CONTRACT

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

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

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

B. CONSTRUCTION COMMITMENTS

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

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

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

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

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

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

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

Under the 1996-2001 permit, landfill sites C, D, E, and F were filled to capacity. The 2001-2006 permit included Kettle D and landfill Phases One through Four. Phases Five through Eight were added under the new permit effective September 2006 to September 2011. Kettle D was filled in 2006 and closed in 2008. Phases One through Four were filled and began the closure process in 2007. Final closure on Phases One through Four was completed in 2010. Construction of Phases Five and Six was completed in 2008. Phases Five and Six were put into service in 2008 and have an estimated life of ten years. Phase 7 was constructed in 2010 and placed into service in 2010 with an estimated life of ten years. Construction of Phase 8 began in 2011, and was completed in 2012. Phase 8 was placed in service in 2013 with an estimated life of twenty years.

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

On January 27, 2017 and January 14, 2016, Blandin Paper Company established an irrevocable letter of credit for \$3,450,004 and \$3,370,759 with Nordea Bank on behalf of the Public Utilities Commission. The purpose of the letter of credit is to provide assurance that funds will be available when needed for closure, post-closure care of, and/or contingency action of the landfill. Closure costs relate to open and planned landfill sites. There are no sites that will be closed within one year. Post-closure costs cover all sites, including those that are already closed. No issues have been identified that would require post-closure costs to be incurred, and no issues are anticipated in the next year.

Note 18 RISK MANAGEMENT

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

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

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

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

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

Note 19 CONDUIT DEBT

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

As of December 31, 2016, there were three bond issues outstanding, with an estimated aggregate principal amount payable of \$4,613,882.

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

Note 20 OPERATING LEASE

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

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

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

Note 21 PAYMENTS IN LIEU OF TAX - PUC

Effective January 1, 1997, the Public Utilities Commission and the City of Grand Rapids established a formal agreement for payments in lieu of tax from the Commission to the City. Beginning January 1, 2010, the PILOT agreement was modified and the annual cash payment changed to 4.84 mills per kilowatt hours sold, with a minimum annual payment of \$823,000. The agreement was modified again in 2012. Beginning January 1, 2013, the annual cash PILOT is increased to 5.00 mills per kilowatt hours sold, with a minimum annual payment of \$868,000. The amount of the PILOT cash payment from the Commission to the City for 2016 was \$868,000.

Note 22 DEFICIT FUND BALANCES

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

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

Note 23 MAJOR CUSTOMER AND DEMAND PAYMENT DEFERRAL

The Public Utilities Commission has a contract with Blandin Paper Company (Blandin) where Blandin reimburses the Commission for expenses associated with the operations of the industrial wastewater treatment plant. Amounts reimbursed were \$4,719,770 for 2016. The Commission also has contracts with Blandin whereby Blandin pays demand charges for principal and interest on the General Obligation Revenue Bonds Series 2006A, 2009A, 2009E, 2011A, and 2013C. For ratemaking purposes, the Commission has elected to defer the recognition of the revenue until the debt service on the bonds are paid. The total demand charges paid by Blandin for 2016 were \$2,629,697.

Note 24 RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

Note 25 SUBSEQUENT EVENTS

Subsequent events have been evaluated for recognition or disclosure through June 15, 2017 the date the financial statements were available to be issued.

Note 26 SERVICE TERRITORY ACQUISITION

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

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

Statement 18

	Special Revenue	Debt Service	Capital Project	Totals	
				2016	2015
Assets					
Cash and investments	\$995,909	\$7,274,885	\$1,955,004	\$10,225,798	\$9,099,763
Due from other governmental units	45,483	-	82,711	128,194	368,684
Due from other funds	-	-	10,689	10,689	175,630
Due from component units	-	114,400	66,769	181,169	82,471
Accounts receivable	70,275	-	2,171	72,446	123,859
Prepaid items	18,334	-	20,786	39,120	26,659
Taxes receivable - delinquent	16,438	33,505	3,149	53,092	25,014
Special assessments receivable	-	3,027,313	158,904	3,186,217	2,960,638
Total assets	\$1,146,439	\$10,450,103	\$2,300,183	\$13,896,725	\$12,862,718
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$150,090	\$134,707	\$87,520	\$372,317	\$157,732
Accrued wages payable	41,782	-	-	41,782	39,859
Due to other governmental units	2,751	-	20,000	22,751	15,606
Due to component units	14,387	670	-	15,057	14,419
Contracts payable	-	-	12,829	12,829	-
Due to other funds	3,139	-	10,689	13,828	208,900
Deposits payable	10,580	-	10,580	21,160	8,759
Interfund loan payable	132,360	-	454,285	586,645	2,103,466
Unearned revenue	28,117	224,400	107,504	360,021	178,415
Total liabilities	383,206	359,777	692,827	1,435,810	2,727,156
Deferred inflows of resources:					
Unavailable revenue	16,438	3,175,220	162,052	3,353,710	2,985,652
Total deferred inflows of resources	16,438	3,175,220	162,052	3,353,710	2,985,652
Fund balance:					
Nonspendable	18,334	-	-	18,334	26,659
Restricted	66,950	6,915,106	6,082	6,988,138	6,476,942
Committed	804,728	-	-	804,728	646,943
Assigned	(143,217)	-	1,480,898	1,480,898	2,076,696
Unassigned	746,795	6,915,106	1,445,304	9,107,205	(184,210)
Total fund balance	\$1,146,439	\$10,450,103	\$2,300,183	\$13,896,725	\$12,862,718

Total liabilities, deferred inflows of resources, and fund balance

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

Statement 19

	Special Revenue	Debt Service	Capital Project	Totals	
				2016	2015
Revenues:					
General property	\$777,032	\$1,403,352	\$131,979	\$2,312,363	\$2,383,186
Tax abatements	-	63,528	-	63,528	4,275
Tax increments	-	365,962	-	365,962	231,142
Licenses and permits	-	-	-	-	40
Intergovernmental	317,302	563,216	712,790	1,593,308	1,648,675
Special assessments	1,172,720	954,574	16,921	971,495	713,270
Charges for services	66,145	-	-	66,145	1,164,496
Fines and forfeits	7,874	45,681	-	64,721	58,136
Investment income	196,548	-	42,095	238,643	60,394
Contributions and donations	5,656	223,000	8,971	237,627	61,097
Other	2,543,277	3,619,313	923,922	7,086,512	8,150
Total revenues	5,586,679	5,586,679	1,158,603	11,586,603	11,586,603
Expenditures:					
General government	120,100	275,157	883,446	1,158,603	1,158,603
Public safety	414,386	-	43,131	163,231	136,325
Public works	1,828,059	-	123,086	537,472	421,561
Culture and recreation	271,860	-	312	1,828,371	1,600,330
Capital outlay/construction	10,000	2,580,000	-	2,590,000	2,060,000
Debt service:					
Principal retirement	-	711,789	-	711,789	732,857
Interest	-	7,600	-	7,600	6,800
Paying agent fees	2,644,405	3,574,546	1,907,343	8,126,294	6,265,625
Total expenditures	(101,128)	44,767	(983,421)	(1,039,782)	67,236
Revenues over (under) expenditures	38,000	7,810	38,000	38,000	38,000
Other financing sources (uses):					
Sale of capital assets	74,229	528,016	396,972	999,217	600,932
Insurance recoveries	(4,924)	(85,985)	(432,484)	(523,393)	(72,646)
Transfers in	115,115	442,031	(35,512)	521,634	559,889
Total other financing sources (uses)	184,210	874,062	(77,024)	1,480,898	1,058,125
Net change in fund balance	732,808	6,428,308	2,464,237	9,625,353	8,415,905
Fund balance - January 1	\$746,795	\$6,915,106	\$1,445,304	\$9,107,205	\$9,043,030
Fund balance - December 31					

Total liabilities, deferred inflows of resources, and fund balance

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

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

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

Statement 10
Page 2 of 4

	2016				2015	
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	Actual Amounts	Actual Amounts
	Original	Final				
Expenditures:						
General government:						
Mayor and city council:						
Personnel services	\$41,240	\$41,240	\$41,137	(\$103)	\$42,018	
Materials and supplies	42,450	42,450	42,886	436	43,267	
Other services and charges	83,690	83,690	84,123	433	85,774	
Total mayor and city council	167,380	167,380	168,146	766	171,059	
Administration:						
Current:						
Personnel services	410,665	410,665	399,130	(11,535)	376,207	
Materials and supplies	3,150	3,150	3,816	666	8,720	
Other services and charges	44,800	44,800	39,772	(5,028)	37,207	
Total administration	458,615	458,615	442,718	(15,897)	422,134	
Finance:						
Current:						
Personnel services	411,638	411,638	409,940	(1,698)	392,371	
Materials and supplies	6,125	6,125	3,057	(3,068)	2,378	
Other services and charges	48,700	48,700	45,280	(3,420)	63,623	
Total finance	466,463	466,463	458,277	(8,186)	458,372	
Information technology:						
Current:						
Personnel services	158,921	158,921	160,621	1,700	152,528	
Materials and supplies	15,350	15,350	21,453	6,103	9,783	
Other services and charges	39,700	39,700	31,733	(7,967)	59,479	
Total information technology	213,971	213,971	213,807	(164)	221,790	
Community development:						
Current:						
Personnel services	418,970	418,970	442,146	23,176	351,304	
Materials and supplies	7,150	7,150	4,356	(2,794)	5,278	
Other charges and services	42,900	42,900	36,723	(6,177)	37,584	
Total community development	469,020	469,020	483,225	14,205	394,166	
Building maintenance - city hall:						
Current:						
Personnel services	170,503	170,503	100,479	(70,024)	75,732	
Materials and supplies	11,700	11,700	19,848	8,148	5,963	
Other charges and services	81,450	81,450	82,204	754	95,241	
Total building maintenance - city hall	263,653	263,653	202,531	(61,122)	176,936	
Total general government	1,955,412	1,955,412	1,884,681	(70,731)	1,759,172	

