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City of Grand Rapids Audit Results

Grand Rapids City Council

Auditor Discussion Agenda Items

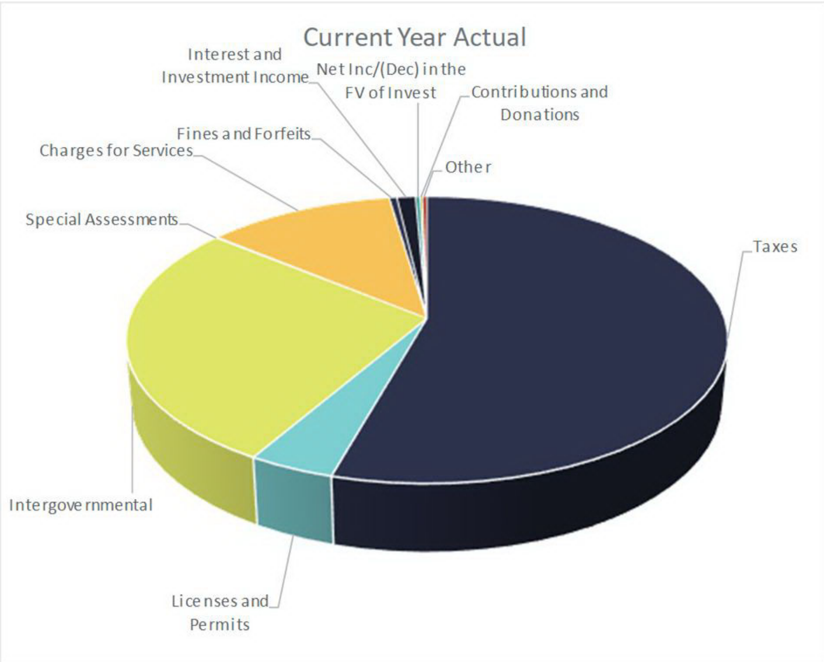
- Audit Results
- Financial Results
- Other Discussions, Insights, Observations

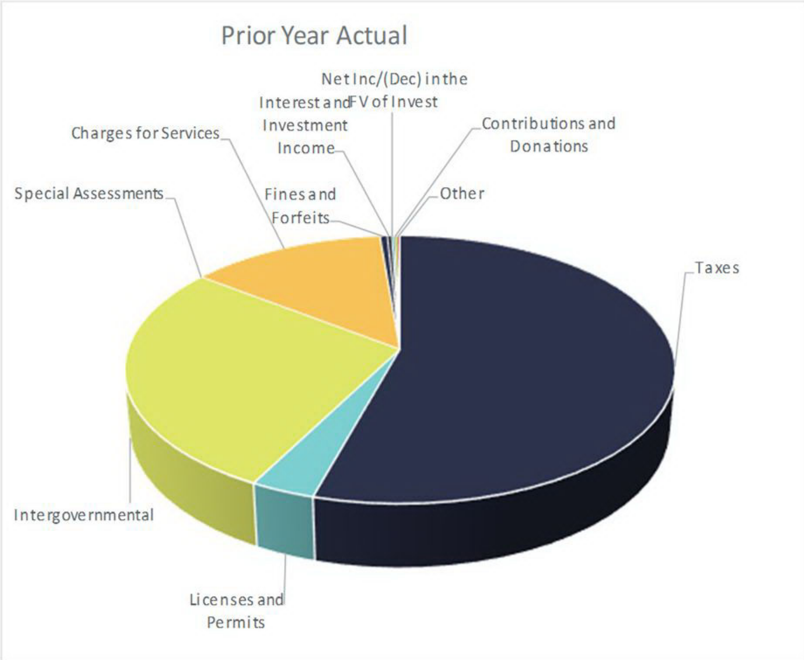
City's Audit Results

- Unmodified Opinion (Clean)
  - On the basic financial statement – concluded financial statements are fairly stated
- Compliance and Internal Control Over Financial Reporting
  - Material weakness in internal control:
    - Material Audit adjustment
      - There was an adjustment to adjust the value of MN DOT receivable and the related deferred inflows.
    - Lack of Segregation of Duties
      - There was a lack of segregation of duties around the review of tax revenue allocations, nonexchange revenue coding, and performing monthly bank reconciliations.
- Minnesota Legal Compliance
  - Seven areas – No findings

City’s Financial Results (Continued)

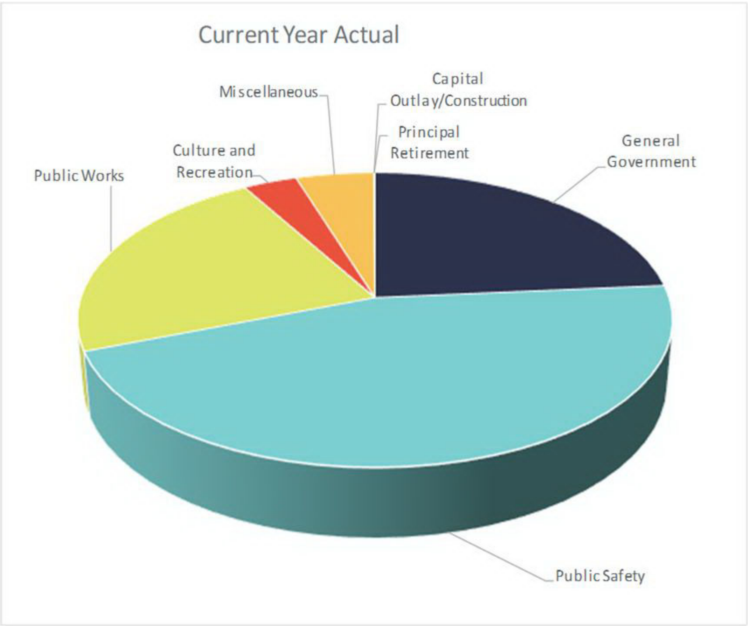
General Fund Balances-Revenues

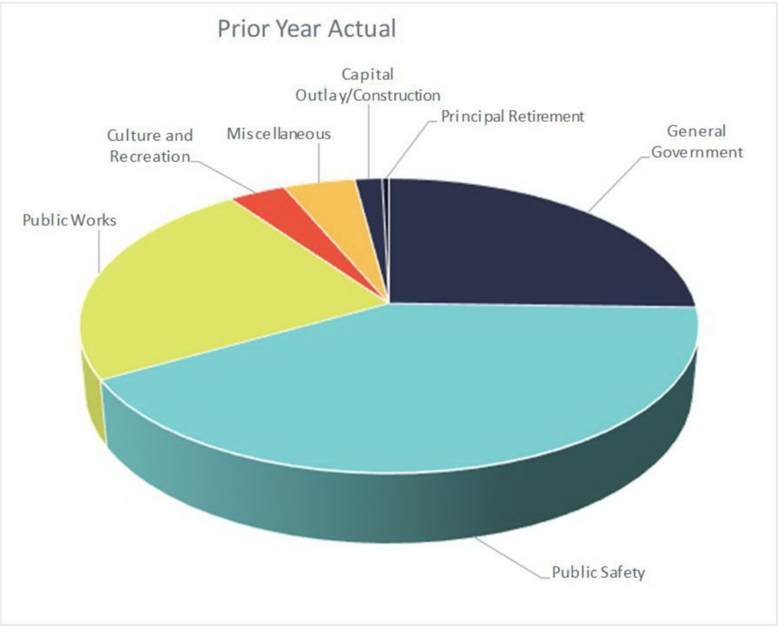




City’s Financial Results (Continued)

