



CITY OF GRAND RAPIDS

Meeting Agenda Full Detail - Final City Council Work Session

Monday, April 22, 2013

4:00 PM

City Hall Conference Room 2A

CALL TO ORDER: Pursuant to due notice and call thereof a Special Meeting/Worksession of the Grand Rapids City Council will be held on Monday, April 22, 2013 at 4:00 p.m. in City Hall Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

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

Discussion Items

- 1 [13-0213](#) Financial Statement Presentation by David Mol, Partner, HLB Tautges Redpath, Ltd.
 Attachments: [Draft 2012 CAFR](#)
 [Draft 2012 Management Report](#)
 [Draft 2012 Internal Control & Legal Compliance Reports](#)

- 2 [13-0221](#) A Complete Streets presentation by MNDOT.
 Attachments: [4-22-13 MNDOTGrand Rapids ScottB CS Plan.pdf](#)

ADJOURN

ATTEST: *Tom Pagel, City Administrator*



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 13-0213 **Version:** 1 **Name:** 2012 Financial Presentation
Type: Agenda Item **Status:** CC Worksession
File created: 4/18/2013 **In control:** City Council Work Session
On agenda: 4/22/2013 **Final action:** 4/22/2013
Title: Financial Statement Presentation by David Mol, Partner, HLB Tautges Redpath, Ltd.
Sponsors:
Indexes:
Code sections:
Attachments: [Draft 2012 CAFR](#)
[Draft 2012 Management Report](#)
[Draft 2012 Internal Control & Legal Compliance Reports](#)

Date	Ver.	Action By	Action	Result
4/22/2013	1	City Council Work Session	Received and Filed	

Financial Statement Presentation by David Mol, Partner, HLB Tautges Redpath, Ltd.

Background Information:

Attached please find the following reports that will be discussed at the Council work session on Monday, April 22, 2013:

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

Mr. Dave Mol, Partner, HLB Tautges Redpath, Ltd. will be here on Monday April 22, 2013 to make a presentation to the City Council of the audited financial statements, the Management Letter, Report on Compliance and Internal Controls, and State Legal Compliance at the 4:00 p.m. work session.

If time is limited for you, please review the Audit Management Letter. This report gives a concise overview of the 2012 City of Grand Rapids' financial health.

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

If you have any questions, please call me at 326-7616.

Requested City Council Action

Financial Statement Presentation by David Mol, Partner, HLB Tautges Redpath, Ltd.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2012

Prepared by:

Finance Department

Shirley Miller
Finance Director

Draft - 04-16-2013

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CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	Reference	Page No.
I. INTRODUCTORY SECTION		
Letter of Transmittal		3
Certificate of Achievement		9
Principal City Officials		11
Organization Chart		12
II. FINANCIAL SECTION		
Independent Auditor's Report		15
Management's Discussion and Analysis		19
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	33
Statement of Activities	Statement 2	34
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	36
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	40
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Statement 5	42
Statement of Net Position - Proprietary Funds	Statement 6	43
Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds	Statement 7	44
Statement of Cash Flows - Proprietary Funds	Statement 8	45
Statement of Assets and Liabilities - Fiduciary Funds	Statement 9	46
Notes to Financial Statements		47
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	Statement 10	88
Schedule of Funding Progress - Retiree Health Plan		92

CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
Combining and Individual Nonmajor Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 11	96
Combining Statement of Revenue, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 12	97
Subcombining Balance Sheet - Nonmajor Special Revenue Funds	Statement 13	100
Subcombining Statement of Revenue, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds	Statement 14	102
Subcombining Balance Sheet - Nonmajor Debt Service Funds	Statement 15	106
Subcombining Statement of Revenue, Expenditures and Changes in Fund Balance - Nonmajor Debt Service Funds	Statement 16	110
Subcombining Balance Sheet - Nonmajor Capital Project Funds	Statement 17	117
Subcombining Statement of Revenue, Expenditures and Changes in Fund Balance - Nonmajor Capital Project Funds	Statement 18	121
Special Revenue Funds:		
Schedules of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual:		
Public Library	Statement 19	126
Central School	Statement 20	127
Airport Operations	Statement 21	128
IRA Civic Center	Statement 22	129
Recreation Programs	Statement 23	130
Haz-Mat	Statement 24	131
Police Forfeiture	Statement 25	132
Cemetery	Statement 26	133
Domestic Animal Control Facility	Statement 27	134
Agency Funds:		
Combining Statement of Assets and Liabilities	Statement 28	136
Combining Statement of Changes in Assets and Liabilities	Statement 29	137
Component Unit:		
Economic Development Authority:		
Combining Balance Sheet	Statement 30	140
Combining Statement of Revenue, Expenditures and Changes in Fund Balance	Statement 31	141

CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
III. STATISTICAL SECTION (UNAUDITED)		
Financial Trends:		
Net Position by Component	Table 1	146
Changes in Net Position	Table 2	148
Fund Balances - Governmental Funds	Table 3	152
Changes in Fund Balances - Governmental Funds	Table 4	154
Revenue Capacity:		
Program Revenues by Function/Program	Table 5	156
Tax Capacity Value and Estimated Market Value of Taxable Property	Table 6	158
Direct and Overlapping Property Tax Rates	Table 7	159
Principal Property Taxpayers	Table 8	160
Debt Capacity:		
Property Tax Levies and Collections	Table 9	161
Ratios of Outstanding Debt by Type	Table 10	162
Direct and Overlapping Governmental Activities Debt	Table 11	163
Demographic and Economic Information:		
Legal Debt Margin Information	Table 12	164
Pledged Revenue Coverage	Table 13	165
Operating Information:		
Demographic and Economic Statistics	Table 14	166
Principal Employers	Table 15	167
Full-time Equivalent City Government Employees by Function/Program	Table 16	168
Operating Indicators by Function/Program	Table 17	169
Capital Asset Statistics by Function/Program	Table 18	170
IV. OTHER INFORMATION (UNAUDITED)		
Combined Schedule of Indebtedness	Exhibit 1	172
Debt Service Payments to Maturity:		
General Obligation Bonds	Exhibit 2	175
General Obligation Improvement Bonds	Exhibit 3	176
Taxable Valuations	Exhibit 4	179
Schedule of Deferred Tax Levies:		
General Obligation Improvement Bonds	Exhibit 5	180

Draft - 04-16-2013

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I. INTRODUCTORY SECTION

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June XX, 2013

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

The Comprehensive Annual Financial Report (CAFR) for the City of Grand Rapids for the fiscal year ended December 31, 2012, is hereby submitted. Minnesota State Statutes require that local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This requirement has been met by the engagement of the firm of HLB Tautges Redpath, Ltd. and their report is included in the financial section of this report.

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

The City of Grand Rapids' financial statements have been audited by HLB Tautges Redpath, Ltd., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Grand Rapids for the fiscal year ended December 31, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion that the City of Grand Rapids' financial statements for the fiscal year ended December 31, 2012, 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 10,869. The City of Grand Rapids signed an Annexation Agreement with the Grand Rapids Township in 2000 and the City annexed the last area of the Township on January 1, 2010. The City of Grand Rapids is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation. The City is the region's retail trade, health care, education and cultural center with a market draw of more than 40,000 people.

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

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

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

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

The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments, however, require the special approval of the governing Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 88-91 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 126-134.

Local economy

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

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

In 2011, the City permitted the construction of nine new single-family homes valued at \$1.5 million. The 2012 total building construction valuation closed out the year at \$11.1 million. This figure compares to a year-end total of \$15.7 million in 2011 and \$17.8 million in 2010.

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

In the fall of 2012, GREDA attracted the relocation and expansion of DC Manufacturing to a GREDA development site adjacent to the Itasca Eco-Industrial Park in the City. Since its establishment in 1990, DC Manufacturing has established an extensive national and international client base made up of many of the world's largest power companies. The new 9,800 square-foot manufacturing building is developed on property purchased by the Company from GREDA. GREDA partnered with the City, Itasca County and the IRRRB in attracting this expansion.

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

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

Long-term financial planning

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

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

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

Relevant Financial Policies

In 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement 54 and adopted a new Fund Balance Policy. The City Council passed a resolution committing funds for revenue stabilization that allows the City to use unreserved fund balance to offset revenue decreases during an economic recession. The Policy outlines a method to replenish the amount used over an eight-year period. Due to the loss of state aids, the City has had to utilize the revenue stabilization policy and will be replenishing the fund balance over the next several years.

Major initiatives

In 2012, the City, GRPUC, and MNDOT participated in a cooperative construction agreement for the improvement of Pokegama Avenue from TH2 to 13th Street South. This project increased the capacity of the street, while improving public safety, increased water distribution capabilities, and reduced ongoing street lighting costs by reducing the number of light fixtures and converting to LED lights.

Energy reduction continued to be a focus of the City in 2012. The Fire Department installed high efficiency lighting and made entrance improvements reducing the electrical consumption by 50%. The natural gas consumption at the Library, as a result of utilizing heated wastestream from UPM/Blandin, was essentially eliminated.

Natural gas, through a franchise agreement with NW Gas, extended natural gas down the Isleview Road Corridor. This agreement and extension reduced the cost of living for residents who connected to the system by approximately \$600 annually. Continued expansion of the system along Isleview, Horseshoe Lake, and Mishawaka Roads, is scheduled for 2013.

Major efforts were made in making the City a "walkable" community. A pedestrian trail around Horseshoe Lake was completed along with trail construction along 4th Street SW/SE connecting SW Elementary School with the Itasca County YMCA.

The City's Geographic Information System (GIS) was also expanded with the implementation of an Enterprise License Agreement (ELA). This GIS program has allowed the City to expand web-based services to the Cities of Deer River, Cohasset, and Nashwauk, reducing the cost of GIS programming to the City of Grand Rapids and expanding GIS to those cities in a cost effective manner.

The Children's Museum of Minnesota installed a Smart Play Spot during August 2012, in the Grand Rapids Area Library with funding from the Blandin Foundation, the Northland Foundation, the Friends of the Grand Rapids Library, and the Grand Rapids Library Foundation. The Smart Play Spot is designed to engage children and their caregivers in learning the building blocks of literacy. Playful environments encourage children's literacy development through hands-on multi-sensory activities that include dramatic play, storytelling, and playing with letters and sounds.

Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Rapids for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. This was the twentieth consecutive year that the government has received this prestigious award. In order to be awarded a

Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. The Mayor and City Council are to be commended for their diligence and resolve in keeping the City in sound and stable financial condition. The City Council's commitment to continually plan for the City's future and dedication to maintain high financial standards has helped the City maintain its strong financial condition.

Respectfully submitted,

Tom Pagel
City Administrator

Shirley A. Miller
Finance Director

Draft - 04-16-2015

Draft - 04-16-2013

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grand Rapids
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Enos

Executive Director

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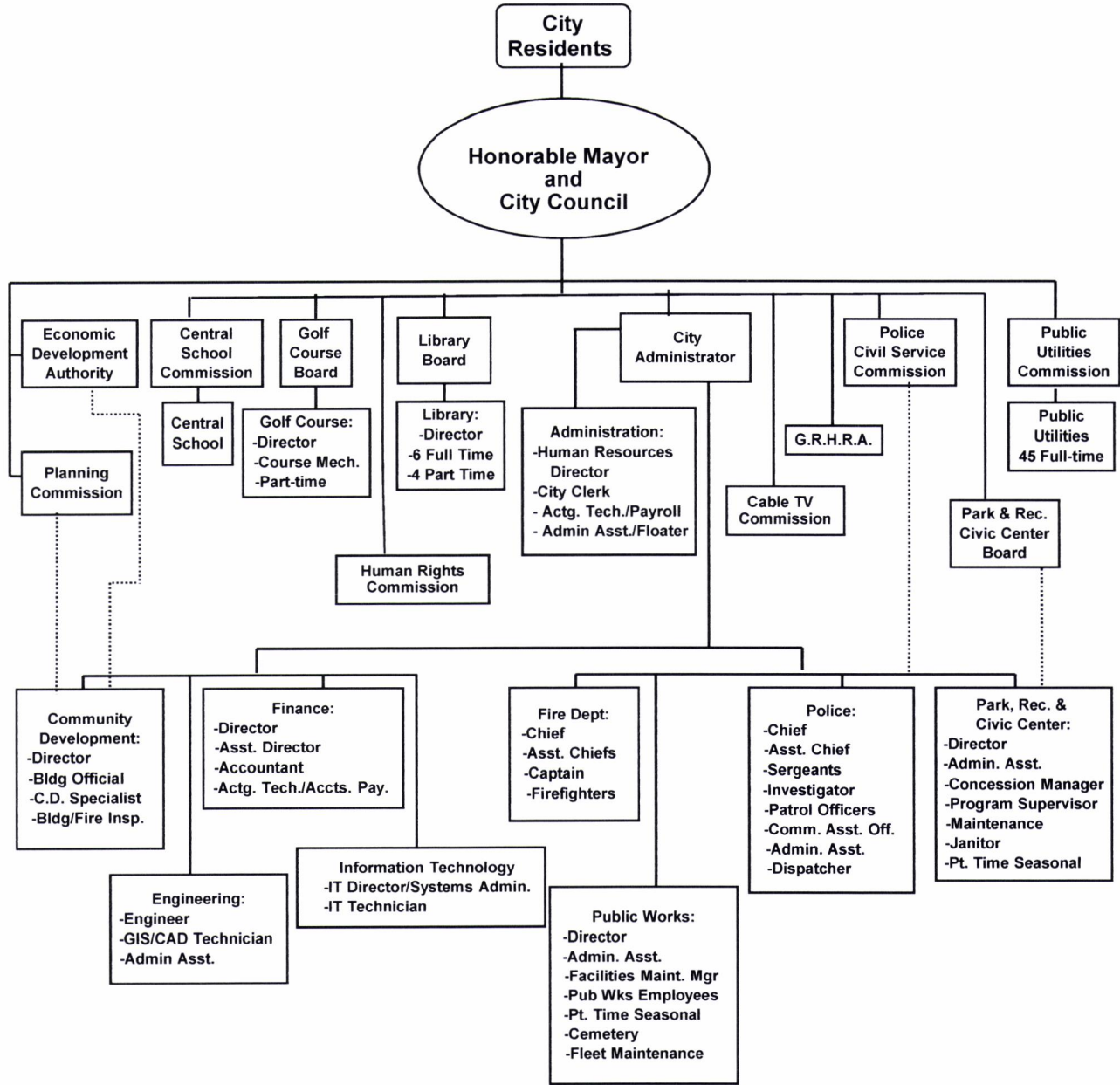
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CITY OF GRAND RAPIDS, MINNESOTA
PRINCIPAL CITY OFFICIALS
December 31, 2012

	<u>Term Expires</u>
Mayor: Dale Adams	December 31, 2012
Council Members: Gary McInerney	December 31, 2014
Joe Chandler	December 31, 2014
Dale Christy	December 31, 2012
Ed Zabinski	December 31, 2012
City Administrator: Shawn Gillen (through February 28, 2013)	Appointed
Tom Pagel (beginning March 1, 2013)	Appointed
Finance Director - Treasurer: Shirley Miller	Appointed

Draft - 04-16-2013

City of Grand Rapids Organization Chart



II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Economic Development Authority (a discretely presented component unit) each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Grand Rapids, Minnesota's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Grand Rapids, Minnesota's 2011 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, in our report dated June 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2013, on our consideration of the City of Grand Rapids, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rapids, Minnesota's internal control over financial reporting and compliance.

HLB TAUTGES REDPATH, LTD.

_____, 2013

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Draft - 04-16-2013

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 7 of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,828,468 (net position). Of this amount, \$8,019,884 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position increased by \$901,952. The governmental activities of the City increased by \$836,866 due to the \$495,000 increase in the General Fund Balance and the \$431,000 decrease in accounts payable and contracts payable.

The Business-Type Activities increased by \$65,086 due to an operating gain of approximately \$61,000 in the Storm Water Utility Fund.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,444,129. Of this amount, \$7,844,037 is restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions.

At the end of the current fiscal year the general fund balance was \$5,516,435. Of that amount, \$882,863 was in a nonspendable form, \$13,186 was restricted, \$156,520 was committed and \$4,463,866 was unassigned.

The City's total debt increased from \$23,671,015 to \$27,805,843 (excluding compensated absences). The City issued the following bonds in 2012:

- \$2,245,000 General Obligation Improvement Bonds, Series 2012A
- \$4,175,000 General Obligation State-Aid Street Bonds, Series 2012B
- \$905,000 General Obligation Grant Anticipation Notes, Series 2012C

Overview of the Financial Statements

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

Management's Discussion and Analysis

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

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

For 2012, the City maintained four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the following major funds:

- General fund
- General Obligation Improvement Bonds of 2006C – Debt service fund
- General Obligation Capital Improvement Refunding Bonds of 2006B – Debt service fund
- 2012 Infrastructure Bonds – Capital project fund

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

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

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

The basic governmental fund financial statements can be found on pages 36 through 41 of this report.

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

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

Management's Discussion and Analysis

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

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

- Lodging Tax
- Cable TV Commission

The basic fiduciary fund financial statement can be found on page 46 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 through 86 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, agency funds, and EDA component unit is presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 96 through 141 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$53,828,468 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$33,731,503 or 63% percent) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis

CITY OF GRAND RAPIDS' NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$23,455,790	\$21,862,960	\$386,948	\$289,001	\$23,842,738	\$22,151,961
Capital assets	57,292,503	54,328,742	2,755,540	2,793,653	60,048,043	57,122,395
Total assets	<u>\$80,748,293</u>	<u>\$76,191,702</u>	<u>\$3,142,488</u>	<u>\$3,082,654</u>	<u>\$83,890,781</u>	<u>\$79,274,356</u>
Long-term liabilities outstanding	\$28,565,756	\$24,507,002	\$9,941	\$8,269	\$28,575,697	\$24,515,271
Other liabilities	1,449,217	1,788,246	37,399	44,323	1,486,616	1,832,569
Total liabilities	<u>\$30,014,973</u>	<u>\$26,295,248</u>	<u>\$47,340</u>	<u>\$52,592</u>	<u>\$30,062,313</u>	<u>\$26,347,840</u>
Net position:						
Net investment in capital assets	\$30,975,963	\$31,703,299	\$2,755,540	\$2,793,653	\$33,731,503	\$34,496,952
Restricted	12,077,081	12,379,387	-	-	12,077,081	12,379,387
Unrestricted	7,680,276	5,813,768	339,608	236,409	8,019,884	6,050,177
Total net position	<u>\$50,733,320</u>	<u>\$49,896,454</u>	<u>\$3,095,148</u>	<u>\$3,030,062</u>	<u>\$53,828,468</u>	<u>\$52,926,516</u>

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 (\$8,019,884) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities

Governmental activities increased the City's net position by \$836,866 in 2012. Key elements of this increase are as follows:

- Charges for services increased by \$26,643. General Government increased by \$33,500 due to new contracts with the City of Bovey and Arbo Township for accounting and human resource services. Culture and Recreation increased by \$21,000 due to a natural gas rebate of \$26,250 at the Grand Rapids Public Library. Public Works and Public Safety both decreased by approximately \$14,000 due to small reductions in several line items.

Operating grants and contributions increased by \$332,750. General Government and Culture and Recreation decreased by \$460,000 due to one-time grants that were received in 2011. Public Works increased by \$509,000 due to FEMA proceeds in the amount of \$222,467 from a wind storm and flooding, and \$243,000 in grant proceeds for two infrastructure projects. Public Safety increased by \$97,000 due to \$12,000 in FEMA proceeds from the storm, \$37,000 in Safe and Sober grant funds, and \$84,000 from the COPS grant.

Capital grants and contributions decreased by \$1,612,439. In 2011, the City received several large federal and state one-time grants for specific infrastructure projects. In 2012, the City received some grants for infrastructure, but less than in 2011. Public Safety increased by \$75,000 due to a Homeland Security and Emergency Management grant for handheld chemical ID kits and gas monitors.

Management's Discussion and Analysis

Taxes increased by \$544,600. The City received \$276,000 more in taxes from the newly annexed area than budgeted and \$82,000 in delinquent taxes and tax forfeit sales that was not budgeted, \$46,000 in additional fiscal disparities distribution, and the City levied \$136,000 for the repayment of an internal loan to finance capital purchases.

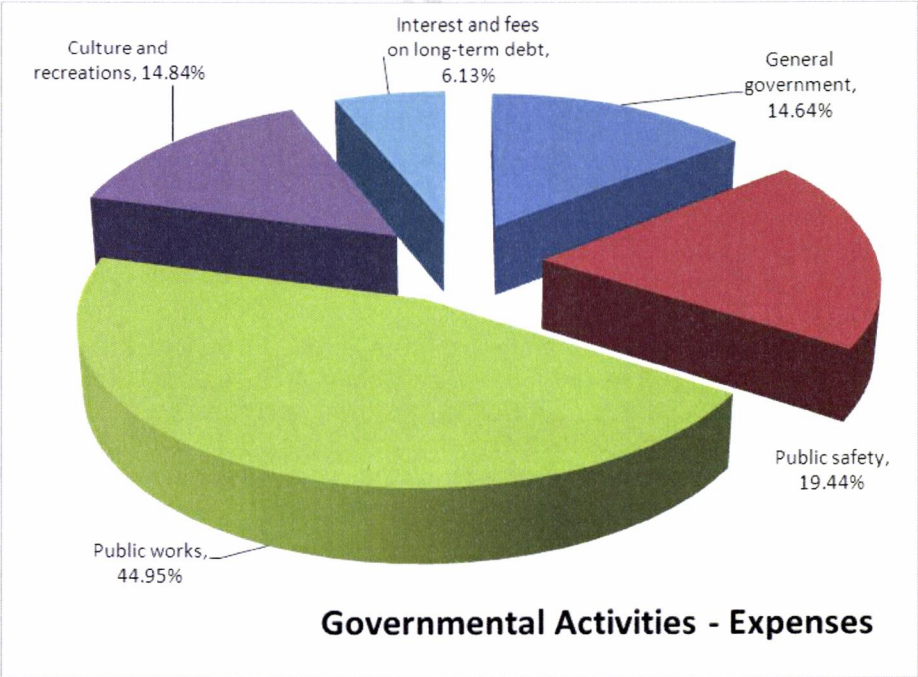
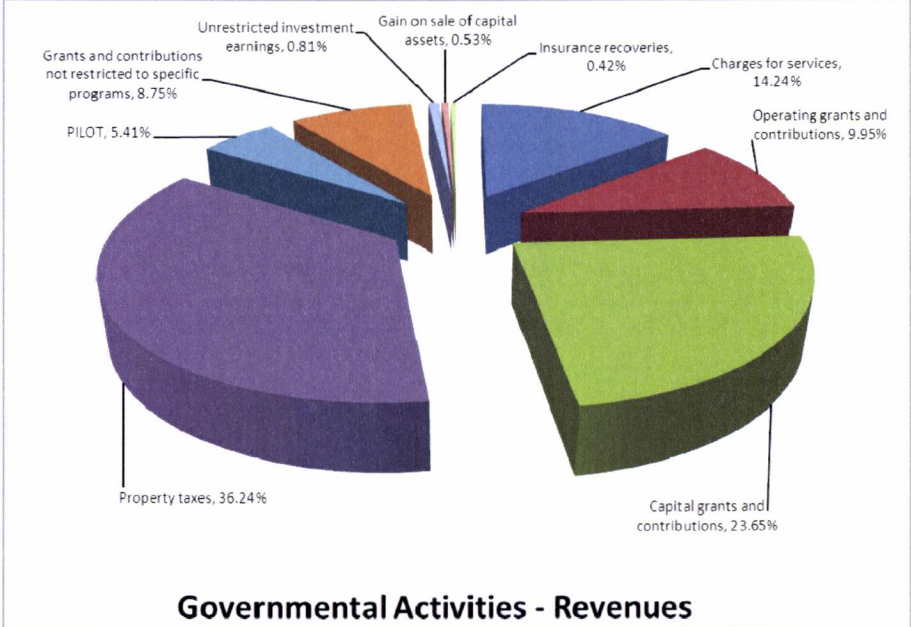
- Public Safety expenses increased by \$93,000 due to increases in police salaries.
- Public works expenses increased by \$1,381,890 due to several items. There were two large storms in the summer of 2012 causing flooding and major wind damage that required approximately \$163,000 in direct additional clean-up costs for Public Works and significant overtime costs. The major part of these costs were reimbursed by state and federal grant funds. Depreciation increased by approximately \$204,000 and the expensed portion of projects increased from 2011 to 2012 by approximately \$1,000,000.

City of Grand Rapids' Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$2,249,728	\$2,223,085	\$1,059,842	\$1,051,788	\$3,309,570	\$3,274,873
Operating grants and contributions	1,572,878	1,240,128	-	-	1,572,878	1,240,128
Capital grants and contributions	3,737,070	5,349,509	100	7,995	3,737,170	5,357,504
General revenues:						
Taxes	5,725,515	5,180,915	-	-	5,725,515	5,180,915
Payments in lieu of taxes (PILOT)	854,998	854,710	-	-	854,998	854,710
Grants and contributions not restricted to specific programs	1,382,817	1,470,249	-	-	1,382,817	1,470,249
Unrestricted investment earnings	128,235	184,059	5,885	6,313	134,120	190,372
Gain on sale of capital assets	83,853	5,360	-	-	83,853	5,360
Insurance recoveries	63,471	-	5,530	-	69,001	-
Total revenues	<u>15,798,565</u>	<u>16,508,015</u>	<u>1,071,357</u>	<u>1,066,096</u>	<u>16,869,922</u>	<u>17,574,111</u>
Expenses:						
General government	2,206,280	2,362,986	-	-	2,206,280	2,362,986
Public safety	2,929,368	2,836,212	-	-	2,929,368	2,836,212
Public works	6,772,303	5,390,413	-	-	6,772,303	5,390,413
Culture and recreation	2,235,595	2,255,043	-	-	2,235,595	2,255,043
Interest and fees on long-term debt	921,653	907,838	-	-	921,653	907,838
Golf course	-	-	561,484	549,733	561,484	549,733
Storm water utility	-	-	341,287	377,107	341,287	377,107
Total expenses	<u>15,065,199</u>	<u>13,752,492</u>	<u>902,771</u>	<u>926,840</u>	<u>15,967,970</u>	<u>14,679,332</u>
Change in net position before special items and transfers	733,366	2,755,523	168,586	139,256	901,952	2,894,779
Special items	-	6,212,220	-	-	-	6,212,220
Transfers - primary government	103,500	3,500	(103,500)	(3,500)	-	-
Change in net position	<u>836,866</u>	<u>8,971,243</u>	<u>65,086</u>	<u>135,756</u>	<u>901,952</u>	<u>9,106,999</u>
Net position - January 1, as previously reported	49,896,454	40,925,211	3,030,062	2,946,486	52,926,516	43,871,697
Prior period adjustment	-	-	-	(52,180)	-	(52,180)
Net position - January 1, as restated	<u>49,896,454</u>	<u>40,925,211</u>	<u>3,030,062</u>	<u>2,894,306</u>	<u>52,926,516</u>	<u>43,819,517</u>
Net position - December 31	<u>\$50,733,320</u>	<u>\$49,896,454</u>	<u>\$3,095,148</u>	<u>\$3,030,062</u>	<u>\$53,828,468</u>	<u>\$52,926,516</u>

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 \$65,086 in 2012. 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 \$4,089 in 2012 compared to a \$10,028 increase in 2011. The Golf Course purchased \$57,000 in capital assets in 2012 that included several docks and an aerator. 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 \$60,997 in 2012 compared to a \$125,728 increase in 2011. This fund was established in 2004 with storm water utility charges implemented on January 1, 2005. Any funds that are not used for storm water utility maintenance by the Public Works Department are used to reduce storm water infrastructure improvement project costs.

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,444,129. Approximately 8% of this total amount (\$1,291,585) constitutes nonspendable fund balance and approximately 51% (\$7,844,037) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$819,189) and assigned (\$1,989,644) by City Council, as well as unassigned fund balance (\$3,499,674). Additional information about the City's fund balance classifications can be found in Note 13.

The general fund balance increased by \$495,234 in 2012, compared to a \$79,740 increase in 2011. Prior to other financing sources and uses and special items, the General Fund balance increased \$778,650 in 2012 compared to a \$360,722 increase in 2011. Key elements of this increase are as follows:

- The City's tax levy for the General Fund decreased \$157,000 for 2012. However, property taxes from the annexed areas and payment of delinquent property taxes were \$342,000 over the budgeted amount. Intergovernmental revenue was \$368,579 over budget due largely to storm reimbursement funds from FEMA and the State of Minnesota totaling \$254,336. There were also several other grants that were received that had not been budgeted totaling \$66,000.
- The Public Works expenditure budget was over budget by \$236,000 due largely to the flood and wind storm related expenditures.

The 2006C Improvement Bonds had a fund balance decrease of \$46,765 due to the expenditure of prepayments of assessments received in previous years to make the debt service payments. The 2006B Refunding Bonds had a slight fund balance decrease due to fiscal fees exceeding investment income. The 2012 Infrastructure Bond Fund had a fund balance increase of \$2,629,181 due to bonds that were issued in 2012 for two infrastructure projects that will be completed in 2013

Management's Discussion and Analysis

- The nonmajor special revenue funds increased by \$41,843 for 2012. The Central School had deficit of (\$40,104) due to vacant rental units.
- The Civic Center had \$1,553 in revenue over expenditures in 2012, but previously had a deficit of (\$113,231) due to a loan and previous year's deficits, consequently the deficit was reduced to (\$111,678).
- The City received the Itasca Calvary Cemetery as part of the final annexation of Grand Rapids Township in 2010. In 2012, the Cemetery fund had revenues over expenditures of \$49,565, due to personnel costs being \$17,500 less than budgeted and insurance proceeds of \$50,000 for the loss and removal of 65 trees during the wind storm.

The nonmajor debt service funds decreased by (\$419,751). The 2003A Improvement Bonds were refunded in 2011 and the final payoff was in January 2012. Several debt service funds have received prepayments in previous years and as the debt services payments are made, the fund balance will decrease.

The nonmajor capital project funds increased by \$783,764. The 2011 Infrastructure Bonds increased by \$1,509,195 due to grant proceeds totaling \$877,500 and bond proceeds. The 2013 Infrastructure Bonds has a negative balance of (\$563,914). The City started one infrastructure project in 2012 that will be completed in 2013 and issued State Aid Street Bonds for part of it and will be issuing General Obligation Improvement Bonds in 2013 for that project and several other projects. The Permanent Improvement Revolving Fund decreased by \$175,822 due to a transfer to the 2010 Infrastructure Fund to eliminate the deficit and close the fund and a small amount to the Public Library.

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

The Golf Course had operating income of \$2,641. While the operating revenue increased by \$8,452, the operating expenses increased by \$12,109 due to a \$6,138 increase in depreciation on capital purchases in 2012.

The Storm Water Utility had operating income of \$156,902. The 2012 operating revenue was almost identical to the 2011, however, the 2012 operating expenses were \$35,800 less than 2011 due to an \$18,750 reduction in depreciation and a \$23,000 reduction in personnel costs because Public Works had to redirect work from the Storm Water Utility to deal with the storms causing floods and wind damage. There was also operating transfers totaling \$100,000 to two construction funds for storm water utility projects.

Budgetary Highlights

General Fund. The General Fund had an increase in fund balance of \$495,234. The General Fund revenue was over budget by \$683,567. The General Fund received \$342,000 more in taxes than budgeted as discussed earlier. The City also received approximately \$254,000 in state and federal funds for two storms that occurred in 2012, \$48,100 in Safe & Sober grant not budgeted, and approximately \$20,000 more in investment income than budgeted.

