

New Issue

Rating: S&P Global Ratings "AA-"

**ADDENDUM DATED AUGUST 20, 2024
TO PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 1, 2024**

**CITY OF GRAND RAPIDS, MINNESOTA
(ITASCA COUNTY)**

**\$1,055,000 GENERAL OBLIGATION EQUIPMENT CERTIFICATES,
SERIES 2024B**

PROPOSAL OPENING: August 26, 2024, 10:00 AM C.T.
CONSIDERATION: August 26, 2024, 5:00 PM C.T.

Addendum #1 dated August 8, 2024 changes include updates to the Cover, The Introduction, The Bonds, Debt, Form of Legal Opinion – Appendix B, Terms of Proposal – Appendix E and Proposal Form have been revised to include the following:

- The sale date and award date were updated to August 26, 2024.
- The closing date was updated to September 18, 2024.
- S&P Global Rating assigned a rating of “AA-” to the above-referenced Issue.

This addendum dated August 20, 2024 change includes an update to the addendum page to reflect the correct assigned rating.

Following is the revised Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 1, 2024

In the opinion of Kennedy & Graven, Chartered, Bond Counsel to the City, 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 set forth in the resolution approving the issuance of the Certificates, interest to be paid on the Certificates is excludable from gross income 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 computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the other state or federal tax consequences caused by the receipt or accrual of interest on the Certificates or arising with respect to ownership of the Certificates. See "TAX EXEMPTION" herein.

The City will designate the Certificates 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: S&P Global Ratings "AA-"

CITY OF GRAND RAPIDS, MINNESOTA (Itasca County)

\$1,055,000* GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2024B

PROPOSAL OPENING: August 26, 2024, 10:00 A.M., C.T. **CONSIDERATION:** August 26, 2024, 5:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,055,000* General Obligation Equipment Certificates, Series 2024B (the "Certificates") are being issued pursuant to Minnesota Statutes, Section 412.301 and Chapter 475, as amended, by the City of Grand Rapids, Minnesota (the "City"), for the purpose of financing the acquisition of capital equipment. The Certificates are general obligations of the City, for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF

CERTIFICATES:

September 18, 2024

MATURITY:

February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2026 | \$120,000 | 2029 | \$155,000 | 2032 | \$170,000 |
| 2027 | 140,000 | 2030 | 160,000 | | |
| 2028 | 145,000 | 2031 | 165,000 | | |

***MATURITY**

ADJUSTMENTS:

The City reserves the right to increase or decrease the principal amount of the Certificates 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, 2025 and semiannually thereafter.

OPTIONAL

REDEMPTION:

Certificates maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$1,039,175.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$21,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT:

U.S. Bank Trust Company, National Association.

BOND COUNSEL:

Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR:

Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY:

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities or 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. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

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 Certificates 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 Underwriter (Syndicate Manager). 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 and 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 and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Certificates.

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 Certificates 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 and 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 City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Certificates, 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 Certificates and all times subsequent thereto up to and including the time of the delivery of the Certificates, 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 Certificates; (3) a certificate evidencing the due execution of the Certificates, 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 Certificates, (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 Certificates 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 Certificates 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 OF GRAND RAPIDS CITY COUNCIL

| | | <u>Term Expires</u> |
|-----------------|----------------|---------------------|
| Tasha Connelly | Mayor | January 2025 |
| Dale Adams | Council Member | January 2025 |
| Richard Blake | Council Member | January 2025 |
| Molly MacGregor | Council Member | January 2027 |
| Tom Sutherland | Council Member | January 2027 |

ADMINISTRATION

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

PROFESSIONAL SERVICES

Sterle Law, City Attorney, Grand Rapids, Minnesota
Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota
Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Grand Rapids, Minnesota (the "City") and the issuance of its \$1,055,000* General Obligation Equipment Certificates, Series 2024B (the "Certificates" or the "Series 2024B Certificates"). Any descriptions or summaries of the Certificates, 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 Certificates to be included in the resolution authorizing the issuance and sale of the Certificates ("Award Resolution") to be adopted by the City Council on August 26, 2024.

Inquiries may be directed to Ehlers and 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 CERTIFICATES

GENERAL

The Certificates 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 September 18, 2024. The Certificates 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, 2025, to the registered owners of the Certificates 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 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Certificates 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 Certificates 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 Certificates are held under the book-entry system, beneficial ownership interests in the Certificates may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Certificates 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 Certificates shall be payable as provided in the Award Resolution.

The City has selected U.S. Bank Trust Company, 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 Certificates maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Certificates subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Certificates to be redeemed shall be at the discretion of the City. If only part of the Certificates 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 Certificate to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Certificates are being issued pursuant to Minnesota Statutes, Section 412.301 and Chapter 475, as amended, by the City, for the purpose of financing the acquisition of capital equipment.

All equipment has an expected useful life at least as long as the term of the Certificates. Pursuant to Minnesota Statutes, Section 412.301, if the Certificates exceed 0.25% of the estimated market value of taxable property in the City they shall not be issued until after publication of the council resolution determining to issue the Certificates and the issuance is subject to petition. The estimated market value of the City for taxes payable in 2024 is \$1,136,943,200. The Certificates do not exceed 0.25%, or \$2,842,358, and is therefore not subject to the limitation.

ESTIMATED SOURCES AND USES*

| | | |
|---------------------------------------|----------------|--------------------|
| Sources | | |
| Par Amount of Certificates | \$1,055,000 | |
| Planned Issuer Equity contribution | <u>225,000</u> | |
| Total Sources | | \$1,280,000 |
| Uses | | |
| Total Underwriter's Discount (1.500%) | \$15,825 | |
| Costs of Issuance | 38,000 | |
| Deposit to Construction Fund | 1,225,000 | |
| Rounding Amount | <u>1,175</u> | |
| Total Uses | | \$1,280,000 |

*Preliminary, subject to change.

SECURITY

The Certificates will be general obligations of the City for which the City will pledge its full faith and credit and taxing powers. The City anticipates that the debt service on the Certificates will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Certificates. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be offering for sale its General Obligation Refunding Bonds, Series 2024A (the "Series 2024A Bonds"), which are scheduled to close on September 18, 2024.

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 ("S&P").

The City received a "AA-" underlying rating on the Certificates from S&P, and bidders were notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

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 Certificates.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Certificates, 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 Certificates any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Certificates, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery of the Certificates, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

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. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Certificates and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Certificates. The legal opinion will state that the Certificates are valid and binding general obligations of the City; provided that the rights of the owners of the Certificates and the enforceability of the Certificates 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

On the date of issuance of the Certificates, Bond Counsel will render an opinion that, at the time of issuance and delivery of the Certificates to the original purchaser, based on present federal and State of Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Award Resolution, interest on the Certificates is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from the taxable net income of individuals, trusts, and estates 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. However, interest on the Certificates is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Section 59(k) of the Code defines "applicable corporation" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Bond Counsel regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Certificates or arising with respect to ownership of the Certificates.

Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income.

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 the applicable percentage of the interest on the Certificates that is received or accrued during the taxable year.

Interest on the Certificates 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 Certificates 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 Certificates. The receipt of interest on the Certificates 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 Certificates are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Certificates.

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 Certificates). Prospective purchasers of the Certificates should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Certificates shall be designated 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.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Certificates. The Municipal Advisor cannot participate in the underwriting of the Certificates. 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. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

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, Colorado, 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, 2023 have been audited by Redpath and Co., 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

The following is a description of possible risks to holders of the Certificates 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 Certificates will be 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 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 Certificates. 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.

Taconite Tax Loss: The City, in common with other Iron Range Communities, receives grants and aids which are derived from special taconite taxes and which may be reduced in the event of production curtailment. Also, homeowners now receive substantial homestead credits from taxes derived from taconite sources which may be reduced with a cut in production. Reduction of grants, state aids and credits could increase the City's need for other local taxes.

Iron Mining Economy: The City is located on Minnesota's Iron Range, which has an economy directly related to the mining industry, including processing and shipping of iron ore (pellets) for the nation's steel industry and for foreign shipments. Beginning in 1981, economic downturns reduced demand for steel and for taconite pellets, and some taconite plants curtailed operations and employment.

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 Certificates 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 Certificates may fall for purposes of resale. Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates 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 Certificates. 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 Certificates in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. 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 and Associates.

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 Certificates 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 Certificates.

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 Certificates in the secondary market.

Secondary Market for the Certificates: No assurance can be given that a secondary market will develop for the purchase and sale of the Certificates or, if a secondary market exists, that such Certificates can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Certificates at the request of the owners thereof. Prices of the Certificates 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 Certificates. 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 Certificates will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Certificates. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

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 | 2021/22 | 2022/23 | 2023/24 |
|--|--|--|--|
| 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 \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ² | First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 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 \$174,000 - .75% Over \$174,000 - .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 \$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 \$100,000 - .75% Over \$100,000 - .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

| | |
|--|---|
| 2023/24 Economic Market Value | <u>\$1,208,839,058¹</u> |
| 2023/24 Assessor's Estimated Market Value | |
| Real Estate | \$1,099,373,300 |
| Personal Property | <u>37,569,900</u> |
| Total Valuation | <u>\$1,136,943,200</u> |
| 2023/24 Net Tax Capacity | |
| Real Estate | \$12,681,953 |
| Personal Property | <u>738,371</u> |
| Net Tax Capacity | \$13,420,324 |
| Less: | |
| Captured Tax Increment Tax Capacity ² | (523,577) |
| Fiscal Disparities Contribution ³ | <u>(1,198,708)</u> |
| Taxable Net Tax Capacity | \$11,698,039 |
| Plus: Fiscal Disparities Distribution ³ | <u>991,337</u> |
| Adjusted Taxable Net Tax Capacity | <u>\$12,689,376</u> |

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 94.33% 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 \$1,208,839,058.

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

³ Each community in the taconite credit area contributes 40% of its new industrial and commercial valuation 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 losing net tax capacity for tax purposes. Taxes are spread on the basis of taxable net tax capacity.

2023/24 NET TAX CAPACITY BY CLASSIFICATION

| | 2023/24 Net Tax Capacity | Percent of Total Net Tax Capacity |
|--|-------------------------------------|--|
| Residential homestead | \$5,913,594 | 44.06% |
| Agricultural | 93,300 | 0.70% |
| Commercial/industrial | 4,506,249 | 33.58% |
| Public utility | 588 | 0.00% |
| Railroad operating property | 90,174 | 0.67% |
| Non-homestead residential | 2,019,081 | 15.04% |
| Commercial & residential seasonal/rec. | 58,967 | 0.44% |
| Personal property | 738,371 | 5.50% |
| | <u> </u> | <u> </u> |
| Total | <u><u>\$13,420,324</u></u> | <u><u>100.00%</u></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 Increase/Decrease in Estimated Market Value |
|----------------------|--|--|---|--|--|
| 2019/20 | \$820,008,600 | \$747,988,309 | \$9,706,043 | \$9,261,876 | -0.56% |
| 2020/21 | 844,481,793 | 772,232,836 | 10,052,325 | 9,605,839 | 2.98% |
| 2021/22 | 901,642,400 | 831,425,689 | 10,622,297 | 10,234,703 | 6.77% |
| 2022/23 | 1,071,885,900 | 1,008,394,931 | 12,510,959 | 11,838,112 | 18.88% |
| 2023/24 | 1,136,943,200 | 1,074,336,545 | 13,420,324 | 12,689,376 | 6.07% |

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

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

LARGEST TAXPAYERS

| Taxpayer | Type of Property | 2023/24 Net Tax Capacity | Percent of City's Total Net Tax Capacity |
|-------------------------------------|-------------------------|---|---|
| Blandin Paper Company | Industrial | \$463,333 | 3.45% |
| Enbridge Energy LP | Utility | 328,022 | 2.44% |
| Walmart | Commercial | 193,550 | 1.44% |
| Grand Hospitality, LLC | Commercial | 175,249 | 1.31% |
| Pillars of Grand Rapids, LLC | Apartments | 151,678 | 1.13% |
| Enbridge Pipeline | Utility | 135,304 | 1.01% |
| Majestic Pines Grand, LLC | Apartments | 125,097 | 0.93% |
| Grand Rapids Healthcare Invest, LLC | Commercial | 115,811 | 0.86% |
| Arrowhead Promotion and Fulfilment | Commercial | 115,628 | 0.86% |
| Grand Itasca Clinic & Hospital | Commercial | <u>114,800</u> | <u>0.86%</u> |
| Total | | \$1,918,472 | 14.30% |

City's Total 2023/24 Net Tax Capacity \$13,420,324

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

| | |
|---|---------------------|
| Total G.O. debt secured by sales tax revenues (includes the Sales Tax Revenue Refunding Portion of the Series 2024A Bonds)* | \$4,245,000 |
| Total G.O. debt secured by special assessments and taxes | 2,510,000 |
| Total G.O. debt secured by state aids | 920,000 |
| Total G.O. debt secured by tax abatement revenues (includes the Tax Abatement Refunding Portion of the Series 2024A Bonds)* | 2,190,000 |
| Total G.O. debt secured by tax increment revenues | 505,000 |
| Total G.O. debt secured by taxes (includes the Equipment Refunding Portion of the Series 2024A Bonds and the Series 2024B Certificates)* | 19,570,000 |
| Total G.O. debt secured by utility revenues | 14,853,000 |
| Total General Obligation Debt* | <u>\$44,793,000</u> |

Other Obligations

| Issue Date | Original Amount | Name of Issue | Final Maturity | Principal Outstanding |
|------------|-----------------|-----------------------------------|----------------|-----------------------|
| 7/16/2015 | \$350,000 | Airport Ind. Park/Kent Note - EDA | 7/16/2036 | <u>\$192,500</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

In addition to the Concurrent Obligations, the City has plans to issue approximately \$5,000,000 in General Obligation Street Improvement and Utility Revenue Bonds in the next 12 months.

¹ Outstanding debt is as of the dated date of the Series 2024A Bonds and Series 2024B Certificates.

DEBT LIMIT

The statutory limit on net 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" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all 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 (includes the Tax Abatement Refunding and Sales Tax Revenue Refunding Portions of the Series 2024A Bonds).

| | |
|---|----------------------------|
| 2023/24 Assessor's Estimated Market Value | \$1,136,943,200 |
| Multiply by 3% | <u>0.03</u> |
| Statutory Debt Limit | \$34,108,296 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Refunding Portion of the Series 2024A Bonds and the Series 2024B Certificates)* | <u>(19,570,000)</u> |
| Unused Debt Limit* | <u><u>\$14,538,296</u></u> |

*Preliminary, subject to change.

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Sales Tax Revenues
(As of 09/18/2024)

| Sales Tax Revenue Series 2024A | | | | | | | | |
|-----------------------------------|--------------|-----------------------|-----------------|----------------|-------------|--------------------------|---------|-----------------------|
| Dated | 09/18/2024 | | | | | | | |
| Amount | \$4,245,000* | | | | | | | |
| Maturity | 02/01 | | | | | | | |
| Fiscal Year Ending | Principal | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2025 | 0 | 151,572 | 0 | 151,572 | 151,572 | 4,245,000 | .00% | 2025 |
| 2026 | 730,000 | 152,415 | 730,000 | 152,415 | 882,415 | 3,515,000 | 17.20% | 2026 |
| 2027 | 830,000 | 120,850 | 830,000 | 120,850 | 950,850 | 2,685,000 | 36.75% | 2027 |
| 2028 | 860,000 | 87,480 | 860,000 | 87,480 | 947,480 | 1,825,000 | 57.01% | 2028 |
| 2029 | 895,000 | 53,258 | 895,000 | 53,258 | 948,258 | 930,000 | 78.09% | 2029 |
| 2030 | 930,000 | 17,903 | 930,000 | 17,903 | 947,903 | 0 | 100.00% | 2030 |
| | 4,245,000 | 583,477 | 4,245,000 | 583,477 | 4,828,477 | | | |

* Preliminary, subject to change.

- 1) This represents the \$4,245,000 Sales Tax Revenue Refunding Portion of the \$8,380,000 General Obligation Refunding Bonds, Series 2024A. This portion will refund the Sales Tax Revenue portion on the outstanding maturity of the City's \$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A, dated December 22, 2022.

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 09/18/2024)

| | Taxable Improvement Bonds Series 2009C | | Improvement & Cap. Improvement Bonds Series 2010A | | Improvement and Refunding Bonds Series 2011B | | Improvement Bonds Series 2012A | | Improvement Bonds 1) Series 2019A | | | | | | | |
|-----------------------|---|----------|---|----------|--|----------|-----------------------------------|----------|--------------------------------------|----------|-----------------|----------------|-------------|--------------------------|---------|-----------------------|
| Dated | 09/01/2009 | | 11/01/2010 | | 12/01/2011 | | 04/01/2012 | | 09/05/2019 | | | | | | | |
| Amount | \$4,565,000 | | \$1,750,000 | | \$1,555,000 | | \$2,245,000 | | \$1,460,000 | | | | | | | |
| Maturity | 02/01 | | 02/01 | | 02/01 | | 02/01 | | 02/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2025 | 365,000 | 9,673 | 65,000 | 3,534 | 75,000 | 6,008 | 155,000 | 18,606 | 90,000 | 25,820 | 750,000 | 63,641 | 813,641 | 1,760,000 | 29.88% | 2025 |
| 2026 | | | 65,000 | 1,178 | 75,000 | 3,701 | 160,000 | 13,488 | 95,000 | 23,045 | 395,000 | 41,412 | 436,412 | 1,365,000 | 45.62% | 2026 |
| 2027 | | | | | 80,000 | 1,260 | 165,000 | 8,206 | 95,000 | 20,195 | 340,000 | 29,661 | 369,661 | 1,025,000 | 59.16% | 2027 |
| 2028 | | | | | | | 170,000 | 2,763 | 100,000 | 17,270 | 270,000 | 20,033 | 290,033 | 755,000 | 69.92% | 2028 |
| 2029 | | | | | | | | | 100,000 | 14,770 | 100,000 | 14,770 | 114,770 | 655,000 | 73.90% | 2029 |
| 2030 | | | | | | | | | 105,000 | 12,720 | 105,000 | 12,720 | 117,720 | 550,000 | 78.09% | 2030 |
| 2031 | | | | | | | | | 105,000 | 10,620 | 105,000 | 10,620 | 115,620 | 445,000 | 82.27% | 2031 |
| 2032 | | | | | | | | | 110,000 | 8,415 | 110,000 | 8,415 | 118,415 | 335,000 | 86.65% | 2032 |
| 2033 | | | | | | | | | 110,000 | 6,105 | 110,000 | 6,105 | 116,105 | 225,000 | 91.04% | 2033 |
| 2034 | | | | | | | | | 110,000 | 3,740 | 110,000 | 3,740 | 113,740 | 115,000 | 95.42% | 2034 |
| 2035 | | | | | | | | | 115,000 | 1,265 | 115,000 | 1,265 | 116,265 | 0 | 100.00% | 2035 |
| | 365,000 | 9,673 | 130,000 | 4,713 | 230,000 | 10,969 | 650,000 | 43,063 | 1,135,000 | 143,965 | 2,510,000 | 212,381 | 2,722,381 | | | |

1) This represents the \$1,460,000 Improvement portion of the \$1,585,000 General Obligation Bonds, Series 2019A.

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by State Aids
(As of 09/18/2024)

| State-Aid Street Bonds Series 2012B | | | | | | | | |
|--|-------------|----------|-----------------|----------------|-------------|--------------------------|---------|-----------------------|
| Dated | 04/01/2012 | | | | | | | |
| Amount | \$4,175,000 | | | | | | | |
| Maturity | 04/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2024 | 0 | 11,281 | 0 | 11,281 | 11,281 | 920,000 | .00% | 2024 |
| 2025 | 300,000 | 19,113 | 300,000 | 19,113 | 319,113 | 620,000 | 32.61% | 2025 |
| 2026 | 305,000 | 11,926 | 305,000 | 11,926 | 316,926 | 315,000 | 65.76% | 2026 |
| 2027 | 315,000 | 4,095 | 315,000 | 4,095 | 319,095 | 0 | 100.00% | 2027 |
| | 920,000 | 46,415 | 920,000 | 46,415 | 966,415 | | | |

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 09/18/2024)

| | Tax Abatement Bonds 1) Series 2014A | | Tax Abatement Bonds 2) Series 2019A | | Tax Abatement Bonds 3) Series 2021B | | Tax Abatement Bonds 4) Series 2024A | | | | | | | |
|--------------------|--|----------|--|----------|--|----------|--|--------------------|-----------------|----------------|-------------|-----------------------|---------|--------------------|
| Dated Amount | 11/01/2014 \$425,000 | | 09/05/2019 \$125,000 | | 07/01/2021 \$1,550,000 | | 09/18/2024 \$615,000* | | | | | | | |
| Maturity | 02/01 | | 02/01 | | 02/01 | | 02/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2025 | 45,000 | 540 | 5,000 | 2,435 | 65,000 | 30,719 | 0 | 22,693 | 115,000 | 56,387 | 171,387 | 2,075,000 | 5.25% | 2025 |
| 2026 | | | 10,000 | 2,210 | 65,000 | 28,931 | 15,000 | 24,753 | 90,000 | 55,894 | 145,894 | 1,985,000 | 9.36% | 2026 |
| 2027 | | | 10,000 | 1,910 | 70,000 | 27,075 | 30,000 | 23,845 | 110,000 | 52,830 | 162,830 | 1,875,000 | 14.38% | 2027 |
| 2028 | | | 10,000 | 1,610 | 70,000 | 25,150 | 30,000 | 22,660 | 110,000 | 49,420 | 159,420 | 1,765,000 | 19.41% | 2028 |
| 2029 | | | 10,000 | 1,360 | 70,000 | 23,225 | 30,000 | 21,490 | 110,000 | 46,075 | 156,075 | 1,655,000 | 24.43% | 2029 |
| 2030 | | | 10,000 | 1,160 | 75,000 | 21,231 | 30,000 | 20,328 | 115,000 | 42,719 | 157,719 | 1,540,000 | 29.68% | 2030 |
| 2031 | | | 10,000 | 960 | 75,000 | 19,450 | 30,000 | 19,173 | 115,000 | 39,583 | 154,583 | 1,425,000 | 34.93% | 2031 |
| 2032 | | | 10,000 | 755 | 75,000 | 17,950 | 35,000 | 17,921 | 120,000 | 36,626 | 156,626 | 1,305,000 | 40.41% | 2032 |
| 2033 | | | 10,000 | 545 | 80,000 | 16,400 | 35,000 | 16,574 | 125,000 | 33,519 | 158,519 | 1,180,000 | 46.12% | 2033 |
| 2034 | | | 10,000 | 330 | 80,000 | 14,800 | 35,000 | 15,226 | 125,000 | 30,356 | 155,356 | 1,055,000 | 51.83% | 2034 |
| 2035 | | | 10,000 | 110 | 80,000 | 13,200 | 35,000 | 13,879 | 125,000 | 27,189 | 152,189 | 930,000 | 57.53% | 2035 |
| 2036 | | | | | 85,000 | 11,550 | 40,000 | 12,435 | 125,000 | 23,985 | 148,985 | 805,000 | 63.24% | 2036 |
| 2037 | | | | | 85,000 | 9,850 | 40,000 | 10,845 | 125,000 | 20,695 | 145,695 | 680,000 | 68.95% | 2037 |
| 2038 | | | | | 85,000 | 8,150 | 40,000 | 9,185 | 125,000 | 17,335 | 142,335 | 555,000 | 74.66% | 2038 |
| 2039 | | | | | 90,000 | 6,400 | 45,000 | 7,389 | 135,000 | 13,789 | 148,789 | 420,000 | 80.82% | 2039 |
| 2040 | | | | | 90,000 | 4,600 | 45,000 | 5,454 | 135,000 | 10,054 | 145,054 | 285,000 | 86.99% | 2040 |
| 2041 | | | | | 90,000 | 2,800 | 50,000 | 3,363 | 140,000 | 6,163 | 146,163 | 145,000 | 93.38% | 2041 |
| 2042 | | | | | 95,000 | 950 | 50,000 | 1,125 | 145,000 | 2,075 | 147,075 | 0 | 100.00% | 2042 |
| | 45,000 | 540 | 105,000 | 13,385 | 1,425,000 | 282,431 | 615,000 | 268,336 | 2,190,000 | 564,692 | 2,754,692 | | | |

* Preliminary, subject to change.

- 1) This represents the \$425,000 Tax Abatement portion of the \$3,000,000 General Obligation Bonds, Series 2014A.
- 2) This represents the \$125,000 Tax Abatement portion of the \$1,585,000 General Obligation Bonds, Series 2019A.
- 3) This represents the \$1,550,000 Tax Abatement portion of the \$6,255,000 General Obligation Bonds, Series 2021B.
- 4) This represents the \$615,000 Tax Abatement Refunding Portion of the \$8,380,000 General Obligation Refunding Bonds, Series 2024A. This portion will refund the Tax Abatement portion of the outstanding maturity of the City's \$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A, dated December 22, 2022.

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Increment Revenues
(As of 09/18/2024)

| Tax Increment Refunding Bonds 1) Series 2017B | | | | | | | | |
|--|------------|----------|-----------------|----------------|-------------|--------------------------|---------|-----------------------|
| Dated | 12/28/2017 | | | | | | | |
| Amount | \$705,000 | | | | | | | |
| Maturity | 02/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2025 | 40,000 | 13,815 | 40,000 | 13,815 | 53,815 | 465,000 | 7.92% | 2025 |
| 2026 | 40,000 | 12,895 | 40,000 | 12,895 | 52,895 | 425,000 | 15.84% | 2026 |
| 2027 | 45,000 | 11,918 | 45,000 | 11,918 | 56,918 | 380,000 | 24.75% | 2027 |
| 2028 | 45,000 | 10,725 | 45,000 | 10,725 | 55,725 | 335,000 | 33.66% | 2028 |
| 2029 | 50,000 | 9,300 | 50,000 | 9,300 | 59,300 | 285,000 | 43.56% | 2029 |
| 2030 | 55,000 | 7,725 | 55,000 | 7,725 | 62,725 | 230,000 | 54.46% | 2030 |
| 2031 | 50,000 | 6,150 | 50,000 | 6,150 | 56,150 | 180,000 | 64.36% | 2031 |
| 2032 | 55,000 | 4,575 | 55,000 | 4,575 | 59,575 | 125,000 | 75.25% | 2032 |
| 2033 | 60,000 | 2,850 | 60,000 | 2,850 | 62,850 | 65,000 | 87.13% | 2033 |
| 2034 | 65,000 | 975 | 65,000 | 975 | 65,975 | 0 | 100.00% | 2034 |
| | 505,000 | 80,928 | 505,000 | 80,928 | 585,928 | | | |

1) This represents the \$705,000 Tax Increment Refunding portion of the \$2,920,000 General Obligation Refunding Bonds, Series 2017B.

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 09/18/2024)

| | Street Reconstruction Bonds Series 2013B | | Street Rec. Capital Imp and Equip. Bonds 1) Series 2014A | | Street Reconstruction Bonds Series 2016A | | Street Reconstruction Bonds Series 2017A | | Street Rec. & Capital Improvement Bonds Series 2018A | |
|-----------------------|---|----------|--|----------|---|----------|---|----------|--|----------|
| Dated | 09/01/2013 | | 11/01/2014 | | 10/05/2016 | | 09/07/2017 | | 10/18/2018 | |
| Amount | \$4,025,000 | | \$2,575,000 | | \$2,170,000 | | \$2,130,000 | | \$1,960,000 | |
| Maturity | 02/01 | | 02/01 | | 02/01 | | 02/01 | | 02/01 | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025 | 290,000 | 46,938 | 170,000 | 23,690 | 145,000 | 24,110 | 140,000 | 43,125 | 125,000 | 41,263 |
| 2026 | 300,000 | 37,713 | 150,000 | 19,775 | 150,000 | 21,160 | 145,000 | 38,850 | 130,000 | 37,438 |
| 2027 | 305,000 | 27,881 | 155,000 | 15,885 | 150,000 | 18,160 | 145,000 | 34,500 | 130,000 | 33,538 |
| 2028 | 320,000 | 17,325 | 160,000 | 11,710 | 155,000 | 15,110 | 150,000 | 29,963 | 135,000 | 29,563 |
| 2029 | 335,000 | 5,863 | 165,000 | 7,240 | 155,000 | 12,010 | 155,000 | 25,159 | 140,000 | 25,438 |
| 2030 | | | 170,000 | 2,465 | 160,000 | 8,860 | 160,000 | 20,118 | 140,000 | 21,238 |
| 2031 | | | | | 165,000 | 5,445 | 165,000 | 14,754 | 140,000 | 16,950 |
| 2032 | | | | | 165,000 | 1,815 | 170,000 | 9,058 | 150,000 | 12,419 |
| 2033 | | | | | | | 175,000 | 3,063 | 150,000 | 7,638 |
| 2034 | | | | | | | | | 160,000 | 2,600 |
| 2035 | | | | | | | | | | |
| 2036 | | | | | | | | | | |
| 2037 | | | | | | | | | | |
| 2038 | | | | | | | | | | |
| 2039 | | | | | | | | | | |
| 2040 | | | | | | | | | | |
| 2041 | | | | | | | | | | |
| 2042 | | | | | | | | | | |
| | 1,550,000 | 135,719 | 970,000 | 80,765 | 1,245,000 | 106,670 | 1,405,000 | 218,588 | 1,400,000 | 228,081 |

1) This represents the \$2,165,000 Street Reconstruction portion, the \$180,000 CIP portion, and the \$230,000 Equipment portion of the \$3,000,000 General Obligation Bonds, Series 2014A.

--Continued on next page

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 09/18/2024)

| | Street Reconstruction Bonds Series 2020A | | Capital Improvement Project Bonds 2) Series 2021B | | Street Reconstruction Bonds Series 2023A | | Equipment Refunding Certificates 3) Series 2024A | | Equipment Certificates Series 2024B | | | | | | | |
|-----------------------|---|----------|---|----------|---|----------|--|-----------------------|--|-----------------------|-----------------|----------------|-------------|--------------------------|---------|-----------------------|
| Dated Amount | 11/05/2020 \$2,275,000 | | 07/01/2021 \$4,705,000 | | 11/09/2023 \$2,220,000 | | 09/18/2024 \$3,520,000* | | 09/18/2024 \$1,055,000* | | | | | | | |
| Maturity | 02/01 | | 02/01 | | 02/01 | | 02/01 | | 02/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Estimated Interest | Principal | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2025 | 140,000 | 30,463 | 195,000 | 93,256 | 85,000 | 98,025 | 0 | 129,818 | 0 | 35,534 | 1,290,000 | 566,221 | 1,856,221 | 18,280,000 | 6.59% | 2025 |
| 2026 | 145,000 | 27,613 | 200,000 | 87,825 | 110,000 | 93,150 | 100,000 | 141,308 | 120,000 | 36,900 | 1,550,000 | 541,730 | 2,091,730 | 16,730,000 | 14.51% | 2026 |
| 2027 | 145,000 | 24,713 | 205,000 | 82,256 | 115,000 | 87,525 | 155,000 | 136,158 | 140,000 | 31,900 | 1,645,000 | 492,515 | 2,137,515 | 15,085,000 | 22.92% | 2027 |
| 2028 | 150,000 | 21,763 | 210,000 | 76,550 | 120,000 | 81,650 | 165,000 | 129,840 | 145,000 | 26,521 | 1,710,000 | 439,994 | 2,149,994 | 13,375,000 | 31.66% | 2028 |
| 2029 | 155,000 | 18,713 | 215,000 | 70,706 | 125,000 | 75,525 | 170,000 | 123,308 | 155,000 | 20,935 | 1,770,000 | 384,895 | 2,154,895 | 11,605,000 | 40.70% | 2029 |
| 2030 | 155,000 | 15,613 | 220,000 | 64,725 | 135,000 | 69,025 | 180,000 | 116,528 | 160,000 | 15,148 | 1,480,000 | 333,718 | 1,813,718 | 10,125,000 | 48.26% | 2030 |
| 2031 | 160,000 | 13,103 | 230,000 | 59,400 | 140,000 | 62,150 | 185,000 | 109,501 | 165,000 | 9,216 | 1,350,000 | 290,519 | 1,640,519 | 8,775,000 | 55.16% | 2031 |
| 2032 | 160,000 | 11,103 | 235,000 | 54,750 | 150,000 | 54,900 | 190,000 | 102,283 | 170,000 | 3,103 | 1,390,000 | 249,429 | 1,639,429 | 7,385,000 | 62.26% | 2032 |
| 2033 | 165,000 | 8,908 | 240,000 | 50,000 | 155,000 | 47,275 | 200,000 | 94,775 | | | 1,085,000 | 211,658 | 1,296,658 | 6,300,000 | 67.81% | 2033 |
| 2034 | 165,000 | 6,515 | 245,000 | 45,150 | 165,000 | 40,100 | 205,000 | 86,979 | | | 940,000 | 181,344 | 1,121,344 | 5,360,000 | 72.61% | 2034 |
| 2035 | 165,000 | 3,999 | 250,000 | 40,200 | 170,000 | 33,400 | 215,000 | 78,894 | | | 800,000 | 156,493 | 956,493 | 4,560,000 | 76.70% | 2035 |
| 2036 | 170,000 | 1,360 | 250,000 | 35,200 | 175,000 | 26,500 | 220,000 | 70,520 | | | 815,000 | 133,580 | 948,580 | 3,745,000 | 80.86% | 2036 |
| 2037 | | | 260,000 | 30,100 | 185,000 | 19,300 | 230,000 | 61,570 | | | 675,000 | 110,970 | 785,970 | 3,070,000 | 84.31% | 2037 |
| 2038 | | | 265,000 | 24,850 | 190,000 | 11,800 | 240,000 | 51,815 | | | 695,000 | 88,465 | 783,465 | 2,375,000 | 87.86% | 2038 |
| 2039 | | | 270,000 | 19,500 | 200,000 | 4,000 | 250,000 | 41,463 | | | 720,000 | 64,963 | 784,963 | 1,655,000 | 91.54% | 2039 |
| 2040 | | | 275,000 | 14,050 | | | 260,000 | 30,495 | | | 535,000 | 44,545 | 579,545 | 1,120,000 | 94.28% | 2040 |
| 2041 | | | 280,000 | 8,500 | | | 270,000 | 18,833 | | | 550,000 | 27,333 | 577,333 | 570,000 | 97.09% | 2041 |
| 2042 | | | 285,000 | 2,850 | | | 285,000 | 6,413 | | | 570,000 | 9,263 | 579,263 | 0 | 100.00% | 2042 |
| | 1,875,000 | 183,861 | 4,330,000 | 859,869 | 2,220,000 | 804,325 | 3,520,000 | 1,530,497 | 1,055,000 | 179,257 | 19,570,000 | 4,327,631 | 23,897,631 | | | |

* Preliminary, subject to change.

2) This represents the \$4,705,000 CIP portion of the \$6,255,000 General Obligation Bonds, Series 2021B.

3) This represents the \$3,520,000 Equipment Refunding Portion of the \$8,380,000 General Obligation Refunding Bonds, Series 2024A. This portion will refund the Equipment Certificates portion on the outstanding maturity of the City's \$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A, dated December 22, 2022.

City of Grand Rapids, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 09/18/2024)

| | Taxable Revenue Note (PFA) of 2009 | | Utility Revenue Refunding Bonds Series 2021A | | Taxable Utility Revenue Bonds (PUC) Series 2021C | | Utility Revenue Refunding Bonds Series 2021D | | Utility Revenue Bonds series 2023B | | | | | | | |
|-----------------------|---------------------------------------|----------|---|----------|--|----------|---|----------|---------------------------------------|-----------|-----------------|----------------|-------------|--------------------------|---------|-----------------------|
| Dated | 11/10/2009 | | 05/27/2021 | | 09/02/2021 | | 12/09/2021 | | 11/09/2023 | | | | | | | |
| Amount | \$26,370,231 | | \$872,000 | | \$1,210,000 | | \$1,120,000 | | \$4,575,000 | | | | | | | |
| Maturity | 08/20 | | 04/15 & 10/15 | | 02/01 | | 02/01 | | 02/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2024 | 0 | 0 | 97,000 | 798 | 0 | 0 | 0 | 0 | 0 | 0 | 97,000 | 798 | 97,798 | 14,756,000 | .65% | 2024 |
| 2025 | 1,527,000 | 234,639 | 195,000 | 873 | 190,000 | 8,918 | 100,000 | 23,250 | 165,000 | 208,063 | 2,177,000 | 475,742 | 2,652,742 | 12,579,000 | 15.31% | 2025 |
| 2026 | 1,571,000 | 190,356 | | | 195,000 | 7,471 | 105,000 | 20,175 | 225,000 | 198,313 | 2,096,000 | 416,315 | 2,512,315 | 10,483,000 | 29.42% | 2026 |
| 2027 | 1,617,000 | 144,797 | | | 190,000 | 5,693 | 110,000 | 16,950 | 240,000 | 186,688 | 2,157,000 | 354,127 | 2,511,127 | 8,326,000 | 43.94% | 2027 |
| 2028 | 1,664,000 | 97,904 | | | 195,000 | 3,621 | 110,000 | 13,650 | 250,000 | 174,438 | 2,219,000 | 289,613 | 2,508,613 | 6,107,000 | 58.88% | 2028 |
| 2029 | 1,712,000 | 49,648 | | | 200,000 | 1,250 | 100,000 | 10,500 | 265,000 | 161,563 | 2,277,000 | 222,961 | 2,499,961 | 3,830,000 | 74.21% | 2029 |
| 2030 | | | | | | | 100,000 | 7,500 | 280,000 | 147,938 | 380,000 | 155,438 | 535,438 | 3,450,000 | 76.77% | 2030 |
| 2031 | | | | | | | 100,000 | 5,000 | 290,000 | 133,688 | 390,000 | 138,688 | 528,688 | 3,060,000 | 79.40% | 2031 |
| 2032 | | | | | | | 100,000 | 3,000 | 305,000 | 118,813 | 405,000 | 121,813 | 526,813 | 2,655,000 | 82.12% | 2032 |
| 2033 | | | | | | | 100,000 | 1,000 | 315,000 | 103,313 | 415,000 | 104,313 | 519,313 | 2,240,000 | 84.92% | 2033 |
| 2034 | | | | | | | | | 335,000 | 87,063 | 335,000 | 87,063 | 422,063 | 1,905,000 | 87.17% | 2034 |
| 2035 | | | | | | | | | 355,000 | 71,588 | 355,000 | 71,588 | 426,588 | 1,550,000 | 89.56% | 2035 |
| 2036 | | | | | | | | | 365,000 | 57,188 | 365,000 | 57,188 | 422,188 | 1,185,000 | 92.02% | 2036 |
| 2037 | | | | | | | | | 380,000 | 42,050 | 380,000 | 42,050 | 422,050 | 805,000 | 94.58% | 2037 |
| 2038 | | | | | | | | | 390,000 | 25,925 | 390,000 | 25,925 | 415,925 | 415,000 | 97.21% | 2038 |
| 2039 | | | | | | | | | 415,000 | 8,819 | 415,000 | 8,819 | 423,819 | 0 | 100.00% | 2039 |
| | 8,091,000 | 717,344 | 292,000 | 1,671 | 970,000 | 26,953 | 925,000 | 101,025 | 4,575,000 | 1,725,444 | 14,853,000 | 2,572,436 | 17,425,436 | | | |

OVERLAPPING DEBT¹

| Taxing District | 2023/24 Adjusted Taxable Net Tax Capacity | % In City | Total G.O. Debt ² | City's Proportionate Share |
|---|--|-----------|---------------------------------|----------------------------------|
| Itasca County | \$86,250,185 | 13.5629% | \$50,533,364 | \$6,853,790 |
| I.S.D. No. 316 (Greenway Public Schools) | 9,461,766 | 4.5539% | 16,503,987 ³ | 751,575 |
| I.S.D. No. 318 (Itasca County) | 60,239,243 | 18.7040% | 92,305,000 | <u>17,264,727</u> |
| City's Share of Total Overlapping Debt | | | | <u>\$24,870,092</u> |

¹ Overlapping debt is as of the dated date of the Series 2024A Bonds and the Series 2024B Certificates. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It 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 Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Series 2024A Bonds and the Series 2024B Certificates.

DEBT RATIOS

| | G.O. Debt | Debt/Economic Market Value \$1,208,839,058 | Debt/ Per Capita 11,346¹ |
|--|------------------|---|--|
| Direct G.O. Debt Secured By: | | | |
| Sales Tax Revenues* | \$4,245,000 | | |
| Special Assessments & Taxes | 2,510,000 | | |
| State Aids | 920,000 | | |
| Tax Abatement Revenues* | 2,190,000 | | |
| Tax Increment Revenues | 505,000 | | |
| Taxes* | 19,570,000 | | |
| Utility Revenues | 14,853,000 | | |
| Total General Obligation Debt* | \$44,793,000 | | |
| Less: G.O. Debt Paid Entirely from Revenues ² | (20,018,000) | | |
| Tax Supported General Obligation Debt* | \$24,775,000 | 2.05% | \$2,183.59 |
| City's Share of Total Overlapping Debt | \$24,870,092 | 2.06% | \$2,191.97 |
| Total* | \$49,645,092 | 4.11% | \$4,375.56 |

*Preliminary, subject to change.

¹ Estimated 2022 population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy ¹ | Total Collected Following Year | Collected to Date | % Collected |
|----------|---------------------------|--------------------------------|-------------------|-------------|
| 2019/20 | \$7,397,335 | \$7,276,689 | \$7,367,822 | 99.60% |
| 2020/21 | 7,629,304 | 7,515,401 | 7,580,068 | 99.35% |
| 2021/22 | 8,199,583 | 8,076,156 | 8,096,094 | 98.74% |
| 2022/23 | 8,180,658 | 8,088,325 | 8,088,325 | 98.87% |
| 2023/24 | 8,913,090 | In process of collection | | |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² 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 RATES³

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---------|---------|---------|---------|---------|
| Itasca County | 67.534% | 63.245% | 61.481% | 48.967% | 47.030% |
| City of Grand Rapids | 88.629% | 88.397% | 88.698% | 75.531% | 77.230% |
| I.S.D. No. 316 (Greenway Public Schools) | 34.528% | 33.263% | 32.560% | 25.881% | 25.365% |
| I.S.D. No. 318 (Itasca County) | 24.340% | 22.052% | 23.205% | 18.508% | 18.581% |
| ARDC | 0.181% | 0.165% | 0.170% | 0.137% | 0.136% |
| Regional Railroad | 0.124% | 0.116% | 0.113% | 0.090% | 0.084% |

Referendum Market Value Rates:

| | | | | | |
|---|----------|----------|----------|----------|----------|
| I.S.D. No. 316 (Greenway Public Schools) | 0.11022% | 0.11123% | 0.10665% | 0.09024% | 0.09589% |
| I.S.D. No. 318 (Itasca County) | 0.12836% | 0.12169% | 0.11974% | 0.09300% | 0.09476% |

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

³ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City 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, Director of Finance and City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 77 full-time, six (6) part-time, and 87 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, 2025 |
| Law Enforcement Labor Services, Inc. #239 (Officers) | December 31, 2025 |
| Int'l Union of Operating Engineers Local #49 | December 31, 2025 |
| Int'l Union of Operating Engineers Local #49 (Clerical) | December 31, 2025 |
| AFSME #3456A - Library | December 31, 2025 |

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of \$280,158 as of January 1, 2023. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent Audit.