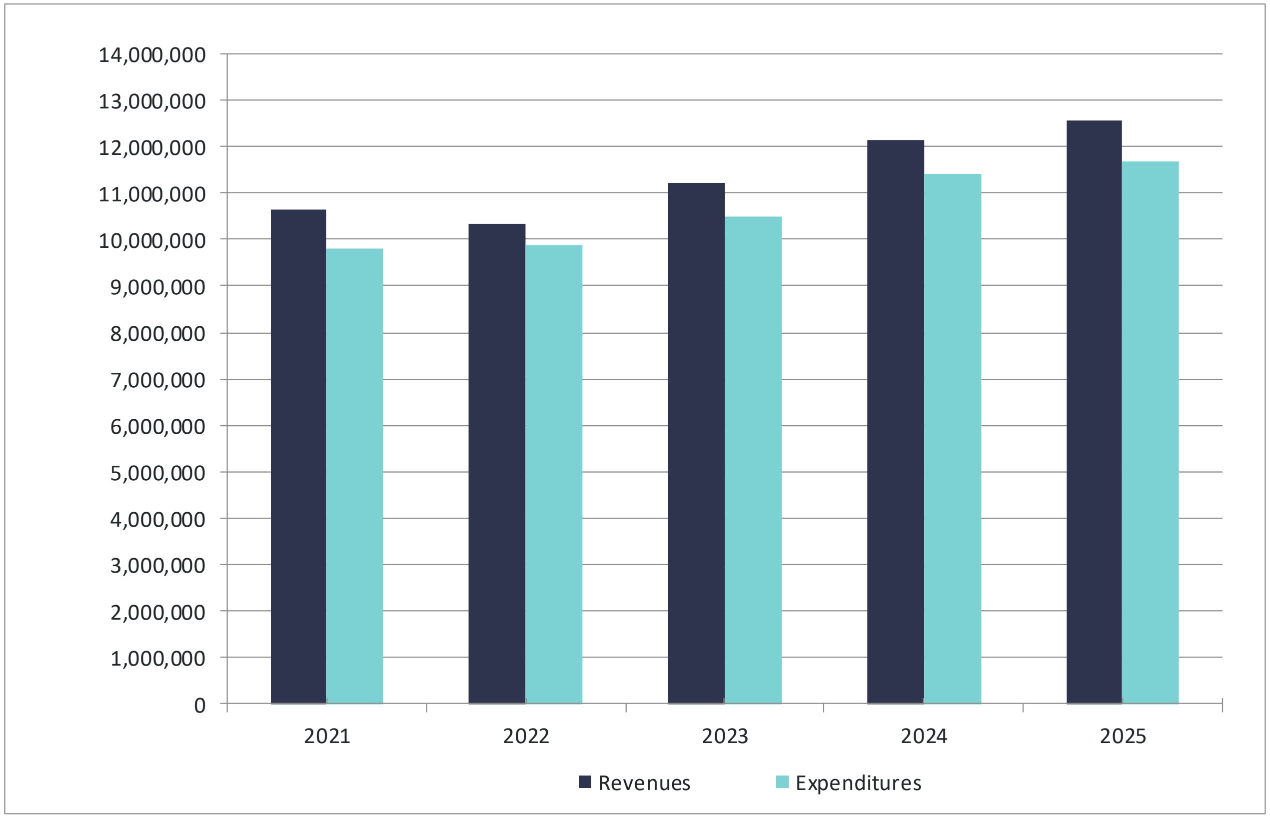
General Fund Balances-Expenditures





General Fund

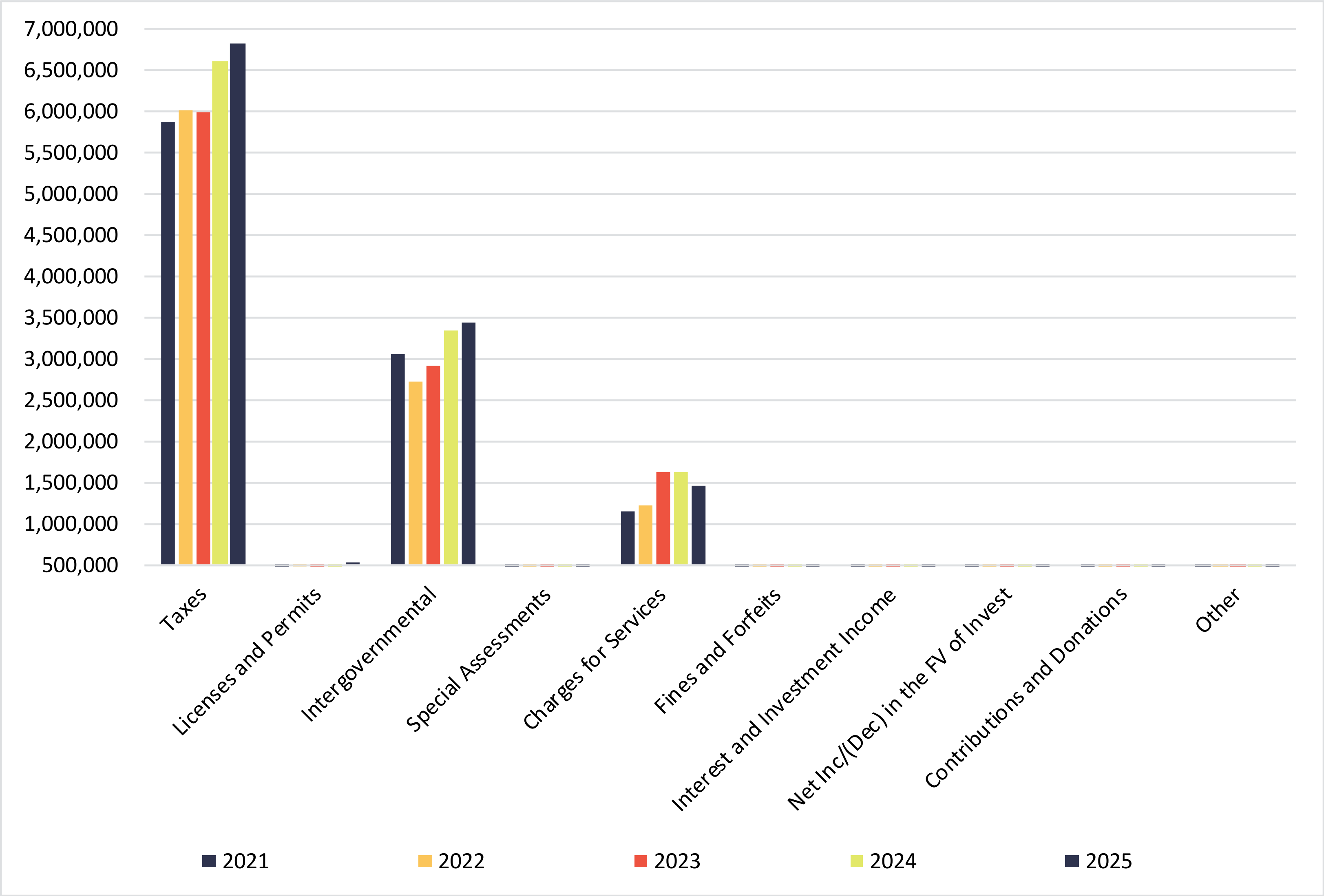
Revenues and Expenditures



- Revenues increased due to an increase in taxes and intergovernmental revenues
- Expenditures increased the most in public safety
- Transfers out increased slightly
- Net decrease in fund balance of $6,000
- Ending fund balance of $7,967,000