Total expenditures were over budget by \$197,435 due to the Public Works budget being over budget by \$205,000 due to the clean-up from two storms. The Administration Department was over budget by \$24,000 due to a compensation study started in 2011 and completed in 2012.

Management's Discussion and Analysis

The Fire Department was under budget due to the reduced number of fire calls, which reduced the personnel costs by \$33,000. City wide costs were also under budget by \$45,307 primarily due to the health insurance deductible contribution being under budget by \$25,000.

This increase in the fund balance puts the City within \$92,000 of its targeted unassigned fund balance for the General Fund and contributes to the amount the City has committed to revenue stabilization pay back.

The General Fund budget was not amended for 2012.

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, 2012, amounts to \$60,048,043 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment.

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land and land improvements	\$5,496,552	\$5,485,552	\$906,387	\$906,387	\$6,402,939	\$6,391,939
Building and improvements	11,741,989	12,434,917	1,677,792	1,736,733	13,419,781	14,171,650
Vehicles, equipment and furniture	4,272,660	4,039,147	171,361	150,533	4,444,021	4,189,680
Infrastructure	31,176,867	27,285,566	-	-	31,176,867	27,285,566
Construction in progress	4,604,435	5,083,560	-	-	4,604,435	5,083,560
Total	\$57,292,503	\$54,328,742	\$2,755,540	\$2,793,653	\$60,048,043	\$57,122,395

Additional information on the City's capital assets can be found in Note 5.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$27,805,843 (excluding compensated absences), an increase of \$4,134,828 from 2011. Of the total outstanding amount:

- \$22,530,000 is general obligation improvement debt that is supported in part by special assessments,
- \$820,000 is general obligation tax increment debt which financed the City's economic development program,
- \$4,160,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$295,843 of capital lease and loans payable in addition to unamortized bond premiums.

Management's Discussion and Analysis

City of Grand Rapids' Outstanding Debt

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation improvement bonds	\$22,530,000	\$18,890,000	\$ -	\$ -	\$22,530,000	\$18,890,000
General obligation tax increment bonds	820,000	835,000	-	-	820,000	835,000
Other general obligation bonds	4,160,000	3,675,000	-	-	4,160,000	3,675,000
Capital leases, loans, bond premium	295,843	271,015	-	-	295,843	271,015
Total	\$27,805,843	\$23,671,015	\$0	\$0	\$27,805,843	\$23,671,015

In March 2012, the City issued three bonds for infrastructure:

- \$2,245,000 General Obligation Improvement Bonds, Series 2012A
- \$4,175,000 General Obligation State-Aid Streets Bonds, Series 2012B
- \$905,000 General Obligation Grant Anticipation Notes, Series 2012C

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

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City is \$21,388,662. Of the City's outstanding debt, \$2,565,287 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 6.

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

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BASIC FINANCIAL STATEMENTS

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CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF NET POSITION
 December 31, 2012
 With Comparative Totals For December 31, 2011

Statement 1

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Economic Development Authority	Public Utilities Commission
			2012	2011		
Assets:						
Cash and investments	\$13,573,191	\$511,504	\$14,084,695	\$11,614,466	\$669,221	
Accrued interest	24,293	-	24,293	30,027	-	
Due from other governmental units	1,842,273	-	1,842,273	2,011,048	14,855	
Due from primary government	-	-	-	-	-	
Due from component unit	1,080,797	41,684	1,122,481	1,086,593	-	
Accounts receivable - net	90,731	65,371	156,102	171,679	-	
Internal balances	233,559	(233,559)	-	-	-	
Prepaid items	519,657	1,948	521,605	420,185	-	
Property taxes receivable	119,974	-	119,974	92,965	-	
Special assessments receivable	5,380,318	-	5,380,318	6,091,021	-	
Inventories - at cost	-	-	-	-	-	
Land held for resale	214,390	-	214,390	214,390	1,350,617	
Notes receivable	-	-	-	-	207,726	
Loan to airport	-	-	-	-	-	
Restricted cash and investments	-	-	-	-	-	
Restricted accounts receivable	-	-	-	-	-	
Unamortized debt issuance costs	376,607	-	376,607	419,587	-	
Other deferred debits	-	-	-	-	-	
Financial assurance landfill closure	-	-	-	-	-	
Capital assets - nondepreciable	10,100,987	906,387	11,007,374	11,475,499	-	
Capital assets - net of accumulated depreciation	47,191,516	1,849,153	49,040,669	45,646,896	-	
Total assets	80,748,293	3,142,488	83,890,781	79,274,356	2,242,419	0
Liabilities:						
Accounts payable	287,250	5,022	292,272	483,625	14,255	
Accrued wages and other liabilities	124,330	2,484	126,814	100,500	-	
Due to other governmental units	28,218	2,500	30,718	27,319	747	
Due to component units	46,337	7,894	54,231	60,950	-	
Contracts payable	73,802	-	73,802	314,428	5,780	
Deposits payable	14,723	16,000	30,723	30,991	-	
Due to primary government	-	-	-	-	-	
Accrued interest payable	393,665	1,212	394,877	342,620	-	
Unearned revenue	480,892	2,287	483,179	472,136	-	
Termination benefits payable:						
Due within one year	120,000	-	120,000	120,000	-	
Due in more than one year	80,000	-	80,000	200,000	-	
Other post employment benefits	214,256	5,620	219,876	202,968	-	
Landfill closure costs:						
Due in more than one year	-	-	-	-	-	
Demand payment deferral:						
Due within one year	-	-	-	-	-	
Due in more than one year	-	-	-	-	-	
Noncurrent liabilities:						
Due within one year	2,615,421	1,508	2,616,929	3,337,780	-	
Due in more than one year	25,536,079	2,813	25,538,892	20,654,523	100,000	
Total liabilities	30,014,973	47,340	30,062,313	26,347,840	120,782	0
Net position:						
Net investment in capital assets	30,975,963	2,755,540	33,731,503	34,496,952	-	
Restricted for:						
Debt service	11,922,802	-	11,922,802	12,180,524	-	
Itasca County's equity interest in Airport	55,375	-	55,375	126,398	-	
Other purposes	98,904	-	98,904	72,465	-	
Unrestricted	7,680,276	339,608	8,019,884	6,050,177	2,121,637	
Total net position	\$50,733,320	\$3,095,148	\$53,828,468	\$52,926,516	\$2,121,637	\$0

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$2,206,280	\$434,949	\$58,175
Public safety	2,929,368	433,622	511,220
Public works	6,772,303	419,069	797,596
Culture and recreation	2,235,595	962,088	52,048
Interest and fees on long-term debt	921,653	-	153,839
Total governmental activities	<u>15,065,199</u>	<u>2,249,728</u>	<u>1,572,878</u>
Business-type activities:			
Golf course	561,484	561,653	-
Storm water utility	341,287	498,189	-
Total business-type activities	<u>902,771</u>	<u>1,059,842</u>	<u>0</u>
Total primary government	<u>\$15,967,970</u>	<u>\$3,309,570</u>	<u>\$1,572,878</u>
Component units:			
Economic Development Authority	\$261,018	\$6,220	\$223,307
Public Utilities Commission			
Total component units	<u>\$261,018</u>	<u>\$6,220</u>	<u>\$223,307</u>

General revenues:

General property taxes
Payments in lieu of taxes (PILOT)
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Insurance recoveries

Special item:

Grand Rapids / Itasca County Airport

Transfers

Total general revenues, special items and transfers

Change in net position

Net position - January 1, as previously reported

Prior period adjustment

Net position - January 1, as restated

Net position - December 31

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets				Component Units	
	Governmental Activities	Business-Type Activities	Primary Government Totals		Economic Development Authority	Public Utilities Commission
			2012	2011		
\$ -	(\$1,713,156)	\$ -	(\$1,713,156)	(\$1,629,701)	\$ -	\$ -
128,195	(1,856,331)	-	(1,856,331)	(1,920,632)	-	-
3,608,875	(1,946,763)	-	(1,946,763)	311,418	-	-
-	(1,221,459)	-	(1,221,459)	(971,054)	-	-
-	(767,814)	-	(767,814)	(729,801)	-	-
<u>3,737,070</u>	<u>(7,505,523)</u>	<u>0</u>	<u>(7,505,523)</u>	<u>(4,939,770)</u>	<u>0</u>	<u>0</u>
100	-	269	269	11,463	-	-
-	-	156,902	156,902	121,480	-	-
<u>100</u>	<u>0</u>	<u>157,171</u>	<u>157,171</u>	<u>132,943</u>	<u>0</u>	<u>0</u>
<u>\$3,737,170</u>	<u>(7,505,523)</u>	<u>157,171</u>	<u>(7,348,352)</u>	<u>(4,806,827)</u>	<u>0</u>	<u>0</u>
\$ -					(31,491)	-
					-	-
<u>\$0</u>					<u>(31,491)</u>	<u>0</u>
	5,725,515	-	5,725,515	5,180,915	46,349	
	854,998	-	854,998	854,710	-	
	1,382,817	-	1,382,817	1,470,249	39,652	
	128,235	5,885	134,120	190,372	5,590	
	83,853	-	83,853	5,360	-	
	63,471	5,530	69,001	-	-	
	-	-	-	6,212,220	-	
	103,500	(103,500)	-	-	-	
	<u>8,342,389</u>	<u>(92,085)</u>	<u>8,250,304</u>	<u>13,913,826</u>	<u>91,591</u>	<u>0</u>
	<u>836,866</u>	<u>65,086</u>	<u>901,952</u>	<u>9,106,999</u>	<u>60,100</u>	<u>0</u>
	49,896,454	3,030,062	52,926,516	43,871,697	2,061,537	
	-	-	-	(52,180)	-	
	<u>49,896,454</u>	<u>3,030,062</u>	<u>52,926,516</u>	<u>43,819,517</u>	<u>2,061,537</u>	<u>-</u>
	<u>\$50,733,320</u>	<u>\$3,095,148</u>	<u>\$53,828,468</u>	<u>\$52,926,516</u>	<u>\$2,121,637</u>	<u>\$0</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	<u>101 General Fund</u>	<u>351 Improvement Bonds of 2006C</u>
Assets		
Cash and investments	\$3,972,328	\$547,232
Accrued interest receivable	24,293	-
Due from other governmental units	639,304	-
Due from other funds	61,375	-
Due from component unit	27,988	-
Accounts receivable	9,582	-
Interfund loan receivable	893,295	-
Prepaid items	185,558	-
Taxes receivable - delinquent	116,797	-
Special assessments receivable	64,343	1,431,826
Land held for resale	214,390	-
	<u>\$6,209,253</u>	<u>\$1,979,058</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$126,101	\$ -
Accrued wages payable	101,349	-
Due to other governmental units	22,465	-
Due to component units	33,582	-
Contracts payable	-	-
Due to other funds	-	-
Deposits payable	2,950	-
Interfund loan payable	-	-
Deferred revenue	406,371	1,431,826
Total liabilities	<u>692,818</u>	<u>1,431,826</u>

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

352 GO CIP Refunding Bonds of 2006B	474 2012 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
			2012	2011
\$324,704	\$505,718	\$8,223,209	\$13,573,191	\$11,200,764
-	-	-	24,293	30,027
-	123,690	1,047,059	1,810,053	1,977,433
-	-	784,676	846,051	3,261,297
832,600	220,209	-	1,080,797	1,042,653
-	-	81,149	90,731	63,308
-	-	95,749	989,044	1,219,737
-	-	334,099	519,657	419,069
-	-	3,177	119,974	92,965
-	-	3,934,149	5,430,318	6,091,021
-	-	-	214,390	214,390
<u>\$1,157,304</u>	<u>\$849,617</u>	<u>\$14,503,267</u>	<u>\$24,698,499</u>	<u>\$25,612,664</u>
\$2,500	\$32,065	\$126,584	\$287,250	\$472,204
-	-	22,981	124,330	98,195
-	645	5,108	28,218	23,792
804	-	11,951	46,337	56,014
-	73,802	-	73,802	314,428
-	-	845,991	845,991	3,259,269
-	-	11,773	14,723	16,991
-	-	755,545	755,545	943,637
<u>1,147,436</u>	<u>-</u>	<u>4,092,541</u>	<u>7,078,174</u>	<u>8,464,983</u>
<u>1,150,740</u>	<u>106,512</u>	<u>5,872,474</u>	<u>9,254,370</u>	<u>13,649,513</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

Liabilities and Fund Balances (continued)	<u>101 General Fund</u>	<u>351 Improvement Bonds of 2006C</u>
Fund balances:		
Nonspendable	\$882,863	\$ -
Restricted	13,186	547,232
Committed	156,520	-
Assigned	-	-
Unassigned	4,463,866	-
Total fund balances	<u>5,516,435</u>	<u>547,232</u>
 Total liabilities and fund balances	 <u>\$6,209,253</u>	 <u>\$1,979,058</u>

Fund balance reported above

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

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

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

- Bonds payable and unamortized bond premium
- Capital lease and loans payable
- Accrued interest payable
- Compensated absences payable
- Termination benefits payable
- Other post employment benefits

Net position of governmental activities

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

352 GO CIP Refunding Bonds of 2006B	474 2012 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
			2012	2011
\$ -	\$ -	\$408,722	\$1,291,585	\$1,417,708
6,564	743,105	6,533,950	7,844,037	6,744,338
-	-	662,669	819,189	725,768
-	-	1,989,644	1,989,644	2,073,531
-	-	(964,192)	3,499,674	1,001,806
<u>6,564</u>	<u>743,105</u>	<u>8,630,793</u>	<u>15,444,129</u>	<u>11,963,151</u>
<u>\$1,157,304</u>	<u>\$849,617</u>	<u>\$14,503,267</u>	<u>\$24,698,499</u>	<u>\$25,612,664</u>
			\$15,444,129	\$11,963,151
			57,292,503	54,328,742
			119,974	92,965
			5,380,318	6,091,023
			214,390	214,390
			832,600	1,012,000
			376,607	419,587
			32,220	622,840
			(27,649,687)	(23,476,365)
			(156,156)	(194,650)
			(393,665)	(341,242)
			(345,657)	(318,188)
			(200,000)	(320,000)
			(214,256)	(197,799)
			<u>\$50,733,320</u>	<u>\$49,896,454</u>

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

CITY OF GRAND RAPIDS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For The Year Ended December 31, 2012

With Comparative Totals For The Year Ended December 31, 2011

	<u>101 General Fund</u>	<u>351 Improvement Bonds of 2006C</u>
Revenues:		
Taxes:		
General property	\$3,666,921	\$32,858
Tax abatements	-	-
Tax increments	-	-
Payments in lieu of taxes (PILOT)	854,998	-
Licenses and permits	202,018	-
Intergovernmental	2,047,841	2,561
Special assessments	-	198,837
Charges for services	763,616	-
Fines and forfeits	103,293	-
Investment income	50,848	4,068
Contributions and donations	11,651	-
Other	24,737	-
Total revenues	<u>7,725,923</u>	<u>238,324</u>
Expenditures:		
Current:		
General government	1,699,646	36,058
Public safety	2,516,171	-
Public works	2,148,815	-
Culture and recreation	177,436	-
Miscellaneous	393,733	-
Capital outlay/construction	11,472	-
Debt service:		
Principal retirement	-	180,000
Interest	-	68,600
Paying agent fees	-	431
Bond issuance costs	-	-
Total expenditures	<u>6,947,273</u>	<u>285,089</u>
Revenues over (under) expenditures	<u>778,650</u>	<u>(46,765)</u>
Other financing sources (uses):		
Sale of capital assets	535	-
Issuance of refunding bonds	-	-
Bond discount	-	-
Bond issuance	-	-
Bond premium	-	-
Insurance recoveries	13,471	-
Transfers in	24,379	-
Transfers out	<u>(321,801)</u>	<u>-</u>
Total other financing sources (uses)	<u>(283,416)</u>	<u>0</u>
Special item: Grand Rapids / Itasca County Airport	<u>-</u>	<u>-</u>
Net change in fund balance	495,234	(46,765)
Fund balance - January 1	<u>5,021,201</u>	<u>593,997</u>
Fund balance - December 31	<u>\$5,516,435</u>	<u>\$547,232</u>

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

352 GO CIP Refunding Bonds of 2006B	474 2012 Infrastructure Bonds	Other Governmental Funds	Totals Governmental Funds	
			2012	2011
\$ -	\$ -	\$1,806,167	\$5,505,946	\$5,000,352
-	-	25,133	25,133	141,767
-	-	167,427	167,427	27,688
-	-	-	854,998	854,710
-	-	336	202,354	226,118
-	123,690	2,260,376	4,434,468	5,933,373
-	-	1,347,526	1,546,363	1,063,987
-	1,831,529	1,063,423	3,658,568	2,415,698
-	-	57,691	160,984	191,552
494	-	72,825	128,235	184,059
-	-	70,279	81,930	127,740
208,900	-	34,614	268,251	253,009
<u>209,394</u>	<u>1,955,219</u>	<u>6,905,797</u>	<u>17,034,657</u>	<u>16,420,053</u>
2,591	-	126,316	1,864,611	2,045,880
-	-	123,402	2,639,573	2,551,622
-	-	637,392	2,786,207	2,706,560
-	-	1,532,051	1,709,487	1,745,924
-	-	-	393,733	369,809
-	4,594,396	3,034,294	7,640,162	8,398,558
165,000	-	2,894,850	3,239,850	2,990,512
43,900	-	690,477	802,977	903,583
431	-	7,768	8,630	6,204
-	90,156	36,893	127,049	42,489
<u>211,922</u>	<u>4,684,552</u>	<u>9,083,443</u>	<u>21,212,279</u>	<u>21,761,141</u>
<u>(2,528)</u>	<u>(2,729,333)</u>	<u>(2,177,646)</u>	<u>(4,177,622)</u>	<u>(5,341,088)</u>
-	-	51,253	51,788	5,360
-	-	-	-	525,000
-	(4,050)	(1,358)	(5,408)	-
-	5,210,503	2,114,497	7,325,000	1,030,000
-	40,135	37,878	78,013	-
-	-	92,236	105,707	-
-	111,926	569,140	705,445	1,044,991
-	-	(280,144)	(601,945)	(1,041,491)
<u>0</u>	<u>5,358,514</u>	<u>2,583,502</u>	<u>7,658,600</u>	<u>1,563,860</u>
-	-	-	-	347,629
(2,528)	2,629,181	405,856	3,480,978	(3,429,599)
9,092	(1,886,076)	8,224,937	11,963,151	15,392,750
<u>\$6,564</u>	<u>\$743,105</u>	<u>\$8,630,793</u>	<u>\$15,444,129</u>	<u>\$11,963,151</u>

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

CITY OF GRAND RAPIDS, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012
With Comparative Amounts For The Year Ended December 31, 2011

Statement 5

	2012	2011
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)	\$3,480,978	(\$3,429,599)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(2,985,477)	(2,751,694)
Capital outlay	7,640,162	8,398,558
Capital outlay not capitalized	(1,804,176)	(767,256)
Capitalized bond issuance costs	103,123	-
In the statement of activities only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(10,171)	-
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	20,300	104,100
Special item - contribution of capital assets from the Grand Rapids / Itasca County Airport	-	6,038,953
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	27,009	11,108
Change in deferred and delinquent special assessments	(710,705)	(444,176)
Change in unavailable intergovernmental revenue	(589,225)	589,225
Governmental funds report loan disbursements as expenditures and the related loan repayments as revenues. However, in the statement of activities these transactions have no effect on net assets. The amounts of the differences are:		
Receipts on loans receivable	(179,400)	(244,200)
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts of these differences are:		
Debt proceeds	(7,325,000)	(1,555,000)
Special item - loans payable from the Grand Rapids / Itasca County Airport	-	(107,362)
Principal payments on bonds, capital leases and loans payable	3,253,494	3,004,156
Current year bond issuance costs and amortization of deferred charges	(42,980)	2,341
Current year bond premium and amortization of bond premium	(63,322)	9,815
Change in due from other governmental units accrual related to a federal credit on BAB bonds	(1,395)	(455)
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	(27,469)	(19,331)
Change in other post employment benefits and termination benefits payable	103,543	99,778
Change in accrued interest payable	(52,423)	32,282
Change in net assets of governmental activities (Statement 2)	<u>\$836,866</u>	<u>\$8,971,243</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

Statement 6

	Business-Type Activities - Enterprise Funds			
	613 Pokegama	655 Storm Water	Totals	
	Golf Course	Utility	2012	2011
Assets:				
Current assets:				
Cash and cash equivalents	\$152,993	\$358,511	\$511,504	\$413,702
Due from component units	-	41,684	41,684	43,940
Accounts receivable	9,837	4,471	14,308	11,007
Pledges receivable - net	51,063	-	51,063	48,682
Prepaid items	1,948	-	1,948	1,116
Total current assets	215,841	404,666	620,507	518,447
Noncurrent assets:				
Pledges receivable - net	-	-	-	48,682
Capital assets:				
Land and land improvements	871,481	34,906	906,387	906,387
Buildings and structures	2,190,771	-	2,190,771	2,186,197
Machinery, equipment and furniture	655,719	185,243	840,962	788,437
Total capital assets	3,717,971	220,149	3,938,120	3,881,021
Less: Allowance for depreciation	(1,002,933)	(179,647)	(1,182,580)	(1,087,368)
Net capital assets	2,715,038	40,502	2,755,540	2,793,653
Total noncurrent assets	2,715,038	40,502	2,755,540	2,842,335
Total assets	2,930,879	445,168	3,376,047	3,360,782
Liabilities:				
Current liabilities:				
Accounts payable	1,774	3,248	5,022	11,421
Accrued wages payable	1,543	941	2,484	2,305
Due to other governmental units	2,500	-	2,500	3,527
Due to component units	1,109	6,785	7,894	4,936
Accrued interest payable	1,212	-	1,212	1,378
Deposits payable	-	16,000	16,000	14,000
Due to other funds	60	-	60	2,028
Interfund loan payable	233,499	-	233,499	276,100
Compensated absences payable - current	1,107	401	1,508	1,593
Unearned revenue	2,287	-	2,287	6,756
Total current liabilities	245,091	27,375	272,466	324,044
Noncurrent liabilities:				
Compensated absences payable	2,813	-	2,813	1,507
Other post employment benefits	5,620	-	5,620	5,169
Total noncurrent liabilities	8,433	0	8,433	6,676
Total liabilities	253,524	27,375	280,899	330,720
Net position:				
Net investment in capital assets	2,715,038	40,502	2,755,540	2,793,653
Unrestricted	(37,683)	377,291	339,608	236,409
Total net position	\$2,677,355	\$417,793	3,095,148	3,030,062

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

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

Statement 7

For The Year Ended December 31, 2012

With Comparative Totals For The Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2012	2011
Operating revenues:				
Season passes	\$174,073	\$ -	\$174,073	\$182,423
Green fees	225,801	-	225,801	201,973
Special play	7,819	-	7,819	8,434
Rentals and leases	153,960	-	153,960	158,502
Miscellaneous	-	-	-	1,869
Charges for service	-	498,189	498,189	498,587
Total operating revenues	<u>561,653</u>	<u>498,189</u>	<u>1,059,842</u>	<u>1,051,788</u>
Operating expenses:				
Personnel services	225,373	165,128	390,501	414,560
Materials and supplies	60,307	23,071	83,378	86,298
Other services and charges	186,447	144,761	331,208	315,508
Depreciation	86,885	8,327	95,212	107,644
Total operating expenses	<u>559,012</u>	<u>341,287</u>	<u>900,299</u>	<u>924,010</u>
Operating income	<u>2,641</u>	<u>156,902</u>	<u>159,543</u>	<u>127,778</u>
Nonoperating revenues (expenses):				
Investment income	1,790	4,095	5,885	6,313
Interest expense	(2,472)	-	(2,472)	(2,187)
Insurance recoveries	5,530	-	5,530	-
Gain (loss) on sale of capital assets	-	-	-	(643)
Total nonoperating revenues (expenses)	<u>4,848</u>	<u>4,095</u>	<u>8,943</u>	<u>3,483</u>
Income before contributions and transfers	<u>7,489</u>	<u>160,997</u>	<u>168,486</u>	<u>131,261</u>
Capital contributions	100	-	100	7,995
Transfers out	(3,500)	(100,000)	(103,500)	(3,500)
Total transfers and contributions	<u>(3,400)</u>	<u>(100,000)</u>	<u>(103,400)</u>	<u>4,495</u>
Change in net position	<u>4,089</u>	<u>60,997</u>	<u>65,086</u>	<u>135,756</u>
Net position - January 1, as previously reported	2,673,266	356,796	3,030,062	2,946,486
Prior period adjustment	-	-	-	(52,180)
Net position - January 1, as restated	<u>2,673,266</u>	<u>356,796</u>	<u>3,030,062</u>	<u>2,894,306</u>
Net position - December 31	<u><u>\$2,677,355</u></u>	<u><u>\$417,793</u></u>	<u><u>\$3,095,148</u></u>	<u><u>\$3,030,062</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, 2012

With Comparative Totals For The Year Ended December 31, 2011

Statement 8

	Business-Type Activities - Enterprise Funds			
	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2012	2011
Cash flows from operating activities:				
Receipts from customers and users	\$554,759	\$499,569	\$1,054,328	\$1,047,682
Payment to suppliers	(247,406)	(170,480)	(417,886)	(401,310)
Payment to employees	(223,830)	(164,820)	(388,650)	(416,272)
Net cash flows provided by operating activities	<u>83,523</u>	<u>164,269</u>	<u>247,792</u>	<u>230,100</u>
Cash flows from noncapital financing activities:				
Change in interfund borrowing	(44,569)	-	(44,569)	46,309
Interest on interfund borrowing	(2,638)	-	(2,638)	(851)
Insurance recoveries	5,530	-	5,530	-
Transfers out	(3,500)	(100,000)	(103,500)	(3,500)
Net cash flows provided by (used in) noncapital financing activities	<u>(45,177)</u>	<u>(100,000)</u>	<u>(145,177)</u>	<u>41,958</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(57,099)	-	(57,099)	(128,822)
Sale of capital assets	-	-	-	1,944
Capital contributions	46,401	-	46,401	54,766
Net cash flows (used in) capital and related financing activities	<u>(10,698)</u>	<u>0</u>	<u>(10,698)</u>	<u>(72,112)</u>
Cash flows from investing activities:				
Investment income	1,790	4,095	5,885	6,313
Net increase (decrease) in cash and cash equivalents	29,438	68,364	97,802	206,259
Cash and cash equivalents - January 1	123,555	290,147	413,702	207,443
Cash and cash equivalents - December 31	<u>\$152,993</u>	<u>\$358,511</u>	<u>\$511,504</u>	<u>\$413,702</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$2,641	\$156,902	\$159,543	\$127,778
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	86,885	8,327	95,212	107,644
Changes in assets and liabilities:				
Decrease (increase) in receivables	(2,425)	1,380	(1,045)	(4,309)
Decrease (increase) in prepaid items	(832)	-	(832)	1,151
Increase (decrease) in unearned revenue	(4,469)	-	(4,469)	203
Increase (decrease) in payables	1,723	(2,340)	(617)	(2,367)
Total adjustments	<u>80,882</u>	<u>7,367</u>	<u>88,249</u>	<u>102,322</u>
Net cash provided by (used in) operating activities	<u>\$83,523</u>	<u>\$164,269</u>	<u>\$247,792</u>	<u>\$230,100</u>
Noncash capital and related financing activities:				
None				

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012
With Amounts Totals For December 31, 2011

Statement 9

Assets:	Agency Funds	
	2012	2011
Cash and investments	<u>\$74,876</u>	<u>\$85,956</u>
Liabilities:		
Accounts payable	\$18,459	\$17,594
Due to third-party grantees	<u>56,417</u>	<u>68,362</u>
Total liabilities	<u>\$74,876</u>	<u>\$85,956</u>

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

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

COMPONENT UNITS

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

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

The EDA's governing board is appointed by the City Council. The City Council has the ability to approve or modify the EDA's budget and to veto or overrule other decisions of the EDA's governing body. The EDA does not issue separate financial statements.

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

RELATED ORGANIZATION

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

JOINT POWERS COOPERATIVE AGREEMENT

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

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

Based on the terms of the agreement and GASB Statement No. 14, *The Financial Reporting Entity*, the Airport Advisory Board does not possess corporate powers (i.e. does not have the right to buy, sell, lease and mortgage property in its own name). Therefore, the two funds of the airport are reported as funds of the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *G.O. CIP Refunding Bonds of 2006B Fund* accounts for the accumulation of resources for, and payment of, principal, interest and related cash of the Improvement Bonds of 2006B.

The *2012 Infrastructure Bonds Fund* accounts for infrastructure improvements financed by the Improvement Bonds of 2012A and 2012B.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

D. BUDGETARY INFORMATION

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

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

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

1. The City Administrator submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following January 1. These budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of a resolution on a fund basis.
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.

E. CASH AND INVESTMENTS

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

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

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

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

F. INVESTMENT INCOME

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

G. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

I. INVENTORIES

GOVERNMENTAL FUNDS

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

J. PREPAID ITEMS

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

K. LAND HELD FOR RESALE

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

L. CAPITAL ASSETS

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

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

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2012, no interest was capitalized in connection with construction in progress.

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

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

M. INTERFUND TRANSACTIONS AND BALANCES

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

Short-term receivables and payables between funds are classified as “due from other funds” or “due to other funds” on the balance sheet. Such items, which are expected to be eliminated in 2013, represent temporary balances due to interfund billings or reclassifications of funds with internally reported negative cash balances.

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

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

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

N. COMPENSATED ABSENCES

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

O. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

- In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed. The City Council retains the authority to assign fund balance, which is performed by resolution when a fund is established.
- In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Currently, no individual has been delegated this authority because no fund balance is assigned in the General Fund.

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

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned, except for the revenue stabilization commitment which is to be used only in certain circumstances as described in Note 13C.

Q. TRANSACTIONS BETWEEN THE CITY AND ITS COMPONENT UNITS

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

Significant transactions between the City and its component units during 2012 are described in footnotes 3, 6, 17, and 18.

R. USE OF ESTIMATES

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

S. UTILITY REVENUE RECOGNITION

Billings are rendered and recorded monthly based on metered usage.

T. RECLASSIFICATIONS

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

U. COMPARATIVE TOTALS

The basic financial statements and combining and individual fund financial statements and schedules include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

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

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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

At December 31, 2012 the carrying amount of the City's deposits with financial institutions was \$9,588,956.