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 Series 2024A Bonds and the Series 2024B Certificates or otherwise questioning the validity of the Series 2024A Bonds and the Series 2024B Certificates.

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, Section 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 May 31, 2024)

| Fund | Total Cash and Investments |
|-------------------------|---------------------------------------|
| General | \$1,989,869 |
| Special Revenue | 883,720 |
| Debt Service | 4,131,751 |
| Capital Projects | 2,818,788 |
| Enterprise Funds | 1,297,498 |
| TIF Debt Service | 792,403 |
| Agency Funds | <u>86,855</u> |
| Total Funds on Hand | <u><u>\$12,000,884</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:

| | 2021 Audited | 2022 Audited | 2023 Audited |
|---|---------------------------|---------------------------|---------------------------|
| Pokegama Golf Course | | | |
| Total Operating Revenues | \$776,841 | \$864,518 | \$961,245 |
| Less: Operating Expenses | <u>(718,957)</u> | <u>(845,560)</u> | <u>(940,164)</u> |
| Operating Income | \$57,884 | \$18,958 | \$21,081 |
| Plus: Depreciation | <u>112,513</u> | <u>118,022</u> | <u>127,835</u> |
| Revenues Available for Debt Service | <u><u>\$170,397</u></u> | <u><u>\$136,980</u></u> | <u><u>\$148,916</u></u> |
| Storm Water Utility | | | |
| Total Operating Revenues | \$873,563 | \$857,346 | \$853,307 |
| Less: Operating Expenses | <u>(624,495)</u> | <u>(641,897)</u> | <u>(725,295)</u> |
| Operating Income | \$249,068 | \$215,449 | \$128,012 |
| Plus: Depreciation | <u>52,363</u> | <u>50,757</u> | <u>55,387</u> |
| Revenues Available for Debt Service | <u><u>\$301,431</u></u> | <u><u>\$266,206</u></u> | <u><u>\$183,399</u></u> |
| Electric - Public Utilities Commission | | | |
| Total Operating Revenues | \$18,212,360 | \$19,120,685 | \$17,991,569 |
| Less: Operating Expenses | <u>(17,741,539)</u> | <u>(16,069,269)</u> | <u>(16,660,084)</u> |
| Operating Income | \$470,821 | \$3,051,416 | \$1,331,485 |
| Plus: Depreciation | <u>1,119,626</u> | <u>1,142,335</u> | <u>1,124,230</u> |
| Revenues Available for Debt Service | <u><u>\$1,590,447</u></u> | <u><u>\$4,193,751</u></u> | <u><u>\$2,455,715</u></u> |
| Water - Public Utilities Commission | | | |
| Total Operating Revenues | \$1,886,511 | \$1,880,120 | \$2,352,711 |
| Less: Operating Expenses | <u>(1,814,421)</u> | <u>(2,162,385)</u> | <u>(2,189,166)</u> |
| Operating Income | \$72,090 | (\$282,265) | \$163,545 |
| Plus: Depreciation | <u>353,922</u> | <u>355,433</u> | <u>356,754</u> |
| Revenues Available for Debt Service | <u><u>\$426,012</u></u> | <u><u>\$73,168</u></u> | <u><u>\$520,299</u></u> |

Continued on Next Page

ENTERPRISE FUNDS, Continued

| | 2021 Audited | 2022 Audited | 2023 Audited |
|--|--------------------------|--------------------------|---------------------------|
| Wastewater Collection - Public Utilities Commission | | | |
| Total Operating Revenues | \$1,866,283 | \$1,859,784 | \$2,041,644 |
| Less: Operating Expenses | <u>(1,472,915)</u> | <u>(1,622,662)</u> | <u>(1,865,372)</u> |
| Operating Income | \$393,368 | \$237,122 | \$176,272 |
| Plus: Depreciation | <u>259,292</u> | <u>256,821</u> | <u>268,673</u> |
| Revenues Available for Debt Service | <u><u>\$652,660</u></u> | <u><u>\$493,943</u></u> | <u><u>\$444,945</u></u> |
| Wastewater Treatment - Public Utilities Commission | | | |
| Total Operating Revenues | \$3,354,423 | \$3,829,629 | \$3,618,951 |
| Less: Operating Expenses | <u>(4,995,486)</u> | <u>(5,544,207)</u> | <u>(5,714,598)</u> |
| Operating Income | (\$1,641,063) | (\$1,714,578) | (\$2,095,647) |
| Plus: Depreciation | <u>1,588,892</u> | <u>1,617,392</u> | <u>1,601,014</u> |
| Revenues Available for Debt Service | <u><u>(\$52,171)</u></u> | <u><u>(\$97,186)</u></u> | <u><u>(\$494,633)</u></u> |

SUMMARY GENERAL FUND INFORMATION

The 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 2023 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|---|--------------------------------|---------------------|---------------------|---------------------|--|
| | 2020 Audited | 2021 Audited | 2022 Audited | 2023 Audited | 2024 Adopted Budget ¹ |
| Revenues | | | | | |
| General Property | \$4,719,439 | \$4,963,402 | \$5,083,920 | \$5,067,736 | \$5,805,969 |
| Payments in lieu of taxes (PILOT) | 911,762 | 914,886 | 924,990 | 933,281 | 918,000 |
| Licenses and permits | 450,688 | 384,777 | 479,768 | 440,743 | 357,285 |
| Intergovernmental | 3,745,965 | 3,049,276 | 2,715,337 | 2,912,395 | 2,922,491 |
| Special assessments | 16,813 | 11,081 | 0 | 3,202 | 0 |
| Charges for services | 1,090,118 | 1,153,571 | 1,220,830 | 1,630,939 | 1,697,781 |
| Fines and forfeitures | 54,331 | 73,726 | 69,678 | 65,645 | 69,000 |
| Investments (loss) | 47,889 | 43,266 | (209,442) | 114,715 | 35,000 |
| Contributions and donations | 600 | 27,377 | 28,690 | 20,161 | 10,000 |
| Other | 12,054 | 43,831 | 32,736 | 26,712 | 27,200 |
| Total Revenues | \$11,049,659 | \$10,665,193 | \$10,346,507 | \$11,215,529 | \$11,842,726 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$2,288,167 | \$2,485,436 | \$2,610,840 | \$2,652,661 | \$3,343,953 |
| Public safety | 3,714,617 | 3,931,045 | 4,023,059 | 4,362,075 | 4,804,392 |
| Public works | 2,457,510 | 2,759,613 | 2,724,697 | 2,746,117 | 2,762,482 |
| Culture and recreation | 82,709 | 76,075 | 93,722 | 249,548 | 338,333 |
| Miscellaneous | 1,214,096 | 569,299 | 422,144 | 475,302 | 593,567 |
| Capital outlay | 255,165 | 0 | 0 | 14,206 | 0 |
| Total Expenditures | \$10,012,264 | \$9,821,468 | \$9,874,462 | \$10,499,909 | \$11,842,726 |
| Excess of revenues over (under) expenditures | \$1,037,395 | \$843,725 | \$472,045 | \$715,620 | \$0 |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | \$181,765 | \$11,038 | \$6,476 | \$1,414 | \$0 |
| Insurance recoveries | 19,356 | 41,847 | 49,416 | 51,334 | 0 |
| Transfers in | 0 | 82,585 | 0 | 39,807 | 0 |
| Transfers (out) | (517,616) | (766,356) | (453,645) | (748,331) | 0 |
| Total Other Financing Sources (Uses) | (\$316,495) | (\$630,886) | (\$397,753) | (\$655,776) | \$0 |
| Net changes in Fund Balances | \$720,900 | \$212,839 | \$74,292 | \$59,844 | \$0 |
| General Fund Balance January 1 | \$6,620,809 | \$7,341,709 | \$7,554,548 | \$7,628,840 | |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | 0 | |
| General Fund Balance December 31 | \$7,341,709 | \$7,554,548 | \$7,628,840 | \$7,688,684 | |
| DETAILS OF DECEMBER 31 FUND BALANCE | | | | | |
| Nonspendable | \$1,471,076 | \$1,652,993 | \$1,411,674 | \$1,173,469 | |
| Restricted | 35,950 | 39,516 | 35,374 | 37,348 | |
| Committed | 925,572 | 1,049,832 | 1,169,769 | 1,286,122 | |
| Unassigned | 4,909,111 | 4,812,207 | 5,012,023 | 5,191,745 | |
| Total | \$7,341,709 | \$7,554,548 | \$7,628,840 | \$7,688,684 | |

¹ The 2024 budget was adopted on December 18, 2024.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 11,126 and a 2022 population estimate of 11,346, and comprising an area of 24.44 square miles, is located approximately 178 miles north of Minneapolis, Minnesota. The City is the county seat of Itasca County, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|-----------------------------------|--------------------------------------|-----------------------------------|
| I.S.D. No. 318 (Itasca County) | Elementary and secondary education | 636 |
| Grand Itasca Clinic & Hospital | Medical clinic and hospital | 526 |
| Itasca County | County government and services | 421 |
| Northland Counseling Center, Inc. | Mental Health services | 250 |
| ASV, Inc. | Construction equipment manufacturing | 250 |
| North Homes, Inc. | Children and family services | 250 |
| UPM Blandin | Manufacture paper products | 230 |
| Arrowhead Promotions | Marketing consultants | 220 |
| Walmart Supercenter | Retail and grocery | 183 |
| The City | Municipal government and services | 170 |

Source: Data Axle Reference Solutions, written and telephone survey, 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.

BUILDING PERMITS (As of June 30, 2024)

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|--------------|--------------|--------------|--------------|--------------|
| <u>New Single Family Homes</u> | | | | | |
| No. of building permits | 19 | 8 | 8 | 14 | 1 |
| Valuation | \$3,410,745 | \$1,888,130 | \$2,088,000 | \$3,338,000 | \$310,000 |
| <u>New Commercial/Industrial</u> | | | | | |
| No. of building permits | 10 | 4 | 4 | 1 | 3 |
| Valuation | \$39,994,563 | \$6,453,000 | \$64,866,839 | \$2,500,000 | \$21,958,250 |
| <u>All Building Permits</u> | | | | | |
| <i>(including additions and remodelings)</i> | | | | | |
| No. of building permits | 465 | 514 | 435 | 513 | 216 |
| Valuation | \$14,336,503 | \$20,341,593 | \$9,068,857 | \$41,806,353 | \$9,909,585 |

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

| | |
|-------------------------------|--------|
| 2010 U.S. Census population | 10,869 |
| 2020 U.S. Census population | 11,126 |
| Percent of Change 2010 - 2020 | 2.36% |

| | |
|--|--------|
| 2022 State Demographer Population Estimate | 11,346 |
|--|--------|

Income and Age Statistics

| | The City | Itasca County | State of Minnesota | United States |
|--|-----------|---------------|--------------------|---------------|
| 2022 per capita income | \$30,251 | \$34,528 | \$44,947 | \$41,261 |
| 2022 median household income | \$53,317 | \$63,962 | \$74,313 | \$75,149 |
| 2022 median family income | \$80,000 | \$82,653 | \$107,072 | \$92,646 |
| 2022 median gross rent | \$946 | \$896 | \$1,178 | \$1,268 |
| 2022 median value owner occupied units | \$188,100 | \$198,500 | \$286,800 | \$281,900 |
| 2022 median age | 43.2 yrs. | 46.8 yrs. | 38.5 yrs. | 38.5 yrs. |

| | State of Minnesota | United States |
|-------------------------------------|--------------------|---------------|
| City % of 2022 per capita income | 67.30% | 73.32% |
| City % of 2022 median family income | 74.72% | 86.35% |

Housing Statistics

| | <u>The City</u> | | Percent of Change |
|-------------------|-----------------|-------|-------------------|
| | 2020 | 2022 | |
| All Housing Units | 4,761 | 4,840 | 1.66% |

Source: 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

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 |
| 2020 | 20,346 | 8.6% | 6.3% |
| 2021 | 20,657 | 5.0% | 3.7% |
| 2022 | 20,697 | 4.3% | 2.7% |
| 2023 | 20,758 | 4.6% | 2.8% |
| 2024, June | 20,994 | 5.4% | 3.8% |

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 or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary 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 Certificates, the City represents that there have been no material adverse changes 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.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2023

Prepared by:

Finance Department

Barbara Baird
Finance Director

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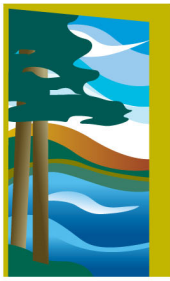
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I. INTRODUCTORY SECTION

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May 9, 2024

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

The Annual Comprehensive Financial Report (ACFR) for the City of Grand Rapids for the fiscal year ended December 31, 2023, is hereby submitted. Minnesota State Statutes require that local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This requirement has been met by the engagement of the firm of Redpath and Company, Ltd. and their report is included in the financial section of this report.

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

The City of Grand Rapids' financial statements have been audited by Redpath and Company, Ltd., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Grand Rapids for the fiscal year ended December 31, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City of Grand Rapids' financial statements for the fiscal year ended December 31, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The Village of Grand Rapids was incorporated on June 11, 1891, and became a statutory City on January 9, 1974. The City of Grand Rapids, the Itasca County seat, is located 180 miles north of Minneapolis and St. Paul, Minnesota, in the north central part of the state. The City is located in the heart of a resort and recreation area and is the major commercial service and industrial center. The City of Grand Rapids currently occupies a land area of 24.40 square miles and serves a population of 11,346. The City of Grand Rapids signed an Annexation Agreement with the Grand Rapids Township in 2000 and the City annexed the last area of the Township on January 1, 2010. The City of Grand Rapids is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation.

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

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

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

The annual budget serves as the foundation for the City of Grand Rapids' financial planning and control. All agencies of the City of Grand Rapids are required to submit requests for appropriation to the City Administrator in May of each year for the following year's budget. The City Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator meets with the Council to develop a budget. The Council is required to hold a public hearing on the proposed budget and certify an adopted final budget to the County Auditor by no later than December 30.

The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments, however, require the special approval of the governing Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 100 as part of the basic financial statements for the government funds. For governmental funds other than the general fund, and with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, shown on pages 148 - 155.

Local economy

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

A major contributor to the local economy is forestry and its related products and activities. The UPM Blandin Paper Mill, historically one of the City's largest employers, operates in the City of Grand Rapids. While Blandin has downsized its operations over the past two decades, it continues to be one of few paper production facilities, nationwide, maintaining a full order sheet and delivering a profit to the parent company, further evidenced by UPM's investment of over \$10M in its manufacturing process equipment in 2019. According to company officials, in 2022, Blandin had one of its best years in a very long time. This surge stems from a couple of factors. First, Blandin has fewer competitors in the marketplace, with other North American coated paper manufacturers going off line or converting to other products. Second, mills owned by UPM in Europe have experienced strikes and difficulties presented by past reliance on raw materials sourced from Russia.

Grand Rapids is also home to Yanmar Compact Equipment North America, Inc. (formerly known ASV Holdings, Inc). Yanmar currently employs approximately 243 in their Grand Rapids based manufacturing of compact track loaders and skid steer loaders together with a parts distribution center. They employed 153 in 2017, prior to them bringing their parts distribution in house. In September of 2019, 100% of the ASV shares were purchased by Yanmar, a global producer of engines, agricultural equipment, construction and marine equipment, tools and components.

The City and Grand Rapids EDA have successfully worked with Yanmar, along with the Minnesota Department of IRRR and MN DEED to facilitate an expansion of Yanmar. The significant expansion of the Grand Rapids production facility includes the addition of a 30,000 square feet addition to the plant, site improvements, assembly layout modifications, additional equipment and staffing. The City of Grand Rapids approved a tax abatement to assist this project. As with all tax abatement and TIF provided by the City of Grand Rapids, it was reviewed to confirm that the request was consistent with the *Economic Development Policies* (business subsidy policy). This review process ensures that the City benefits from the use of public assistance in measurable ways, such as increased tax base, new and retained jobs that provide a living wage, addressing housing needs, or redevelopment of marginal, blighted, property.

Two major elements of the ASV/Yanmar business plan are driving the need to expand. First, a significant ramp-up in the production of ASV and Yanmar branded Compact Track Loaders (CTL); both existing products and the planned launch of new products to keep pace with the growing demand. Second, a relocation of a line of Yanmar Compact Mini Excavator (CEX) production from Japan to the Grand Rapids facility, designed to serve the North American market. Between this year and the end of 2026, ASV/Yanmar projects the addition of 284 production and operations jobs and 79 administrative and professional positions.

The City and Grand Rapids EDA are working with developers interested in addressing the current and increasing demand for housing in the community. The EDA has entered into a preliminary development agreement with Oppidan, Inc. for their prospective development of a 132-unit apartment on EDA property. The EDA is also working with the development firm Shafer-Richardson on their interest in a 76-unit apartment downtown. In addition, the EDA is platting the former site of an elementary school for the development of 22 single family home and are also working with local investors on the redevelopment of the former wastewater treatment plant site, to create a 60-unit manufactured home community.

A permit has been issued for a 64-unit My Place extended stay hotel on the cleared site of the former K-Mart. This project will commence in the spring of 2023 and will be open in spring of 2024.

Building permit activity in 2023 was again in excess of the 20-year annual average of \$29.8M, with permits for projects reaching a total value of \$48.1M. Commercial projects accounted for \$15.0M of the total, which was close to the 20-year average of \$14.5M of annual permitted commercial construction. In terms of the number of permits issued, the 2023 total of 527 permits was the highest since 2019.

In 2023 development highlights included the remodeling and the construction of a 30K sq. ft. addition to the Yanmar Compact Equipment manufacturing plant valued at \$3.8M. The largest single project permitted in 2023 was for the renovation of the IRA Civic Center valued at \$12.0M. Other major projects included a remodeling of the Blandin Foundation Office at \$1.3M and mechanical upgrades at the Grand Rapids Senior High School valued at \$9.5M.

Long-term financial planning

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

Realizing the volatility of Local Government Aid (LGA) and the loss of the Market Value Homestead Credit, the City Council is developing funding mechanisms that will assist in minimizing the uncontrolled fluctuations in outside funding along with creating efficiencies in the work force. The City is focusing on reducing the growth of expenditure by making permanent adjustments to the base.

The City, GRPUC, and other cities and townships are working to share services to reduce costs for both the City, GRPUC, and the partnering cities and townships. The City of Grand Rapids is in an agreement with the City of Cohasset to provide Cemetery Sexton Services which also provide additional resources for the City.

Relevant Financial Policies

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

In 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement 75 to improve accounting and financial reporting for post-employment benefits other than pensions. This statement identifies methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

In 2022, the City implemented the lease accounting standard, the latest Governmental Accounting Standards Board (GASB) Statement 87. Under the standard, state and local government organizations are required to capitalize most leases on the balance sheet, reporting them as right-of-use assets and lease liabilities.

In 2023, the City implemented the Subscription-Based Information Technology Arrangements (SBITAs), Governmental Accounting Standards Board (GASB) Statement 96. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability. It provides the capitalization criteria for outlays other than subscription payments, including implementation costs.

Major initiatives

The City is working on several major initiatives as follows:

1. Central School, originally constructed in 1895 as a K-12 school, transferred to the City in 1972, had its last major renovation in 1983, and is in need of major capital improvements. Improvements include, but are not limited to, a new roof/truss system, elevator, HVAC, and bathrooms. The opinion of cost for these improvements are \$7.6 million.
2. With the legalization of cannabis in the State, the City will be required to have at least one dispensary in the corporate limits. This will likely occur in the second quarter of 2025. Prior to this the city staff will be preparing a feasibility study to determine if the dispensary should be municipally owned or privately.
3. Housing will continue to be a focus in 2024. With over 600 new jobs being created, stress on existing housing supplies increase. Key projects are located at the former wastewater treatment plant, Golf Course Road corridor, Block 20/21 across the street from the library, and the former ISD 318 Administration Building.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Rapids for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2022. This was the thirty first consecutive year that the government has received this prestigious award. To be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. The Mayor and City Council are to be commended for their diligence and resolve in keeping the City in sound and stable financial condition.

The City Council's commitment to continually plan for the City's future and dedication to maintaining high financial standards has helped the City maintain its strong financial condition.

Respectfully submitted,



Tom Pagel
City Administrator



Barbara A. Baird
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Grand Rapids
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

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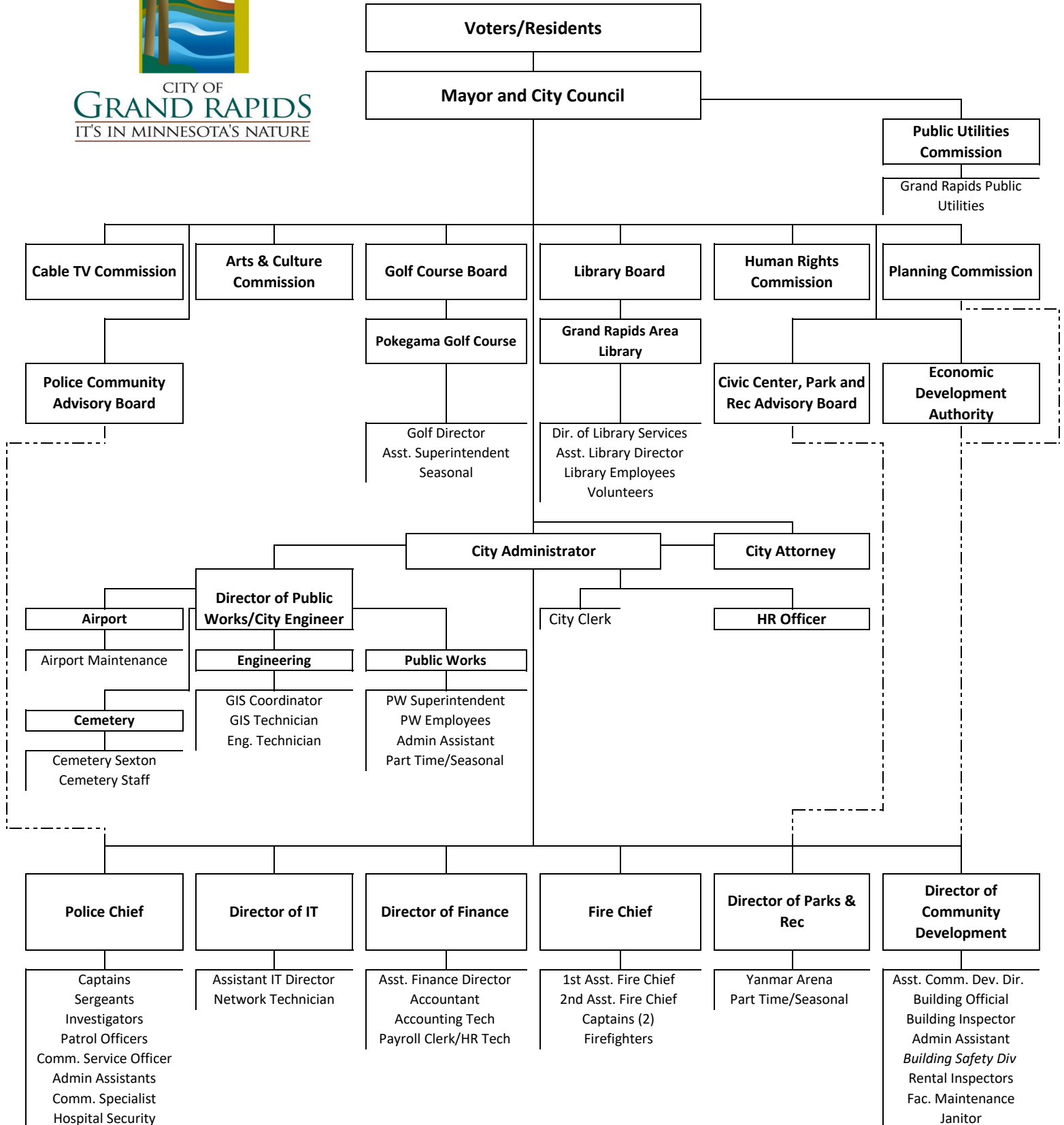
GRAND RAPIDS, CITY OF
PRINCIPAL CITY OFFICIALS AND DEPARTMENT HEADS
December 31, 2023

| | <u>Term Expires</u> |
|--|---------------------|
| Mayor: Dale Christy | December 31, 2024 |
| Council Members: | |
| Dale Adams | December 31, 2024 |
| Tasha Connelly | December 31, 2024 |
| Molly MacGregor | December 31, 2026 |
| Tom Sutherland | December 31, 2026 |
| City Administrator..... Tom Pagel | |
| Finance Director - Treasurer..... Barbara Baird | |
| Fire Chief..... Travis Cole | |
| Director of Library Services..... Will Richter | |
| Director of Community Development..... Rob Mattei | |
| Human Resource Officer..... Chery Pierzina | |
| City Clerk..... Kimberly Gibeau | |
| Public Works Director / City Engineer..... Matt Wegwerth | |
| Chief of Police..... Andy Morgan | |
| Director of Golf Operations..... Bob Cahill | |
| Director of Parks and Recreation..... Dale Anderson | |

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City of Grand Rapids, Minnesota City Operations Organizational Chart



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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Economic Development Authority (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, 2023, and the related notes to the financial statements, which collectively comprise the City of Grand Rapids, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the 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 Economic Development Authority (discretely presented component unit), each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota, as of December 31, 2023, 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.

We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit), which represent 41 percent, 44 percent, and 45 percent, respectively, of the assets, net position, and revenues of the primary government and its discretely presented component units as of December 31, 2023. 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. The financial statements of the Public Utilities Commission were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of

Grand Rapids, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Grand Rapids, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The financial statements of the Public Utilities Commission were not audited in accordance with *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Grand Rapids, Minnesota's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Grand Rapids, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, and the schedules of OPEB and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

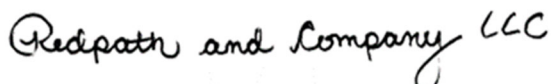
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, statistical, and other information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2024 on our consideration of the City of Grand Rapids, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Grand Rapids, Minnesota's 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, LLC
St. Paul, Minnesota

May 9, 2024

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, 2023. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$72,855,026 (net position).

The City's total net position increased by \$7,516,734. The governmental activities of the City increased by \$7,320,888. This increase is due to a \$9,834,000 increase in Capital Assets.

The business-type activities increased by \$195,846 due to a \$253,000 increase in cash and investments.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,930,004. Of this amount, \$7,771,495 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 \$1,173,469. Of that amount, \$1,173,469 was in a non-spendable form, \$37,348 was restricted, \$1,286,122 was committed and \$5,191,745 was unassigned.

The City's total debt increased from \$48,202,301 to \$50,464,516 (excluding compensated absences). The City issued General Obligation Street Reconstruction Bonds, Series 2023A for \$2,220,000 and General Obligation Utility Revenue Bonds, Series 2023B for \$4,575,000 in 2023.

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.

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.

Management's Discussion and Analysis

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.

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.

Management's Discussion and Analysis

For 2023, the City maintained four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the following major funds:

- General fund
- GR/Cohasset Industrial Park
- Capital Equipment Replacement
- Civic Center Capital Improvements

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 sub-combining 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 pages 39 through 41 of this report.

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

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

- Lodging Tax
- Cable TV Commission

The basic fiduciary fund financial statements can be found on pages 42 through 43 of this report.

Management's Discussion and Analysis

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 through 97 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, custodial 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 122 through 145 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 plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$72,855,026 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$55,787,432 or 77%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GRAND RAPIDS' NET POSITION

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets: | | | | | | |
| Current and other assets | \$41,471,152 | \$30,097,256 | \$1,180,821 | \$944,318 | \$42,651,973 | \$31,041,574 |
| Capital assets | 87,313,116 | 74,916,682 | 2,731,558 | 2,790,676 | 90,044,674 | 77,707,358 |
| Total assets | <u>128,784,268</u> | <u>105,013,938</u> | <u>3,912,379</u> | <u>3,734,994</u> | <u>132,696,647</u> | <u>108,748,932</u> |
| Total deferred outflows of resources | <u>5,197,950</u> | <u>5,948,314</u> | <u>-</u> | <u>-</u> | <u>5,197,950</u> | <u>5,948,314</u> |
| Liabilities: | | | | | | |
| Long-term liabilities outstanding | 52,584,116 | 42,311,561 | 38,643 | 18,576 | 52,622,759 | 42,330,137 |
| Other liabilities | 7,235,713 | 6,029,493 | 96,230 | 112,555 | 7,331,943 | 6,142,048 |
| Total liabilities | <u>59,819,829</u> | <u>48,341,054</u> | <u>134,873</u> | <u>131,131</u> | <u>59,954,702</u> | <u>48,472,185</u> |
| Total deferred inflows of resources | <u>5,065,971</u> | <u>845,668</u> | <u>18,898</u> | <u>41,101</u> | <u>5,084,869</u> | <u>886,769</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 53,100,727 | 47,899,453 | 2,686,705 | 2,790,676 | 55,787,432 | 50,690,129 |
| Restricted | 10,325,138 | 9,316,590 | - | - | 10,325,138 | 9,316,590 |
| Unrestricted | 5,670,553 | 4,559,487 | 1,071,903 | 772,086 | 6,742,456 | 5,331,573 |
| Total net position | <u>\$69,096,418</u> | <u>\$61,775,530</u> | <u>\$3,758,608</u> | <u>\$3,562,762</u> | <u>\$72,855,026</u> | <u>\$65,338,292</u> |

Management's Discussion and Analysis

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$6,742,456.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

In 2016, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Essentially, the standard required the unfunded portion of defined benefit pension plans to be reported by all participating employers. Recording the net pension liability and the pension related deferred outflows and inflows of resources do not change the City's future funding requirements or obligations under the plans, which are determined by Minnesota statutes.

Net position was impacted by (\$5,390,306) at December 31, 2023 due to the Public Employees Retirement Association net pension liability. Pension-related amounts included in the above schedule related to the standard are as follows:

| | |
|--------------------------------|-----------------------------|
| Deferred outflows of resources | \$4,550,642 |
| Noncurrent assets | - |
| Deferred inflows of resources | (4,550,995) |
| Noncurrent liabilities | (5,389,953) |
| Total | <u><u>(\$5,390,306)</u></u> |

Governmental Activities

Governmental activities increased the City's net position by \$7,320,888 in 2023. Key elements of this increase are as follows:

- Operating grants and contributions increased \$8,523,645 due to the city receiving \$2,500,000 in contributions for the CP2015-1 Sylvan Bay Project. The city received over \$5,000,000 in contributions for the GR/Cohasset Industrial Park Project. The Police Department received a one-time Health and Safety grant from the State of Minnesota for \$490,000.
- Capital grants and contributions increased by \$4,196,707 due to one-time State Bond in the amount of \$5,500,000 for renovations and ADA compliance items at the Yanmar Arena.
- City sales tax was new in 2023 and amounted to \$1,573,230.
- These increases in revenues were offset by expenses increasing \$9,516,296 due to capital projects that included the Yanmar Arena Renovations, the GR/Cohasset Industrial Park Project and CP2015-1 Sylvan Bay Project.

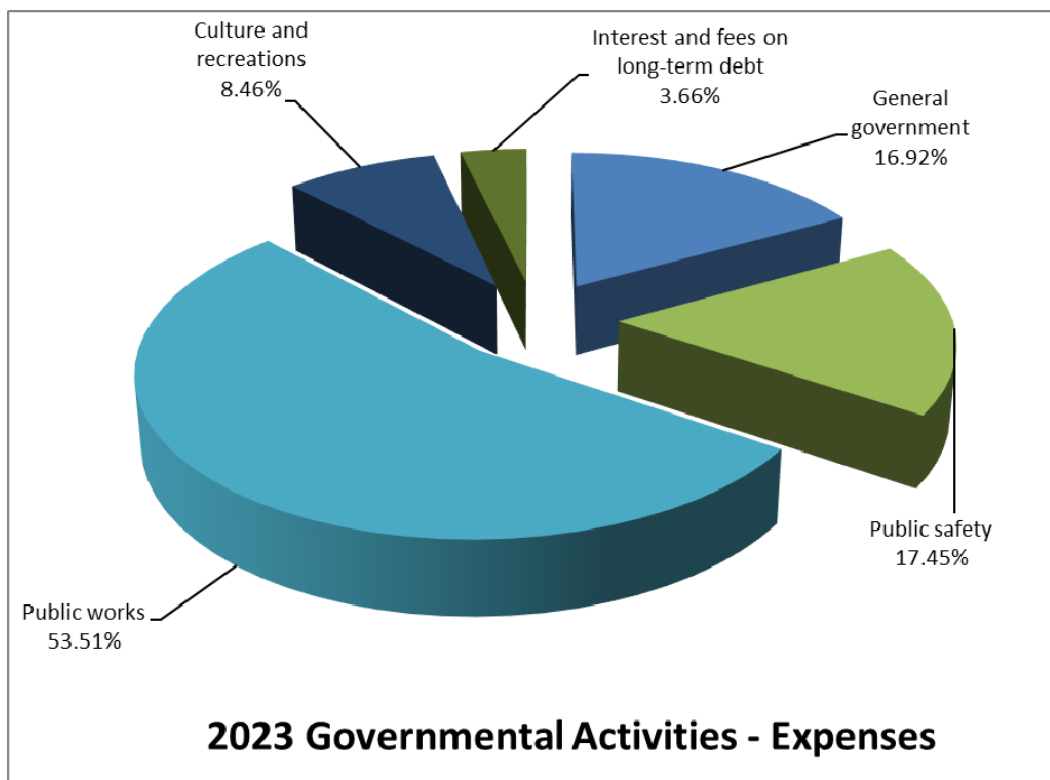
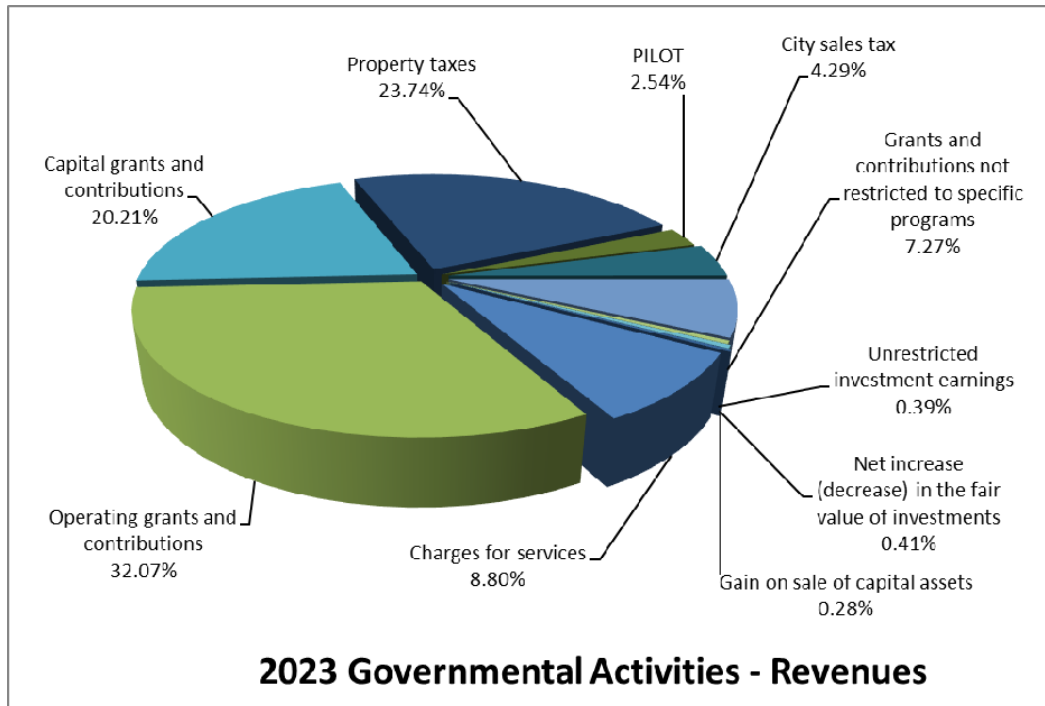
Management's Discussion and Analysis

City of Grand Rapids' Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$3,229,662 | \$2,953,665 | \$1,818,827 | \$1,736,148 | \$5,048,489 | \$4,689,813 |
| Operating grants and contributions | 11,772,269 | 3,248,624 | - | - | 11,772,269 | 3,248,624 |
| Capital grants and contributions | 7,418,614 | 3,221,907 | 20,046 | - | 7,438,660 | 3,221,907 |
| General revenues: | | | | | | |
| Taxes | 8,714,567 | 8,464,200 | - | - | 8,714,567 | 8,464,200 |
| Payments in lieu of taxes (PILOT) | 933,281 | 924,990 | - | - | 933,281 | 924,990 |
| City sales tax | 1,573,230 | - | - | - | 1,573,230 | - |
| Grants and contributions not restricted to specific programs | 2,669,197 | 1,766,907 | - | - | 2,669,197 | 1,766,907 |
| Unrestricted investment earnings | 142,687 | 88,991 | 11,264 | 6,439 | 153,951 | 95,430 |
| Net increase (decrease) in the fair value of investments | 149,684 | (623,194) | 12,159 | (42,515) | 161,843 | (665,709) |
| Gain on sale of capital assets | 101,514 | 3,341 | 13,925 | - | 115,439 | 3,341 |
| Other | - | - | - | - | - | - |
| Total revenues | <u>36,704,705</u> | <u>20,049,431</u> | <u>1,876,221</u> | <u>1,700,072</u> | <u>38,580,926</u> | <u>21,749,503</u> |
| Expenses: | | | | | | |
| General government | 4,972,574 | 4,615,082 | - | - | 4,972,574 | 4,615,082 |
| Public safety | 5,127,557 | 4,678,868 | - | - | 5,127,557 | 4,678,868 |
| Public works | 15,721,896 | 7,788,447 | - | - | 15,721,896 | 7,788,447 |
| Culture and recreation | 2,485,168 | 2,081,855 | - | - | 2,485,168 | 2,081,855 |
| Interest and fees on long-term debt | 1,076,622 | 703,269 | - | - | 1,076,622 | 703,269 |
| Golf course | - | - | 947,369 | 858,647 | 947,369 | 858,647 |
| Storm water utility | - | - | 733,006 | 654,748 | 733,006 | 654,748 |
| Total expenses | <u>29,383,817</u> | <u>19,867,521</u> | <u>1,680,375</u> | <u>1,513,395</u> | <u>31,064,192</u> | <u>21,380,916</u> |
| Change in net position | 7,320,888 | 181,910 | 195,846 | 186,677 | 7,516,734 | 368,587 |
| Net position - January 1 | <u>61,775,530</u> | <u>61,593,620</u> | <u>3,562,762</u> | <u>3,376,085</u> | <u>65,338,292</u> | <u>64,969,705</u> |
| Net position - December 31 | <u>\$69,096,418</u> | <u>\$61,775,530</u> | <u>\$3,758,608</u> | <u>\$3,562,762</u> | <u>\$72,855,026</u> | <u>\$65,338,292</u> |

Management's Discussion and Analysis

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



Management's Discussion and Analysis

Business-Type Activities

Business-type activities increased the City's net position by \$195,846 in 2023. The City has two business-type activities – Pokegama Golf Course and a Storm Water Utility Fund. The net position of the Pokegama Golf Course increased \$37,894 in 2023 compared to an \$21,891 increase in 2022. The Golf Course had a 6.6% increase in number of rounds played.

The Storm Water Utility Fund is used to pay for storm water maintenance and infrastructure construction. The net position of the Storm Water Utility Fund increased \$171,163 in 2023 compared to a \$189,067 increase in 2022. The increase is due to \$13,925 in sales of fixed assets and \$12,450 in insurance recovery money. Any funds that are not used for storm water utility maintenance by the Public Works Department are used to reduce storm water infrastructure improvement project costs.

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,930,004. Approximately 7% of this total amount (\$1,301,553) constitutes non-spendable fund balance and approximately 43% (\$7,771,495) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$2,418,974) and assigned (\$2,115,974) by City Council, as well as unassigned fund balance (\$4,322,008). Additional information about the City's fund balance classifications can be found in Note 16.

The general fund balance increased by \$59,844 in 2023, compared to a \$74,292 increase in 2022. Prior to other financing sources and uses, the General Fund balance increased \$715,620 in 2023 compared to a \$472,045 increase in 2022. Key elements of this increase are as follows:

- Intergovernmental revenue increased \$197,058 due to the City receiving an additional \$70,000 increase in Local Government Aid. The City received additional insurance aid for the Police and Fire departments.
- Charges for services increased \$410,109 primarily due to \$83,000 increase to rental inspection fees and business subsidy fees. The City collected approximately \$215,800 engineering fees and finance fees for the city construction projects. Unorganized township fire contract fees increased by \$80,000.

The GR/Cohasset Industrial Park fund had a fund balance increase of \$165,310 due to all necessary revenue funding being paid in 2023 for the project which is approximately 97% complete.

The Capital Equipment Replacement fund had a fund balance increase of \$996,491 due to a one-time Public Health and Safety grant in an approximate amount of \$500,000. The city issued \$435,000 of Capital Leases in 2023.

Management's Discussion and Analysis

The Civic Center Capital Improvement fund had a fund balance decrease of \$6,737,685 due to the \$15,500,000 Capital Renovation/ADA Project at the Yanmar Arena being 95% complete.

The non-major special revenue funds increased by \$40,784 for 2023 due to significant change in net increase in the fair valuation of investment and investment income of approximately \$40,000.

The non-major debt service funds increased by \$941,072 for 2023 primarily due to the collection of the Local Sales Tax of .5% for the Yanmar Arena renovation project.

The non-major capital project funds decreased by \$150,407 due to the issuance of the GO Street Reconstruction Bonds, 2023A for the CP 2015-1 Sylvan Bay project.

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 income of \$21,081. Operating revenues increased by \$96,727 due to a 6.6% increase in the number of rounds played.

The Storm Water Utility had an operating income of \$128,012. Operating revenues decreased by \$4,039 due to uncollectable storm water utility fees. Operating expenses increased by \$83,398 due to a \$30,000 increase in personnel and \$40,000 increase in contracted services.