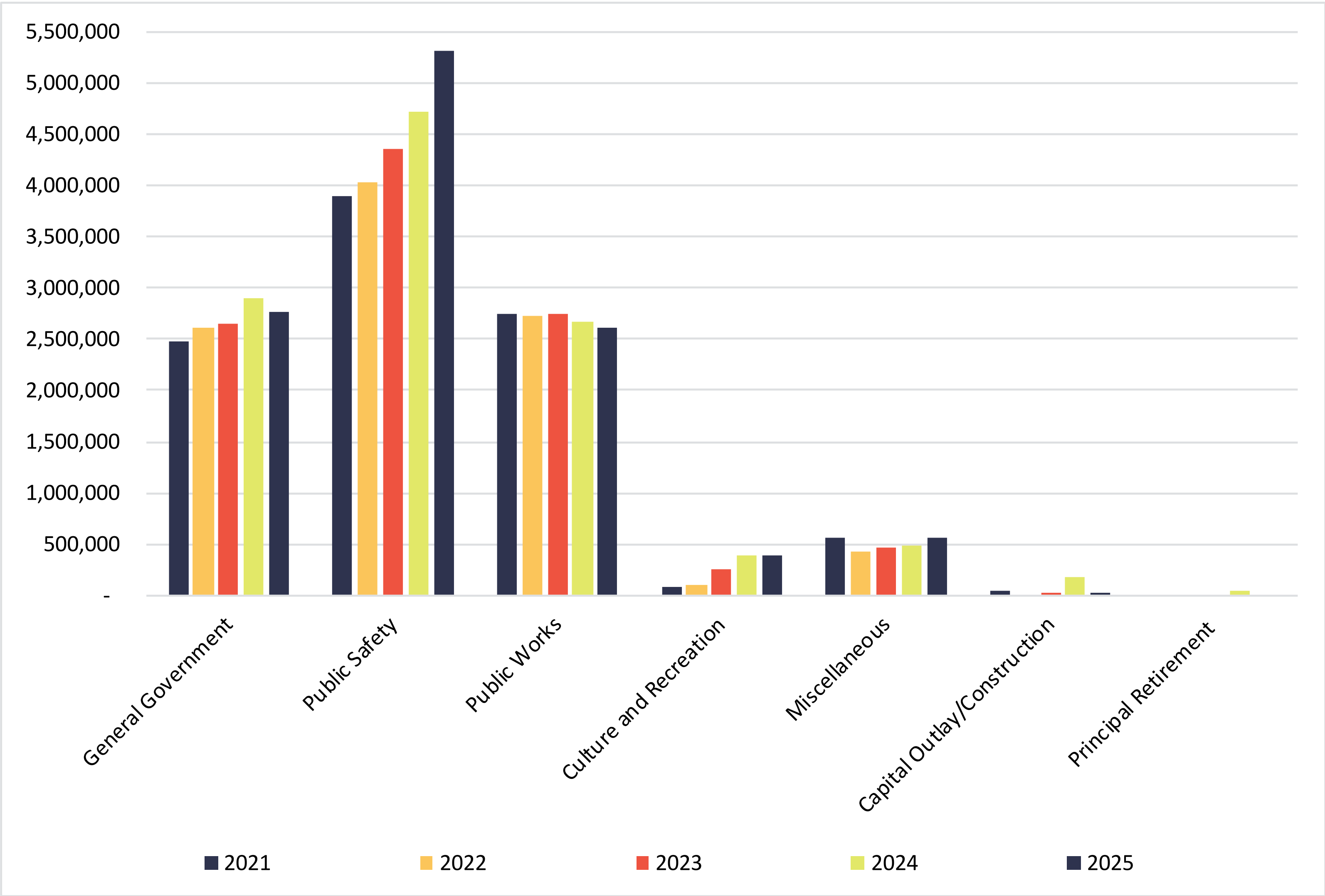
General Fund

Revenues



General Fund

Expenditures

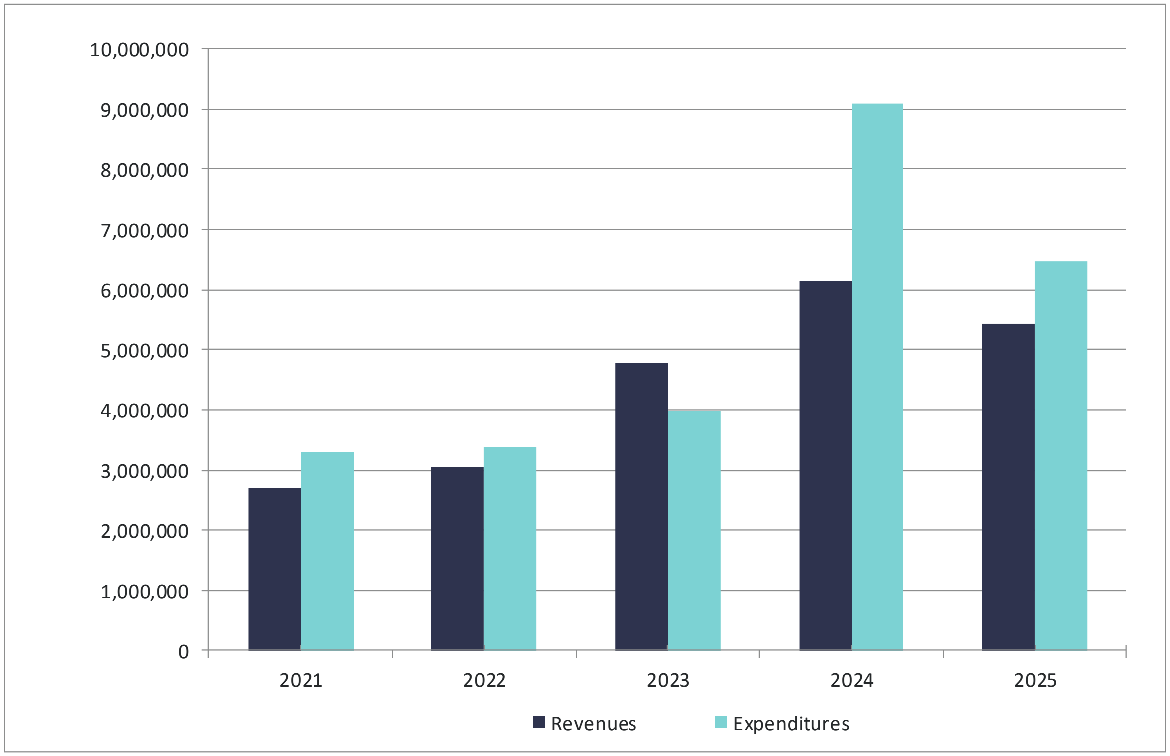


City’s Financial Results

General Fund Days Expenditures in Unassigned/Committed Fund Balance

Debt Service Funds

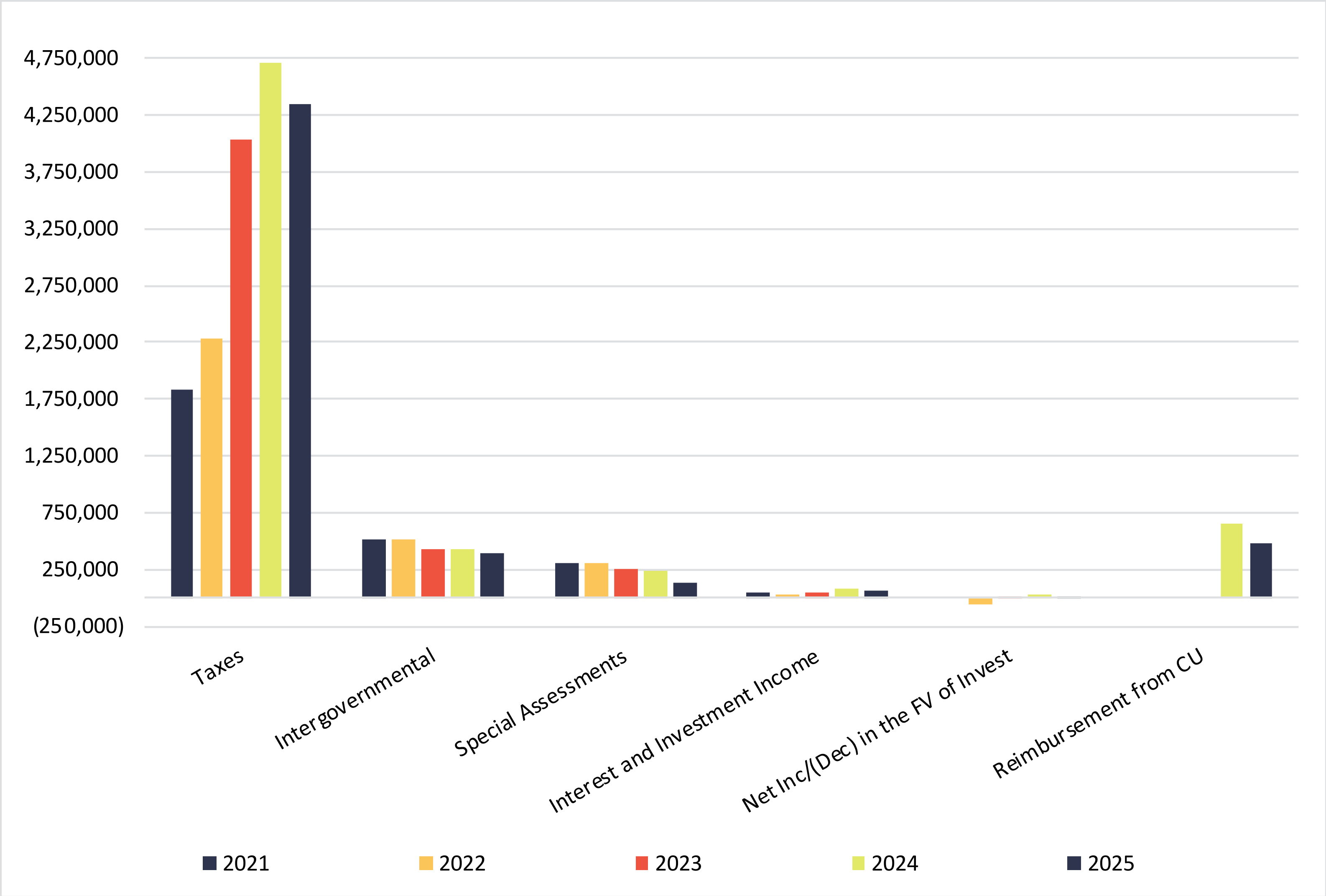
Revenues and Expenditures



- Combined into one fund
  - Separate internally
- PUC debt
  - Receivable balance of total debt owed decreased due to reoccurring payments
  - Interest shown as reimbursement from PUC
- Decrease in expenditures is due to PUC payment on bonds
- Decrease in revenues is due to PUC interest payments
- Current fund balance of $23,200,000
  - $15,300,000 relates to PUC