Custodial credit risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2012, the bank balance of the City's deposits was \$9,641,400, 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.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2012, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
FHLMC notes	Aaa	\$100,308	\$ -	\$ -	\$100,308
FHLB notes	Aaa	260,784	-	111,126	149,658
Federal farm credit notes	Aaa	116,876	-	-	116,876
US treasury notes	Aaa	588,971	-	383,697	205,274
Brokered cd's	NR	3,893,258	1,543,258	2,154,000	196,000
First American treasury fund	Aaa	274,129	274,129	-	-
Total		<u>\$5,234,326</u>	<u>\$1,817,387</u>	<u>\$2,648,823</u>	<u>\$768,116</u>
			Total investments		\$5,234,326
			Deposits		9,588,956
			Petty cash		5,510
			Total cash and investments		<u>\$14,828,792</u>

NR - Not Rated

Following is a reconciliation of the City's cash and investment balances as of December 31, 2012:

Cash and investments - primary government:	
Governmental and business-type (Statement 1)	\$14,084,695
Fiduciary (Statement 9)	74,876
Cash and investments - EDA (Statement 1)	669,221
	<u>\$14,828,792</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).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

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, 2012 for the Public Utilities Commission are as follows:

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2012 are as follows:

	Primary Government					EDA
	Major Funds			Nonmajor Funds	Total	
	General	Improvement Bonds of 2006C	G. O. CIP Refunding Bonds of 2006B			
Special assessments receivable	\$47,396	\$1,282,774	\$ -	\$3,499,018	\$4,829,188	\$ -
Property taxes receivable	63,877	-	-	1,737	65,614	-
Interfund loan receivable	697,306	-	-	74,623	771,929	-
Notes receivable	-	-	-	-	-	123,735
Receivable from PUC	-	-	638,000	-	638,000	-
	<u>\$808,579</u>	<u>\$1,282,774</u>	<u>\$638,000</u>	<u>\$3,575,378</u>	<u>\$6,304,731</u>	<u>\$123,735</u>

PLEDGES RECEIVABLE

The City developed the Pokegama Golf and Park Place project after it was determined there were structural deficiencies in the current golf course clubhouse. The Pokegama Golf and Park Place project was developed to not only replace the existing clubhouse, but to add a park facility to the newly annexed area around the Pokegama Golf Course. Part of the funding schematic was a capital fund drive, which began in 2009. As of December 31, 2012, outstanding pledges receivable were \$61,666. An estimated allowance for doubtful accounts of \$10,603 has been recorded, resulting in a net pledges receivable balance of \$51,063 at year end.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Primary government:		
Delinquent property taxes receivable (General Fund)	\$116,797	\$ -
Delinquent property taxes receivable (Nonmajor Funds)	3,177	-
Delinquent and deferred special assessments (General Fund)	64,343	-
Delinquent and deferred special assessments (Improvement Bonds of 2006C)	1,431,826	-
Delinquent and deferred special assessments (Nonmajor Funds)	3,934,149	-
Due from Public Utilities Commission (G.O. CIP Refunding Bonds of 2006B)	832,600	314,836
Land held for resale (General Fund)	214,390	-
Miscellaneous (General Fund)	-	10,841
Miscellaneous (Nonmajor Funds)	-	155,215
Total primary government	<u>6,597,282</u>	<u>480,892</u>
EDA (discretely presented component unit):		
Land held for resale	1,350,617	-
Notes receivable	207,726	-
Total EDA	<u>1,558,343</u>	<u>0</u>
 Total deferred/unearned revenue	 <u>\$8,155,625</u>	 <u>\$480,892</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City has approved six interfund loans. Two loans were made to the Pokegama Golf Course, one to purchase golf carts and another for the Pokegama Golf and Park Place Project. Loans were also made to the IRA Civic Center Fund, the Airport Operations Fund and the Capital Equipment Replacement Fund as financing to those funds for capital expenditures. An interfund loan to TIF 1-5 Black Bear Homes was made to provide developer assistance. A summary at December 31, 2012 is as follows:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Major funds:		
General Fund	\$893,295	\$ -
Pokegama Golf Course	-	233,499
Nonmajor funds:		
Special revenue funds:		
Airport Operations	-	47,000
IRA Civic Center	-	55,881
Debt Service Funds:		
TIF 1-5 Black Bear Homes	-	95,749
Capital Projects Funds:		
General Capital Improvement Projects	95,749	-
Capital Equipment Replacement	-	556,915
	<u>\$989,044</u>	<u>\$989,044</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Amounts reported as due to/from other funds at December 31, 2012 are as follows:

	Due From Other Funds	Due To Other Funds
Major Funds:		
General Fund	\$61,375	\$ -
Pokegama Golf Course	-	60
Nonmajor Funds:		
Special Revenue Funds:		
IRA Civic Center	-	54,117
Haz-Mat	-	7,198
Capital Project Funds:		
Airport Capital Fund	-	220,762
7th Avenue Bridge Rehab	123,699	-
Permanent Improvement Revolving	660,977	-
2013 Infrastructure Bonds	-	563,914
Total	<u>\$846,051</u>	<u>\$846,051</u>

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

Interfund transfers:

	Transfers In			Total
	General	2012 Infrastructure Bonds	Nonmajor Governmental Funds	
Transfers out:				
General Fund	\$ -	\$ -	\$321,801	\$321,801
Nonmajor Governmental Funds	20,879	11,926	247,339	280,144
Golf Course	3,500	-	-	3,500
Storm Water Utility	-	100,000	-	100,000
Totals	<u>\$24,379</u>	<u>\$111,926</u>	<u>\$569,140</u>	<u>\$705,445</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 2012, the City made transfers from the General Fund to Special Revenue Funds (\$81,000) to provide ongoing support and to the Improvement Refunding Bonds of 2009B Debt Service Fund (\$150,000) as part of its debt financing plan. Transfers were also made to allocate funds for capital purposes (\$398,496), operating purposes (\$3,500) and to close two funds (\$72,449).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$5,485,552	\$11,000	\$ -	\$5,496,552
Construction in progress	5,083,560	5,110,586	(5,589,711)	4,604,435
Total capital assets, not being depreciated	<u>10,569,112</u>	<u>5,121,586</u>	<u>(5,589,711)</u>	<u>10,100,987</u>
Capital assets, being depreciated:				
Buildings and improvements	26,390,251	135,304	-	26,525,555
Vehicles, equipment and furniture	9,034,505	849,739	(348,276)	9,535,968
Infrastructure	49,447,661	5,454,407	(86,960)	54,815,108
Total capital assets, being depreciated	<u>84,872,417</u>	<u>6,439,450</u>	<u>(435,236)</u>	<u>90,876,631</u>
Less accumulated depreciation for:				
Buildings and improvements	13,955,334	828,232	-	14,783,566
Vehicles, equipment and furniture	4,995,358	594,139	(326,189)	5,263,308
Infrastructure	22,162,095	1,563,106	(86,960)	23,638,241
Total accumulated depreciation	<u>41,112,787</u>	<u>2,985,477</u>	<u>(413,149)</u>	<u>43,685,115</u>
Total capital assets being depreciated - net	<u>43,759,630</u>	<u>3,453,973</u>	<u>(22,087)</u>	<u>47,191,516</u>
Governmental activities capital assets - net	<u>\$54,328,742</u>	<u>\$8,575,559</u>	<u>(\$5,611,798)</u>	<u>\$57,292,503</u>
Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$906,387	\$ -	\$ -	\$906,387
Capital assets, being depreciated:				
Buildings and improvements	2,186,197	4,574	-	2,190,771
Machinery, equipment and furniture	788,437	52,525	-	840,962
Total capital assets, being depreciated	<u>2,974,634</u>	<u>57,099</u>	<u>0</u>	<u>3,031,733</u>
Less accumulated depreciation for:				
Buildings and improvements	449,464	63,515	-	512,979
Machinery, equipment and furniture	637,904	31,697	-	669,601
Total accumulated depreciation	<u>1,087,368</u>	<u>95,212</u>	<u>0</u>	<u>1,182,580</u>
Total capital assets being depreciated - net	<u>1,887,266</u>	<u>(38,113)</u>	<u>0</u>	<u>1,849,153</u>
Business-type activities capital assets - net	<u>\$2,793,653</u>	<u>(\$38,113)</u>	<u>\$0</u>	<u>\$2,755,540</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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

Governmental activities:	
General government	\$79,896
Public safety	268,590
Public works, including depreciation of general infrastructure assets	2,115,861
Culture and recreation	521,130
Total depreciation expense - governmental activities	<u>\$2,985,477</u>
Business-type activities:	
Golf course	\$86,885
Storm water utility	8,327
Total depreciation expense - business-type activities	<u>\$95,212</u>

Draft - 04-16-2013

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 6 LONG-TERM DEBT

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

As of December 31, 2012, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/12
Primary Government					
<u>Governmental Activities:</u>					
G.O. Tax Increment Bonds:					
Tax Increment Bonds Series 2008A	3.75 - 4.60	8/1/2008	2/1/2034	\$850,000	\$820,000
G.O. Improvement Bonds:					
Improvement Bonds of 2001B	3.00 - 5.00	10/1/2001	2/1/2017	470,000	160,000
Improvement Bonds of 2004A	3.00 - 4.15	11/1/2004	2/1/2021	3,705,000	1,635,000
Improvement Bonds of 2005A	3.00 - 3.90	9/1/2005	2/1/2021	3,450,000	2,020,000
Improvement Bonds of 2005B	3.50 - 3.70	9/1/2005	4/1/2015	1,105,000	360,000
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022	2,505,000	1,625,000
Improvement Bonds of 2007A	4.00 - 4.15	9/1/2007	2/1/2023	1,775,000	1,405,000
Improvement Bonds of 2007B	4.00 - 4.10	12/15/2007	4/1/2022	1,150,000	750,000
Improvement Bonds of 2008C	3.25 - 4.60	11/1/2008	2/1/2024	1,145,000	940,000
Improvement Refunding Bonds of 2009B	1.00 - 3.00	6/1/2009	2/1/2016	1,265,000	470,000
Improvement Bonds of 2009C	1.85 - 5.30	9/1/2009	2/1/2025	4,565,000	4,155,000
Improvement Bonds of 2010A	0.75 - 3.625	11/1/2010	2/1/2026	1,115,000	1,035,000
Improvement Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027	1,555,000	1,555,000
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028	2,245,000	2,245,000
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027	4,175,000	4,175,000
Total G.O. Improvement Bonds				<u>30,225,000</u>	<u>22,530,000</u>
Other General Obligation Bonds:					
Capital Improvement Plan Bonds of 2006B	4.00	10/1/2006	2/1/2017	1,785,000	1,015,000
Street Reconstruction Bonds of 2008B	3.25 - 4.60	11/1/2008	2/1/2024	1,010,000	840,000
Equipment Certificates of 2009D	2.00 - 4.85	9/1/2009	2/1/2019	1,005,000	850,000
Capital Improvement Plan Bonds of 2010A	0.75 - 2.25	11/1/2010	2/1/2018	635,000	550,000
Grant Anticipation Notes of 2012C	0.50	4/1/2012	2/1/2014	905,000	905,000
Total other general obligation bonds				<u>5,340,000</u>	<u>4,160,000</u>
Total bonded debt - governmental activities				<u>36,415,000</u>	<u>27,510,000</u>
Capital lease payable	0.00	11/22/2010	12/31/2020	136,444	109,156
Airport loan payable to Itasca County	0.00	2001	2017	147,000	47,000
Bond premium				207,074	139,687
Compensated absences				345,657	345,657
Total governmental activities				<u>\$37,251,175</u>	<u>\$28,151,500</u>
<u>Business-Type Activities:</u>					
Compensated absences				\$4,321	\$4,321
Total business-type activities				<u>\$4,321</u>	<u>\$4,321</u>
<u>Component Units:</u>					
EDA:					
Note payable	0.00	8/5/2010	8/5/2015	\$100,000	\$100,000
Public Utilities:					
G.O. Revenue Note Series 1999	3.04	1/3/2000	1/1/2019	1,079,657	466,000
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016	1,915,000	890,000
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00 - 4.90	6/1/2009	12/1/2019	925,000	670,000
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029	26,104,470	25,541,000
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60 - 3.50	7/25/2011	12/1/2021	3,965,000	3,885,000
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033	2,025,000	2,025,000
Total public utilities				<u>36,014,127</u>	<u>33,477,000</u>
Total component unit				<u>\$36,114,127</u>	<u>\$33,577,000</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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
2013	\$15,000	\$35,934	\$2,055,000	\$707,438	\$445,000	\$118,408
2014	15,000	35,371	2,195,000	626,984	1,365,000	100,155
2015	20,000	34,715	1,965,000	570,221	475,000	82,134
2016	20,000	33,965	1,815,000	516,118	485,000	65,245
2017	20,000	33,170	1,805,000	462,302	500,000	47,237
2018	25,000	32,225	1,745,000	407,415	300,000	32,427
2019	25,000	31,175	1,735,000	351,177	205,000	22,164
2020	25,000	30,125	1,730,000	292,657	70,000	15,880
2021	30,000	28,970	1,675,000	233,191	75,000	12,690
2022	30,000	27,680	1,345,000	179,568	75,000	9,315
2023	35,000	26,250	1,145,000	135,344	80,000	5,750
2024	35,000	24,710	1,025,000	96,609	85,000	1,955
2025	40,000	23,060	960,000	59,451	-	-
2026	40,000	21,280	605,000	32,892	-	-
2027	45,000	19,368	560,000	16,243	-	-
2028	45,000	17,342	170,000	5,525	-	-
2029	50,000	15,180	-	-	-	-
2030	55,000	12,765	-	-	-	-
2031	55,000	10,235	-	-	-	-
2032	60,000	7,590	-	-	-	-
2033	65,000	4,715	-	-	-	-
2034	70,000	1,610	-	-	-	-
Total	\$820,000	\$507,435	\$22,530,000	\$4,693,135	\$4,160,000	\$513,360

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Year Ending December 31,	Loans Payable		Revenue Bonds and Notes*	
	Governmental Activities		PUC Component Unit	
	Principal	Interest	Principal	Interest
2013	\$10,000	\$ -	\$1,920,000	\$985,821
2014	10,000	-	2,066,000	913,951
2015	10,000	-	2,127,000	854,387
2016	10,000	-	2,196,000	791,008
2017	7,000	-	2,020,000	730,942
2018	-	-	2,072,000	673,657
2019	-	-	2,133,000	613,284
2020	-	-	2,021,000	549,170
2021	-	-	2,088,000	489,446
2022	-	-	1,631,000	426,794
2023	-	-	1,680,000	380,213
2024	-	-	1,726,000	332,175
2025	-	-	1,773,000	282,673
2026	-	-	1,831,000	231,551
2027	-	-	1,881,000	178,739
2028	-	-	1,932,000	124,305
2029	-	-	1,970,000	68,602
2030	-	-	100,000	11,422
2031	-	-	100,000	8,322
2032	-	-	105,000	5,145
2033	-	-	105,000	1,759
Total	<u>\$47,000</u>	<u>\$0</u>	<u>\$33,477,000</u>	<u>\$8,653,366</u>

*During 2009, the Commission was authorized to issue \$28,509,779 of sewer system Clean Water Fund revenue bonds. The original amount reported on page 67 has been issued as of December 31, 2012. The repayment schedule above reflects the entire \$28,509,779 authorized less the \$1,118,000 and \$700,779 principal payments made in 2012 and 2011, respectively.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
G.O. Tax increment bonds	\$835,000	\$ -	(\$15,000)	\$820,000	\$15,000
G.O. Improvement bonds	18,890,000	6,420,000	(2,780,000)	22,530,000	2,055,000
Other G.O. bonds	3,675,000	905,000	(420,000)	4,160,000	445,000
Bond premium	76,365	78,013	(14,691)	139,687	14,691
Capital lease payable	122,800	-	(13,644)	109,156	13,644
Loans payable	71,850	-	(24,850)	47,000	10,000
Compensated absences	318,188	56,593	(29,124)	345,657	62,086
Total governmental activities	<u>\$23,989,203</u>	<u>\$7,459,606</u>	<u>(\$3,297,309)</u>	<u>\$28,151,500</u>	<u>\$2,615,421</u>
<u>Business Type Activities:</u>					
Compensated absences	<u>\$3,100</u>	<u>\$1,321</u>	<u>(\$100)</u>	<u>\$4,321</u>	<u>\$1,508</u>
<u>Component Units:</u>					
Note payable - EDA	100,000	-	-	100,000	-
G.O. Revenue Bonds and Notes - PUC	33,680,690	-	-	33,680,690	-
Other deferred credits - PUC	94,271	-	-	94,271	-
Compensated absences - PUC	<u>437,520</u>	<u>-</u>	<u>-</u>	<u>437,520</u>	<u>-</u>
Total component units	<u>\$34,312,481</u>	<u>\$0</u>	<u>\$0</u>	<u>\$34,312,481</u>	<u>\$0</u>

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

CAPITAL LEASE PAYABLE

During 2010, the City entered into a Communications System Subscriber Agreement with Itasca County relating to the acquisition and use of radios for the City's police department. The agreement qualifies as a capital lease.

The present value of future minimum lease payments as of December 31, 2012 is \$109,156. The lease is payable in annual installments of \$13,644, and matures in 2020. Depreciation in the amount of \$13,644 has been recorded as depreciation expense during 2012.

The net book value of assets under the capital lease at December 31, 2012 is as follows:

	<u>December 31, 2012</u>
Machinery and equipment	\$136,444
Accumulated depreciation	<u>(40,932)</u>
Net	<u>\$95,512</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

The following is a schedule of future minimum lease payments under the capital lease:

<u>Year</u>	<u>Payment</u>
2013	\$13,644
2014	13,644
2015	13,644
2016	13,644
2017	13,644
2018	13,644
2019	13,644
2020	<u>13,648</u>
Total	<u><u>\$109,156</u></u>

TAXABLE NOTE PAYABLE - EDA

In 2010, the EDA entered into a \$100,000 mortgage agreement, without interest, with the Charles K. Blandin Foundation. The proceeds of this note were used to finance soil correction of EDA land held for resale at Block 20/21. The EDA has pledged proceeds from the sale of Block 20/21 to payment of this note upon the earlier of the sale of Block 20/21 or the maturity date of the note (August 15, 2015).

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

TAXABLE GENERAL OBLIGATION WASTEWATER REVENUE NOTE, SERIES 2009E

In 2009, the City authorized the issuance of the Taxable General Obligation Wastewater Revenue Note (Public Utilities Project), Series 2009E in the amount of \$28,509,779, payable to the Minnesota Public Facilities Authority. As of December 31, 2012, the amount of proceeds received was \$26,104,470 and the outstanding balance on the note was \$ _____.

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

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

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

In accordance with Generally Accepted Accounting Principles, the Series 2009E Note is recorded in the financial statements of the Public Utilities Commission.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

REVENUE PLEDGED

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

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
G.O. Improvement, 2001B	Infrastructure improvements	Special assessments	72%	2001-2017	\$180,079	\$38,189	\$7,124
G.O. Improvement, 2004A	Infrastructure improvements	Special assessments	67%	2004-2021	\$1,897,196	\$298,649	\$108,215
G.O. Improvement, 2005A	Infrastructure improvements	Special assessments	85%	2005-2021	\$2,359,169	\$326,089	\$667,303
G.O. Improvement, 2005B	Street reconstruction	MSA allotments	100%	2005-2015	\$380,055	\$129,983	\$129,983
Capital Improvement Plan Bonds, 2006B	Refunded 1996A Public Utilities Revenue Bonds	Receipts from PUC	100%	2006-2017	\$1,119,900	\$208,900	\$208,900
G.O. Improvement, 2006C	Infrastructure improvements	Special assessments	100%	2006-2023	\$1,942,100	\$248,600	\$198,837
G.O. Improvement, 2007A	Infrastructure improvements	Special assessments	33%	2007-2024	\$1,735,009	\$169,415	\$46,938
G.O. Improvement, 2007B	Street reconstruction	MSA allotments	100%	2007-2022	\$901,351	\$111,750	\$111,750
G.O. Tax Increment, 2008A	Demolition costs in TIF 1-6	Tax increment	100%	2009-2034	\$1,327,435	\$51,496	\$61,884
G.O. Street Reconstruction, 2008B	Street reconstruction	Special assessments	20%	2009-2023	\$1,075,072	\$96,790	\$11,053
G.O. Improvement, 2008C	Infrastructure improvements	Special assessments	38%	2009-2023	\$1,194,363	\$111,065	\$20,406
G.O. Improvement, 2009B	Refunded 96B, 98A, 99A and Improvement bonds	Special assessments	19%	2009-2016	\$483,918	\$262,513	\$53,134
G.O. Improvement, 2009C (Build America Bond)	Infrastructure improvements	Special assessments Federal BAB credit	24% 10%	2010-2024	\$5,533,564	\$480,370	\$152,888
G.O. Equip. Certificates, 2009D (Build America Bond)	2009 Ladder Truck	Federal BAB credit	7%	2010-2019	\$983,592	\$145,350	\$12,372
G.O. Improvement and CIP, 2010A	Infrastructure improvements, refund existing debt	Special assessments	35%	2011-2025	\$1,807,225	\$199,094	\$76,328
G.O. Improvement, 2011B	Infrastructure improvements, refund existing debt	Special assessments	56%	2012-2026	\$1,788,897	\$18,490	\$156,692
G.O. Improvement, 2012A	Infrastructure improvements	Special assessments	32%	2013-2027	\$2,760,320	\$ -	\$114,074
G.O. Improvement, 2012B	Street reconstruction	MSA allotments	100%	2013-2027	\$4,841,389	\$ -	\$ -
G.O. Grant Anticipation Notes, 2012C	Temporary funding of infrastructure improvements	Federal grant proceeds	100%	2013-2014	\$913,296	\$ -	\$ -

Note 7 PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION DEFINED BENEFIT PLANS

PLAN DESCRIPTION

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

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

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered payroll in 2012. The City was required to contribute the following percentages of annual covered payroll in 2012: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$203,380, \$202,817 and \$188,420, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2012, 2011, and 2010 were \$177,043, \$159,960 and \$154,436, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

B. PERA DEFINED CONTRIBUTION PLAN

In 2012, four council members of the City were covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2012 were:

	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	\$1,440	\$1,440	5.00%	5.00%	5.00%

C. RETIREMENT - GRAND RAPIDS FIREMEN'S RELIEF ASSOCIATION

PLAN DESCRIPTION

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

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

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

FUNDING POLICY

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City of Grand Rapids and State Aid on an annual basis. These statutes are established and amended by the state legislature. The Association is comprised of volunteers; therefore, members have no contribution requirements. During the year, the City recognized as revenue and as an expenditure on-behalf payments of \$88,438 made by the State of Minnesota for the Fire Relief Association. The City's annual pension cost and related information for the 2012 is as follows:

Annual pension cost - total	\$93,438
Contributions made	
City	\$5,000
State aid - pass-through	\$88,438
Actuarial valuation date	12/31/12
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period:	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None
Age of service retirement	50
Post retirement benefit increases	None

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

THREE-YEAR TREND INFORMATION

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2010	\$94,054	100%	\$ -
12/31/2011	91,016	100%	-
12/31/2012	93,438	100%	-

REQUIRED SUPPLEMENTARY INFORMATION

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Unfunded)/ Assets in Excess of AAL (UAAL)</u>	<u>Funded Ratio</u>
12/31/2010	\$1,710,510	\$1,451,000	\$259,510	118%
12/31/2011	1,763,048	1,591,125	171,923	111%
12/31/2012	1,844,479	1,606,665	237,814	115%

Note 8 OTHER POST-EMPLOYMENT BENEFITS

In 2008, the City prospectively implemented the requirement of a new accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 7, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees and police and firefighters disabled in the line of duty, through a single-employer defined benefit plan. The term *Plan* refers to the City's requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Clerical and Public Works Employees

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

Police and Sergeants

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

Exempt and Library Employees

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

The City had an actuarial valuation performed for the Plan as of January 1, 2011. At that date, monthly retiree premiums were:

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

C. PARTICIPANTS

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

Retired participants and beneficiaries currently	20
Active employees	<u>63</u>
Total	<u><u>83</u></u>
Participating employers	<u><u>1</u></u>

D. FUNDING POLICY

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

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2012, was calculated as follows:

Annual required contribution (ARC)	\$73,164
Interest on net OPEB obligation	8,119
Adjustment to ARC	<u>(11,910)</u>
Annual OPEB cost	69,373
Contributions made during the year	<u>(52,465)</u>
Increase in net OPEB obligation	16,908
Net OPEB obligation - beginning of year	<u>202,968</u>
Net OPEB obligation - end of year	<u><u>\$219,876</u></u>

The net OPEB obligation is allocated as follows:

Governmental activities	\$214,256
Business-type activities	<u>5,620</u>
Total	<u><u>\$219,876</u></u>

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$69,373	\$52,465	75.6%	\$219,876
December 31, 2011	71,691	48,301	67.4%	202,968
December 31, 2010	81,239	33,468	41.2%	179,578

F. FUNDED STATUS AND FUNDING PROGRESS

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)* (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
January 1, 2011	\$0	\$711,627	\$711,627	0.0%	\$3,289,834	21.6%

*Using the projected unit credit actuarial pay cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

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

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

In the January 1, 2011 actuarial valuation, the Projected Unit Credit Actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 8.5%. This rate includes a 2.5% inflation rate. The health care cost trend rate is reduced by 0.5% each year to arrive at an ultimate health care cost trend rate of 5.0%. The actuarial value of assets was \$0. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of projected payroll method over 30 years on a closed basis. The remaining amortization period at December 31, 2012, was 25 years.

Note 9 TERMINATION BENEFITS

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

Twelve employees choose to participate in the ERIP program, all of which were approved by the City. The total cost of the termination benefits provided under the ERIP program is \$620,000. As of December 31, 2012, \$420,000 of benefits have been paid, resulting in a \$200,000 termination benefit liability at year end.

Note 10 TAX INCREMENT DISTRICTS

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

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

Tax Increment Revenue Note, Series 2008B (TIF 1-6) – issued in 2008 in the principal sum of \$307,500 with an interest rate of 7.75% per annum. Principal and interest payments shall be paid on August 1, 2010 and each February 1 and August 1 thereafter to and including February 1, 2032. Payments are payable solely from available tax increment, which shall mean 90% of the tax increment derived from the development property and received by the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2032. At December 31, 2012 the principal amount outstanding on the note was \$307,500.

Tax Increment Revenue Note, Series 2008C (TIF 1-6) – issued in 2008 in the principal sum of \$15,058 with an interest rate of 7.75% per annum. Principal and interest payments shall be paid on February 1, 2009 and each February 1 and August 1 thereafter to and including August 1, 2014. Payments are payable solely from administrative tax increment, which shall mean 5% of the tax increment attributable to the TIF District and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on August 1, 2014. At December 31, 2012 the principal amount outstanding on the note was \$7,733.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Tax Increment Revenue Note, Series 2008A (TIF 1-7) – issued in 2008 in the principal sum of \$389,300 with an interest rate of 7.25% per annum. Principal and interest payments shall be paid on August 1, 2009 and each February 1 and August 1 thereafter to and including February 1, 2035. Payments are payable solely from available tax increment, which shall mean 90% of the net tax increment derived from the redevelopment property and paid to the City. The City shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2035. At December 31, 2012 the principal amount outstanding on the note was \$389,300.

Note 11 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 12 OTHER DEFERRED DEBITS AND CREDITS

During 1997-1998, 2006-2007, 2009-2010 and again in 2011, the Public Utilities Commission constructed landfill sites to dispose of industrial waste from Blandin Paper. The cost of the sites is deferred and expensed over the estimated useful life of the individual site. The entire cost of the 1997 and a portion of 2007 site is reimbursed by Blandin Paper and is recorded as a deferred credit. The deferred credits are amortized as revenue over the life of the landfill. The 2006A bonds were issued to fund the remaining portion of the 2007 landfill project. The 2009A bonds were issued to fund the 2009 landfill project and the 2011A bonds were issued for the 2011 project. Blandin Paper pays a demand charge in amounts sufficient to pay principal and interest on these bonds. For ratemaking purposes, the Commission has elected to defer the demand charge revenue until the debt service is paid.

On the statement of net position, the Commission reports \$ _____ of other deferred debits. This amount consists of deferred debits relating to the 2007 Landfill Phases 5 and 6 (\$ _____), the 2007 Landfill Phase 7 (\$ _____) and the unamortized portion of the Water Tower Reconditioning Project (\$ _____).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 13 FUND BALANCE

A. CLASSIFICATIONS

Definitions of fund balance classifications are included in Note 1P. At December 31, 2012, a summary of the governmental fund balance classifications are as follows:

	General Fund	Improvement Bonds of 2006C	G.O. CIP Refunding Bonds of 2006B	2012 Infrastructure Bonds	Other Governmental Funds	Total
Nonspendable:						
Prepaid items	\$185,558	\$ -	\$ -	\$ -	\$334,099	\$519,657
Interfund loans receivable	697,305	-	-	-	74,623	771,928
Restricted:						
Debt service	-	547,232	6,564	-	6,392,857	6,946,653
Unspent bond proceeds	-	-	-	743,105	-	743,105
Law enforcement	-	-	-	-	59,655	59,655
Itasca County's equity in Airport	-	-	-	-	55,375	55,375
Other purposes	13,186	-	-	-	26,063	39,249
Committed						
Revenue stabilization	156,520	-	-	-	-	156,520
Public library	-	-	-	-	417,305	417,305
Central school	-	-	-	-	92,742	92,742
Airport operations	-	-	-	-	55,376	55,376
Recreation programs	-	-	-	-	41,895	41,895
Cemetery	-	-	-	-	48,893	48,893
Domestic animal control facility	-	-	-	-	6,458	6,458
Assigned:						
Capital purposes	-	-	-	-	1,989,644	1,989,644
Unassigned	4,463,866	-	-	-	(964,192)	3,499,674
Total	\$5,516,435	\$547,232	\$6,564	\$743,105	\$8,630,793	\$15,444,129

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, 2012, the unassigned fund balance of the General Fund was \$4,463,866, compared to its targeted unassigned fund balance of \$4,555,942 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, 2012 is as follows:

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

Note 14 COMMITMENTS

A. POWER CONTRACT

The Public Utilities Commission is obligated to purchase its wholesale power requirements from Minnesota Power through January 31, 2013, terminable upon a three-year termination notice. The Commission may acquire generating capacity to serve its power requirements over 16,000 kW. The peak power requirement for 2012 was 33,196 kW.

B. CONSTRUCTION COMMITMENTS

Significant construction commitments of the primary government at December 31, 2012 are as follows:

<u>City Project</u>	<u>Contract Authorization</u>	<u>Expended as of 12/31/12</u>	<u>Committed</u>
2004-3	\$1,730,525	\$1,541,623	\$188,902
2011-6	<u>1,548,577</u>	<u>1,410,461</u>	<u>138,116</u>
	<u><u>\$3,279,102</u></u>	<u><u>\$2,952,084</u></u>	<u><u>\$327,018</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

The Public Utilities Commission has ____ active construction projects as of December 31, 2012. The remaining commitment on these projects is \$ _____. As of _____, 2013, the Commission has awarded ____ additional contracts in 2013 totaling \$ _____.

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

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

Closure cost estimate	
Post-closure care cost estimate	
Contingency action	
Total	<u><u>\$ -</u></u>

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

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

On January 10, 2012, Blandin Paper Company established an irrevocable letter of credit for \$3,349,147 with Nordea Bank on behalf of the Public Utilities Commission. The purpose of the letter of credit is to provide assurance that funds will be available when needed for closure, post-closure care of, and/or contingency action of the landfill.

Note 15 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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 16 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, 2012, there were four bond issues outstanding, with an estimated aggregate principal amount payable of \$5,583,191.

Note 17 OPERATING LEASE

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

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

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 18 PAYMENTS IN LIEU OF TAX - PUC

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

Note 19 DEFICIT FUND BALANCES

At December 31, 2012, individual funds with deficit fund balances are as follows:

Special Revenue Funds:	
IRA Civic Center	\$111,678
Debt Service Funds:	
TIF 1-5 Black Bear Homes	88,564
TIF 1-6 Old Hospital Housing Paygo	4,298
Capital Project Funds:	
2013 Infrastructure Bonds	563,914

Note 20 MAJOR CUSTOMER AND DEMAND PAYMENT DEFERRAL

The Public Utilities Commission has a contract with Blandin Paper Company (Blandin) where Blandin reimburses the Commission for expenses associated with the operations of the industrial wastewater treatment plant. Amounts reimbursed were \$_____ for 2012. The Commission also has contracts with Blandin whereby Blandin pays demand charges for principal and interest on the General Obligation Revenue Bonds Series 2001A, 2006A, 2009A, 2009E and 2011A. For ratemaking purposes, the Commission has elected to defer the recognition of the revenue until the debt service on the bonds are paid. The total demand charges paid by Blandin for 2012 were \$_____.

Note 21 SUBSEQUENT EVENT

The City issued \$1,525,000 of G.O. Improvement Refunding Bonds, Series 2013A, dated May 8, 2013. The Bonds were issued to refund the 2004A and 2005A Bonds to achieve interest cost savings.