Budgetary Highlights

General Fund. The General Fund had an increase in fund balance of \$59,844. The General Fund revenues were over budget by \$610,202 due to several items. Licenses and Permits was over by \$132,878 because several large projects happening within the city and management was not aware of them. Charges for services were over budget by \$237,770 due to additional fees collected for rental inspections of \$30,000. Business subsidy fees and finance fees of \$180,000. Intergovernmental revenues were over budget by \$141,534 primarily due to additional monies for Police and Fire insurance aid of approximately \$57,000. The city had several state grants that totaled approximately \$53,500.

Total expenditures were over budget by \$28,633. This is due to the Public Works department with higher personnel costs of approximately \$64,000.

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, 2023, amounts to \$90,044,674 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment.

Management's Discussion and Analysis

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land and land improvements | \$6,978,701 | \$6,739,252 | \$919,686 | \$919,686 | \$7,898,387 | \$7,658,938 |
| Artwork | 182,565 | 182,565 | - | - | 182,565 | 182,565 |
| Construction in progress | 16,994,417 | 14,671,448 | - | - | 16,994,417 | 14,671,448 |
| Building and improvements | 19,562,850 | 10,789,935 | 1,380,727 | 1,451,047 | 20,943,577 | 12,240,982 |
| Vehicles, equipment and furniture | 4,897,353 | 5,050,771 | 386,940 | 419,943 | 5,284,293 | 5,470,714 |
| Infrastructure | 38,259,178 | 37,482,711 | - | - | 38,259,178 | 37,482,711 |
| Right-to-use leased assets - vehicles | 438,052 | - | 44,205 | - | 482,257 | - |
| Total | <u>\$87,313,116</u> | <u>\$74,916,682</u> | <u>\$2,731,558</u> | <u>\$2,790,676</u> | <u>\$90,044,674</u> | <u>\$77,707,358</u> |

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

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$50,464,516 (excluding compensated absences), an increase of \$2,262,215 from 2022. Of the total outstanding amount:

- \$4,620,000 is general obligation improvement debt that is supported in part by special assessments,
- \$540,000 is general obligation tax increment debt which is financed through the City's economic development program,
- \$27,855,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$7,149,000 are general obligation revenue bonds that are due from the Grand Rapids Public Utilities Commission,
- \$9,575,000 are general obligation revenue notes that are due from the Grand Rapids Public Utilities Commission,
- \$725,516 is a combined total of unamortized bond premiums.

City of Grand Rapids' Outstanding Debt

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|---------------------|--------------------------|------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General obligation improvement bonds | \$4,620,000 | \$6,040,000 | \$ - | \$ - | \$4,620,000 | \$6,040,000 |
| General obligation tax increment bonds | 540,000 | 580,000 | - | - | 540,000 | 580,000 |
| Other general obligation bonds | 27,855,000 | 26,765,000 | - | - | 27,855,000 | 26,765,000 |
| General obligation revenue bonds - PUC | 7,149,000 | 2,897,500 | - | - | 7,149,000 | 2,897,500 |
| General obligation revenue notes - PUC | 9,575,000 | 11,172,000 | - | - | 9,575,000 | 11,172,000 |
| Capital leases, loans, bond premium | 725,516 | 747,801 | - | - | 725,516 | 747,801 |
| Total | <u>\$50,464,516</u> | <u>\$48,202,301</u> | <u>\$0</u> | <u>\$0</u> | <u>\$50,464,516</u> | <u>\$48,202,301</u> |

Management's Discussion and Analysis

The City issued General Obligation Street Reconstruction Bonds, Series 2023A for \$2,220,000 and General Obligation Utility Revenue Bonds, Series 2023B for \$4,575,000 in 2023.

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 \$31,986,987. Of the City's outstanding debt, \$21,930,646 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 8.

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

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BASIC FINANCIAL STATEMENTS

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| | Primary Government | | | Component Units | |
|--|--------------------|---------------|--------------|----------------------|------------------|
| | Governmental | Business-Type | Total | Economic Development | Public Utilities |
| | Activities | Activities | | Authority | Commission |
| Assets: | | | | | |
| Cash and investments | \$16,953,508 | \$1,183,760 | \$18,137,268 | \$1,103,536 | \$6,947,782 |
| Accrued interest receivable | 21,218 | - | 21,218 | - | 83,587 |
| Due from other governmental units | 2,640,869 | - | 2,640,869 | 156 | - |
| Due from primary government | - | - | - | - | 115,442 |
| Due from component units | 16,780,548 | 71,699 | 16,852,247 | - | - |
| Accounts receivable - net | 171,289 | 7,487 | 178,776 | 37,566 | 3,014,529 |
| Pledges receivable | 6,500 | - | 6,500 | - | - |
| Internal balances | 116,192 | (116,192) | - | - | - |
| Prepaid items | 343,925 | 15,169 | 359,094 | - | 157,979 |
| Property taxes receivable | 347,507 | - | 347,507 | - | - |
| Special assessments receivable | 2,222,296 | - | 2,222,296 | - | - |
| Inventories - at cost | - | - | - | - | 760,068 |
| Other receivable | - | - | - | - | 73,418 |
| Land held for resale | - | - | - | 2,657,072 | - |
| Lease receivable | 390,322 | 18,898 | 409,220 | - | 1,531,351 |
| Notes receivable | 300,000 | - | 300,000 | 575,846 | - |
| Designated cash and investments | - | - | - | - | 2,309,721 |
| Restricted accounts receivable | - | - | - | - | 9,949,850 |
| Financial assurance landfill closure | - | - | - | - | 4,916,394 |
| Net pension asset | 1,176,978 | - | 1,176,978 | - | - |
| Capital assets - nondepreciable | 24,155,683 | 919,686 | 25,075,369 | - | 2,205,803 |
| Capital assets - net of accumulated depreciation | 63,157,433 | 1,811,872 | 64,969,305 | - | 62,195,927 |
| Other assets | - | - | - | - | 109,416 |
| Non-utility property - net of amortization | - | - | - | - | 485,297 |
| Total assets | 128,784,268 | 3,912,379 | 132,696,647 | 4,374,176 | 94,856,564 |
| Deferred outflows of resources: | | | | | |
| Service territory acquisition | - | - | - | - | 116,905 |
| Loss on refunding | - | - | - | - | 63,360 |
| Related to pensions | 4,946,222 | - | 4,946,222 | - | 553,590 |
| Related to OPEB | 251,728 | - | 251,728 | - | - |
| Total deferred outflows of resources | 5,197,950 | 0 | 5,197,950 | 0 | 733,855 |
| Liabilities: | | | | | |
| Accounts payable | 723,899 | 12,525 | 736,424 | 41,099 | 1,273,752 |
| Accrued wages payable | 153,552 | 4,037 | 157,589 | - | 69,553 |
| Due to other governmental units | 21,855 | 1,595 | 23,450 | 9,081 | 95,594 |
| Due to component units | 111,613 | 5,854 | 117,467 | - | - |
| Contracts payable | 911,186 | - | 911,186 | - | - |
| Deposits payable | 15,769 | 30,000 | 45,769 | - | 377,575 |
| Accrued interest payable | 270,715 | 383 | 271,098 | - | 21,935 |
| Unearned revenue | 356,716 | 7,832 | 364,548 | 646,508 | - |
| Due to primary government: | | | | | |
| Due within one year | - | - | - | 37,790 | 2,058,646 |
| Due in more than one year | - | - | - | - | 14,984,831 |
| Compensated absences: | | | | | |
| Due within one year | 90,877 | 25,979 | 116,856 | - | 214,287 |
| Due in more than one year | 596,737 | 1,815 | 598,552 | - | 98,534 |
| Net pension liability: | | | | | |
| Due in more than one year | 5,389,953 | - | 5,389,953 | - | 2,108,142 |
| Landfill closure costs: | | | | | |
| Due in more than one year | - | - | - | - | 2,342,354 |
| Noncurrent liabilities: | | | | | |
| Due within one year | 4,478,000 | - | 4,478,000 | 17,500 | - |
| Due in more than one year | 45,986,516 | - | 45,986,516 | 1,378,578 | - |
| Lease liabilities: | | | | | |
| Due within one year | 81,117 | 8,025 | 89,142 | - | - |
| Due in more than one year | 351,166 | 36,828 | 387,994 | - | - |
| Other post employment benefits: | | | | | |
| Due within one year | 20,414 | - | 20,414 | - | - |
| Due in more than one year | 259,744 | - | 259,744 | - | - |
| Total liabilities | 59,819,829 | 134,873 | 59,954,702 | 2,130,556 | 23,645,203 |
| Deferred inflows of resources: | | | | | |
| Demand payment deferral | - | - | - | - | 9,949,850 |
| Related to leases | 390,322 | 18,898 | 409,220 | - | 1,531,351 |
| Related to pensions | 4,642,338 | - | 4,642,338 | - | 715,156 |
| Related to other post employment benefits | 33,311 | - | 33,311 | - | - |
| Other deferred credits | - | - | - | - | 28,497 |
| Total deferred inflows of resources | 5,065,971 | 18,898 | 5,084,869 | 0 | 12,224,854 |
| Net position: | | | | | |
| Net investment in capital assets | 53,100,727 | 2,686,705 | 55,787,432 | - | 47,512,259 |
| Restricted for: | | | | | |
| Debt service | 8,399,366 | - | 8,399,366 | - | - |
| Public safety | 468,602 | - | 468,602 | - | - |
| Itasca County share of airport | 109,518 | - | 109,518 | - | - |
| Pensions | 1,176,978 | - | 1,176,978 | - | - |
| Financial assurance | - | - | - | - | 2,574,040 |
| Other purposes | 170,674 | - | 170,674 | - | - |
| Unrestricted | 5,670,553 | 1,071,903 | 6,742,456 | 2,243,620 | 9,634,063 |
| Total net position | \$69,096,418 | \$3,758,608 | \$72,855,026 | \$2,243,620 | \$59,720,362 |

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, 2023

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---|---------------------|---------------------------------|---|---|
| | | <u>Charges For Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$4,972,574 | \$960,267 | \$1,205,606 | \$30,000 |
| Public safety | 5,127,557 | 1,006,901 | 1,187,474 | - |
| Public works | 15,721,896 | 498,520 | 9,314,062 | 1,888,614 |
| Culture and recreation | 2,485,168 | 763,974 | 52,250 | 5,500,000 |
| Interest and fees on long-term debt | 1,076,622 | - | 12,877 | - |
| Total governmental activities | <u>29,383,817</u> | <u>3,229,662</u> | <u>11,772,269</u> | <u>7,418,614</u> |
| Business-type activities: | | | | |
| Golf course | 947,369 | 963,245 | - | 7,600 |
| Storm water utility | 733,006 | 855,582 | - | 12,446 |
| Total business-type activities | <u>1,680,375</u> | <u>1,818,827</u> | <u>0</u> | <u>20,046</u> |
| Total primary government | <u>\$31,064,192</u> | <u>\$5,048,489</u> | <u>\$11,772,269</u> | <u>\$7,438,660</u> |
| Component units: | | | | |
| Economic Development Authority | \$1,305,246 | \$23,145 | \$150,720 | \$ - |
| Public Utilities Commission | 28,680,475 | 26,028,875 | - | 5,641,310 |
| Total component units | <u>\$29,985,721</u> | <u>\$26,052,020</u> | <u>\$150,720</u> | <u>\$5,641,310</u> |
| General revenues: | | | | |
| General property taxes | | | | |
| Payments in lieu of taxes (PILOT) | | | | |
| City sales tax | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| Unrestricted investment earnings (loss) | | | | |
| Net increase (decrease) in the fair value of investments | | | | |
| Gain on sale of capital assets | | | | |
| Total general revenues | | | | |
| Change in net position | | | | |
| Net position - January 1, as previously stated | | | | |
| Correction of an error | | | | |
| Net position - January 1, as restated | | | | |
| Net position - December 31 | | | | |

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

Statement 2

| Net (Expense) Revenue and Changes in Net Position | | | Component Units | |
|--|-----------------------------|---------------|--------------------------------------|-----------------------------------|
| Governmental Activities | Business-Type Activities | Total | Economic Development Authority | Public Utilities Commission |
| (\$2,776,701) | \$ - | (\$2,776,701) | \$ - | \$ - |
| (2,933,182) | - | (2,933,182) | - | - |
| (4,020,700) | - | (4,020,700) | - | - |
| 3,831,056 | - | 3,831,056 | - | - |
| (1,063,745) | - | (1,063,745) | - | - |
| (6,963,272) | 0 | (6,963,272) | 0 | 0 |
| - | 23,476 | 23,476 | - | - |
| - | 135,022 | 135,022 | - | - |
| 0 | 158,498 | 158,498 | 0 | 0 |
| (6,963,272) | 158,498 | (6,804,774) | 0 | 0 |
| | | | (1,131,381) | - |
| | | | - | 2,989,710 |
| | | | (1,131,381) | 2,989,710 |
| 8,714,567 | - | 8,714,567 | 75,083 | - |
| 933,281 | - | 933,281 | - | - |
| 1,573,230 | - | 1,573,230 | - | - |
| 2,669,197 | - | 2,669,197 | 3,706 | - |
| 142,687 | 11,264 | 153,951 | 14,268 | 232,714 |
| 149,684 | 12,159 | 161,843 | 9,934 | - |
| 101,514 | 13,925 | 115,439 | 117,990 | - |
| 14,284,160 | 37,348 | 14,321,508 | 220,981 | 232,714 |
| 7,320,888 | 195,846 | 7,516,734 | (910,400) | 3,222,424 |
| 61,775,530 | 3,562,762 | 65,338,292 | 3,154,020 | 53,327,156 |
| - | - | - | - | 3,170,782 |
| 61,775,530 | 3,562,762 | 65,338,292 | 3,154,020 | 56,497,938 |
| \$69,096,418 | \$3,758,608 | \$72,855,026 | \$2,243,620 | \$59,720,362 |

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

| | 101 General Fund | 403 GR/Cohasset Industrial Park | 407 Capital Equipment Replacement | 483 Civic Center Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------------------|-----------------------------------|---------------------------------------|--------------------------|--------------------------|
| Assets | | | | | | |
| Cash and investments | \$5,552,168 | \$197,586 | \$747,967 | \$597,541 | \$9,858,246 | \$16,953,508 |
| Accrued interest receivable | 21,218 | - | - | - | - | 21,218 |
| Due from other governmental units | 301,868 | 210,691 | - | 125,306 | 1,997,465 | 2,635,330 |
| Due from other funds | 799,670 | - | - | - | - | 799,670 |
| Due from component units | 18,758 | - | - | - | 37,790 | 56,548 |
| Accounts receivable | 134,493 | - | - | - | 36,796 | 171,289 |
| Pledges receivable | - | - | - | - | 6,500 | 6,500 |
| Interfund loan receivable | 957,628 | - | - | - | - | 957,628 |
| Prepaid items | 215,841 | - | 103,681 | - | 24,403 | 343,925 |
| Taxes receivable - delinquent | 307,114 | - | - | - | 40,393 | 347,507 |
| Special assessments receivable | 52,610 | - | - | - | 2,199,686 | 2,252,296 |
| Lease receivable | - | - | - | - | 390,322 | 390,322 |
| Note receivable | 300,000 | - | - | - | - | 300,000 |
| Total assets | \$8,661,368 | \$408,277 | \$851,648 | \$722,847 | \$14,591,601 | \$25,235,741 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$107,830 | \$8,316 | \$61,106 | \$21,331 | \$525,316 | \$723,899 |
| Accrued wages payable | 137,402 | - | - | - | 16,150 | 153,552 |
| Due to other governmental units | 19,779 | - | - | - | 2,076 | 21,855 |
| Due to component units | 35,004 | - | 31,535 | - | 45,074 | 111,613 |
| Contracts payable | - | 226,960 | - | 342,689 | 341,537 | 911,186 |
| Due to other funds | - | - | - | - | 799,670 | 799,670 |
| Deposits payable | 12,670 | - | - | - | 3,099 | 15,769 |
| Interfund loan payable | - | - | 891,610 | - | 23,242 | 914,852 |
| Unearned revenue | 275 | 169,453 | - | - | 186,988 | 356,716 |
| Total liabilities | 312,960 | 404,729 | 984,251 | 364,020 | 1,943,152 | 4,009,112 |
| Deferred inflows of resources: | | | | | | |
| Related to leases | - | - | - | - | 390,322 | 390,322 |
| Unavailable revenue | 659,724 | - | - | - | 2,246,579 | 2,906,303 |
| Total deferred inflows of resources | 659,724 | 0 | 0 | 0 | 2,636,901 | 3,296,625 |
| Fund balances: | | | | | | |
| Nonspendable | 1,173,469 | - | 103,681 | - | 24,403 | 1,301,553 |
| Restricted | 37,348 | - | 468,602 | - | 7,265,545 | 7,771,495 |
| Committed | 1,286,122 | - | - | - | 1,132,852 | 2,418,974 |
| Assigned | - | 3,548 | - | 358,827 | 1,753,599 | 2,115,974 |
| Unassigned | 5,191,745 | - | (704,886) | - | (164,851) | 4,322,008 |
| Total fund balances | 7,688,684 | 3,548 | (132,603) | 358,827 | 10,011,548 | 17,930,004 |
| Total liabilities, deferred inflows of resources, and fund balances | \$8,661,368 | \$408,277 | \$851,648 | \$722,847 | \$14,591,601 | \$25,235,741 |
| Fund balance reported above | | | | | | \$17,930,004 |
| 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. | | | | | | 87,313,116 |
| 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 | | | | | | 347,507 |
| Assessments not yet due or delinquent | | | | | | 2,222,296 |
| Pledges not yet due | | | | | | 6,500 |
| Due from other governmental units | | | | | | 5,539 |
| Notes receivable not yet due | | | | | | 300,000 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | | | | | | |
| Bonds and unamortized bond premium | | | | | | (33,740,516) |
| Lease liabilities | | | | | | (432,283) |
| Accrued interest payable | | | | | | (270,715) |
| Compensated absences payable | | | | | | (687,614) |
| Other post employment benefits | | | | | | (61,741) |
| An internal service fund is used by management to charge the costs of pension and other post employment benefits to individual funds. The assets and liabilities are included in the governmental activities on the Statement of Net Position. | | | | | | (5,316,890) |
| 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 | | | | | | 1,176,978 |
| Deferred outflows of resources | | | | | | 395,580 |
| Deferred inflows of resources | | | | | | (91,343) |
| Net position of governmental activities | | | | | | \$69,096,418 |

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, 2023

Statement 4

| | 101 General Fund | 403 GR/Cohasset Industrial Park | 407 Capital Equipment Replacement | 483 Civic Center Capital Improvements | Other Governmental Funds | Totals Governmental Funds |
|--|------------------|------------------------------------|---|---|--------------------------------|---------------------------------|
| Revenues: | | | | | | |
| Taxes: | | | | | | |
| General property | \$5,067,736 | \$ - | \$210,717 | \$ - | \$2,778,891 | \$8,057,344 |
| Tax abatements | - | - | - | - | 38,313 | 38,313 |
| Tax increments | - | - | - | - | 566,948 | 566,948 |
| Payments in lieu of taxes (PILOT) | 933,281 | - | - | - | - | 933,281 |
| City sales tax | - | - | - | - | 1,573,230 | 1,573,230 |
| Licenses and permits | 440,743 | - | - | - | - | 440,743 |
| Intergovernmental | 2,912,395 | 3,189,428 | 504,148 | 5,500,000 | 4,211,225 | 16,317,196 |
| Special assessments | 3,202 | - | - | - | 261,438 | 264,640 |
| Charges for services | 1,630,939 | - | - | - | 938,580 | 2,569,519 |
| Fines and forfeits | 65,645 | - | - | - | 44,924 | 110,569 |
| Interest and investment income | 49,901 | - | 3,206 | - | 89,580 | 142,687 |
| Net increase (decrease) in the fair value of investments | 64,814 | - | 3,774 | 4,827 | 76,269 | 149,684 |
| Contributions and donations | 20,161 | - | - | - | 335,113 | 355,274 |
| Reimbursement from component units | - | 1,841,912 | - | - | 2,955,365 | 4,797,277 |
| Other | 26,712 | - | 3,300 | - | 18,013 | 48,025 |
| Total revenues | 11,215,529 | 5,031,340 | 725,145 | 5,504,827 | 13,887,889 | 36,364,730 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 2,652,661 | - | 36,819 | - | 1,575,870 | 4,265,350 |
| Public safety | 4,362,075 | - | 82,397 | - | 161,843 | 4,606,315 |
| Public works | 2,746,117 | - | 11,029 | - | 634,614 | 3,391,760 |
| Culture and recreation | 249,548 | - | - | - | 1,794,677 | 2,044,225 |
| Miscellaneous | 475,302 | - | - | - | - | 475,302 |
| Capital outlay/construction | 14,206 | 4,866,030 | 481,504 | 12,202,705 | 7,540,863 | 25,105,308 |
| Debt service: | | | | | | |
| Principal retirement | - | - | 26,917 | - | 2,592,345 | 2,619,262 |
| Interest | - | - | 8,076 | - | 1,032,482 | 1,040,558 |
| Paying agent fees | - | - | - | - | 7,575 | 7,575 |
| Bond issuance costs | - | - | - | - | 72,562 | 72,562 |
| Total expenditures | 10,499,909 | 4,866,030 | 646,742 | 12,202,705 | 15,412,831 | 43,628,217 |
| Revenues over (under) expenditures | 715,620 | 165,310 | 78,403 | (6,697,878) | (1,524,942) | (7,263,487) |
| Other financing sources (uses): | | | | | | |
| Lease issuance | - | - | 435,668 | - | 34,672 | 470,340 |
| Bond issuance | - | - | - | - | 2,220,000 | 2,220,000 |
| Bond premium | - | - | - | - | 35,700 | 35,700 |
| Sale of capital assets | 1,414 | - | 39,420 | - | 60,680 | 101,514 |
| Insurance recoveries | 51,334 | - | - | - | 822 | 52,156 |
| Transfers in | 39,807 | - | 471,000 | - | 774,983 | 1,285,790 |
| Transfers out | (748,331) | - | (28,000) | (39,807) | (469,652) | (1,285,790) |
| Total other financing sources (uses) | (655,776) | 0 | 918,088 | (39,807) | 2,657,205 | 2,879,710 |
| Net change in fund balance | 59,844 | 165,310 | 996,491 | (6,737,685) | 1,132,263 | (4,383,777) |
| Fund balance - January 1 | 7,628,840 | (161,762) | (1,129,094) | 7,096,512 | 8,879,285 | 22,313,781 |
| Fund balance - December 31 | \$7,688,684 | \$3,548 | (\$132,603) | \$358,827 | \$10,011,548 | \$17,930,004 |

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, 2023
Statement 5

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) (\$4,383,777)

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 and amortization | (4,366,857) |
| Capital outlay | 25,105,308 |
| Capital outlay not capitalized | (8,332,217) |
| Contribution of land from discretely presented component unit | 232,288 |

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.

(242,088)

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 | 51,962 |
| Change in deferred and delinquent special assessments | (60,969) |
| Change in pledges receivable | (2,000) |
| Change in other receivable | (69,513) |

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 | (2,220,000) |
| Proceeds from the issuance of leases | (458,786) |
| Principal payments on bonds payable | 2,590,000 |
| Principal payments on leases payable | 26,503 |
| Current year amortization of bond premium | 22,285 |
| Change in due from other governmental units accrual related to a federal credit on BAB bonds | (2,591) |

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 | (43,791) |
| Change in other post employment benefits | (31,197) |
| Change in accrued interest payable | (13,912) |

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 differed from pension contributions.

| | |
|-----------------|--------|
| Pension expense | 96,252 |
|-----------------|--------|

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.

(576,012)

Change in net position of governmental activities (Statement 2)

 \$7,320,888

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

Statement 6

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|--|---|----------------------------|-------------|----------------------------|
| | 613 Pokegama Golf Course | 655 Storm Water Utility | Totals | Internal Service |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$281,696 | \$902,064 | \$1,183,760 | \$ - |
| Due from component units | - | 71,699 | 71,699 | - |
| Due from other governmental units | - | - | - | - |
| Accounts receivable | 776 | 6,711 | 7,487 | - |
| Prepaid items | 15,169 | - | 15,169 | - |
| Lease receivable | 18,898 | - | 18,898 | - |
| Total current assets | 316,539 | 980,474 | 1,297,013 | 0 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land and land improvements | 871,481 | 48,205 | 919,686 | - |
| Buildings and structures | 2,604,149 | - | 2,604,149 | - |
| Machinery, equipment and furniture | 1,114,326 | 489,321 | 1,603,647 | - |
| Right-to-use leased assets - vehicles | - | 46,532 | 46,532 | - |
| Total capital assets | 4,589,956 | 584,058 | 5,174,014 | 0 |
| Less: Allowance for depreciation and amortization | (2,063,576) | (378,880) | (2,442,456) | - |
| Net capital assets | 2,526,380 | 205,178 | 2,731,558 | 0 |
| Total noncurrent assets | 2,526,380 | 205,178 | 2,731,558 | 0 |
| Total assets | 2,842,919 | 1,185,652 | 4,028,571 | 0 |
| Deferred outflows of resources - related to pensions | - | - | - | 4,550,642 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 10,895 | 1,630 | 12,525 | - |
| Accrued wages payable | 2,942 | 1,095 | 4,037 | - |
| Due to other governmental units | 1,595 | - | 1,595 | - |
| Due to component units | 1,454 | 4,400 | 5,854 | - |
| Accrued interest payable | 383 | - | 383 | - |
| Deposits payable | - | 30,000 | 30,000 | - |
| Interfund loan payable | 42,776 | - | 42,776 | - |
| Lease liability - current | - | 8,025 | 8,025 | - |
| Compensated absences payable - current | 25,979 | - | 25,979 | - |
| Unearned revenue | 7,832 | - | 7,832 | - |
| Total current liabilities | 93,856 | 45,150 | 139,006 | 0 |
| Noncurrent liabilities: | | | | |
| Lease liability | - | 36,828 | 36,828 | - |
| Compensated absences payable | 1,747 | 68 | 1,815 | - |
| Net pension liability | - | - | - | 5,389,953 |
| Total noncurrent liabilities | 1,747 | 36,896 | 38,643 | 5,389,953 |
| Total liabilities | 95,603 | 82,046 | 177,649 | 5,389,953 |
| Deferred inflows of resources: | | | | |
| Related to leases | 18,898 | - | 18,898 | - |
| Related to pensions | - | - | - | 4,550,995 |
| Total deferred inflows of resources | 18,898 | 0 | 18,898 | 4,550,995 |
| Net position: | | | | |
| Investment in capital assets | 2,526,380 | 160,325 | 2,686,705 | - |
| Unrestricted | 202,038 | 943,281 | 1,145,319 | (5,390,306) |
| Total net position | \$2,728,418 | \$1,103,606 | \$3,832,024 | (\$5,390,306) |
| Net position reported above | | | \$3,832,024 | |
| Adjustment to report the cumulative internal balance for the net effect of activity between the internal service fund and the enterprise funds over time. | | | (73,416) | |
| Net position of business-type activities | | | \$3,758,608 | |

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
For The Year Ended December 31, 2023

Statement 7

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|----------------------------|---------------------------|-----------------------------|
| | 613 Pokegama Golf Course | 655 Storm Water Utility | Totals | Internal Service |
| Operating revenues: | | | | |
| Season passes | \$219,339 | \$ - | \$219,339 | \$ - |
| Green fees | 467,143 | - | 467,143 | - |
| Special play | 25,734 | - | 25,734 | - |
| Rentals and leases | 233,621 | - | 233,621 | - |
| Charges for service | 15,408 | 853,307 | 868,715 | 644,969 |
| Total operating revenues | <u>961,245</u> | <u>853,307</u> | <u>1,814,552</u> | <u>644,969</u> |
| Operating expenses: | | | | |
| Personnel services | 410,270 | 320,448 | 730,718 | 1,241,320 |
| Materials and supplies | 98,625 | 83,229 | 181,854 | - |
| Other services and charges | 303,434 | 266,231 | 569,665 | - |
| Depreciation and amortization | 127,835 | 55,387 | 183,222 | - |
| Total operating expenses | <u>940,164</u> | <u>725,295</u> | <u>1,665,459</u> | <u>1,241,320</u> |
| Operating income (loss) | <u>21,081</u> | <u>128,012</u> | <u>149,093</u> | <u>(596,351)</u> |
| Nonoperating revenues (expenses): | | | | |
| Intergovernmental revenue | - | - | - | 7,128 |
| Interest and investment income | 4,223 | 7,041 | 11,264 | - |
| Net increase (decrease) in the fair value of investments | 4,056 | 8,103 | 12,159 | - |
| Interest expense | (1,066) | (639) | (1,705) | - |
| Insurance recoveries | - | 12,446 | 12,446 | - |
| Miscellaneous revenue | 2,000 | 2,275 | 4,275 | - |
| Gain (loss) on sale of capital assets | - | 13,925 | 13,925 | - |
| Total nonoperating revenues (expenses) | <u>9,213</u> | <u>43,151</u> | <u>52,364</u> | <u>7,128</u> |
| Income before capital contributions | <u>30,294</u> | <u>171,163</u> | <u>201,457</u> | <u>(589,223)</u> |
| Capital contributions | <u>7,600</u> | <u>-</u> | <u>7,600</u> | <u>-</u> |
| Total capital contributions | <u>7,600</u> | <u>0</u> | <u>7,600</u> | <u>0</u> |
| Change in net position | <u>37,894</u> | <u>171,163</u> | <u>209,057</u> | <u>(589,223)</u> |
| Net position - January 1 | <u>2,690,524</u> | <u>932,443</u> | <u>3,622,967</u> | <u>(4,801,083)</u> |
| Net position - December 31 | <u><u>\$2,728,418</u></u> | <u><u>\$1,103,606</u></u> | <u><u>\$3,832,024</u></u> | <u><u>(\$5,390,306)</u></u> |
| Changes in net position reported above | | | \$209,057 | |
| 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>(13,211)</u> | |
| Change in net position of business-type activities (Statement 2) | | | <u><u>\$195,846</u></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, 2023

Statement 8

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|--|---|-------------------------|-------------|-------------------------|
| | 613 Pokegama Golf Course | 655 Storm Water Utility | Totals | Internal Service |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$953,276 | \$857,433 | \$1,810,709 | \$ - |
| Receipts from interfund charges for pension benefits | - | - | - | 644,969 |
| Payment to suppliers | (390,680) | (385,926) | (776,606) | (644,969) |
| Payment to employees | (398,293) | (330,773) | (729,066) | - |
| Net cash flows provided by operating activities | 164,303 | 140,734 | 305,037 | 0 |
| Cash flows from noncapital financing activities: | | | | |
| Interfund borrowing cash payments | (27,461) | - | (27,461) | - |
| Interest on interfund borrowing | (1,366) | (639) | (2,005) | - |
| Net cash flows provided by (used in) noncapital financing activities | (28,827) | (639) | (29,466) | 0 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (83,186) | - | (83,186) | - |
| Capital contributions | 7,600 | - | 7,600 | - |
| Insurance recoveries | - | 12,446 | 12,446 | - |
| Proceeds on sale of capital asset | - | 17,860 | 17,860 | - |
| Net cash flows (used in) capital and related financing activities | (75,586) | 30,306 | (45,280) | 0 |
| Cash flows from investing activities: | | | | |
| Interest and investment income | 8,279 | 15,144 | 23,423 | - |
| Net increase in cash and cash equivalents | 68,169 | 185,545 | 253,714 | 0 |
| Cash and cash equivalents - January 1 | 213,527 | 716,519 | 930,046 | - |
| Cash and cash equivalents - December 31 | \$281,696 | \$902,064 | \$1,183,760 | \$0 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$21,081 | \$128,012 | \$149,093 | (\$596,351) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | |
| Depreciation and amortization | 127,835 | 55,387 | 183,222 | - |
| Miscellaneous revenue | 2,000 | 2,275 | 4,275 | - |
| Intergovernmental revenue | - | - | - | 7,128 |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in receivables | 23,191 | 1,851 | 25,042 | - |
| Decrease (increase) in prepaid items | 6,419 | - | 6,419 | - |
| Decrease (increase) in deferred outflows of resources | - | - | - | 996,749 |
| Increase (decrease) in unearned revenue | (10,957) | - | (10,957) | - |
| Increase (decrease) in payables | 16,937 | (46,791) | (29,854) | (4,794,343) |
| Increase (decrease) in deferred inflows of resources | (22,203) | - | (22,203) | 4,386,817 |
| Total adjustments | 143,222 | 12,722 | 155,944 | 596,351 |
| Net cash provided by operating activities | \$164,303 | \$140,734 | \$305,037 | \$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 NET POSITION
FIDUCIARY FUNDS
December 31, 2023

Statement 9

| | |
|----------------------|-----------|
| Assets: | |
| Cash and investments | \$101,774 |
| Total assets | 101,774 |
| Liabilities: | |
| Accounts payable | 101,774 |
| Total liabilities | 101,774 |
| Net position: | |
| Restricted | \$0 |

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For The Year Ended December 31, 2023

Statement 10

Additions:

| | |
|---------------------------------|----------------|
| Lodging tax collections | \$432,584 |
| Cable franchise fee collections | 236,858 |
| Total additions | <u>669,442</u> |

Deductions:

| | |
|----------------------------|----------------|
| Payments to other entities | 639,696 |
| Administrative fees | 29,746 |
| Total deductions | <u>669,442</u> |

| | |
|---|--------------------|
| Net increase (decrease) in fiduciary net position | - |
| Net position - beginning | - |
| Net position - ending | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of these financial statements

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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, which was issued in the City's name. Accordingly, the PUC's debt has been reported as liabilities of the City, with an offsetting receivable due from the PUC component unit. Separate financial statements for the PUC may be obtained by contacting the City of Grand Rapids, Minnesota.

JOINT POWERS AGREEMENT – GRAND RAPIDS/ITASCA COUNTY AIRPORT

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.

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 and the fiduciary 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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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 *GR/Cohasset Industrial Park Fund* accounts for the capital activity of the Grand Rapids/Cohasset Industrial Park.

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

The *Civic Center Capital Improvements Fund* accounts for the capital activity of the Civic Center.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

Fiduciary Funds –Custodial Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The City's Custodial Funds account for the lodging tax and the Cable T.V. Commission. The funds are custodial in nature and use the economic resources measurement focus.

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, except for the Electric Vehicle Charging Stations Fund.

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 net income for operation and capital maintenance and are not reflected in the financial statements.
7. A capital improvement program is reviewed annually by the City Council for the Capital Project Funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.
8. Expenditures may not legally exceed budgeted appropriations at the total department level without City Council authorization. Monitoring of budgets is maintained at the expenditure category level (i.e., personnel; material and supplies; other services and charges; capital outlay) within each activity.
9. The City Council may authorize transfer of budgeted amounts between City funds.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

The following is a listing of funds whose expenditures exceeded budgeted appropriations:

| | Final Budget | Actual | Amount Over Budget |
|------------------------|-----------------|--------------|-----------------------|
| Major Funds: | | | |
| General Fund | \$10,471,276 | \$10,499,909 | \$28,633 |
| Nonmajor Funds: | | | |
| 211 Public Library | 925,664 | 940,868 | 15,204 |
| 225 Central School | 116,050 | 116,681 | 631 |
| 226 Airport Operations | 260,291 | 340,526 | 80,235 |
| 228 IRA Civic Center | 381,990 | 561,560 | 179,570 |
| 231 Haz-Mat | 60,000 | 91,114 | 31,114 |
| 232 Police Forfeiture | 3,500 | 17,957 | 14,457 |
| 233 Cemetery | 265,714 | 290,274 | 24,560 |

The expenditures exceeding budget were funded by available fund balance, interfund loan or other financing sources.

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

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date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

H. SPECIAL ASSESSMENT REVENUE RECOGNITION

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

I. INVENTORIES

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 (net realizable value). 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 |

Capital assets are defined by the Public Utilities Commission as assets with an estimated useful life in excess of one year and an initial, individual cost of more than \$5,000.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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.

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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. RIGHT-TO-USE LEASED ASSETS

The City has recorded right-to-use leased assets as a result of implementing GASB 87. The right-to-use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use leased assets are amortized on a straight-line basis over the life of the related asset.

N. LEASE RECEIVABLE

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the entity may receive additional variable lease payments that are dependent upon the lessee's revenue/the lessee's usage levels. These variable payments are excluded from the lease receivable.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the commencement of the lease in an amount equal to the initial recording of the lease receivable, and is recognized as revenue over the lease term.

O. 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 2024, 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.

P. 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.

Q. 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.

R. 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.

S. 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 2023 are described in Note 20.

T. 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.

U. UTILITY REVENUE RECOGNITION

Billings are rendered and recorded monthly based on metered usage.

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*, represent a consumption of net assets 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 two items that qualify for reporting in this category. They are the pension and other post-employment benefits 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*, represent an acquisition of net assets 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 leases, pension, and other post-employment benefits 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. Deferred inflows relating to lease receivables are reported on both the Statement of Net Position and the governmental fund balance sheet.

W. PENSION PLANS

DEFINED BENEFIT COST SHARING MULTIPLE – EMPLOYER PLANS

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and 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.

SINGLE EMPLOYER PLAN

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 fair 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. Minnesota Statute 118A.03 identifies allowable forms of collateral.

At December 31, 2023 the carrying amount of the City's deposits with financial institutions was \$12,361,496.

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 fair value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2023, the bank balance of the City's deposits was \$14,181,353 all of which was either insured by the Federal Deposit Insurance Corporation (FDIC) or covered by perfected pledged collateral held in the City's name.

CITY OF GRAND RAPIDS, MINNESOTA
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B. INVESTMENTS

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorized the City to invest in United States securities, state and local securities, commercial paper, time deposits, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trust and guaranteed investment contracts.

As of December 31, 2023, the City had the following investments and maturities:

| Investment Type | Rating | Fair Value | Investment Maturities (in Years) | | |
|--------------------------|--------|--------------------|----------------------------------|--------------------|---------------------|
| | | | Less Than 1 | 1-5 | 6-10 |
| Brokered CD's | NR | \$6,595,538 | \$871,679 | \$5,523,963 | \$199,896 |
| Federal Home Loan Bank | AAA | 341,756 | - | 341,756 | - |
| Money Market Mutual Fund | Aaa-mf | 42,748 | 42,748 | - | - |
| Total | | <u>\$6,980,042</u> | <u>\$914,427</u> | <u>\$5,865,719</u> | <u>\$199,896</u> |
| NR - Not Rated | | | Total investments | | \$6,980,042 |
| | | | Deposits | | 12,361,496 |
| | | | Petty cash | | 1,040 |
| | | | Total cash and investments | | <u>\$19,342,578</u> |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs other than quoted prices included in Level 1 that are observable either directly or indirectly. Level 2 investments include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset, or inputs derived principally from or corroborated by observable market data by correlation or other means. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2023:

| Investment Type | 12/31/2023 | Fair Value Measurement Using | | |
|----------------------------|--------------------|------------------------------|--------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments at fair value: | | | | |
| Brokered CD's | \$6,595,538 | \$ - | \$6,595,538 | \$ - |
| Federal Home Loan Bank | 341,756 | - | 341,756 | - |
| Money Market Mutual Fund | 42,748 | - | 42,748 | - |
| Total | <u>\$6,980,042</u> | <u>\$ -</u> | <u>\$6,980,042</u> | <u>\$ -</u> |

Following is a reconciliation of the City's cash and investment balances as of December 31, 2023:

| | |
|---|---------------------|
| Cash and investments - primary government: | |
| Governmental and business-type (Statement 1) | \$18,137,268 |
| Fiduciary (Statement 9) | 101,774 |
| Cash and investments - EDA (Statement 1) | 1,103,536 |
| Cash and investments - PUC (Statement 1) | 6,947,782 |
| Restricted cash and investments - PUC (Statement 1) | 2,309,721 |
| | <u>\$28,600,081</u> |

C. INVESTMENT RISKS

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

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

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

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, 2023 for the Public Utilities Commission are as follows:

| | |
|---|-------------|
| Demand deposits and cash on hand | \$3,366,929 |
| Term series | 250,000 |
| Government agencies notes | 999,565 |
| CD's | 4,052,236 |
| Money market | 588,773 |
| Total cash and investments | 9,257,503 |
| Less designated cash and investments: | |
| Electric replacement funds | 1,247,342 |
| Watermain replacement funds | 790,364 |
| Wastewater-sewer main replacement funds | 272,015 |
| Total designated cash and investments | 2,309,721 |
| Total cash and investments | \$6,947,782 |

CITY OF GRAND RAPIDS, MINNESOTA
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Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2023 are as follows:

| | Primary Government | | | | |
|--------------------------------|--------------------|------------------------|--------------------|--------------------|------------------|
| | Major Funds | | Nonmajor | | |
| | General | Storm Water Utility | Funds | Total | EDA |
| Special assessments receivable | \$26,305 | \$3,356 | \$1,999,948 | \$2,029,609 | \$ - |
| Property taxes receivable | 153,600 | - | 20,200 | 173,800 | - |
| Interfund loan receivable | 693,824 | - | - | 693,824 | - |
| Pledges receivable | - | - | 6,500 | 6,500 | - |
| Notes receivable | 300,000 | - | - | 300,000 | 399,966 |
| Lease receivable | - | - | 299,784 | 299,784 | - |
| | <u>\$1,173,729</u> | <u>\$3,356</u> | <u>\$2,326,432</u> | <u>\$3,503,517</u> | <u>\$399,966</u> |

PLEDGES RECEIVABLE

The City completed construction on a multi-use pavilion addition to the IRA Civic Arena in 2018. A portion of the funding was a capital drive, which began in 2016. As shown above, as of December 31, 2023, outstanding pledges receivable were \$6,500.

NOTES RECEIVABLE

The City issued a note receivable for \$300,000 due from Grand Plaza Housing Limited Partnership. The note is due January 1, 2039 and has a zero percent (0%) interest rate.

FORGIVABLE LOAN RECEIVABLE:

Grand Rapids Economic Development Authority (GREDA) has established a loan program with forgivable terms to fund building improvements that are mandated by the State Building Code. The only outstanding forgivable loan at year end was issued on December 18, 2023, to Kreklow Enterprises, LLC for \$50,000, the maximum amount allowed, at 1.0%. The loan is only required to be repaid if the borrower defaults on the terms of the loan, which includes the sale of the property. Each year 10% of the principal balance of the loan will be forgiven providing there is no default. If a default should occur, the entire remaining balance unforgiven and accumulated interest will be paid back to GREDA. If no events of default occur, and the borrower does not sell the property within 10 years of the closing date, the principal and interest payments shall be deferred. Given the nature of this loan and uncertainty of repayment, management has determined that it is highly unlikely the borrower will default on the loan.