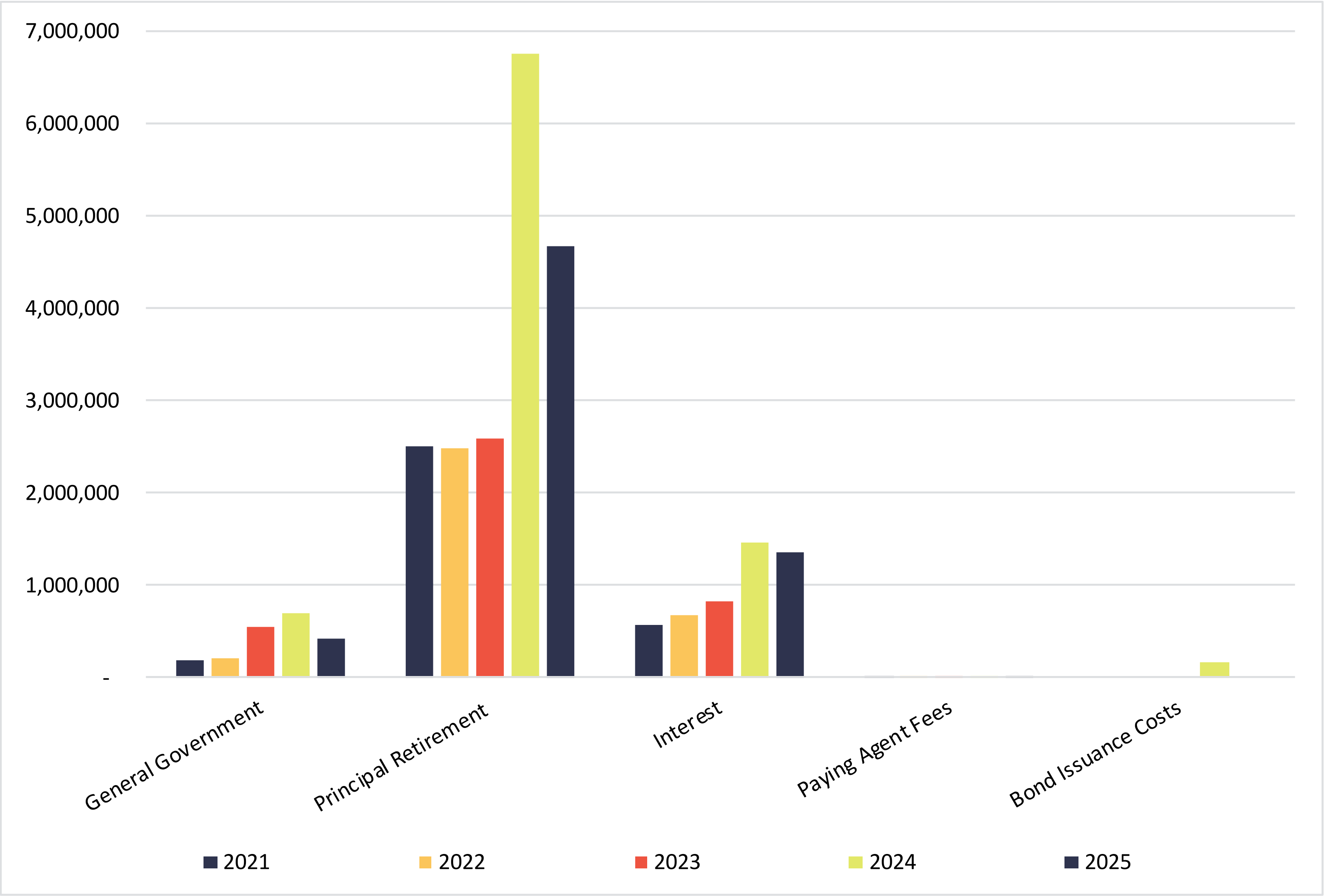
Debt Service Funds

Revenues



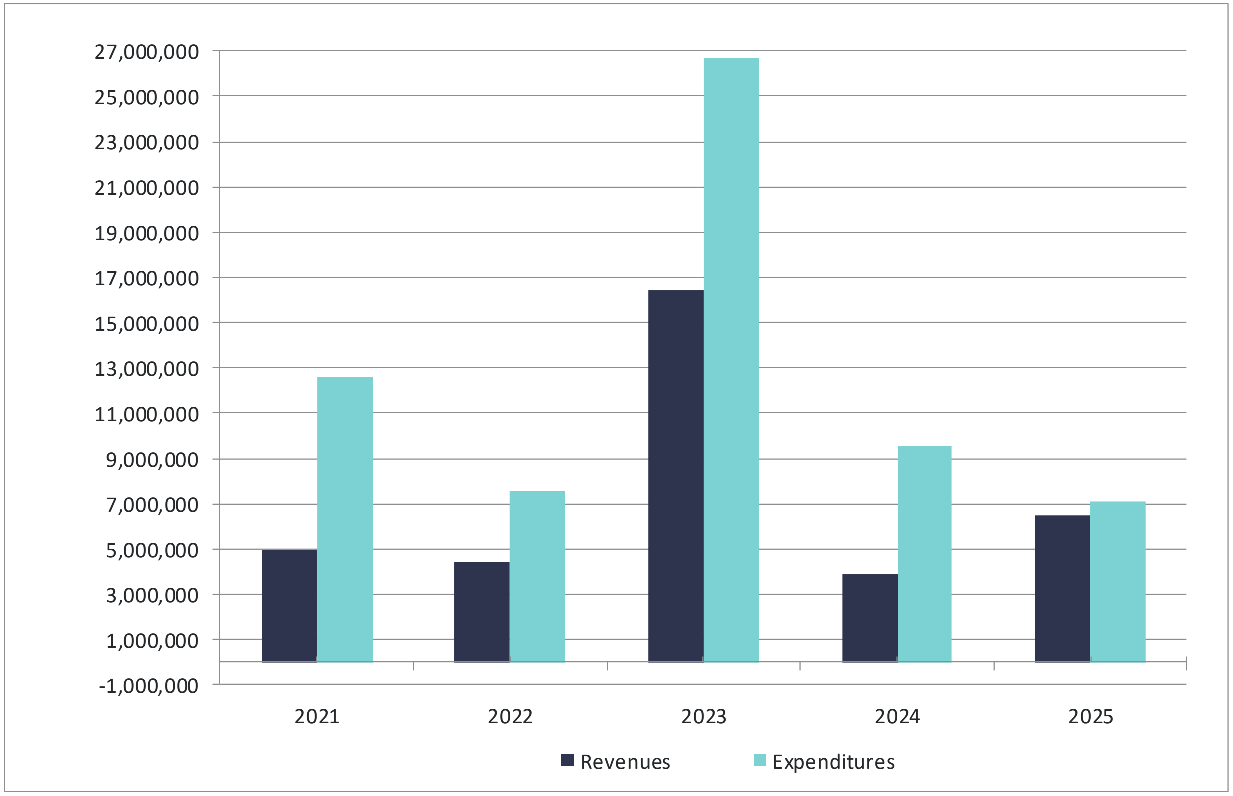
Debt Service Funds

Expenditures



Capital Projects

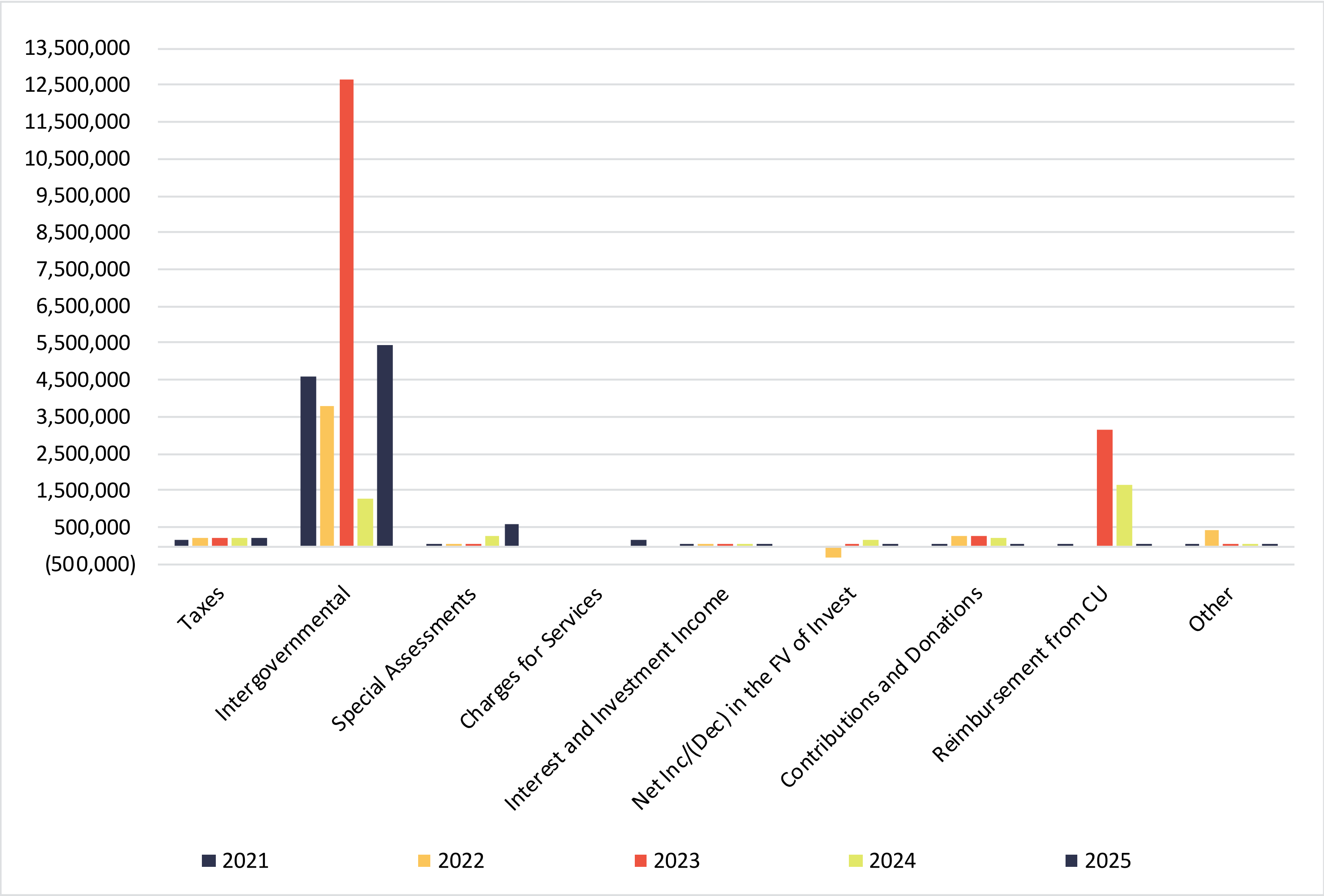
Revenues and Expenditures



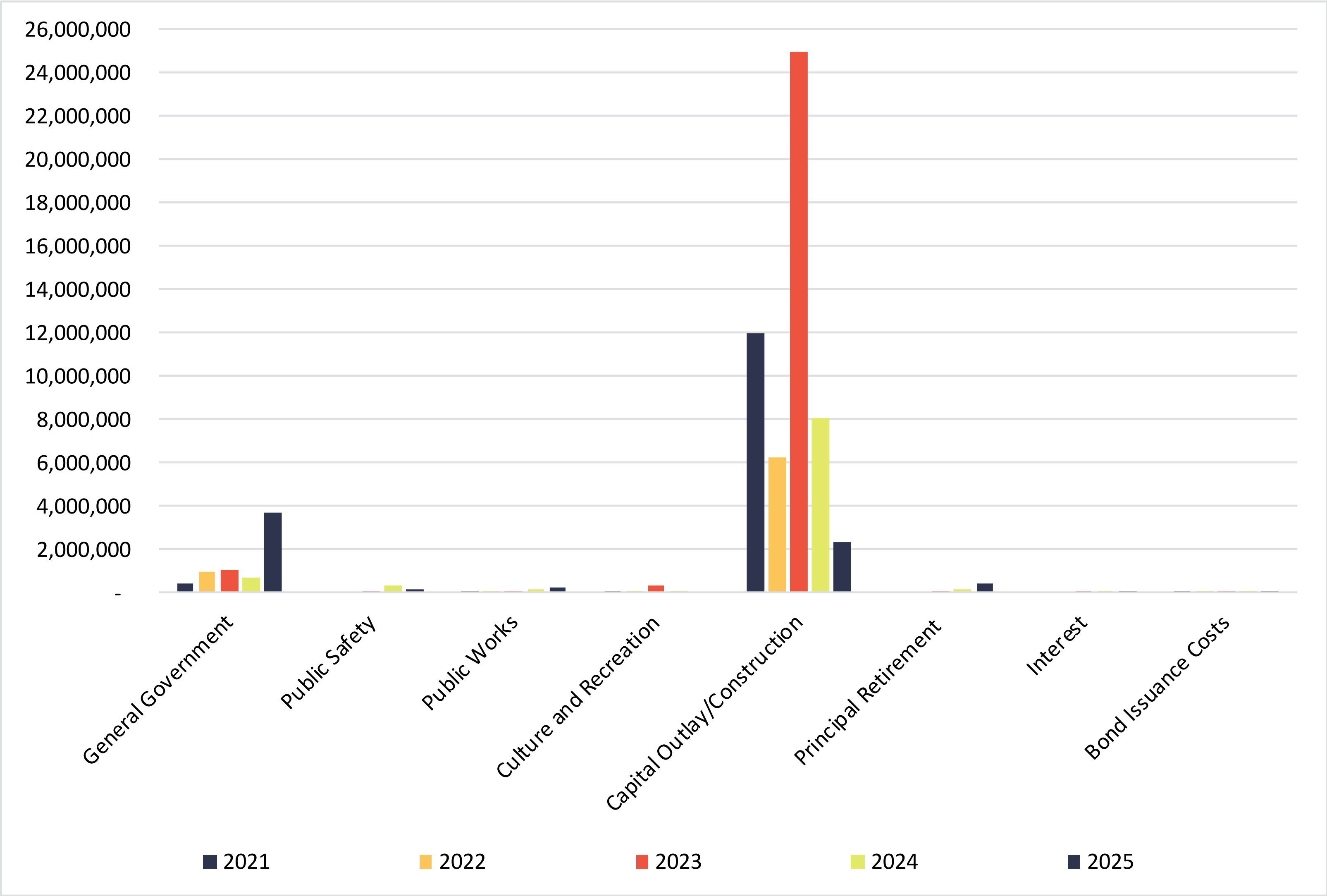
- Combined into one fund
  - Separate internally
- Revenues increased due to an increase in intergovernmental funding
  - Dependent on projects that are being done
- Expenditures decreased due to a decrease in project activity
  - Dependent on projects that are being done
- Current fund balance of $3,100,000