REQUIRED SUPPLEMENTARY INFORMATION

Draft - 04-16-2013

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2012
 With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 10
Page 1 of 4

	2012				2011 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Revenues:					
Taxes:					
General property taxes	\$3,324,914	\$3,324,914	\$3,666,921	\$342,007	\$3,403,815
Payment in lieu of taxes:					
Housing and Redevelopment Authority	32,000	32,000	31,998	(2)	31,710
Public utilities	823,000	823,000	823,000	-	823,000
Total taxes	4,179,914	4,179,914	4,521,919	342,005	4,258,525
Licenses and permits:					
Business	37,750	37,750	37,535	(215)	40,715
Nonbusiness	230,500	230,500	164,483	(66,017)	185,113
Total licenses and permits	268,250	268,250	202,018	(66,232)	225,828
Intergovernmental:					
Federal:					
Public safety grants	72,525	72,525	120,683	48,158	25,840
Storm reimbursement	-	-	19,848	19,848	-
State:					
Local government aid	963,000	963,000	964,932	1,932	963,410
Market value homestead credit	-	-	1,755	1,755	65,447
Mobile home homestead credit	-	-	-	-	3,589
Taconite supplemental aid	234,842	234,842	234,842	-	242,770
Taconite credit - mobile homes	-	-	19,164	19,164	13,519
Municipal state aid street maintenance	86,200	86,200	109,363	23,163	109,038
Police aid	120,000	120,000	115,427	(4,573)	116,967
Fire aid	90,000	90,000	88,438	(1,562)	87,016
Police training aid	-	-	6,310	6,310	7,196
PERA aid	11,695	11,695	11,695	-	11,695
Storm reimbursement	-	-	234,488	234,488	-
State - miscellaneous	1,000	1,000	18,935	17,935	20,280
Local:					
School District #318	100,000	100,000	101,961	1,961	97,832
Total intergovernmental	1,679,262	1,679,262	2,047,841	368,579	1,764,599
Charges for services:					
General government	192,975	192,975	215,911	22,936	154,009
Public safety	264,150	264,150	280,454	16,304	265,758
Public works	281,225	281,225	261,251	(19,974)	269,479
Culture and recreation	7,200	7,200	6,000	(1,200)	7,127
Total charges for services	745,550	745,550	763,616	18,066	696,373
Fines and forfeits	117,000	117,000	103,293	(13,707)	108,982
Investment income	30,930	30,930	50,848	19,918	36,292
Miscellaneous:					
Donations/contributions	-	-	11,651	11,651	3,637
Rentals and leases	3,950	3,950	4,318	368	4,140
Airport loan repayment	10,000	10,000	-	(10,000)	-
Other	7,500	7,500	20,419	12,919	26,112
Total miscellaneous	21,450	21,450	36,388	14,938	33,889
Total revenues	7,042,356	7,042,356	7,725,923	683,567	7,124,488

CITY OF GRAND RAPIDS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 10
Page 2 of 4

	2012				2011 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personnel services	\$41,733	\$41,733	\$41,165	(\$568)	\$41,185
Materials and supplies	-	-	69	69	839
Other services and charges	70,800	70,800	70,968	168	72,703
Total mayor and city council	<u>112,533</u>	<u>112,533</u>	<u>112,202</u>	<u>(331)</u>	<u>114,727</u>
Administration:					
Current:					
Personnel services	364,565	364,565	350,537	(14,028)	350,356
Materials and supplies	6,400	6,400	6,629	229	4,569
Other services and charges	92,100	92,100	129,952	37,852	106,817
Total administration	<u>463,065</u>	<u>463,065</u>	<u>487,118</u>	<u>24,053</u>	<u>461,742</u>
Finance:					
Current:					
Personnel services	324,279	324,279	326,687	2,408	323,093
Materials and supplies	6,793	6,793	8,479	1,686	11,439
Other services and charges	63,980	63,980	56,394	(7,586)	56,799
Total finance	<u>395,052</u>	<u>395,052</u>	<u>391,560</u>	<u>(3,492)</u>	<u>391,331</u>
Information technology:					
Current:					
Personnel services	121,693	121,693	123,704	2,011	96,794
Materials and supplies	2,850	2,850	2,552	(298)	1,382
Other services and charges	47,500	47,500	48,452	952	78,662
Total information technology	<u>172,043</u>	<u>172,043</u>	<u>174,708</u>	<u>2,665</u>	<u>176,838</u>
Community development:					
Current:					
Personnel services	297,191	297,191	297,774	583	294,304
Materials and supplies	3,350	3,350	2,373	(977)	2,870
Other charges and services	33,000	33,000	19,526	(13,474)	47,770
Total community development	<u>333,541</u>	<u>333,541</u>	<u>319,673</u>	<u>(13,868)</u>	<u>344,944</u>
Building maintenance - City hall:					
Current:					
Personnel services	139,032	139,032	135,741	(3,291)	142,077
Materials and supplies	8,830	8,830	12,234	3,404	6,789
Other charges and services	80,435	80,435	66,410	(14,025)	71,844
Total building maintenance - City hall	<u>228,297</u>	<u>228,297</u>	<u>214,385</u>	<u>(13,912)</u>	<u>220,710</u>
Total general government	<u>1,704,531</u>	<u>1,704,531</u>	<u>1,699,646</u>	<u>(4,885)</u>	<u>1,710,292</u>

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2012
 With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 10
Page 3 of 4

	2012				2011 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Public safety:					
Police protection:					
Current:					
Personnel services	\$1,761,953	\$1,761,953	\$1,745,773	(\$16,180)	\$1,615,109
Materials and supplies	72,950	72,950	93,430	20,480	103,391
Other charges and services	174,830	174,830	183,383	8,553	186,591
Total police protection	2,009,733	2,009,733	2,022,586	12,853	1,905,091
Fire protection:					
Current:					
Personnel services	378,407	378,407	345,419	(32,988)	344,556
Materials and supplies	48,050	48,050	48,571	521	51,236
Other charges and services	102,993	102,993	99,595	(3,398)	108,314
Capital outlay	-	-	2,286	2,286	32,878
Total fire protection	529,450	529,450	495,871	(33,579)	536,984
Total public safety	2,539,183	2,539,183	2,518,457	(20,726)	2,442,075
Public works:					
Public works:					
Current:					
Personnel services	667,242	667,242	730,120	62,878	704,894
Materials and supplies	175,500	175,500	220,673	45,173	186,238
Other services and charges	389,728	389,728	486,945	97,217	416,444
Street lighting	215,000	215,000	205,666	(9,334)	238,401
Capital outlay	-	-	9,186	9,186	18,927
Total public works	1,447,470	1,447,470	1,652,590	205,120	1,564,904
Engineering:					
Current:					
Personnel services	211,496	211,496	223,177	11,681	239,638
Materials and supplies	5,900	5,900	1,734	(4,166)	4,614
Other services and charges	46,840	46,840	41,464	(5,376)	46,379
Total engineering	264,236	264,236	266,375	2,139	290,631
Fleet maintenance:					
Current:					
Personnel services	152,406	152,406	162,257	9,851	163,571
Materials and supplies	13,060	13,060	17,291	4,231	15,660
Other services and charges	44,800	44,800	59,488	14,688	54,638
Total fleet maintenance	210,266	210,266	239,036	28,770	233,869
Total public works	1,921,972	1,921,972	2,158,001	236,029	2,089,404

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2012
 With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 10
Page 4 of 4

	2012		Actual Amounts	Actual Over (Under) Final Budget	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Current:					
Personnel services	\$157,200	\$157,200	\$151,526	(\$5,674)	\$132,604
Materials and supplies	7,100	7,100	13,065	5,965	12,085
Other services and charges	8,530	8,530	12,845	4,315	7,497
Total culture and recreation	<u>172,830</u>	<u>172,830</u>	<u>177,436</u>	<u>4,606</u>	<u>152,186</u>
Miscellaneous:					
City-wide:					
Current:					
Early Retirement Incentive Plan	120,000	120,000	120,000	-	122,500
Other services and charges	276,322	276,322	231,015	(45,307)	225,824
Special projects:					
Current:					
Other services and charges	15,000	15,000	42,718	27,718	21,485
Total miscellaneous	<u>411,322</u>	<u>411,322</u>	<u>393,733</u>	<u>(17,589)</u>	<u>369,809</u>
Total expenditures	<u>6,749,838</u>	<u>6,749,838</u>	<u>6,947,273</u>	<u>197,435</u>	<u>6,763,766</u>
Revenues over (under) expenditures	<u>292,518</u>	<u>292,518</u>	<u>778,650</u>	<u>486,132</u>	<u>360,722</u>
Other financing sources (uses):					
Sale of capital assets	-	-	535	535	5,360
Insurance recoveries	-	-	13,471	13,471	-
Transfers in	22,822	22,822	24,379	1,557	22,822
Transfers out	(315,340)	(315,340)	(321,801)	(6,461)	(376,164)
Total other financing sources (uses)	<u>(292,518)</u>	<u>(292,518)</u>	<u>(283,416)</u>	<u>9,102</u>	<u>(347,982)</u>
Special item:					
Grand Rapids / Itasca County Airport	-	-	-	-	67,000
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	<u>495,234</u>	<u>\$495,234</u>	<u>79,740</u>
Fund balance - January 1			<u>5,021,201</u>		<u>4,941,461</u>
Fund balance - December 31			<u><u>\$5,516,435</u></u>		<u><u>\$5,021,201</u></u>

Note A - BUDGETS

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

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH PLAN
 For The Year Ended December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
January 1, 2011	\$0	\$711,627	\$711,627	0.0%	\$3,289,834	21.6%
January 1, 2008	\$0	\$656,510	\$656,510	0.0%	\$3,208,245	20.5%

*Using the projected unit credit actuarial pay cost method.

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

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

Draft - 04-16-2013

NONMAJOR GOVERNMENTAL FUNDS

Draft - 04-16-2013

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, 2012
 With Comparative Totals For December 31, 2011

Statement 11

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2012	2011
Assets					
Cash and investments	\$813,920	\$5,516,548	\$1,892,741	\$8,223,209	\$8,439,843
Due from other governmental units	81,922	-	965,137	1,047,059	1,665,810
Due from other funds	-	-	784,676	784,676	1,433,282
Due from component unit	-	-	-	-	5,452
Accounts receivable	81,149	-	-	81,149	51,137
Interfund loan receivable	-	-	95,749	95,749	125,894
Prepaid items	21,899	-	312,200	334,099	240,548
Taxes receivable - delinquent	806	2,371	-	3,177	19,149
Special assessments receivable	-	3,923,016	11,133	3,934,149	4,476,992
Total assets	\$999,696	\$9,441,935	\$4,061,636	\$14,503,267	\$16,458,107
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$59,277	\$25,803	\$41,504	\$126,584	\$287,282
Accrued wages payable	22,981	-	-	22,981	19,534
Due to other governmental units	5,108	-	-	5,108	8,303
Due to component units	11,951	-	-	11,951	13,451
Contracts payable	-	-	-	-	264,314
Due to other funds	61,315	-	784,676	845,991	1,454,576
Deposits payable	11,773	-	-	11,773	11,493
Interfund loan payable	102,881	95,749	556,915	755,545	943,637
Deferred revenue	39,618	3,925,388	127,535	4,092,541	5,230,580
Total liabilities	314,904	4,046,940	1,510,630	5,872,474	8,233,170
Fund balance:					
Nonspendable	21,899	-	386,823	408,722	345,891
Restricted	116,084	5,487,857	930,009	6,533,950	6,125,682
Committed	662,669	-	-	662,669	649,367
Assigned	-	-	1,989,644	1,989,644	2,073,531
Unassigned	(115,860)	(92,862)	(755,470)	(964,192)	(969,534)
Total fund balance	684,792	5,394,995	2,551,006	8,630,793	8,224,937
Total liabilities and fund balance	\$999,696	\$9,441,935	\$4,061,636	\$14,503,267	\$16,458,107

CITY OF GRAND RAPIDS, MINNESOTA
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2012
 With Comparative Totals For The Year Ended December 31, 2011

Statement 12

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2012	2011
Revenue:					
Taxes:					
General property	\$656,444	\$1,022,904	\$126,819	\$1,806,167	\$1,605,819
Tax abatement	-	25,133	-	25,133	55,376
Tax increments	-	167,427	-	167,427	141,767
Licenses and permits	336	-	-	336	290
Intergovernmental	284,970	405,156	1,570,250	2,260,376	3,278,160
Special assessments	-	1,347,526	-	1,347,526	893,986
Charges for services	1,063,423	-	-	1,063,423	1,719,325
Fines and forfeits	57,691	-	-	57,691	82,570
Investment income	8,926	39,233	24,666	72,825	157,239
Contributions and donations	31,627	-	38,652	70,279	124,103
Other	34,614	-	-	34,614	2,157
Total revenue	<u>2,138,031</u>	<u>3,007,379</u>	<u>1,760,387</u>	<u>6,905,797</u>	<u>8,060,792</u>
Expenditures:					
Current:					
General government	-	53,452	72,864	126,316	299,231
Public safety	123,402	-	-	123,402	142,425
Public works	369,940	-	267,452	637,392	636,083
Culture and recreation	1,526,715	-	5,336	1,532,051	1,593,738
Capital outlay/construction	230,994	-	2,803,300	3,034,294	5,606,886
Debt service:					
Principal retirement	24,850	2,870,000	-	2,894,850	2,640,512
Interest	-	690,477	-	690,477	777,183
Paying agent fees	-	7,768	-	7,768	5,549
Bond issuance costs	-	-	36,893	36,893	42,489
Total expenditures	<u>2,275,901</u>	<u>3,621,697</u>	<u>3,185,845</u>	<u>9,083,443</u>	<u>11,744,096</u>
Revenue over (under) expenditures	<u>(137,870)</u>	<u>(614,318)</u>	<u>(1,425,458)</u>	<u>(2,177,646)</u>	<u>(3,683,304)</u>
Other financing sources (uses):					
Sale of capital assets	-	-	51,253	51,253	-
Issuance of refunding bonds	-	-	-	-	525,000
Bond discount	-	-	(1,358)	(1,358)	-
Bond issuance	-	8,246	2,106,251	2,114,497	1,030,000
Bond premium	-	37,878	-	37,878	-
Insurance recoveries	92,236	-	-	92,236	-
Transfers in	87,477	220,892	260,771	569,140	1,022,169
Transfers out	-	(72,449)	(207,695)	(280,144)	(665,327)
Total other financing sources (uses)	<u>179,713</u>	<u>194,567</u>	<u>2,209,222</u>	<u>2,583,502</u>	<u>1,911,842</u>
Special item:					
Grand Rapids / Itasca County Airport	-	-	-	-	280,629
Net change in fund balance	<u>41,843</u>	<u>(419,751)</u>	<u>783,764</u>	<u>405,856</u>	<u>(1,490,833)</u>
Fund balance - January 1	<u>642,949</u>	<u>5,814,746</u>	<u>1,767,242</u>	<u>8,224,937</u>	<u>9,715,770</u>
Fund balance - December 31	<u>\$684,792</u>	<u>\$5,394,995</u>	<u>\$2,551,006</u>	<u>\$8,630,793</u>	<u>\$8,224,937</u>

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Draft - 04-16-2013

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	211 Public Library	225 Central School	226 Airport Operations	228 IRA Civic Center
Assets				
Cash and investments	\$415,168	\$90,695	\$149,065	\$ -
Due from other governmental units	30,007	19,424	16,077	-
Due from other funds	-	-	-	-
Accounts receivable	2,517	8	5,687	72,937
Prepaid items	14,129	1,333	564	4,182
Taxes receivable - delinquent	806	-	-	-
Total assets	\$462,627	\$111,460	\$171,393	\$77,119
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$14,234	\$4,682	\$4,161	\$32,599
Accrued wages payable	10,245	-	947	8,871
Due to other governmental units	36	-	400	4,336
Due to component units	2,694	1,280	-	7,229
Due to other funds	-	-	-	54,117
Deposits payable	-	11,423	-	-
Interfund loan payable	-	-	47,000	55,881
Contracts payable	-	-	-	-
Deferred revenue	3,984	-	7,570	25,764
Total liabilities	31,193	17,385	60,078	188,797
Fund balance (deficit):				
Nonspendable	14,129	1,333	564	4,182
Restricted	-	-	55,375	-
Committed	417,305	92,742	55,376	-
Unassigned	-	-	-	(115,860)
Total fund balance (deficit)	431,434	94,075	111,315	(111,678)
Total liabilities and fund balance	\$462,627	\$111,460	\$171,393	\$77,119

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2012	2011
\$45,292	\$ -	\$59,684	\$53,139	\$877	\$813,920	\$953,247
-	8,365	-	-	8,049	81,922	136,940
-	-	-	-	-	-	419
-	-	-	-	-	81,149	51,137
-	-	-	1,127	564	21,899	11,915
-	-	-	-	-	806	7,293
<u>\$45,292</u>	<u>\$8,365</u>	<u>\$59,684</u>	<u>\$54,266</u>	<u>\$9,490</u>	<u>\$999,696</u>	<u>\$1,160,951</u>
\$ -	\$70	\$ -	\$2,478	\$1,053	\$59,277	\$53,210
752	43	-	1,442	681	22,981	19,534
5	-	29	121	181	5,108	6,291
-	-	-	205	543	11,951	13,451
-	7,198	-	-	-	61,315	45,364
350	-	-	-	-	11,773	11,493
-	-	-	-	-	102,881	129,743
-	-	-	-	-	-	198,067
2,290	-	-	-	10	39,618	40,849
<u>3,397</u>	<u>7,311</u>	<u>29</u>	<u>4,246</u>	<u>2,468</u>	<u>314,904</u>	<u>518,002</u>
-	-	-	1,127	564	21,899	11,915
-	1,054	59,655	-	-	116,084	98,970
41,895	-	-	48,893	6,458	662,669	649,367
-	-	-	-	-	(115,860)	(117,303)
<u>41,895</u>	<u>1,054</u>	<u>59,655</u>	<u>50,020</u>	<u>7,022</u>	<u>684,792</u>	<u>642,949</u>
<u>\$45,292</u>	<u>\$8,365</u>	<u>\$59,684</u>	<u>\$54,266</u>	<u>\$9,490</u>	<u>\$999,696</u>	<u>\$1,160,951</u>

CITY OF GRAND RAPIDS, MINNESOTA
 SUBCOMBINING STATEMENT OF REVENUE,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2012
 With Comparative Totals For The Year Ended December 31, 2011

	211 Public Library	225 Central School	226 Airport Operations	228 IRA Civic Center
Revenue:				
General property taxes	\$492,059	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	39,068	19,424	64,276	-
Charges for services	147,983	63,661	126,739	641,256
Fines and forfeits	17,952	-	-	-
Investment income	5,395	975	1,552	83
Contributions and donations	30,127	-	-	-
Other	26,250	699	-	-
Total revenue	<u>758,834</u>	<u>84,759</u>	<u>192,567</u>	<u>641,339</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	163,338	-
Culture and recreation	729,412	103,014	-	635,807
Capital outlay	30,647	38,849	-	60,388
Debt service - loan repayment	-	-	24,850	-
Total expenditures	<u>760,059</u>	<u>141,863</u>	<u>188,188</u>	<u>696,195</u>
Revenue over (under) expenditures	<u>(1,225)</u>	<u>(57,104)</u>	<u>4,379</u>	<u>(54,856)</u>
Other financing sources (uses):				
Insurance recoveries	-	-	-	29,409
Transfers in	6,477	17,000	10,000	27,000
Total other financing sources (uses)	<u>6,477</u>	<u>17,000</u>	<u>10,000</u>	<u>56,409</u>
Special item:				
Grand Rapids / Itasca County Airport	-	-	-	-
Net change in fund balance	5,252	(40,104)	14,379	1,553
Fund balance (deficit) - January 1	<u>426,182</u>	<u>134,179</u>	<u>96,936</u>	<u>(113,231)</u>
Fund balance (deficit) - December 31	<u>\$431,434</u>	<u>\$94,075</u>	<u>\$111,315</u>	<u>(\$111,678)</u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2012	2011
\$ -	\$ -	\$ -	\$164,385	\$ -	\$656,444	\$628,735
-	-	-	-	336	336	290
-	147,823	1,676	12,703	-	284,970	473,728
55,969	-	-	27,815	-	1,063,423	1,073,143
-	-	9,967	-	29,772	57,691	82,570
446	-	475	-	-	8,926	13,055
1,500	-	-	-	-	31,627	112,255
-	-	6,401	1,264	-	34,614	2,157
<u>57,915</u>	<u>147,823</u>	<u>18,519</u>	<u>206,167</u>	<u>30,108</u>	<u>2,138,031</u>	<u>2,385,933</u>
-	51,318	16,672	-	55,412	123,402	139,925
-	-	-	206,602	-	369,940	403,353
58,482	-	-	-	-	1,526,715	1,590,275
-	95,504	5,606	-	-	230,994	638,269
-	-	-	-	-	24,850	35,512
<u>58,482</u>	<u>146,822</u>	<u>22,278</u>	<u>206,602</u>	<u>55,412</u>	<u>2,275,901</u>	<u>2,807,334</u>
<u>(567)</u>	<u>1,001</u>	<u>(3,759)</u>	<u>(435)</u>	<u>(25,304)</u>	<u>(137,870)</u>	<u>(421,401)</u>
-	-	12,827	50,000	-	92,236	-
-	-	-	-	27,000	87,477	172,259
<u>0</u>	<u>0</u>	<u>12,827</u>	<u>50,000</u>	<u>27,000</u>	<u>179,713</u>	<u>172,259</u>
-	-	-	-	-	-	133,482
(567)	1,001	9,068	49,565	1,696	41,843	(115,660)
<u>42,462</u>	<u>53</u>	<u>50,587</u>	<u>455</u>	<u>5,326</u>	<u>642,949</u>	<u>758,609</u>
<u>\$41,895</u>	<u>\$1,054</u>	<u>\$59,655</u>	<u>\$50,020</u>	<u>\$7,022</u>	<u>\$684,792</u>	<u>\$642,949</u>

Draft - 04-16-2013

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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.

Draft - 04-16-2013

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
 December 31, 2012
 With Comparative Totals For December 31, 2011

	301 Debt Service Reserve	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	347 Improvement Bonds of 2004	348 Improvement Bonds of 2005A
Assets					
Cash and investments	\$4,762	\$148,821	\$136,950	\$809,296	\$1,634,244
Taxes receivable - delinquent	-	-	-	-	-
Special assessments:					
Delinquent	-	-	457	8,445	145
Deferred	-	-	18,462	400,830	242,740
Special deferred	-	-	-	1,575	457,144
Total assets	\$4,762	\$148,821	\$155,869	\$1,220,146	\$2,334,273
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Deferred revenue	-	-	18,919	410,851	700,028
Total liabilities	0	0	18,919	410,851	700,028
Fund balance:					
Restricted	4,762	148,821	136,950	809,295	1,634,245
Unassigned	-	-	-	-	-
Total fund balance	4,762	148,821	136,950	809,295	1,634,245
Total liabilities and fund balance	\$4,762	\$148,821	\$155,869	\$1,220,146	\$2,334,273

349 G.O. State-Aid Street Bonds of 2005B	353 Improvement Bonds of 2007A	354 G.O. State-Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	357 Improvement Refunding Bonds of 2009B	358 Improvement Bonds of 2009C
\$5,802	\$303,349	\$19,140	\$199,974	\$117,296	\$345,169	\$805,798
-	-	-	-	-	-	-
-	410	-	44,816	632	612	4,841
-	234,186	-	185,271	68,735	51,743	585,472
-	-	-	24,042	-	1,156	21,630
<u>\$5,802</u>	<u>\$537,945</u>	<u>\$19,140</u>	<u>\$454,103</u>	<u>\$186,663</u>	<u>\$398,680</u>	<u>\$1,417,741</u>
\$ -	\$2,751	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	234,595	-	254,130	69,367	53,511	611,944
<u>0</u>	<u>237,346</u>	<u>0</u>	<u>254,130</u>	<u>69,367</u>	<u>53,511</u>	<u>611,944</u>
5,802	300,599	19,140	199,973	117,296	345,169	805,797
-	-	-	-	-	-	-
<u>5,802</u>	<u>300,599</u>	<u>19,140</u>	<u>199,973</u>	<u>117,296</u>	<u>345,169</u>	<u>805,797</u>
<u>\$5,802</u>	<u>\$537,945</u>	<u>\$19,140</u>	<u>\$454,103</u>	<u>\$186,663</u>	<u>\$398,680</u>	<u>\$1,417,741</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B	361 Improvement Bonds of 2012A	362 G.O. State- Aid Street Bonds of 2012B	363 G.O. Grant Anticipation Notes of 2012C
Assets					
Cash and investments	\$282,548	\$260,437	\$152,604	\$106	\$7,719
Taxes receivable - delinquent	578	-	-	-	-
Special assessments:					
Delinquent	6,546	70,422	-	-	-
Deferred	359,535	805,848	325,558	-	-
Special deferred	-	-	1,763	-	-
Total assets	\$649,207	\$1,136,707	\$479,925	\$106	\$7,719
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$2,500	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Deferred revenue	366,659	876,270	327,321	-	-
Total liabilities	366,659	878,770	327,321	0	0
Fund balance:					
Restricted	282,548	257,937	152,604	106	7,719
Unassigned	-	-	-	-	-
Total fund balance	282,548	257,937	152,604	106	7,719
Total liabilities and fund balance	\$649,207	\$1,136,707	\$479,925	\$106	\$7,719

371 TIF 1-6 Old Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 Old Hospital Housing Paygo	374 TIF 1-5 Black Bear Homes	375 TIF 1-4 Oakwood Terrace	Totals Nonmajor Debt Service Funds	
					2012	2011
\$48,528	\$13,346	\$5,848	\$7,185	\$207,626	\$5,516,548	\$5,979,040
-	-	1,781	12	-	2,371	11,856
-	-	-	-	-	137,326	94,817
-	-	-	-	-	3,278,380	3,865,495
-	-	-	-	-	507,310	505,547
<u>\$48,528</u>	<u>\$13,346</u>	<u>\$7,629</u>	<u>\$7,197</u>	<u>\$207,626</u>	<u>\$9,441,935</u>	<u>\$10,456,755</u>
\$1,547	\$8,859	\$10,146	\$ -	\$ -	\$25,803	\$18,648
-	-	-	-	-	-	19,750
-	-	-	95,749	-	95,749	125,894
-	-	1,781	12	-	3,925,388	4,477,717
<u>1,547</u>	<u>8,859</u>	<u>11,927</u>	<u>95,761</u>	<u>0</u>	<u>4,046,940</u>	<u>4,642,009</u>
46,981	4,487	-	-	207,626	5,487,857	5,942,386
-	-	(4,298)	(88,564)	-	(92,862)	(127,640)
<u>46,981</u>	<u>4,487</u>	<u>(4,298)</u>	<u>(88,564)</u>	<u>207,626</u>	<u>5,394,995</u>	<u>5,814,746</u>
<u>\$48,528</u>	<u>\$13,346</u>	<u>\$7,629</u>	<u>\$7,197</u>	<u>\$207,626</u>	<u>\$9,441,935</u>	<u>\$10,456,755</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

	301 Debt Service Reserve	308 Tax Abatement	309 Equipment Certificates of 2009D	344 Improvement Bonds of 2001B	346 Improvement Bonds of 2003A
Revenue:					
Taxes:					
General property	\$ -	\$ -	\$129,682	\$9,107	\$ -
Tax abatement	-	-	-	-	-
Tax increments	-	-	-	-	-
Intergovernmental:					
State:					
Market value homestead credit	-	-	-	-	-
Supplemental aid	-	-	10,039	710	-
MSA	-	-	-	-	-
Federal BAB credit	-	-	12,372	-	-
Special assessments	-	-	-	7,124	-
Investment income	44	-	671	1,186	474
Total revenue	<u>44</u>	<u>0</u>	<u>152,764</u>	<u>18,127</u>	<u>474</u>
Expenditures:					
General government:					
Current:					
Contractual services	-	-	90	-	-
Developer assistance	-	-	-	-	-
Debt service:					
Principal retirement	-	-	110,000	30,000	1,095,000
Interest	-	-	35,350	8,189	21,839
Paying agent fees	-	-	400	431	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>0</u>	<u>0</u>	<u>145,840</u>	<u>38,620</u>	<u>1,116,839</u>
Revenue over (under) expenditures	<u>44</u>	<u>0</u>	<u>6,924</u>	<u>(20,493)</u>	<u>(1,116,365)</u>
Other financing sources (uses):					
Issuance of refunding bonds	-	-	-	-	-
Bond premium	-	-	-	-	-
Bond issuance	-	-	-	-	-
Transfer in	-	-	-	-	-
Transfer out	-	(1,557)	-	-	(70,892)
Total other financing sources (uses)	<u>0</u>	<u>(1,557)</u>	<u>0</u>	<u>0</u>	<u>(70,892)</u>
Net change in fund balance	44	(1,557)	6,924	(20,493)	(1,187,257)
Fund balance (deficit) - January 1	<u>4,718</u>	<u>1,557</u>	<u>141,897</u>	<u>157,443</u>	<u>1,187,257</u>
Fund balance (deficit) - December 31	<u>\$4,762</u>	<u>\$0</u>	<u>\$148,821</u>	<u>\$136,950</u>	<u>\$0</u>

347 Improvement Bonds of 2004	348 Improvement Bonds of 2005A	349 G.O. State- Aid Street Bonds of 2005B	353 Improvement Bonds of 2007A	354 G.O. State- Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B	357 Improvement Refunding Bonds of 2009B
\$103,461	\$37,660	\$ -	\$111,298	\$ -	\$70,980	\$74,806	\$2,497
-	25,133	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,011	2,912	-	8,615	-	5,490	5,787	162
-	-	129,983	-	111,750	-	-	-
-	-	-	-	-	-	-	-
108,215	667,303	-	46,938	-	20,406	11,053	53,134
6,429	11,258	65	2,022	269	1,403	661	2,628
<u>226,116</u>	<u>744,266</u>	<u>130,048</u>	<u>168,873</u>	<u>112,019</u>	<u>98,279</u>	<u>92,307</u>	<u>58,421</u>
2,840	88	91	2,839	91	91	89	90
-	-	-	-	-	-	-	-
235,000	245,000	115,000	110,000	80,000	70,000	60,000	250,000
63,649	81,089	14,983	59,415	31,750	41,065	36,790	12,513
431	403	403	350	375	375	375	400
-	-	-	-	-	-	-	-
<u>301,920</u>	<u>326,580</u>	<u>130,477</u>	<u>172,604</u>	<u>112,216</u>	<u>111,531</u>	<u>97,254</u>	<u>263,003</u>
<u>(75,804)</u>	<u>417,686</u>	<u>(429)</u>	<u>(3,731)</u>	<u>(197)</u>	<u>(13,252)</u>	<u>(4,947)</u>	<u>(204,582)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	150,000
-	-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>
(75,804)	417,686	(429)	(3,731)	(197)	(13,252)	(4,947)	(54,582)
885,099	1,216,559	6,231	304,330	19,337	213,225	122,243	399,751
<u>\$809,295</u>	<u>\$1,634,245</u>	<u>\$5,802</u>	<u>\$300,599</u>	<u>\$19,140</u>	<u>\$199,973</u>	<u>\$117,296</u>	<u>\$345,169</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