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Note 4 UNAVAILABLE REVENUES

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

| | Property Taxes | Special Assessments | Land Held for Resale | Notes Receivable | Other Receivables | Total |
|---|-------------------|------------------------|-------------------------|---------------------|----------------------|--------------------|
| Primary government: | | | | | | |
| Major funds: | | | | | | |
| General Fund | \$307,114 | \$52,610 | \$ - | \$300,000 | \$ - | \$659,724 |
| Nonmajor Funds | 40,393 | 2,199,686 | - | - | 6,500 | 2,246,579 |
| Total primary government | <u>347,507</u> | <u>2,252,296</u> | <u>0</u> | <u>300,000</u> | <u>6,500</u> | <u>2,906,303</u> |
| EDA (discretely presented component unit) | - | - | 2,657,072 | 626,001 | 37,517 | 3,320,590 |
| Total unavailable revenue | <u>\$347,507</u> | <u>\$2,252,296</u> | <u>\$2,657,072</u> | <u>\$926,001</u> | <u>\$44,017</u> | <u>\$6,226,893</u> |

Note 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City has approved five interfund loans. One loan was made to the Pokegama Golf Course for the Pokegama Golf and Park Place Project and the Pokegama Golf Course Irrigation Control Project. Loans were also made to the IRA Civic Center Fund and the Capital Equipment Replacement Fund as financing to those funds for capital expenditures. A summary at December 31, 2023 is as follows:

| | Interfund Loan Receivable | Interfund Loan Payable |
|-----------------------------------|---------------------------------|------------------------------|
| Major funds: | | |
| General Fund | \$957,628 | \$ - |
| 407 Capital Equipment Replacement | - | 891,610 |
| 613 Pokegama Golf Course | - | 42,776 |
| Nonmajor funds: | | |
| Special Revenue Funds: | | |
| 228 IRA Civic Center | - | 23,242 |
| Total | <u>\$957,628</u> | <u>\$957,628</u> |

CITY OF GRAND RAPIDS, MINNESOTA
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Amounts reported as due to/from other funds at December 31, 2023 are as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--|---------------------------------|-------------------------------|
| Major funds: | | |
| General Fund | \$799,670 | \$ - |
| Nonmajor funds: | | |
| Special Revenue Funds: | | |
| 225 Central School | - | 4,500 |
| 228 IRA Civic Center | - | 8,653 |
| 231 Haz-Mat | - | 4,848 |
| 240 Electric Vehicle Charging Stations | - | 34,624 |
| Capital Project Funds: | | |
| 401 General Capital Improvement Projects | - | 10,862 |
| 402 Municipal State Aid | - | 88,674 |
| 413 Airport Capital Fund | - | 647,509 |
| Total | <u>\$799,670</u> | <u>\$799,670</u> |

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

Amounts reported as interfund transfers at December 31, 2023 are as follows:

| | <u>Transfers In</u> | | | |
|---------------------------------------|-----------------------------|--|---------------------------|--------------------|
| | <u>101 General Fund</u> | <u>407 Capital Equipment Replacement</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
| Transfers out: | | | | |
| Major funds: | | | | |
| General Fund | \$ - | \$471,000 | \$277,331 | \$748,331 |
| 407 Capital Equipment Replacement | - | - | 28,000 | 28,000 |
| 483 Civic Center Capital Improvements | 39,807 | - | - | 39,807 |
| Nonmajor funds | - | - | 469,652 | 469,652 |
| Total | <u>\$39,807</u> | <u>\$471,000</u> | <u>\$774,983</u> | <u>\$1,285,790</u> |

The City makes routine interfund transfers to allocate financial resources to the funds that receive benefit from services provided by another fund or to establish or close-out funds. During 2023, the City made transfers from the General Fund to Special Revenue Funds (\$121,251) to provide ongoing support, to the G.O. Street Reconstruction Bonds of 2013B Debt Service Fund (\$150,000) as part of its debt financing plan, and to Capital Project Funds (\$471,000) for capital purposes. Transfers were also made to allocate funds for capital purposes (\$469,652).

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December 31, 2023

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|----------------|-------------------|
| Primary Government | | | | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land and land improvements | \$6,739,252 | \$239,449 | \$ - | \$6,978,701 |
| Artwork | 182,565 | - | - | 182,565 |
| Construction in progress | 14,671,448 | 16,448,378 | (14,125,409) | 16,994,417 |
| Total capital assets, not being depreciated/amortized | 21,593,265 | 16,687,827 | (14,125,409) | 24,155,683 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and structures | 31,036,924 | 10,067,317 | (1,398,198) | 39,706,043 |
| Vehicles, equipment and furniture | 13,853,274 | 573,762 | (640,190) | 13,786,846 |
| Infrastructure | 82,167,328 | 3,331,542 | - | 85,498,870 |
| Right-to-use leased assets - vehicles | - | 470,340 | - | 470,340 |
| Total capital assets, being depreciated/amortized | 127,057,526 | 14,442,961 | (2,038,388) | 139,462,099 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and structures | 20,246,989 | 1,052,699 | (1,156,495) | 20,143,193 |
| Vehicles, equipment and furniture | 8,802,503 | 726,795 | (639,805) | 8,889,493 |
| Infrastructure | 44,684,617 | 2,555,075 | - | 47,239,692 |
| Right-to-use leased assets - vehicles | - | 32,288 | - | 32,288 |
| Total accumulated depreciation/amortization | 73,734,109 | 4,366,857 | (1,796,300) | 76,304,666 |
| Total capital assets being depreciated/amortized - net | 53,323,417 | 10,076,104 | (242,088) | 63,157,433 |
| Governmental activities capital assets - net | \$74,916,682 | \$26,763,931 | (\$14,367,497) | \$87,313,116 |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Primary Government | | | | |
| Business-type activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land and land improvements | \$919,686 | \$ - | \$ - | \$919,686 |
| Total capital assets, not being depreciated/amortized | 919,686 | 0 | 0 | 919,686 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and structures | 2,604,149 | - | - | 2,604,149 |
| Machinery, equipment and furniture | 1,550,406 | 83,187 | (29,946) | 1,603,647 |
| Right-to-use leased assets - vehicles | - | 46,532 | - | 46,532 |
| Total capital assets, being depreciated/amortized | 4,154,555 | 129,719 | (29,946) | 4,254,328 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and structures | 1,153,102 | 70,320 | - | 1,223,422 |
| Machinery, equipment and furniture | 1,130,463 | 110,575 | (24,331) | 1,216,707 |
| Right-to-use leased assets - vehicles | - | 2,327 | - | 2,327 |
| Total accumulated depreciation/amortization | 2,283,565 | 183,222 | (24,331) | 2,442,456 |
| Total capital assets being depreciated/amortized - net | 1,870,990 | (53,503) | (5,615) | 1,811,872 |
| Business-type activities capital assets - net | \$2,790,676 | (\$53,503) | (\$5,615) | \$2,731,558 |

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

| | Beginning Balance | Increases | Decreases | Reclassifications | Ending Balance |
|--|----------------------|--------------|---------------|-------------------|-------------------|
| Discretely Presented Component Units | | | | | |
| Public Utilities Commission: | | | | | |
| Capital assets, not being depreciated/amortized: | | | | | |
| Land and land rights | \$1,964,831 | \$44,786 | \$ - | \$ - | \$2,009,617 |
| Construction in progress | 631,518 | 5,935,448 | (6,370,780) | - | 196,186 |
| Total capital assets, not being depreciated/amortized | 2,596,349 | 5,980,234 | (6,370,780) | 0 | 2,205,803 |
| Capital assets, being depreciated/amortized: | | | | | |
| Intangibles | 711,725 | - | - | - | 711,725 |
| Infrastructure | 47,196,463 | 8,945,240 | - | - | 56,141,703 |
| Buildings and improvements | 33,892,582 | 377,788 | - | 301,927 | 34,572,297 |
| Machinery and equipment | 38,050,114 | 363,015 | (129,590) | (301,927) | 37,981,612 |
| Total capital assets, being depreciated/amortized | 119,850,884 | 9,686,043 | (129,590) | 0 | 129,407,337 |
| Less accumulated depreciation/amortization for: | | | | | |
| Intangibles | 533,396 | 62,855 | - | - | 596,251 |
| Infrastructure | 21,159,796 | 1,235,381 | - | - | 22,395,177 |
| Buildings and improvements | 24,519,899 | 693,167 | - | - | 25,213,066 |
| Machinery and equipment | 17,784,765 | 1,324,927 | (102,777) | - | 19,006,915 |
| Total accumulated depreciation/amortization | 63,997,856 | 3,316,330 | (102,777) | 0 | 67,211,409 |
| Total capital assets being depreciated/amortized - net | 55,853,028 | 6,369,713 | (26,813) | - | 62,195,928 |
| Public Utilities Commission capital assets - net | \$58,449,377 | \$12,349,947 | (\$6,397,593) | \$0 | \$64,401,731 |

Depreciation and amortization expense were charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|--|--------------------|
| General government | \$152,692 |
| Public safety | 522,889 |
| Public works, including depreciation and amortization of general infrastructure assets | 3,378,257 |
| Culture and recreation | 313,019 |
| Total depreciation and amortization expense - governmental activities | <u>\$4,366,857</u> |

Business-type activities:

| | |
|--|------------------|
| Golf course | \$127,835 |
| Storm water utility | 55,387 |
| Total depreciation and amortization expense - business-type activities | <u>\$183,222</u> |

Note 7 LEASE RECEIVABLES

The City leases a portion of its land for a Solar Garden. This lease is non-cancelable for a period of 25 years, with three renewal periods of 5 years at the lessee's option. The City considers the likelihood of these options being exercised to be greater than 50%. The agreement calls for monthly lease payments of \$5,500 - \$6,624, with increases of 1% each year. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 4.75%, which is based on the rate available to finance equipment over the same time periods.

The City leases Golf Concessions to Pokegama Grill. This lease is non-cancelable for a period of 2 years. The agreement calls for monthly lease payments of \$2,000. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 4.75%, which is based on the rate available to finance equipment over the same time periods.

CITY OF GRAND RAPIDS, MINNESOTA
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The City leases 351 square feet of Pro Shop space to Bob's Pro Shop. This lease is non-cancelable for a period of 27 months. The agreement calls for monthly lease payments of \$475 - \$489. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 4.75%, which is based on the rate available to finance equipment over the same time periods.

The City leases ice to ISD #318. This lease is non-cancelable for a period of 3 years. The agreement calls for monthly lease payments of \$14,336 - \$15,208. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 4.75%, which is based on the rate available to finance equipment over the same time periods.

At December 31, 2023, the City recorded \$409,220 in leases receivables and deferred inflows of resources for these arrangements.

Total revenue recognized in relation to these leases is as follows:

| | |
|--|-----------|
| Amortization of lease-related deferred inflows | |
| Land leases | \$370 |
| Space leases | 193,308 |
| Total revenue recognized resulting from deferred inflow amortization | 193,678 |
| Interest revenue | 24,540 |
| Other lease related revenues | 7,769 |
| Total revenue recognized in relation to leased assets | \$225,987 |

Principal and interest requirements to maturity for the lease receivables as of December 31, 2023 were as follows:

| Year Ending December 31, | Solar Garden | | ISD #318 | | Pokegama Grill | | Bob's Pro Shop | |
|-----------------------------|------------------------|-----------|----------------------|----------|--------------------|----------|--------------------|----------|
| | Nonmajor Fund | | Nonmajor Fund | | Major Fund | | Major Fund | |
| | 226 Airport Operations | | 228 IRA Civic Center | | 613 Pokegama Grill | | 613 Pokegama Grill | |
| | Lease Receivable | | Lease Receivable | | Lease Receivable | | Lease Receivable | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$538 | \$14,196 | \$90,000 | \$1,251 | \$17,441 | \$559 | \$1,457 | \$12 |
| 2025 | 716 | 14,166 | - | - | - | - | - | - |
| 2026 | 903 | 14,128 | - | - | - | - | - | - |
| 2027 | 1,101 | 14,080 | - | - | - | - | - | - |
| 2028 | 1,310 | 14,022 | - | - | - | - | - | - |
| 2029-2033 | 10,219 | 68,874 | - | - | - | - | - | - |
| 2034-2038 | 17,378 | 65,645 | - | - | - | - | - | - |
| 2039-2043 | 26,810 | 60,448 | - | - | - | - | - | - |
| 2044-2048 | 39,009 | 52,699 | - | - | - | - | - | - |
| 2049-2053 | 54,728 | 41,659 | - | - | - | - | - | - |
| 2054-2058 | 74,921 | 26,383 | - | - | - | - | - | - |
| 2059-2062 | 72,787 | 6,547 | - | - | - | - | - | - |
| Total | \$300,420 | \$392,847 | \$90,000 | \$1,251 | \$17,441 | \$559 | \$1,457 | \$12 |

CITY OF GRAND RAPIDS, MINNESOTA
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The Public Utilities Commission leases space for antenna on the roof of their building under a long-term, noncancelable lease agreement. The lease expires in 2035.

| Year Ending December 31, | Cellular Antenna | |
|-----------------------------|-----------------------------|-----------------|
| | Public Utilities Commission | |
| | Water Utility | |
| | Lease Receivable | |
| | Principal | Interest |
| 2024 | \$179,129 | \$5,540 |
| 2025 | 184,504 | 5,706 |
| 2026 | 190,039 | 5,877 |
| 2027 | 195,741 | 6,054 |
| 2028 | 172,538 | 5,336 |
| 2029-2033 | 534,585 | 16,533 |
| 2034-2038 | 74,815 | 2,314 |
| Total | <u>\$1,531,351</u> | <u>\$47,360</u> |

The Public Utilities Commission recognized \$179,489 of lease revenue and \$9,951 of interest revenue for the year ended December 31, 2023 in relation to these lease receivables.

Note 8 LONG-TERM DEBT

A. 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
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As of December 31, 2023, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

| | Interest Rates | Issue Date | Maturity Date | Original Issue | Payable 12/31/2023 |
|--|-------------------|---------------|------------------|-------------------|-----------------------|
| Primary Government | | | | | |
| <u>Governmental Activities:</u> | | | | | |
| G.O. Tax Increment Bonds: | | | | | |
| Refunding TIF Bonds Series 2017B | 4.20 - 4.00 | 12/28/2017 | 2/1/2034 | \$705,000 | \$540,000 |
| G.O. Improvement Bonds: | | | | | |
| Improvement Bonds of 2009C | 1.85 - 4.30 | 9/1/2009 | 2/1/2025 | 4,565,000 | 720,000 |
| Improvement Bonds of 2010A | 0.75 - 3.625 | 11/1/2010 | 2/1/2026 | 1,115,000 | 190,000 |
| Improvement Refunding Bonds of 2011B | 0.50 - 3.15 | 12/1/2011 | 2/1/2027 | 1,555,000 | 300,000 |
| Improvement Bonds of 2012A | 0.50 - 3.25 | 4/1/2012 | 2/1/2028 | 2,245,000 | 805,000 |
| Improvement Bonds of 2012B | 0.40 - 2.60 | 4/1/2012 | 10/1/2027 | 4,175,000 | 1,215,000 |
| Improvement Bonds of 2014A | 0.50 - 2.90 | 11/1/2014 | 2/1/2030 | 3,000,000 | 1,225,000 |
| Improvement Refunding Bonds of 2017B | 2.30 - 3.00 | 12/28/2017 | 2/1/2034 | 2,215,000 | 165,000 |
| Total G.O. Improvement Bonds | | | | 18,870,000 | 4,620,000 |
| Other General Obligation Bonds: | | | | | |
| Street Reconstruction Bonds of 2013B | 3.00 - 3.50 | 9/1/2013 | 2/1/2029 | 4,025,000 | 1,830,000 |
| Street Reconstruction Bonds of 2016A | 0.85 - 2.20 | 10/5/2016 | 2/1/2032 | 2,170,000 | 1,385,000 |
| Street Reconstruction Bonds of 2017A | 3.00 - 3.50 | 9/7/2017 | 2/1/2033 | 2,130,000 | 1,540,000 |
| Street Reconstruction Bonds of 2018A | 3.00 - 3.25 | 10/18/2018 | 2/1/2034 | 1,960,000 | 1,520,000 |
| Street Reconstruction Bonds of 2020A | 1.60 - 2.00 | 11/5/2020 | 2/1/2036 | 2,275,000 | 2,015,000 |
| Street Reconstruction Bonds of 2023A | 4.00 - 5.00 | 11/9/2023 | 2/1/2039 | 2,220,000 | 2,220,000 |
| G.O. Abatement Bonds of 2019A | 2.00 - 3.00 | 9/5/2019 | 2/1/2035 | 1,585,000 | 1,335,000 |
| G.O. Abatement Bonds of 2021B | 2.00 - 2.75 | 7/1/2021 | 2/1/2042 | 6,255,000 | 6,010,000 |
| G.O. Temporary Bonds of 2022A | 4.75 | 12/22/2022 | 12/1/2025 | 10,000,000 | 10,000,000 |
| Total other general obligation bonds | | | | 32,620,000 | 27,855,000 |
| G.O. Revenue note - direct placement - PUC: | | | | | |
| Taxable G.O. Wastewater Revenue Note of 2009E | 2.90 | 11/10/2009 | 8/20/2029 | 26,370,232 | 9,575,000 |
| G.O. Revenue bonds - PUC: | | | | | |
| G.O. Utility Revenue Refunding Bonds of 2021A | 0.25 - 0.63 | 5/27/2021 | 10/15/2025 | 872,000 | 389,000 |
| G.O. Utility Revenue Refunding Bonds of 2021C | 0.45 - 1.25 | 9/2/2021 | 2/1/2029 | 1,210,000 | 1,160,000 |
| G.O. Utility Revenue Refunding Bonds of 2021D | 2.0 - 3.0 | 12/9/2021 | 2/1/2033 | 1,120,000 | 1,025,000 |
| G.O. Utility Revenue Bonds of 2023B | 4.25 - 5.00 | 11/9/2023 | 2/1/2039 | 4,575,000 | 4,575,000 |
| Total general obligation revenue bonds - PUC | | | | 7,777,000 | 7,149,000 |
| Total bonded debt - governmental activities | | | | 86,342,232 | 49,739,000 |
| Bond premium | | | | | 725,516 |
| Compensated absences | | | | N/A | 687,614 |
| Total governmental activities | | | | \$86,342,232 | \$51,152,130 |
| <u>Business-Type Activities:</u> | | | | | |
| Compensated absences | | | | N/A | \$27,794 |
| Total business-type activities | | | | \$0 | \$27,794 |
| <u>Component Units:</u> | | | | | |
| EDA: | | | | | |
| Note payable - Airport Ind Park/Kent | 0.00 | 7/16/2015 | 7/16/2035 | \$350,000 | \$210,000 |
| Note payable - Block 20 & 21 Soil | 0.00 | 8/5/2010 | 12/31/2029 | 100,000 | 100,000 |
| Note payable - Blandin | 0.00 | 2016 | 2026 | 175,000 | 43,974 |
| Note payable - EWCL | 0.00 | 4/1/2020 | 10/1/2026 | 650,000 | 264,256 |
| Note payable - Blandin | 0.00 | 1/29/2021 | 1/29/2026 | 140,000 | 140,000 |
| Special assessment payable | | | | 657,883 | 637,848 |
| Total EDA | | | | 2,072,883 | 1,396,078 |
| Public Utilities: | | | | | |
| Due to Primary Government - G.O. Revenue Note and Bond | | | | 34,147,232 | 16,724,000 |
| Bond premium | | | | | 228,831 |
| Total public utilities | | | | 34,147,232 | 16,952,831 |
| Total component units | | | | \$36,220,115 | \$18,348,909 |

CITY OF GRAND RAPIDS, MINNESOTA
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Annual debt service requirements to maturity for long-term debt are as follows:

| Year Ending December 31, | G.O. Tax Increment Bonds | | G.O. Improvement Bonds | | Other G.O. Bonds | |
|-----------------------------|--------------------------|-----------------|-------------------------|------------------|-------------------------|--------------------|
| | Governmental Activities | | Governmental Activities | | Governmental Activities | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$35,000 | \$14,800 | \$1,310,000 | \$123,616 | \$1,165,000 | \$917,945 |
| 2025 | 40,000 | 13,815 | 1,175,000 | 81,163 | 11,280,000 | 911,152 |
| 2026 | 40,000 | 12,895 | 755,000 | 50,067 | 1,350,000 | 397,933 |
| 2027 | 45,000 | 11,918 | 715,000 | 29,447 | 1,370,000 | 357,752 |
| 2028 | 45,000 | 10,725 | 330,000 | 14,473 | 1,420,000 | 315,952 |
| 2029 | 50,000 | 9,300 | 165,000 | 7,240 | 1,460,000 | 272,768 |
| 2030 | 55,000 | 7,725 | 170,000 | 2,465 | 1,160,000 | 234,689 |
| 2031 | 50,000 | 6,150 | - | - | 1,190,000 | 202,831 |
| 2032 | 55,000 | 4,575 | - | - | 1,225,000 | 171,164 |
| 2033 | 60,000 | 2,850 | - | - | 1,085,000 | 139,933 |
| 2034 | 65,000 | 975 | - | - | 935,000 | 113,235 |
| 2035 | - | - | - | - | 790,000 | 92,174 |
| 2036 | - | - | - | - | 680,000 | 74,610 |
| 2037 | - | - | - | - | 530,000 | 59,250 |
| 2038 | - | - | - | - | 540,000 | 44,800 |
| 2039 | - | - | - | - | 560,000 | 29,900 |
| 2040 | - | - | - | - | 365,000 | 18,650 |
| 2041 | - | - | - | - | 370,000 | 11,300 |
| 2042 | - | - | - | - | 380,000 | 3,800 |
| Total | <u>\$540,000</u> | <u>\$95,728</u> | <u>\$4,620,000</u> | <u>\$308,471</u> | <u>\$27,855,000</u> | <u>\$4,369,838</u> |

| Year Ending December 31, | Revenue Bonds and Notes | |
|-----------------------------|-------------------------|--------------------|
| | PUC Component Unit | |
| | Principal | Interest |
| 2024 | \$1,968,000 | \$470,118 |
| 2025 | 2,177,000 | 475,742 |
| 2026 | 2,096,000 | 416,316 |
| 2027 | 2,157,000 | 354,127 |
| 2028 | 2,219,000 | 289,613 |
| 2029-2033 | 3,867,000 | 743,213 |
| 2034-2038 | 1,825,000 | 283,814 |
| 2039 | <u>415,000</u> | <u>8,819</u> |
| Total | <u>\$16,724,000</u> | <u>\$3,041,762</u> |

CITY OF GRAND RAPIDS, MINNESOTA
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| Year Ending December 31, | Revenue Bonds and Notes | |
|-----------------------------|-------------------------|------------|
| | EDA Component Unit | |
| | Principal | Interest |
| 2024 | \$17,500 | \$ - |
| 2025 | 17,500 | - |
| 2026 | 17,500 | - |
| 2027 | 17,500 | - |
| 2028 | 17,500 | - |
| 2029-2033 | 87,500 | - |
| 2034-2035 | 35,000 | - |
| Total | <u>\$210,000</u> | <u>\$0</u> |

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2023, was as follows:

| | Beginning Balance as restated 12/31/2022 ¹ | Additions | Reductions | Balance 12/31/23 | Due Within One Year |
|---|---|--------------------|----------------------|---------------------|------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Bonds payable: | | | | | |
| G.O. Tax increment bonds | \$580,000 | \$ - | (\$40,000) | \$540,000 | \$35,000 |
| G.O. Improvement bonds | 6,040,000 | - | (1,420,000) | 4,620,000 | 1,310,000 |
| Other G.O. bonds | 26,765,000 | 2,220,000 | (1,130,000) | 27,855,000 | 1,165,000 |
| G.O. Revenue bonds - PUC ¹ | 2,897,500 | 4,575,000 | (323,500) | 7,149,000 | 484,000 |
| G.O. Revenue note - direct placement - PUC ¹ | 11,172,000 | - | (1,597,000) | 9,575,000 | 1,484,000 |
| Bond premium | 747,801 | 35,700 | (57,985) | 725,516 | - |
| Compensated absences * | 643,823 | 43,791 | - | 687,614 | 90,877 |
| Total governmental activities | <u>\$48,846,124</u> | <u>\$6,874,491</u> | <u>(\$4,568,485)</u> | <u>\$51,152,130</u> | <u>\$4,568,877</u> |
| <u>Business Type Activities:</u> | | | | | |
| Compensated absences * | \$21,421 | \$6,373 | \$ - | \$27,794 | \$25,979 |
| Total business-type activities | <u>\$21,421</u> | <u>\$6,373</u> | <u>\$0</u> | <u>\$27,794</u> | <u>\$25,979</u> |
| <u>Component Units:</u> | | | | | |
| Note payables - EDA | \$901,262 | \$ - | (\$143,032) | \$758,230 | \$17,500 |
| Assessment payable - EDA | 637,848 | - | - | 637,848 | - |
| Due to primary government - PUC ¹ | 14,069,500 | 4,575,000 | (1,920,500) | 16,724,000 | 1,968,000 |
| Unamortized premiums and discounts - PUC | 83,705 | 152,736 | (7,610) | 228,831 | - |
| Compensated absences - PUC * | 280,634 | 32,187 | - | 312,821 | 214,287 |
| Total component units | <u>\$15,972,949</u> | <u>\$4,759,923</u> | <u>(\$2,071,142)</u> | <u>\$18,661,730</u> | <u>\$2,199,787</u> |

* The change in compensated absences is presented as a net change.

¹ Beginning balances were restated due to a change in presentation of PUC related debt.

Because the City provided a general obligation pledge for the PUC's debt, effective January 1, 2023, the City began reporting the PUC's debt as a liability. An offsetting receivable due from the PUC equal to the amount of outstanding debt is also reported. There was no impact on net position as a result of this restatement.

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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 (December 31, 2029).

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.

In 2017, 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 2020, the EDA entered into a \$650,000 loan agreement with the Blandin Foundation. The loan proceeds were used to provide emergency working capital loans to local business. The loan matures on October 1, 2026. The interest rate is 0%.

In 2021, the EDA entered into a \$140,000 loan agreement with the Blandin Foundation. The loan matures on January 29, 2026. The interest rate is 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, 2023, the outstanding balance on the note was \$9,575,000.

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

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

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

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In accordance with Generally Accepted Accounting Principles, the G.O. Utility Revenue Note and Bonds are recorded in the financial statements of the City due to its general obligation pledge on the debt. The Public Utilities Commission reports a payable due to the Primary Government equal to the amount of the debt reported by the City.

REVENUE PLEDGED

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

| Bond Issue | Use of Proceeds | Revenue Pledged | | | Remaining Principal and Interest | Current Year | |
|---|--|---|-------------------------------|----------------|----------------------------------|-----------------------------|--------------------------|
| | | Type | Percent of Total Debt Service | Term of Pledge | | Principal and Interest Paid | Pledged Revenue Received |
| G.O. Improvement, 2009C (Build America Bond) | Infrastructure improvements | Special assessments Federal BAB credit Ad Valorem Taxes | 24% 10% 66% | 2010-2024 | \$758,336 | \$391,866 | \$323,733 |
| G.O. Improvement, 2010A | Infrastructure improvements, refund existing debt | Special assessments Ad Valorem Taxes | 34% 66% | 2012-2026 | \$200,436 | \$67,750 | \$58,822 |
| G.O. Improvement, 2011B | Infrastructure improvements, refund existing debt | Special assessments Ad Valorem Taxes | 56% 46% | 2012-2026 | \$319,150 | \$80,143 | \$52,404 |
| G.O. Improvement, 2012A | Infrastructure improvements | Special assessments Ad Valorem Taxes | 32% 68% | 2013-2027 | \$871,709 | \$182,868 | \$100,931 |
| G.O. Improvement, 2012B | Street reconstruction | MSA allotments | 100% | 2013-2027 | \$1,275,940 | \$322,025 | \$322,025 |
| G.O. Street Reconstruction, 2013B | Street reconstruction | Ad Valorem Taxes | 100% | 2014-2029 | \$2,021,206 | \$333,738 | \$124,982 |
| G.O. Improvement, 2014A | Street reconstruction, abatement, CIP Projects, and equipment | Special assessments Ad Valorem Taxes | 20% 80% | 2014-2029 | \$1,335,425 | \$238,480 | \$226,971 |
| G.O. Street Reconstruction, 2016A | Street reconstruction, abatement, CIP Projects, and equipment | Special assessments Ad Valorem Taxes | 80% 20% | 2016-2032 | \$1,518,630 | \$169,760 | \$164,127 |
| G.O. Street Reconstruction, 2017A | Street reconstruction, abatement, CIP Projects, and equipment | Special assessments Ad Valorem Taxes | 13% 87% | 2018-2033 | \$1,805,837 | \$181,225 | \$168,261 |
| G.O. Refunding, 2017B | Refund of 2006A, 2007A, 2008A, 2008B and 2008C bonds | Special assessments Tax Increment Ad Valorem Taxes | 11% 28% 61% | 2018-2034 | \$803,203 | \$360,300 | \$90,906 |
| G.O. Improvement, 2018A | Street reconstruction, abatement, CIP Projects, and equipment | Ad Valorem Taxes Special assessments | 81% 19% | 2018-2033 | \$1,793,019 | \$168,538 | \$151,755 |
| G.O. Improvement, 2019A | Abatement Bond | Ad Valorem Taxes Tax abatement | 92% 8% | 2019-2035 | \$1,523,455 | \$123,880 | \$150,922 |
| G.O. Street Reconstruction, 2020A | CIP Projects, and equipment | Special assessments Ad Valorem Taxes | 92% 8% | 2020-2036 | \$2,232,123 | \$171,013 | \$179,258 |
| G.O. Improvement, 2021B | CIP projects, Abatement Bond | Ad Valorem Taxes Tax abatement | 80% 20% | 2022-2042 | \$7,283,357 | \$382,931 | \$410,914 |
| G.O. Temporary, 2022A | CIP projects, Abatement Bond, and equipment | City Sales Tax Ad Valorem Taxes Tax abatement | 34% 66% | 2022-2025 | \$10,950,000 | \$447,292 | \$1,573,230 |
| G.O. Street Reconstruction, 2023A | Street reconstruction, abatement, CIP Projects, and equipment | Ad Valorem Taxes | 100% | 2023-2039 | \$3,097,212 | \$ - | \$ - |

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B. LESSEE LEASES

The City has entered into lease agreements to lease various assets. Lease agreements that qualify as other than short-term leases under GASB 87 have been recorded at the present value of the future minimum lease payments as of the date of lease commencement.

As of December 31, 2023, the City had 13 outstanding vehicle leases. Each lease has terms of 48 to 60 monthly payments from commencement of the lease, ranging from \$551 to \$964. The lease liability is measured at discount rates ranging from 7.48% to 8.37%, which are the rates implicit in the leases.

As a result of the leases, the City's has recorded right-to-use leased assets with a net book value of \$482,257 as of December 31, 2023.

Lease liability activity for the year ended December 31, 2023, was as follows:

| | Balance 12/31/22 | Additions | Reductions | Balance 12/31/23 | Due Within One Year |
|---------------------------|---------------------|-----------|------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Lease liabilities | \$ - | \$458,786 | (\$26,503) | \$432,283 | \$81,117 |
| Business-type activities: | | | | | |
| Lease liabilities | \$ - | \$46,532 | (\$1,679) | \$44,853 | \$8,025 |

Total expense related to the right-to-use leased asset for the year ended December 31, 2023 was as follows:

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Amortization expense by asset class: | | |
| Right-to-use leased assets - vehicles | \$32,288 | \$2,327 |
| Total amortization expense | 32,288 | 2,327 |
| Variable lease expense | - | - |
| Interest on lease liabilities | 8,748 | 639 |
| Other lease expense | - | - |
| Total expense recognized in relation to right-to-use leased assets | \$8,748 | \$639 |

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Principal and interest requirements to maturity for the lease liabilities as of December 31, 2023 was as follows:

| Year Ending December 31, | Lease Liabilities | | Lease Liabilities | |
|-----------------------------|-------------------------|-----------------|---------------------------|----------------|
| | Governmental Activities | | Business- Type Activities | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$81,117 | \$31,342 | \$8,025 | \$3,451 |
| 2025 | 87,778 | 24,682 | 8,723 | 2,753 |
| 2026 | 94,985 | 17,474 | 9,482 | 1,994 |
| 2027 | 99,963 | 9,711 | 10,307 | 1,169 |
| 2028 | 68,440 | 2,209 | 8,316 | 293 |
| Total | <u>\$432,283</u> | <u>\$85,418</u> | <u>\$44,853</u> | <u>\$9,660</u> |

Note 9 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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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 local relief associations 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. 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 members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GERP for the year ended December 31, 2023 were \$317,454. The City's contributions were equal to the required contributions as set by state statute.

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2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2023 were \$327,515. 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, 2023, the City reported a liability of \$2,963,701 for its proportionate share of GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$81,757.

The net pension liability was measured as of June 30, 2023, 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 proportionate share 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0530% at the end of the measurement period and 0.0537% for the beginning of the period.

| | |
|---|--------------------|
| City's proportionate share of the net pension liability | \$2,963,701 |
| State of Minnesota's proportionate share of the net | |
| pension liability associated with the City | 81,757 |
| Total | <u>\$3,045,458</u> |

For the year ended December 31, 2023, the City recognized pension expense of \$471,056 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$367 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

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At December 31, 2023, the City reported its proportionate share of the GERP'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 | \$97,329 | \$20,282 |
| Changes in actuarial assumptions | 476,739 | 812,325 |
| Difference between projected and actual investment earnings | - | 106,463 |
| Changes in proportion | 33,494 | 27,828 |
| Contributions paid to PERA subsequent to the measurement date | 162,423 | - |
| Total | <u>\$769,985</u> | <u>\$966,898</u> |

The \$162,423 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense |
|-----------------------------|--------------------|
| 2024 | \$78,117 |
| 2025 | (433,720) |
| 2026 | 60,560 |
| 2027 | (64,293) |
| 2028 | - |
| Thereafter | - |

2. PEPFF Pension Costs

At December 31, 2023, the City reported a liability of \$2,426,252 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2023 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 proportionate share 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1405% at the end of the measurement period and 0.1363% for the beginning of the period.

The State of Minnesota also contributed \$18 million to PEPFF during the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$ 9 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is

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90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$97,691.

| | |
|--|--------------------|
| City's proportionate share of the net pension liability | \$2,426,252 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 97,691 |
| Total | <u>\$2,523,943</u> |

The State of Minnesota is included as a non-employer contributing entity in the PEPFF Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. PEPFF employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$775,781 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional (\$5,884) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the PEPFF.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$12,645 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$670,369 | \$ - |
| Changes in actuarial assumptions | 2,822,617 | 3,412,044 |
| Difference between projected and actual investment earnings | - | 124,089 |
| Changes in proportion | 121,488 | 47,964 |
| Contributions paid to PERA subsequent to the measurement date | 166,183 | - |
| Total | <u>\$3,780,657</u> | <u>\$3,584,097</u> |

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The \$166,183 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense |
|-----------------------------|--------------------|
| 2024 | \$122,210 |
| 2025 | 28,648 |
| 2026 | 608,652 |
| 2027 | (136,931) |
| 2028 | (592,202) |
| Thereafter | - |

The net pension liability will be liquidated by the Pension Benefit Internal Service Fund.

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2023 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| | |
|---------------------------|----------------|
| Inflation | 2.25% per year |
| Investment Rate of Return | 7.00% |

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 7.00% was deemed to be within that range of reasonableness for financial reporting purposes.

Benefit increases after retirement are assumed to be 1.25% for the GERF and 1.00% for the PEPFF.

Salary growth assumptions in the GERF range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the PEPFF, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for GERF were based on the Pub-2010 General Employee Mortality Table. Mortality rates for PEPFF were based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for GERF are reviewed every four years. The most recent four-year experience study for GERF was completed in 2022. The assumption changes were adopted by the Board and become effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for PEPFF was completed in 2020 and adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

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General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$19.4 million was contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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 equity | 33.5% | 5.10% |
| International equity | 16.5% | 5.30% |
| Fixed income | 25% | 0.75% |
| Private markets | 25% | 5.90% |
| Total | 100% | |

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 was 7.00%. 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 Statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF were 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.

G. PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability, 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

| | <u>1% Decrease in Discount Rate</u> | <u>Current Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|---|---|----------------------------------|---|
| Proportionate share of the GERF net pension liability | \$5,243,024 | \$2,963,701 | \$1,088,870 |
| Proportionate share of the PEPFF net pension liability | \$4,813,974 | \$2,426,252 | \$463,226 |

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 at www.mnpera.org.

I. PENSION EXPENSE

Pension expense recognized by the City for the year ended December 31, 2023 is as follows:

| | |
|-----------------------|---------------------------|
| GERF | \$471,056 |
| PEPFF | 775,781 |
| Fire Relief (Note 11) | <u>(91,252)</u> |
| Total | <u><u>\$1,155,585</u></u> |

Note 10 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

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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 2023 were:

| <u>Contribution Amount</u> | | <u>Percentage of Covered Payroll</u> | | <u>Required</u> |
|----------------------------|--------------------------|--------------------------------------|-----------------|-----------------|
| Employer | | | | |
| <u>Employee</u> | <u>(Pension Expense)</u> | <u>Employee</u> | <u>Employer</u> | <u>Rate</u> |
| \$1,683 | \$1,683 | 5% | 5% | 5% |

Note 11 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 (Relief Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 424A and 424B.

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

A member of the Association who shall have served in the Grand Rapids Fire Department for at least 20 years, but has not reached the age of 50 years, may retire from said department and be placed on the deferred pension roll. When the member reaches the age of 50 years, upon application, the member shall be paid the sum of \$6,500 for each full year of active service. For members retiring prior to January 1, 2015, during the time the member is on the deferred pension roll, the Association shall add to the amount payable to such member interest, compounded annually, at the rate of 5% per year. Fully vested members will be eligible to receive the final year on a pro-rated basis. For members retiring after January 1, 2015, the amount payable will be transferred to a separate investment vehicle held by the Relief Association. The deferred member bears the full investment risk subsequent to transfer. When the member applies for their pension, the deferred service pension shall be equal to the fair value of the member's separate investment vehicle.

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Disability Benefits

A member who becomes permanently disabled from being an active firefighter in the Fire Department of the City of Grand Rapids 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 |
|---|---------------|---|---------------|---|

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.

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C. EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2023, the following employees were covered by the benefit terms:

| | |
|---|------------------|
| Retired members entitled to benefits, but have not received them | 12 |
| Current members: | |
| Fully vested (20 years or more) | 3 |
| Partially vested (10 years to 19 years) | 8 |
| Nonvested (less than 10 years) | <u>19</u> |
| Total | <u><u>42</u></u> |

D. CONTRIBUTIONS

Minnesota Statutes Chapter 424A.092 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 Association for the year ended December 31, 2023 were \$5,000. State aid contributions for the year ended December 31, 2023 were \$147,629.

E. NET PENSION LIABILITY

The City's net pension liability (asset) was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2023.

F. ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------------|-------|
| Expected long-term investment return | 6.00% |
| 20-year municipal bond yield | N/A |
| Salary increases | 2.50% |
| Inflation | None |
| Age of service retirement | 50 |
| Post retirement benefit increase | N/A |

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.

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

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

| <u>Asset Class</u> | <u>Portfolio Weight</u> | <u>Expected Class Return</u> |
|--------------------|-------------------------|------------------------------|
| Cash | 5% | 2.00% |
| Fixed income | 37% | 3.90% |
| Equities | 57% | 7.90% |
| Other | 1% | 7.00% |
| Total portfolio | 100% | 6.00% |

G. DISCOUNT RATES

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

CITY OF GRAND RAPIDS, MINNESOTA
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H. CHANGES IN THE NET PENSION LIABILITY

| | Increase (Decrease) | | |
|---------------------------------------|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a) - (b) |
| Balance at January 1, 2023 | \$2,145,637 | \$3,241,079 | (\$1,095,442) |
| Changes for the year: | | | |
| Service cost | 80,644 | - | 80,644 |
| Interest cost | 132,647 | - | 132,647 |
| Assumption changes | - | - | - |
| Plan changes | - | - | - |
| Contributions - employer | - | 5,000 | (5,000) |
| On behalf contributions - State of MN | - | 147,629 | (147,629) |
| Projected investment return | - | 197,727 | (197,727) |
| Gain or loss | - | (42,643) | 42,643 |
| Benefit payments | (31,000) | (31,000) | - |
| Administrative expense | - | (12,886) | 12,886 |
| Other changes | - | - | - |
| Net changes | 182,291 | 263,827 | (81,536) |
| Balance at December 31, 2023 | \$2,327,928 | \$3,504,906 | (\$1,176,978) |

I. PENSION LIABILITY (ASSET) SENSITIVITY

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

| | 1% Decrease in Discount Rate (5.00%) | Discount Rate (6.00%) | 1% Increase in Discount Rate (7.00%) |
|-------------------------------|--|--------------------------|--|
| Net pension liability (asset) | (\$1,115,101) | (\$1,176,978) | (\$1,235,785) |

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, 104 SE 11th Street, Grand Rapids, Minnesota, 55744.

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

For the year ended December 31, 2023, the City recognized pension expense of (\$91,252). The City also recognized \$147,629 for the year ended December 31, 2023, as pension expense (and grant revenue) for the State of Minnesota's on-behalf contribution to the plan. At December 31, 2023, 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 |
|---|-----------------------------------|----------------------------------|
| Difference between projected and actual investment earnings | \$328,607 | \$ - |
| Differences between expected and actual economic experience | 34,577 | 40,428 |
| Changes in actuarial assumptions | 32,396 | 50,915 |
| Total | <u>\$395,580</u> | <u>\$91,343</u> |

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, | Expense Amount |
|----------------------------|-------------------|
| 2024 | \$82,183 |
| 2025 | 97,742 |
| 2026 | 134,894 |
| 2027 | 6,226 |
| 2028 | (16,808) |
| Thereafter | - |

Note 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 9 and 10, the City provides post-employment health care benefits, as defined in paragraph B, through The Operating Engineers Local #49 Health and Welfare Fund (the plan). The plan is a multiple-employer defined benefit OPEB plan administered by a plan administrator selected by the plan. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. BENEFITS PROVIDED

Clerical and Public Works Employees

Clerical and public works employees who retire at age 55 or older with 5 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

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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 50 or older with 5 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).