Capital Projects

Revenues

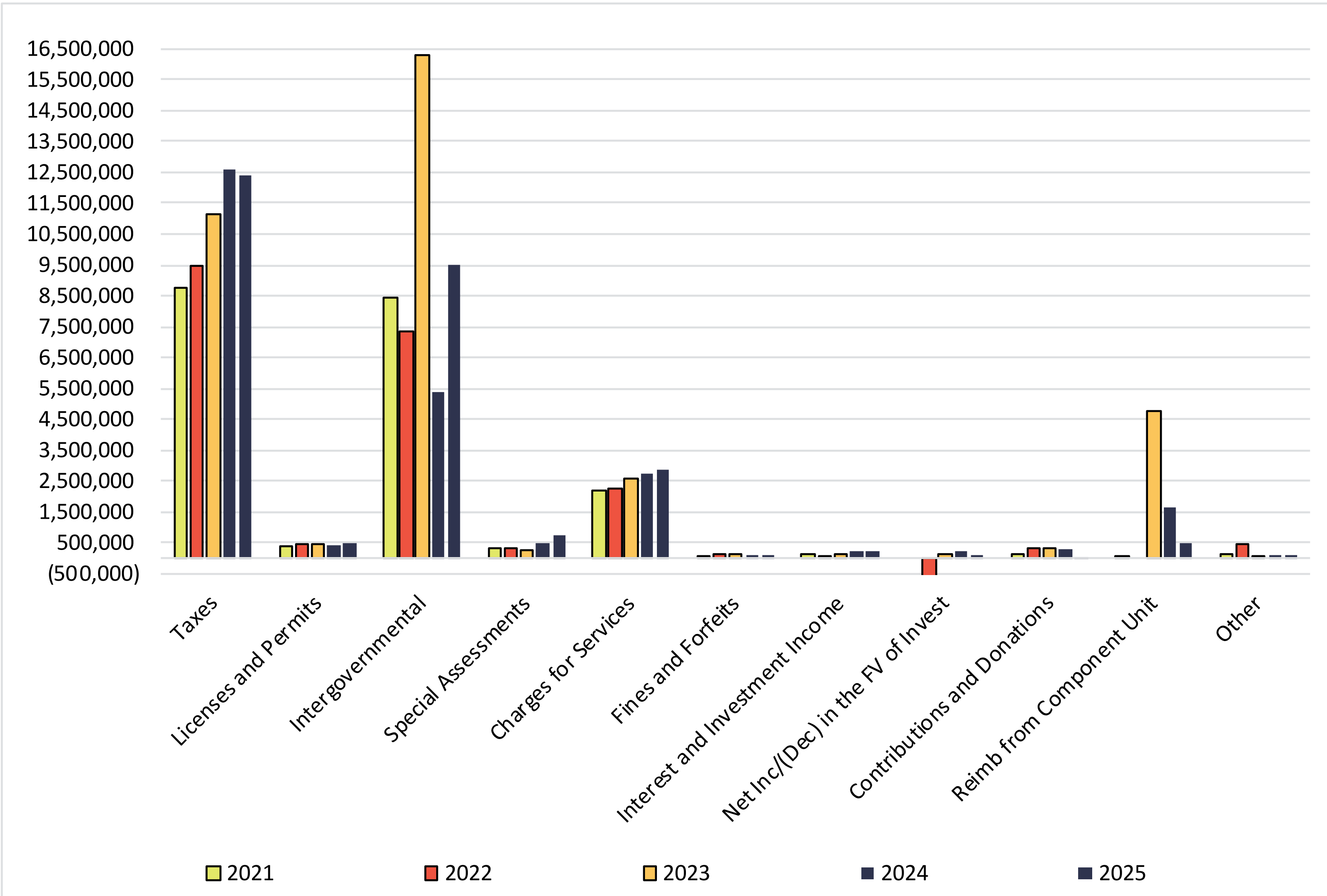


Capital Projects
Expenditures



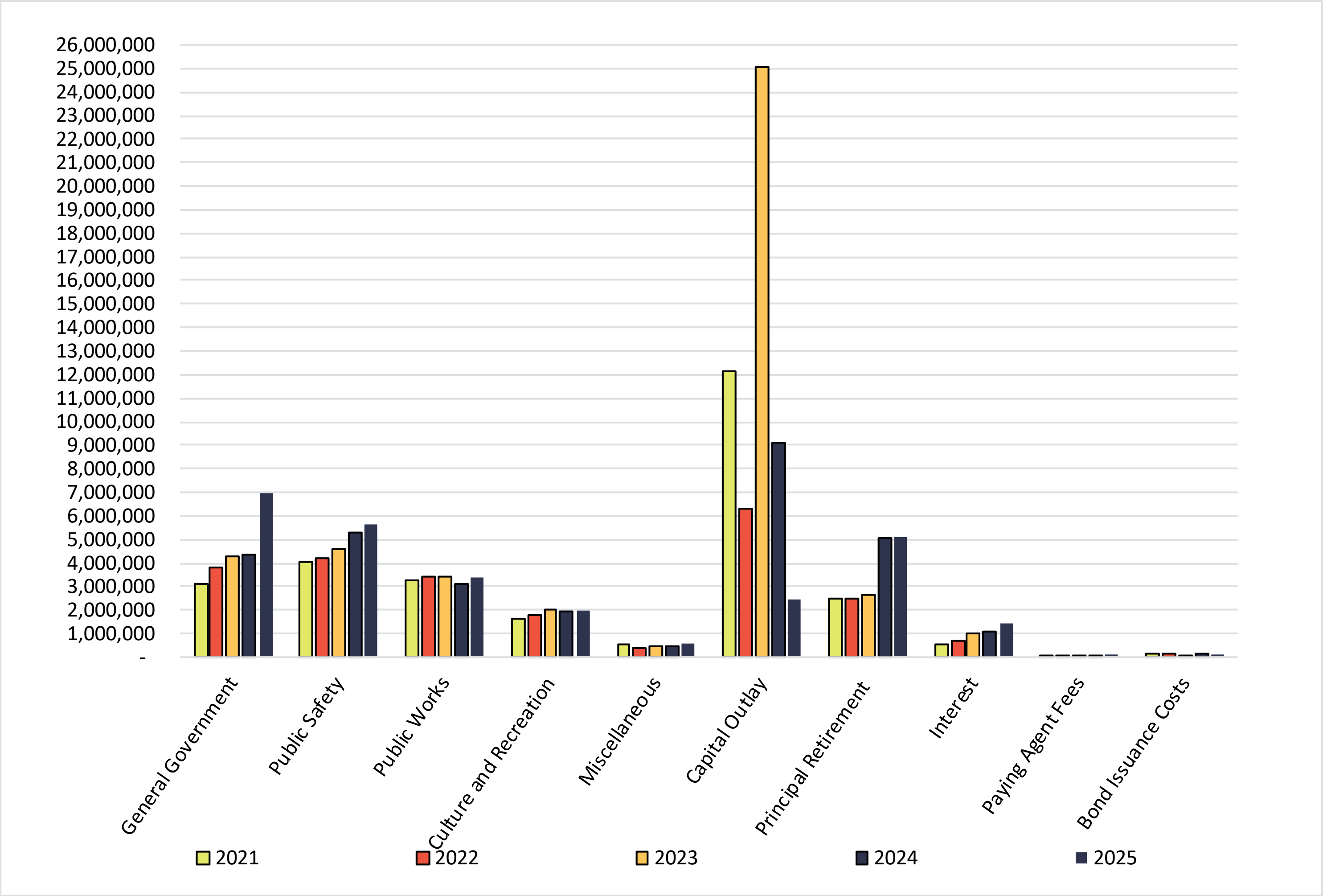
City's Financial Results (Continued)