	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
Revenue:					
Taxes:					
General property	\$292,668	\$143,684	\$47,061	\$ -	\$ -
Tax abatement	-	-	-	-	-
Tax increments	-	-	-	-	-
Intergovernmental:					
State:					
Market value homestead credit	-	-	-	-	-
Supplemental aid	22,665	11,120	3,668	-	-
MSA	-	-	-	-	-
Federal BAB credit	66,629	-	-	-	-
Special assessments	86,259	76,328	156,692	114,074	-
Investment income	5,556	1,457	945	1,269	722
Total revenue	473,777	232,589	208,366	115,343	722
Expenditures:					
General government:					
Current:					
Contractual services	90	91	2,591	92	91
Developer assistance	-	-	-	-	-
Debt service:					
Principal retirement	290,000	165,000	-	-	-
Interest	190,370	34,094	18,490	-	-
Paying agent fees	400	400	1,050	525	525
Bond issuance costs	-	-	-	-	-
Total expenditures	480,860	199,585	22,131	617	616
Revenue over (under) expenditures	(7,083)	33,004	186,235	114,726	106
Other financing sources (uses):					
Issuance of refunding bonds	-	-	-	-	-
Bond premium	-	-	-	37,878	-
Bond issuance	-	-	-	-	-
Transfer in	-	-	70,892	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	0	0	70,892	37,878	0
Net change in fund balance	(7,083)	33,004	257,127	152,604	106
Fund balance (deficit) - January 1	812,880	249,544	810	-	-
Fund balance (deficit) - December 31	\$805,797	\$282,548	\$257,937	\$152,604	\$106

363 G.O. Grant Anticipation Notes of 2012C	371 TIF 1-6 Old Hospital Housing Bonds	372 TIF 1-7 Block 37 Redevelopment	373 TIF 1-6 Old Hospital Housing Paygo	374 TIF 1-5 Black Bear Homes	375 TIF 1-4 Oakwood Terrace	Totals Nonmajor Debt Service Funds	
						2012	2011
						\$ -	\$ -
-	-	-	-	-	-	25,133	55,376
-	61,884	19,686	23,245	33,135	29,477	167,427	141,767
-	-	-	-	-	-	-	23,450
-	-	-	-	5,243	-	84,422	82,113
-	-	-	-	-	-	241,733	243,870
-	-	-	-	-	-	79,001	81,222
-	-	-	-	-	-	1,347,526	884,765
115	184	45	-	84	1,746	39,233	88,381
115	62,068	19,731	23,245	38,462	31,223	3,007,379	2,578,028
92	3,373	255	1,425	188	216	14,813	19,023
-	-	17,718	20,921	-	-	38,639	27,981
-	15,000	-	-	-	-	2,870,000	2,605,000
-	36,496	-	-	4,395	-	690,477	777,183
550	375	-	-	-	-	7,768	5,549
-	-	-	-	-	-	-	14,571
642	55,244	17,973	22,346	4,583	216	3,621,697	3,449,307
(527)	6,824	1,758	899	33,879	31,007	(614,318)	(871,279)
-	-	-	-	-	-	-	525,000
-	-	-	-	-	-	37,878	-
8,246	-	-	-	-	-	8,246	-
-	-	-	-	-	-	220,892	191,969
-	-	-	-	-	-	(72,449)	(41,969)
8,246	0	0	0	0	0	194,567	675,000
7,719	6,824	1,758	899	33,879	31,007	(419,751)	(196,279)
-	40,157	2,729	(5,197)	(122,443)	176,619	5,814,746	6,011,025
\$7,719	\$46,981	\$4,487	(\$4,298)	(\$88,564)	\$207,626	\$5,394,995	\$5,814,746

Draft - 04-16-2013

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NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

Draft - 04-16-2013

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CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

Statement 17
Page 1 of 2

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development
Assets			
Cash and investments	\$326,058	\$189,357	\$8,091
Due from other governmental units	43,367	-	-
Due from other funds	-	-	-
Due from component unit	-	-	-
Interfund loan receivable	95,749	-	-
Prepaid items	-	-	-
Special assessments receivable:			
Deferred	-	-	-
Special deferred	-	-	-
	<u>\$465,174</u>	<u>\$189,357</u>	<u>\$8,091</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$35,339	\$ -	\$ -
Due to other governmental units	-	-	-
Interfund loan payable	-	-	-
Contracts payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>35,339</u>	<u>0</u>	<u>0</u>
Fund balance (deficit):			
Nonspendable	74,623	-	-
Restricted	-	-	-
Assigned	355,212	189,357	8,091
Unassigned	-	-	-
Total fund balance (deficit)	<u>429,835</u>	<u>189,357</u>	<u>8,091</u>
Total liabilities and fund balance	<u>\$465,174</u>	<u>\$189,357</u>	<u>\$8,091</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	<u>407 Capital Equipment Replacement</u>	<u>409 Street and Light Utility</u>	<u>413 Airport Capital Fund</u>	<u>429 IRA Civic Center Projects</u>
Assets				
Cash and investments	\$821,555	\$9,853	\$ -	\$4,468
Due from other governmental units	-	-	44,270	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Interfund loan receivable	-	-	-	-
Prepaid items	-	-	312,200	-
Special assessments receivable:				
Deferred	-	-	-	-
Special deferred	-	-	-	-
	<u>\$821,555</u>	<u>\$9,853</u>	<u>\$356,470</u>	<u>\$4,468</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$6,165	\$ -
Due to other governmental units	-	-	-	-
Interfund loan payable	556,915	-	-	-
Contracts payable	-	-	-	-
Due to other funds	-	-	220,762	-
Deferred revenue	107,504	-	8,899	-
Total liabilities	<u>664,419</u>	<u>0</u>	<u>235,826</u>	<u>0</u>
Fund balance (deficit):				
Nonspendable	-	-	312,200	-
Restricted	-	-	-	-
Assigned	157,136	9,853	-	4,468
Unassigned	-	-	(191,556)	-
Total fund balance (deficit)	<u>157,136</u>	<u>9,853</u>	<u>120,644</u>	<u>4,468</u>
Total liabilities and fund balance	<u>\$821,555</u>	<u>\$9,853</u>	<u>\$356,470</u>	<u>\$4,468</u>

431 7th Ave Bridge Rehab	458 2000 Infrastructure Other	473 2011 Infrastructure Bonds	475 2013 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
					2012	2011
					\$454,482	\$6,316
-	-	877,500	-	-	965,137	1,528,870
123,699	-	-	-	660,977	784,676	1,432,863
-	-	-	-	-	-	5,452
-	-	-	-	-	95,749	125,894
-	-	-	-	-	312,200	228,633
-	-	-	-	4,846	4,846	4,846
-	-	-	-	6,287	6,287	6,287
<u>\$578,181</u>	<u>\$6,316</u>	<u>\$950,061</u>	<u>\$0</u>	<u>\$672,110</u>	<u>\$4,061,636</u>	<u>\$4,840,401</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$41,504	\$215,424
-	-	-	-	-	-	2,012
-	-	-	-	-	556,915	688,000
-	-	-	-	-	-	66,247
-	-	-	563,914	-	784,676	1,389,462
-	-	-	-	11,132	127,535	712,014
<u>0</u>	<u>0</u>	<u>0</u>	<u>563,914</u>	<u>11,132</u>	<u>1,510,630</u>	<u>3,073,159</u>
-	-	-	-	-	386,823	333,976
-	6,316	923,693	-	-	930,009	84,326
578,181	-	26,368	-	660,978	1,989,644	2,073,531
-	-	-	(563,914)	-	(755,470)	(724,591)
<u>578,181</u>	<u>6,316</u>	<u>950,061</u>	<u>(563,914)</u>	<u>660,978</u>	<u>2,551,006</u>	<u>1,767,242</u>
<u>\$578,181</u>	<u>\$6,316</u>	<u>\$950,061</u>	<u>\$0</u>	<u>\$672,110</u>	<u>\$4,061,636</u>	<u>\$4,840,401</u>

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Draft - 04-16-2013

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

Statement 18
Page 1 of 2

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development	407 Capital Equipment Replacement
Revenue:				
General property taxes	\$ -	\$ -	\$ -	\$126,819
Intergovernmental:				
State:				
MSA	-	138,275	-	-
Other intergovernmental	259,867	-	-	9,885
Special assessments	-	-	-	-
Charges for services	-	-	-	-
Investment income	7,568	1,443	100	7,507
Contributions and donations	38,652	-	-	-
Total revenue	<u>306,087</u>	<u>139,718</u>	<u>100</u>	<u>144,211</u>
Expenditures:				
Current:				
General government	61,308	-	-	4,915
Public safety	-	-	-	-
Public works	243,366	18,821	-	-
Culture and recreation	-	-	5,336	-
Capital outlay/construction	-	6,003	-	452,695
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>304,674</u>	<u>24,824</u>	<u>5,336</u>	<u>457,610</u>
Revenue over (under) expenditures	<u>1,413</u>	<u>114,894</u>	<u>(5,236)</u>	<u>(313,399)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	15,000
Bond discount	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	6,461	-	-	84,340
Transfers out	-	-	-	(19,322)
Total other financing sources (uses)	<u>6,461</u>	<u>0</u>	<u>0</u>	<u>80,018</u>
Special item:				
Grand Rapids / Itasca County Airport	-	-	-	-
Net change in fund balance	7,874	114,894	(5,236)	(233,381)
Fund balance - January 1	<u>421,961</u>	<u>74,463</u>	<u>13,327</u>	<u>390,517</u>
Fund balance (deficit) - December 31	<u>\$429,835</u>	<u>\$189,357</u>	<u>\$8,091</u>	<u>\$157,136</u>

CITY OF GRAND RAPIDS, MINNESOTA
 SUBCOMBINING STATEMENT OF REVENUE,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR CAPITAL PROJECT FUNDS
 For The Year Ended December 31, 2012
 With Comparative Totals For The Year Ended December 31, 2011

	409 Street and Light Utility	413 Airport Capital Fund	429 IRA Civic Center Projects	431 7th Ave Bridge Rehab
Revenue:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
State:				
MSA	-	-	-	-
Other intergovernmental	-	212,180	-	-
Special assessments	-	-	-	-
Charges for services	-	-	-	-
Investment income	90	593	41	-
Contributions and donations	-	-	-	-
Total revenue	<u>90</u>	<u>212,773</u>	<u>41</u>	<u>0</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	518	-	-
Culture and recreation	-	-	-	-
Capital outlay/construction	-	284,000	-	-
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>0</u>	<u>284,518</u>	<u>0</u>	<u>0</u>
Revenue over (under) expenditures	<u>90</u>	<u>(71,745)</u>	<u>41</u>	<u>0</u>
Other financing sources (uses):				
Sale of capital assets	-	36,253	-	-
Bond discount	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>36,253</u>	<u>0</u>	<u>0</u>
Special item:				
Grand Rapids / Itasca County Airport	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	90	(35,492)	41	0
Fund balance - January 1	<u>9,763</u>	<u>156,136</u>	<u>4,427</u>	<u>578,181</u>
Fund balance (deficit) - December 31	<u><u>\$9,853</u></u>	<u><u>\$120,644</u></u>	<u><u>\$4,468</u></u>	<u><u>\$578,181</u></u>

458 2000 Infrastructure Other	471 2010 Infrastructure Bonds	473 2011 Infrastructure Bonds	475 2013 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
					2012	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$126,819	\$ -
-	-	-	-	-	138,275	1,105,255
-	-	877,500	72,543	-	1,431,975	1,268,522
-	-	-	-	-	-	9,221
-	-	-	-	-	-	646,182
58	-	-	-	7,266	24,666	55,803
-	-	-	-	-	38,652	11,848
<u>58</u>	<u>0</u>	<u>877,500</u>	<u>72,543</u>	<u>7,266</u>	<u>1,760,387</u>	<u>3,096,831</u>
-	-	-	-	6,641	72,864	252,227
-	-	-	-	-	-	2,500
-	4,513	234	-	-	267,452	232,730
-	-	-	-	-	5,336	3,463
-	-	245,571	1,815,031	-	2,803,300	4,968,617
-	-	19,254	17,639	-	36,893	27,918
<u>0</u>	<u>4,513</u>	<u>265,059</u>	<u>1,832,670</u>	<u>6,641</u>	<u>3,185,845</u>	<u>5,487,455</u>
<u>58</u>	<u>(4,513)</u>	<u>612,441</u>	<u>(1,760,127)</u>	<u>625</u>	<u>(1,425,458)</u>	<u>(2,390,624)</u>
-	-	-	-	-	51,253	-
-	-	-	(1,358)	-	(1,358)	-
-	-	896,754	1,209,497	-	2,106,251	1,030,000
-	169,970	-	-	-	260,771	657,941
-	-	-	(11,926)	(176,447)	(207,695)	(623,358)
<u>0</u>	<u>169,970</u>	<u>896,754</u>	<u>1,196,213</u>	<u>(176,447)</u>	<u>2,209,222</u>	<u>1,064,583</u>
-	-	-	-	-	-	147,147
58	165,457	1,509,195	(563,914)	(175,822)	783,764	(1,178,894)
<u>6,258</u>	<u>(165,457)</u>	<u>(559,134)</u>	<u>-</u>	<u>836,800</u>	<u>1,767,242</u>	<u>2,946,136</u>
<u>\$6,316</u>	<u>\$0</u>	<u>\$950,061</u>	<u>(\$563,914)</u>	<u>\$660,978</u>	<u>\$2,551,006</u>	<u>\$1,767,242</u>

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Draft - 04-16-2013

INDIVIDUAL BUDGET TO ACTUAL STATEMENTS

SPECIAL REVENUE FUNDS

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CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 211 PUBLIC LIBRARY
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 19

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
General property taxes	\$486,645	\$486,645	\$492,059	\$473,588
Intergovernmental:				
State:				
Market value homestead credit	-	-	-	9,417
Supplemental aid	38,071	38,071	38,071	37,378
Other	-	-	997	223,823
Charges for services:				
Townships	133,000	133,000	129,590	135,333
Other	16,782	16,782	18,393	19,221
Fines and forfeits	15,000	15,000	17,952	14,303
Investment income	8,000	8,000	5,395	6,340
Contributions and donations	5,100	5,100	30,127	111,755
Miscellaneous	-	-	26,250	-
Total revenue	<u>702,598</u>	<u>702,598</u>	<u>758,834</u>	<u>1,031,158</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	509,294	509,294	511,787	509,566
Materials and supplies	86,700	86,700	86,355	114,363
Other services and charges	141,510	141,510	131,270	149,684
Total current	<u>737,504</u>	<u>737,504</u>	<u>729,412</u>	<u>773,613</u>
Capital outlay	-	-	30,647	589,786
Total expenditures	<u>737,504</u>	<u>737,504</u>	<u>760,059</u>	<u>1,363,399</u>
Revenue over (under) expenditures	(34,906)	(34,906)	(1,225)	(332,241)
Other financing sources:				
Transfers in	-	-	6,477	68,309
Net change in fund balance	<u>(\$34,906)</u>	<u>(\$34,906)</u>	5,252	(263,932)
Fund balance - January 1			<u>426,182</u>	<u>690,114</u>
Fund balance - December 31			<u>\$431,434</u>	<u>\$426,182</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 225 CENTRAL SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 20

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$96,045	\$96,045	\$63,419	\$82,363
Other	-	-	242	632
Intergovernmental	20,000	20,000	19,424	7,000
Investment income	-	-	975	2,164
Other	-	-	699	1,181
Total revenue	<u>116,045</u>	<u>116,045</u>	<u>84,759</u>	<u>93,340</u>
Expenditures:				
Culture and recreation:				
Current:				
Materials and supplies	3,600	3,600	3,756	3,053
Other services and charges	107,645	107,645	99,258	120,873
Capital outlay	45,562	45,562	38,849	-
Total expenditures	<u>156,807</u>	<u>156,807</u>	<u>141,863</u>	<u>123,926</u>
Revenue over (under) expenditures	(40,762)	(40,762)	(57,104)	(30,586)
Other financing sources:				
Transfer in	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>
Net change in fund balance	<u>(\$23,762)</u>	<u>(\$23,762)</u>	(40,104)	(13,586)
Fund balance - January 1			<u>134,179</u>	<u>147,765</u>
Fund balance - December 31			<u>\$94,075</u>	<u>\$134,179</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 226 AIRPORT OPERATIONS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 21

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$124,582	\$124,582	\$120,957	\$127,076
Other	5,500	5,500	5,782	4,802
Intergovernmental:				
State operations reimbursement	64,000	64,000	54,276	59,305
Itasca County	10,000	10,000	10,000	14,283
Investment income	2,500	2,500	1,552	3,056
Other	300	300	-	138
Total revenue	<u>206,882</u>	<u>206,882</u>	<u>192,567</u>	<u>208,660</u>
Expenditures:				
Public works:				
Current:				
Personnel services	59,591	59,591	49,821	95,996
Materials and supplies	18,175	18,175	11,497	11,873
Other services and charges	119,185	119,185	102,020	111,825
Total current	196,951	196,951	163,338	219,694
Debt service - loan repayment	34,850	34,850	24,850	35,512
Total expenditures	<u>231,801</u>	<u>231,801</u>	<u>188,188</u>	<u>255,206</u>
Revenue over (under) expenditures	(24,919)	(24,919)	4,379	(46,546)
Other financing sources:				
Transfer in	10,000	10,000	10,000	10,000
Special item:				
Grand Rapids / Itasca County Airport	-	-	-	133,482
Net change in fund balance	<u>(\$14,919)</u>	<u>(\$14,919)</u>	14,379	96,936
Fund balance - January 1			96,936	-
Fund balance - December 31			<u>\$111,315</u>	<u>\$96,936</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 228 IRA CIVIC CENTER
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 22

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rent	443,500	443,500	\$440,565	\$434,724
Concessions	136,000	136,000	129,991	130,221
Advertising	52,000	52,000	54,267	49,367
Other	25,900	25,900	16,433	17,936
Investment income	-	-	83	55
Total revenue	<u>657,400</u>	<u>657,400</u>	<u>641,339</u>	<u>632,303</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	321,239	321,239	309,855	312,503
Materials and supplies	105,600	105,600	112,857	128,803
Other services and charges	236,990	236,990	213,095	199,229
Capital outlay	15,000	15,000	60,388	-
Total expenditures	<u>678,829</u>	<u>678,829</u>	<u>696,195</u>	<u>640,535</u>
Revenue over (under) expenditures	<u>(21,429)</u>	<u>(21,429)</u>	<u>(54,856)</u>	<u>(8,232)</u>
Other financing sources (uses):				
Insurance recoveries	-	-	29,409	-
Transfers in	27,000	27,000	27,000	27,450
Total other financing sources (uses)	<u>27,000</u>	<u>27,000</u>	<u>56,409</u>	<u>27,450</u>
Net change in fund balance	<u>\$5,571</u>	<u>\$5,571</u>	1,553	19,218
Fund balance (deficit) - January 1			<u>(113,231)</u>	<u>(132,449)</u>
Fund balance (deficit) - December 31			<u>(\$111,678)</u>	<u>(\$113,231)</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 230 RECREATION PROGRAMS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 23

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rental	\$1,800	\$1,800	\$225	\$840
Fees	51,500	51,500	55,744	45,523
Investment income	500	500	446	749
Contributions and donations	-	-	1,500	500
Total revenue	<u>53,800</u>	<u>53,800</u>	<u>57,915</u>	<u>47,612</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	48,261	48,261	45,901	44,146
Materials and supplies	3,000	3,000	10,872	6,329
Other services and charges	1,600	1,600	1,709	1,726
Total expenditures	<u>52,861</u>	<u>52,861</u>	<u>58,482</u>	<u>52,201</u>
Revenue over (under) expenditures	<u>\$939</u>	<u>\$939</u>	(567)	(4,589)
Fund balance - January 1			<u>42,462</u>	<u>47,051</u>
Fund balance - December 31			<u>\$41,895</u>	<u>\$42,462</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 231 HAZ-MAT
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 24

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Intergovernmental:				
State:				
Haz-Mat reimbursement	\$45,000	\$45,000	\$39,928	\$51,949
Haz-Mat terrorism grant	-	-	107,895	53,337
Total revenue	<u>45,000</u>	<u>45,000</u>	<u>147,823</u>	<u>105,286</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	24,655	24,655	22,533	25,699
Materials and supplies	5,500	5,500	15,239	4,257
Other services and charges	13,840	13,840	13,546	27,448
Total current	<u>43,995</u>	<u>43,995</u>	<u>51,318</u>	<u>57,404</u>
Capital outlay	1,005	1,005	95,504	48,483
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>146,822</u>	<u>105,887</u>
Revenue over (under) expenditures	<u>\$0</u>	<u>\$0</u>	1,001	(601)
Fund balance - January 1			<u>53</u>	<u>654</u>
Fund balance - December 31			<u>\$1,054</u>	<u>\$53</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 232 POLICE FORFEITURE
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 25

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Intergovernmental	\$ -	\$ -	\$1,676	\$928
Fines and forfeits	17,500	17,500	9,967	35,263
Investment income	-	-	475	691
Miscellaneous	-	-	6,401	-
Total revenue	<u>17,500</u>	<u>17,500</u>	<u>18,519</u>	<u>36,882</u>
Expenditures:				
Public safety:				
Current:				
Materials and supplies	21,400	21,400	12,591	27,020
Other services and charges	3,500	3,500	4,081	3,712
Capital outlay	-	-	5,606	-
Total expenditures	<u>24,900</u>	<u>24,900</u>	<u>22,278</u>	<u>30,732</u>
Revenue over (under) expenditures	(7,400)	(7,400)	(3,759)	6,150
Other financing sources:				
Insurance recoveries	-	-	12,827	-
Net change in fund balance	<u>(\$7,400)</u>	<u>(\$7,400)</u>	9,068	6,150
Fund balance - January 1			<u>50,587</u>	<u>44,437</u>
Fund balance - December 31			<u>\$59,655</u>	<u>\$50,587</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 233 CEMETERY
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 26

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
General property taxes	\$162,297	\$162,297	\$164,385	\$155,147
Intergovernmental:				
State:				
Market value homestead credit	-	-	-	3,076
Supplemental aid	12,703	12,703	12,703	12,211
PERA	-	-	-	1,021
Charges for services:				
Cemetery	28,000	28,000	27,815	25,105
Other	1,500	1,500	1,264	810
Total revenue	<u>204,500</u>	<u>204,500</u>	<u>206,167</u>	<u>197,370</u>
Expenditures:				
Public works:				
Current:				
Personnel services	156,718	156,718	139,177	136,171
Materials and supplies	6,585	6,585	12,119	14,636
Other services and charges	41,197	41,197	55,306	32,852
Total expenditures	<u>204,500</u>	<u>204,500</u>	<u>206,602</u>	<u>183,659</u>
Revenue over (under) expenditures	<u>0</u>	<u>0</u>	<u>(435)</u>	<u>13,711</u>
Other financing sources:				
Insurance recoveries	-	-	50,000	-
Transfers in	-	-	-	29,500
Total other financing sources	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>29,500</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	49,565	43,211
Fund balance (deficit) - January 1			<u>455</u>	<u>(42,756)</u>
Fund balance - December 31			<u>\$50,020</u>	<u>\$455</u>

CITY OF GRAND RAPIDS, MINNESOTA
SPECIAL REVENUE FUND - 235 DOMESTIC ANIMAL CONTROL FACILITY
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012
With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 27

	2012		Actual Amounts	2011 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Licenses and permits	\$600	\$600	\$336	\$290
Fines and forfeits	30,200	30,200	29,772	33,004
Other	-	-	-	28
Total revenue	<u>30,800</u>	<u>30,800</u>	<u>30,108</u>	<u>33,322</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	35,674	35,674	36,112	33,641
Materials and supplies	5,300	5,300	5,165	4,623
Other services and charges	16,495	16,495	14,135	13,525
Total expenditures	<u>57,469</u>	<u>57,469</u>	<u>55,412</u>	<u>51,789</u>
Revenue over (under) expenditures	(26,669)	(26,669)	(25,304)	(18,467)
Other financing sources:				
Transfers in	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>20,000</u>
Net change in fund balance	<u>\$331</u>	<u>\$331</u>	1,696	1,533
Fund balance - January 1			<u>5,326</u>	<u>3,793</u>
Fund balance - December 31			<u>\$7,022</u>	<u>\$5,326</u>

AGENCY FUNDS

Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. During 2012, the City of Grand Rapids had the following Agency Funds:

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

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

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CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
 December 31, 2012
 With Comparative Totals For December 31, 2011

Statement 28

	872 Lodging Tax	877 Cable TV Commision	Totals Agency Funds	
			2012	2011
Assets:				
Cash and investments	\$18,384	\$56,492	\$74,876	\$85,956
Liabilities:				
Accounts payable	\$18,384	\$75	\$18,459	\$17,594
Due to third-party grantees	-	56,417	56,417	68,362
Total liabilities	\$18,384	\$56,492	\$74,876	\$85,956

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CITY OF GRAND RAPIDS, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For The Year Ended December 31, 2012

Statement 29

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Lodging Tax:				
Assets				
Cash and investments	\$17,594	\$18,384	\$17,594	\$18,384
Liabilities				
Accounts payable	\$17,594	\$18,384	\$17,594	\$18,384
Cable TV Commission:				
Assets				
Cash and investments	\$68,362	\$56,492	\$68,362	\$56,492
Liabilities				
Accounts payable	\$ -	\$75	\$ -	\$75
Due to third-party grantees	68,362	56,417	68,362	56,417
Total liabilities	\$68,362	\$56,492	\$68,362	\$56,492
Totals - All Agency Funds:				
Assets				
Cash and investments	\$85,956	\$74,876	\$85,956	\$74,876
Liabilities				
Accounts payable	\$17,594	\$18,459	\$17,594	\$18,459
Due to third-party grantees	68,362	56,417	68,362	56,417
Total liabilities	\$85,956	\$74,876	\$85,956	\$74,876

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COMPONENT UNIT

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

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CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
 December 31, 2012
 With Comparative Totals For December 31, 2011

Statement 30

Assets	General	Capital Project	Totals	
			2012	2011
Cash and investments	\$69,639	\$599,582	\$669,221	\$636,871
Due from other governmental units	-	14,855	14,855	-
Taxes receivable - delinquent	-	-	-	549
Inventory - land held for resale	-	1,350,617	1,350,617	1,397,594
Notes receivable	-	207,726	207,726	181,482
Total assets	\$69,639	\$2,172,780	\$2,242,419	\$2,216,496
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$14,255	\$14,255	\$10,187
Due to other governmental units	-	747	747	46
Contracts payable	-	5,780	5,780	-
Deferred revenue	-	1,558,343	1,558,343	1,624,351
Total liabilities	0	1,579,125	1,579,125	1,634,584
Fund balance:				
Assigned	-	593,655	593,655	499,854
Unassigned	69,639	-	69,639	82,058
Total fund balance	69,639	593,655	663,294	581,912
Total liabilities and fund balance	\$69,639	\$2,172,780	\$2,242,419	\$2,216,496

CITY OF GRAND RAPIDS, MINNESOTA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT

Statement 31

For The Year Ended December 31, 2012

With Comparative Totals For The Year Ended December 31, 2011

	General	Capital Project	Totals	
			2012	2011
Revenue:				
General property taxes	\$ -	\$46,898	\$46,898	\$44,361
Intergovernmental	-	208,417	208,417	466,152
Investment income	688	4,902	5,590	12,120
Miscellaneous:				
Loan repayment	-	16,783	16,783	31,916
Donations/contributions	-	5,000	5,000	-
Other	-	13,519	13,519	150
Total revenue	<u>688</u>	<u>295,519</u>	<u>296,207</u>	<u>554,699</u>
Expenditures:				
Economic development:				
Current:				
Materials and supplies	26	-	26	9
Other services and charges	13,081	247,911	260,992	505,563
Loan disbursement	-	36,807	36,807	-
Debt service:				
Principal retirement	-	-	-	865,000
Interest	-	-	-	21,125
Total expenditures	<u>13,107</u>	<u>284,718</u>	<u>297,825</u>	<u>1,391,697</u>
Revenue over (under) expenditures	<u>(12,419)</u>	<u>10,801</u>	<u>(1,618)</u>	<u>(836,998)</u>
Other financing sources:				
Proceeds from land sales	-	83,000	83,000	-
Net change in fund balance	<u>(12,419)</u>	<u>93,801</u>	<u>81,382</u>	<u>(836,998)</u>
Fund balance - January 1	<u>82,058</u>	<u>499,854</u>	<u>581,912</u>	<u>1,418,910</u>
Fund balance - December 31	<u>\$69,639</u>	<u>\$593,655</u>	<u>\$663,294</u>	<u>\$581,912</u>

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III. STATISTICAL SECTION (UNAUDITED)

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III. STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Net investment in capital assets	\$14,128,816	\$14,099,597	\$14,975,618	\$14,245,352
Restricted	9,730,108	11,204,673	13,315,671	17,374,649
Unrestricted	7,797,810	7,488,301	7,313,015	7,821,843
Total governmental activities net position	<u>\$31,656,734</u>	<u>\$32,792,571</u>	<u>\$35,604,304</u>	<u>\$39,441,844</u>
Business type activities:				
Net investment in capital assets	\$1,024,502	\$986,597	\$978,336	\$1,059,454
Restricted	-	-	-	-
Unrestricted	117,701	53,990	(30,559)	(13,726)
Total business-type activities net position	<u>\$1,142,203</u>	<u>\$1,040,587</u>	<u>\$947,777</u>	<u>\$1,045,728</u>
Primary government:				
Net investment in capital assets	\$15,153,318	\$15,086,194	\$15,953,954	\$15,304,806
Restricted	9,730,108	11,204,673	13,315,671	17,374,649
Unrestricted	7,915,511	7,542,291	7,282,456	7,808,117
Total primary government net position	<u>\$32,798,937</u>	<u>\$33,833,158</u>	<u>\$36,552,081</u>	<u>\$40,487,572</u>

Table 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$14,120,418	\$15,968,208	\$18,102,326	\$19,133,457	\$31,703,299	\$30,975,963
18,556,197	17,300,543	17,035,306	13,417,300	12,379,387	12,077,081
8,243,654	7,166,636	5,973,279	8,374,454	5,813,768	7,680,276
<u>\$40,920,269</u>	<u>\$40,435,387</u>	<u>\$41,110,911</u>	<u>\$40,925,211</u>	<u>\$49,896,454</u>	<u>\$50,733,320</u>
\$1,042,404	\$999,474	\$1,985,565	\$2,827,242	\$2,793,653	\$2,755,540
-	-	-	-	-	-
(23,617)	335,339	355,012	119,244	236,409	339,608
<u>\$1,018,787</u>	<u>\$1,334,813</u>	<u>\$2,340,577</u>	<u>\$2,946,486</u>	<u>\$3,030,062</u>	<u>\$3,095,148</u>
\$15,162,822	\$16,967,682	\$20,087,891	\$21,960,699	\$34,496,952	\$33,731,503
18,556,197	17,300,543	17,035,306	13,417,300	12,379,387	12,077,081
8,220,037	7,501,975	6,328,291	8,493,698	6,050,177	8,019,884
<u>\$41,939,056</u>	<u>\$41,770,200</u>	<u>\$43,451,488</u>	<u>\$43,871,697</u>	<u>\$52,926,516</u>	<u>\$53,828,468</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$1,973,764	\$1,825,292	\$2,078,757	\$2,281,286
Public safety	1,961,038	2,163,003	2,206,081	2,794,668
Public works	4,289,078	4,975,913	5,086,588	2,857,286
Culture and recreation	1,944,383	2,142,322	2,130,496	2,188,722
Interest and fees on long-term debt	651,160	666,575	703,447	824,766
Total governmental activities expenses	<u>10,819,423</u>	<u>11,773,105</u>	<u>12,205,369</u>	<u>10,946,728</u>
Business-type activities:				
Golf course	549,297	556,797	575,457	555,627
Storm water utility	-	20,950	245,088	248,742
Total business-type activities expenses	<u>549,297</u>	<u>577,747</u>	<u>820,545</u>	<u>804,369</u>
Total primary government expenses	<u>\$11,368,720</u>	<u>\$12,350,852</u>	<u>\$13,025,914</u>	<u>\$11,751,097</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$197,820	\$329,037	\$382,986	\$422,888
Public safety	318,503	324,807	392,814	428,835
Public works	96,218	100,451	134,239	147,559
Culture and recreation:				
Ice rent	918,617	368,325	373,639	369,310
Other activities	-	584,713	569,332	585,736
Operating grants and contributions	501,179	554,581	599,446	832,273
Capital grants and contributions	2,053,126	3,536,875	5,592,360	4,636,728
Total governmental activities program revenues	<u>4,085,463</u>	<u>5,798,789</u>	<u>8,044,816</u>	<u>7,423,329</u>
Business-type activities:				
Charges for services:				
Golf course	514,150	469,888	487,126	454,960
Storm water utility	-	-	420,657	432,503
Operating grants and contributions	-	-	-	4,000
Capital grants and contributions	-	-	20,000	452
Total business-type activities program revenues	<u>514,150</u>	<u>469,888</u>	<u>927,783</u>	<u>891,915</u>
Total primary government program revenues	<u>\$4,599,613</u>	<u>\$6,268,677</u>	<u>\$8,972,599</u>	<u>\$8,315,244</u>
Net (expense) revenue:				
Governmental activities	(\$6,733,960)	(\$5,974,316)	(\$4,160,553)	(\$3,523,399)
Business-type activities	(35,147)	(107,859)	107,238	87,546
Total primary government net (expense) revenue	<u>(6,769,107)</u>	<u>(6,082,175)</u>	<u>(4,053,315)</u>	<u>(3,435,853)</u>