	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Public safety:					
Police protection:					
Current:					
Personnel services	\$2,287,104	\$2,287,104	\$2,316,968	\$29,864	\$2,165,313
Materials and supplies	129,916	129,916	95,212	(34,704)	89,186
Other charges and services	268,080	268,080	255,296	(12,784)	302,688
Total police protection	2,685,100	2,685,100	2,667,476	(17,624)	2,557,187
Fire protection:					
Current:					
Personnel services	369,840	369,840	373,327	3,487	393,624
Materials and supplies	48,650	48,650	51,921	3,271	47,458
Other charges and services	106,975	106,975	86,337	(20,638)	90,292
Total fire protection	525,465	525,465	511,585	(13,880)	531,374
Total public safety	3,210,565	3,210,565	3,179,061	(31,504)	3,088,561
Public works:					
Current:					
Personnel services	717,407	717,407	769,141	51,734	804,707
Materials and supplies	228,100	228,100	204,250	(23,850)	191,932
Other services and charges	468,376	468,376	500,372	31,996	444,756
Street lighting	223,000	223,000	248,306	25,306	198,799
Total public works	1,636,883	1,636,883	1,722,269	85,386	1,640,194
Engineering:					
Current:					
Personnel services	209,943	209,943	184,458	(25,485)	211,659
Materials and supplies	4,100	4,100	5,185	1,085	10,147
Other services and charges	45,300	45,300	41,596	(3,704)	48,046
Total engineering	259,343	259,343	231,239	(28,104)	269,852
Fleet maintenance:					
Current:					
Personnel services	183,630	183,630	182,844	(786)	172,134
Materials and supplies	19,400	19,400	18,484	(916)	19,300
Other services and charges	62,340	62,340	38,950	(23,390)	52,623
Total fleet maintenance	265,370	265,370	240,278	(25,092)	244,057
Total public works	2,161,596	2,161,596	2,193,786	32,190	2,154,103

	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Current:					
Personnel services	\$113,163	\$113,163	\$107,407	(\$5,756)	\$106,286
Materials and supplies	4,700	4,700	845	(3,855)	1,122
Other services and charges	12,300	12,300	11,030	(1,270)	12,889
Total culture and recreation	130,163	130,163	119,282	(10,881)	120,297
Miscellaneous:					
City-wide:					
Current:					
Early Retirement Incentive Plan					10,000
Other services and charges	414,000	414,000	468,926	54,926	378,620
Special projects:					
Current:					
Other services and charges	25,000	25,000	45,615	20,615	156,915
Total miscellaneous	439,000	439,000	514,541	75,541	545,535
Total expenditures	7,896,736	7,896,736	7,891,351	(5,385)	7,667,668
Revenues over (under) expenditures	574,469	574,469	650,011	75,542	768,832
Other financing sources (uses):					
Sale of capital assets	-	-	17,400	17,400	2,000
Insurance recoveries	-	-	42,968	42,968	4,347
Transfers in	3,500	3,500	3,500	-	3,500
Transfers out	(490,469)	(490,469)	(473,824)	14,645	(428,286)
Total other financing sources (uses)	(486,969)	(486,969)	(411,956)	75,013	(418,439)
Net change in fund balance	\$87,500	\$87,500	238,055	\$150,555	350,393
Fund balance - January 1			6,000,875		5,650,482
Fund balance - December 31			\$6,238,930		\$6,000,875

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.

Statement 11
CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH PLAN
 For The Year Ended December 31, 2015

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

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

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

Statement 12
CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾
 For The Year Ended December 31, 2016

Measurement Date	Fiscal Year Ending	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a-b)		City's Proportionate Share of the Net Pension Liability Covered Payroll (c)	Proportionate Share of the Net Pension Liability Covered Payroll (a/b)/c	Plan Fiduciary Investment Income as a Percentage of the Total Pension Liability
				City (a)	State (b)			
June 30, 2015	December 31, 2015	0.0328%	\$ 205,275	\$ 205,275	\$ 205,275	\$2,875,000	90.9%	78.2%
June 30, 2016	December 31, 2016	0.0519%	4,181,443	4,216,186	4,216,186	3,160,070	134.0%	68.5%

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

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS⁽¹⁾ -
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Year Ended December 31, 2016

Statement 13

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$233,723	\$233,723	\$ -	\$3,114,384	7.5%
December 31, 2016	243,845	243,845	-	3,251,272	7.5%

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

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -
 PUBLIC EMPLOYEES POLICE AND FIRE FUND
 For The Year Ended December 31, 2016

Statement 14

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered-Employee Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	December 31, 2015	0.1500%	\$1,704,351	\$1,333,738	127.8%	86.6%
June 30, 2016	December 31, 2016	0.1440%	5,778,971	1,384,958	417.3%	63.9%

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

Statement 15

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS⁽¹⁾ -
 PUBLIC EMPLOYEES POLICE AND FIRE FUND
 For The Year Ended December 31, 2016

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

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

Statement 16

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS⁽¹⁾ -
 GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION
 For The Year Ended December 31, 2016

Measurement date	December 31, 2016	December 31, 2015
Total pension liability:		
Service cost	\$72,757	\$75,241
Interest cost	68,376	66,133
Changes of benefit terms	-	-
Differences between expected and actual experience	(40,925)	-
Changes of assumptions	(11,420)	-
Benefit payments, including refunds of employee contributions	(130,773)	(222,729)
Net change in total pension liability	(41,985)	(81,355)
Total pension liability - beginning	1,132,230	1,213,585
Total pension liability - ending (a)	\$1,090,245	\$1,132,230

Plan fiduciary net position:

Contributions - employer	\$5,000	\$5,000
Contributions - State of Minnesota	130,759	131,098
Contributions - employee	-	-
Net investment income	138,089	(98,329)
Benefit payments, including refunds of employee contributions	(130,773)	(222,729)
Administrative expense	(10,672)	(11,540)
Other	-	-
Net change in plan fiduciary net position	132,403	(196,500)

Plan fiduciary net position - beginning	1,905,120	2,101,620
Plan fiduciary net position - ending (b)	\$2,037,523	\$1,905,120
Net pension liability / (asset) - ending (a) - (b)	(\$947,278)	(\$772,890)

Plan fiduciary net position as a percentage of the total pension liability 186.89% 168.26%

Covered-employee payroll (2) (2)

Net pension liability as a percentage of covered employee payroll (2) (2)

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

Statement 17
CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS⁽¹⁾
GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION
 For The Year Ended December 31, 2016

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

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2016

A. LEGAL COMPLIANCE – BUDGETS

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

B. PENSION INFORMATION

PERA – General Employees Retirement Fund

2016 Changes

Changes in Actuarial Assumptions:

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

PERA – Public Employees Police and Fire Fund

2016 Changes

Changes in Actuarial Assumptions:

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

Single Employer – Fire Relief Association

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

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For December 31, 2015

	211 Public Library	225 Central School	226 Airport Operations	228 IRA Civic Center
Assets				
Cash and investments	\$535,359	\$73,288	\$221,565	\$4,100
Due from other governmental units	32,087	-	-	-
Accounts receivable	1,195	1,718	1,572	64,940
Prepaid items	5,416	1,555	1,292	4,369
Taxes receivable - delinquent	12,793	-	-	-
Total assets	\$586,850	\$76,561	\$224,429	\$73,409
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$67,922	\$11,330	\$16,712	\$49,217
Accrued wages payable	18,832	-	3,069	13,441
Due to other governmental units	368	24	129	2,037
Due to component units	2,218	1,366	610	9,455
Due to other funds	-	-	-	-
Deposits payable	-	10,580	-	-
Interfund loan payable	-	-	7,000	125,360
Unearned revenue	1,058	1,910	9,912	12,747
Total liabilities	90,398	25,210	37,432	212,257
Deferred inflows of resources:				
Unavailable revenue	12,793	-	-	-
Total deferred inflows of resources	12,793	0	0	0
Fund balance (deficit):				
Nonspendable	5,416	1,555	1,292	4,369
Restricted	-	-	-	-
Committed	478,243	49,796	185,705	-
Unassigned	-	-	-	(143,217)
Total fund balance (deficit)	483,659	51,351	186,997	(138,848)
Total liabilities, deferred inflows of resources, and fund balance	\$586,850	\$76,561	\$224,429	\$73,409

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

Statement 20

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

Statement 21

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2016	2015
\$ -	\$ -	\$ -	\$ 185,595	\$ -	\$ 777,032	\$ 724,809
-	-	-	-	-	-	40
-	51,816	1,018	11,407	-	317,302	194,618
71,532	-	-	34,131	-	1,172,720	1,164,496
-	-	20,029	-	33,818	66,145	58,136
50	-	541	314	-	7,874	5,223
-	-	-	-	-	196,548	52,139
-	-	-	2,680	-	5,656	8,150
71,582	51,816	21,588	234,127	33,818	2,543,277	2,207,611
-	51,816	14,079	-	54,205	120,100	136,325
-	-	-	217,274	-	414,386	404,206
63,983	-	-	-	-	1,828,059	1,599,911
-	-	-	-	-	271,860	168,350
-	-	-	-	-	10,000	10,000
63,983	51,816	14,079	217,274	54,205	2,644,405	2,318,792
7,599	0	7,509	16,853	(20,387)	(101,128)	(111,181)
-	-	-	-	-	38,000	-
-	-	-	-	-	7,810	31,603
-	-	-	-	20,387	74,229	84,604
0	0	(4,924)	0	-	(4,924)	-
7,599	0	2,585	16,853	0	13,987	5,026
(3,412)	973	63,392	68,025	7,621	732,808	727,782
\$ 4,187	\$ 973	\$ 65,977	\$ 84,878	\$ 7,621	\$ 746,795	\$ 732,808

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.