All Funds-Total Revenues



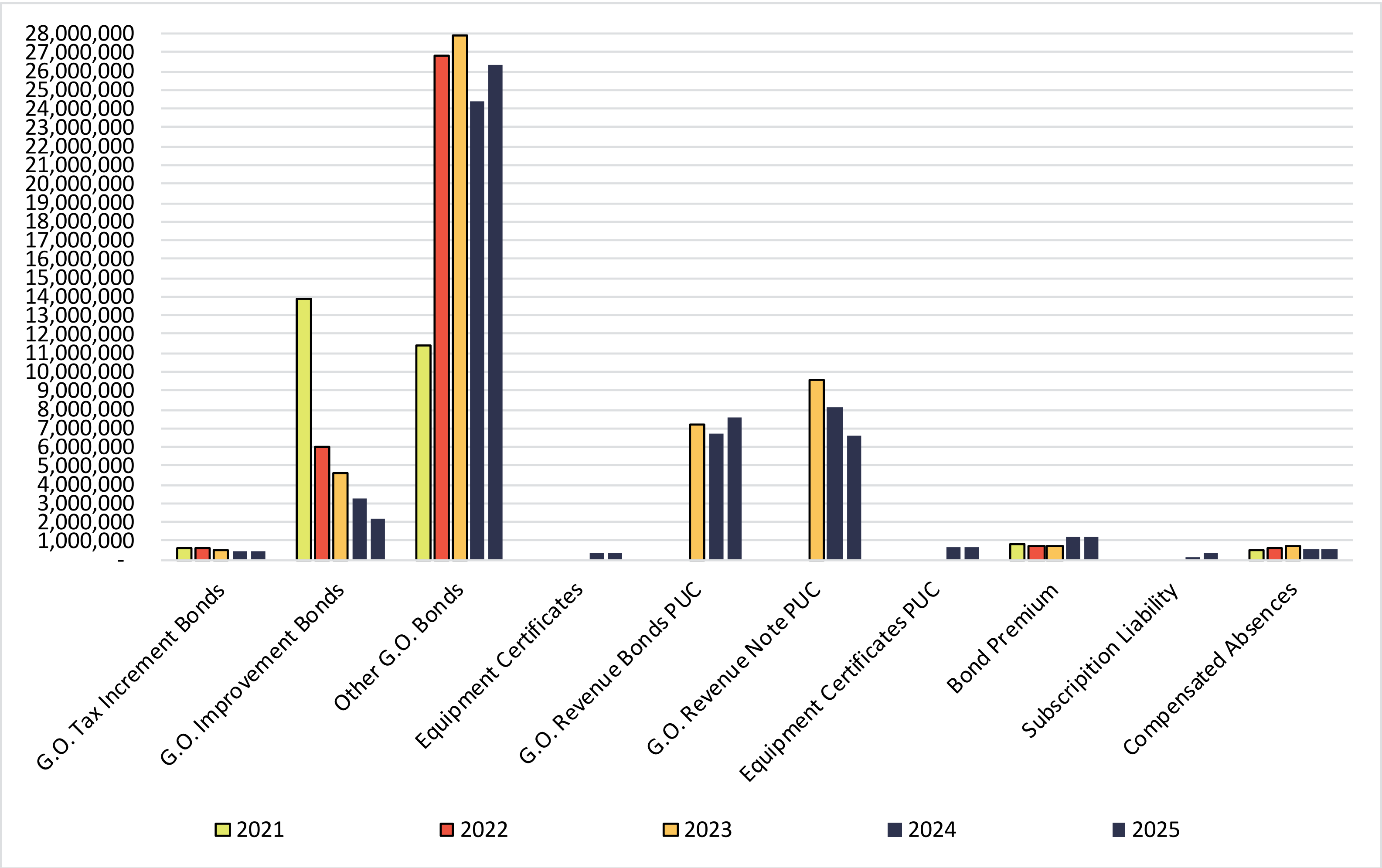
City's Financial Results (Continued)

All Funds-Total Expenditures

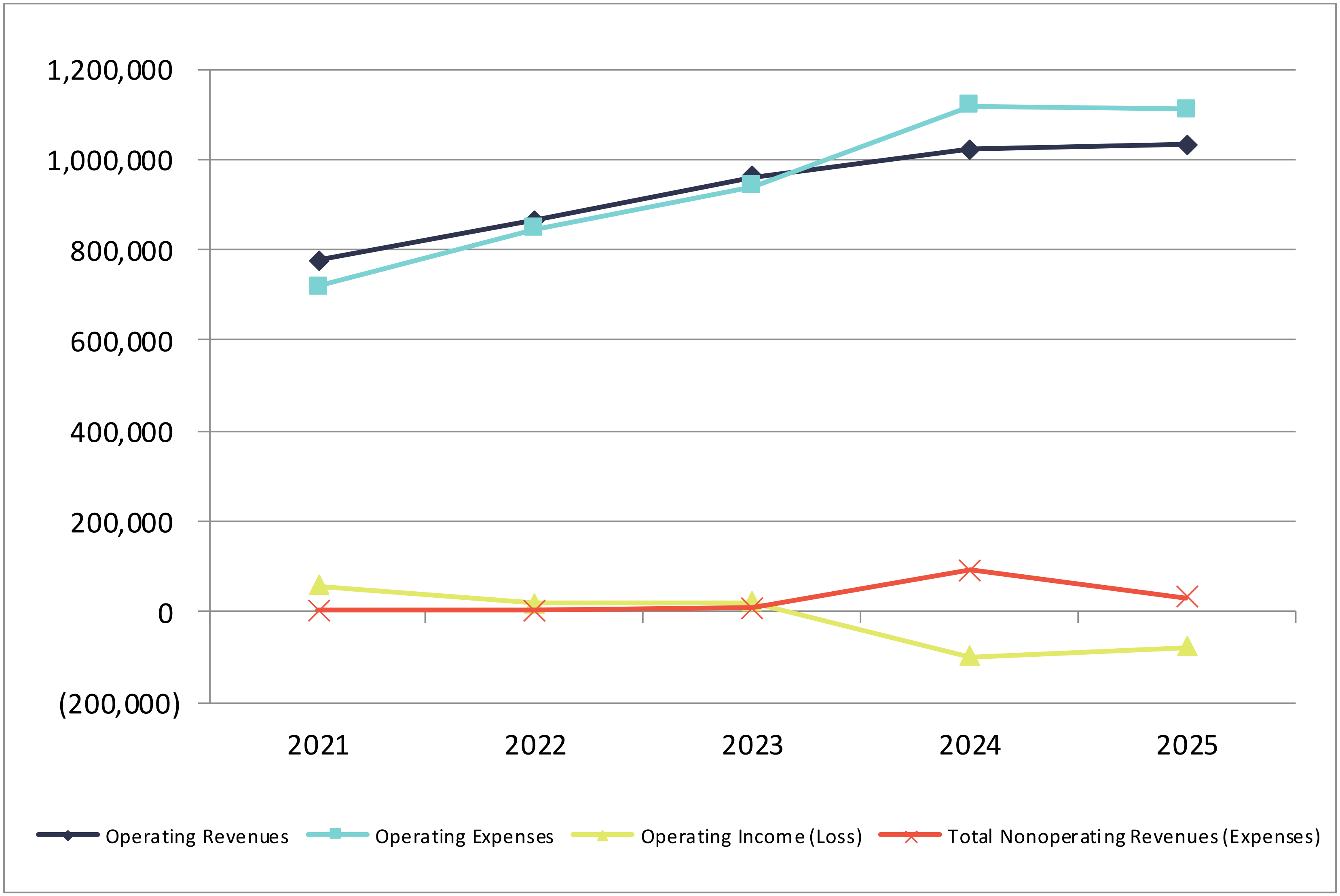


City’s Financial Results (Continued)