Table 2
Page 1 of 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$2,249,579	\$3,257,703	\$3,139,210	\$2,407,660	\$2,362,986	\$2,206,280
2,452,364	2,904,780	3,611,752	2,789,559	2,836,212	2,929,368
4,309,921	5,018,711	5,144,636	4,841,814	5,390,413	6,772,303
2,324,697	2,243,609	2,267,791	2,270,942	2,255,043	2,235,595
839,991	863,133	950,717	978,289	907,838	921,653
<u>12,176,552</u>	<u>14,287,936</u>	<u>15,114,106</u>	<u>13,288,264</u>	<u>13,752,492</u>	<u>15,065,199</u>
518,409	473,579	496,554	455,315	549,733	561,484
346,998	332,562	370,726	411,849	377,107	341,287
<u>865,407</u>	<u>806,141</u>	<u>867,280</u>	<u>867,164</u>	<u>926,840</u>	<u>902,771</u>
<u>\$13,041,959</u>	<u>\$15,094,077</u>	<u>\$15,981,386</u>	<u>\$14,155,428</u>	<u>\$14,679,332</u>	<u>\$15,967,970</u>
\$477,296	\$401,562	\$405,500	\$457,201	\$401,410	\$434,949
422,666	510,127	463,110	388,484	447,864	433,622
129,233	206,256	405,086	261,584	432,900	419,069
435,919	426,215	404,920	409,234	434,724	440,565
594,848	581,602	585,044	515,812	506,187	521,523
743,317	614,629	1,100,342	1,027,304	1,240,128	1,572,878
<u>3,018,228</u>	<u>3,658,563</u>	<u>4,673,279</u>	<u>2,463,006</u>	<u>5,349,509</u>	<u>3,737,070</u>
<u>5,821,507</u>	<u>6,398,954</u>	<u>8,037,281</u>	<u>5,522,625</u>	<u>8,812,722</u>	<u>7,559,676</u>
506,659	494,371	516,832	548,820	553,201	561,653
484,163	478,596	484,528	505,336	498,587	498,189
6,000	-	-	-	-	-
1,440	-	836,208	97,352	7,995	100
<u>998,262</u>	<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>	<u>1,059,783</u>	<u>1,059,942</u>
<u>\$6,819,769</u>	<u>\$7,371,921</u>	<u>\$9,874,849</u>	<u>\$6,674,133</u>	<u>\$9,872,505</u>	<u>\$8,619,618</u>
(\$6,355,045)	(\$7,888,982)	(\$7,076,825)	(\$7,765,639)	(\$4,939,770)	(\$7,505,523)
<u>132,855</u>	<u>166,826</u>	<u>970,288</u>	<u>284,344</u>	<u>132,943</u>	<u>157,171</u>
<u>(6,222,190)</u>	<u>(7,722,156)</u>	<u>(6,106,537)</u>	<u>(7,481,295)</u>	<u>(4,806,827)</u>	<u>(7,348,352)</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net position				
Governmental activities:				
Taxes	\$4,177,182	\$3,828,809	\$3,945,921	\$3,963,138
Payments in lieu of taxes (PILOT)	-	1,042,164	614,528	656,091
Unrestricted grants and contributions	1,905,038	1,929,916	1,795,229	2,048,839
Investment earnings	264,476	284,643	473,405	685,853
Gain on sale of capital assets	212,711	23,669	-	9,397
Insurance recoveries	-	-	-	-
Special item - Grand Rapids / Itasca County Airport	-	-	-	-
Special item - merger with Grand Rapids Township	-	-	-	-
Transfers	2,500	952	143,203	(2,379)
Total governmental activities	<u>6,561,907</u>	<u>7,110,153</u>	<u>6,972,286</u>	<u>7,360,939</u>
Business-type activities:				
Investment earnings	4,376	3,389	3,191	8,026
Gain on sale of capital assets	-	3,806	-	-
Transfers	(2,500)	(952)	(143,203)	2,379
Total business-type activities	<u>1,876</u>	<u>6,243</u>	<u>(140,012)</u>	<u>10,405</u>
Total primary government	<u>\$6,563,783</u>	<u>\$7,116,396</u>	<u>\$6,832,274</u>	<u>\$7,371,344</u>
Change in net position:				
Government activities	(\$172,053)	\$1,135,837	\$2,811,733	\$3,837,540
Business-type activities	(33,271)	(101,616)	(32,774)	97,951
Total primary government	<u>(\$205,324)</u>	<u>\$1,034,221</u>	<u>\$2,778,959</u>	<u>\$3,935,491</u>

Table 2
Page 2 of 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$4,062,932	\$4,472,247	\$4,684,768	\$4,793,026	\$5,180,915	\$5,725,515
667,148	682,276	854,072	853,542	854,710	854,998
2,043,737	1,632,339	1,946,680	1,452,870	1,470,249	1,382,817
785,302	534,160	274,557	159,010	184,059	128,235
98,573	-	11,553	4,957	5,360	83,853
-	-	-	-	-	63,471
-	-	-	-	6,212,220	-
-	-	-	574,001	-	-
175,778	83,078	(19,281)	(257,467)	3,500	103,500
<u>7,833,470</u>	<u>7,404,100</u>	<u>7,752,349</u>	<u>7,579,939</u>	<u>13,911,013</u>	<u>8,342,389</u>
15,982	12,312	16,195	2,271	6,313	5,885
-	219,966	-	61,827	-	5,530
(175,778)	(83,078)	19,281	257,467	(3,500)	(103,500)
<u>(159,796)</u>	<u>149,200</u>	<u>35,476</u>	<u>321,565</u>	<u>2,813</u>	<u>(92,085)</u>
<u>\$7,673,674</u>	<u>\$7,553,300</u>	<u>\$7,787,825</u>	<u>\$7,901,504</u>	<u>\$13,913,826</u>	<u>\$8,250,304</u>
\$1,478,425	(\$484,882)	\$675,524	(\$185,700)	\$8,971,243	\$836,866
(26,941)	316,026	1,005,764	605,909	135,756	65,086
<u>\$1,451,484</u>	<u>(\$168,856)</u>	<u>\$1,681,288</u>	<u>\$420,209</u>	<u>\$9,106,999</u>	<u>\$901,952</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	\$258,685	\$235,408	\$216,786	\$254,671
Unreserved	5,417,022	5,441,087	5,499,269	5,476,583
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>5,675,707</u>	<u>5,676,495</u>	<u>5,716,055</u>	<u>5,731,254</u>
All other governmental funds:				
Reserved	6,384,674	6,453,883	6,009,348	6,170,610
Unreserved, reported in:				
Special revenue funds	411,128	509,117	569,641	657,929
Debt service funds	11,459	7,953	8,168	11,642
Capital projects funds	4,898,625	4,246,125	4,188,638	4,470,244
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other government funds	<u>11,705,886</u>	<u>11,217,078</u>	<u>10,775,795</u>	<u>11,310,425</u>
Total all funds	<u>\$17,381,593</u>	<u>\$16,893,573</u>	<u>\$16,491,850</u>	<u>\$17,041,679</u>

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

Table 3

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$264,264	\$224,509	\$219,727	\$497,935	\$ -	\$ -
5,537,743	4,847,138	4,529,615	4,443,526	-	-
-	-	-	-	1,071,817	882,863
-	-	-	-	15,567	13,186
-	-	-	-	76,401	156,520
-	-	-	-	3,857,416	4,463,866
<u>5,802,007</u>	<u>5,071,647</u>	<u>4,749,342</u>	<u>4,941,461</u>	<u>5,021,201</u>	<u>5,516,435</u>
7,420,555	7,653,945	6,660,438	7,061,043	-	-
771,353	805,001	872,154	747,062	-	-
(89,202)	(120,115)	(121,906)	(130,205)	-	-
4,363,548	3,298,276	3,690,962	2,773,389	-	-
-	-	-	-	345,891	408,722
-	-	-	-	6,728,771	7,830,851
-	-	-	-	649,367	662,669
-	-	-	-	2,073,531	1,989,644
-	-	-	-	(2,855,610)	(964,192)
<u>12,466,254</u>	<u>11,637,107</u>	<u>11,101,648</u>	<u>10,451,289</u>	<u>6,941,950</u>	<u>9,927,694</u>
<u>\$18,268,261</u>	<u>\$16,708,754</u>	<u>\$15,850,990</u>	<u>\$15,392,750</u>	<u>\$11,963,151</u>	<u>\$15,444,129</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$4,156,542	\$4,835,185	\$4,560,272	\$4,603,545
Licenses and permits	114,297	221,574	218,984	261,308
Intergovernmental	3,724,230	2,683,606	4,339,505	4,368,302
Special assessments	984,243	714,438	1,095,157	1,427,730
Charges for services	1,292,998	1,359,973	1,465,506	1,442,030
Fines and forfeits	96,615	108,929	155,461	182,943
Investment income	264,476	284,643	473,405	685,853
Other	159,116	276,866	281,911	399,095
Total revenues	10,792,517	10,485,214	12,590,201	13,370,806
Expenditures:				
Current:				
General government	1,686,797	1,485,995	1,696,966	1,827,609
Public safety	1,858,656	2,007,343	2,109,319	2,270,087
Public works	1,749,962	1,800,362	1,657,717	1,827,653
Culture and recreation	1,472,887	1,522,410	1,645,368	1,701,061
Miscellaneous	170,692	200,658	245,714	274,962
Capital outlay/construction	3,726,082	5,135,895	8,221,728	3,538,835
Debt service:				
Principal retirement	1,195,000	2,075,000	2,630,000	2,905,000
Interest	632,783	651,325	651,299	790,150
Paying agent fees	6,464	6,137	7,005	6,737
Bond issuance costs	12,383	6,610	107,481	89,977
Total expenditures	12,511,706	14,891,735	18,972,597	15,232,071
Revenues over (under) expenditures	(1,719,189)	(4,406,521)	(6,382,396)	(1,861,265)
Other financing sources (uses):				
Sale of capital assets	212,711	25,419	16,416	11,635
Capital lease proceeds	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Bond issuance/bond premium	2,460,000	3,705,000	5,821,054	4,362,037
Insurance recoveries	-	190,000	-	-
Redemption of refunded bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(1,960,379)
Transfers in	2,101,015	3,202,585	1,990,326	1,727,783
Transfers out	(2,098,515)	(3,204,503)	(1,847,123)	(1,730,162)
Total other financing sources (uses)	2,675,211	3,918,501	5,980,673	2,410,914
Special items:				
Grand Rapids / Itasca County Airport	-	-	-	-
Merger with Grand Rapids Township	-	-	-	-
Net change in fund balance	\$956,022	(\$488,020)	(\$401,723)	\$549,649
Debt service as a percentage of noncapital expenditures	16.6%	22.7%	24.8%	30.1%

Table 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$4,718,695	\$5,141,487	\$5,501,090	\$5,717,261	\$6,024,517	\$6,553,504
342,178	207,233	271,416	255,052	226,118	202,354
3,126,346	2,966,264	5,930,076	4,302,317	5,933,373	4,434,468
1,770,868	1,817,539	1,580,506	1,326,354	1,063,987	1,546,363
2,184,707	2,656,951	1,768,797	1,604,785	2,415,698	3,658,568
154,971	202,321	170,589	142,528	191,552	160,984
785,302	534,160	274,557	159,010	184,059	128,235
298,105	339,705	306,122	275,921	380,749	350,181
<u>13,381,172</u>	<u>13,865,660</u>	<u>15,803,153</u>	<u>13,783,228</u>	<u>16,420,053</u>	<u>17,034,657</u>
1,915,271	2,904,262	2,286,301	1,879,463	2,045,880	1,864,611
2,377,536	2,615,025	3,136,407	2,500,602	2,551,622	2,639,573
1,893,997	2,115,328	2,060,388	2,117,665	2,706,560	2,786,207
1,835,221	1,794,133	1,745,838	1,731,467	1,745,924	1,709,487
243,642	403,579	616,948	541,014	369,809	393,733
4,174,414	5,340,344	8,592,229	3,836,307	8,398,558	7,640,162
2,050,000	2,420,000	2,845,000	2,177,668	2,990,512	3,239,850
799,726	842,963	863,624	965,697	903,583	802,977
9,479	8,257	8,232	7,842	6,204	8,630
76,669	100,690	132,045	39,692	42,489	127,049
<u>15,375,955</u>	<u>18,544,581</u>	<u>22,287,012</u>	<u>15,797,417</u>	<u>21,761,141</u>	<u>21,212,279</u>
(1,994,783)	(4,678,921)	(6,483,859)	(2,014,189)	(5,341,088)	(4,177,622)
98,817	6,175	75,376	4,957	5,360	51,788
-	-	-	136,444	-	-
-	-	-	925,000	525,000	-
2,946,950	3,005,000	6,835,000	825,000	1,030,000	7,397,605
-	-	-	-	-	105,707
-	-	(1,265,000)	(635,000)	-	-
-	-	-	-	-	-
1,767,911	1,900,187	3,063,829	1,058,790	1,044,991	705,445
(1,592,133)	(1,791,948)	(3,083,110)	(1,333,243)	(1,041,491)	(601,945)
<u>3,221,545</u>	<u>3,119,414</u>	<u>5,626,095</u>	<u>981,948</u>	<u>1,563,860</u>	<u>7,658,600</u>
-	-	-	-	347,629	-
-	-	-	574,001	-	-
<u>\$1,226,762</u>	<u>(\$1,559,507)</u>	<u>(\$857,764)</u>	<u>(\$458,240)</u>	<u>(\$3,429,599)</u>	<u>\$3,480,978</u>
23.1%	22.5%	24.2%	25.2%	27.6%	28.2%

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

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
General government	\$302,886	\$428,018	\$398,214	\$426,070
Public safety	572,835	683,604	876,638	842,353
Public works	2,255,573	3,599,018	5,634,498	4,877,145
Culture and recreation	954,169	1,088,149	1,135,466	1,277,761
Total governmental activities program revenues	<u>4,085,463</u>	<u>5,798,789</u>	<u>8,044,816</u>	<u>7,423,329</u>
Business-type activities:				
Golf course	514,150	469,888	487,126	458,960
Storm water utility	-	-	440,657	432,955
Total business-type activities program revenues	<u>514,150</u>	<u>469,888</u>	<u>927,783</u>	<u>891,915</u>
 Total primary government program revenues	<u><u>\$4,599,613</u></u>	<u><u>\$6,268,677</u></u>	<u><u>\$8,972,599</u></u>	<u><u>\$8,315,244</u></u>

Draft - 04-16-2010

Table 5

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$505,461	\$464,692	\$424,628	\$728,689	\$821,768	\$493,124
791,861	1,007,217	1,286,533	823,295	915,580	1,073,037
3,301,008	3,853,979	5,122,533	2,819,062	5,613,348	4,825,540
1,223,177	1,073,066	1,050,224	962,131	1,283,989	1,014,136
<u>5,821,507</u>	<u>6,398,954</u>	<u>7,883,918</u>	<u>5,333,177</u>	<u>8,634,685</u>	<u>7,405,837</u>
512,659	494,371	1,353,040	646,172	561,196	561,753
485,603	478,596	484,528	505,336	498,587	498,189
<u>998,262</u>	<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>	<u>1,059,783</u>	<u>1,059,942</u>
<u>\$6,819,769</u>	<u>\$7,371,921</u>	<u>\$9,721,486</u>	<u>\$6,484,685</u>	<u>\$9,694,468</u>	<u>\$8,465,779</u>

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
2003	\$2,581,631	\$2,452,932	\$66,413	\$5,100,976	\$66,231	\$5,034,745	66.880	\$386,538,400	1.30%
2004	2,829,729	2,656,134	89,991	5,575,854	377,899	5,197,955	79.273	423,115,600	1.23%
2005	3,217,394	3,023,343	114,520	6,355,257	290,684	6,064,573	71.339	479,590,790	1.26%
2006	3,350,118	3,083,559	117,525	6,551,202	355,615	6,195,587	69.869	498,247,965	1.24%
2007	3,816,933	3,206,895	122,243	7,146,071	381,146	6,764,925	65.654	551,098,890	1.23%
2008	4,084,756	3,662,227	122,241	7,869,224	437,925	7,431,299	65.764	604,049,500	1.23%
2009	5,010,410	4,410,100	200,285	9,620,795	617,081	9,003,714	58.374	753,764,700	1.19%
2010	4,945,974	4,107,439	187,142	9,240,555	1,171,820	8,068,735	65.095	722,925,300	1.12%
2011	5,332,018	4,224,074	487,931	10,044,023	1,042,860	9,001,163	63.890	784,173,200	1.15%
2012	4,709,194	4,226,300	445,047	9,380,541	1,075,330	8,305,211	69.485	780,687,600	1.06%

Source: Itasca County Auditor's Office

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

Table 7

Fiscal Year	Direct Rate - City of Grand Rapids			Overlapping Rates				Overlapping Tax Rate
	Operating	Debt	Total	Itasca County	School District #318	Grand Rapids Township*	Special Taxing District	
2003	63.325	13.062	76.387	76.387	24.781	5.031	0.405	173.484
2004	67.858	11.415	79.273	63.927	20.942	4.625	0.370	169.137
2005	62.136	9.203	71.339	58.510	17.596	4.603	0.333	152.381
2006	60.367	9.502	69.869	55.534	16.226	4.452	0.305	146.386
2007	56.521	9.201	65.722	51.522	15.132	4.122	0.272	136.702
2008	57.112	8.610	65.722	46.974	11.871	3.726	0.226	128.561
2009	49.022	10.041	59.063	44.000	13.798	1.738	0.208	118.118
2010	49.863	15.232	65.095	46.361	15.799	1.272	0.234	128.761
2011	51.112	12.778	63.890	44.904	17.051	-	0.218	126.063
2012	54.893	14.592	69.485	47.702	17.774	-	0.228	135.189

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

Source: Itasca County Auditor's Office

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

Table 8

Taxpayer	2012			2003		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
UPM Blandin Paper Mill	\$732,457	1	7.81%	\$689,585	1	7.35%
Wal-Mart Real Estate Bus. Trust	246,608	2	2.63%	68,020	6	0.73%
ASV, Inc.	136,422	3	1.45%	-	-	0.00%
Grand Hospitality LLC	131,178	4	1.40%	-	-	0.00%
Enbridge Energy, LP	130,614	5	1.39%	-	-	0.00%
Target Corporation	122,526	6	1.31%	68,206	5	0.73%
Arrowhead Promotion & Fulfillment Co	117,926	7	1.26%	86,980	3	0.93%
Home Depot USA, Inc	108,408	8	1.16%	79,982	4	0.85%
Horseshoe Professional Bldg., LLC	78,886	9	0.84%	-	-	0.00%
GR Development Corp.	78,410	10	0.84%	51,960	7	0.55%
Jerry Miner Realty Inc	-	-	0.00%	88,358	2	0.94%
Grand Rapids Economic Dev. Authority	-	-	0.00%	50,500	8	0.54%
Kmart Corporation	-	-	0.00%	49,150	9	0.52%
Aquila, Inc	-	-	0.00%	46,976	10	0.50%
Total principal taxpayers	\$1,883,435		20.08%	\$1,279,717		25.88%
All other taxpayers	7,497,106		79.92%	3,664,651 (a)		74.12%
Total	\$9,380,541		100.00%	\$4,944,368		100.00%

Source: Itasca County Auditor's Office

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

CITY OF GRAND RAPIDS, MINNESOTA
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
2003	\$3,522,635	\$3,494,418	99.20%	\$20,652	\$3,515,070	99.79%
2004	3,848,998	3,788,329	98.42%	60,669	3,848,998	100.00%
2005	4,067,952	4,000,817	98.35%	67,135	4,067,952	100.00%
2006	4,185,550	4,129,799	98.67%	53,905	4,183,704	99.96%
2007	4,300,561	4,236,072	98.50%	59,895	4,295,967	99.89%
2008	4,743,955	4,680,998	98.67%	41,717	4,722,715	99.55%
2009	5,077,422	4,977,588	98.03%	36,573	5,014,161	98.75%
2010	5,275,002	4,956,991	93.97%	64,585	5,021,576	95.20%
2011	5,734,540	5,445,836	94.97%	35,705	5,481,541	95.59%
2012	5,910,987	5,863,061	99.19%	-	5,863,061	99.19%

Source: Itasca County Auditor's Office

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

Table 10

Fiscal Year	Governmental Activities				Total Governmental Activities	Business-type Activities	Total Primary Government	Bonded Debt Per Capita
	General Obligation Bonds	General Obligation Impr Bonds	Tax Increment Bonds	Leases and Loans Payable		Capital Leases		
2003	\$ -	\$12,000,000	\$2,220,000	\$1,415,000	\$15,635,000	\$ -	\$15,635,000	1,899
2004	-	14,070,000	1,850,000	1,345,000	17,265,000	127,000	17,392,000	2,051
2005	-	17,685,000	1,455,000	1,270,000	20,410,000	102,000	20,512,000	2,401
2006	1,785,000	17,780,000	1,035,000	1,195,000	21,795,000	78,000	21,873,000	2,488
2007	1,785,000	19,185,000	585,000	1,115,000	22,670,000	53,000	22,723,000	2,585
2008	2,670,000	18,595,000	955,000	1,035,000	23,255,000	27,000	23,282,000	2,608
2009	3,515,000	20,665,000	850,000	950,000	25,980,000	-	25,980,000	2,681
2010	3,950,000	20,000,000	850,000	865,000	25,665,000	-	25,665,000	2,361
2011	3,675,000	18,890,000	835,000	194,650	23,594,650	-	23,594,650	2,171
2012	3,255,000	22,530,000	820,000	156,156	26,761,156	-	26,761,156	2,462

Note: Personal income not available
 Excludes Component Units.

CITY OF GRAND RAPIDS, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2012

Table 11

	<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⁾	\$26,761,156	100.00%	\$26,761,156
Overlapping debt:			
Itasca County	24,415,000	13.04%	3,183,716
School District 318	<u>49,170,000</u>	<u>18.72%</u>	<u>9,204,624</u>
Total overlapping debt	<u>73,585,000</u>		<u>12,388,340</u>
Total direct and overlapping debt	<u><u>\$100,346,156</u></u>		<u><u>\$39,149,496</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⁾ Excludes general obligation improvement bonds and revenue bonded indebtedness.

⁽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 12

Market value	\$712,955,400
Debt limit percentage	<u>3%</u>
Debt limit amount	<u>21,388,662</u>
Debt applicable to limit	
General obligation bonds	3,255,000
Less:	
Cash and equivalents in G.O. Bond Debt Service Funds	<u>(689,713)</u>
Total net debt applicable to limit	<u>2,565,287</u>
Legal debt margin	<u><u>\$18,823,375</u></u>

Legal Debt Margin Calculation for Fiscal Years 2003 through 2012:

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
2003	8,233	\$7,730,768	\$1,311,037	\$6,419,731	16.96%	\$159
2004	8,478	8,462,312	1,237,190	7,225,122	14.62%	146
2005	8,543	9,591,816	1,162,160	8,429,656	12.12%	136
2006	8,790	9,964,959	993,774	8,971,185	9.97%	113
2007	8,790	11,021,978	2,482,899	8,539,079	22.53%	282
2008	8,926	18,121,485	3,169,571	14,951,914	17.49%	355
2009	9,690	22,612,941	3,896,539	18,716,402	17.23%	402
2010	10,869	21,687,759	4,270,649	17,417,110	19.69%	393
2011	10,869	23,525,196	3,015,083	20,510,113	12.82%	277
2012	10,869	21,388,662	2,565,287	18,823,375	11.99%	236

Source: Itasca County Auditors Office and City Finance Department

*Beginning with issues having a settlement after June 30, 2008, State Statutes have increased the legal debt limit from 2% to 3% of the City's taxable market value.

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

Table 13

Fiscal Year	Improvement Bonds				Tax Increment Bonds			
	Special Assessment Collections	Debt Service		Coverage	Tax Increment Collections	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2003	481,646	825,000	382,768	39.88%	625,701	370,000	162,993	117.39%
2004	428,556	785,000	453,765	34.60%	479,315	370,000	137,482	94.45%
2005	623,283	745,000	480,012	50.88%	473,574	395,000	111,777	93.45%
2006	934,350	1,190,000	651,791	50.73%	368,863	420,000	84,120	73.17%
2007	1,100,441	1,520,000	640,238	50.94%	348,098	450,000	54,440	69.01%
2008	1,045,175	1,860,000	771,301	39.72%	342,682	480,000	22,543	68.19%
2009	1,014,822	1,975,000	775,452	36.90%	98,936	105,000	40,359	68.06%
2010	1,013,237	1,980,000	775,452	36.77%	131,032	-	37,340	350.92%
2011	824,639	1,460,000	653,434	39.02%	151,953	15,000	37,059	291.89%
2012	762,948	1,490,000	589,994	36.68%	172,671	15,000	36,497	335.30%

Special assessment collections do not include prepayments.

Excludes component units.

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2003	8,233	Information Not Available		12.50%
2004	8,478		11.70%	
2005	8,543		8.90%	
2006	8,790		8.70%	
2007	8,790		9.30%	
2008	8,926		12.40%	
2009	9,690		13.70%	
2010	10,869		9.60%	
2011	10,869		9.90%	
2012	10,869		7.60%	

Source: Minnesota Department of Employment and Economic Development

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

Table 15

Taxpayer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318	600	1	6.49%	586	2	5.96%
Grand Itasca Clinic & Hospital	600	2	6.49%	635	1	6.46%
UPM Blandin Paper Mill	450	3	4.87%	553	3	5.62%
Itasca County	390	4	4.22%	380	4	3.86%
Arrowhead Promo & Fulfillment	290	5	3.14%	270	5	2.75%
Wal-Mart	280	6	3.03%	200	6	2.03%
City of Grand Rapids(a)	225	7	2.43%	112	10	1.14%
Terex Corporation	220	8	2.38%	-	-	0.00%
Grand Village Nursing Home(b)	160	9	1.73%	160	8	1.63%
Itasca Community College	140	10	1.51%	-	-	0.00%
Target Corporation	-	-	-	120	9	1.22%
Potlach Corpotation	-	-	-	172	7	1.75%
Total	3,355		36.28%	3,188		32.22%
All other employers	5,892		63.72%	6,648		67.78%
Total	<u>9,247</u>		<u>100.00%</u>	<u>9,836</u>		<u>100.00%</u>

Source: Minnesota Department of Employment and Economic Development

(a) Includes 150 part-time employees

(b) Formerly Itasca County Nursing Home

CITY OF GRAND RAPIDS, MINNESOTA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 16

Function/Program	Full-time Equivalent Employees as of December 31									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Administration	4.00	4.00	4.00	4.50	4.50	4.50	4.25	4.25	4.25	4.00
Finance	4.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
Community development	3.00	2.00	3.00	3.00	3.55	4.05	4.05	4.05	4.05	4.05
Engineering	2.00	3.00	3.00	4.00	3.45	3.45	3.45	2.45	2.45	2.45
Information technology	1.00	1.00	1.00	2.00	2.00	2.00	2.00	1.00	2.00	2.00
Police officers and dispatchers	19.00	19.00	20.00	21.00	22.00	23.50	23.50	20.50	20.50	21.50
Public works	13.00	13.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00	14.00
Parks and recreation	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Library	8.50	8.25	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75
Golf course	2.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Total	<u>60.50</u>	<u>62.25</u>	<u>66.75</u>	<u>70.25</u>	<u>71.25</u>	<u>72.25</u>	<u>71.00</u>	<u>66.00</u>	<u>65.00</u>	<u>65.75</u>

The City has 30 paid-on-call firefighters.