	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	351 Improvement Bonds of 2006C	357 GO CIP Refunding Bonds of 2006B	353 Improvement Bonds of 2007A
Cash and investments	\$4,921	\$194,599	\$52,475	\$983,974	\$233,767	\$252,957
Due from other governments	-	-	-	-	-	-
Due from component units	-	2,740	-	-	114,400	-
Accounts receivable - delinquent	-	-	-	-	-	2,572
State grants	-	-	706	-	-	-
Delinquent	-	-	-	144,598	-	2,617
Deferred	-	-	-	130,038	-	140,265
Special deferred	-	-	-	-	-	-
Total assets	\$4,921	\$197,339	\$53,181	\$1,258,610	\$348,167	\$598,361

	354 G.O. State-Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	358 Improvement Bonds of 2009C	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B	361 Improvement Bonds of 2012A	362 G.O. State-Aid Street Bonds of 2012B
	\$15,206	\$153,929	\$113,597	\$808,134	\$289,648	\$441,372	\$906,314	\$636
	-	1,085	1,737	6,142	2,682	573	2,422	-
	-	552	699	4,304	15,523	1,799	8,204	-
	-	49,603	27,916	375,243	97,487	371,720	296,986	-
	-	24,642	-	-	-	-	5,152	-
Total	\$15,206	\$229,211	\$143,949	\$1,193,823	\$405,340	\$815,464	\$1,219,078	\$636

	\$	\$	\$	\$	\$	\$
Liabilities:						
Accounts payable	-	-	-	-	-	-
Due to component units	-	-	-	670	-	-
Unearned revenue	-	-	-	224,400	-	-
Total liabilities	0	0	0	225,070	0	0
Deferred inflows of resources:						
Unavailable revenue	-	2,740	707	274,636	114,400	144,404
Total deferred inflows of resources	0	2,740	707	274,636	114,400	144,404
Fund balance:						
Restricted	4,921	194,599	52,474	983,974	8,697	252,957
Total fund balance	4,921	194,599	52,474	983,974	8,697	252,957
Total liabilities, deferred inflows of resources, and fund balance	\$4,921	\$197,339	\$53,181	\$1,258,610	\$348,167	\$598,361

	\$	\$	\$	\$	\$	\$	\$	\$
	0	0	0	0	0	0	0	0
	0	215,283	30,353	385,689	115,692	374,092	312,764	0
	0	15,928	30,552	385,689	115,692	374,092	312,764	0
	15,206	153,929	113,597	808,134	289,648	441,372	906,314	636
	15,206	153,929	113,597	808,134	289,648	441,372	906,314	636
Total	\$15,206	\$229,211	\$143,949	\$1,193,823	\$405,340	\$815,464	\$1,219,078	\$636

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
Cash and investments	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
Due from other governments	-	-	-	-	-
Due from component units	1,246	5,545	-	-	-
To component units	2,627	-	-	-	-
Special assessments:					
Delinquent	54,212	2,002	738	-	-
Deferred	248,924	111,998	219,297	-	-
Special deferred	303,823	-	-	-	-
Total assets	\$1,247,950	\$500,124	\$362,295	\$44,409	\$26,371

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
	-	-	-	-	-
	1,246	5,545	-	-	-
	2,627	-	-	-	-
	54,212	2,002	738	-	-
	248,924	111,998	219,297	-	-
	303,823	-	-	-	-
Total assets	\$1,247,950	\$500,124	\$362,295	\$44,409	\$26,371

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
	-	-	-	-	-
	1,246	5,545	-	-	-
	2,627	-	-	-	-
	54,212	2,002	738	-	-
	248,924	111,998	219,297	-	-
	303,823	-	-	-	-
Total assets	\$1,247,950	\$500,124	\$362,295	\$44,409	\$26,371

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
	-	-	-	-	-
	1,246	5,545	-	-	-
	2,627	-	-	-	-
	54,212	2,002	738	-	-
	248,924	111,998	219,297	-	-
	303,823	-	-	-	-
Total assets	\$1,247,950	\$500,124	\$362,295	\$44,409	\$26,371

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
	-	-	-	-	-
	1,246	5,545	-	-	-
	2,627	-	-	-	-
	54,212	2,002	738	-	-
	248,924	111,998	219,297	-	-
	303,823	-	-	-	-
Total assets	\$1,247,950	\$500,124	\$362,295	\$44,409	\$26,371

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
	-	-	-	-	-
	1,246	5,545	-	-	-
	2,627	-	-	-	-
	54,212	2,002	738	-	-
	248,924	111,998	219,297	-	-
	303,823	-	-	-	-
Total assets	\$1,247,950	\$500,124	\$362,295	\$44,409	\$26,371

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
	-	-	-	-	-
	1,246	5,545	-	-	-
	2,627	-	-	-	-
	54,212	2,002	738	-	-
	248,924	111,998	219,297	-	-
	303,823	-	-	-	-
Total assets	\$1,247,950	\$500,124	\$362,295	\$44,409	\$26,371

	371 TIF 1-6 O4 Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 O4 Hospital Housing Paygo	374 TIF 1-5 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Totals Normalized Debt Service Funds 2016	2015
	\$60,772	\$17,481	\$16,193	\$66,805	\$334,743	\$88,782	\$7,274,885	\$5,945,823
	-	-	-	-	-	-	114,400	2,136
	-	-	4,184	-	-	-	33,903	14,261
	-	-	-	-	-	-	107,740	124,057
	-	-	-	-	-	-	2,453,343	2,630,902
	-	-	-	-	-	-	464,230	33,282
Total assets	\$60,772	\$17,481	\$20,377	\$66,805	\$334,743	\$88,782	\$10,450,103	\$8,750,461

	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement	370 TIF 1-8 Lakewood Heights
	\$619,725	\$380,579	\$142,260	\$44,409	\$26,371
	-	-	-	-	-
	1,246	5,545	-	-	-
	2,627	-	-	-	-
	54,212	2,002	738	-	-
	248,924	111,998	219,297	-	-
	303,823	-	-	-	

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
 For the Year Ended December 31, 2016
 With Comparative Totals for the Year Ended December 31, 2015

	362 G.O. Street Street Bonds of 2012B	364 Improvement Refunding Bonds of 2013A	365 G.O. Street Reconstruction Bonds of 2013B	366 Improvement Bonds of 2014A	367 Improvement Bonds of 2016A	369 1st Ave Condo Abatement
Revenues:						
Taxes:						
General property	\$ 42,186	\$ 2,565	\$ 130,383	\$ 2,588,964	\$ -	\$ -
Tax abatement	22,656	-	-	-	-	40,872
State	-	-	-	-	-	-
Intergovernmental:						
Supplemental aid	319,918	8,007	8,007	15,938	-	-
MNSA	-	-	-	-	-	-
Other federal	-	-	-	-	-	-
Federal BAP credit	-	-	-	-	-	-
Special assessments	237	237	51,940	11,796	142,094	-
Investment income	3,895	5,041	2,010	357	227	227
Other	-	-	-	-	-	-
Total revenues	320,175	307,775	195,371	2,887,708	142,431	41,099
Expenditures:						
General government:						
Current:						
Debt related services	314	312	314	313	191	-
Debtors assistance	-	-	-	-	-	40,872
Debt service:						
Principal retirement	260,000	205,000	235,000	220,000	-	-
Interest	59,838	9,418	116,163	52,698	-	-
Paying agent fees	525	750	425	450	-	-
Total expenditures	320,377	215,280	351,902	275,461	191	40,872
Revenue over (under) expenditures	(602)	92,195	(156,531)	15,247	142,260	227
Other financing sources (uses):						
Transfer in	-	-	528,016	-	-	-
Transfer out	-	-	(228,016)	-	-	-
Total other financing sources (uses)	-	-	300,000	-	-	-
Net change in fund balance	(602)	92,195	(156,531)	15,247	142,260	227
Fund balance (deficit) - January 1	1,238	527,530	653,750	365,332	-	23,746
Fund balance (deficit) - December 31	\$636	\$619,725	\$1,025,215	\$380,579	\$142,260	\$23,973

	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 Block Bear Homes	375 TIF 1-4 Oakwood Terrace	380 TIF 1-9 Majestic Pines	Total Nonmajor Debt Service Funds 2016	2015
\$	35,579	57,163	15,658	24,709	36,951	30,097	\$ -	\$1,403,352	\$1,526,195
								63,528	4,275
								365,962	231,142
								92,424	102,445
								414,588	546,656
								-	16,679
								56,204	61,113
								954,574	696,835
								45,681	39,833
								33,689	32,253,173
								166,404	
								8,504	12,137
								149,572	193,033
								238,966	
								2,580,000	2,050,000
								711,789	732,857
								7,600	6,800
								3,574,546	2,910,827
								44,767	314,346
								528,016	156,646
								(85,985)	(2,394)
								442,031	154,252
								8,308	468,498
								6,428,308	5,423,876
								\$6,915,106	\$5,892,474
								\$5,892,474	
								8,304	
								237,330	
								\$6,255,308	

Reconciliation of beginning fund balance to prior year ending fund balance:
 Prior year ending fund balance reported above
 Add prior year ending fund balance for funds reported as major in
 prior year and nonmajor in current year:
 352 GO CIP Refunding Bonds of 2006B
 364 Improvement Refunding Bonds of 2013A
 Current Year Beginning Fund Balance

NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

Assets	407 Capital	413 Airport	431 7th Ave Bridge	458 2000	478 2017	501 Permanent	Totals Nonmajor Capital Project Funds	
	Equipment Replacement	Fund	Rehab	Infrastructure Other	Infrastructure Bonds	Improvement Revolving	2016	2015
Cash and investments	\$558,262	\$42,189	\$578,181	\$6,082	\$ -	\$226,166	\$1,955,004	\$2,354,557
Accounts receivable	300	-	-	-	-	-	2,171	272,708
Due from other governmental units	-	69,882	-	-	-	-	82,711	175,630
Due from other funds	-	-	-	-	-	10,689	10,689	-
Due from component units	-	-	-	-	-	66,769	66,769	82,471
Prepaid items	20,786	-	-	-	-	-	20,786	-
Taxes receivable - delinquent	3,149	-	-	-	-	-	3,149	1,552
Special assessments receivable:	-	-	-	-	-	11,744	11,744	-
Delinquent	-	-	-	-	-	139,717	139,717	166,110
Deferred	-	-	-	-	-	7,443	7,443	6,287
Special deferred	-	-	-	-	-	-	-	-
Total assets	\$582,497	\$112,071	\$578,181	\$6,082	\$0	\$462,528	\$2,300,183	\$3,059,315
Liabilities, Deferred Inflows of Resources, and Fund Balance								
Liabilities:								
Accounts payable	\$14,364	\$55,215	\$ -	\$ -	14,182	\$ -	\$87,520	\$43,649
Interfund loan payable	454,285	-	-	-	-	-	454,285	140,796
Contracts payable	-	-	-	-	-	-	12,829	-
Due to other governmental units	20,000	-	-	-	-	-	20,000	39
Due to other funds	-	-	-	-	10,689	-	10,689	175,630
Unearned revenue	107,504	-	-	-	-	-	107,504	107,504
Total liabilities	596,153	55,215	0	0	24,871	0	692,827	467,618
Deferred inflows of resources:								
Unavailable revenue	3,149	-	-	-	-	158,903	162,052	173,949
Total deferred inflows of resources	3,149	0	-	0	0	158,903	162,052	173,949
Fund balance (deficit):								
Restricted	-	-	-	6,082	-	-	6,082	434,724
Assigned	-	56,856	578,181	-	-	303,625	1,480,898	2,076,696
Unassigned	(16,805)	-	-	-	(24,871)	-	(41,676)	(93,672)
Total fund balance (deficit)	(16,805)	56,856	578,181	6,082	(24,871)	303,625	1,445,304	2,417,748
Total liabilities, deferred inflows of resources, and fund balance	\$582,497	\$112,071	\$578,181	\$6,082	\$0	\$462,528	\$2,300,183	\$3,059,315