Total City Debt

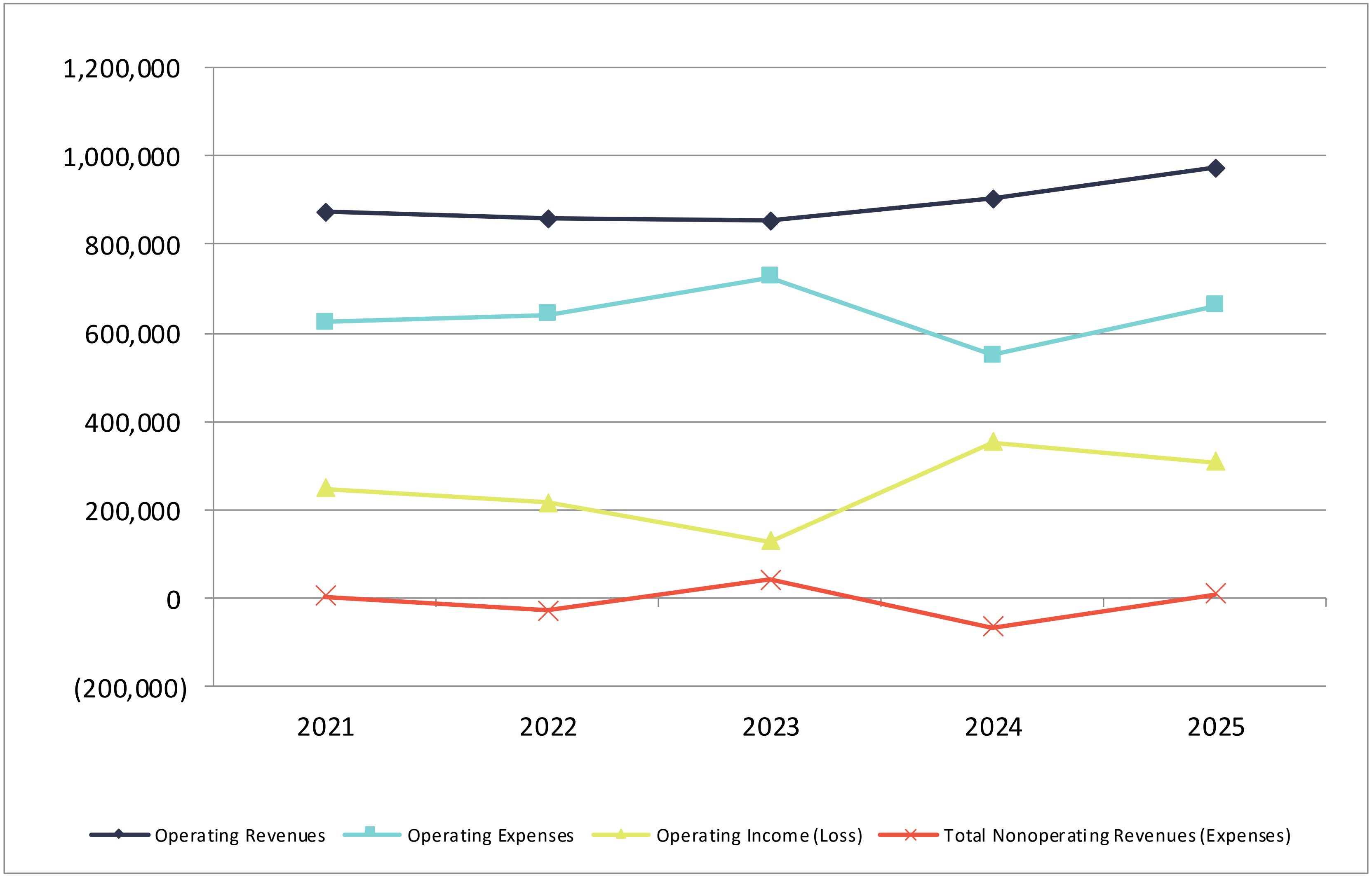


Enterprise Funds
Pokegama Golf Course



Enterprise Funds

Storm Water Utility



Insights/ Observations

- Overall Audit Results are Positive
  - Staff conscientious and responsible
  - Staff very responsive to audit inquiries/requests
  - State Reporting Form and GFOA Certificate were extended due to the software implementation

Insights/ Observations (Continued)

- Fund Balance Reserves – General Fund
    - Policy is to made up of four categories:
        - Minimal cash flow – to equal 50% of the following General Fund property tax levy and anticipated local government aids
        - Compensated absences – equal to the sum of flexible time off and compensatory time for all employees each December 31
        - Emergency or unanticipated expenditures – equal to 10% of the prior year General Fund annual revenues
        - Neighborhood and economic development – equal to the principal amount of the sale of the liquor store
    - The calculated targeted general fund unassigned fund balance is $7.5M and currently the unassigned fund balance in the general fund is $5.0M

General Fund Budget to Actual

Revenues	**Budget**	**Actual**	**Difference**
Taxes	7,329,061	6,835,575	(493,486)
Licenses and Permits	681,485	507,754	(173,731)
Intergovernmental	2,794,263	3,440,014	645,751
Special Assessments	-	14,952	14,952
Charges for Services	1,351,477	1,470,932	119,455
Fines and Forfeits	69,000	59,212	(9,788)
Interest and Investment Income	36,000	144,641	108,641
Net Inc/(Dec) in the FV of Invest	-	34,109	34,109
Contributions and Donations	10,000	20,224	10,224
Other	27,500	33,354	5,854
Expenditures			
General Government	2,835,797	2,759,423	76,374
Public Safety	5,199,539	5,321,226	(121,687)
Public Works	2,660,172	2,615,606	44,566
Culture and Recreation	352,611	394,157	(41,546)
Miscellaneous	541,795	571,896	(30,101)
Capital Outlay/Construction	-	8,105	(8,105)
OFS			
Sale of Capital Assets	-	19,468	19,468
Insurance Recoveries	-	5,028	5,028
Transfers In	85,000	85,000	-
Transfers Out	(793,872)	(1,005,462)	(211,590)

Insights/ Observations (Continued)

- Yanmar Arena Fund had positive change in fund balance of $142,000
  - Received $719,000 in charges for service in 2025
  - Transfer out of $147,000
  - Fund balance of $162,000
- Public Library Fund had a positive change in fund balance of $66,000
  - Fund balance of $922,000
- Airport Operations Fund had a negative change in fund balance of $37,000
  - Fund balance of $459,000
- Cemetery Fund had a negative change in fund balance of $60,000
  - Fund balance of $128,000

Insights/ Observations (Continued)

- Municipal Cannabis Store
  - Any item sold has to be clear cut legal, both state and federal, otherwise we are not able to audit the City

Questions and Comments

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Thank You for the Opportunity to Serve the City!

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