C. PARTICIPANTS

At December 31, 2023, the following employees were covered by the benefit terms:

| | |
|------------------------------------|-----------|
| Active employees electing coverage | 45 |
| Retirees electing coverage | 1 |
| Spouses electing coverage | 1 |
| Total | <u>47</u> |

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City's total OPEB liability of \$280,158 was measured as of January 1, 2023 and was determined by an actuarial valuation dated January 1, 2023. Changes in the total OPEB liability during 2023 were:

| | |
|--|------------------|
| Balance - beginning of year | <u>\$22,253</u> |
| Changes for the year: | |
| Service cost | 1,281 |
| Interest cost | 471 |
| Plan changes | - |
| Differences between expected and actual experience | 289,929 |
| Changes in assumptions | (33,776) |
| Benefit payments | - |
| Net changes | <u>257,905</u> |
| Balance - end of year | <u>\$280,158</u> |

There were no plan changes since the measurement date of January 1, 2023.

E. ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|--------------------|
| Inflation | 2.50% |
| Salary increases | varied by contract |
| Discount rate | 4.00% |
| 20-year municipal bond yield | 4.00% |

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return was based on published rate information for 20-year high quality, tax exempt, general obligation municipal bonds as of the measurement date.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2023 valuation are similar to those used to value pension liabilities for Minnesota public employees. The rates are based on the four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2020 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019.

The following changes in actuarial assumptions occurred in 2023:

- Health care trend rates were added since the plan now has benefits where health care trend rates should be applied.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study.
- These changes decreased the liability \$33,776.

F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.00%) or 1% higher (5.00%) than the current discount rate:

| | 1% Decrease (3.00%) | Discount Rate (4.00%) | 1% Increase (5.00%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$299,092 | \$280,158 | \$262,873 |

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G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50% decreasing to 4.00% over 6 years and then to 3.00% over the next 48 years) or 1% higher (7.50% decreasing to 6.00% over 6 years and then to 5.00% over the next 48 years) than the current healthcare cost trend rates (6.50% decreasing to 5.00% over 6 years and then to 4.00% over the next 48 years):

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|----------------------|-------------|--|-------------|
| Total OPEB liability | \$265,421 | \$280,158 | \$295,963 |

H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2023, the City recognized \$50,421 of OPEB expense. At December 31, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$231,943 | \$5,337 |
| Changes in actuarial assumptions | 561 | 27,974 |
| Contributions paid subsequent to the measurement date | 19,224 | - |
| Total | <u>\$251,728</u> | <u>\$33,311</u> |

The \$19,224 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended December 31, | OPEB Expense Amount |
|----------------------------|---------------------------|
| 2024 | \$48,604 |
| 2025 | 48,612 |
| 2026 | 50,744 |
| 2027 | 51,233 |
| 2028 | - |
| Thereafter | - |

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 entered into 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 \$35,335. At December 31, 2023, 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 \$14,962. At December 31, 2023, the principal amount outstanding on the note was \$389,300.

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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 \$37,475. At December 31, 2023, the principal amount outstanding on the note was \$166,339.

TIF District #1-10, River Hills Apartments:

Issued in 2017 (2016A) in the principal sum of \$300,000 with an interest rate of 4.00% per annum. Principal and interest shall be paid on August 1, 2017 and each February 1 and August 1 thereafter to and including February 1, 2033. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest payments will be completed February 1, 2033. The current year abatement (TIF note payments) amounted to \$30,879. At December 31, 2023, the principal amount outstanding on the note was \$180,711.

Issued in 2018 (2017B) in the principal sum of \$300,000 with an interest rate of 4.00% per annum. Principal and interest shall be paid on August 1, 2018 and each February 1 and August 1 thereafter to and including February 1, 2034. 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, 2034. The current year abatement (TIF note payments) amounted to \$32,732. At December 31, 2023, the principal amount outstanding on the note was \$194,619.

TIF District #1-13, Unique Opportunities Apartments:

Issued in 2021 (2021A) in the principal sum of \$372,000 with an interest rate of 5.00% per annum. Principal and interest shall be paid on August 1, 2023 and each February 1 and August 1 thereafter to and including August 1, 2038. 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 August 1, 2038. The current year abatement (TIF note payments) amounted to \$23,212. At December 31, 2023, the principal amount outstanding on the note was \$366,290.

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TIF District #1-12, The Pillars:

Issued in 2022 (2022A) in the principal sum of \$1,751,833 with an interest rate of 4.75% per annum. Principal and interest shall be paid on August 1, 2022 and each February 1 and August 1 thereafter to and including February 1, 2030. 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, 2030. The current year abatement (TIF note payments) amounted to \$105,089. At December 31, 2023, the principal amount outstanding on the note was \$1,689,291.

TIF District #1-11, Rebound (Sawmill):

Issued in 2023 (2023A) in the principal sum of \$1,250,000 with an interest rate of 5.5% per annum. Principal and interest shall be paid on August 1, 2023 and each February 1 and August 1 thereafter to and including February 1, 2047. 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, 2047. The current year abatement (TIF note payments) amounted to \$31,934. At December 31, 2023, the principal amount outstanding on the note was \$1,244,611.

1st Avenue Condominiums Abatement:

Issued in 2015, this Taxable Limited Revenue Note, Series 2015 in the principal sum of \$320,000 with an interest rate of 3.00% per annum. Principal and interest shall be paid on August 1, 2015 and each February 1 and August 1 thereafter to and including February 1, 2030. Payments are payable solely from available tax abatement derived from the developed/redeveloped property and paid to the City and to Itasca County. The Taxable Limited Revenue Note provides for payment to the developer equal to all tax abatement received in the prior six months. The payment reimburses the developer for public improvements. Principal and interest payments will be completed February 1, 2030. The current year abatement (TIF note payments) amounted to \$45,427. At December 31, 2023, the principal amount outstanding on the note was \$11,804.

C. ARBITRAGE

The City has on occasion, issued greater than \$5 million of bonds in a given year (as listed in Footnote 8) 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 2011-2012, Grand Rapids PUC constructed landfill sites to dispose of industrial waste from UPM Blandin Paper. Cost of the sites is deferred and expensed over the estimated useful life of the individual site. A portion of the cost for the Landfill Phase 8 site was reimbursed by UPM Blandin Paper and is recorded as a deferred credit. These deferred credits are amortized as revenue over the life of the landfill. A portion of the 2011A bonds were issued for the landfill phase 8 project that finished construction in January 2013. UPM Blandin Paper pays a demand charge in amounts sufficient to pay principal and interest on these bonds. For rate making 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 \$485,297 of non-utility property. This amount consists of deferred debits relating to the 2011 Landfill Phase 8.

Bond issuance costs are recovered through rates over the life of the debt. The commission has elected to create an other asset for this cost and amortize it over the life of the debt using the effective interest rate method. The unamortized balance at December 31, 2023 is \$109,416.

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Note 16 FUND BALANCE

A. CLASSIFICATIONS

Definitions of fund balance classifications are included in Note 1R. At December 31, 2023, a summary of the governmental fund balance classifications are as follows:

| | General Fund | 403 GR/Cohasset Industrial Park | 407 Capital Equipment Replacement | 483 Civic Center Capital Improvements | Other Governmental Funds | Total |
|--|--------------------|---------------------------------|-----------------------------------|---------------------------------------|--------------------------|---------------------|
| Nonspendable: | | | | | | |
| Prepaid items | \$215,841 | \$ - | \$103,681 | \$ - | \$24,403 | \$343,925 |
| Interfund loans receivable | 957,628 | - | - | - | - | 957,628 |
| Restricted: | | | | | | |
| Debt service | - | - | - | - | 7,022,701 | 7,022,701 |
| Public safety | - | - | 468,602 | - | - | 468,602 |
| Law enforcement | - | - | - | - | 64,555 | 64,555 |
| Airport operations (Itasca County's Share) | - | - | - | - | 109,518 | 109,518 |
| Other purposes | 37,348 | - | - | - | 68,771 | 106,119 |
| Committed: | | | | | | |
| Revenue stabilization | 1,286,122 | - | - | - | - | 1,286,122 |
| Public library | - | - | - | - | 761,451 | 761,451 |
| Central school | - | - | - | - | 93,117 | 93,117 |
| Airport operations (City's 50% Share) | - | - | - | - | 109,517 | 109,517 |
| Cemetery | - | - | - | - | 159,018 | 159,018 |
| Domestic animal control facility | - | - | - | - | 9,749 | 9,749 |
| Assigned: | | | | | | |
| Capital purposes | - | 3,548 | - | 358,827 | 1,753,599 | 2,115,974 |
| Unassigned | 5,191,745 | - | (704,886) | - | (164,851) | 4,322,008 |
| Total | <u>\$7,688,684</u> | <u>\$3,548</u> | <u>(\$132,603)</u> | <u>\$358,827</u> | <u>\$10,011,548</u> | <u>\$17,930,004</u> |

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

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

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

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

At December 31, 2023, the unassigned fund balance of the General Fund was \$5,191,745, compared to its targeted unassigned fund balance of \$6,794,175 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, 2023 is as follows:

| | |
|--|---------------------------|
| Revenue stabilization at December 31, 2021 | \$1,049,832 |
| 2022 replenishment | <u>119,937</u> |
| Revenue stabilization at December 31, 2022 | 1,169,769 |
| 2023 replenishment | <u>116,353</u> |
| Revenue stabilization at December 31, 2023 | <u><u>\$1,286,122</u></u> |

Note 17 COMMITMENTS

A. POWER CONTRACT

Minnesota Power (MP) provides wholesale electric service under a contract that expires December 31, 2029, unless prior to that date, a new customer of GRPU with a 15-minute peak of equal to or greater than 10 MW locates in the IEDC Eco Industrial Park. The contract requires no minimum purchase of power and provides that Grand Rapids PUC may add new renewable generation capacity up to ten percent (10%) (non-cumulative) of the total Grand Rapids PUC load, based on the previous year's average annual billed demand, excluding any existing renewable generation capacity prior to September 1, 2015.

In addition, beginning in 2022, a new electric service agreement was negotiated with the 13 Northeast Minnesota Municipal Power Agency (NEMMPA) Municipal Customers. This contract expires December 31, 2029. The agreement includes a flat customer charge per month, a predetermined yearly base capacity charge, a yearly predetermined base energy charge, a yearly predetermined incremental capacity charge, and a yearly predetermined incremental energy charge. The contract also contains a base energy adjustment which reflects the sum of (1) a projection of fuel and purchased power costs for the upcoming service year; and (2) a true-up of any variances between projected and actual fuel and purchased power costs for services to NEMMPA Municipal Customers. Grand Rapids Public Utilities Commission is a member of NEMMPA. The peak power requirements for 2023 was 30,231 kW.

Grand Rapids PUC entered into a Municipal Minnesota Interconnect agreement on September 16, 2021, with MP. The Grand Rapids PUC, as the area EPS Operator, and MP, as the Interconnect Customer, both agree to allow each party to connect to the other party's area electric power system related solar equipment at the Itasca Clean Energy Solar Plus Battery Storage project in Grand Rapids, Minnesota.

B. CONSTRUCTION COMMITMENTS

The City has several active construction projects as of December 31, 2023. The remaining commitment on these projects is \$599,469.

The Public Utilities Commission has several active construction projects as of December 31, 2023. The remaining commitment on these projects is \$577,277.

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 the site for 20 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Grand Rapids PUC reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date, in accordance with Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

The \$2,342,354 reported as the landfill closure and postclosure care liability at December 31, 2023, represents the cumulative amount reported to date based on the use of 47.64% of the estimated capacity of the currently permitted landfill. Grand Rapids PUC will recognize the remaining costs of closure and postclosure care of \$2,574,040 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. Actual costs may be higher or lower due to inflation, changes in technology, or changes in 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 placed in service in 2013.

On February 15, 2023, UPM Blandin Paper Company established an irrevocable letter of credit for \$4,916,394 with Nordea Bank on behalf of the Grand Rapids 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, 2023, there was one bond issue outstanding, with an estimated aggregate principal amount payable of \$757,420.

Note 20 PAYMENTS IN LIEU OF TAX - PUC

Effective January 1, 1997, the Grand Rapids Public Utilities Commission and the City of Grand Rapids established a formal agreement for payments in lieu of tax (PILOT) from the Grand Rapids PUC to the City. This payment was equal to 7% of gross retail electric sales for the prior year. 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. In 2015, a resolution was approved to exclude kilowatt hours sold in electric service territory acquisitions made after January 1, 2015, for a period of time equivalent to the time basis used in the lost revenue calculation; typically a period of ten years from the date of the electric service territory acquisition.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

The amount of the PILOT, including cash and utility supplied services, to the City for 2023 was \$868,840.

Note 21 DEFICIT FUND BALANCES

At December 31, 2023, individual funds with deficit fund balances are as follows:

| | |
|--|-----------|
| Special Revenue Funds: | |
| 228 IRA Civic Center | (93,511) |
| 240 Electric Vehicle Charging Stations | (34,631) |
| Capital Project Funds: | |
| 407 Capital Equipment Replacement | (132,603) |
| 413 Airport Capital Fund | (25,489) |
| 484 2022 Infrastructure / ARPA | (10,655) |

Note 22 MAJOR CUSTOMER AND DEMAND PAYMENT DEFERRAL

Grand Rapids Public Utilities Commission has a contract with UPM Blandin Paper Company (UPM Blandin) where UPM Blandin reimburses the Grand Rapids PUC for expenses associated with the operations of the industrial wastewater treatment plant. Amounts charged for wastewater treatment service was \$3,618,951. Grand Rapids PUC also has contracts with UPM Blandin whereby UPM Blandin pays demand charges for principal and interest on the General Obligation Revenue Bonds Series 2009E and 2021C. 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 UPM Blandin for 2023 was \$1,666,177.

Note 23 RESTATEMENT - PUC

Grand Rapids Public Utilities Commission restated the December 31, 2022 Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position for the correction of an error related to the landfill closure/postclosure costs. It was noted in the prior year that the liability was overstated and did not account for the capacity used.

The following table summarizes the breakdown of the current year restatement related to the prior period adjustment:

| | |
|--|---------------------|
| Net position - January 1, as previously stated | \$53,327,156 |
| Correction of an error | 3,170,782 |
| Net position - January 1, as restated | <u>\$56,497,938</u> |

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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. 99 *Omnibus 2022*. The provisions of this Statement contain multiple effective dates, the next being for fiscal years beginning after June 15, 2023.

Statement No. 102 *Certain Risk Disclosures*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2024.

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2023

Statement 11
Page 1 of 4

| | 2023 | | | |
|--|------------------|-------------|-------------|--------------|
| | Budgeted Amounts | | Actual | Actual |
| | Original | Final | Amounts | Over (Under) |
| | | | | Final Budget |
| Revenues: | | | | |
| Taxes: | | | | |
| General property taxes | \$5,081,232 | \$5,081,232 | \$5,067,736 | (\$13,496) |
| Payment in lieu of taxes: | | | | |
| Housing Authorities | 45,000 | 45,000 | 65,281 | 20,281 |
| Public utilities | 868,000 | 868,000 | 868,000 | - |
| Total taxes | 5,994,232 | 5,994,232 | 6,001,017 | 6,785 |
| Licenses and permits: | | | | |
| Business | 41,360 | 41,360 | 47,205 | 5,845 |
| Nonbusiness | 266,505 | 266,505 | 393,538 | 127,033 |
| Total licenses and permits | 307,865 | 307,865 | 440,743 | 132,878 |
| Intergovernmental: | | | | |
| Federal: | | | | |
| Public safety grants | 30,000 | 30,000 | 28,420 | (1,580) |
| State: | | | | |
| Local government aid | 1,820,524 | 1,820,524 | 1,820,524 | - |
| Market value homestead credit | - | - | 1,898 | 1,898 |
| Taconite supplemental aid | 247,469 | 247,469 | 247,469 | - |
| Municipal state aid street maintenance | 186,200 | 186,200 | 186,200 | - |
| Police aid | 173,000 | 173,000 | 203,269 | 30,269 |
| Fire aid | 135,000 | 135,000 | 148,629 | 13,629 |
| Police training aid | 19,000 | 19,000 | 19,194 | 194 |
| State - miscellaneous | 3,249 | 3,249 | 56,881 | 53,632 |
| US gas tax refund | 500 | 500 | 937 | 437 |
| Local: | | | | |
| Aitkin-Itasca-Mille Lacs Violent Crimes Enforcement Team | - | - | 5,382 | 5,382 |
| Itasca County - excess school levy replacement | - | - | 37,673 | 37,673 |
| School District #318 | 155,919 | 155,919 | 155,919 | - |
| Total intergovernmental | 2,770,861 | 2,770,861 | 2,912,395 | 141,534 |
| Charges for services: | | | | |
| General government | 283,282 | 283,282 | 445,739 | 162,457 |
| Public safety | 839,298 | 839,298 | 887,373 | 48,075 |
| Public works | 270,589 | 270,589 | 297,827 | 27,238 |
| Total charges for services | 1,393,169 | 1,393,169 | 1,630,939 | 237,770 |
| Fines and forfeits | 67,000 | 67,000 | 65,645 | (1,355) |
| Special assessments | - | - | 3,202 | 3,202 |
| Interest and investment income | 41,000 | 41,000 | 49,901 | 8,901 |
| Net increase (decrease) in the fair value of investments | - | - | 64,814 | 64,814 |
| Miscellaneous: | | | | |
| Donations/contributions | 10,000 | 10,000 | 20,161 | 10,161 |
| Rentals and leases | 3,000 | 3,000 | 3,790 | 790 |
| Other | 18,200 | 18,200 | 22,922 | 4,722 |
| Total miscellaneous | 31,200 | 31,200 | 46,873 | 15,673 |
| Total revenues | 10,605,327 | 10,605,327 | 11,215,529 | 610,202 |

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2023

Statement 11
Page 2 of 4

| | 2023 | | | |
|--|------------------|-----------|-----------|--------------|
| | Budgeted Amounts | | Actual | Actual |
| | Original | Final | Amounts | Over (Under) |
| | | | | Final Budget |
| Expenditures: | | | | |
| General government: | | | | |
| Mayor and city council: | | | | |
| Current: | | | | |
| Personnel services | \$45,258 | \$45,258 | \$45,240 | (\$18) |
| Materials and supplies | - | - | 56 | 56 |
| Other services and charges | 82,700 | 82,700 | 93,866 | 11,166 |
| Total mayor and city council | 127,958 | 127,958 | 139,162 | 11,204 |
| Administration: | | | | |
| Current: | | | | |
| Personnel services | 543,877 | 543,877 | 556,891 | 13,014 |
| Materials and supplies | 1,850 | 1,850 | 363 | (1,487) |
| Other services and charges | 58,995 | 58,995 | 42,342 | (16,653) |
| Total administration | 604,722 | 604,722 | 599,596 | (5,126) |
| Finance: | | | | |
| Current: | | | | |
| Personnel services | 548,082 | 548,082 | 522,214 | (25,868) |
| Materials and supplies | 3,300 | 3,300 | 1,626 | (1,674) |
| Other services and charges | 52,685 | 52,685 | 51,565 | (1,120) |
| Total finance | 604,067 | 604,067 | 575,405 | (28,662) |
| Information technology: | | | | |
| Current: | | | | |
| Personnel services | 248,416 | 248,416 | 322,962 | 74,546 |
| Materials and supplies | 1,350 | 1,350 | 1,459 | 109 |
| Other services and charges | 76,515 | 76,515 | 39,946 | (36,569) |
| Capital outlay | 5,000 | 5,000 | 6,931 | 1,931 |
| Total information technology | 331,281 | 331,281 | 371,298 | 40,017 |
| Community development: | | | | |
| Current: | | | | |
| Personnel services | 531,311 | 531,311 | 457,626 | (73,685) |
| Materials and supplies | 6,700 | 6,700 | 6,437 | (263) |
| Other charges and services | 35,900 | 35,900 | 30,162 | (5,738) |
| Total community development | 573,911 | 573,911 | 494,225 | (79,686) |
| Building safety: | | | | |
| Current: | | | | |
| Personnel services | 364,244 | 364,244 | 378,161 | 13,917 |
| Materials and supplies | 8,000 | 8,000 | 14,612 | 6,612 |
| Other charges and services | 88,100 | 88,100 | 80,202 | (7,898) |
| Total building maintenance - city hall | 460,344 | 460,344 | 472,975 | 12,631 |
| Total general government | 2,702,283 | 2,702,283 | 2,652,661 | (49,622) |

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2023

Statement 11
Page 3 of 4

| | 2023 | | | |
|----------------------------|------------------|-------------|-------------|--------------|
| | Budgeted Amounts | | Actual | Actual |
| | Original | Final | Amounts | Over (Under) |
| | | | | Final Budget |
| Expenditures: (continued) | | | | |
| Public safety: | | | | |
| Police protection: | | | | |
| Current: | | | | |
| Personnel services | \$3,276,423 | \$3,284,414 | \$3,250,169 | (\$34,245) |
| Materials and supplies | 116,700 | 116,700 | 106,232 | (10,468) |
| Other charges and services | 335,228 | 335,228 | 303,766 | (31,462) |
| Total police protection | 3,728,351 | 3,736,342 | 3,660,167 | (76,175) |
| Fire protection: | | | | |
| Current: | | | | |
| Personnel services | 537,213 | 537,213 | 519,522 | (17,691) |
| Materials and supplies | 55,600 | 55,600 | 59,004 | 3,404 |
| Other charges and services | 112,974 | 112,974 | 123,382 | 10,408 |
| Total fire protection | 705,787 | 705,787 | 701,908 | (3,879) |
| Total public safety | 4,434,138 | 4,442,129 | 4,362,075 | (80,054) |
| Public works: | | | | |
| Public works: | | | | |
| Current: | | | | |
| Personnel services | 1,365,940 | 1,365,940 | 1,430,117 | 64,177 |
| Materials and supplies | 264,600 | 264,600 | 287,867 | 23,267 |
| Other services and charges | 513,100 | 513,100 | 532,905 | 19,805 |
| Street lighting | 240,000 | 240,000 | 228,859 | (11,141) |
| Capital outlay | - | - | 7,275 | 7,275 |
| Total public works | 2,383,640 | 2,383,640 | 2,487,023 | 103,383 |
| Fleet maintenance: | | | | |
| Current: | | | | |
| Personnel services | 219,854 | 219,854 | 219,860 | 6 |
| Materials and supplies | 25,900 | 25,900 | 27,101 | 1,201 |
| Other services and charges | 44,400 | 44,400 | 26,339 | (18,061) |
| Total fleet maintenance | 290,154 | 290,154 | 273,300 | (16,854) |
| Total public works | 2,673,794 | 2,673,794 | 2,760,323 | 86,529 |

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2023

Statement 11
Page 4 of 4

| | 2023 | | | Actual |
|--------------------------------------|------------------|-------------|-------------|--------------|
| | Budgeted Amounts | | Actual | Over (Under) |
| | Original | Final | Amounts | Final Budget |
| Expenditures: (continued) | | | | |
| Culture and recreation: | | | | |
| Current: | | | | |
| Personnel services | \$83,432 | \$179,601 | \$233,218 | \$53,617 |
| Materials and supplies | 500 | 500 | 6,992 | 6,492 |
| Other services and charges | 9,500 | 9,500 | 9,338 | (162) |
| Total culture and recreation | 93,432 | 189,601 | 249,548 | 59,947 |
| Miscellaneous: | | | | |
| City-wide: | | | | |
| Current: | | | | |
| Other services and charges | 334,843 | 334,843 | 354,402 | 19,559 |
| Special projects: | | | | |
| Current: | | | | |
| Other services and charges | 128,626 | 128,626 | 120,900 | (7,726) |
| Total miscellaneous | 463,469 | 463,469 | 475,302 | 11,833 |
| Total expenditures | 10,367,116 | 10,471,276 | 10,499,909 | 28,633 |
| Revenues over (under) expenditures | 238,211 | 134,051 | 715,620 | 581,569 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | 1,414 | 1,414 |
| Insurance recoveries | - | - | 51,334 | 51,334 |
| Transfers out | (737,873) | (737,873) | (748,331) | (10,458) |
| Transfers in | 499,662 | 499,662 | 39,807 | (459,855) |
| Total other financing sources (uses) | (238,211) | (238,211) | (655,776) | (417,565) |
| Net change in fund balance | \$0 | (\$104,160) | 59,844 | \$164,004 |
| Fund balance - January 1 | | | 7,628,840 | |
| Fund balance - December 31 | | | \$7,688,684 | |

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
For The Last Ten Years

Statement 12

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| Total OPEB Liability: | | | | | | |
| Service cost | \$ 1,281 | \$ 2,025 | \$ 1,966 | \$ 1,937 | \$ 1,645 | \$ 1,556 |
| Interest cost | 471 | 436 | 672 | 935 | 1,648 | 16,116 |
| Plan changes | - | - | - | - | - | (402,538) |
| Differences between expected and actual experience | 289,929 | - | (3,354) | - | (12,815) | - |
| Changes in assumptions | (33,776) | - | (685) | 1,317 | (2,164) | 400 |
| Benefit payments | - | - | - | (11,216) | (16,670) | (35,410) |
| Net change in total OPEB liability | 257,905 | 2,461 | (1,401) | (7,027) | (28,356) | (419,876) |
| Total OPEB liability - beginning | 22,253 | 19,792 | 21,193 | 28,220 | 56,576 | 476,452 |
| Total OPEB liability - ending | <u>\$ 280,158</u> | <u>\$ 22,253</u> | <u>\$ 19,792</u> | <u>\$ 21,193</u> | <u>\$ 28,220</u> | <u>\$ 56,576</u> |
| Covered-employee payroll | \$2,998,058 | \$2,997,809 | \$2,910,494 | \$2,761,631 | \$2,681,195 | \$5,049,054 |
| Total OPEB liability as a percentage of covered-employee payroll | 9.3% | 0.7% | 0.7% | 0.8% | 1.1% | 1.1% |

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

Statement 13

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -
GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

| Measurement Date June 30 | Fiscal Year Ending December 31 | City's Proportionate Share (Percentage) of the Net Pension Liability | City's Proportionate Share (Amount) of the Net Pension Liability (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b) | City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a+b) | Covered Payroll (c) | City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------------|--------------------------------------|---|---|---|--|------------------------|--|--|
| 2015 | 2015 | 0.0522% | \$2,705,275 | \$ - | \$2,705,275 | \$2,975,003 | 90.9% | 78.2% |
| 2016 | 2016 | 0.0515% | 4,181,545 | 54,641 | 4,236,186 | 3,160,670 | 134.0% | 68.9% |
| 2017 | 2017 | 0.0522% | 3,332,414 | 41,879 | 3,374,293 | 3,354,712 | 100.6% | 75.9% |
| 2018 | 2018 | 0.0525% | 2,912,485 | 95,496 | 3,007,981 | 3,526,752 | 85.3% | 79.5% |
| 2019 | 2019 | 0.0509% | 2,814,147 | 87,496 | 2,901,643 | 3,593,322 | 80.8% | 80.2% |
| 2020 | 2020 | 0.0524% | 3,141,619 | 97,027 | 3,238,646 | 3,739,709 | 86.6% | 79.1% |
| 2021 | 2021 | 0.0522% | 2,233,444 | 68,208 | 2,301,652 | 3,757,969 | 61.2% | 87.0% |
| 2022 | 2022 | 0.0537% | 4,253,058 | 124,745 | 4,377,803 | 3,975,267 | 110.1% | 76.7% |
| 2023 | 2023 | 0.0530% | 2,963,701 | 81,757 | 3,045,458 | 4,217,484 | 72.2% | 83.1% |

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 Last Ten Years

Statement 14

| <u>Fiscal Year Ending</u> | <u>Statutorily Required Contribution (a)</u> | <u>Contributions in Relation to the Statutorily Required Contribution (b)</u> | <u>Contribution Deficiency (Excess) (a-b)</u> | <u>Covered Payroll (c)</u> | <u>Contributions as a Percentage of Covered Payroll (b/c)</u> |
|-------------------------------|--|---|---|------------------------------------|---|
| December 31, 2015 | \$233,723 | \$233,723 | \$ - | \$3,114,384 | 7.50% |
| December 31, 2016 | 243,845 | 243,845 | - | 3,251,272 | 7.50% |
| December 31, 2017 | 257,796 | 257,796 | - | 3,437,287 | 7.50% |
| December 31, 2018 | 266,730 | 266,730 | - | 3,556,404 | 7.50% |
| December 31, 2019 | 276,142 | 276,142 | - | 3,681,888 | 7.50% |
| December 31, 2020 | 291,122 | 291,122 | - | 3,881,626 | 7.50% |
| December 31, 2021 | 292,388 | 292,388 | - | 3,898,515 | 7.50% |
| December 31, 2022 | 299,429 | 299,429 | - | 3,992,385 | 7.50% |
| December 31, 2023 | 317,454 | 317,454 | - | 4,232,725 | 7.50% |

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.

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

Statement 15

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY⁽¹⁾ -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For The Last Ten Years

| Measurement Date June 30 | Fiscal Year Ending December 31 | City's Proportionate Share (Percentage) of the Net Pension Liability | City's Proportionate Share (Amount) of the Net Pension Liability (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b) | City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a+b) | Covered Payroll (c) | City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------------|--------------------------------------|---|---|---|--|------------------------|--|--|
| 2015 | 2015 | 0.1500% | \$1,704,351 | \$ - | \$1,704,351 | \$1,333,738 | 127.8% | 86.6% |
| 2016 | 2016 | 0.1440% | 5,778,971 | - | 5,778,971 | 1,384,958 | 417.3% | 63.9% |
| 2017 | 2017 | 0.1310% | 1,768,656 | - | 1,768,656 | 1,348,835 | 131.1% | 85.4% |
| 2018 | 2018 | 0.1331% | 1,418,709 | - | 1,418,709 | 1,403,112 | 101.1% | 88.8% |
| 2019 | 2019 | 0.1377% | 1,465,956 | - | 1,465,956 | 1,452,254 | 100.9% | 89.3% |
| 2020 | 2020 | 0.1315% | 1,733,311 | 40,834 | 1,774,145 | 1,483,509 | 116.8% | 87.2% |
| 2021 | 2021 | 0.1298% | 1,001,918 | 45,032 | 1,046,950 | 1,533,581 | 65.3% | 93.7% |
| 2022 | 2022 | 0.1363% | 5,931,238 | 259,010 | 6,190,248 | 1,655,432 | 358.3% | 70.5% |
| 2023 | 2023 | 0.1405% | 2,426,252 | 97,691 | 2,523,943 | 1,844,891 | 131.5% | 86.5% |

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.

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS⁽¹⁾ -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For The Last Ten Years

Statement 16

| 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 Payroll (b/c) |
|-----------------------|--|---|---|---------------------------|--|
| December 31, 2015 | \$219,785 | \$219,785 | \$ - | \$1,354,978 | 16.22% |
| December 31, 2016 | 223,959 | 223,959 | - | 1,382,461 | 16.20% |
| December 31, 2017 | 221,152 | 221,152 | - | 1,365,140 | 16.20% |
| December 31, 2018 | 232,463 | 232,463 | - | 1,434,959 | 16.20% |
| December 31, 2019 | 248,008 | 248,008 | - | 1,463,178 | 16.95% |
| December 31, 2020 | 279,224 | 279,224 | - | 1,577,536 | 17.70% |
| December 31, 2021 | 281,680 | 281,680 | - | 1,591,411 | 17.70% |
| December 31, 2022 | 301,697 | 301,697 | - | 1,704,501 | 17.70% |
| December 31, 2023 | 327,515 | 327,515 | - | 1,850,366 | 17.70% |

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.

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

Statement 17

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS⁽¹⁾⁻
GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION
For The Last Ten Years

| Fiscal year ending | December 31, 2023 | December 31, 2022 | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Measurement date | December 31, 2023 | December 31, 2022 | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Total pension liability: | | | | | |
| Service cost | \$80,644 | \$96,594 | \$79,740 | \$75,628 | \$73,783 |
| Interest cost | 132,647 | 109,591 | 91,327 | 88,668 | 79,734 |
| Plan changes | - | - | 215,447 | - | - |
| Gain or loss | - | (46,387) | - | - | - |
| Differences between expected and actual experience | - | - | - | 69,157 | - |
| Changes of assumptions | - | (71,281) | - | 46,936 | - |
| Benefit payments, including refunds of employee contributions | (31,000) | (76,200) | - | - | - |
| Net change in total pension liability | 182,291 | 12,317 | 386,514 | 280,389 | 153,517 |
| Total pension liability - beginning | 2,145,637 | 2,133,320 | 1,746,806 | 1,466,417 | 1,312,900 |
| Total pension liability - ending (a) | <u>\$2,327,928</u> | <u>\$2,145,637</u> | <u>\$2,133,320</u> | <u>\$1,746,806</u> | <u>\$1,466,417</u> |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Contributions - State of Minnesota | 147,629 | 132,100 | 143,391 | 137,585 | 131,658 |
| Contributions - employee | - | - | - | - | - |
| Net investment income | 197,727 | 183,640 | 161,612 | 242,051 | 133,639 |
| Benefit payments, including refunds of employee contributions | (31,000) | (76,200) | - | - | - |
| Administrative expense | (12,886) | (10,429) | (12,532) | (12,022) | (11,439) |
| Gain or loss | (42,643) | (640,602) | 185,786 | - | 271,292 |
| Net change in plan fiduciary net position | 263,827 | (406,491) | 483,257 | 372,614 | 530,150 |
| Plan fiduciary net position - beginning | 3,241,079 | 3,647,570 | 3,164,313 | 2,791,699 | 2,261,549 |
| Plan fiduciary net position - ending (b) | <u>\$3,504,906</u> | <u>\$3,241,079</u> | <u>\$3,647,570</u> | <u>\$3,164,313</u> | <u>\$2,791,699</u> |
| Net pension liability / (asset) - ending (a) - (b) | <u>(\$1,176,978)</u> | <u>(\$1,095,442)</u> | <u>(\$1,514,250)</u> | <u>(\$1,417,507)</u> | <u>(\$1,325,282)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 150.56% | 151.05% | 170.98% | 181.15% | 190.38% |
| Covered payroll | (2) | (2) | (2) | (2) | (2) |
| Net pension liability as a percentage of covered payroll | (2) | (2) | (2) | (2) | (2) |

| Fiscal year ending | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |
|--|--------------------|----------------------|--------------------|--------------------|
| Measurement date | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |
| Total pension liability: | | | | |
| Service cost | \$71,473 | \$63,391 | \$72,757 | \$75,241 |
| Interest cost | 81,962 | 72,102 | 68,376 | 66,133 |
| Plan changes | - | 99,530 | - | - |
| Gain or loss | (21,899) | - | - | - |
| Differences between expected and actual experience | - | - | (40,925) | - |
| Changes of assumptions | 26,796 | - | (11,420) | - |
| Benefit payments, including refunds of employee contributions | (170,700) | - | (130,773) | (222,729) |
| Net change in total pension liability | (12,368) | 235,023 | (41,985) | (81,355) |
| Total pension liability - beginning | 1,325,268 | 1,090,245 | 1,132,230 | 1,213,585 |
| Total pension liability - ending (a) | <u>\$1,312,900</u> | <u>\$1,325,268</u> | <u>\$1,090,245</u> | <u>\$1,132,230</u> |
| Plan fiduciary net position: | | | | |
| Contributions - employer | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Contributions - State of Minnesota | 131,511 | 128,622 | 130,759 | 131,098 |
| Contributions - employee | - | - | - | - |
| Net investment income | 153,082 | 312,604 | 138,089 | (98,329) |
| Benefit payments, including refunds of employee contributions | (170,700) | - | (130,773) | (222,729) |
| Administrative expense | (11,317) | (11,676) | (10,672) | (11,540) |
| Gain or loss | (318,100) | - | - | - |
| Net change in plan fiduciary net position | (210,524) | 434,550 | 132,403 | (196,500) |
| Plan fiduciary net position - beginning | 2,472,073 | 2,037,523 | 1,905,120 | 2,101,620 |
| Plan fiduciary net position - ending (b) | <u>\$2,261,549</u> | <u>\$2,472,073</u> | <u>\$2,037,523</u> | <u>\$1,905,120</u> |
| Net pension liability / (asset) - ending (a) - (b) | <u>(\$948,649)</u> | <u>(\$1,146,805)</u> | <u>(\$947,278)</u> | <u>(\$772,890)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 172.26% | 186.53% | 186.89% | 168.26% |
| Covered payroll | (2) | (2) | (2) | (2) |
| Net pension liability as a percentage of covered payroll | (2) | (2) | (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.

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

Statement 18

SCHEDULE OF CONTRIBUTIONS⁽¹⁾ -
GRAND RAPIDS FIRE DEPARTMENT RELIEF ASSOCIATION
For The Last Ten Years

| <u>Fiscal Year Ending</u> | <u>Statutorily Required Contribution (a)</u> | <u>Contributions in Relation to the Statutorily Required Contribution (b)</u> | <u>Contribution Deficiency (Excess) (a-b)</u> | <u>Covered Payroll (c)</u> | <u>Contributions as a Percentage of Covered Payroll (b/c)</u> |
|-------------------------------|--|---|---|------------------------------------|---|
| December 31, 2015 | \$ - | \$5,000 | (\$5,000) | (2) | (2) |
| December 31, 2016 | - | 5,000 | (5,000) | (2) | (2) |
| December 31, 2017 | - | 5,000 | (5,000) | (2) | (2) |
| December 30, 2018 | - | 5,000 | (5,000) | (2) | (2) |
| December 31, 2019 | - | 5,000 | (5,000) | (2) | (2) |
| December 31, 2020 | - | 5,000 | (5,000) | (2) | (2) |
| December 31, 2021 | - | 5,000 | (5,000) | (2) | (2) |
| December 31, 2022 | - | 5,000 | (5,000) | (2) | (2) |
| December 31, 2023 | - | 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.)

See accompanying notes to the required supplementary information.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

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 department level.

B. PENSION INFORMATION

PERA – General Employees Retirement Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- Base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 Changes

Changes in Actuarial Assumptions:

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

2016 Changes

Changes in Actuarial Assumptions:

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

PERA – Public Employees Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$19.4 million was contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

2022 Changes

Changes in Actuarial Assumptions:

- The single discount rate changed from 6.50% to 5.40%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality tables for healthy annuitants, disabled annuitants and employees were changed from RP-2014 tables to Pub-2010 Public Safety Mortality tables. The mortality improvement scale was changed from MP-2019 to MN-2020.
- Assumed salary increase and retirement rates were modified as recommended in the July 14, 2020 experience study. The changes result in a decrease in gross salary increase rates, slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%.

2020 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2017 Changes

Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.60% to 7.50%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSO has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year for 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

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

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 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 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 six years 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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. During the measurement period ending December 31, 2021, benefit level per year of service increased from \$5,500 to \$6,500.

C. OPEB INFORMATION

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

2023 Changes

Changes in Actuarial Assumptions:

- Health care trend rates were added since the plan now has benefits where health care trend rates should be applied.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study.
- These changes decreased the liability \$33,776.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

2022 Changes

Changes in Actuarial Assumptions:

- None.

2021 Changes

Changes in Actuarial Assumptions:

- The discount rate was changed from 2.90% to 2.00%.
- The mortality tables were updated from the RP-2014 tables to the Pub-2010 public retirement plans head count weighted mortality tables.

2020 Changes

Changes in Actuarial Assumptions:

- The discount rate was changed from 3.80% to 2.90%.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for police and fire employees were updated.
- The discount rate was changed from 3.30% to 3.80%.
- These changes decreased the liability \$2,164.

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

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

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

DEBT SERVICE FUNDS

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

CAPITAL PROJECT FUNDS

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

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2023

Statement 19

| | Special Revenue | Debt Service | Capital Project | Total Nonmajor Governmental Funds |
|---|--------------------|--------------------|--------------------|--------------------------------------|
| Assets | | | | |
| Cash and investments | \$1,276,244 | \$6,922,546 | \$1,659,456 | \$9,858,246 |
| Due from other governmental units | 95,800 | 340,505 | 1,561,160 | 1,997,465 |
| Due from component units | - | - | 37,790 | 37,790 |
| Accounts receivable | 24,770 | 1,026 | 11,000 | 36,796 |
| Pledges receivable | 6,500 | - | - | 6,500 |
| Prepaid items | 24,028 | - | 375 | 24,403 |
| Taxes receivable - delinquent | 40,393 | - | - | 40,393 |
| Special assessments receivable | - | 1,647,380 | 552,306 | 2,199,686 |
| Lease receivable | 390,322 | - | - | 390,322 |
| Total assets | \$1,858,057 | \$8,911,457 | \$3,822,087 | \$14,591,601 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | \$38,665 | \$241,376 | \$245,275 | \$525,316 |
| Accrued wages payable | 16,150 | - | - | 16,150 |
| Due to other governmental units | 2,076 | - | - | 2,076 |
| Due to component units | 23,611 | - | 21,463 | 45,074 |
| Contracts payable | - | - | 341,537 | 341,537 |
| Due to other funds | 52,625 | - | 747,045 | 799,670 |
| Deposits payable | 3,099 | - | - | 3,099 |
| Interfund loan payable | 23,242 | - | - | 23,242 |
| Unearned revenue | 59,128 | - | 127,860 | 186,988 |
| Total liabilities | 218,596 | 241,376 | 1,483,180 | 1,943,152 |
| Deferred inflows of resources: | | | | |
| Related to leases | 390,322 | - | - | 390,322 |
| Unavailable revenue | 46,893 | 1,647,380 | 552,306 | 2,246,579 |
| Total deferred inflows of resources | 437,215 | 1,647,380 | 552,306 | 2,636,901 |
| Fund balance: | | | | |
| Nonspendable | 24,028 | - | 375 | 24,403 |
| Restricted | 174,073 | 7,022,701 | 68,771 | 7,265,545 |
| Committed | 1,132,852 | - | - | 1,132,852 |
| Assigned | - | - | 1,753,599 | 1,753,599 |
| Unassigned | (128,707) | - | (36,144) | (164,851) |
| Total fund balance | 1,202,246 | 7,022,701 | 1,786,601 | 10,011,548 |
| Total liabilities, deferred inflows of resources, and fund balance | \$1,858,057 | \$8,911,457 | \$3,822,087 | \$14,591,601 |

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2023

Statement 20

| | Special Revenue | Debt Service | Capital Project | Total Nonmajor Governmental Funds |
|--|--------------------|--------------------|--------------------|--------------------------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| General property | \$929,267 | \$1,849,624 | \$ - | \$2,778,891 |
| Tax abatements | - | 38,313 | - | 38,313 |
| Tax increments | - | 566,948 | - | 566,948 |
| City sales tax | - | 1,573,230 | - | 1,573,230 |
| Intergovernmental | 320,481 | 430,814 | 3,459,930 | 4,211,225 |
| Special assessments | - | 247,595 | 13,843 | 261,438 |
| Charges for services | 938,580 | - | - | 938,580 |
| Fines and forfeits | 44,924 | - | - | 44,924 |
| Interest and investment income | 34,277 | 45,774 | 9,529 | 89,580 |
| Net increase (decrease) in the fair value of investments | 7,028 | 14,812 | 54,429 | 76,269 |
| Contributions and donations | 52,725 | - | 282,388 | 335,113 |
| Reimbursement from component units | - | - | 2,955,365 | 2,955,365 |
| Other | 1,973 | - | 16,040 | 18,013 |
| Total revenues | 2,329,255 | 4,767,110 | 6,791,524 | 13,887,889 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 4,006 | 543,251 | 1,028,613 | 1,575,870 |
| Public safety | 161,843 | - | - | 161,843 |
| Public works | 564,231 | - | 70,383 | 634,614 |
| Culture and recreation | 1,414,614 | - | 380,063 | 1,794,677 |
| Capital outlay/construction | 118,610 | - | 7,422,253 | 7,540,863 |
| Debt service: | | | | |
| Principal retirement | 2,345 | 2,590,000 | - | 2,592,345 |
| Interest | 197,270 | 835,212 | - | 1,032,482 |
| Paying agent fees | - | 7,575 | - | 7,575 |
| Bond issuance costs | - | - | 72,562 | 72,562 |
| Total expenditures | 2,462,919 | 3,976,038 | 8,973,874 | 15,412,831 |
| Revenues over (under) expenditures | (133,664) | 791,072 | (2,182,350) | (1,524,942) |
| Other financing sources (uses): | | | | |
| Lease issuance | 34,672 | - | - | 34,672 |
| Bond issuance | - | - | 2,220,000 | 2,220,000 |
| Bond premium | - | - | 35,700 | 35,700 |
| Sale of capital assets | 17,703 | - | 42,977 | 60,680 |
| Insurance recoveries | 822 | - | - | 822 |
| Transfers in | 121,251 | 150,000 | 503,732 | 774,983 |
| Transfers out | - | - | (469,652) | (469,652) |
| Total other financing sources (uses) | 174,448 | 150,000 | 2,332,757 | 2,657,205 |
| Net change in fund balance | 40,784 | 941,072 | 150,407 | 1,132,263 |
| Fund balance - January 1 | 1,161,462 | 6,081,629 | 1,636,194 | 8,879,285 |
| Fund balance - December 31 | <u>\$1,202,246</u> | <u>\$7,022,701</u> | <u>\$1,786,601</u> | <u>\$10,011,548</u> |

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

| | |
|--|--------------------|
| Prior year ending fund balance reported | \$8,881,747 |
| Prior year ending fund balance for funds reported as nonmajor in prior year and major in current year: | |
| 403 GR/Cohasset Industrial Park | 161,762 |
| Prior year ending fund balance for funds reported as major in prior year and nonmajor in current year: | |
| 484 2022 Infrastructure/ARPA | (164,224) |
| Current year beginning fund balance | <u>\$8,879,285</u> |

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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.