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

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

Statement 25
Page 1 of 2

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

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

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

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

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

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 211 PUBLIC LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

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

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CITY OF GRAND RAPIDS, MINNESOTA
 SPECIAL REVENUE FUND - 225 CENTRAL SCHOOL
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

	2016		2015 Actual Amounts
	Budgeted Amounts		
	Original	Final	
Revenues:			
Charges for services:			
Rent	\$84,300	\$84,300	\$86,114
Other	-	-	47
Investment income	-	-	310
Other	-	1,751	55
Total revenues	\$84,300	\$84,300	\$86,526
Expenditures:			
Culture and recreation:			
Current:			
Materials and supplies	3,500	3,500	3,624
Other services and charges	102,250	102,250	93,041
Total expenditures	105,750	105,750	96,665
Revenues over (under) expenditures	(21,450)	(21,450)	(10,139)
Other financing sources:			
Transfer in	26,850	26,850	15,550
Net change in fund balance	\$5,400	\$5,400	5,411
Fund balance - January 1			40,376
Fund balance - December 31			\$45,787

Statement 28

CITY OF GRAND RAPIDS, MINNESOTA
 SPECIAL REVENUE FUND - 226 AIRPORT OPERATIONS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

	2016		2015 Actual Amounts
	Budgeted Amounts		
	Original	Final	
Revenues:			
Charges for services:			
Rent	\$112,282	\$112,282	\$109,451
Other	4,800	4,800	5,423
Intergovernmental:			
State operations reimbursement	63,049	63,049	66,668
Itasca County	20,000	20,000	25,000
Investment income	1,000	1,000	1,500
Other	-	-	85
Total revenues	201,131	201,131	208,042
Expenditures:			
Public works:			
Current:			
Personnel services	87,214	87,214	73,327
Materials and supplies	18,125	18,125	9,301
Other services and charges	105,792	105,792	99,468
Total current	211,131	211,131	182,096
Debt service - loan repayment	10,000	10,000	10,000
Total expenditures	221,131	221,131	192,096
Revenues over (under) expenditures	(20,000)	(20,000)	15,946
Other financing sources:			
Transfer in	20,000	20,000	24,500
Net change in fund balance	\$0	\$0	40,446
Fund balance - January 1			131,514
Fund balance - December 31			\$186,997

Statement 29

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 228 IRA CIVIC CENTER
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

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

	2016		2015 Actual Amounts
	Budgeted Amounts Original	Final	
Revenues:			
Charges for services:			
Fees	\$61,100	\$61,100	\$55,112
Investment income	-	-	50
Total revenues	<u>61,100</u>	<u>61,100</u>	<u>55,178</u>
Expenditures:			
Culture and recreation:			
Current:			
Personnel services	51,145	51,145	60,765
Materials and supplies	6,000	6,000	4,096
Other services and charges	3,600	3,600	2,857
Total expenditures	<u>60,745</u>	<u>60,745</u>	<u>67,718</u>
Revenues over (under) expenditures	<u>\$355</u>	<u>\$355</u>	<u>(12,540)</u>
Fund balance - January 1			
Fund balance - December 31			
			<u>(\$3,412)</u>

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CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 230 RECREATION PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

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

	2016		2015 Actual Amounts
	Budgeted Amounts Original	Final	
Revenues:			
Charges for services:			
Fees	\$61,100	\$61,100	\$55,112
Investment income	-	-	50
Total revenues	<u>61,100</u>	<u>61,100</u>	<u>55,178</u>
Expenditures:			
Culture and recreation:			
Current:			
Personnel services	51,145	51,145	60,765
Materials and supplies	6,000	6,000	4,096
Other services and charges	3,600	3,600	2,857
Total expenditures	<u>60,745</u>	<u>60,745</u>	<u>67,718</u>
Revenues over (under) expenditures	<u>\$355</u>	<u>\$355</u>	<u>(12,540)</u>
Fund balance - January 1			
Fund balance - December 31			
			<u>9,128</u>

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CITY OF GRAND RAPIDS, MINNESOTA
 SPECIAL REVENUE FUND - 231 HAZ-MAT
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

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

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CITY OF GRAND RAPIDS, MINNESOTA
 SPECIAL REVENUE FUND - 232 POLICE FORFEITURE
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

	2016		2015
	Budgeted Amounts	Actual Amounts	Actual Amounts
	Original	Final	
Revenues:			
Intergovernmental	\$ -	\$ -	\$1,018
Fines and forfeits	11,000	11,000	20,029
Investment income	-	-	541
Miscellaneous	6,500	6,500	-
Total revenues	17,500	17,500	21,588
Expenditures:			
Public safety:			
Current:			
Materials and supplies	1,000	1,000	3,956
Other services and charges	2,000	2,000	10,123
Total expenditures	3,000	3,000	14,079
Revenues over (under) expenditures	14,500	14,500	7,509
Other financing sources:			
Transfers out	-	-	(4,924)
Net change in fund balance	\$14,500	\$14,500	2,585
Fund balance - January 1			63,392
Fund balance - December 31		\$65,977	\$65,977

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 233 CEMETERY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 33

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

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 235 DOMESTIC ANIMAL CONTROL FACILITY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 34

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

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
 December 31, 2016
 With Comparative Totals For December 31, 2015

Statement 35

AGENCY FUNDS

Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. During 2016, the City of Grand Rapids had the following Agency Funds:

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

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

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

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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, 2016

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

COMPONENT UNIT

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

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
For The Year Ended December 31, 2016
 With Comparative Totals For The Year Ended December 31, 2015

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
December 31, 2016
 With Comparative Totals For December 31, 2015

Statement 37

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Assets	Totals		
	General	Capital Project	2015
Cash and investments	\$42,310	\$632,621	\$674,931
Accounts receivable	-	109,020	109,020
Due from other governmental units	-	157,185	157,185
Inventory - land held for resale	-	2,316,697	1,809,561
Notes receivable	-	251,284	198,168
Taxes receivable - delinquent	-	648	-
Total assets	\$42,310	\$3,467,455	\$2,827,114

Liabilities, Deferred Inflows of Resources, and Fund Balance

Liabilities:			
Accounts payable	\$	\$12,998	\$1,446
Due to other governmental units	-	67,960	116,444
Contracts payable	-	6,088	10,989
Total liabilities	0	87,046	128,879

Deferred inflows of resources:

Unavailable revenue	-	2,675,979	2,131,088
Total deferred inflows of resources	0	2,675,979	2,131,088

Fund balance:

Assigned	-	704,430	512,452
Unassigned	42,310	42,310	54,695
Total fund balance	42,310	704,430	567,147

Total liabilities, deferred inflows of resources, and fund balance

	\$42,310	\$3,467,455	\$2,827,114
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Revenues:	Totals		
	General	Capital Project	2015
General property taxes	\$	\$55,914	\$55,914
Intergovernmental	-	689,704	279,389
Charges for services	-	16,965	10,179
Investment income	394	6,093	6,314
Miscellaneous:			
Loan repayment	-	111,593	109,893
Donations/contributions	-	-	3,832
Other	-	8,419	7,757
Total revenues	394	888,688	473,431

Expenditures:

Economic development:

Current:

Materials and supplies	29	-	29
Other services and charges	12,750	810,251	552,394
Loan disbursement	-	70,000	109,952
Capital outlay/construction	-	620,529	576,344
Total expenditures	12,779	1,500,780	1,238,701

Revenues over (under) expenditures

	(12,385)	(612,092)	(765,270)
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Other financing sources:

Proceeds from land sales	-	246,070	-
Proceeds from loan issuance	-	558,000	350,000
Total other financial sources	-	804,070	350,000

Net change in fund balance

	(12,385)	191,978	(415,270)
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Fund balance - January 1

	54,695	512,452	982,417
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Fund balance - December 31

	\$42,310	\$704,430	\$567,147
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CITY OF GRAND RAPIDS, MINNESOTA
NET POSITION BY COMPONENT
 Last Ten Fiscal Years

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

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

III. STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

Table 1

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
\$31,703,299	\$30,975,963	\$31,861,617	\$33,830,578	\$33,884,548	\$36,971,014	
12,379,387	12,077,081	12,808,310	10,281,228	9,803,311	9,084,391	
5,813,768	7,680,276	7,617,727	4,784,327	4,927,309	3,956,874	
\$49,896,454	\$50,733,320	\$52,287,654	\$48,896,133	\$48,615,168	\$50,012,279	
\$2,793,653	\$2,755,540	\$2,864,018	\$2,894,190	\$2,841,005	\$2,797,345	
236,409	339,608	272,420	424,469	494,673	337,782	
\$3,030,062	\$3,095,148	\$3,136,438	\$3,318,659	\$3,335,678	\$3,135,127	
\$34,496,952	\$33,731,503	\$34,725,635	\$36,724,768	\$36,725,553	\$39,768,359	
12,379,387	12,077,081	12,808,310	10,281,228	9,803,311	9,084,391	
6,050,177	8,019,884	7,890,147	5,208,796	5,421,982	4,294,656	
\$52,926,516	\$53,828,468	\$55,424,092	\$52,214,792	\$51,950,846	\$53,147,406	