Source: City Finance Department

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

Table 17

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Physical and sexual assaults	142	131	141	177	156	170	160	303	405	449
Parking citations	471	440	440	1,221	640	755	763	590	849	579
DUI arrests	58	67	94	129	134	138	104	91	171	199
Traffic citations	814	794	1,397	1,535	1,305	2,419	1,754	2,959	2,588	2764
Accidents	533	565	587	450	507	557	550	531	569	536
Fire:										
Emergency responses	185	172	199	163	194	174	182	172	166	200
Haz-Mat responses	26	27	35	46	3	4	5	27	4	4
Inspections	N/A	61	59	72	68	62	91	103	112	69
Community development:										
Permits issued:										
Commercial	61	59	51	82	104	97	97	109	120	133
Governmental	N/A	5	5	5	15	7	-	11	14	14
Residential	260	231	264	263	294	271	376	401	386	495
Public works:										
Streets swept (miles)	68	71	75	77	77	88	92	93	93	93
Roads (miles)	68	71	75	77	77	88	92	93	93	93
Streetlights	995	995	1,030	1,057	1,062	1,093	1,288	1,290	1,321	1,321
Parks and recreation:										
Playgrounds	10	10	10	10	10	10	10	10	10	10
Baseball/softball fields	5	6	6	6	6	6	6	6	7	7
Soccer fields	3	3	3	3	3	3	3	3	3	3
Skate park	-	-	1	1	1	1	1	1	1	1
Library:										
Volumes in collection	73,943	80,200	81,802	80,118	81,491	88,570	84,440	82,338	79,400	79,866
Total volumes borrowed	182,465	172,999	183,840	179,729	189,860	196,315	190,895	202,908	187,569	187,035
Golf course:										
Number of passes sold										
Junior*	62	58	57	30	79	100	104	115	115	64
Young adult*	36	15	19	10	12	19	20	22	27	38
Single	199	154	163	144	156	139	145	135	129	120
Family	125	111	114	89	175	83	89	85	80	79

*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 18

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	15	15	14	16	18	18	20	20
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of streets maintained	77	71	75	77	77	88	92	93	93	93
Miles of sidewalks maintained	18	18	20	23	77	88	90	91	91	91
Miles of curbs and gutters maintained	94	94	105	108	108	109	112	112	112	112
Parks and recreation:										
Community parks and playgrounds	21	22	22	23	23	24	24	24	24	24
Total acres	223	225	225	226	226	227	227	227	227	227

Source: Various City Departments

IV. OTHER INFORMATION (UNAUDITED)

Draft - 04-16-2013

CITY OF GRAND RAPIDS, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
 December 31, 2012

	Interest Rates	Issue Date	Final Maturity Date
General Obligation Tax Increment Bonds:			
Tax Increment Bonds series 2008A	3.75-4.60	8/1/2008	2/1/2034
General Obligation Improvement Bonds:			
Improvement Bonds of 2001B	3.00-5.00	10/1/2001	2/1/2017
Improvement Bonds of 2003A	2.00-4.35	12/1/2003	1/27/2012
Improvement Bonds of 2004A	3.00-4.15	11/1/2004	2/1/2021
Improvement Bonds of 2005A	3.00-3.90	9/1/2005	2/1/2021
Improvement Bonds of 2005B	3.50-3.70	9/1/2005	4/1/2015
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022
Improvement Bonds of 2007A	4.00-4.15	9/1/2007	2/1/2023
Improvement Bonds of 2007B	4.00-4.10	12/15/2007	4/1/2022
Improvement Bonds of 2008C	3.25-4.60	11/1/2008	2/1/2024
Improvement Refunding Bonds of 2009B	1.00-3.00	6/1/2009	2/1/2016
Improvement Bonds of 2009C	1.85-5.30	9/1/2009	2/1/2025
Improvement Bonds of 2010A	0.75-3.625	11/1/2010	2/1/2026
Improvement Refunding Bonds of 2011B	0.50 - 3.15	12/1/2011	2/1/2027
Improvement Bonds of 2012A	0.50 - 3.25	4/1/2012	2/1/2028
Improvement Bonds of 2012B	0.40 - 2.60	4/1/2012	10/1/2027
Total General Obligation Improvement Bonds			
Other General Obligation Debt:			
Capital Improvement Plan Refunding Bonds of 2006B	4.00	10/1/2006	2/1/2017
Street Reconstruction Bonds of 2008B	3.25-4.60	11/1/2008	2/1/2024
Equipment Certificates of 2009D	2.00-4.85	9/1/2009	2/1/2019
Capital Improvement Plan Bonds of 2010A	0.75-2.25	11/1/2010	2/1/2018
Grant Anticipation Notes of 2012C	0.50	4/1/2012	2/1/2014
Total Other General Obligation Debt			
Capital Lease Payable to Itasca County	0.00	1/22/2010	12/31/2020
Note payable (EDA)	0.00	8/5/2010	8/5/2015
Airport loan payable to Itasca County	0.00	2001	2017
Airport loan payable for T-hangars	0.00	2002	2012
Revenue Bonds and Notes (Public Utilities):			
G.O. Water Revenue Note of 1999	3.04	1/3/2000	8/20/2019
Taxable G.O. Wastewater Revenue Bonds of 2001A	5.00-6.50	10/1/2001	12/1/2021
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00-4.90	6/1/2009	12/1/2019
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029
Taxable G.O. Wastewater Revenue Bonds of 2011A	0.60-3.50	7/25/2011	12/1/2021
G.O. Utility Revenue Bonds of 2012D	2.00 - 3.35	4/1/2012	2/1/2033
Total Revenue Bonds (Public Utilities)			
Total bonded indebtedness			

Prior Years		Payable 01/01/12	2012		Payable 12/31/12	Due in 2013	
Original Issue	Payments		Issued	Payments		Principal	Interest
\$850,000	\$ -	\$850,000	\$ -	\$15,000	\$835,000	\$15,000	\$35,934
470,000	280,000	190,000	-	30,000	160,000	30,000	6,891
2,460,000	1,365,000	1,095,000	-	1,095,000	-	-	-
3,705,000	1,835,000	1,870,000	-	235,000	1,635,000	235,000	56,188
3,450,000	1,185,000	2,265,000	-	245,000	2,020,000	235,000	72,088
1,105,000	630,000	475,000	-	115,000	360,000	115,000	10,958
2,505,000	700,000	1,805,000	-	180,000	1,625,000	175,000	61,500
1,775,000	260,000	1,515,000	-	110,000	1,405,000	115,000	54,915
1,150,000	320,000	830,000	-	80,000	750,000	75,000	28,650
1,145,000	135,000	1,010,000	-	70,000	940,000	75,000	38,419
1,265,000	545,000	720,000	-	250,000	470,000	205,000	8,462
4,565,000	120,000	4,445,000	-	290,000	4,155,000	290,000	182,975
1,115,000	-	1,115,000	-	80,000	1,035,000	105,000	23,950
1,555,000	-	1,555,000	-	-	1,555,000	145,000	27,373
-	-	-	2,245,000	-	2,245,000	-	38,390
-	-	-	4,175,000	-	4,175,000	255,000	96,679
26,265,000	7,375,000	18,890,000	6,420,000	2,780,000	22,530,000	2,055,000	707,438
1,785,000	605,000	1,180,000	-	165,000	1,015,000	185,000	36,900
1,010,000	110,000	900,000	-	60,000	840,000	60,000	34,600
1,005,000	45,000	960,000	-	110,000	850,000	110,000	32,325
635,000	-	635,000	-	85,000	550,000	90,000	8,550
-	-	-	905,000	-	905,000	-	6,033
4,435,000	760,000	3,675,000	905,000	420,000	4,160,000	445,000	118,408
136,444	13,644	122,800	-	13,644	109,156	13,644	-
100,000	-	100,000	-	-	100,000	-	-
147,000	90,000	57,000	-	10,000	47,000	10,000	-
255,088	240,238	14,850	-	14,850	-	-	-
1,079,657	554,657	525,000	-	59,000	466,000	61,000	14,166
4,700,000	1,635,000	3,065,000	-	3,065,000	-	-	-
1,915,000	830,000	1,085,000	-	195,000	890,000	205,000	46,266
925,000	170,000	755,000	-	85,000	670,000	90,000	26,660
26,104,469	1,818,779	24,285,690	-	1,169,242	23,116,448	1,184,000	740,689
3,965,000	-	3,965,000	-	80,000	3,885,000	380,000	91,990
-	-	-	2,025,000	-	2,025,000	-	66,050
38,689,126	5,008,436	33,680,690	2,025,000	4,653,242	31,052,448	1,920,000	985,821
\$70,877,658	\$13,487,318	\$57,390,340	\$9,350,000	\$7,906,736	\$58,833,604	\$4,458,644	\$1,847,601

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CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS
December 31, 2012

Exhibit 2

	Tax Increment Bonds Series 2008A	Capital Improvement Plan Bonds Series 2006B	Street Reconstruction Bonds Series 2008B	Equipment Certificates Series 2009D	Capital Improvement Plan Bonds Series 2010A	Grant Anticipation Notes Series 2012C	Total
Bonds payable	\$820,000	\$1,015,000	\$840,000	\$850,000	\$550,000	\$905,000	\$4,980,000
Future interest payable	507,435	104,900	235,072	133,592	31,500	8,296	1,020,795
Totals	<u>\$1,327,435</u>	<u>\$1,119,900</u>	<u>\$1,075,072</u>	<u>\$983,592</u>	<u>\$581,500</u>	<u>\$913,296</u>	<u>\$6,000,795</u>
Payments to maturity:							
2013	\$50,934	\$221,900	\$94,600	\$142,325	\$98,550	\$6,033	\$614,342
2014	50,371	224,300	92,334	143,720	97,538	907,263	1,515,526
2015	54,715	226,300	94,897	139,637	96,300	-	611,849
2016	53,965	223,000	92,298	140,110	94,837	-	604,210
2017	53,170	224,400	89,633	140,054	93,150	-	600,407
2018	57,225	-	91,830	139,472	101,125	-	389,652
2019	56,175	-	88,890	138,274	-	-	283,339
2020	55,125	-	85,880	-	-	-	141,005
2021	58,970	-	87,690	-	-	-	146,660
2022	57,680	-	84,315	-	-	-	141,995
2023	61,250	-	85,750	-	-	-	147,000
2024	59,710	-	86,955	-	-	-	146,665
2025	63,060	-	-	-	-	-	63,060
2026	61,280	-	-	-	-	-	61,280
2027	64,368	-	-	-	-	-	64,368
2028	62,342	-	-	-	-	-	62,342
2029	65,180	-	-	-	-	-	65,180
2030	67,765	-	-	-	-	-	67,765
2031	65,235	-	-	-	-	-	65,235
2032	67,590	-	-	-	-	-	67,590
2033	69,715	-	-	-	-	-	69,715
2034	71,610	-	-	-	-	-	71,610
	<u>\$1,327,435</u>	<u>\$1,119,900</u>	<u>\$1,075,072</u>	<u>\$983,592</u>	<u>\$581,500</u>	<u>\$913,296</u>	<u>\$6,000,795</u>

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2012

	2001B Improvement Bonds	2004A Improvement Bonds	2005A Improvement Bonds	2005B Improvement Bonds	2006C Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds
Bonds payable	\$160,000	\$1,635,000	\$2,020,000	\$360,000	\$1,625,000	\$1,405,000	\$750,000
Future interest payable	20,079	262,196	339,169	20,055	317,100	330,009	151,351
Totals	<u>\$180,079</u>	<u>\$1,897,196</u>	<u>\$2,359,169</u>	<u>\$380,055</u>	<u>\$1,942,100</u>	<u>\$1,735,009</u>	<u>\$901,351</u>
Payments to maturity:							
2013	\$36,891	\$291,188	\$307,088	\$125,958	\$236,500	\$169,915	\$103,650
2014	35,549	283,403	298,276	126,784	219,700	165,315	100,650
2015	34,161	211,463	284,558	127,313	213,100	165,615	97,650
2016	37,603	205,428	275,932	-	211,400	165,715	94,650
2017	35,875	199,223	267,307	-	204,600	160,715	91,650
2018	-	192,847	248,870	-	188,000	155,653	88,650
2019	-	186,217	235,660	-	181,600	155,425	85,650
2020	-	179,418	227,383	-	175,200	150,095	82,650
2021	-	148,009	214,095	-	159,000	149,629	79,613
2022	-	-	-	-	153,000	148,923	76,538
2023	-	-	-	-	-	148,009	-
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-
	<u>\$180,079</u>	<u>\$1,897,196</u>	<u>\$2,359,169</u>	<u>\$380,055</u>	<u>\$1,942,100</u>	<u>\$1,735,009</u>	<u>\$901,351</u>

2008C Improvement Bonds	2009B Improvement Refunding Bonds	2009C Improvement Bonds	2010A Improvement Bonds	2011B Improvement Refunding Bonds	2012A Improvement Bonds	2012B Improvement Bonds	Total
\$940,000	\$470,000	\$4,155,000	\$1,035,000	\$1,555,000	\$2,245,000	\$4,175,000	\$22,530,000
254,363	13,918	1,378,564	190,725	233,897	515,320	666,389	4,693,135
<u>\$1,194,363</u>	<u>\$483,918</u>	<u>\$5,533,564</u>	<u>\$1,225,725</u>	<u>\$1,788,897</u>	<u>\$2,760,320</u>	<u>\$4,841,389</u>	<u>\$27,223,135</u>
\$113,419	\$213,462	\$472,975	\$128,950	\$172,373	\$38,390	\$351,679	\$2,762,438
110,588	209,106	469,120	122,800	171,503	186,068	323,122	2,821,984
107,662	46,125	458,721	116,463	165,330	185,368	321,692	2,535,221
104,662	15,225	452,190	109,963	153,885	184,528	319,937	2,331,118
101,587	-	439,815	103,325	157,160	183,408	322,637	2,267,302
98,475	-	436,465	96,575	145,153	181,938	319,789	2,152,415
100,220	-	427,009	69,885	137,950	185,118	321,443	2,086,177
96,780	-	416,768	68,303	120,629	182,942	322,489	2,022,657
93,260	-	405,964	71,575	83,660	180,478	322,908	1,908,191
89,660	-	404,335	69,700	81,962	182,722	317,728	1,524,568
85,980	-	391,866	67,750	80,142	184,572	322,025	1,280,344
92,070	-	383,663	65,725	78,182	181,162	320,807	1,121,609
-	-	374,673	68,534	81,007	176,125	319,112	1,019,451
-	-	-	66,177	78,701	176,088	316,926	637,892
-	-	-	-	81,260	175,888	319,095	576,243
-	-	-	-	-	175,525	-	175,525
<u>\$1,194,363</u>	<u>\$483,918</u>	<u>\$5,533,564</u>	<u>\$1,225,725</u>	<u>\$1,788,897</u>	<u>\$2,760,320</u>	<u>\$4,841,389</u>	<u>\$27,223,135</u>

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	2013 Tax Capacity Values	2012 Tax Capacity Values
Taxable valuations:		
Real estate	\$8,731,591	\$8,969,941
Personal property	608,469	410,600
Net tax capacity	9,340,060	9,380,541
Less: Captured tax increment value	(135,839)	(132,575)
Fiscal disparities contributions	(1,146,266)	(1,075,330)
Taxable net tax capacity	<u>\$8,057,955</u>	<u>\$8,172,636</u>

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CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2012

Year of Levy/ Collection	Supplemental Improvement Bond Levy ⁽¹⁾	\$470,000 Improvement Bonds Series 2001B	\$3,705,000 Improvement & Refdg Bonds Series 2004A	\$3,450,000 Improvement & Refdg Bonds Series 2005A	\$2,505,000 Improvement Bonds Series 2006C	\$1,775,000 Improvement Bonds Series 2007A	\$1,010,000 GO Street Reconstr Bonds Series 2008B
2012/2013	(\$62,500)	\$12,743	\$111,112	\$51,089	\$58,685	\$117,311	\$77,465
2013/2014	(62,500)	12,575	49,285	48,668	56,300	119,923	81,022
2014/2015	(70,929)	17,609	50,077	49,056	53,937	122,325	79,123
2015/2016	(44,730)	17,083	50,691	49,475	51,532	119,268	77,089
2016/2017	(34,500)	-	51,127	42,064	49,147	116,210	80,304
2017/2018	(34,500)	-	51,384	37,621	46,763	118,271	77,981
2018/2019	(34,500)	-	51,284	38,542	44,387	114,867	75,657
2019/2020	(34,500)	-	50,475	36,654	41,994	116,713	78,437
2020/2021	(27,500)	-	-	-	39,610	118,274	75,735
2021/2022	(19,670)	-	-	-	17,093	119,616	78,126
2022/2023	(17,593)	-	-	-	-	-	80,276
2023/2024	-	-	-	-	-	-	-
2024/2025	-	-	-	-	-	-	-
2025/2026	-	-	-	-	-	-	-
2026/2027	-	-	-	-	-	-	-
	<u>(\$443,422)</u>	<u>\$60,010</u>	<u>\$465,435</u>	<u>\$353,169</u>	<u>\$459,448</u>	<u>\$1,182,778</u>	<u>\$861,215</u>

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

⁽²⁾These are Build America Bonds and the amount presented is after reduction for Federal Credit.

\$1,145,000 Improvement Bonds Series 2008C	\$1,265,000 Improvement and Refunding Bonds Series 2009B	\$4,565,000 Improvement Bonds Series 2009C ⁽²⁾	\$1,005,000 Equipment Certificates Series 2009D ⁽²⁾	\$1,750,000 Improvement and CIP Bonds Series 2010A	\$1,555,000 Improvement and Refunding Bonds Series 2011B	\$2,245,000 Improvement Bonds Series 2012A	Total
\$76,046	\$175,681	\$314,207	\$141,068	\$150,489	\$54,378	\$ -	\$1,277,774
74,501	35,791	309,506	138,117	145,941	54,647	134,120	1,197,896
72,957	9,266	309,278	140,268	140,973	54,746	133,236	1,161,922
71,255	-	303,279	141,966	135,610	54,675	132,061	1,159,254
69,554	-	307,321	143,319	140,381	54,467	130,518	1,149,912
73,023	-	305,114	144,286	8,073	54,054	133,857	1,015,927
71,022	-	302,266	-	54,608	58,755	131,572	908,460
68,853	-	299,186	-	58,648	57,848	128,985	903,293
66,684	-	306,205	-	57,130	56,943	131,341	824,422
64,347	-	301,787	-	55,611	55,779	133,284	805,973
70,907	-	302,370	-	53,936	54,615	129,704	674,215
-	-	302,248	-	57,510	58,407	124,414	542,579
-	-	-	-	55,486	56,792	124,376	236,654
-	-	-	-	-	60,309	124,165	184,474
-	-	-	-	-	-	123,784	123,784
<u>\$779,149</u>	<u>\$220,738</u>	<u>\$3,662,767</u>	<u>\$849,024</u>	<u>\$1,114,396</u>	<u>\$786,415</u>	<u>\$1,815,417</u>	<u>\$12,166,539</u>

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April 17, 2013

Shirley Miller
City of Grand Rapids
420 North Pokegama Avenue
Grand Rapids, MN 55744-2662

Dear Shirley:

Enclosed please find the following reports:

- ◆ Comprehensive Annual Financial Report – DRAFT (12 copies)
- ◆ Audit Management Letter – FINAL (20 Copies)
- ◆ Report on Compliance and on Internal Control – DRAFT (12 copies)
- ◆ State Legal Compliance Report – DRAFT (12 copies)

I look forward to meeting with you and the City Council on Monday, April 22, 2013.

Thank you for the opportunity to be of service.

Sincerely,

HLB TAUTGES REDPATH, LTD.

A handwritten signature in black ink, appearing to read "David J Mol".

David J Mol, CPA

DJM:clc

Enclosures

CITY OF GRAND RAPIDS, MINNESOTA

AUDIT MANAGEMENT LETTER

December 31, 2012

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

We have substantially completed the 2012 audit of the financial statements of the City of Grand Rapids, Minnesota (the City) and the EDA. The Public Utilities Commission (PUC) is considered a "component unit" of the City. As such, the financial statements of the PUC are included in the City's Annual Financial Report. The audit of the PUC will begin in early May. Therefore, we have issued draft financial statements pending completion of the PUC audit.

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

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.

April 16, 2013

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REPORT SUMMARY

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

Report Name	Elements of Report	Overview
<i>Comprehensive Annual Financial Report (CAFR)</i>	<ul style="list-style-type: none"> • Auditor’s opinion • Management’s Discussion and Analysis • Financial statements • Footnotes • Supplemental information 	<ul style="list-style-type: none"> • It is anticipated that an unqualified (“clean”) opinion will be issued on the Basic Financial Statements
<i>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</i>	<i>Results of testing</i> <ul style="list-style-type: none"> • Internal controls over financial reporting • Compliance with laws, regulations, contracts and grants 	<ul style="list-style-type: none"> • No findings of noncompliance • No internal control findings
<i>State Legal Compliance Report</i>	<ul style="list-style-type: none"> • Results of testing certain provisions of Minnesota Statutes 	<ul style="list-style-type: none"> • No findings of noncompliance
<i>Audit Management Letter</i>	<i>Analysis of financial condition and other issues</i> <ul style="list-style-type: none"> • Comparisons and trend analysis • Policies and procedures • Audit committee communications 	<ul style="list-style-type: none"> • See page 3 of this report for Executive Summary
<i>Federal Single Audit</i>	<i>Results of testing:</i> <ul style="list-style-type: none"> • Compliance with federal grant requirements • Internal controls over grant compliance 	<ul style="list-style-type: none"> • It is anticipated the federal compliance audit will be completed in August 2013

EXECUTIVE SUMMARY

Several areas highlighted for your reference include the following:

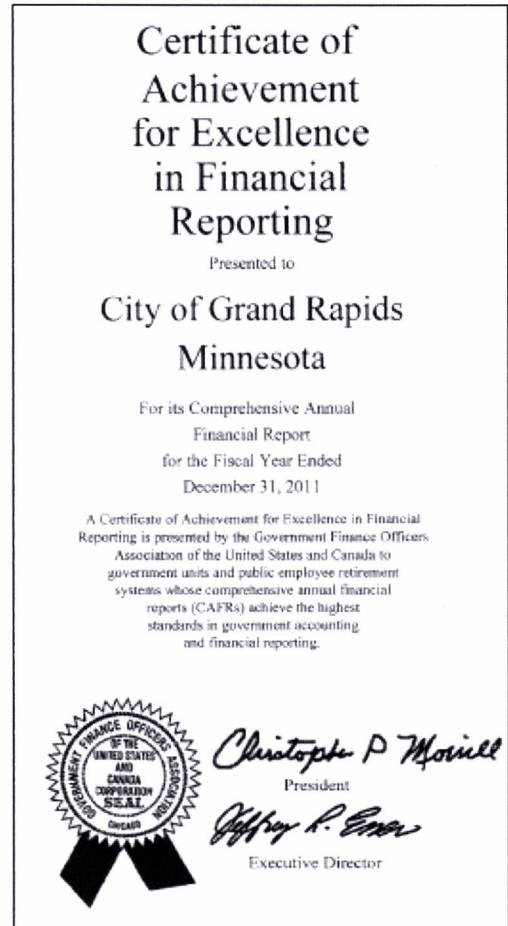
The City of Grand Rapids, Minnesota has been awarded the Certificate of Achievement for Excellence in Financial Reporting for every year since 1992.	Page 4
The City’s total property tax collection rate in 2012 was 100.14%, an increase from 95.69% for 2011. The total special assessment collection rate increased from 88.5% in 2011 to 93.1% in 2012.	Page 7
The fund balance of the City’s General Fund increased \$495,000 during 2012. Budget variances are shown herein.	Page 11
A comparison of Debt Service Fund assets with outstanding debt is shown herein.	Page 21
We recommend the City continue to monitor actual results of the Debt Service Funds with the projected amounts to ensure adequate funding of the Debt Service Funds.	Page 23
Governmental accounting standards affecting future years are summarized.	Page 31
Required auditor communications are included in this report.	Page 32

**CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING**

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

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

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



FINANCIAL REPORTING ENTITY

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

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

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

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

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

ACCOUNT BALANCE ANALYSIS OF THE FUND FINANCIAL STATEMENTS

Summary of Financial Activity

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

All Funds Financial Summary - 2012						
	Fund	Revenue and Other Sources	Expenditures and Other Uses	Interfund Transfers (Net)	Increase (Decrease) in Fund Balance/ Net Assets	Fund Balance/ Net Assets 12/31/12
1	General	\$7,740,000	\$6,947,000	(\$298,000)	\$495,000	\$5,516,000
	Special Revenue Funds:					
2	Public Library	759,000	760,000	6,000	5,000	431,000
3	Central School	85,000	142,000	17,000	(40,000)	94,000
4	Airport Operations	193,000	188,000	10,000	15,000	111,000
4	IRA Civic Center	671,000	696,000	27,000	2,000	(112,000)
5	Recreation Programs	58,000	59,000	-	(1,000)	42,000
6	Haz-Mat	148,000	147,000	-	1,000	1,000
7	Police Forfeiture	31,000	22,000	-	9,000	60,000
8	Cemetery	256,000	207,000	-	49,000	50,000
9	Domestic Animal Control Facility	30,000	55,000	27,000	2,000	7,000
	Debt Service Funds:					
10	Debt Service Reserve	-	-	-	-	5,000
11	Equipment Certificates of 2009D	153,000	146,000	-	7,000	149,000
12	Grant Anticipation Notes of 2012C	8,000	-	-	8,000	8,000
13	Improvement Bonds	2,954,000	3,659,000	150,000	(555,000)	5,612,000
14	Tax Abatement	-	-	(1,000)	(1,000)	-
15	G.O. CIP Refunding Bonds of 2006B	209,000	212,000	-	(3,000)	7,000
16	Tax Increment 1-6 Old Hospital Housing	62,000	55,000	-	7,000	47,000
17	Tax Increment 1-6 Old Hospital Housing Paygo	23,000	22,000	-	1,000	4,000
18	Tax Increment 1-5 Black Bear Homes	38,000	4,000	-	34,000	(88,000)
19	Tax Increment 1-4 Oakwood Terrace	31,000	-	-	31,000	208,000
20	Tax Increment 1-7 Block 37 Redevelopment	20,000	18,000	-	2,000	4,000
	Capital Project Funds:					
21	General Capital Improvement Projects	306,000	304,000	6,000	8,000	430,000
22	Municipal State Aid	140,000	25,000	-	115,000	189,000
23	Park Acquisition and Development	-	5,000	-	(5,000)	8,000
24	Capital Equipment Replacement	159,000	458,000	65,000	(234,000)	157,000
25	Street Light and Utility Services	-	-	-	-	10,000
26	Infrastructure Bonds	10,263,000	6,792,000	270,000	3,741,000	1,135,000
27	Airport Capital Fund	249,000	284,000	-	(35,000)	120,000
28	IRA Civic Center Capital Reserve	-	-	-	-	4,000
29	7th Avenue Bridge Rehabilitation	-	-	-	-	578,000
30	Permanent Improvement Revolving	7,000	7,000	(176,000)	(176,000)	661,000
	Enterprise Funds:					
31	Golf Course	569,000	561,000	(3,000)	5,000	2,677,000
32	Storm Water	502,000	341,000	(100,000)	61,000	418,000
	Total	\$25,664,000	\$22,116,000	\$0	\$3,548,000	\$18,543,000

Property Taxes

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

	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾
Property tax levy	<u>\$5,077,422</u>	<u>\$5,275,002</u>	<u>\$5,734,540</u>	<u>\$5,910,987</u>
Receipts:				
Current (includes MVHC and supplemental aid)	4,977,588	4,956,991	5,445,836	5,863,061
Delinquent	<u>32,337</u>	<u>75,110</u>	<u>41,525</u>	<u>56,206</u>
Total receipts	<u>5,009,925</u>	<u>5,032,101</u>	<u>5,487,361</u>	<u>5,919,267</u>
Collection rates:				
Current	<u>98.03%</u>	<u>93.97%</u>	<u>94.97%</u>	<u>99.19%</u>
Current and delinquent	<u>98.67%</u>	<u>95.40%</u>	<u>95.69%</u>	<u>100.14%</u>

⁽¹⁾Includes annexation portion of levy

Special Assessments

Special assessment collections have been as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Current portion due	<u>\$1,052,939</u>	<u>\$1,013,237</u>	<u>\$956,035</u>	<u>\$848,710</u>
Receipts:				
Current	1,014,822	955,810	824,639	762,948
Delinquent	<u>16,690</u>	<u>5,430</u>	<u>21,431</u>	<u>27,272</u>
Total receipts	<u>1,031,512</u>	<u>961,240</u>	<u>846,070</u>	<u>790,220</u>
Current collection rate	<u>96.4%</u>	<u>94.3%</u>	<u>86.3%</u>	<u>89.9%</u>
Total collection rate	<u>98.0%</u>	<u>94.9%</u>	<u>88.5%</u>	<u>93.1%</u>

As shown on the above, the City experienced an increase in its collection rates in 2012. The delinquent special assessment receivable balance was \$261,000 at December 31, 2012. We recommend the City continue to monitor the special assessment collection rate and consider the impact on the funding of debt service payments.

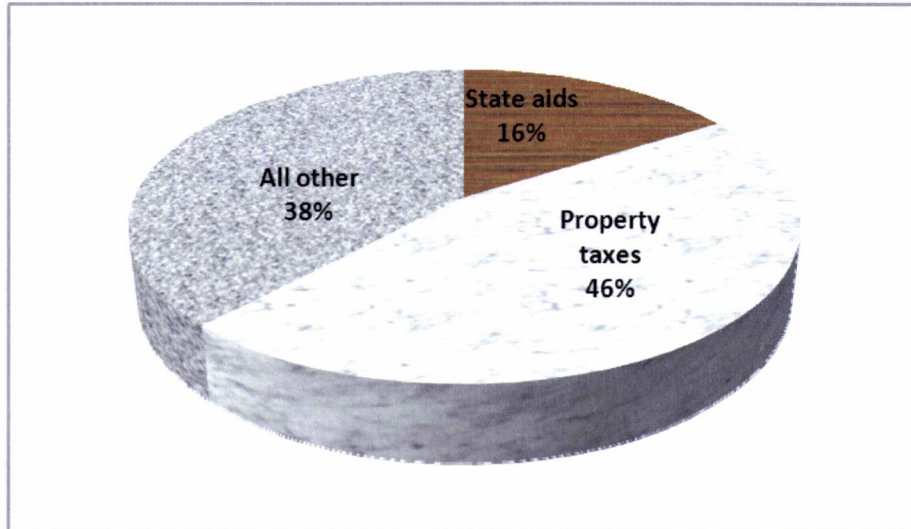
GENERAL FUND

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

General Fund Revenue By Source								
Year	State Tax Relief (LGA, MVHC and Supplemental Aid)		Property Taxes		All Other Revenue ⁽¹⁾		Total Revenue	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2003	\$1,714,278	31%	\$2,234,514	41%	\$1,553,466	28%	\$5,502,258	100%
2004	1,767,624	30%	2,519,324	42%	1,688,027	28%	5,974,975	100%
2005	1,636,064	26%	2,641,250	42%	2,043,116	32%	6,320,430	100%
2006	1,870,768	28%	2,663,258	39%	2,244,836	33%	6,778,862	100%
2007	1,861,245	27%	2,741,655	40%	2,333,589	33%	6,936,489	100%
2008	1,471,454	21%	3,110,734	45%	2,277,395	34%	6,859,583	100%
2009	1,744,986	23%	3,306,743	44%	2,413,295	33%	7,465,024	100%
2010	1,273,488	19%	3,107,526	46%	2,412,831	35%	6,793,845	100%
2011	1,288,735	18%	3,403,815	46%	2,431,938	36%	7,124,488	100%
2012	1,220,693	16%	3,666,921	46%	2,838,309	38%	7,725,923	100%

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

A chart of 2012 General Fund revenue sources is as follows:



The fund balance of the General Fund increased by \$495,000 in 2012 as follows:

Amounts are rounded to nearest thousand			
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Taxes	\$4,180,000	\$4,522,000	\$342,000
Licenses and permits	268,000	202,000	(66,000)
Intergovernmental	1,679,000	2,048,000	369,000
Charges for services	746,000	764,000	18,000
Fines and forfeits	117,000	103,000	(14,000)
Investment income	31,000	51,000	20,000
Donations/contributions	-	12,000	12,000
Other	21,000	24,000	3,000
Total revenues	7,042,000	7,726,000	684,000
Expenditures:			
General government:			
Mayor and council	113,000	112,000	1,000
Administration	463,000	487,000	(24,000)
Finance	395,000	392,000	3,000
Information technology	172,000	175,000	(3,000)
Community development	334,000	320,000	14,000
Building maintenance - City hall	228,000	214,000	14,000
Public safety:			
Police protection	2,010,000	2,023,000	(13,000)
Fire protection	529,000	496,000	33,000
Public works:			
Public works	1,448,000	1,653,000	(205,000)
Engineering	264,000	266,000	(2,000)
Fleet maintenance	210,000	239,000	(29,000)
Culture and recreation	173,000	177,000	(4,000)
City-wide	396,000	351,000	45,000
Special projects	15,000	43,000	(28,000)
Total expenditures	6,750,000	6,948,000	(198,000)
Revenues over (under) expenditures	292,000	778,000	486,000
Other financing sources (uses):			
Sale of capital assets	-	1,000	1,000
Insurance recoveries	-	13,000	13,000
Transfers in	23,000	24,000	1,000
Transfers out	(315,000)	(321,000)	(6,000)
Total other financing sources (uses)	(292,000)	(283,000)	9,000
Net change in fund balance	\$0	\$495,000	\$495,000

Detail of the preceding budget variances is presented in Statement 10 of the 2012 Comprehensive Annual Financial Report. A summary of the budget variances is as follows:

Revenue:

Taxes – the favorable variance of \$342,000 is due to annexation tax collections exceeding budget (\$338,000).

Intergovernmental – the favorable variance of \$369,000 is primarily due to reimbursements for storm related expenditures (\$254,000) and a federal safe and sober grant (\$37,000).

Expenditures:

Public safety – ended the year with a net favorable variance. Within this net favorable variance was personal services under budget (\$16,000 police, \$33,000 fire).