Electric Vehicle Charging Stations – accounts for the operation, maintenance, and use of electric charging stations.

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2023

| | 211 Public Library | 225 Central School | 226 Airport Operations | 228 IRA Civic Center |
|---|-----------------------|-----------------------|---------------------------|-------------------------|
| Assets | | | | |
| Cash and investments | \$750,820 | \$110,683 | \$190,160 | \$ - |
| Due from other governmental units | 37,613 | - | 39,206 | - |
| Accounts receivable | 1,500 | - | 4,462 | 18,678 |
| Pledges receivable | - | - | - | 6,500 |
| Prepaid items | 13,788 | 1,909 | 1,922 | 565 |
| Taxes receivable - delinquent | 30,642 | - | - | - |
| Lease receivable | - | - | 300,322 | 90,000 |
| Total assets | \$834,363 | \$112,592 | \$536,072 | \$115,743 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | \$13,804 | \$6,984 | \$2,673 | \$14,439 |
| Accrued wages payable | 10,899 | - | 1,243 | - |
| Due to other governmental units | 1,548 | - | 44 | 483 |
| Due to component units | 2,231 | 1,278 | 980 | 18,467 |
| Due to other funds | - | 4,500 | - | 8,653 |
| Deposits payable | - | 3,099 | - | - |
| Interfund loan payable | - | - | - | 23,242 |
| Unearned revenue | - | 1,705 | 9,853 | 47,470 |
| Total liabilities | 28,482 | 17,566 | 14,793 | 112,754 |
| Deferred inflows of resources: | | | | |
| Related to leases | - | - | 300,322 | 90,000 |
| Unavailable revenue | 30,642 | - | - | 6,500 |
| Total deferred inflows of resources | 30,642 | - | 300,322 | 96,500 |
| Fund balance (deficit): | | | | |
| Nonspendable | 13,788 | 1,909 | 1,922 | 565 |
| Restricted | - | - | 109,518 | - |
| Committed | 761,451 | 93,117 | 109,517 | - |
| Unassigned | - | - | - | (94,076) |
| Total fund balance (deficit) | 775,239 | 95,026 | 220,957 | (93,511) |
| Total liabilities, deferred inflows of resources, and fund balance | \$834,363 | \$112,592 | \$536,072 | \$115,743 |

| 231 Haz-Mat | 232 Police Forfeiture | 233 Cemetery | 235 Domestic Animal Control Facility | 240 Electric Vehicle Charging Stations | Totals Nonmajor Special Revenue Funds |
|----------------|--------------------------|------------------|--|---|---|
| \$ - | \$59,915 | \$161,326 | \$3,340 | \$ - | \$1,276,244 |
| 9,775 | - | 774 | 8,432 | - | 95,800 |
| - | - | 100 | - | 30 | 24,770 |
| - | - | - | - | - | 6,500 |
| - | - | 5,043 | 801 | - | 24,028 |
| - | - | 9,751 | - | - | 40,393 |
| - | - | - | - | - | 390,322 |
| <u>\$9,775</u> | <u>\$59,915</u> | <u>\$176,994</u> | <u>\$12,573</u> | <u>\$30</u> | <u>\$1,858,057</u> |
| \$ - | \$ - | \$64 | \$701 | \$ - | \$38,665 |
| 287 | - | 2,801 | 920 | - | 16,150 |
| - | - | - | 1 | - | 2,076 |
| - | - | 217 | 401 | 37 | 23,611 |
| 4,848 | - | - | - | 34,624 | 52,625 |
| - | - | - | - | - | 3,099 |
| - | - | - | - | - | 23,242 |
| - | - | 100 | - | - | 59,128 |
| <u>5,135</u> | <u>0</u> | <u>3,182</u> | <u>2,023</u> | <u>34,661</u> | <u>218,596</u> |
| - | - | - | - | - | 390,322 |
| - | - | 9,751 | - | - | 46,893 |
| - | - | 9,751 | - | - | 437,215 |
| - | - | 5,043 | 801 | - | 24,028 |
| 4,640 | 59,915 | - | - | - | 174,073 |
| - | - | 159,018 | 9,749 | - | 1,132,852 |
| - | - | - | - | (34,631) | (128,707) |
| <u>4,640</u> | <u>59,915</u> | <u>164,061</u> | <u>10,550</u> | <u>(34,631)</u> | <u>1,202,246</u> |
| <u>\$9,775</u> | <u>\$59,915</u> | <u>\$176,994</u> | <u>\$12,573</u> | <u>\$30</u> | <u>\$1,858,057</u> |

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2023

| | 211 Public Library | 225 Central School | 226 Airport Operations | 228 IRA Civic Center |
|--|-----------------------|-----------------------|---------------------------|----------------------|
| Revenues: | | | | |
| General property taxes | \$716,366 | \$ - | \$ - | \$ - |
| Intergovernmental | 35,268 | - | 174,962 | - |
| Charges for services | 201,397 | 57,412 | 140,419 | 503,641 |
| Fines and forfeits | 86 | - | - | - |
| Interest and investment income | 7,786 | 572 | 14,723 | 9,676 |
| Net increase (decrease) in the fair value of investments | 7,028 | - | - | - |
| Contributions and donations | 42,075 | - | - | 2,000 |
| Other | - | 803 | 250 | - |
| Total revenues | <u>1,010,006</u> | <u>58,787</u> | <u>330,354</u> | <u>515,317</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | 317,150 | - |
| Culture and recreation | 932,970 | 116,681 | - | 364,963 |
| Capital outlay/construction | 7,898 | - | 23,376 | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest | - | - | - | 196,597 |
| Total expenditures | <u>940,868</u> | <u>116,681</u> | <u>340,526</u> | <u>561,560</u> |
| Revenues over (under) expenditures | <u>69,138</u> | <u>(57,894)</u> | <u>(10,172)</u> | <u>(46,243)</u> |
| Other financing sources (uses): | | | | |
| Lease issuance | - | - | - | - |
| Sale of capital assets | - | - | 16,362 | - |
| Insurance recoveries | - | - | 822 | - |
| Transfers in | 4,452 | 58,289 | 20,000 | - |
| Total other financing sources (uses) | <u>4,452</u> | <u>58,289</u> | <u>37,184</u> | <u>0</u> |
| Net change in fund balance | 73,590 | 395 | 27,012 | (46,243) |
| Fund balance (deficit) - January 1 | <u>701,649</u> | <u>94,631</u> | <u>193,945</u> | <u>(47,268)</u> |
| Fund balance (deficit) - December 31 | <u>\$775,239</u> | <u>\$95,026</u> | <u>\$220,957</u> | <u>(\$93,511)</u> |

| 231 Haz-Mat | 232 Police Forfeiture | 233 Cemetery | 235 Domestic Animal Control Facility | 240 Electric Vehicle Charging Stations | Totals Nonmajor Special Revenue Funds |
|-------------|-----------------------|--------------|--------------------------------------|--|---------------------------------------|
| \$ - | \$ - | \$212,901 | \$ - | \$ - | \$929,267 |
| 95,314 | 1,456 | 10,481 | 3,000 | - | 320,481 |
| - | - | 35,676 | - | 35 | 938,580 |
| - | 13,318 | - | 31,520 | - | 44,924 |
| - | 480 | 1,040 | - | - | 34,277 |
| - | - | - | - | - | 7,028 |
| - | 8,650 | - | - | - | 52,725 |
| - | - | 920 | - | - | 1,973 |
| 95,314 | 23,904 | 261,018 | 34,520 | 35 | 2,329,255 |
| - | - | - | - | 4,006 | 4,006 |
| 91,114 | 1,456 | - | 69,273 | - | 161,843 |
| - | - | 247,081 | - | - | 564,231 |
| - | - | - | - | - | 1,414,614 |
| - | 16,501 | 40,175 | - | 30,660 | 118,610 |
| - | - | 2,345 | - | - | 2,345 |
| - | - | 673 | - | - | 197,270 |
| 91,114 | 17,957 | 290,274 | 69,273 | 34,666 | 2,462,919 |
| 4,200 | 5,947 | (29,256) | (34,753) | (34,631) | (133,664) |
| - | - | 34,672 | - | - | 34,672 |
| - | - | 1,341 | - | - | 17,703 |
| - | - | - | - | - | 822 |
| - | - | 3,757 | 34,753 | - | 121,251 |
| 0 | 0 | 39,770 | 34,753 | 0 | 174,448 |
| 4,200 | 5,947 | 10,514 | 0 | (34,631) | 40,784 |
| 440 | 53,968 | 153,547 | 10,550 | - | 1,161,462 |
| \$4,640 | \$59,915 | \$164,061 | \$10,550 | (\$34,631) | \$1,202,246 |

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NONMAJOR DEBT SERVICE FUNDS

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

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

- General Debt Bonds
- Tax Increment Bonds
- Improvement Bonds

General Debt Bonds are repaid primarily from general property taxes.

Tax Increment Bonds are repaid primarily from tax increment collections.

Improvement Bonds are repaid primarily from special assessments.

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2023

| | 305 Refunding Bonds of 2017B | 306 GO Street Reconstruction & CIP 2018A | 307 GO & Abatement Bond 2019A | 310 GO Street Reconstruction Bonds of 2020A |
|---|---------------------------------|--|----------------------------------|---|
| Assets | | | | |
| Cash and investments | \$203,224 | \$319,485 | \$449,226 | \$214,726 |
| Accounts receivable | - | - | - | - |
| Due from other governmental units | - | - | - | - |
| Special assessments: | | | | |
| Delinquent | 2,814 | 1 | - | - |
| Deferred | - | 101,246 | 84,475 | 99,650 |
| Special deferred | 130,038 | - | 637,845 | - |
| Total assets | <u>\$336,076</u> | <u>\$420,732</u> | <u>\$1,171,546</u> | <u>\$314,376</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | \$500 | \$ - | \$ - | \$ - |
| Total liabilities | <u>500</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | 132,852 | 101,247 | 722,320 | 99,650 |
| Total deferred inflows of resources | <u>132,852</u> | <u>101,247</u> | <u>722,320</u> | <u>99,650</u> |
| Fund balance: | | | | |
| Restricted | 202,724 | 319,485 | 449,226 | 214,726 |
| Total fund balance | <u>202,724</u> | <u>319,485</u> | <u>449,226</u> | <u>214,726</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$336,076</u> | <u>\$420,732</u> | <u>\$1,171,546</u> | <u>\$314,376</u> |

| 311 GO & Abatement Bond 2021B | 312 Taxable GO Temp Bond 2022A | 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 |
|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---|
| \$362,727 | \$1,132,045 | \$501,697 | \$115,488 | \$214,693 | \$541,098 | \$12,038 |
| - | - | 1,026 | - | - | - | - |
| - | 340,505 | - | - | - | - | - |
| - | - | 2,128 | - | 327 | 2,355 | - |
| 8,014 | - | 46,589 | 13,539 | 64,112 | 81,058 | - |
| - | - | - | - | - | 5,152 | - |
| <u>\$370,741</u> | <u>\$1,472,550</u> | <u>\$551,440</u> | <u>\$129,027</u> | <u>\$279,132</u> | <u>\$629,663</u> | <u>\$12,038</u> |
| \$ - | \$500 | \$ - | \$ - | \$ - | \$ - | \$ - |
| <u>0</u> | <u>500</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 8,014 | - | 48,717 | 13,539 | 64,439 | 88,565 | - |
| <u>8,014</u> | <u>0</u> | <u>48,717</u> | <u>13,539</u> | <u>64,439</u> | <u>88,565</u> | <u>0</u> |
| 362,727 | 1,472,050 | 502,723 | 115,488 | 214,693 | 541,098 | 12,038 |
| <u>362,727</u> | <u>1,472,050</u> | <u>502,723</u> | <u>115,488</u> | <u>214,693</u> | <u>541,098</u> | <u>12,038</u> |
| <u>\$370,741</u> | <u>\$1,472,550</u> | <u>\$551,440</u> | <u>\$129,027</u> | <u>\$279,132</u> | <u>\$629,663</u> | <u>\$12,038</u> |

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2023

| | 365 G.O. Street Reconstruction Bonds of 2013B | 366 Improvement Bonds of 2014A | 367 Improvement Bonds of 2016A | 368 G.O. Improvement Reconstruction Bonds of 2017A | 369 1st Ave Condo Abatement |
|---|---|-----------------------------------|-----------------------------------|---|--------------------------------|
| Assets | | | | | |
| Cash and investments | \$737,823 | \$346,008 | \$310,868 | \$382,850 | \$31,194 |
| Accounts receivable | - | - | - | - | - |
| Due from other governmental units | - | - | - | - | - |
| Special assessments: | | | | | |
| Delinquent | 7,742 | 74 | 379 | 429 | - |
| Deferred | 102,641 | 49,888 | 94,151 | 108,266 | - |
| Special deferred | 1,175 | - | - | 3,292 | - |
| Total assets | <u>\$849,381</u> | <u>\$395,970</u> | <u>\$405,398</u> | <u>\$494,837</u> | <u>\$31,194</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$22,709 |
| Total liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>22,709</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | <u>111,558</u> | <u>49,962</u> | <u>94,530</u> | <u>111,987</u> | <u>-</u> |
| Total deferred inflows of resources | <u>111,558</u> | <u>49,962</u> | <u>94,530</u> | <u>111,987</u> | <u>0</u> |
| Fund balance: | | | | | |
| Restricted | <u>737,823</u> | <u>346,008</u> | <u>310,868</u> | <u>382,850</u> | <u>8,485</u> |
| Total fund balance | <u>737,823</u> | <u>346,008</u> | <u>310,868</u> | <u>382,850</u> | <u>8,485</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$849,381</u> | <u>\$395,970</u> | <u>\$405,398</u> | <u>\$494,837</u> | <u>\$31,194</u> |

| 370 TIF 1-8 Lakewood Heights | 371 TIF 1-6 Old Hospital Housing Bonds | 372 TIF 1-7 Block 37 Redevelopment | 373 TIF 1-6 Old Hospital Housing Paygo | 375 TIF 1-4 Oakwood Terrace | 376 TIF 1-10 River Hills | 377 TIF 1-11 Sawmill Inn Redevelopment | 378 - TIF 1-12 The Pillars | 379 TIF 1-13 Unique Opportunities | Totals Nonmajor Debt Service Funds |
|------------------------------------|--|--|--|--------------------------------|-----------------------------|--|-------------------------------|---|--|
| \$58,203 | \$104,142 | \$28,930 | \$47,439 | \$565,158 | \$76,930 | \$22,334 | \$115,957 | \$28,263 | \$6,922,546 |
| - | - | - | - | - | - | - | - | - | 1,026 |
| - | - | - | - | - | - | - | - | - | 340,505 |
| - | - | - | - | - | - | - | - | - | 16,249 |
| - | - | - | - | - | - | - | - | - | 853,629 |
| - | - | - | - | - | - | - | - | - | 777,502 |
| <u>\$58,203</u> | <u>\$104,142</u> | <u>\$28,930</u> | <u>\$47,439</u> | <u>\$565,158</u> | <u>\$76,930</u> | <u>\$22,334</u> | <u>\$115,957</u> | <u>\$28,263</u> | <u>\$8,911,457</u> |
| | | | | | | | | | |
| \$21,527 | \$ - | \$7,193 | \$20,304 | \$ - | \$35,519 | \$17,336 | \$92,576 | \$23,212 | \$241,376 |
| <u>21,527</u> | <u>0</u> | <u>7,193</u> | <u>20,304</u> | <u>0</u> | <u>35,519</u> | <u>17,336</u> | <u>92,576</u> | <u>23,212</u> | <u>241,376</u> |
| | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | 1,647,380 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,647,380</u> |
| | | | | | | | | | |
| 36,676 | 104,142 | 21,737 | 27,135 | 565,158 | 41,411 | 4,998 | 23,381 | 5,051 | 7,022,701 |
| <u>36,676</u> | <u>104,142</u> | <u>21,737</u> | <u>27,135</u> | <u>565,158</u> | <u>41,411</u> | <u>4,998</u> | <u>23,381</u> | <u>5,051</u> | <u>7,022,701</u> |
| | | | | | | | | | |
| <u>\$58,203</u> | <u>\$104,142</u> | <u>\$28,930</u> | <u>\$47,439</u> | <u>\$565,158</u> | <u>\$76,930</u> | <u>\$22,334</u> | <u>\$115,957</u> | <u>\$28,263</u> | <u>\$8,911,457</u> |

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2023

| | 305 Refunding Bonds of 2017B | 306 GO Street Reconstruction & CIP 2018A | 307 GO & Abatement Bond 2019A | 310 GO Street Reconstruction Bonds of 2020A | 311 GO & Abatement Bond 2021B |
|--|---------------------------------|--|----------------------------------|---|----------------------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| General property | \$59,743 | \$131,597 | \$125,945 | \$156,625 | \$385,103 |
| Tax abatement | - | - | - | - | - |
| Tax increments | - | - | - | - | - |
| City sales tax | - | - | - | - | - |
| Intergovernmental: | | | | | |
| State: | | | | | |
| Supplemental aid | 2,949 | 6,496 | 6,217 | 7,731 | 19,009 |
| MSA | - | - | - | - | - |
| Federal BAB credit | - | - | - | - | - |
| Special assessments | 28,214 | 13,662 | 18,760 | 14,902 | 6,802 |
| Interest and investment income | 1,474 | 2,226 | 3,287 | 1,166 | 1,612 |
| Net increase (decrease) in the fair value of investments | - | - | - | - | - |
| Total revenues | <u>92,380</u> | <u>153,981</u> | <u>154,209</u> | <u>180,424</u> | <u>412,526</u> |
| Expenditures: | | | | | |
| General government: | | | | | |
| Current: | | | | | |
| Contractual services | 4,000 | 2,750 | 250 | 249 | 251 |
| Developer assistance | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | 295,000 | 120,000 | 90,000 | 135,000 | 245,000 |
| Interest | 9,375 | 48,538 | 33,880 | 36,013 | 137,931 |
| Paying agent fees | 500 | 550 | 550 | 500 | 500 |
| Total expenditures | <u>308,875</u> | <u>171,838</u> | <u>124,680</u> | <u>171,762</u> | <u>383,682</u> |
| Revenues over (under) expenditures | <u>(216,495)</u> | <u>(17,857)</u> | <u>29,529</u> | <u>8,662</u> | <u>28,844</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | - |
| Total other financing sources (uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net change in fund balance | <u>(216,495)</u> | <u>(17,857)</u> | <u>29,529</u> | <u>8,662</u> | <u>28,844</u> |
| Fund balance (deficit) - January 1 | <u>419,219</u> | <u>337,342</u> | <u>419,697</u> | <u>206,064</u> | <u>333,883</u> |
| Fund balance (deficit) - December 31 | <u>\$202,724</u> | <u>\$319,485</u> | <u>\$449,226</u> | <u>\$214,726</u> | <u>\$362,727</u> |

| 312 Taxable GO Temp Bond 2022A | 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 | 365 G.O. Street Reconstruction Bonds of 2013B | 366 Improvement Bonds of 2014A |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---|---|-----------------------------------|
| \$ - | \$252,838 | \$50,863 | \$28,118 | \$74,818 | \$ - | \$90,687 | \$207,084 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,573,230 | - | - | - | - | - | - | - |
| - | 12,480 | 2,511 | 1,388 | 3,693 | - | 4,476 | 10,222 |
| - | - | - | - | - | 322,025 | - | - |
| - | 15,468 | - | - | - | - | - | - |
| - | 42,947 | 5,448 | 22,898 | 22,420 | - | 29,819 | 9,665 |
| 5,718 | 3,123 | 767 | 1,659 | 4,504 | 329 | 6,010 | 2,093 |
| - | - | - | - | 6,249 | - | 8,563 | - |
| 1,578,948 | 326,856 | 59,589 | 54,063 | 111,684 | 322,354 | 139,555 | 229,064 |
| 35,552 | 249 | 250 | 250 | 248 | 250 | 1,248 | 252 |
| - | - | - | - | - | - | - | - |
| - | 345,000 | 60,000 | 70,000 | 155,000 | 290,000 | 270,000 | 205,000 |
| 250,695 | 46,866 | 7,750 | 10,143 | 27,868 | 32,025 | 63,738 | 33,480 |
| 500 | 400 | 400 | 525 | 525 | 525 | 550 | 550 |
| 286,747 | 392,515 | 68,400 | 80,918 | 183,641 | 322,800 | 335,536 | 239,282 |
| 1,292,201 | (65,659) | (8,811) | (26,855) | (71,957) | (446) | (195,981) | (10,218) |
| - | - | - | - | - | - | 150,000 | - |
| 0 | 0 | 0 | 0 | 0 | 0 | 150,000 | 0 |
| 1,292,201 | (65,659) | (8,811) | (26,855) | (71,957) | (446) | (45,981) | (10,218) |
| 179,849 | 568,382 | 124,299 | 241,548 | 613,055 | 12,484 | 783,804 | 356,226 |
| \$1,472,050 | \$502,723 | \$115,488 | \$214,693 | \$541,098 | \$12,038 | \$737,823 | \$346,008 |

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, 2023

| | 367 Improvement Bonds of 2016A | 368 G.O. Improvement Reconstruction Bonds of 2017A | 369 1st Ave Condo Abatement | 370 TIF 1-8 Lakewood Heights | 371 TIF 1-6 Old Hospital Housing Bonds |
|--|-----------------------------------|---|--------------------------------|---------------------------------|--|
| Revenues: | | | | | |
| Taxes: | | | | | |
| General property | \$139,670 | \$146,533 | \$ - | \$ - | \$ - |
| Tax abatement | - | - | 38,313 | - | - |
| Tax increments | - | - | - | 47,839 | 61,393 |
| City Sales Tax | - | - | - | - | - |
| Intergovernmental: | | | | | |
| State: | | | | | |
| Supplemental aid | 6,894 | 7,233 | - | - | - |
| MSA | - | - | - | - | - |
| Federal BAB credit | - | - | - | - | - |
| Special assessments | 17,563 | 14,495 | - | - | - |
| Interest and investment income | 2,048 | 2,686 | 18 | 340 | 649 |
| Net increase (decrease) in the fair value of investments | - | - | - | - | - |
| Total revenues | <u>166,175</u> | <u>170,947</u> | <u>38,331</u> | <u>48,179</u> | <u>62,042</u> |
| Expenditures: | | | | | |
| General government: | | | | | |
| Current: | | | | | |
| Contractual services | 250 | 252 | - | 238 | 615 |
| Developer assistance | - | - | 45,427 | 43,055 | - |
| Debt service: | | | | | |
| Principal retirement | 140,000 | 130,000 | - | - | 40,000 |
| Interest | 29,760 | 51,225 | - | - | 15,925 |
| Paying agent fees | 500 | 500 | - | - | - |
| Total expenditures | <u>170,510</u> | <u>181,977</u> | <u>45,427</u> | <u>43,293</u> | <u>56,540</u> |
| Revenues over (under) expenditures | <u>(4,335)</u> | <u>(11,030)</u> | <u>(7,096)</u> | <u>4,886</u> | <u>5,502</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | - |
| Total other financing sources (uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net change in fund balance | <u>(4,335)</u> | <u>(11,030)</u> | <u>(7,096)</u> | <u>4,886</u> | <u>5,502</u> |
| Fund balance (deficit) - January 1 | <u>315,203</u> | <u>393,880</u> | <u>15,581</u> | <u>31,790</u> | <u>98,640</u> |
| Fund balance (deficit) - December 31 | <u>\$310,868</u> | <u>\$382,850</u> | <u>\$8,485</u> | <u>\$36,676</u> | <u>\$104,142</u> |

| 372 TIF 1-7 Block 37 Redevelopment | 373 TIF 1-6 Old Hospital Housing Paygo | 375 TIF 1-4 Oakwood Terrace | 376 TIF 1-10 River Hills | 377 TIF 1-11 Sawmill Inn Redevelopment | 378 - TIF 1-12 The Pillars | 379 TIF 1-13 Unique Opportunities | Totals Nonmajor Debt Service Funds |
|--|--|--------------------------------|-----------------------------|--|-------------------------------|--------------------------------------|---------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$1,849,624 |
| - | - | - | - | - | - | - | 38,313 |
| 15,985 | 41,541 | 25,426 | 78,933 | 38,524 | 205,725 | 51,582 | 566,948 |
| - | - | - | - | - | - | - | 1,573,230 |
| - | 2,022 | - | - | - | - | - | 93,321 |
| - | - | - | - | - | - | - | 322,025 |
| - | - | - | - | - | - | - | 15,468 |
| - | - | - | - | - | - | - | 247,595 |
| 197 | 254 | 4,762 | 396 | 107 | 284 | 65 | 45,774 |
| - | - | - | - | - | - | - | 14,812 |
| 16,182 | 43,817 | 30,188 | 79,329 | 38,631 | 206,009 | 51,647 | 4,767,110 |
| 238 | - | 862 | 238 | 453 | 172 | 172 | 49,289 |
| 14,387 | 39,207 | - | 71,040 | 49,270 | 185,152 | 46,424 | 493,962 |
| - | - | - | - | - | - | - | 2,590,000 |
| - | - | - | - | - | - | - | 835,212 |
| - | - | - | - | - | - | - | 7,575 |
| 14,625 | 39,207 | 862 | 71,278 | 49,723 | 185,324 | 46,596 | 3,976,038 |
| 1,557 | 4,610 | 29,326 | 8,051 | (11,092) | 20,685 | 5,051 | 791,072 |
| - | - | - | - | - | - | - | 150,000 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 150,000 |
| 1,557 | 4,610 | 29,326 | 8,051 | (11,092) | 20,685 | 5,051 | 941,072 |
| 20,180 | 22,525 | 535,832 | 33,360 | 16,090 | 2,696 | - | 6,081,629 |
| \$21,737 | \$27,135 | \$565,158 | \$41,411 | \$4,998 | \$23,381 | \$5,051 | \$7,022,701 |

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NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

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

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

GR Arts and Culture Capital Project Fund – accounts for the accumulation of resources to be used to improve the City's arts and culture.

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

Infrastructure – ARPA Fund – accounts for infrastructure projects and the accumulation of resources and the costs related to the American Rescue Plan Funding.

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.

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2023

| | 401 General Capital Improvement Projects | 402 Municipal State Aid | 404 Park Acquisition and Development | 413 Airport Capital Fund |
|---|---|-------------------------|---|--------------------------|
| Assets | | | | |
| Cash and investments | \$6,080 | \$ - | \$45,910 | \$ - |
| Due from other governmental units | 413,804 | 502,033 | - | 645,323 |
| Due from component units | - | - | - | - |
| Accounts receivable | - | - | 11,000 | - |
| Prepaid items | - | - | 375 | - |
| Special assessments receivable: | | | | |
| Delinquent | - | - | - | - |
| Deferred | - | - | - | - |
| Special deferred | - | - | - | - |
| Total assets | <u>\$419,884</u> | <u>\$502,033</u> | <u>\$57,285</u> | <u>\$645,323</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | \$211,111 | \$ - | \$ - | \$4,855 |
| Due to component units | - | - | - | 2,254 |
| Contracts payable | - | - | - | 16,194 |
| Due to other funds | 10,862 | 88,674 | - | 647,509 |
| Unearned revenue | - | - | - | - |
| Total liabilities | <u>221,973</u> | <u>88,674</u> | <u>0</u> | <u>670,812</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund balance (deficit): | | | | |
| Nonspendable | - | - | 375 | - |
| Restricted | 68,771 | - | - | - |
| Assigned | 129,140 | 413,359 | 56,910 | - |
| Unassigned | - | - | - | (25,489) |
| Total fund balance (deficit) | <u>197,911</u> | <u>413,359</u> | <u>57,285</u> | <u>(25,489)</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$419,884</u> | <u>\$502,033</u> | <u>\$57,285</u> | <u>\$645,323</u> |

| 418 GR Arts and Culture Capital Project | 482 2021 Infrastructure Bonds | 484 2022 Infrastructure/ ARPA | 485 2023 Infrastructure Bonds | 501 Permanent Improvement Revolving | Totals Nonmajor Capital Project Funds |
|--|----------------------------------|----------------------------------|----------------------------------|--|--|
| \$83,600 | \$497,298 | \$143,480 | \$729,163 | \$153,925 | \$1,659,456 |
| - | - | - | - | - | 1,561,160 |
| - | - | - | - | 37,790 | 37,790 |
| - | - | - | - | - | 11,000 |
| - | - | - | - | - | 375 |
| - | - | - | - | 12,578 | 12,578 |
| - | - | - | - | 229,618 | 229,618 |
| - | - | - | - | 310,110 | 310,110 |
| <u>\$83,600</u> | <u>\$497,298</u> | <u>\$143,480</u> | <u>\$729,163</u> | <u>\$744,021</u> | <u>\$3,822,087</u> |
| \$1,125 | \$11,417 | \$7,066 | \$9,701 | \$ - | \$245,275 |
| - | - | 19,209 | - | - | 21,463 |
| - | 239,809 | - | 85,534 | - | 341,537 |
| - | - | - | - | - | 747,045 |
| - | - | 127,860 | - | - | 127,860 |
| <u>1,125</u> | <u>251,226</u> | <u>154,135</u> | <u>95,235</u> | <u>0</u> | <u>1,483,180</u> |
| - | - | - | - | 552,306 | 552,306 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>552,306</u> | <u>552,306</u> |
| - | - | - | - | - | 375 |
| - | - | - | - | - | 68,771 |
| 82,475 | 246,072 | - | 633,928 | 191,715 | 1,753,599 |
| - | - | (10,655) | - | - | (36,144) |
| <u>82,475</u> | <u>246,072</u> | <u>(10,655)</u> | <u>633,928</u> | <u>191,715</u> | <u>1,786,601</u> |
| <u>\$83,600</u> | <u>\$497,298</u> | <u>\$143,480</u> | <u>\$729,163</u> | <u>\$744,021</u> | <u>\$3,822,087</u> |

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2023

| | 401 General Capital Improvement Projects | 402 Municipal State Aid | 404 Park Acquisition and Development | 413 Airport Capital Fund |
|--|---|-------------------------|---|-----------------------------|
| Revenues: | | | | |
| Intergovernmental: | | | | |
| State: | | | | |
| MSA | \$ - | \$593,288 | \$ - | \$81,864 |
| Other | 916,827 | - | - | 146,668 |
| Other intergovernmental | - | - | - | 284,599 |
| Special assessments | - | - | - | - |
| Interest and investment income | 2,447 | 3,287 | 480 | - |
| Net increase (decrease) in the fair value of investments | - | - | - | - |
| Contributions and donations | 252,500 | - | 8,175 | 21,713 |
| Reimbursement from component units | - | 411,189 | - | - |
| Other | 16,040 | - | - | - |
| Total revenues | <u>1,187,814</u> | <u>1,007,764</u> | <u>8,655</u> | <u>534,844</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,014,724 | - | - | - |
| Public works | - | 61,033 | - | 9,350 |
| Culture and recreation | - | - | 18,559 | - |
| Capital outlay/construction | 380,144 | 1,237,686 | - | 715,630 |
| Debt service: | | | | |
| Bond issuance costs | - | - | - | - |
| Total expenditures | <u>1,394,868</u> | <u>1,298,719</u> | <u>18,559</u> | <u>724,980</u> |
| Revenues over (under) expenditures | <u>(207,054)</u> | <u>(290,955)</u> | <u>(9,904)</u> | <u>(190,136)</u> |
| Other financing sources (uses): | | | | |
| Bond issuance | - | - | - | - |
| Bond premium | - | - | - | - |
| Sale of capital assets | - | 35,321 | - | 7,656 |
| Transfers in | 231,620 | 180,727 | - | 28,000 |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>231,620</u> | <u>216,048</u> | <u>0</u> | <u>35,656</u> |
| Net change in fund balance | 24,566 | (74,907) | (9,904) | (154,480) |
| Fund balance (deficit) - January 1 | <u>173,345</u> | <u>488,266</u> | <u>67,189</u> | <u>128,991</u> |
| Fund balance (deficit) - December 31 | <u><u>\$197,911</u></u> | <u><u>\$413,359</u></u> | <u><u>\$57,285</u></u> | <u><u>(\$25,489)</u></u> |

| 418 GR Arts and Culture Capital Project | 482 2021 Infrastructure Bonds | 484 2022 Infrastructure/ ARPA | 485 2023 Infrastructure Bonds | 501 Permanent Improvement Revolving | Totals Nonmajor Capital Project Funds |
|---|----------------------------------|----------------------------------|----------------------------------|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$675,152 |
| - | - | 627,582 | - | - | 1,691,077 |
| - | - | 809,102 | - | - | 1,093,701 |
| - | - | - | - | 13,843 | 13,843 |
| 235 | - | - | - | 3,080 | 9,529 |
| - | - | 6,562 | - | 47,867 | 54,429 |
| - | - | - | - | - | 282,388 |
| - | - | 40,963 | 2,503,213 | - | 2,955,365 |
| - | - | - | - | - | 16,040 |
| 235 | 0 | 1,484,209 | 2,503,213 | 64,790 | 6,791,524 |
| 2,249 | - | - | - | 11,640 | 1,028,613 |
| - | - | - | - | - | 70,383 |
| - | 361,504 | - | - | - | 380,063 |
| - | 134,068 | 932,262 | 3,998,453 | 24,010 | 7,422,253 |
| - | - | - | 72,562 | - | 72,562 |
| 2,249 | 495,572 | 932,262 | 4,071,015 | 35,650 | 8,973,874 |
| (2,014) | (495,572) | 551,947 | (1,567,802) | 29,140 | (2,182,350) |
| - | - | - | 2,220,000 | - | 2,220,000 |
| - | - | - | 35,700 | - | 35,700 |
| - | - | - | - | - | 42,977 |
| 63,385 | - | - | - | - | 503,732 |
| - | - | (398,378) | (53,970) | (17,304) | (469,652) |
| 63,385 | 0 | (398,378) | 2,201,730 | (17,304) | 2,332,757 |
| 61,371 | (495,572) | 153,569 | 633,928 | 11,836 | 150,407 |
| 21,104 | 741,644 | (164,224) | - | 179,879 | 1,636,194 |
| \$82,475 | \$246,072 | (\$10,655) | \$633,928 | \$191,715 | \$1,786,601 |
| Reconciliation of beginning fund balance to prior year ending fund balance: | | | | | |
| Prior year ending fund balance reported | | | | | \$1,638,656 |
| Prior year ending fund balance for funds reported as nonmajor in prior year and major in current year: | | | | | |
| 403 GR/Cohasset Industrial Park | | | | | 161,762 |
| Prior year ending fund balance for funds reported as major in prior year and nonmajor in current year: | | | | | |
| 484 2022 Infrastructure/ARPA | | | | | (164,224) |
| Current year beginning fund balance | | | | | \$1,636,194 |

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INDIVIDUAL BUDGET TO ACTUAL STATEMENTS

SPECIAL REVENUE FUNDS

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 211 PUBLIC LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2023

Statement 27

| | Budgeted Amounts | | Actual Amounts |
|--|------------------|-----------|-------------------|
| | Original | Final | |
| Revenues: | | | |
| General property taxes | \$759,331 | \$759,331 | \$716,366 |
| Intergovernmental: | | | |
| State: | | | |
| Supplemental aid | - | - | 35,268 |
| Charges for services: | | | |
| Townships | 128,000 | 128,000 | 143,384 |
| Other | 28,081 | 28,081 | 58,013 |
| Fines and forfeits | - | - | 86 |
| Interest and investment income | 4,300 | 4,300 | 7,786 |
| Net increase (decrease) in the fair value of investments | - | - | 7,028 |
| Contributions and donations | 1,500 | 1,500 | 42,075 |
| Total revenues | 921,212 | 921,212 | 1,010,006 |
| Expenditures: | | | |
| Culture and recreation: | | | |
| Current: | | | |
| Personnel services | 686,946 | 686,946 | 682,233 |
| Materials and supplies | 90,218 | 90,218 | 94,405 |
| Other services and charges | 148,500 | 148,500 | 156,332 |
| Capital outlay | - | - | 7,898 |
| Total expenditures | 925,664 | 925,664 | 940,868 |
| Revenues over (under) expenditures | (4,452) | (4,452) | 69,138 |
| Other financing sources (uses) | | | |
| Transfers in | 4,452 | 4,452 | 4,452 |
| Total other financing sources (uses) | 4,452 | 4,452 | 4,452 |
| Net change in fund balance | \$0 | \$0 | 73,590 |
| Fund balance - January 1 | | | 701,649 |
| Fund balance - December 31 | | | \$775,239 |

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, 2023

Statement 28

| | Budgeted Amounts | | Actual Amounts |
|--------------------------------------|------------------|-----------------|-------------------|
| | Original | Final | |
| Revenues: | | | |
| Charges for services: | | | |
| Rent | \$56,100 | \$56,100 | \$57,412 |
| Interest and investment income | - | - | 572 |
| Other | - | - | 803 |
| Total revenues | <u>56,100</u> | <u>56,100</u> | <u>58,787</u> |
| Expenditures: | | | |
| Culture and recreation: | | | |
| Current: | | | |
| Materials and supplies | 1,800 | 1,800 | 1,811 |
| Other services and charges | <u>114,250</u> | <u>114,250</u> | <u>114,870</u> |
| Total expenditures | <u>116,050</u> | <u>116,050</u> | <u>116,681</u> |
| Revenues over (under) expenditures | <u>(59,950)</u> | <u>(59,950)</u> | <u>(57,894)</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>59,950</u> | <u>59,950</u> | <u>58,289</u> |
| Total other financing sources (uses) | <u>59,950</u> | <u>59,950</u> | <u>58,289</u> |
| Net change in fund balance | <u>\$0</u> | <u>\$0</u> | 395 |
| Fund balance - January 1 | | | <u>94,631</u> |
| Fund balance - December 31 | | | <u>\$95,026</u> |

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 226 AIRPORT OPERATIONS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2023

Statement 29

| | Budgeted Amounts | | Actual Amounts |
|--------------------------------------|------------------|-----------------|-------------------|
| | Original | Final | |
| Revenues: | | | |
| Charges for services: | | | |
| Rent | \$122,050 | \$122,050 | \$124,354 |
| Other | 20,696 | 20,696 | 16,065 |
| Intergovernmental: | | | |
| State operations reimbursement | 66,231 | 66,231 | 66,231 |
| Itasca County | 20,000 | 20,000 | 62,833 |
| Federal | - | - | 45,898 |
| Interest and investment income | 300 | 300 | 14,723 |
| Other | - | - | 250 |
| Total revenues | <u>229,277</u> | <u>229,277</u> | <u>330,354</u> |
| Expenditures: | | | |
| Public works: | | | |
| Current: | | | |
| Personnel services | 113,791 | 113,791 | 106,956 |
| Materials and supplies | 39,500 | 39,500 | 16,315 |
| Other services and charges | 107,000 | 107,000 | 193,879 |
| Capital outlay | - | - | 23,376 |
| Total expenditures | <u>260,291</u> | <u>260,291</u> | <u>340,526</u> |
| Revenues over (under) expenditures | <u>(31,014)</u> | <u>(31,014)</u> | <u>(10,172)</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets | - | - | 16,362 |
| Insurance recoveries | - | - | 822 |
| Transfers in | 31,014 | 31,014 | 20,000 |
| Total other financing sources (uses) | <u>31,014</u> | <u>31,014</u> | <u>37,184</u> |
| Net change in fund balance | <u>\$0</u> | <u>\$0</u> | 27,012 |
| Fund balance - January 1 | | | <u>193,945</u> |
| Fund balance - December 31 | | | <u>\$220,957</u> |

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 228 IRA CIVIC CENTER
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2023