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$2,249,579	\$3,257,703	\$3,139,210	\$2,407,660
Public safety	2,452,364	2,904,780	3,611,752	2,789,559
Public works	4,309,921	5,018,711	5,144,636	4,841,814
Culture and recreation	2,324,697	2,243,609	2,267,791	2,270,942
Interest and fees on long-term debt	839,991	863,133	950,717	978,289
Total governmental activities expenses	12,176,552	14,287,936	15,114,106	13,288,264
Business-type activities:				
Golf course	518,409	473,579	496,554	455,315
Storm water utility	346,998	352,562	370,726	411,849
Total business-type activities expenses	865,407	806,141	867,280	867,164
Total primary government expenses	\$13,041,959	\$15,094,077	\$15,981,386	\$14,155,428
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$477,296	\$401,562	\$405,500	\$457,201
Public safety	422,666	510,127	463,110	388,484
Public works	129,233	206,256	405,086	261,584
Culture and recreation:				
Ice rent	435,919	426,215	404,920	409,234
Other activities	594,848	581,602	585,044	515,812
Operating grants and contributions	743,317	614,629	1,007,304	1,027,304
Capital grants and contributions	3,018,228	3,658,563	4,673,279	2,463,006
Total governmental activities program revenues	5,821,507	6,398,954	8,037,281	5,522,625
Business-type activities:				
Charges for services:				
Golf course	506,659	494,371	516,832	548,820
Storm water utility	484,163	478,596	484,528	505,336
Operating grants and contributions	6,000	-	-	-
Capital grants and contributions	1,440	-	-	-
Total business-type activities program revenues	998,262	972,967	836,208	97,352
Total primary government program revenues	\$6,819,769	\$7,371,921	\$8,874,849	\$6,674,133
Net (expense) revenue:				
Governmental activities	(\$6,355,045)	(\$7,888,982)	(\$7,076,825)	(\$7,765,639)
Business-type activities	132,855	166,826	970,288	284,344
Total primary government net (expense) revenue	(\$6,222,190)	(\$7,722,156)	(\$6,106,537)	(\$7,481,295)

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

Table 2
 Page 1 of 2

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
\$2,362,986	\$2,206,280	\$2,420,199	\$3,701,667	\$2,993,026	\$3,649,895	
2,836,212	2,929,368	3,117,628	3,382,829	3,674,182	4,208,454	
5,390,413	6,772,303	5,601,025	5,417,245	5,239,892	5,646,605	
2,235,043	2,235,595	2,000,748	2,054,143	2,028,067	2,367,449	
907,838	921,653	1,309,223	834,833	740,526	731,702	
13,732,492	15,065,199	14,448,823	15,390,717	14,675,693	16,604,105	
549,733	561,484	554,933	554,859	598,114	651,127	
377,107	341,287	434,932	425,389	440,557	688,176	
926,840	902,771	989,865	980,248	1,038,671	1,339,303	
\$14,679,332	\$15,967,970	\$15,438,688	\$16,370,965	\$15,714,364	\$17,943,408	
\$401,410	\$434,949	\$590,194	\$563,808	\$565,218	\$458,276	
447,864	433,622	478,032	527,001	561,365	580,225	
432,900	419,069	716,553	424,349	323,177	326,167	
434,724	440,565	451,836	474,909	484,801	496,778	
506,187	521,523	500,351	526,763	532,720	551,263	
1,240,128	1,572,878	1,358,914	1,980,477	1,615,576	2,262,521	
5,349,509	3,737,070	3,439,782	1,757,480	806,243	3,523,916	
8,812,722	7,559,676	7,533,662	6,254,787	4,889,100	8,199,146	
553,201	561,653	524,670	555,588	589,499	569,276	
498,587	498,189	551,049	553,074	563,011	567,357	
7,995	100		46,388			
1,059,783	1,059,942	1,075,719	1,155,050	1,152,510	1,136,633	
\$9,872,505	\$8,619,618	\$8,611,381	\$7,409,837	\$6,041,610	\$9,335,779	
(\$4,939,770)	(\$7,505,523)	(\$6,913,161)	(\$9,135,930)	(\$9,786,593)	(\$8,404,959)	
132,943	157,171	85,854	174,802	113,839	(202,670)	
(4,806,827)	(7,348,352)	(6,827,307)	(8,961,128)	(9,672,754)	(8,607,629)	

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

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

CITY OF GRAND RAPIDS, MINNESOTA
FUND BALANCES - GOVERNMENTAL FUNDS⁽¹⁾
 Last Ten Fiscal Years

	Fiscal Year				
	2007	2008	2009	2010	2011
General Fund:					
Reserved	\$264,264	\$224,509	\$219,727	\$497,935	\$497,935
Unreserved	5,537,743	4,847,138	4,529,615	4,443,526	4,443,526
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	5,802,007	5,071,647	4,749,342	4,941,461	4,941,461
All other governmental funds:					
Reserved	7,420,555	7,653,945	6,660,438	7,061,043	7,061,043
Unreserved, reported in:					
Special revenue funds	771,353	805,001	872,154	747,062	747,062
Debt service funds	(89,202)	(120,115)	(121,906)	(130,205)	(130,205)
Capital projects funds	4,363,548	3,298,276	3,690,962	2,773,389	2,773,389
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other government funds	12,466,254	11,637,107	11,101,648	10,451,289	10,451,289
Total all funds	\$18,268,261	\$16,708,754	\$15,850,990	\$15,392,750	\$15,392,750

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

Table 2
Page 2 of 2

	Fiscal Year				
	2011	2012	2013	2014	2015
\$5,180,915	\$5,725,515	\$5,896,074	\$6,022,589	\$6,640,739	\$6,945,795
854,710	854,998	901,179	903,494	902,766	903,478
1,470,249	1,382,817	1,442,510	1,740,285	1,742,132	1,776,992
184,059	128,235	80,298	122,519	109,041	107,331
5,360	83,853	67,523	6,900	-	14,196
6,212,220	63,471	26,696	20,924	7,450	50,778
3,500	103,500	53,215	3,500	103,500	3,500
13,911,013	8,342,389	8,467,495	8,820,211	9,505,628	9,802,070
6,313	5,885	3,385	6,919	6,349	5,619
-	5,530	5,266	-	331	-
(3,500)	(103,500)	(53,215)	(3,500)	(103,500)	(3,500)
2,813	(92,085)	(44,564)	7,419	(96,820)	2,119
\$13,913,826	\$8,250,304	\$8,422,931	\$8,827,630	\$9,408,808	\$9,804,189
\$8,971,243	\$836,866	\$1,554,334	(\$315,719)	(\$280,965)	\$1,397,111
135,756	65,086	41,290	182,221	17,019	(200,551)
\$9,106,999	\$901,952	\$1,595,624	(\$133,498)	(\$263,946)	\$1,196,560

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

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

Table 3

	Fiscal Year				
	2011	2012	2013	2014	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,071,817	882,863	607,301	401,947	306,783	636,954
15,567	13,186	12,479	14,268	17,185	17,577
76,401	156,520	243,403	331,201	422,995	517,869
3,857,416	4,463,866	4,633,494	4,903,066	5,253,912	5,066,530
5,021,201	5,516,435	5,496,677	5,650,482	6,000,875	6,238,930
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
345,891	408,722	206,417	23,387	26,659	18,334
6,728,771	7,830,851	8,922,847	6,607,864	7,012,776	7,033,902
649,367	662,669	601,378	656,819	646,943	804,728
2,073,531	1,989,644	1,684,947	1,819,910	2,076,696	1,480,898
(2,855,610)	(964,192)	(546,851)	(117,775)	(184,210)	(579,562)
6,941,950	9,927,694	10,868,738	8,970,205	9,578,864	8,758,300
\$11,963,151	\$15,444,129	\$16,365,415	\$14,620,687	\$15,579,739	\$14,997,230

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

Table 4

	Fiscal Year				
	2011	2012	2013	2014	2015
\$6,024,517	\$6,553,504	\$6,772,986	\$6,951,608	\$7,549,081	\$7,802,196
226,118	202,354	324,015	275,941	343,241	259,518
5,933,373	4,434,468	4,671,032	5,014,278	3,887,034	5,726,983
1,063,987	1,546,363	1,760,500	990,937	835,650	989,932
2,415,698	3,658,568	2,160,357	2,021,418	1,945,088	1,980,441
191,552	160,984	204,756	172,374	150,911	140,003
184,059	128,235	80,298	122,519	109,041	107,331
380,749	350,181	388,486	441,708	378,950	899,017
16,420,053	17,034,657	16,362,430	15,990,783	15,198,996	17,905,421
2,045,880	1,864,611	2,013,753	2,591,609	2,318,002	3,047,872
2,551,622	2,639,573	2,829,259	3,074,009	3,224,886	3,338,016
2,706,560	2,786,207	2,853,198	3,188,479	2,575,664	2,731,258
1,745,924	1,709,487	1,731,099	1,735,137	1,720,627	1,947,341
369,809	393,733	523,877	570,460	545,535	514,541
8,398,558	7,640,162	6,370,341	3,698,823	749,073	5,870,681
2,990,512	3,239,850	3,925,000	5,040,000	2,475,000	2,590,000
903,583	802,977	881,735	815,457	764,607	711,789
6,204	8,630	8,855	8,775	8,000	7,600
42,489	127,049	112,905	70,491	-	52,693
21,761,141	21,212,279	21,250,022	20,793,240	14,381,394	20,811,791
(5,341,088)	(4,177,622)	(4,887,592)	(4,802,457)	817,602	(2,906,370)
5,360	51,788	55,254	6,900	2,000	55,400
525,000	-	1,525,000	-	-	-
1,030,000	7,397,605	4,134,377	3,000,000	-	2,214,183
-	105,707	41,032	47,329	35,950	50,778
-	-	-	-	-	-
1,044,991	705,445	1,855,266	1,053,297	602,038	1,002,717
(1,041,491)	(601,945)	(1,802,051)	(1,049,797)	(498,538)	(999,217)
1,563,860	7,658,600	5,808,878	3,057,729	141,450	2,323,861
347,629	-	-	-	-	-
(\$3,429,599)	\$3,480,978	\$921,286	(\$1,744,728)	\$959,052	(\$582,509)
27.6%	26.3%	31.4%	33.9%	23.7%	22.1%