Statement 30

| | Budgeted Amounts | | Actual Amounts |
|--------------------------------------|------------------|------------------|--------------------------|
| | Original | Final | |
| Revenues: | | | |
| Charges for services: | | | |
| Rent | \$470,000 | \$470,000 | \$433,048 |
| Advertising | 36,000 | 36,000 | 65,967 |
| Other | 2,600 | 2,600 | 4,626 |
| Interest and investment income | - | - | 9,676 |
| Contributions and donations | - | - | 2,000 |
| Total revenues | <u>508,600</u> | <u>508,600</u> | <u>515,317</u> |
| Expenditures: | | | |
| Culture and recreation: | | | |
| Current: | | | |
| Personnel services | 225,067 | 120,907 | 124,112 |
| Materials and supplies | 7,000 | 7,000 | 9,187 |
| Other services and charges | 254,083 | 254,083 | 231,664 |
| Debt service: | | | |
| Interest | - | - | 196,597 |
| Total expenditures | <u>486,150</u> | <u>381,990</u> | <u>561,560</u> |
| Revenues over (under) expenditures | <u>22,450</u> | <u>126,610</u> | <u>(46,243)</u> |
| Net change in fund balance | <u>\$22,450</u> | <u>\$126,610</u> | <u>(46,243)</u> |
| Fund balance (deficit) - January 1 | | | <u>(47,268)</u> |
| Fund balance (deficit) - December 31 | | | <u><u>(\$93,511)</u></u> |

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 231 HAZ-MAT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2023

Statement 31

| | Budgeted Amounts | | Actual Amounts |
|------------------------------------|------------------|----------|-------------------|
| | Original | Final | |
| Revenues: | | | |
| Intergovernmental: | | | |
| State: | | | |
| Haz-Mat reimbursement | \$60,000 | \$60,000 | \$95,314 |
| Total revenues | 60,000 | 60,000 | 95,314 |
| Expenditures: | | | |
| Public safety: | | | |
| Current: | | | |
| Personnel services | 32,190 | 32,190 | 51,087 |
| Materials and supplies | 10,810 | 10,810 | 7,630 |
| Other services and charges | 17,000 | 17,000 | 32,397 |
| Total expenditures | 60,000 | 60,000 | 91,114 |
| Revenues over (under) expenditures | \$0 | \$0 | 4,200 |
| Fund balance - January 1 | | | 440 |
| Fund balance - December 31 | | | \$4,640 |

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, 2023

Statement 32

| | Budgeted Amounts | | Actual Amounts |
|------------------------------------|------------------|-------|-------------------|
| | Original | Final | |
| Revenues: | | | |
| Intergovernmental | \$ - | \$ - | \$1,456 |
| Fines and forfeits | 4,000 | 4,000 | 13,318 |
| Interest and investment income | - | - | 480 |
| Miscellaneous | 250 | 250 | 8,650 |
| Total revenues | 4,250 | 4,250 | 23,904 |
| Expenditures: | | | |
| Public safety: | | | |
| Current: | | | |
| Materials and supplies | 3,500 | 3,500 | 1,456 |
| Capital outlay | - | - | 16,501 |
| Total expenditures | 3,500 | 3,500 | 17,957 |
| Revenues over (under) expenditures | \$750 | \$750 | 5,947 |
| Fund balance - January 1 | | | 53,968 |
| Fund balance - December 31 | | | \$59,915 |

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, 2023

Statement 33

| | Budgeted Amounts | | Actual Amounts |
|--------------------------------------|------------------|-----------|-------------------|
| | Original | Final | |
| Revenues: | | | |
| General property taxes | \$226,157 | \$226,157 | \$212,901 |
| Intergovernmental: | | | |
| State: | | | |
| Supplemental aid | - | - | 10,481 |
| Charges for services: | | | |
| Cemetery | 34,500 | 34,500 | 35,676 |
| Interest and investment income | 300 | 300 | 1,040 |
| Other | 1,000 | 1,000 | 920 |
| Total revenues | 261,957 | 261,957 | 261,018 |
| Expenditures: | | | |
| Public works: | | | |
| Current: | | | |
| Personnel services | 212,874 | 212,874 | 216,982 |
| Materials and supplies | 13,600 | 13,600 | 8,340 |
| Other services and charges | 39,240 | 39,240 | 21,759 |
| Capital outlay | - | - | 40,175 |
| Debt service: | | | |
| Principal retirement | - | - | 2,345 |
| Interest | - | - | 673 |
| Total expenditures | 265,714 | 265,714 | 290,274 |
| Revenues over (under) expenditures | (3,757) | (3,757) | (29,256) |
| Other financing sources (uses): | | | |
| Lease issuance | - | - | 34,672 |
| Sale of capital assets | - | - | 1,341 |
| Transfers in | 3,757 | 3,757 | 3,757 |
| Total other financing sources (uses) | 3,757 | 3,757 | 39,770 |
| Net change in fund balance | \$0 | \$0 | 10,514 |
| Fund balance - January 1 | | | 153,547 |
| Fund balance - December 31 | | | \$164,061 |

CITY OF GRAND RAPIDS, MINNESOTA**SPECIAL REVENUE FUND - 235 DOMESTIC ANIMAL CONTROL FACILITY****Statement 34****SCHEDULE OF REVENUES, EXPENDITURES****AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For The Year Ended December 31, 2023

| | Budgeted Amounts | | Actual Amounts |
|--------------------------------------|------------------|----------|-------------------|
| | Original | Final | |
| Revenues: | | | |
| Intergovernmental | \$3,000 | \$3,000 | \$3,000 |
| Fines and forfeits | 37,250 | 37,250 | 31,520 |
| Total revenues | 40,250 | 40,250 | 34,520 |
| Expenditures: | | | |
| Public safety: | | | |
| Current: | | | |
| Personnel services | 55,013 | 55,013 | 53,105 |
| Materials and supplies | 4,000 | 4,000 | 2,952 |
| Other services and charges | 18,160 | 18,160 | 13,216 |
| Total expenditures | 77,173 | 77,173 | 69,273 |
| Revenues over (under) expenditures | (36,923) | (36,923) | (34,753) |
| Other financing sources (uses) | | | |
| Transfers in | 36,923 | 36,923 | 34,753 |
| Total other financing sources (uses) | 36,923 | 36,923 | 34,753 |
| Net change in fund balance | \$0 | \$0 | 0 |
| Fund balance - January 1 | | | 10,550 |
| Fund balance - December 31 | | | \$10,550 |

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CUSTODIAL FUNDS

Custodial 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 2022, the City of Grand Rapids had the following Custodial Funds:

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

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

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF NET POSITION
CUSTODIAL FUNDS
December 31, 2023

Statement 35

| | <u>872 Lodging Tax</u> | <u>877 Cable TV Commision</u> | <u>Totals</u> |
|----------------------|------------------------|-----------------------------------|----------------|
| Assets: | | | |
| Cash and investments | \$20,788 | \$80,986 | \$101,774 |
| Receivables: | | | |
| Accounts | - | - | - |
| Total assets | <u>20,788</u> | <u>80,986</u> | <u>101,774</u> |
| Liabilities: | | | |
| Accounts payable | 20,788 | 80,986 | 101,774 |
| Total liabilities | <u>20,788</u> | <u>80,986</u> | <u>101,774</u> |
| Net position: | | | |
| Restricted | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF GRAND RAPIDS, MINNESOTA**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****CUSTODIAL FUNDS**

For The Year Ended December 31, 2023

Statement 36

| | <u>872 Lodging Tax</u> | <u>877 Cable TV Commision</u> | <u>Totals</u> |
|---|------------------------|-----------------------------------|----------------|
| Additions: | | | |
| Lodging tax collections | \$432,584 | \$ - | \$432,584 |
| Cable franchise fee collections | - | 236,858 | 236,858 |
| Total additions | <u>432,584</u> | <u>236,858</u> | <u>669,442</u> |
| Deductions: | | | |
| Payments to other entities | 410,176 | 229,520 | 639,696 |
| Administrative fees | 22,408 | 7,338 | 29,746 |
| Total deductions | <u>432,584</u> | <u>236,858</u> | <u>669,442</u> |
| Net increase (decrease) in fiduciary net position | - | - | - |
| Net position - beginning | - | - | - |
| Net position - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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COMPONENT UNIT

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

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
December 31, 2023

Statement 37

| Assets | General | Capital Project | Totals |
|---|-----------------|--------------------|--------------------|
| Cash and investments | \$35,293 | \$1,068,243 | \$1,103,536 |
| Due from other governmental units | - | 156 | 156 |
| Accounts receivable | - | 37,566 | 37,566 |
| Inventory - land held for resale | - | 2,657,072 | 2,657,072 |
| Notes receivable | - | 635,001 | 635,001 |
| Total assets | <u>\$35,293</u> | <u>\$4,398,038</u> | <u>\$4,433,331</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | |
| Liabilities: | | | |
| Accounts payable | \$10,006 | \$31,093 | \$41,099 |
| Due to other governmental units | - | 9,081 | 9,081 |
| Due to primary government | - | 37,790 | 37,790 |
| Unearned revenue | - | 646,508 | 646,508 |
| Total liabilities | <u>10,006</u> | <u>724,472</u> | <u>734,478</u> |
| Deferred inflows of resources: | | | |
| Unavailable revenue | - | 3,320,590 | 3,320,590 |
| Total deferred inflows of resources | <u>0</u> | <u>3,320,590</u> | <u>3,320,590</u> |
| Fund balance: | | | |
| Restricted | - | 75,000 | 75,000 |
| Assigned | 25,287 | 277,976 | 303,263 |
| Total fund balance | <u>25,287</u> | <u>352,976</u> | <u>378,263</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$35,293</u> | <u>\$4,398,038</u> | <u>\$4,433,331</u> |

CITY OF GRAND RAPIDS, MINNESOTA**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****Statement 38****ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT**

For The Year Ended December 31, 2023

| | General | Capital Project | Totals |
|--|----------|--------------------|-------------|
| Revenues: | | | |
| General property taxes | \$35,000 | \$40,083 | \$75,083 |
| Intergovernmental | - | 23,706 | 23,706 |
| Charges for services | - | 4,080 | 4,080 |
| Interest and investment income | 128 | 14,140 | 14,268 |
| Net increase (decrease) in the fair value of investments | - | 9,934 | 9,934 |
| Contributions | - | 130,720 | 130,720 |
| Miscellaneous: | | | |
| Loan repayment | - | 278,561 | 278,561 |
| Other | - | 18,052 | 18,052 |
| Total revenues | 35,128 | 519,276 | 554,404 |
| Expenditures: | | | |
| Economic development: | | | |
| Current: | | | |
| Materials and supplies | 7 | - | 7 |
| Other services and charges | 14,130 | 1,240,896 | 1,255,026 |
| Loan disbursement | - | 165,000 | 165,000 |
| Debt service: | | | |
| Principal | - | 143,032 | 143,032 |
| Interest | - | 214 | 214 |
| Total expenditures | 14,137 | 1,549,142 | 1,563,279 |
| Revenues over (under) expenditures | 20,991 | (1,029,866) | (1,008,875) |
| Other financing sources (uses): | | | |
| Sale of land held for resale | - | 292,390 | 292,390 |
| Total other financial sources (uses) | - | 292,390 | 292,390 |
| Net change in fund balance | 20,991 | (737,476) | (716,485) |
| Fund balance - January 1 | 4,296 | 1,090,452 | 1,094,748 |
| Fund balance - December 31 | \$25,287 | \$352,976 | \$378,263 |

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III. STATISTICAL SECTION (UNAUDITED)

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III. STATISTICAL SECTION (UNAUDITED)

This part of the City of Grand Rapid's Annual Comprehensive 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 Rapid's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

| | Fiscal Year | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Governmental activities: | | | | |
| Net investment in capital assets | \$33,830,578 | \$33,884,548 | \$36,971,014 | \$37,512,555 |
| Restricted | 10,281,228 | 9,803,311 | 10,100,529 | 13,147,731 |
| Unrestricted | 4,784,327 | 4,927,309 | 2,940,736 | (1,186,433) |
| Total governmental activities net position | <u>\$48,896,133</u> | <u>\$48,615,168</u> | <u>\$50,012,279</u> | <u>\$49,473,853</u> |
| Business type activities: | | | | |
| Net investment in capital assets | \$2,894,190 | \$2,841,005 | \$2,797,345 | \$2,904,137 |
| Restricted | - | - | - | - |
| Unrestricted | 424,469 | 494,673 | 337,782 | 14,513 |
| Total business-type activities net position | <u>\$3,318,659</u> | <u>\$3,335,678</u> | <u>\$3,135,127</u> | <u>\$2,918,650</u> |
| Primary government: | | | | |
| Net investment in capital assets | \$36,724,768 | \$36,725,553 | \$39,768,359 | \$40,416,692 |
| Restricted | 10,281,228 | 9,803,311 | 10,100,529 | 13,147,731 |
| Unrestricted | 5,208,796 | 5,421,982 | 3,278,518 | (1,171,920) |
| Total primary government net position | <u>\$52,214,792</u> | <u>\$51,950,846</u> | <u>\$53,147,406</u> | <u>\$52,392,503</u> |

Note: GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources.

Table 1

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$40,214,116 | \$42,846,042 | \$45,277,093 | \$48,653,953 | \$47,899,453 | \$53,100,727 |
| 10,060,607 | 10,896,992 | 10,530,098 | 9,519,302 | 9,316,590 | 10,325,138 |
| 814,352 | 1,270,800 | 2,115,273 | 3,420,365 | 4,559,487 | 5,670,553 |
| <u>\$51,089,075</u> | <u>\$55,013,834</u> | <u>\$57,922,464</u> | <u>\$61,593,620</u> | <u>\$61,775,530</u> | <u>\$69,096,418</u> |
| \$2,954,613 | \$2,888,261 | \$2,708,980 | \$2,756,809 | \$2,790,676 | \$2,686,705 |
| - | - | - | - | - | - |
| (60,547) | (74,841) | 214,488 | 624,115 | 772,086 | 1,071,903 |
| <u>\$2,894,066</u> | <u>\$2,813,420</u> | <u>\$2,923,468</u> | <u>\$3,380,924</u> | <u>\$3,562,762</u> | <u>\$3,758,608</u> |
| \$43,168,729 | \$45,734,303 | \$47,986,073 | \$51,410,762 | \$50,690,129 | \$55,787,432 |
| 10,060,607 | 10,896,992 | 10,530,098 | 9,519,302 | 9,316,590 | 10,325,138 |
| 753,805 | 1,195,959 | 2,329,761 | 4,044,480 | 5,331,573 | 6,742,456 |
| <u>\$53,983,141</u> | <u>\$57,827,254</u> | <u>\$60,845,932</u> | <u>\$64,974,544</u> | <u>\$65,338,292</u> | <u>\$72,855,026</u> |

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

| | Fiscal Year | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$3,701,667 | \$2,993,026 | \$3,649,895 | \$3,096,685 |
| Public safety | 3,382,829 | 3,674,182 | 4,208,454 | 3,807,777 |
| Public works | 5,417,245 | 5,239,892 | 5,646,605 | 6,368,065 |
| Culture and recreation | 2,054,143 | 2,028,067 | 2,367,449 | 2,327,649 |
| Interest and fees on long-term debt | 834,833 | 740,526 | 731,702 | 871,133 |
| Total governmental activities expenses | <u>15,390,717</u> | <u>14,675,693</u> | <u>16,604,105</u> | <u>16,471,309</u> |
| Business-type activities: | | | | |
| Golf course | 554,859 | 598,114 | 651,127 | 683,231 |
| Storm water utility | 425,389 | 440,557 | 688,176 | 701,325 |
| Total business-type activities expenses | <u>980,248</u> | <u>1,038,671</u> | <u>1,339,303</u> | <u>1,384,556</u> |
| Total primary government expenses | <u><u>\$16,370,965</u></u> | <u><u>\$15,714,364</u></u> | <u><u>\$17,943,408</u></u> | <u><u>\$17,855,865</u></u> |
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$563,808 | \$565,218 | \$458,276 | \$559,770 |
| Public safety | 527,001 | 561,365 | 580,225 | 587,714 |
| Public works | 424,349 | 323,177 | 326,167 | 1,048,588 |
| Culture and recreation: | | | | |
| Ice rent | 474,909 | 484,801 | 496,778 | 509,811 |
| Other activities | 526,763 | 532,720 | 551,263 | 531,064 |
| Operating grants and contributions | 1,980,477 | 1,615,576 | 2,262,521 | 1,179,042 |
| Capital grants and contributions | 1,757,480 | 806,243 | 3,523,916 | 1,410,953 |
| Total governmental activities program revenues | <u>6,254,787</u> | <u>4,889,100</u> | <u>8,199,146</u> | <u>5,826,942</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Golf course | 555,588 | 589,499 | 569,276 | 567,053 |
| Storm water utility | 553,074 | 563,011 | 567,357 | 592,947 |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | 46,388 | - | - | - |
| Total business-type activities program revenues | <u>1,155,050</u> | <u>1,152,510</u> | <u>1,136,633</u> | <u>1,160,000</u> |
| Total primary government program revenues | <u><u>\$7,409,837</u></u> | <u><u>\$6,041,610</u></u> | <u><u>\$9,335,779</u></u> | <u><u>\$6,986,942</u></u> |
| Net (expense) revenue: | | | | |
| Governmental activities | (\$9,135,930) | (\$9,786,593) | (\$8,404,959) | (\$10,644,367) |
| Business-type activities | 174,802 | 113,839 | (202,670) | (224,556) |
| Total primary government net (expense) revenue | <u><u>(8,961,128)</u></u> | <u><u>(9,672,754)</u></u> | <u><u>(8,607,629)</u></u> | <u><u>(10,868,923)</u></u> |

Table 2
Page 1 of 2

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$3,027,254 | \$4,330,097 | \$4,566,308 | \$3,727,831 | \$4,615,082 | \$4,972,574 |
| 3,551,574 | 3,872,939 | 3,811,071 | 3,907,045 | 4,678,868 | 5,127,557 |
| 6,569,274 | 8,735,821 | 7,451,179 | 6,633,805 | 7,788,447 | 15,721,896 |
| 2,387,392 | 2,215,769 | 1,825,496 | 1,954,824 | 2,081,855 | 2,485,168 |
| 662,757 | 654,344 | 625,932 | 715,158 | 703,269 | 1,076,622 |
| 16,198,251 | 19,808,970 | 18,279,986 | 16,938,663 | 19,867,521 | 29,383,817 |
| 628,752 | 630,928 | 636,642 | 712,099 | 858,647 | 947,369 |
| 755,772 | 743,983 | 657,178 | 613,529 | 654,748 | 733,006 |
| 1,384,524 | 1,374,911 | 1,293,820 | 1,325,628 | 1,513,395 | 1,680,375 |
| <u>\$17,582,775</u> | <u>\$21,183,881</u> | <u>\$19,573,806</u> | <u>\$18,264,291</u> | <u>\$21,380,916</u> | <u>\$31,064,192</u> |
| \$425,485 | \$1,126,227 | \$649,606 | \$591,979 | \$759,284 | \$960,267 |
| 614,953 | 717,861 | 781,224 | 879,364 | 881,549 | 1,006,901 |
| 897,927 | 488,316 | 1,387,390 | 505,483 | 388,751 | 498,520 |
| 526,840 | 562,840 | 421,120 | 588,587 | 540,271 | 433,048 |
| 463,216 | 450,658 | 383,881 | 305,231 | 383,810 | 330,926 |
| 1,878,743 | 2,536,708 | 3,169,921 | 2,153,675 | 3,248,624 | 11,772,269 |
| 2,730,703 | 7,022,082 | 1,088,517 | 4,403,281 | 3,221,907 | 7,418,614 |
| 7,537,867 | 12,904,692 | 7,881,659 | 9,427,600 | 9,424,196 | 22,420,545 |
| 582,728 | 597,184 | 653,736 | 781,728 | 877,502 | 963,245 |
| 718,751 | 696,628 | 746,488 | 875,888 | 858,646 | 855,582 |
| - | - | - | - | - | - |
| - | - | - | 115,400 | - | 20,046 |
| 1,301,479 | 1,293,812 | 1,400,224 | 1,773,016 | 1,736,148 | 1,838,873 |
| <u>\$8,839,346</u> | <u>\$14,198,504</u> | <u>\$9,281,883</u> | <u>\$11,200,616</u> | <u>\$11,160,344</u> | <u>\$24,259,418</u> |
| (\$8,660,384) | (\$6,904,278) | (\$10,398,327) | (\$7,511,063) | (\$10,443,325) | (\$6,963,272) |
| (83,045) | (81,099) | 106,404 | 447,388 | 222,753 | 158,498 |
| <u>(8,743,429)</u> | <u>(6,985,377)</u> | <u>(10,291,923)</u> | <u>(7,063,675)</u> | <u>(10,220,572)</u> | <u>(6,804,774)</u> |

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

| | Fiscal Year | | | |
|---|---------------------------|---------------------------|---------------------------|----------------------------|
| | 2014 | 2015 | 2016 | 2017 |
| General revenues and other changes in net position | | | | |
| Governmental activities: | | | | |
| Taxes | \$6,022,589 | \$6,640,739 | \$6,945,795 | \$7,239,603 |
| Payments in lieu of taxes (PILOT) | 903,494 | 902,766 | 903,478 | 906,119 |
| City sales tax | - | - | - | - |
| Unrestricted grants and contributions | 1,740,285 | 1,742,132 | 1,776,992 | 1,759,578 |
| Investment earnings (loss) | 122,519 | 109,041 | 107,331 | 121,034 |
| Gain (loss) on sale of capital assets | 6,900 | - | 14,196 | 60,429 |
| Insurance recoveries and other | 20,924 | 7,450 | 50,778 | 15,678 |
| Special item - reimbursement for land swap costs | - | - | - | - |
| Transfers | 3,500 | 103,500 | 3,500 | 3,500 |
| Total governmental activities | <u>8,820,211</u> | <u>9,505,628</u> | <u>9,802,070</u> | <u>10,105,941</u> |
| Business-type activities: | | | | |
| Unrestricted grants and contributions | - | - | - | 1,000 |
| Investment earnings (loss) | 6,919 | 6,349 | 5,619 | 3,884 |
| Gain on sale of capital assets | - | 331 | - | 5,750 |
| Insurance recoveries | 4,000 | - | - | 945 |
| Transfers | (3,500) | (103,500) | (3,500) | (3,500) |
| Total business-type activities | <u>7,419</u> | <u>(96,820)</u> | <u>2,119</u> | <u>8,079</u> |
| Total primary government | <u><u>\$8,827,630</u></u> | <u><u>\$9,408,808</u></u> | <u><u>\$9,804,189</u></u> | <u><u>\$10,114,020</u></u> |
| Change in net position: | | | | |
| Government activities | \$1,907,050 | \$369,698 | \$15,477 | \$1,700,982 |
| Business-type activities | 93,273 | 77,982 | 115,958 | (194,591) |
| Total primary government | <u><u>\$2,000,323</u></u> | <u><u>\$447,680</u></u> | <u><u>\$131,435</u></u> | <u><u>\$1,506,391</u></u> |

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

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$7,354,409 | \$7,629,869 | \$7,659,562 | \$7,924,863 | \$8,464,200 | \$8,714,567 |
| 915,788 | 913,682 | 911,762 | 914,886 | 924,990 | 933,281 |
| - | - | - | - | - | 1,573,230 |
| 1,864,606 | 1,843,498 | 2,086,492 | 2,096,967 | 1,766,907 | 2,669,197 |
| 133,871 | 206,030 | 136,466 | 107,623 | (534,203) | 292,371 |
| 21,576 | 199,455 | 2,512,675 | 67,402 | 3,341 | 101,514 |
| 14,856 | - | - | 70,478 | - | - |
| - | 33,003 | - | - | - | - |
| (29,500) | 3,500 | - | - | - | - |
| 10,275,606 | 10,829,037 | 13,306,957 | 11,182,219 | 10,625,235 | 14,284,160 |
| - | - | - | - | - | - |
| 3,322 | 3,953 | 3,644 | 5,229 | (36,076) | 23,423 |
| 895 | - | - | - | - | 13,925 |
| 24,744 | - | - | - | - | - |
| 29,500 | (3,500) | - | - | - | - |
| 58,461 | 453 | 3,644 | 5,229 | (36,076) | 37,348 |
| <u>\$10,334,067</u> | <u>\$10,829,490</u> | <u>\$13,310,601</u> | <u>\$11,187,448</u> | <u>\$10,589,159</u> | <u>\$14,321,508</u> |
| (\$368,761) | \$3,924,759 | \$2,908,630 | \$3,671,156 | \$181,910 | \$7,320,888 |
| (166,095) | (80,646) | 110,048 | 452,617 | 186,677 | 195,846 |
| <u>(\$534,856)</u> | <u>\$3,844,113</u> | <u>\$3,018,678</u> | <u>\$4,123,773</u> | <u>\$368,587</u> | <u>\$7,516,734</u> |

CITY OF GRAND RAPIDS, MINNESOTA

FUND BALANCES - GOVERNMENTAL FUNDS⁽¹⁾

Last Ten Fiscal Years

| | Fiscal Year | | | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 |
| General Fund: | | | | |
| Fund balance: | | | | |
| Nonspendable | \$401,947 | \$306,783 | \$636,954 | \$1,108,226 |
| Restricted | 14,268 | 17,185 | 17,577 | 21,677 |
| Committed | 331,201 | 422,995 | 517,869 | 613,922 |
| Unassigned | 4,903,066 | 5,253,912 | 5,066,530 | 4,526,746 |
| Total general fund | <u>5,650,482</u> | <u>6,000,875</u> | <u>6,238,930</u> | <u>6,270,571</u> |
| All other governmental funds: | | | | |
| Fund balance: | | | | |
| Nonspendable | 23,387 | 26,659 | 18,334 | 37,351 |
| Restricted | 6,607,864 | 7,012,776 | 7,033,902 | 9,945,077 |
| Committed | 636,819 | 646,943 | 804,728 | 748,398 |
| Assigned | 1,819,910 | 2,076,696 | 1,480,898 | 1,433,487 |
| Unassigned | (117,775) | (184,210) | (579,562) | (929,731) |
| Total all other government funds | <u>8,970,205</u> | <u>9,578,864</u> | <u>8,758,300</u> | <u>11,234,582</u> |
| Total all funds | <u>\$14,620,687</u> | <u>\$15,579,739</u> | <u>\$14,997,230</u> | <u>\$17,505,153</u> |

Table 3

| Fiscal Year | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$1,146,321 | \$1,236,463 | \$1,471,076 | \$1,652,993 | \$1,411,674 | \$1,173,469 |
| 19,419 | 22,535 | 35,950 | 39,516 | 35,374 | 37,348 |
| 713,901 | 817,236 | 925,572 | 1,049,832 | 1,169,769 | 1,286,122 |
| 4,339,372 | 4,544,575 | 4,909,111 | 4,812,207 | 5,012,023 | 5,191,745 |
| 6,219,013 | 6,620,809 | 7,341,709 | 7,554,548 | 7,628,840 | 7,688,684 |
| 38,130 | 79,738 | 52,941 | 45,109 | 35,693 | 128,084 |
| 7,212,565 | 7,108,403 | 6,792,754 | 6,282,145 | 13,375,777 | 7,265,545 |
| 736,371 | 780,416 | 853,737 | 931,143 | 1,030,787 | 1,132,852 |
| 2,110,453 | 1,677,812 | 1,811,774 | 2,364,975 | 1,748,247 | 2,115,974 |
| (798,902) | (537,062) | (944,929) | (1,920,561) | (1,505,563) | (401,135) |
| 9,298,617 | 9,109,307 | 8,566,277 | 7,702,811 | 14,684,941 | 10,241,320 |
| \$15,517,630 | \$15,730,116 | \$15,907,986 | \$15,257,359 | \$22,313,781 | \$17,930,004 |

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

| | Fiscal Year | | | |
|---|----------------------|-------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | |
| Taxes | \$6,951,608 | \$7,549,081 | \$7,802,196 | \$8,179,557 |
| Licenses and permits | 275,941 | 343,241 | 259,518 | 332,376 |
| Intergovernmental | 5,014,278 | 3,887,034 | 5,726,983 | 3,771,612 |
| Special assessments | 990,937 | 835,650 | 989,932 | 631,282 |
| Charges for services | 2,021,418 | 1,945,088 | 1,980,441 | 2,083,233 |
| Fines and forfeits | 172,374 | 150,911 | 140,003 | 116,367 |
| Investment income (loss) | 122,519 | 109,041 | 107,331 | 121,034 |
| Contributions and donations | - | - | - | - |
| Other | 441,708 | 378,950 | 899,017 | 1,093,069 |
| Total revenues | <u>15,990,783</u> | <u>15,198,996</u> | <u>17,905,421</u> | <u>16,328,530</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,591,609 | 2,318,002 | 3,047,872 | 2,404,189 |
| Public safety | 3,074,009 | 3,224,886 | 3,338,016 | 3,340,909 |
| Public works | 3,188,479 | 2,575,664 | 2,731,258 | 2,822,303 |
| Culture and recreation | 1,735,137 | 1,720,627 | 1,947,341 | 1,931,650 |
| Miscellaneous | 570,460 | 545,535 | 514,541 | 553,452 |
| Capital outlay/construction | 3,698,823 | 749,073 | 5,870,681 | 4,736,594 |
| Decertify TIF districts | - | - | - | 91,038 |
| Debt service: | | | | |
| Principal retirement | 5,040,000 | 2,475,000 | 2,590,000 | 2,597,000 |
| Interest | 815,457 | 764,607 | 711,789 | 680,534 |
| Paying agent fees | 8,775 | 8,000 | 7,600 | 7,150 |
| Bond issuance costs | 70,491 | - | 52,693 | 112,018 |
| Total expenditures | <u>20,793,240</u> | <u>14,381,394</u> | <u>20,811,791</u> | <u>19,276,837</u> |
| Revenues over (under) expenditures | <u>(4,802,457)</u> | <u>817,602</u> | <u>(2,906,370)</u> | <u>(2,948,307)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 6,900 | 2,000 | 55,400 | 133,885 |
| Lease issuance | - | - | - | - |
| Issuance of refunding bonds | - | - | - | 3,013,286 |
| Bond issuance/bond premium | 3,000,000 | - | 2,214,183 | 2,289,881 |
| Insurance recoveries | 47,329 | 35,950 | 50,778 | 15,678 |
| Transfers in | 1,053,297 | 602,038 | 1,002,717 | 4,116,142 |
| Transfers out | (1,049,797) | (498,538) | (999,217) | (4,112,642) |
| Total other financing sources (uses) | <u>3,057,729</u> | <u>141,450</u> | <u>2,323,861</u> | <u>5,456,230</u> |
| Net change in fund balance | <u>(\$1,744,728)</u> | <u>\$959,052</u> | <u>(\$582,509)</u> | <u>\$2,507,923</u> |
| Debt service as a percentage of noncapital expenditures | 31.0% | 23.1% | 21.8% | 22.5% |

Table 4

| Fiscal Year | | | | | |
|---------------|-------------|-------------|-------------|-------------|---------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$8,217,883 | \$8,490,925 | \$8,536,045 | \$8,758,762 | \$9,440,654 | \$11,169,116 |
| 212,505 | 499,947 | 450,688 | 384,777 | 479,768 | 440,743 |
| 5,860,934 | 10,498,053 | 5,742,470 | 8,423,475 | 7,337,009 | 16,317,196 |
| 762,813 | 514,977 | 432,474 | 341,486 | 318,005 | 264,640 |
| 2,089,178 | 2,163,196 | 2,067,732 | 2,219,548 | 2,275,889 | 2,569,519 |
| 114,828 | 112,553 | 92,407 | 98,337 | 114,060 | 110,569 |
| 133,871 | 206,030 | 136,466 | 107,623 | (534,203) | 292,371 |
| - | - | - | - | 326,351 | 346,624 |
| 712,397 | 312,273 | 1,063,428 | 242,963 | 445,944 | 4,853,952 |
| 18,104,409 | 22,797,954 | 18,521,710 | 20,576,971 | 20,203,477 | 36,364,730 |
| 2,426,762 | 3,525,148 | 2,960,690 | 3,094,350 | 3,805,894 | 4,293,761 |
| 3,608,088 | 3,798,604 | 3,847,373 | 4,020,689 | 4,202,501 | 4,606,345 |
| 2,795,132 | 2,864,435 | 2,984,860 | 3,275,655 | 3,388,567 | 3,383,502 |
| 2,015,958 | 1,869,413 | 1,525,058 | 1,663,705 | 1,781,666 | 1,677,314 |
| 562,856 | 332,564 | 1,214,096 | 569,299 | 422,144 | 475,302 |
| 4,546,229 | 8,813,591 | 7,745,469 | 12,160,921 | 6,306,014 | 25,452,036 |
| - | 95,693 | - | - | - | - |
| 5,420,000 | 2,480,000 | 2,480,000 | 2,515,000 | 2,495,000 | 2,619,262 |
| 669,089 | 629,512 | 613,237 | 578,766 | 670,696 | 1,040,558 |
| 6,250 | 6,350 | 6,850 | 6,600 | 7,075 | 7,575 |
| 60,199 | 50,948 | 57,920 | 116,617 | 123,390 | 72,562 |
| 22,110,563 | 24,466,258 | 23,435,553 | 28,001,602 | 23,202,947 | 43,628,217 |
| (4,006,154) | (1,668,304) | (4,913,843) | (7,424,631) | (2,999,470) | (7,263,487) |
| 47,887 | 210,616 | 2,526,905 | 51,402 | 6,476 | 101,514 |
| - | - | - | - | - | 470,340 |
| - | - | 2,275,000 | 6,255,000 | - | - |
| 1,973,026 | 1,647,547 | 83,520 | 370,304 | 10,000,000 | 2,255,700 |
| 27,218 | 19,127 | 206,288 | 97,298 | 49,416 | 52,156 |
| 2,096,040 | 982,070 | 806,486 | 1,297,912 | 823,737 | 1,285,790 |
| (2,125,540) | (978,570) | (806,486) | (1,297,912) | (823,737) | (1,285,790) |
| 2,018,631 | 1,880,790 | 5,091,713 | 6,774,004 | 10,055,892 | 2,879,710 |
| (\$1,987,523) | \$212,486 | \$177,870 | (\$650,627) | \$7,056,422 | (\$4,383,777) |
| 33.1% | 18.7% | 16.5% | 17.9% | 17.5% | 13.6% |

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

| Function/Program | Fiscal Year | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Governmental activities: | | | | |
| General government | \$566,308 | \$594,476 | \$781,676 | \$567,926 |
| Public safety | 1,122,613 | 1,141,745 | 1,083,258 | 1,133,127 |
| Public works | 3,325,271 | 1,922,976 | 3,971,370 | 2,785,332 |
| Culture and recreation | 1,059,045 | 1,070,269 | 2,115,700 | 1,108,439 |
| Other | - | - | - | 232,118 |
| Total governmental activities program revenues | <u>6,073,237</u> | <u>4,729,466</u> | <u>7,952,004</u> | <u>5,826,942</u> |
| Business-type activities: | | | | |
| Golf course | 555,588 | 589,499 | 569,276 | 567,053 |
| Storm water utility | 553,074 | 563,011 | 567,357 | 592,947 |
| Total business-type activities program revenues | <u>1,108,662</u> | <u>1,152,510</u> | <u>1,136,633</u> | <u>1,160,000</u> |
| Total primary government program revenues | <u>\$7,181,899</u> | <u>\$5,881,976</u> | <u>\$9,088,637</u> | <u>\$6,986,942</u> |

Table 5

| Fiscal Year | | | | | |
|--------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$486,735 | \$1,261,059 | \$1,627,440 | \$1,352,643 | \$2,235,654 | \$2,383,464 |
| 1,154,522 | 1,393,344 | 1,322,337 | 1,516,232 | 1,491,635 | 2,194,375 |
| 4,360,082 | 8,941,143 | 3,638,837 | 5,628,437 | 4,699,936 | 12,060,419 |
| 1,494,977 | 1,255,309 | 1,263,344 | 905,912 | 978,241 | 6,316,224 |
| 41,551 | 34,710 | 29,701 | 24,376 | 18,730 | 12,877 |
| <u>7,537,867</u> | <u>12,885,565</u> | <u>7,881,659</u> | <u>9,427,600</u> | <u>9,424,196</u> | <u>22,967,359</u> |
| 582,728 | 597,184 | 653,736 | 781,728 | 877,502 | 963,245 |
| 718,751 | 696,628 | 746,488 | 875,888 | 858,646 | 855,582 |
| <u>1,301,479</u> | <u>1,293,812</u> | <u>1,400,224</u> | <u>1,657,616</u> | <u>1,736,148</u> | <u>1,818,827</u> |
| <u>\$8,839,346</u> | <u>\$14,179,377</u> | <u>\$9,281,883</u> | <u>\$11,085,216</u> | <u>\$11,160,344</u> | <u>\$24,786,186</u> |

CITY OF GRAND RAPIDS, MINNESOTA

TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Table 6

| Fiscal Year Ended December 31 | Residential Property | Commercial/ Industrial Property | All Other | Total Tax Capacity | Less: Fiscal Disparity Contribution | Adjusted Tax Capacity Value | Total Direct Tax Rate | Estimated Market Value | Tax Capacity as a Percent of EMV |
|-------------------------------------|-------------------------|---------------------------------------|--------------|--------------------------|---|-----------------------------------|-----------------------------|------------------------------|--|
| 2014 | \$4,496,682 | \$3,933,451 | \$618,235 | \$9,048,368 | \$1,120,826 | \$7,927,542 | 79.308 | \$754,740,246 | 1.05% |
| 2015 | 4,571,503 | 3,906,927 | 681,838 | 9,160,268 | 933,840 | 8,226,428 | 79.245 | 762,916,480 | 1.08% |
| 2016 | 4,724,671 | 3,974,339 | 819,387 | 9,518,397 | 1,109,824 | 8,408,573 | 79.232 | 786,530,358 | 1.07% |
| 2017 | 4,756,343 | 3,960,710 | 882,231 | 9,599,284 | 1,192,888 | 8,406,396 | 82.208 | 792,082,220 | 1.06% |
| 2018 | 4,757,558 | 3,908,563 | 937,951 | 9,604,072 | 1,216,383 | 8,387,689 | 82.493 | 795,696,602 | 1.05% |
| 2019 | 5,115,784 | 3,801,713 | 910,424 | 9,827,921 | 1,219,912 | 8,608,009 | 83.290 | 824,925,900 | 1.04% |
| 2020 | 5,144,945 | 3,818,146 | 789,321 | 9,752,412 | 1,152,780 | 8,599,632 | 83.457 | 822,147,100 | 1.05% |
| 2021 | 5,258,120 | 3,870,142 | 769,972 | 9,898,234 | 1,094,170 | 8,804,064 | 83.454 | 836,239,865 | 1.05% |
| 2022 | 5,858,812 | 3,900,149 | 703,981 | 10,462,942 | 1,172,324 | 9,290,618 | 82.553 | 891,732,700 | 1.04% |
| 2023 | 7,663,545 | 4,013,585 | 713,279 | 12,390,409 | 1,002,186 | 11,388,223 | 71.662 | 1,066,232,900 | 1.07% |

Source: Itasca County Auditor's Office

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

Table 7

| Fiscal Year | Direct Rate - City of Grand Rapids | | | Overlapping Rates | | | Overlapping Tax Rate |
|-------------|------------------------------------|--------|--------|-------------------|-------------------------|----------------------------|-------------------------|
| | Operating | Debt | Total | Itasca County | School District #318 | Special Taxing District | |
| 2014 | 60.623 | 18.685 | 79.308 | 53.852 | 18.583 | 0.260 | 152.003 |
| 2015 | 59.934 | 19.311 | 79.245 | 55.038 | 16.618 | 0.115 | 151.016 |
| 2016 | 62.105 | 17.127 | 79.232 | 58.157 | 16.530 | 0.296 | 154.215 |
| 2017 | 63.426 | 18.782 | 82.208 | 60.240 | 16.909 | 0.293 | 159.650 |
| 2018 | 63.881 | 18.612 | 82.493 | 62.465 | 17.189 | 0.254 | 162.401 |
| 2019 | 65.202 | 18.088 | 83.290 | 64.844 | 24.182 | 0.298 | 172.614 |
| 2020 | 65.307 | 18.150 | 83.457 | 67.034 | 23.901 | 0.305 | 174.697 |
| 2021 | 66.095 | 17.359 | 83.454 | 62.770 | 21.635 | 0.281 | 168.140 |
| 2022 | 62.569 | 19.984 | 82.553 | 61.029 | 22.808 | 0.283 | 166.673 |
| 2023 | 55.294 | 16.368 | 71.662 | 48.590 | 18.176 | 0.227 | 138.655 |

Source: Itasca County Auditor's Office

CITY OF GRAND RAPIDS, MINNESOTA

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Table 8

| Taxpayer | 2023 | | | 2014 | | |
|--------------------------------------|------------------------------|------|--|------------------------------|------|--|
| | Taxable Capacity Value | Rank | Percentage of Total City Capacity Value | Taxable Capacity Value | Rank | Percentage of Total City Capacity Value |
| UPM Blandin Paper Mill | \$463,825 | 1 | 3.71% | \$610,103 | 1 | 6.85% |
| Enbridge Energy, LP | 304,525 | 2 | 2.43% | 273,410 | 2 | 3.07% |
| Wal-Mart Stores | 182,318 | 3 | 1.46% | | | |
| Pillars of Grand Rapids, LLC | 149,466 | 4 | 1.19% | 207,352 | 3 | 2.33% |
| Enbridge Energy Pipelines | 135,388 | 5 | 1.08% | 145,633 | 4 | 1.63% |
| Majestic Pines Grand, LLC | 125,105 | 6 | 1.00% | | | |
| Grand Hospitality LLC | 123,700 | 7 | 0.99% | 122,453 | 6 | 1.37% |
| Grand Rapids Healthcare | 118,341 | 8 | 0.95% | | | |
| Arrowhead Promotion & Fulfillment Co | 115,558 | 9 | 0.92% | 106,404 | 9 | 1.19% |
| Grand Itasca Clinic & Hospital | 112,503 | 10 | 0.90% | | | |
| Burlington Northern & Santa Fe | | | | 124,018 | 5 | 1.39% |
| ASV, Inc. * | | | | 112,032 | 7 | 1.26% |
| Target Corporation | | | | 108,442 | 8 | 1.22% |
| Home Depot USA, Inc | | | | 100,430 | 10 | 1.13% |
| Total principal taxpayers | 1,830,729 | | 14.63% | 1,910,277 | | 21.44% |
| All other taxpayers | 10,680,230 | | 85.37% | 7,000,166 | | 78.56% |
| Total | <u>\$12,510,959</u> | | <u>100.00%</u> | <u>\$8,910,443</u> | | <u>100.00%</u> |

Source: Itasca County Auditor's Office

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

*Formerly Terex Corp., Inc.