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

Table 5
CITY OF GRAND RAPIDS, MINNESOTA
TAX CAPACITY, VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year Ended December 31	Fiscal Year					Tax Capacity as a Percent of EMV
	2011	2012	2013	2014	2015	
\$821,768	\$493,124	\$597,344	\$566,308	\$594,476	\$781,676	1.23%
915,580	1,073,037	1,100,379	1,122,613	1,141,745	1,083,238	1.23%
5,613,348	4,825,540	4,537,627	3,325,271	1,922,976	3,971,370	1.19%
1,283,989	1,014,136	1,066,206	1,059,045	1,070,269	2,115,700	1.12%
8,634,685	7,405,837	7,301,556	6,073,237	4,729,466	7,952,004	1.15%
561,196	561,753	524,670	555,588	589,499	569,276	1.06%
498,587	498,189	551,049	553,074	563,011	567,357	1.07%
1,059,783	1,059,942	1,075,719	1,108,662	1,152,510	1,136,633	1.05%
\$9,694,468	\$8,465,779	\$8,377,275	\$7,181,899	\$5,881,976	\$9,088,637	1.08%

Source: Itasca County Auditor's Office

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
2007	\$3,816,933	\$3,206,895	\$122,243	\$7,146,071	\$381,146	\$6,764,925	65.654	\$551,098,890	1.23%
2008	4,084,756	3,662,227	122,241	7,869,224	437,925	7,431,299	65.764	604,049,500	1.23%
2009	5,010,410	4,410,100	200,285	9,620,795	617,081	9,003,714	58.374	753,764,700	1.19%
2010	4,945,974	4,107,439	187,142	9,240,555	1,171,820	8,068,735	65.095	722,925,300	1.12%
2011	5,332,018	4,224,074	487,931	10,044,023	1,042,860	9,001,163	63.890	784,173,200	1.15%
2012	4,709,194	4,226,300	445,047	9,380,541	1,075,330	8,305,211	69.485	780,687,600	1.06%
2013	4,505,919	4,181,742	653,369	9,341,030	1,127,446	8,213,584	68.999	769,618,250	1.07%
2014	4,496,682	3,933,451	618,235	9,048,368	1,120,826	7,927,542	79.308	754,740,246	1.05%
2015	4,571,503	3,906,927	681,838	9,160,268	933,840	8,226,428	79.245	762,916,480	1.08%
2016	4,724,671	3,974,339	819,387	9,158,397	1,109,824	8,408,573	79.232	786,530,358	1.07%

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*	
2007	56,521	9,201	65,722	51,522	15,132	4,122	0.272
2008	57,112	8,610	65,722	46,974	11,871	3,726	0.226
2009	49,022	10,041	59,063	44,000	13,798	1,738	0.208
2010	49,863	15,232	65,095	46,361	15,799	1,272	0.234
2011	51,112	12,778	63,890	44,904	17,051	-	0.218
2012	54,893	14,592	69,485	47,702	17,774	-	0.228
2013	54,778	14,221	68,999	50,869	17,862	-	0.247
2014	60,623	18,685	79,308	53,852	18,583	-	0.260
2015	59,934	19,311	79,245	55,038	16,618	-	0.115
2016	62,105	17,127	79,232	58,157	16,530	-	0.296

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

Source: Itasca County Auditor's Office

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

Table 8

Taxpayer	2016			2007		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
UPMI Blandin Paper Mill	\$620,276	1	6.52%	\$740,722	1	7.78%
Enbridge Energy, LP	434,648	2	4.57%	-	-	0.00%
Wal-Mart Stores	207,352	3	2.18%	71,438	8	0.75%
Burlington Northern & Santa Fe	146,572	4	1.54%	-	-	0.00%
Enbridge Energy Pipelines	139,513	5	1.47%	-	-	0.00%
Grand Hospitality LLC	113,995	6	1.20%	-	-	0.00%
ASV, Inc.	112,032	7	1.18%	126,906	2	1.33%
Target Corporation	108,442	8	1.14%	92,202	5	0.97%
Arrowhead Promotion & Fulfillment Co	106,404	9	1.12%	105,786	4	1.11%
Home Depot USA, Inc	100,430	10	1.03%	116,084	3	1.22%
Horseshoe Professional Bldg.	-	-	0.00%	74,106	7	0.78%
Jerry Miner Realty Inc	-	-	0.00%	79,370	6	0.83%
GR Development Corp.	-	-	0.00%	64,958	9	0.68%
K Mart Corporation	-	-	0.00%	58,950	10	0.62%
Total principal taxpayers	2,089,664		21.95%	1,530,522		20.22%
All other taxpayers	7,428,733		78.05%	6,038,916		79.78%
Total	\$9,518,397		100.00%	\$7,569,438		100.00%

Source: Itasca County Auditor's Office

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

Table 9

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$4,300,561	\$4,236,072	98.50%	\$60,157	\$4,295,967	99.89%
2008	4,743,955	4,680,998	98.67%	44,419	4,725,417	99.61%
2009	5,077,422	4,977,588	98.03%	95,001	5,072,589	99.90%
2010	5,275,002	4,956,991	93.97%	82,729	5,039,720	95.54%
2011	5,734,540	5,445,836	94.97%	77,773	5,523,609	96.32%
2012	5,910,987	5,863,061	99.19%	47,926	5,910,987	100.00%
2013	6,125,207	6,013,791	98.18%	82,071	6,095,862	99.52%
2014	6,281,859	6,201,927	98.73%	73,378	6,275,305	99.90%
2015	6,845,166	6,774,792	98.97%	51,272	6,826,064	99.72%
2016	6,951,560	6,847,996	98.51%	-	6,847,996	98.51%

Source: Itasca County Auditor's Office

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

Table 10

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Bonded Debt Per Capita
	General Obligation Bonds	General Obligation Impr Bonds	Tax Incremental Bonds	Other Debt	Total Governmental Activities	Capital Leases		
2007	\$1,785,000	\$19,185,000	\$885,000	\$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	22,550,000	820,000	1,200,843	27,805,843	-	27,805,843	2,558
2013	6,835,000	20,600,000	805,000	1,264,593	29,504,593	-	29,504,593	2,715
2014	6,475,141	20,054,957	790,000	108,868	27,428,966	-	27,428,966	2,524
2015	5,794,793	18,268,519	770,000	85,224	24,918,536	-	24,918,536	2,293
2016	7,276,630	16,417,458	750,000	61,580	24,505,668	-	24,505,668	2,255

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

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

Table 11

Fiscal Year	General Bonded Debt Outstanding		
	General Obligation Bonds ^c	Percentage of Estimated Market Value ^a	Bonded Debt Per Capita ^b
2007	\$1,785,000	0.3239%	203.07
2008	2,670,000	0.4420%	299.13
2009	3,515,000	0.4663%	362.75
2010	3,950,000	0.5464%	363.42
2011	3,675,000	0.4686%	338.12
2012	3,255,000	0.4169%	299.48
2013	6,835,000	0.8881%	628.85
2014	6,475,141	0.8579%	595.74
2015	5,794,793	0.7596%	533.15
2016	7,276,630	0.9252%	669.48

^a See Table 6 for Estimated Market Value data.

^b Population can be found in Table 13.

^c Includes unamortized issuance premium for 2014, 2015 and 2016.

CITY OF GRAND RAPIDS, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2016

Table 12

Direct debt	Net Debt Outstanding	% of Debt Applicable to City ⁽²⁾	City of Grand Rapids Share of Debt
City of Grand Rapids ⁽¹⁾	\$24,505,668	0.00%	\$24,505,668
Overlapping debt:			
Itasca County	20,715,000	13.29%	2,753,024
School District 318	35,960,000	19.27%	6,929,492
Total overlapping debt	56,675,000		9,682,516
Total direct and overlapping debt	\$81,180,668		\$34,188,184

Source: Itasca County Auditor's Office

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

⁽¹⁾ Includes all debt related to governmental activities as presented in Table 10, plus unamortized bond premiums of \$204,088.

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

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

Table 13

Legal Debt Margin Calculation for Fiscal Year 2016

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

Legal Debt Margin Calculation for Fiscal Years 2007 Through 2016

Fiscal Year	Population	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit	Net Bonded Debt per Capita
2007	8,790	\$11,021,978	\$2,482,899	\$8,539,079	22.53%	282.47
2008	8,926	18,121,485	3,169,571	14,951,914	17.49%	355.09
2009	9,690	22,612,941	3,896,539	18,716,402	17.23%	402.12
2010	10,869	21,687,759	4,270,649	17,417,110	19.69%	392.92
2011	10,869	23,525,196	3,015,083	20,510,113	12.82%	277.40
2012	10,869	23,420,628	2,565,287	20,855,341	10.95%	236.02
2013	10,869	23,088,548	5,798,436	17,290,112	25.11%	533.48
2014	10,869	22,642,207	5,393,126	17,249,081	23.82%	496.19
2015	10,869	22,887,494	4,581,451	18,306,043	20.02%	421.52
2016	10,869	23,595,911	5,471,587	18,124,324	23.19%	503.41

Source: Itasca County Auditors Office and City Finance Department

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

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

Table 14

Fiscal Year	Special Assessment Collections			Improvement Bonds			Tax Increment Collections			Tax Increment Bonds			Coverage
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2007	\$1,100,441	\$1,520,000	\$640,238	\$1,520,000	\$640,238	\$450,000	\$54,440	\$54,440	\$348,098	\$450,000	\$54,440	\$54,440	69.01%
2008	1,045,175	1,860,000	771,301	1,860,000	771,301	480,000	22,543	22,543	342,682	480,000	22,543	22,543	68.19%
2009	1,014,822	1,975,000	775,452	1,975,000	775,452	105,000	40,359	40,359	98,936	105,000	40,359	40,359	68.06%
2010	1,013,237	1,980,000	775,452	1,980,000	775,452	-	37,340	37,340	131,032	-	37,340	37,340	350.92%
2011	824,639	1,460,000	653,434	1,460,000	653,434	15,000	37,059	37,059	151,953	15,000	37,059	37,059	291.89%
2012	762,948	1,490,000	589,994	1,490,000	587,496	15,000	36,497	36,497	172,671	15,000	36,497	36,497	335.30%
2013	697,612	1,610,000	587,496	1,610,000	587,496	15,000	35,934	35,934	193,981	15,000	35,934	35,934	380.85%
2014	609,576	1,645,000	466,922	1,645,000	466,922	15,000	35,371	35,371	180,957	15,000	35,371	35,371	359.25%
2015	551,895	1,315,000	437,515	1,315,000	437,515	20,000	34,715	34,715	237,023	20,000	34,715	34,715	433.20%
2016	514,410	1,505,000	416,830	1,505,000	416,830	20,000	33,965	33,965	372,139	20,000	33,965	33,965	689.59%

Special assessment collections do not include prepayments.

Excludes component units.

CITY OF GRAND RAPIDS, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Table 15

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	8,790			9.30%
2008	8,926			12.40%
2009	9,690			13.70%
2010	10,869			9.60%
2011	10,869			9.90%
2012	10,869			7.60%
2013	10,869			6.70%
2014	10,869			8.47%
2015	10,869			10.60%
2016	10,869			4.50%

Source: Minnesota Department of Employment and Economic Development

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

Table 16

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

Source: Minnesota Department of Employment and Economic Development

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

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

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

(3) Terex Corp., Inc.

CITY OF GRAND RAPIDS, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 17

Function/Program	Full-time Equivalent Employees as of December 31									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Administration	4.50	5.00	4.00	4.25	4.00	4.00	4.00	4.00	4.00	4.00
Finance	3.55	4.05	4.05	4.05	4.05	4.05	4.05	5.00	5.00	5.00
Community development	3.45	3.45	3.45	2.45	2.45	2.45	2.45	2.45	2.45	2.45
Engineering	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Information technology	22.00	23.50	23.50	20.50	20.50	21.50	21.50	22.50	22.50	22.50
Police officers and dispatchers	15.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00	14.00
Public works	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Parks and recreation	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.50
Library	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Golf course										
Total	71.25	72.25	71.00	66.00	65.00	65.75	66.75	67.75	67.75	68.00

The City has 30 paid-on-call firefighters.

Source: City Finance Department

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

Table 18

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

* Junior = Children ages 10 to 18

* Young Adult = Ages 19 to 24

Source: Various City Departments

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

Table 19

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

Source: Various City Departments

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

	Interest Rates	Issue Date	Final Maturity Date
General Obligation Tax Increment Bonds:			
Tax Increment Bonds series 2008A	3.75-4.60	8/1/2008	2/1/2034
General Obligation Improvement Bonds:			
Improvement Bonds of 2001B	3.00-5.00	10/1/2001	2/1/2017
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022
Improvement Bonds of 2007A	4.00-4.15	9/1/2007	2/1/2023
Improvement Bonds of 2007B	4.00-4.10	12/15/2007	4/1/2022
Improvement Bonds of 2008C	3.25-4.60	11/1/2008	2/1/2024
Improvement Refunding Bonds of 2009B	1.00-3.00	6/1/2009	2/1/2016
Improvement Bonds of 2009C	1.85-5.30	9/1/2009	2/1/2025
Improvement Bonds of 2010A	0.75-3.625	11/1/2010	2/1/2026
Improvement Refunding Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027
Improvement Bonds of 2013A	.30-1.35	5/8/2013	2/1/2021
Improvement Bonds of 2014A	0.50-2.90	11/1/2014	2/1/2030
Improvement Bonds of 2016A	0.850 - 2.2	10/5/2016	2/1/2032
Total General Obligation Improvement Bonds			
Other General Obligation Debt:			
Capital Improvement Plan Refunding Bonds of 2006B	4.00	10/1/2006	2/1/2017
Street Reconstruction Bonds of 2008B	3.25-4.60	11/1/2008	2/1/2024
Equipment Certificates of 2009D	2.00-4.85	9/1/2009	2/1/2019
Capital Improvement Plan Bonds of 2010A	0.75-2.25	11/1/2010	2/1/2018
Street Reconstruction Bonds of 2013B	3.00-3.50	9/1/2013	2/1/2029
Total Other General Obligation Debt			
Capital Lease Payable to Itasca County	0.00	11/22/2010	12/31/2020
Note payable - Block 20 & 21 Soil	0.00	8/5/2010	8/5/2019
Note payable - Airport Ind Park/Kent	0.00	7/16/2015	7/16/2035
Note payable - Blandin	0.00	2016	2026
Note payable - IRRRB	1.00	12/2/2016	8/1/1936
Note payable - IEDC	1.00	11/15/2015	11/1/2026
Airport loan payable to Itasca County	0.00	2001	2017
Revenue Bonds and Notes (Public Utilities):			
G.O. Water Revenue Note of 1999	3.04	1/3/2000	1/1/2019
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00-4.90	6/1/2009	12/1/2019
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60-3.50	7/25/2011	12/1/2021
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033
Taxable G.O. Utility Revenue Bonds of 2013C	2.00-4.50	9/1/2013	2/1/2029
Equipment Lease	2.64	10/15/2015	10/15/2025
Total Revenue Bonds (Public Utilities)			
Total bonded indebtedness			

Exhibit 1
CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS
 December 31, 2016

Original Issue	Prior Years		Payable 01/01/16	2016 Issued	2016 Payments	Payable 12/31/16	Due in 2017	
	Payments	Payments					Principal	Interest
\$850,000	\$80,000	\$-	\$770,000	\$-	\$20,000	\$750,000	\$20,000	\$33,170
470,000	400,000	-	70,000	-	35,000	35,000	35,000	875
2,505,000	1,385,000	-	1,120,000	-	170,000	950,000	170,000	34,600
1,775,000	720,000	-	1,055,000	-	125,000	930,000	125,000	35,715
1,150,000	625,000	-	525,000	-	75,000	450,000	75,000	16,650
1,145,000	430,000	-	715,000	-	75,000	640,000	75,000	26,587
1,265,000	1,250,000	-	15,000	-	-	-	-	-
4,565,000	1,290,000	-	3,275,000	-	300,000	2,975,000	300,000	139,815
1,115,000	380,000	-	735,000	-	90,000	645,000	85,000	18,325
1,555,000	430,000	-	1,125,000	-	130,000	995,000	135,000	22,160
2,245,000	280,000	-	1,965,000	-	140,000	1,825,000	140,000	43,408
4,175,000	775,000	-	3,400,000	-	260,000	3,140,000	265,000	57,637
1,525,000	350,000	-	1,175,000	-	205,000	970,000	200,000	8,405
3,000,000	-	-	3,000,000	-	220,000	2,780,000	230,000	51,343
26,490,000	8,315,000	-	18,175,000	2,170,000	1,840,000	18,505,000	1,835,000	491,747
1,785,000	770,000	-	430,000	-	210,000	220,000	220,000	4,400
1,010,000	170,000	-	655,000	-	65,000	590,000	65,000	24,633
1,005,000	155,000	-	510,000	-	120,000	390,000	125,000	15,054
635,000	85,000	-	280,000	-	90,000	190,000	90,000	3,150
4,025,000	-	-	3,830,000	-	235,000	3,595,000	235,000	109,113
8,460,000	1,180,000	-	5,705,000	0	720,000	4,985,000	735,000	156,350
136,444	68,220	-	68,224	-	13,644	54,580	13,644	-
100,000	-	-	100,000	-	-	100,000	-	-
350,000	-	-	350,000	-	17,500	332,500	17,500	-
-	-	-	-	-	175,000	175,000	-	-
-	-	-	-	-	293,000	293,000	-	-
-	-	-	-	-	90,000	90,000	-	-
147,000	130,000	-	17,000	-	10,000	7,000	8,636	8,652
1,079,657	613,657	-	278,000	-	66,000	212,000	66,000	8,452
1,915,000	1,025,000	-	240,000	-	240,000	-	240,000	7,050
925,000	255,000	-	400,000	-	95,000	305,000	95,000	17,750
26,370,232	2,988,022	-	20,037,000	-	1,181,000	18,856,000	1,181,000	581,074
3,965,000	80,000	-	2,715,000	-	410,000	2,305,000	410,000	78,077
2,025,000	-	-	1,845,000	-	95,000	1,750,000	95,000	44,988
2,305,000	-	-	2,215,000	-	130,000	2,085,000	130,000	77,088
268,233	-	-	268,233	-	150,647	150,647	74,830	22,440
38,853,122	4,961,679	-	27,998,233	1,431,767	2,367,647	27,062,353	2,291,830	836,919
\$75,386,566	\$14,734,899	-	\$53,183,437	\$4,159,767	\$4,988,791	\$52,354,433	\$4,937,032	\$1,537,706