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

Table 9

| Fiscal Year Ended December 31 | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2014 | \$6,281,859 | \$6,201,927 | 98.73% | \$79,932 | \$6,281,859 | 100.00% |
| 2015 | 6,845,166 | 6,774,792 | 98.97% | 70,374 | 6,845,166 | 100.00% |
| 2016 | 6,951,560 | 6,847,996 | 98.51% | 87,383 | 6,935,379 | 99.77% |
| 2017 | 7,258,674 | 7,169,418 | 98.77% | 49,666 | 7,219,084 | 99.45% |
| 2018 | 7,408,178 | 7,249,845 | 97.86% | 60,347 | 7,310,192 | 98.68% |
| 2019 | 7,689,023 | 7,545,606 | 98.13% | 69,055 | 7,614,661 | 99.03% |
| 2020 | 7,793,670 | 7,698,321 | 98.78% | 89,933 | 7,788,254 | 99.93% |
| 2021 | 8,079,328 | 7,864,173 | 97.34% | 84,852 | 7,949,025 | 98.39% |
| 2022 | 8,603,265 | 8,555,109 | 99.44% | 19,228 | 8,574,337 | 99.66% |
| 2023 | 8,603,265 | 8,492,059 | 98.71% | - | 8,492,059 | 98.71% |

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 Increment Bonds | Other Debt | General Obligation PUC Debt* | Total Governmental Activities | Capital Leases | | |
| 2014 | \$6,475,141 | \$20,054,957 | \$790,000 | \$108,868 | \$29,841,000 | \$57,269,966 | - | \$57,269,966 | \$5,269 |
| 2015 | 5,794,793 | 18,268,519 | 770,000 | 85,224 | 27,721,386 | 52,639,922 | - | 52,639,922 | 4,843 |
| 2016 | 7,276,630 | 16,417,458 | 750,000 | 61,580 | 25,506,149 | 50,011,817 | - | 50,011,817 | 4,601 |
| 2017 | 8,821,458 | 17,584,683 | 730,000 | 40,936 | 23,469,912 | 50,646,989 | 111,968 | 50,758,957 | 4,439 |
| 2018 | 9,664,438 | 13,270,296 | 705,000 | 27,292 | 21,389,000 | 45,056,026 | 85,564 | 45,141,590 | 3,964 |
| 2019 | 10,678,913 | 11,416,220 | 680,000 | 13,648 | 19,240,000 | 42,028,781 | 58,129 | 42,086,910 | 3,695 |
| 2020 | 12,429,876 | 9,537,720 | 650,000 | - | 17,201,000 | 39,818,596 | 29,621 | 39,848,217 | 3,499 |
| 2021 | 18,320,195 | 7,751,432 | 615,000 | - | 17,186,187 | 43,872,814 | - | 43,872,814 | 3,943 |
| 2022 | 27,422,573 | 6,130,228 | 580,000 | - | 14,069,500 | 48,202,301 | - | 48,202,301 | 4,272 |
| 2023 | 28,500,651 | 4,699,865 | 540,000 | - | 16,724,000 | 50,464,516 | - | 50,464,516 | 4,448 |

Note: Personal income not available.

Excludes component units.

Includes unamortized issuance premium for 2014 through 2023

* Debt of the Public Utilities Commission component unit, for which the City has a general obligation peldge

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

Table 11

| General Bonded Debt Outstanding | | | | | |
|---------------------------------|---|--|--|---|------------------------------------|
| Fiscal Year | General Obligation Bonds <i>c</i> | Less Amounts Restricted for Debt service | Net General Obligation Bonded Debt | Percentage of Estimated Market Value <i>a</i> | Bonded Debt Per Capita <i>b</i> |
| 2014 | \$6,475,141 | \$1,232,228 | \$5,242,913 | 0.6947% | \$482.37 |
| 2015 | 5,794,793 | 1,252,221 | 4,542,572 | 0.5954% | 417.94 |
| 2016 | 7,276,630 | 2,100,311 | 5,176,319 | 0.6581% | 476.25 |
| 2017 | 8,821,458 | 2,913,286 | 5,908,172 | 0.7459% | 516.67 |
| 2018 | 9,664,438 | 2,690,044 | 6,974,394 | 0.8765% | 612.38 |
| 2019 | 10,678,913 | 3,716,614 | 6,962,299 | 0.8440% | 611.32 |
| 2020 | 12,429,876 | 3,903,822 | 8,526,054 | 1.0370% | 748.56 |
| 2021 | 18,320,195 | 4,051,168 | 14,269,027 | 1.7063% | 1,282.49 |
| 2022 | 27,422,573 | 4,370,275 | 23,052,298 | 2.5851% | 2,043.10 |
| 2023 | 28,500,651 | 5,499,560 | 23,001,091 | 2.1572% | 2,027.24 |

a See Table 6 for Estimated Market Value data.

b Population can be found in Table 14.

c Includes unamortized issuance premium for 2014 through 2022.

| | <u>Net Debt Outstanding</u> | <u>% of Debt Applicable to City⁽²⁾</u> | <u>City of Grand Rapids Share of Debt</u> |
|-------------------------------------|---------------------------------|---|---|
| Direct debt | | | |
| City of Grand Rapids ⁽¹⁾ | \$50,464,516 | 100.00% | \$50,464,516 |
| Overlapping debt: | | | |
| Itasca County | 87,280,000 | 13.63% | 11,899,046 |
| School District 318 | <u>97,110,000</u> | 19.57% | <u>19,008,460</u> |
| Total overlapping debt | <u>184,390,000</u> | | <u>30,907,506</u> |
| Total direct and overlapping debt | <u><u>\$234,854,516</u></u> | | <u><u>\$81,372,022</u></u> |

Source: Itasca County Auditor's Office

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

(1) Includes all debt related to governmental activities as presented in Table 10 which includes unamortized bond premiums of \$725,516

(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 2023

| | |
|--|----------------------------|
| Estimated Market value | \$1,066,232,900 |
| Debt limit percentage* | 3% |
| Debt limit amount | <u>31,986,987</u> |
| Debt applicable to limit: | |
| Lease revenue bonds | - |
| General obligation bonds | <u>21,930,646</u> |
| | 21,930,646 |
| Less: | |
| Cash and equivalents in G.O. Bond Debt Service Funds | <u>(3,909,750)</u> |
| Total net debt applicable to limit | <u>18,020,896</u> |
| Legal debt margin | <u><u>\$13,966,091</u></u> |

Legal Debt Margin Calculation for Fiscal Years 2014 Through 2023

| 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 |
|-------------|------------|--------------|------------------------------|-------------------|---|----------------------------|
| 2014 | 10,869 | \$22,642,207 | \$5,393,126 | \$17,249,081 | 23.82% | 496.19 |
| 2015 | 10,869 | 22,887,494 | 4,581,451 | 18,306,043 | 20.02% | 421.52 |
| 2016 | 10,869 | 23,595,911 | 5,471,587 | 18,124,324 | 23.19% | 503.41 |
| 2017 | 11,435 | 23,762,467 | 6,588,263 | 17,174,204 | 27.73% | 576.15 |
| 2018 | 11,389 | 23,870,898 | 7,606,103 | 16,264,795 | 31.86% | 667.85 |
| 2019 | 11,389 | 24,747,777 | 8,386,527 | 16,361,250 | 33.89% | 736.37 |
| 2020 | 11,390 | 24,664,413 | 10,002,051 | 14,662,362 | 40.55% | 878.14 |
| 2021 | 11,126 | 25,087,196 | 15,747,803 | 9,339,393 | 62.77% | 1,415.41 |
| 2022 | 11,283 | 26,751,981 | 17,848,824 | 8,903,157 | 66.72% | 1,581.92 |
| 2023 | 11,346 | 31,986,987 | 18,020,896 | 13,966,091 | 56.34% | 1,588.30 |

Source: Itasca County Auditors Office and City Finance Department

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

Table 14

| Fiscal Year | Improvement Bonds | | | | Tax Increment Bonds | | | |
|-------------|--------------------------------------|--------------|-----------|----------|---------------------------------|--------------|----------|----------|
| | Special Assessment Collections | Debt Service | | Coverage | Tax Increment Collections | Debt Service | | Coverage |
| | | Principal | Interest | | | Principal | Interest | |
| 2014 | \$609,576 | \$1,645,000 | \$466,922 | 28.86% | \$180,957 | \$15,000 | \$35,371 | 359.25% |
| 2015 | 551,895 | 1,315,000 | 437,515 | 31.49% | 237,023 | 20,000 | 34,715 | 433.20% |
| 2016 | 514,410 | 1,505,000 | 416,830 | 26.77% | 372,139 | 20,000 | 33,965 | 689.59% |
| 2017 | 412,018 | 1,495,000 | 380,497 | 21.97% | 383,897 | 20,000 | 33,170 | 722.02% |
| 2018 | 447,143 | 1,450,000 | 344,854 | 24.91% | 362,772 | 25,000 | 28,371 | 679.72% |
| 2019 | 404,464 | 1,510,000 | 296,329 | 22.39% | 227,734 | 25,000 | 19,900 | 507.20% |
| 2020 | 314,002 | 1,505,000 | 256,638 | 17.82% | 228,705 | 30,000 | 19,076 | 466.02% |
| 2021 | 258,644 | 1,420,000 | 215,700 | 15.81% | 235,563 | 35,000 | 18,100 | 443.62% |
| 2022 | 249,526 | 1,255,000 | 174,800 | 17.45% | 275,131 | 35,000 | 17,051 | 528.58% |
| 2023 | 237,124 | 1,420,000 | 167,505 | 14.94% | 566,948 | 40,000 | 15,925 | 1013.76% |

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

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income</u> | <u>Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|--------------------|-------------------|----------------------------|---|------------------------------|
| 2014 | 10,869 | | | 9.90% |
| 2015 | 10,869 | | | 7.60% |
| 2016 | 10,869 | | | 6.70% |
| 2017 | 11,435 | | | 8.47% |
| 2018 | 11,389 | Information Not Available | | 10.60% |
| 2019 | 11,389 | | | 6.10% |
| 2020 | 11,389 | | | 5.60% |
| 2021 | 11,390 | | | 5.28% |
| 2022 | 11,283 | | | 4.61% |
| 2023 | 11,346 | | | 4.00% |

Source: Minnesota Department of Employment and Economic Development

CITY OF GRAND RAPIDS, MINNESOTA
PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 16

| Taxpayer | 2023 | | | 2014 | | |
|----------------------------------|-----------|------|---|-----------|------|---|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| ISD #318(1) | 716 | 1 | 8.94% | 624 | 1 | 6.68% |
| Grand Itasca Clinic & Hospital | 526 | 2 | 6.57% | 600 | 2 | 6.43% |
| Itasca County | 421 | 3 | 5.26% | 420 | 4 | 4.50% |
| Northland Counseling Center, Inc | 250 | 4 | 3.12% | | | |
| ASV Inc.(3) | 250 | 5 | 3.12% | 450 | 9 | 4.82% |
| North Homes, Inc. | 250 | 6 | 3.12% | | | |
| Magnetation | | | | 300 | 6 | 3.21% |
| UPM Blandin Paper Mill | 226 | 7 | 2.82% | 460 | 3 | 4.93% |
| Arrowhead Promo & Fulfillment | 220 | 8 | 2.75% | 290 | 7 | 3.11% |
| City of Grand Rapids(1) | 179 | 9 | 2.24% | 234 | 8 | 2.51% |
| Wal-Mart | 183 | 10 | 2.29% | 300 | 5 | 3.21% |
| Grand Village Nursing Home(2) | | | | 160 | 10 | 1.71% |
| Total | 3,221 | | 40.24% | 3,838 | | 41.10% |
| All other employers | 4,784 | | 59.76% | 5,500 | | 58.90% |
| Total | 8,005 | | 100.00% | 9,338 | | 100.00% |

Source: Minnesota Department of Employment and Economic Development

(1) Formerly Terex Corp., Inc.

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

(3) Formerly known as Itasca County Nursing Home.

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 | | | | | | | | | |
|-----------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| General government: | | | | | | | | | | |
| Administration | 4.00 | 4.00 | 4.00 | 4.00 | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Finance | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Community development | 4.05 | 4.05 | 4.55 | 4.55 | 4.55 | 5.55 | 5.55 | 4.55 | 4.55 | 4.55 |
| Engineering | 2.45 | 2.45 | 2.45 | 3.45 | 3.45 | 4.45 | 4.45 | 4.45 | 4.45 | 4.45 |
| Information technology | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 3.00 |
| Police officers and records | 22.50 | 22.50 | 22.50 | 25.50 | 26.50 | 27.50 | 27.70 | 24.70 | 24.70 | 22.50 |
| Public works | 14.00 | 14.00 | 14.00 | 16.00 | 17.00 | 18.00 | 20.00 | 20.00 | 19.00 | 18.00 |
| Parks and recreation | 3.00 | 3.00 | 3.00 | 3.00 | 2.00 | 3.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Library | 8.75 | 8.75 | 8.50 | 8.50 | 8.50 | 8.50 | 6.50 | 7.50 | 7.50 | 7.50 |
| Golf course | 2.00 | 2.00 | 2.00 | 2.00 | 1.00 | 1.00 | 1.00 | 2.00 | 2.00 | 2.00 |
| Total | 67.75 | 67.75 | 68.00 | 74.00 | 73.00 | 79.00 | 78.20 | 76.20 | 75.20 | 73.00 |

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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------|---------|---------|---------|---------|---------|---------|--------|---------|---------|---------|
| Police: | | | | | | | | | | |
| Physical and sexual assaults | 460 | 441 | 346 | 145 | 218 | 230 | 231 | 191 | 137 | 190 |
| Parking citations | 314 | 239 | 208 | 590 | 487 | 451 | 370 | 337 | 383 | 177 |
| DUI arrests | 211 | 117 | 110 | 94 | 72 | 73 | 52 | 56 | 86 | 62 |
| Traffic citations | 1,544 | 2,175 | 1,579 | 1,366 | 1232 | 1381 | 863 | 953 | 984 | 606 |
| Accidents | 568 | 495 | 451 | 416 | 535 | 412 | 320 | 358 | 408 | 361 |
| Fire: | | | | | | | | | | |
| Emergency responses | 138 | 167 | 182 | 212 | 146 | 199 | 203 | 219 | 214 | 194 |
| Haz-Mat responses | 36 | 53 | 17 | 13 | 3 | 0 | 1 | 1 | 1 | 2 |
| Inspections | 100 | 55 | 6 | 5 | 8 | 19 | 28 | 26 | 4 | 18 |
| Community development: | | | | | | | | | | |
| Permits issued: | | | | | | | | | | |
| Commercial | 96 | 110 | 120 | 153 | 120 | 107 | 113 | 134 | 88 | 110 |
| Governmental | 25 | 20 | 29 | 22 | 12 | 12 | 13 | 14 | 5 | 17 |
| Residential | 373 | 401 | 405 | 382 | 393 | 442 | 368 | 378 | 354 | 401 |
| Building safety devision: | | | | | | | | | | |
| Rental inspections | - | - | - | - | - | - | - | - | 181 | 132 |
| Re-inspections | - | - | - | - | - | - | - | - | 169 | 135 |
| Public works: | | | | | | | | | | |
| Streets swept (miles) | 93 | 93 | 93 | 93 | 93 | 94 | 94 | 94 | 94 | 94 |
| Roads (miles) | 93 | 93 | 93 | 93 | 93 | 94 | 94 | 94 | 94 | 94 |
| Streetlights | 1,325 | 1,325 | 1,325 | 1,578 | 1584 | 1630 | 1624 | 1,696 | 1,924 | 1,667 |
| Parks and recreation: | | | | | | | | | | |
| Playgrounds | 10 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Baseball/softball fields | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Soccer fields | 3 | 3 | 3 | 3 | 2 | 3 | 3 | 3 | 3 | 3 |
| Skate park | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library: | | | | | | | | | | |
| Volumes in collection | 75,173 | 75,751 | 74,541 | 70,991 | 73,332 | 74,073 | 73,670 | 72,425 | 70,704 | 71,039 |
| Total volumes borrowed | 172,438 | 173,954 | 163,483 | 160,089 | 183,169 | 191,876 | 98,190 | 131,131 | 160,723 | 165,796 |
| Golf course: | | | | | | | | | | |
| Number of passes sold | | | | | | | | | | |
| Junior* | 59 | 77 | 57 | 46 | 42 | 40 | 62 | 48 | 63 | 84 |
| Young adult* | 14 | 15 | 12 | 11 | 11 | 10 | 34 | 38 | 53 | 48 |
| Single | 110 | 107 | 128 | 113 | 99 | 101 | 101 | 127 | 124 | 118 |
| Family | 63 | 74 | 63 | 60 | 64 | 62 | 48 | 56 | 54 | 58 |

*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 | | | | | | | | | |
|---------------------------------------|-------------|------|------|------|-------|------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 20 | 20 | 20 | 20 | 22 | 20 | 20 | 20 | 21 | 22 |
| Fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Public works: | | | | | | | | | | |
| Miles of streets maintained | 93 | 93 | 95 | 95 | 95 | 95 | 94 | 94 | 95 | 95 |
| Miles of sidewalks maintained | 91 | 100 | 103 | 103 | 104 | 103 | 48 | 48 | 49 | 49 |
| Miles of curbs and gutters maintained | 112 | 112 | 113 | 113 | 113.5 | 113 | 113 | 113 | 160 | 160 |
| Parks and recreation: | | | | | | | | | | |
| Community parks and playgrounds | 24 | 26 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Total acres | 227 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |

Source: Various City Departments

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IV. OTHER INFORMATION (UNAUDITED)

CITY OF GRAND RAPIDS, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2023

| | Interest Rates | Issue Date | Final Maturity Date |
|---|-------------------|---------------|---------------------------|
| General Obligation Tax Increment Bonds: | | | |
| Refunding TIF Bonds Series 2017B | 4.20 - 4.60 | 12/28/2017 | 2/1/2034 |
| Total General Obligation Tax Increment Bonds | | | |
| General Obligation Improvement Bonds: | | | |
| Improvement Bonds of 2009C | 1.85 - 4.3 | 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 2014A | 0.50 - 2.90 | 11/1/2014 | 2/1/2030 |
| Improvement Refunding Bonds of 2017B | 2.3 - 3.0 | 12/28/2017 | 2/1/2034 |
| Total General Obligation Improvement Bonds | | | |
| Other General Obligation Debt: | | | |
| Street Reconstruction Bonds of 2013B | 3.00-3.50 | 9/1/2013 | 2/1/2029 |
| Street Reconstruction Bonds of 2016A | 0.850 - 2.2 | 10/5/2016 | 2/1/2032 |
| Street Reconstruction Bonds of 2017A | 3.0 - 3.45 | 9/7/2017 | 2/1/2033 |
| Street Reconstruction Bonds of 2018A | 3.0 - 3.25 | 10/18/2018 | 2/1/2034 |
| Street Reconstruction Bonds of 2020A | 1.60 - 2.00 | 11/5/2020 | 2/1/2036 |
| Street Reconstruction Bonds of 2023A | 4.00 - 5.00 | 11/9/2023 | 2/1/2039 |
| G.O. Abatement Bonds of 2019A | 2.0 - 3.0 | 9/5/2019 | 2/1/2035 |
| G.O. Abatement Bonds of Bonds of 2021B | 2.00 - 2.75 | 7/1/2021 | 2/1/2042 |
| G.O. Temporary Bonds of 2022A | 4.75 | 12/22/2022 | 12/1/2025 |
| Total Other General Obligation Debt | | | |
| Note payable - Block 20 & 21 Soil | 0.00 | 8/5/2010 | 12/31/2029 |
| Note payable - Airport Ind Park/Kent | 0.00 | 7/16/2015 | 7/16/2035 |
| Note payable - Blandin | 0.00 | 2016 | 2026 |
| Note payable - VFW/Rose buildings | 0.00 | 1/29/2021 | 1/29/2026 |
| Note payable - Blandin | 0.00 | 4/1/2020 | 10/1/2026 |
| Note payable - Blandin | 0.00 | 4/1/2020 | 10/1/2026 |
| Revenue Bonds and Notes (Public Utilities): | | | |
| Taxable G.O. Wastewater Revenue Note of 2009E | 2.90 | 11/10/2009 | 8/20/2029 |
| Taxable G.O. Utility Revenue Bonds of 2013C | 2.00-4.50 | 9/1/2013 | 2/1/2029 |
| G.O. Utility Revenue Refunding Bonds of 2021A | 0.25 - 0.63 | 5/27/2021 | 10/15/2025 |
| G.O. Utility Revenue Refunding Bonds of 2021D | 2.0 - 3.0 | 12/9/2021 | 2/1/2033 |
| G.O. Utility Revenue Refunding Bonds of 2021C | 0.45 - 1.25 | 9/2/2021 | 2/1/2029 |
| G.O. Utility Revenue Bonds of 2023B | 4.25 - 5.00 | 11/9/2023 | 2/1/2039 |
| Total Revenue Bonds (Public Utilities) | | | |
| Total bonded indebtedness | | | |

Exhibit 1

| Prior Years | | Payable 01/01/23 | 2023 | | Payable 12/31/2023 | Due in 2024 | |
|-------------------|--------------|---------------------|-------------|-------------|-----------------------|-------------|-------------|
| Original Issue | Payments | | Issued | Payments | | Principal | Interest |
| \$705,000 | \$125,000 | \$580,000 | - | \$40,000 | \$540,000 | \$35,000 | \$14,800 |
| 705,000 | 125,000 | 580,000 | 0 | 40,000 | 540,000 | 35,000 | 14,800 |
| 4,565,000 | 3,500,000 | 1,065,000 | - | 345,000 | 720,000 | 355,000 | 28,663 |
| 1,115,000 | 865,000 | 250,000 | - | 60,000 | 190,000 | 60,000 | 5,725 |
| 1,555,000 | 1,185,000 | 370,000 | - | 70,000 | 300,000 | 70,000 | 8,182 |
| 2,245,000 | 1,285,000 | 960,000 | - | 155,000 | 805,000 | 155,000 | 23,644 |
| 4,175,000 | 2,670,000 | 1,505,000 | - | 290,000 | 1,215,000 | 295,000 | 25,807 |
| 3,000,000 | 1,570,000 | 1,430,000 | - | 205,000 | 1,225,000 | 210,000 | 29,120 |
| 2,215,000 | 1,755,000 | 460,000 | - | 295,000 | 165,000 | 165,000 | 2,475 |
| 18,870,000 | 12,830,000 | 6,040,000 | 0 | 1,420,000 | 4,620,000 | 1,310,000 | 123,616 |
| 4,025,000 | 1,925,000 | 2,100,000 | - | 270,000 | 1,830,000 | 280,000 | 55,487 |
| 2,170,000 | 645,000 | 1,525,000 | - | 140,000 | 1,385,000 | 140,000 | 26,960 |
| 2,130,000 | 460,000 | 1,670,000 | - | 130,000 | 1,540,000 | 135,000 | 47,250 |
| 1,960,000 | 320,000 | 1,640,000 | - | 120,000 | 1,520,000 | 120,000 | 44,938 |
| 2,275,000 | 125,000 | 2,150,000 | - | 135,000 | 2,015,000 | 140,000 | 33,262 |
| - | - | - | 2,220,000 | - | 2,220,000 | - | 72,887 |
| 1,585,000 | 160,000 | 1,425,000 | - | 90,000 | 1,335,000 | 95,000 | 31,105 |
| 6,255,000 | - | 6,255,000 | - | 245,000 | 6,010,000 | 255,000 | 131,056 |
| 10,000,000 | - | 10,000,000 | - | - | 10,000,000 | - | 475,000 |
| 30,400,000 | 3,635,000 | 26,765,000 | 2,220,000 | 1,130,000 | 27,855,000 | 1,165,000 | 917,945 |
| 100,000 | - | 100,000 | - | - | 100,000 | - | - |
| 350,000 | 122,500 | 227,500 | - | 17,500 | 210,000 | 17,500 | - |
| 175,000 | 116,655 | 58,345 | - | 14,371 | 43,974 | - | - |
| 140,000 | - | 140,000 | - | - | 140,000 | - | - |
| 550,000 | 246,533 | 303,467 | - | 73,761 | 229,706 | - | - |
| 100,000 | 28,050 | 71,950 | - | 37,400 | 34,550 | - | - |
| 26,370,232 | 15,353,232 | 11,017,000 | - | 1,442,000 | 9,575,000 | 1,484,000 | 277,675 |
| 2,305,000 | 2,150,000 | 155,000 | - | 155,000 | - | - | - |
| 872,000 | 289,500 | 582,500 | - | 193,500 | 389,000 | 194,000 | 1,805 |
| 1,120,000 | - | 1,120,000 | - | 95,000 | 1,025,000 | 100,000 | 26,250 |
| 1,210,000 | 15,000 | 1,195,000 | - | 35,000 | 1,160,000 | 190,000 | 9,963 |
| - | - | - | 4,575,000 | - | 4,575,000 | - | 154,425 |
| 31,877,232 | 17,807,732 | 14,069,500 | 4,575,000 | 1,920,500 | 16,724,000 | 1,968,000 | 470,118 |
| \$83,267,232 | \$34,911,470 | \$48,355,762 | \$6,795,000 | \$4,653,532 | \$50,497,230 | \$4,495,500 | \$1,526,479 |

| | Tax Increment Bonds Series 2017B | Street Reconstruction Bonds Series 2013B | Street Reconstruction Bonds Series 2016A | Street Reconstruction Bonds Series 2017A | Street Reconstruction Bonds Series 2018A | G.O. Abatement Bonds Series 2019A | Street Reconstruction Bonds Series 2020A | G.O. Abatement Bonds Series 2021B | G.O. Temporary Bonds Series 2022A | Street Reconstruction Bonds Series 2023A | Total |
|-------------------------|---|---|---|---|---|--|---|--|--|---|---------------------|
| Bonds payable | \$540,000 | \$1,830,000 | \$1,385,000 | \$1,540,000 | \$1,520,000 | \$1,335,000 | \$2,015,000 | \$6,010,000 | \$10,000,000 | \$2,220,000 | \$28,395,000 |
| Future interest payable | 95,728 | 191,206 | 133,630 | 265,837 | 273,018 | 188,455 | 217,123 | 1,273,357 | 950,000 | 877,212 | 4,465,566 |
| Totals | <u>\$635,728</u> | <u>\$2,021,206</u> | <u>\$1,518,630</u> | <u>\$1,805,837</u> | <u>\$1,793,018</u> | <u>\$1,523,455</u> | <u>\$2,232,123</u> | <u>\$7,283,357</u> | <u>\$10,950,000</u> | <u>\$3,097,212</u> | <u>\$32,860,566</u> |
| Payments to maturity: | | | | | | | | | | | |
| 2024 | \$49,800 | \$335,488 | \$166,960 | \$182,250 | \$164,937 | \$126,105 | \$173,262 | \$386,056 | \$475,000 | \$72,887 | \$2,132,745 |
| 2025 | 53,815 | 336,937 | 169,110 | 183,125 | 166,263 | 123,255 | 170,462 | 383,975 | 10,475,000 | 183,025 | 12,244,967 |
| 2026 | 52,895 | 337,712 | 171,160 | 183,850 | 167,438 | 130,255 | 172,612 | 381,756 | - | 203,150 | 1,800,828 |
| 2027 | 56,918 | 332,881 | 168,160 | 179,500 | 163,538 | 127,105 | 169,712 | 384,331 | - | 202,525 | 1,784,670 |
| 2028 | 55,725 | 337,325 | 170,110 | 179,963 | 164,562 | 128,880 | 171,762 | 381,700 | - | 201,650 | 1,791,677 |
| 2029 | 59,300 | 340,863 | 167,010 | 180,158 | 165,437 | 126,130 | 173,713 | 378,932 | - | 200,525 | 1,792,068 |
| 2030 | 62,725 | - | 168,860 | 180,117 | 161,237 | 128,880 | 170,613 | 380,957 | - | 204,025 | 1,457,414 |
| 2031 | 56,150 | - | 170,445 | 179,754 | 156,950 | 126,580 | 173,102 | 383,850 | - | 202,150 | 1,448,981 |
| 2032 | 59,575 | - | 166,815 | 179,058 | 162,418 | 129,170 | 171,103 | 382,700 | - | 204,900 | 1,455,739 |
| 2033 | 62,850 | - | - | 178,062 | 157,638 | 126,650 | 173,908 | 386,400 | - | 202,275 | 1,287,783 |
| 2034 | 65,975 | - | - | - | 162,600 | 124,070 | 171,515 | 384,950 | - | 205,100 | 1,114,210 |
| 2035 | - | - | - | - | - | 126,375 | 168,999 | 383,400 | - | 203,400 | 882,174 |
| 2036 | - | - | - | - | - | - | 171,360 | 381,750 | - | 201,500 | 754,610 |
| 2037 | - | - | - | - | - | - | - | 384,950 | - | 204,300 | 589,250 |
| 2038 | - | - | - | - | - | - | - | 383,000 | - | 201,800 | 584,800 |
| 2039 | - | - | - | - | - | - | - | 385,900 | - | 204,000 | 589,900 |
| 2040 | - | - | - | - | - | - | - | 383,650 | - | - | 383,650 |
| 2041 | - | - | - | - | - | - | - | 381,300 | - | - | 381,300 |
| 2042 | - | - | - | - | - | - | - | 383,800 | - | - | 383,800 |
| | <u>\$635,728</u> | <u>\$2,021,206</u> | <u>\$1,518,630</u> | <u>\$1,805,837</u> | <u>\$1,793,018</u> | <u>\$1,523,455</u> | <u>\$2,232,123</u> | <u>\$7,283,357</u> | <u>\$10,950,000</u> | <u>\$3,097,212</u> | <u>\$32,860,566</u> |

| | 2009C Improvement Bonds | 2010A Improvement Bonds | 2011B Improvement Refunding Bonds | 2012A Improvement Bonds | 2012B Improvement Bonds | 2014A Improvement Bonds | 2017B Improvement Refunding Bonds | Total |
|-------------------------|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|-------------------------------|--|--------------------|
| Bonds payable | \$720,000 | \$190,000 | \$300,000 | \$805,000 | \$1,215,000 | \$1,225,000 | \$165,000 | \$4,620,000 |
| Future interest payable | 38,336 | 10,436 | 19,150 | 66,709 | 60,940 | 110,425 | 2,475 | 308,471 |
| Totals | <u>\$758,336</u> | <u>\$200,436</u> | <u>\$319,150</u> | <u>\$871,709</u> | <u>\$1,275,940</u> | <u>\$1,335,425</u> | <u>167,475</u> | <u>\$4,928,471</u> |
| Payments to maturity: | | | | | | | | |
| 2024 | \$383,663 | \$65,725 | \$78,182 | \$178,644 | \$320,807 | \$239,120 | \$167,475 | \$1,433,616 |
| 2025 | 374,673 | 68,534 | 81,007 | 173,607 | 319,112 | 239,230 | - | 1,256,163 |
| 2026 | - | 66,177 | 78,701 | 173,488 | 316,926 | 169,775 | - | 805,067 |
| 2027 | - | - | 81,260 | 173,207 | 319,095 | 170,885 | - | 744,447 |
| 2028 | - | - | - | 172,763 | - | 171,710 | - | 344,473 |
| 2029 | - | - | - | - | - | 172,240 | - | 172,240 |
| 2030 | - | - | - | - | - | 172,465 | - | 172,465 |
| | <u>\$758,336</u> | <u>\$200,436</u> | <u>\$319,150</u> | <u>\$871,709</u> | <u>\$1,275,940</u> | <u>\$1,335,425</u> | <u>\$167,475</u> | <u>\$4,928,471</u> |

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| | 2024 Tax Capacity Values | 2023 Tax Capacity Values |
|------------------------------------|--------------------------------|--------------------------------|
| Taxable valuations: | | |
| Real estate | \$12,569,690 | \$11,677,130 |
| Personal property | 738,371 | 713,279 |
| Net tax capacity | 13,308,061 | 12,390,409 |
| Less: Captured tax increment value | (523,923) | (416,980) |
| Fiscal disparities contributions | (1,198,566) | (1,002,186) |
| Taxable net tax capacity | \$11,585,572 | \$10,971,243 |

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION BONDS
December 31, 2023

| Year of Levy/ Collection | Supplemental Improvement Bond Levy ⁽¹⁾ | \$4,565,000 Improvement Bonds Series 2009C ⁽²⁾ | \$1,750,000 Improvement and CIP Bonds Series 2010A | \$1,555,000 Improvement & Refunding Bonds Series 2011B | \$2,245,000 Improvement Bonds Series 2012A | \$4,025,000 Improvement Bonds Series 2013B | \$3,000,000 Improvement Bonds Series 2014A |
|--------------------------------|---|---|--|--|---|---|---|
| 2023/2024 | (\$135,000) | \$303,165 | \$57,510 | \$58,407 | \$124,414 | \$108,145 | \$235,700 |
| 2024/2025 | (80,000) | - | 55,486 | 56,792 | 124,376 | 109,510 | 162,032 |
| 2025/2026 | (80,000) | - | - | 60,309 | 124,165 | 104,522 | 163,345 |
| 2026/2027 | (55,000) | - | - | - | 123,784 | 109,864 | 164,363 |
| 2027/2028 | (10,000) | - | - | - | - | 113,854 | 165,077 |
| 2028/2029 | - | - | - | - | - | - | 165,476 |
| 2029/2030 | - | - | - | - | - | - | - |
| 2030/2031 | - | - | - | - | - | - | - |
| 2031/2032 | - | - | - | - | - | - | - |
| 2032/2033 | - | - | - | - | - | - | - |
| 2033/2034 | - | - | - | - | - | - | - |
| 2034/2035 | - | - | - | - | - | - | - |
| 2034/2036 | - | - | - | - | - | - | - |
| 2034/2037 | - | - | - | - | - | - | - |
| 2034/2038 | - | - | - | - | - | - | - |
| 2034/2039 | - | - | - | - | - | - | - |
| 2034/2040 | - | - | - | - | - | - | - |
| 2034/2041 | - | - | - | - | - | - | - |
| | <u>(\$360,000)</u> | <u>\$303,165</u> | <u>\$112,996</u> | <u>\$175,508</u> | <u>\$496,739</u> | <u>\$545,895</u> | <u>\$1,055,993</u> |

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

⁽²⁾This is a Build America Bond and the amount presented is after reduction for Federal Credit.

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

| \$2,170,000 GO Street Reconst Bonds Series 2016A | \$2,130,000 GO Street Reconst Bonds Series 2017A | \$1,960,000 GO Street Reconst Bonds Series 2018A | \$1,585,000 Improvement Bonds Series 2019A | \$2,275,000 GO Street Reconst Bonds Series 2020A | \$6,255,000 GO CIP/ Abatement 2021B | \$2,220,000 GO Street Reconst Bonds Series 2023A | Total |
|---|---|---|---|---|--|---|---------------------|
| \$151,129 | \$171,398 | \$141,808 | \$130,914 | \$163,696 | \$406,928 | \$218,360 | \$2,136,574 |
| 153,334 | 172,237 | 143,953 | 138,421 | 166,191 | 404,670 | 216,195 | 1,823,197 |
| 150,184 | 167,670 | 140,690 | 135,114 | 163,331 | 407,518 | 215,670 | 1,752,518 |
| 152,284 | 168,353 | 142,677 | 137,057 | 165,720 | 404,828 | 214,883 | 1,728,813 |
| 149,029 | 168,641 | 144,507 | 133,591 | 168,005 | 401,992 | 213,833 | 1,648,529 |
| 151,024 | 168,765 | 140,929 | 136,532 | 164,935 | 404,263 | 217,770 | 1,549,694 |
| 152,914 | 168,555 | 137,351 | 134,116 | 167,115 | 406,245 | 215,932 | 1,382,228 |
| 149,102 | 168,001 | 144,089 | 136,952 | 165,283 | 405,090 | 219,082 | 1,387,599 |
| - | 167,093 | 139,999 | 134,305 | 168,534 | 409,080 | 216,458 | 1,235,469 |
| - | - | 146,213 | 131,660 | 166,293 | 407,610 | 218,820 | 1,070,596 |
| - | - | - | 134,137 | 163,879 | 406,035 | 217,140 | 921,191 |
| - | - | - | - | 166,628 | 404,355 | 215,250 | 786,233 |
| - | - | - | - | - | 407,820 | 218,400 | 626,220 |
| - | - | - | - | - | 405,825 | 215,880 | 621,705 |
| - | - | - | - | - | 408,975 | 218,400 | 627,375 |
| - | - | - | - | - | 406,665 | - | 406,665 |
| - | - | - | - | - | 404,250 | - | 404,250 |
| - | - | - | - | - | 406,980 | - | 406,980 |
| <u>\$1,209,000</u> | <u>\$1,520,713</u> | <u>\$1,422,216</u> | <u>\$1,482,799</u> | <u>\$1,989,610</u> | <u>\$7,309,129</u> | <u>\$3,252,073</u> | <u>\$20,515,836</u> |

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FORM OF LEGAL OPINION

(See following pages)



Fifth Street Towers
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300 telephone
(612) 337-9310 fax
kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

\$ _____
City of Grand Rapids, Minnesota
General Obligation Equipment Certificates
Series 2024B

We have acted as bond counsel to the City of Grand Rapids, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Equipment Certificates, Series 2024B (the “Certificates”), originally dated September 18, 2024, 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 Certificates 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 Certificates are payable primarily from 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 Certificates 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 included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain 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 Code that must be satisfied subsequent to the issuance of the Certificates 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 Certificates 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 Certificates. We express no opinion regarding tax consequences arising with respect to the Certificates other than as expressly set forth herein.

4. The rights of the owners of the Certificates and the enforceability of the Certificates may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' 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 Certificates, 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 September __, 2024 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.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$ _____
City of Grand Rapids, Minnesota
General Obligation Equipment Certificates
Series 2024B

CONTINUING DISCLOSURE CERTIFICATE

September __, 2024

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 Equipment Certificates, Series 2024B (the “Certificates”), in the original aggregate principal amount of \$ _____. The Certificates are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Certificates 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 Certificates 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 Certificates 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 GAAP as prescribed by GASB.

“Certificates” means the General Obligation Equipment Certificates, Series 2024B, 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 deemed Final Official Statement, dated August __, 2024, which constitutes the final official statement delivered in connection with the Certificates, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation;

or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Certificate is registered or a beneficial owner of such a Certificate.

“Issuer” means the City of Grand Rapids, Minnesota, which is the obligated person with respect to the Certificates.

“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 Certificates (including the Purchaser) required to comply with the Rule in connection with the offering of the Certificates.

“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, 2024, 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 and Collections
4. U.S. 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 Certificates:

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;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(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 redemption in full of all Certificates or payment in full of all Certificates.

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 Certificates. 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 Certificates, 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 Certificates 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 Certificates 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 Certificates, 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 for the
General Obligation Equipment Certificates, Series 2024B)

TERMS OF PROPOSAL

\$1,055,000* GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2024B CITY OF GRAND RAPIDS, MINNESOTA

Proposals for the purchase of \$1,055,000* General Obligation Equipment Certificates, Series 2024B (the "Certificates") of the City of Grand Rapids, Minnesota (the "City") will be received at the offices of Ehlers and 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 bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on August 26, 2024, 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 Certificates upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Certificates are being issued pursuant to Minnesota Statutes, Section 412.301 and Chapter 475, as amended, by the City, for the purpose of financing the acquisition of capital equipment. The Certificates are general obligations of the City, for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Certificates will be dated September 18, 2024, will be issued as fully registered Certificates 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> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2026 | \$120,000 | 2029 | \$155,000 | 2032 | \$170,000 |
| 2027 | 140,000 | 2030 | 160,000 | | |
| 2028 | 145,000 | 2031 | 165,000 | | |

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Certificates 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 Certificates 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, 2025, to the registered owners of the Certificates 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 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Certificates 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 Certificates 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 Certificates, 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 Certificates. So long as Cede & Co. is the registered owner of the Certificates, 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 Certificates.

PAYING AGENT

The City has selected U.S. Bank Trust Company, 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 Certificates maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Certificates subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Certificates to be redeemed shall be at the discretion of the City. If only part of the Certificates 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 Certificate to be redeemed at the address shown on the registration books.

DELIVERY

On or about September 18, 2024, the Certificates 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 Certificates is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Certificates 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 Certificates and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Certificates. The legal opinion will state that the Certificates are valid and binding general obligations of the City; provided that the rights of the owners of the Certificates and the enforceability of the Certificates 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.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$1,039,175 plus accrued interest on the principal sum of \$1,055,000 from date of original issue of the Certificates 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) 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 IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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 submission.

A good faith deposit ("Deposit") in the amount of \$21,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Certificates 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 Certificates 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 Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made.

AWARD

The Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Certificates.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Certificates 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 Certificates 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 Underwriter (Syndicate Manager) 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 Certificates. 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 Certificates pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Certificates 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 Certificates, 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 Certificates 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 Certificates) will apply to the initial sale of the Certificates (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 Certificates to the bidder who submits a firm offer to purchase the Certificates 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 Certificates, 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 Certificates to the winning bidder. 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 winning bidder on its proposal form to determine the issue price for the Certificates. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Certificates: (1) the first price at which 10% of a maturity of the Certificates (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 Certificates (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Certificates 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 Certificates, that the underwriters will neither offer nor sell unsold Certificates 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 Certificates to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

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 requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Certificates, 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 Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party 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 requirements for establishing issue price rule of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Certificates have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Certificates of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Certificates, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates 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 third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(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 or selling group agreement relating to the initial sale of the Certificates 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 a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each term being used as defined below) 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 Certificates 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 Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (iii) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 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), (B) 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 (C) 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 Certificates 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 Certificates prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (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 (the "City")

August 26, 2024

RE: \$1,055,000* General Obligation Equipment Certificates, Series 2024B (the "Certificates")
DATED: September 18, 2024

For all or none of the above Certificates, 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 \$1,039,175) plus accrued interest to date of delivery for fully registered Certificates bearing interest rates and maturing in the stated years as follows:

| | | |
|------------------|------------------|------------------|
| _____ % due 2026 | _____ % due 2029 | _____ % due 2032 |
| _____ % due 2027 | _____ % due 2030 | |
| _____ % due 2028 | _____ % due 2031 | |

The City reserves the right to increase or decrease the principal amount of the Certificates 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 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Certificates 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%.

A good faith deposit ("Deposit") in the amount of \$21,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Certificates 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 Certificates 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. We agree to the conditions and duties of Ehlers and 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 Certificates to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about September 18, 2024.

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 the Certificates.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Certificates within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Certificates 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 either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Certificates.

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 September 18, 2024 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 August 26, 2024.

| | |
|--------------|--------------|
| By: _____ | By: _____ |
| Title: _____ | Title: _____ |