Bonds payable	Future interest payable	Tax Increment Bonds		Capital Improvement Plan Bonds		Street Reconstruction Bonds		Equipment Certificates		Capital Improvement Plan Bonds		Street Reconstruction Bonds		Total
		Series 2008A	Series 2006B	Series 2006B	Series 2006B	Series 2008B	Series 2009D	Series 2010A	Series 2010A	Series 2009D	Series 2010A	Series 2010A	Series 2010B	
\$750,000	\$220,000	\$750,000	\$220,000	\$590,000	\$390,000	\$750,000	\$390,000	\$750,000	\$390,000	\$750,000	\$390,000	\$750,000	\$390,000	\$1,140,000
367,450	4,400	367,450	4,400	110,943	27,800	367,450	27,800	367,450	27,800	367,450	27,800	367,450	27,800	439,250
\$1,117,450	\$224,400	\$1,117,450	\$224,400	\$700,943	\$417,800	\$1,117,450	\$417,800	\$1,117,450	\$417,800	\$1,117,450	\$417,800	\$1,117,450	\$417,800	\$1,579,050
\$53,170	\$224,400	\$53,170	\$224,400	\$89,633	\$140,054	\$53,170	\$140,054	\$53,170	\$140,054	\$53,170	\$140,054	\$53,170	\$140,054	\$944,520
57,225	-	57,225	-	91,850	139,472	57,225	139,472	57,225	139,472	57,225	139,472	57,225	139,472	731,659
56,175	-	56,175	-	88,890	138,274	56,175	138,274	56,175	138,274	56,175	138,274	56,175	138,274	623,052
55,125	-	55,125	-	85,880	-	55,125	-	55,125	-	55,125	-	55,125	-	483,217
58,970	-	58,970	-	87,690	-	58,970	-	58,970	-	58,970	-	58,970	-	486,148
57,680	-	57,680	-	84,315	-	57,680	-	57,680	-	57,680	-	57,680	-	473,683
61,250	-	61,250	-	85,750	-	61,250	-	61,250	-	61,250	-	61,250	-	480,738
59,710	-	59,710	-	86,955	-	59,710	-	59,710	-	59,710	-	59,710	-	482,152
63,060	-	63,060	-	-	-	63,060	-	63,060	-	63,060	-	63,060	-	399,998
61,280	-	61,280	-	-	-	61,280	-	61,280	-	61,280	-	61,280	-	398,992
64,568	-	64,568	-	-	-	64,568	-	64,568	-	64,568	-	64,568	-	397,249
62,342	-	62,342	-	-	-	62,342	-	62,342	-	62,342	-	62,342	-	399,667
65,180	-	65,180	-	-	-	65,180	-	65,180	-	65,180	-	65,180	-	406,042
67,765	-	67,765	-	-	-	67,765	-	67,765	-	67,765	-	67,765	-	67,765
65,235	-	65,235	-	-	-	65,235	-	65,235	-	65,235	-	65,235	-	65,235
67,590	-	67,590	-	-	-	67,590	-	67,590	-	67,590	-	67,590	-	67,590
69,715	-	69,715	-	-	-	69,715	-	69,715	-	69,715	-	69,715	-	69,715
71,610	-	71,610	-	-	-	71,610	-	71,610	-	71,610	-	71,610	-	71,610
\$1,117,450	\$224,400	\$1,117,450	\$224,400	\$700,943	\$417,800	\$1,117,450	\$417,800	\$1,117,450	\$417,800	\$1,117,450	\$417,800	\$1,117,450	\$417,800	\$7,049,011

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

Exhibit 3

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

	2010A Improvement Bonds	2011B Improvement Refunding Bonds	2012A Improvement Bonds	2012B Improvement Bonds	2013A Improvement Bonds	2014A Improvement Bonds	Street Reconstruction Bonds Series 2016A	Total
Bonds payable	\$645,000	\$995,000	\$1,825,000	\$3,140,000	\$970,000	\$2,780,000	2,170,000	\$18,505,000
Future interest payable	102,549	130,806	340,966	384,959	25,680	414,022	388,567	2,916,614
Totals	\$747,549	\$1,125,806	\$2,165,966	\$3,524,959	\$995,680	\$3,194,022	2,558,567	\$21,421,614
Payments to maturity:								
2017	\$103,325	\$157,160	\$183,408	\$322,637	\$208,405	\$281,343	\$36,227	\$2,326,747
2018	96,575	145,153	181,938	319,789	207,105	284,480	157,910	2,360,193
2019	69,885	137,950	185,118	321,443	205,505	282,100	170,460	2,322,365
2020	68,303	120,629	182,942	322,489	198,484	289,094	167,860	2,271,294
2021	71,575	83,660	180,478	322,908	176,181	245,770	170,210	2,138,248
2022	69,700	81,962	182,722	317,728	-	237,330	167,510	1,929,408
2023	67,750	80,142	184,572	322,025	-	238,480	169,760	1,688,584
2024	65,725	78,182	181,162	320,807	-	239,120	166,960	1,527,689
2025	68,534	81,007	176,125	319,112	-	239,230	169,110	1,427,791
2026	66,177	78,701	176,088	316,926	-	169,775	171,160	978,827
2027	-	81,260	175,888	319,095	-	170,885	168,160	915,288
2028	-	-	175,525	-	-	171,710	170,110	517,345
2029	-	-	-	-	-	172,240	167,010	339,250
2030	-	-	-	-	-	172,465	168,860	341,325
2031	-	-	-	-	-	-	170,445	170,445
2032	-	-	-	-	-	-	166,815	166,815
Totals	\$747,549	\$1,125,806	\$2,165,966	\$3,524,959	\$995,680	\$3,194,022	\$2,558,567	\$21,421,614

CITY OF GRAND RAPIDS, MINNESOTA
TAXABLE VALUATIONS
 December 31, 2016

Exhibit 4

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

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

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

⁽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.

Exhibit 5

	Series 2010A	Series 2011B	Series 2012A	Series 2013A	Series 2013B	Series 2014A	Series 2016A	Total
\$1,750,000 Improvement and CIP Bonds	\$140,381	\$54,467	\$130,518	\$100,676	\$112,660	\$281,614	\$175,000	\$1,658,424
\$1,555,000 Improvement & Refunding Bonds	8,073	54,054	133,857	103,676	260,350	279,393	187,268	1,687,846
\$2,245,000 Improvement Bonds	54,608	58,755	131,572	101,036	263,132	287,117	177,618	1,555,150
\$4,025,000 Improvement Bonds	58,648	57,848	128,985	99,101	260,350	241,580	180,138	1,507,339
\$3,000,000 Improvement Bonds	57,130	56,943	131,341	-	232,160	232,886	177,503	1,442,161
\$2,170,000 GO Street Reconst Bonds	55,611	55,779	133,284	-	254,470	234,356	179,718	1,444,594
\$2,848,489 Improvement Bonds	53,936	54,615	129,704	-	256,465	235,301	176,778	1,327,852
\$2,507,339 Improvement Bonds	57,510	58,407	124,414	-	258,145	235,700	179,088	1,160,512
\$1,442,161 Improvement Bonds	55,486	56,792	124,376	-	259,510	162,032	181,293	784,489
\$1,658,424 Improvement Bonds	-	60,309	124,165	-	254,522	163,345	178,143	725,484
\$1,507,339 Improvement Bonds	-	-	123,784	-	259,864	164,363	180,243	698,254
\$1,444,594 Improvement Bonds	-	-	-	-	263,854	165,077	176,988	605,919
\$1,327,852 Improvement Bonds	-	-	-	-	-	165,476	178,983	344,459
\$784,489 Improvement Bonds	-	-	-	-	-	-	180,873	180,873
\$725,484 Improvement Bonds	-	-	-	-	-	-	177,061	177,061
\$698,254 Improvement Bonds	-	-	-	-	-	-	-	-
\$605,919 Improvement Bonds	-	-	-	-	-	-	-	-
\$344,459 Improvement Bonds	-	-	-	-	-	-	-	-
\$180,873 Improvement Bonds	-	-	-	-	-	-	-	-
\$177,061 Improvement Bonds	-	-	-	-	-	-	-	-
\$541,383	\$567,969	\$1,416,000	\$404,489	\$2,955,482	\$2,848,240	\$2,686,495	\$15,300,417	

FORM OF LEGAL OPINION

(See following page)



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Affirmative Action, Equal Opportunity Employer

\$ _____
General Obligation Refunding Bonds
Series 2017B
City of Grand Rapids
Itasca County, Minnesota

We have acted as bond counsel to the City of Grand Rapids, Itasca County, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Refunding Bonds, Series 2017B (the “Bonds”), originally dated as of December __, 2017, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from special assessments levied or to be levied on property specially benefited by local improvements, tax increments resulting from increases in the taxable value of real property in a tax increment financing district of the Issuer, and ad valorem taxes levied by the Issuer, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in

gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated December __, 2017 at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

\$ _____
City of Grand Rapids, Minnesota
General Obligation Refunding Bonds
Series 2017B

CONTINUING DISCLOSURE CERTIFICATE

December __, 2017

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Grand Rapids, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Refunding Bonds, Series 2017B (the “Bonds”), in the original aggregate principal amount of \$ _____. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____, _____, _____ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the Issuer, prepared in accordance with generally accepted accounting principles for governmental units (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”).

“Bonds” means the General Obligation Refunding Bonds, Series 2017B, issued by the Issuer in the original aggregate principal amount of \$ _____.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the Preliminary Official Statement, dated November __, 2017, and the Addendum to Preliminary Official Statement, dated December __, 2017, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Fiscal Year” means the fiscal year of the Issuer.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Grand Rapids, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____, _____, _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2017, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies & Collections
4. US Census Data/Population Trend
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the legal defeasance, the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF GRAND RAPIDS, MINNESOTA

(SEAL)

Mayor

City Administrator

(Signature Page to Continuing Disclosure Certificate)

APPENDIX E

TERMS OF PROPOSAL

\$3,045,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017B CITY OF GRAND RAPIDS, MINNESOTA

Proposals for the purchase of \$3,045,000* General Obligation Refunding Bonds, Series 2017B (the "Bonds") of the City of Grand Rapids, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on December 11, 2017, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 5:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapters 429 and 475, and Sections 469.178, 475.58, and 475.67, for the purpose of effecting a current refunding of certain outstanding general obligations of the City for an interest cost savings as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated December 28, 2017, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$510,000	2025	\$45,000	2031	\$50,000
2020	495,000	2026	45,000	2032	55,000
2021	495,000	2027	45,000	2033	60,000
2022	480,000	2028	45,000	2034	65,000
2023	345,000	2029	50,000		
2024	205,000	2030	55,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 28, 2017, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,008,460 plus accrued interest on the principal sum of \$3,045,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$60,900 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its proposal form to determine the issue price for the Bonds. On its proposal form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with

the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

(f) By submitting a proposal, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if an for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity

is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Grand Rapids, Minnesota

PROPOSAL FORM

The City Council
City of Grand Rapids, Minnesota

December 11, 2017

RE: \$3,045,000* General Obligation Refunding Bonds, Series 2017B
DATED: December 28, 2017

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$3,008,460) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2019	_____ % due 2025	_____ % due 2031
_____ % due 2020	_____ % due 2026	_____ % due 2032
_____ % due 2021	_____ % due 2027	_____ % due 2033
_____ % due 2022	_____ % due 2028	_____ % due 2034
_____ % due 2023	_____ % due 2029	
_____ % due 2024	_____ % due 2030	

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$60,900, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 28, 2017.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 28, 2017 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Grand Rapids, Minnesota, on December 11, 2017.

By: _____ By: _____
Title: _____ Title: _____