Public works – the unfavorable variance of \$205,000 is primarily the result of expenditures relating to the storm clean-up.

City-Wide – a favorable variance of \$45,000 is primarily due to health insurance deductible contribution under budget (\$25,000), web site design under budget (\$8,000) and the City's additional 20/80 insurance deductible under budget (\$10,000).

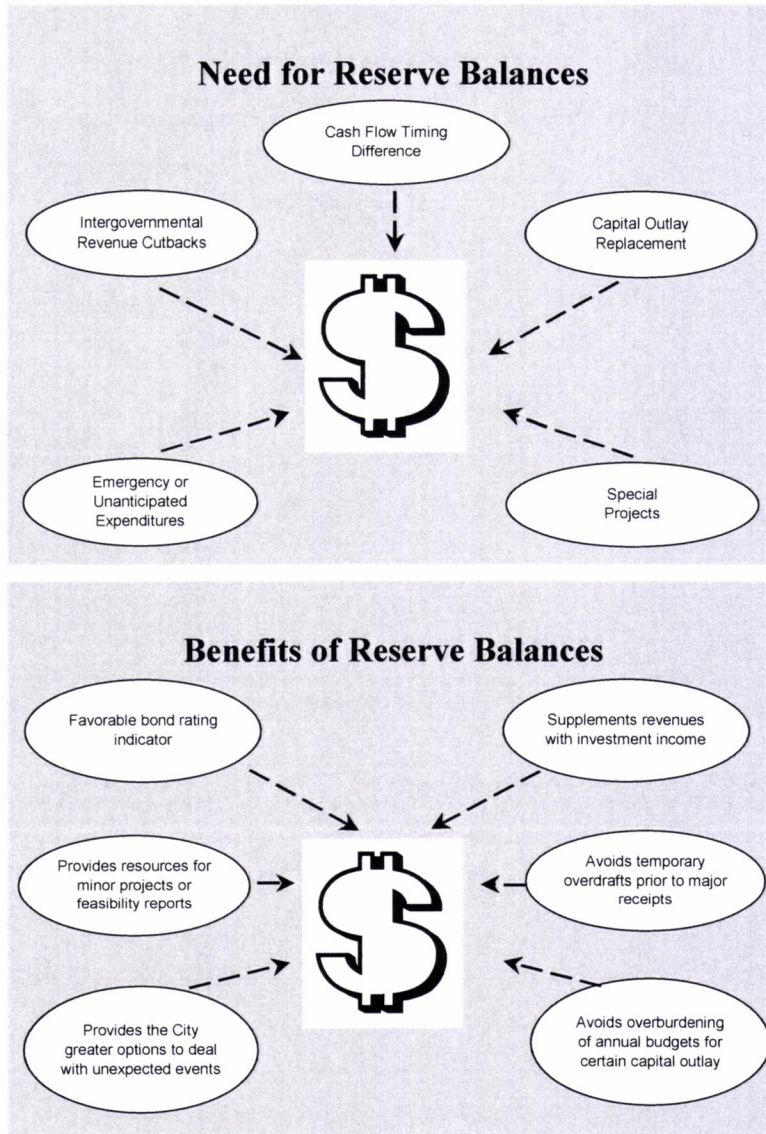
The City's General Fund balance has been as follows for the past fifteen years:

General Fund Balance		
<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Increase (Decrease)⁽¹⁾</u>
1998	\$4,802,000	\$183,000
1999	4,723,000	(79,000)
2000	5,300,000	577,000
2001	6,123,000	823,000
2002	5,673,000	(450,000)
2003	5,676,000	3,000
2004	5,676,000	-
2005	5,716,000	40,000
2006	5,731,000	15,000
2007	5,802,000	71,000
2008	5,072,000	(730,000)
2009	4,749,000	(323,000)
2010	4,941,000	192,000
2011	5,021,000	80,000
2012	5,516,000	495,000

⁽¹⁾Rounded to nearest thousand

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

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



Summary of General Fund Balance

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

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

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

Compensated absences – equal to the sum of flexible time off and compensatory time for all employees each December 31.

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

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

At December 31, 2012, the unassigned fund balance of the General Fund was \$4,464,000, compared to its targeted unassigned fund balance of \$4,556,000.

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

General Fund

At December 31, 2012, the fund balance of the General Fund was as follows:

Fund Balance Constraint	Balance 12/31/11	Increases (Decreases)	Balance 12/31/12	Targeted Balance	Difference
Nonspendable:					
Interfund loan	\$893,296	(\$195,991)	\$697,305	\$697,305	\$ -
Prepaid items	178,521	7,037	185,558	185,558	-
Restricted:					
Cash - Superior USA	5,916	1,070	6,986	6,986	-
Donor restrictions	9,651	(3,451)	6,200	6,200	-
Committed:					
Revenue stabilization	76,401	80,119	156,520	156,520	-
Unassigned:					
Cash flow	2,688,878	143,421	2,832,299	2,832,299	-
Compensated absences	286,691	27,034	313,725	313,725	-
Emergency / unanticipated	679,385	33,064	712,449	712,449	-
Economic development	202,462	402,931	605,393	697,469	(92,076)
Total	\$5,021,201	\$495,234	\$5,516,435	\$5,608,511	(\$92,076)

SPECIAL REVENUE FUNDS

Special Revenue Funds are a classification of funds to account for revenues (and expenditures related thereto) segregated by City policy or Federal or State statutes for specific purposes. The City maintained the following Special Revenue Funds during 2012:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2012	Comments
Public Library	\$759,000	\$760,000	\$6,000	\$5,000	\$431,000	Budgeted decrease in fund balance of \$35,000. revenues over budget by \$56,000 due to natural gas rebate (\$26,000) and Donations exceeding budget.
Central School	85,000	142,000	17,000	(40,000)	94,000	Budgeted decrease in fund balance of \$24,000. Rent revenue was under budget by \$33,000.
Airport Operations	193,000	188,000	10,000	15,000	111,000	Budgeted decrease in fund balance of \$15,000. Expenditures were under budget by \$43,000.
IRA Civic Center	671,000	696,000	27,000	2,000	(112,000)	Budgeted increase in fund balance of \$5,500.
Recreation Programs	58,000	59,000	-	(1,000)	42,000	Budgeted increase in fund balance of \$1,000.
Haz-Mat	148,000	147,000	-	1,000	1,000	Both revenues and expenditures exceeded budget by \$100,000 due to Haz-Mat terrorism grant.
Police Forfeiture	31,000	22,000	-	9,000	60,000	
Cemetery	256,000	207,000	-	49,000	50,000	2012 revenue includes \$50,000 in insurance recovery due to storms.
Domestic Animal Control Facility	30,000	55,000	27,000	2,000	7,000	Receives interfund transfer from General fund.
Totals	\$2,231,000	\$2,276,000	\$87,000	\$42,000	\$684,000	

Public Library

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

Fund Balance Constraint	December 31, 2012		
	Targeted Balance	Actual Balance	Difference
Nonspendable:			
Prepaid items	\$14,129	\$14,129	\$ -
Committed:			
Cash flow	354,019	354,019	-
Compensated absences	31,932	31,932	-
Emergency/unanticipated expenditures	52,521	31,354	21,167
Major equipment replacement	60,024	-	60,024
Total committed	498,496	417,305	81,191
Total fund balance	\$512,625	\$431,434	\$81,191

As shown above, the actual fund balance is \$81,191 less than the targeted fund balance at December 31, 2012.

IRA Civic Center

A summary of activity of this fund is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue	\$620,365	\$602,569	\$632,303	\$670,748
Expenditures	<u>625,666</u>	<u>623,246</u>	<u>640,535</u>	<u>696,195</u>
Revenue over (under) expenditures	(5,301)	(20,677)	(8,232)	(25,447)
Transfers in	27,335	-	27,450	27,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	22,034	(20,677)	19,218	1,553
Fund balance (deficit) - January 1	<u>(133,806)</u>	<u>(111,772)</u>	<u>(132,449)</u>	<u>(113,231)</u>
Fund balance (deficit) - December 31	<u><u>(\$111,772)</u></u>	<u><u>(\$132,449)</u></u>	<u><u>(\$113,231)</u></u>	<u><u>(\$111,678)</u></u>

The fund deficit of (\$111,678) at December 31, 2012 is partially financed by an interfund loan of \$55,881 which is being repaid with interest through 2015.

We recommend the City continue to monitor this fund.

DEBT SERVICE FUNDS

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

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

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

City of Grand Rapids, Minnesota

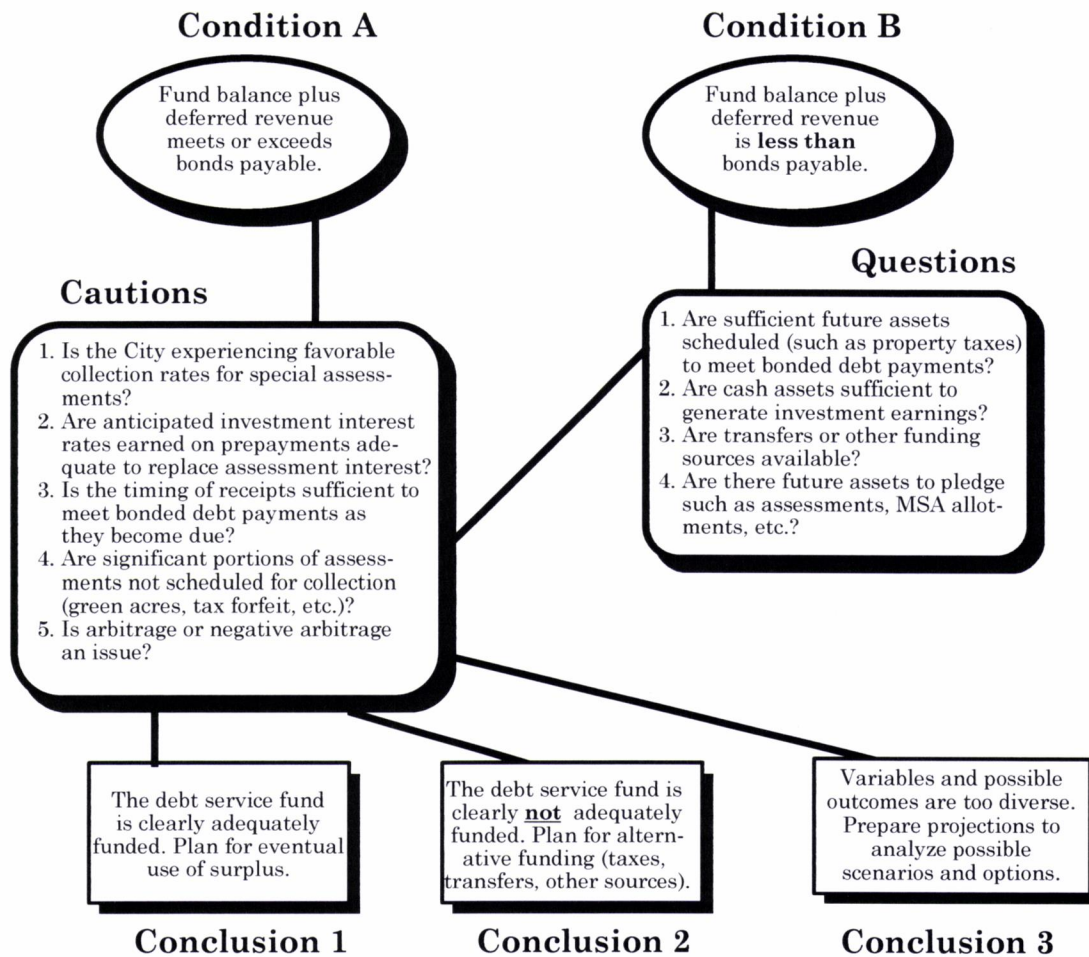
Audit Management Letter

Debt Service Funds

Fund Description	December 31, 2012			Outstanding Debt	Scheduled Ad-valorem Property Taxes	Final Maturity Date
	Fund Balance	Deferred Revenue	Total			
General Debt:						
Debt Service Reserve	\$4,762	\$ -	\$4,762	\$ -		N/A
State Aid Street Bonds of 2005B	5,802	-	5,802	360,000	- (4)	4/1/2015
Capital Improvement Plan Bonds of 2006B	6,564	1,147,436	1,154,000	1,015,000		2/1/2017
State Aid Street Bonds of 2007B	19,140	-	19,140	750,000	- (4)	4/1/2022
Street Reconstruction Bonds of 2008B	117,296	69,367	186,663	840,000	861,215	2/1/2024
Equipment Certificates of 2009D	148,821	-	148,821	850,000	849,024 (1)	2/1/2024
Capital Improvement Plan Bonds of 2010A	-	-	-	550,000	-	2/1/2026
State Aid Street Bonds of 2012B	106	-	106	4,175,000	- (4)	10/1/2027
Grant Anticipation Notes of 2012C	7,719	-	7,719	905,000	-	2/1/2014
Total general debt	<u>310,210</u>	<u>1,216,803</u>	<u>1,527,013</u>	<u>9,445,000</u>	<u>1,710,239</u>	
Tax Increment Debt:						
Tax Increment District 1-4 (Oakwood Terrace)	207,626	-	207,626	-	- (2)	
Tax Increment District 1-5 (Black Bear Homes)	(88,564)	12	(88,552)	-	- (2)	
Tax Increment District 1-6 (Old Hospital Housing Bonds)	46,981	-	46,981	820,000	- (3)	2/1/2034
Tax Increment District 1-6 (Old Hospital Housing Paygo)	(4,298)	1,781	(2,517)	-	-	
Tax Increment District 1-7 (Block 37 Redevelopment)	4,487	-	4,487	-	- (2)	
Total tax increment debt	<u>166,232</u>	<u>1,793</u>	<u>168,025</u>	<u>820,000</u>	<u>0</u>	
Special Assessment Debt:						
Improvement Bonds of 2001B	136,950	18,919	155,869	160,000	60,010	2/1/2017
Improvement Bonds of 2004A	809,295	410,851	1,220,146	1,635,000	465,435	2/1/2021
Improvement Bonds of 2005A	1,634,245	700,028	2,334,273	2,020,000	353,169	2/1/2021
Improvement Bonds of 2006C	547,232	1,431,826	1,979,058	1,625,000	459,447	2/1/2022
Improvement Bonds of 2007A	300,599	234,595	535,194	1,405,000	1,182,778	2/1/2023
Improvement Bonds of 2008C	199,973	254,130	454,103	940,000	779,149	2/1/2024
Improvement Bonds of 2009B	345,169	53,511	398,680	470,000	70,738	2/1/2016
Improvement Bonds of 2009C	805,797	611,944	1,417,741	4,155,000	3,662,767 (1)	2/1/2025
Improvement Bonds of 2010A	282,548	366,659	649,207	1,035,000	1,114,396	2/1/2026
Improvement Bonds of 2011B	257,937	876,270	1,134,207	1,555,000	786,415	2/1/2027
Improvement Bonds of 2012A	152,604	327,321	479,925	2,245,000	1,950,095	2/1/2028
Supplemental levy	-	-	-	-	(443,422) (5)	
Total special assessment debt	<u>5,472,349</u>	<u>5,286,054</u>	<u>10,758,403</u>	<u>17,245,000</u>	<u>10,440,977</u>	
Total - All Debt Service Funds	<u>\$5,948,791</u>	<u>\$6,504,650</u>	<u>\$12,453,441</u>	<u>\$27,510,000</u>	<u>\$12,151,216</u>	

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

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



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

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

TAX INCREMENT DISTRICTS

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

- TIF 1-4 Oakwood Terrace
- TIF 1-5 Black Bear Homes
- TIF 1-6 Old Hospital Housing
- TIF 1-7 Block 37 Redevelopment

Tax Increment 1-4 (Oakwood Terrace)

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

Tax Increment 1-5 (Black Bear Homes)

This district is a housing district. All twenty-one owner-occupied housing units have now been built and sold. The City contributed \$9,000 per home for documented site improvements for a total of \$189,000. TIF expenditures are funded by an interfund loan from the General Capital Improvement Fund.

Tax Increment 1-6 (Old Hospital Housing)

The district is divided into two main parcels:

1. Assisted Living Facility on the East Clinic site:
 - 2008 was the first year tax increment was received relating to this parcel.
 - The tax increment (90%) is used to make debt service payments on the \$850,000 G.O. TIF Bonds, 2008A.
2. Old hospital site, low to moderate income housing will be built here:
 - The old hospital was demolished in 2008. TIF Bond proceeds financed the demolition costs.
 - The tax increment derived from this site is used to make the debt service payments on the \$307,500 Tax Increment Revenue Notes, 2008B (paygo).

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

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

Tax Increment 1-7 (Block 37 Redevelopment)

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

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

CAPITAL PROJECT FUNDS

The financial activity of the Capital Project Funds for 2012 was as follows:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2012	Comments
General Capital Improvement Projects	\$306,000	\$304,000	\$6,000	\$8,000	\$430,000	2012 expenditures include \$200,000 for PUC lift station funded by IRRRB grant.
Municipal State Aid	140,000	25,000	-	115,000	189,000	
Park Acquisition and Development	-	5,000	-	(5,000)	8,000	
Capital Equipment Replacement	159,000	458,000	65,000	(234,000)	157,000	2012 expenditures include Mack dump truck (\$224K), Epoke Sander (\$94K), Dodge Durango (\$30K), Dodge Charger (\$26K), phone system and backup software (\$60K).
Street Light and Utility Services	-	-	-	-	10,000	Accounts for new street light construction
Airport Capital Fund	249,000	284,000	-	(35,000)	120,000	Culvert replacement costs were \$223,000.
IRA Civic Center Capital Reserve	-	-	-	-	4,000	
7th Avenue Bridge Rehabilitation	-	-	-	-	578,000	
Permanent Improvement Revolving	7,000	7,000	-	-	661,000	
2000 Infrastructure - Other	-	-	-	-	6,000	
2010 Infrastructure - Bonded	-	4,000	170,000	166,000	-	This fund was closed and \$170,000 was transferred to PIR Fund
2011 Infrastructure - Bonded	1,775,000	265,000	-	1,510,000	950,000	Accounts for infrastructure projects (NE 1st Av, Forest Hills, 19th Av RR Crossing).
2012 Infrastructure - Bonded	7,206,000	4,689,000	112,000	2,629,000	743,000	Accounts for infrastructure projects (SE 4th St, Horseshoe/Isleview).
2013 Infrastructure - Bonded	1,282,000	1,834,000	(12,000)	(564,000)	(564,000)	Accounts for infrastructure project (7th Av NW, City-wide Overlays, 4th Av NE, Remer Adtn, Horseshoe). Deficit will be funded by 2013 bonding.
Totals	\$11,124,000	\$7,875,000	\$341,000	\$3,590,000	\$3,292,000	

ENTERPRISE FUNDS

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

Pokegama Golf Course Fund

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating revenue	\$516,832	\$548,820	\$553,201	\$561,653
Operating expenses	<u>481,945</u>	<u>451,315</u>	<u>546,903</u>	<u>559,013</u>
Operating income (loss)	34,887	97,505	6,298	2,640
Other income (expense) - net	833,291	155,245	7,230	4,948
Transfers in	175,000	317,300	-	-
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>
Change in net assets	<u><u>\$1,039,678</u></u>	<u><u>\$566,550</u></u>	<u><u>\$10,028</u></u>	<u><u>\$4,088</u></u>

For 2009, the “other income (expense)” includes capital contributions in the amount of \$836,208. Included in this line item for 2010 is a gain on sale of capital assets (primarily land) in the amount of \$57,827 and capital contributions in the amount of \$97,352.

Storm Water Utility Fund

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating revenue	\$484,528	\$505,336	\$498,587	\$498,189
Operating expenses	<u>363,381</u>	<u>413,097</u>	<u>377,107</u>	<u>341,286</u>
Operating income	121,147	92,239	121,480	156,903
Other income (expense) - net	3,718	2,205	4,248	4,095
Transfers out	<u>(152,219)</u>	<u>(56,333)</u>	<u>-</u>	<u>(100,000)</u>
Change in net assets	<u>(\$27,354)</u>	<u>\$38,111</u>	<u>\$125,728</u>	<u>\$60,998</u>

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

ECONOMIC DEVELOPMENT AUTHORITY

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

Fund balances of EDA funds are as follows:

Fund	Revenue	Expenditures	Change in Fund Balance	Fund Balance 12/31/2012
General	\$1,000	\$13,000	(\$12,000)	\$70,000
Capital Project	379,000	285,000	94,000	594,000
Total	\$380,000	\$298,000	\$82,000	\$664,000

The Capital Project Fund 2012 expenditures include \$190,000 relating to a contamination project. The project is funded by a DEED and IRRRB grant.

ACCOUNTING STANDARDS

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

Upcoming GASB Statements	City Implementation Required By
Statement No. 61 <i>The Financial Reporting Entity Omnibus – An Amendment of GASB No. 14 and No. 34</i>	2013
Statement No. 65 <i>Items previously reported as assets and liabilities.</i>	2013
Statement No. 66 <i>Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.</i>	2013
Statement No. 67 <i>Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.</i>	2014
Statement No. 68 <i>Financial Reporting for Pensions – an amendment of GASB Statement No. 27.</i>	2015
Statement No. 69 <i>Government Combinations and Disposal of Government Operations.</i>	2014

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We have substantially completed the audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota for the year ended December 31, 2012. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter and during the planning stage of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Grand Rapids, Minnesota are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are

particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimation of the factors relating to the net OPEB obligation, the value of land held for resale, the allocation of project costs between the City and the Public Utilities Commission, and allowance for uncollectible receivables (special assessments and golf course pledges). We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were identified as a result of our procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the

supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Closing

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

REPORT ON COMPLIANCE WITH MINNESOTA LEGAL COMPLIANCE
AUDIT GUIDE FOR POLITICAL SUBDIVISIONS

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

We have audited the financial statements of the City of Grand Rapids, Minnesota, as of and for the year ended December 31, 2012, and have issued our report thereon dated _____, 2013. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission, is based solely on the report of the other auditors. Accordingly, the Public Utilities Commission is not covered by this report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Grand Rapids, Minnesota complied with the material terms and conditions of applicable legal provisions.

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

HLB TAUTGES REDPATH, LTD.

_____, 2013

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the Economic Development Authority (a discretely presented component unit), each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Minnesota as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Grand Rapids, Minnesota's basic financial statements, and have issued our report thereon dated _____, 2013. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission, is based solely on the report of the other auditors. Accordingly, the Public Utilities Commission is not covered by this report.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Grand Rapids, Minnesota's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rapids, Minnesota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HLB TAUTGES REDPATH, LTD.

_____, 2013



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

CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 13-0221 **Version:** 1 **Name:** Complete Streets Presentation
Type: Agenda Item **Status:** CC Worksession
File created: 4/18/2013 **In control:** City Council Work Session
On agenda: 4/22/2013 **Final action:**
Title: A Complete Streets presentation by MNDOT.

Sponsors:

Indexes:

Code sections:

Attachments: [4-22-13 MNDOTGrand Rapids ScottB CS Plan.pdf](#)

Date	Ver.	Action By	Action	Result
4/22/2013	1	City Council Work Session	Postponed	

A Complete Streets presentation by MNDOT.

Background Information:

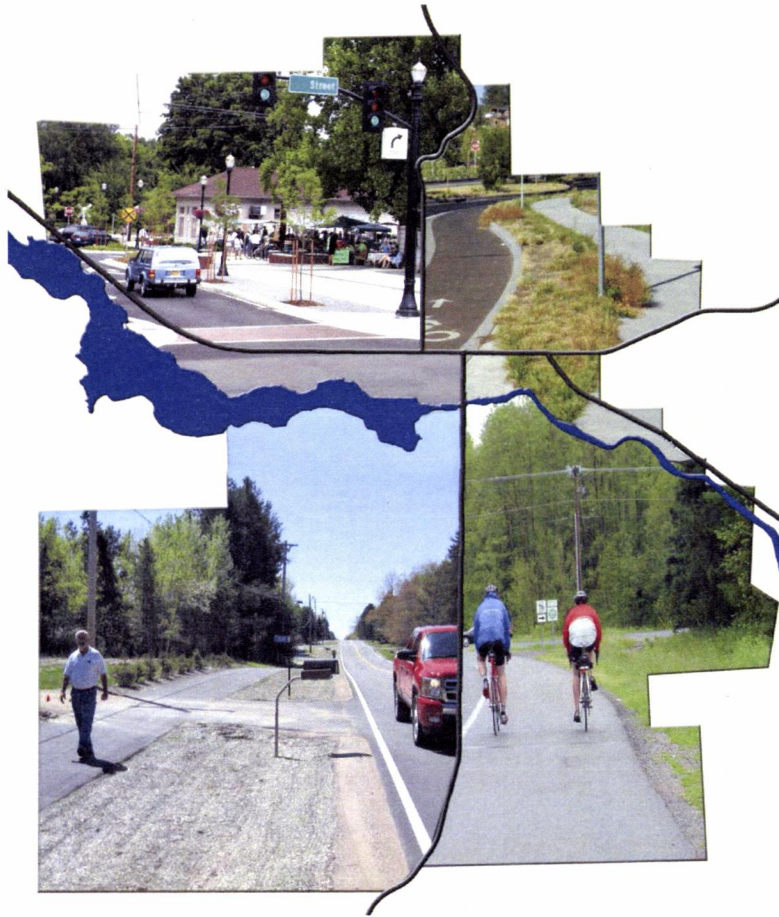
MNDOT has been working with city staff to develop a complete streets plan for the City. They have completed the plan and want to present it to the City Council. Their presentation is attached. Final reports will be delivered at the Council Work Session.

Staff Recommendation:

City staff is recommending the presentation.

Requested City Council Action

Consider allowing MNDOT to present the Complete Streets Plan.



Complete Streets Planning for Grand Rapids

A Collaborative and Multi- Jurisdictional Approach

Scott Bradley, Don Oberholte, Matt Shands (MnDOT)
and Charleen Zimmer (Zan Associates)

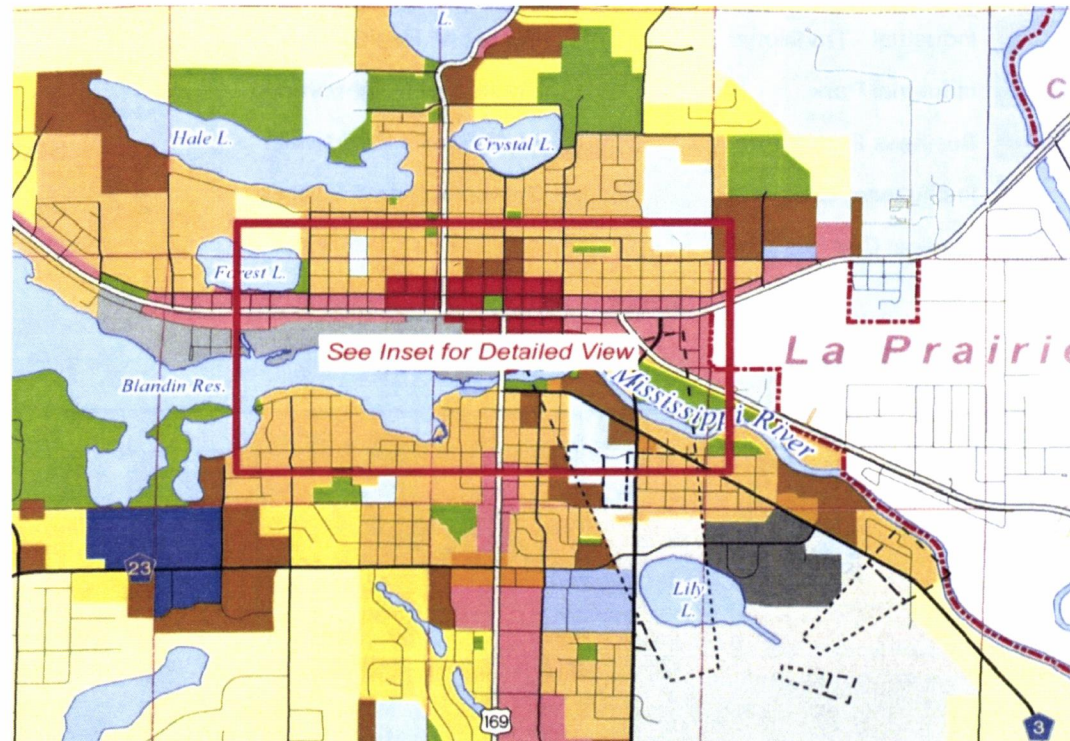
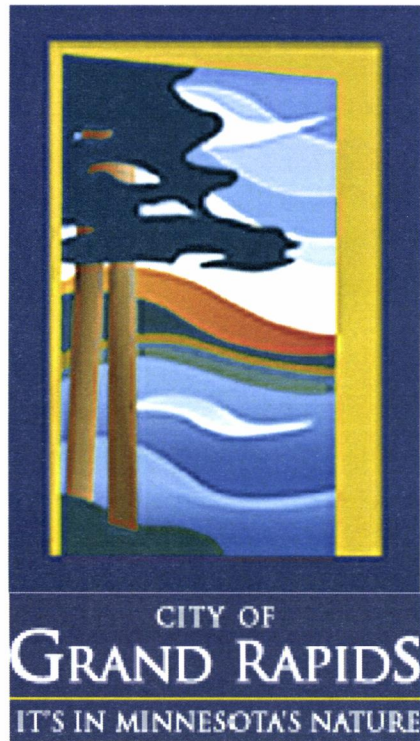
Grand Rapids City Council Meeting
April 22, 2013

Your Destination...Our Priority



Why Did We Do What We Did?

National Strategic Highway Research Program 2 Grant Recipient



“Transportation for Communities – Advancing Projects through Partnerships”
Evaluating a SHRP 2 Collaborative Decision Making Tool & Framework for
Multi-Jurisdictional Complete Streets Network Planning in Grand Rapids

Funding to Apply, Refine and “Model” Processes for Everyone’s Benefit



Project Partners and Stakeholders

Partners Group

- City of Grand Rapids
- Itasca County
- Arrowhead Transit
- Arrowhead RDC
- MnDOT
- MnDNR
- FHWA

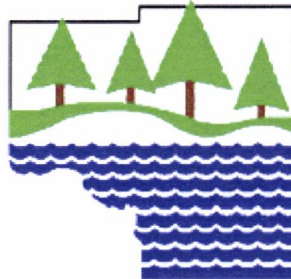


GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE



U.S. Department
of Transportation

Federal Highway
Administration



Stakeholder Advisory Committee

- Get Fit Itasca
- Itasca Community College
- Independent School District 318
- Chamber of Commerce
- Blandin Paper Company
- Blandin Foundation
- Visit Grand Rapids
- Central Business District Assoc.
- County Agriculture Board
- County Trails Task Force
- County Health & Human Services
- Meds One Ambulance Service
- Bicycling Advocates
- Figgins Trucking
- Elder Circle



What's in the Complete Streets Plan?

- Integration with City's Vision & Comprehensive Plan
- The Case for Complete Streets in Grand Rapids
- Examination of the Existing Transportation System
 - Roads & Bridges
 - Pedestrian & Bicycle Facilities
 - Transit
 - Freight Rail Infrastructure & Operations
 - Problem Statement
- Facilities Plan
 - Long-Term System Plans
 - Core Bicycle & Pedestrian Facilities
 - Gaps & Connections
 - Spot Improvements
- Proposed Policies & Recommended Actions
 - Based on City Comprehensive Plan (Goals, Objectives, Implementation Priorities)
 - Engineering, Education, Enforcement, Encouragement & Evaluation Policies and Recommended Actions as a Framework
 - Implementation Strategies
- Appendices
 - Web Resources
 - Reference Documents
 - Data Template with Sources & Contacts



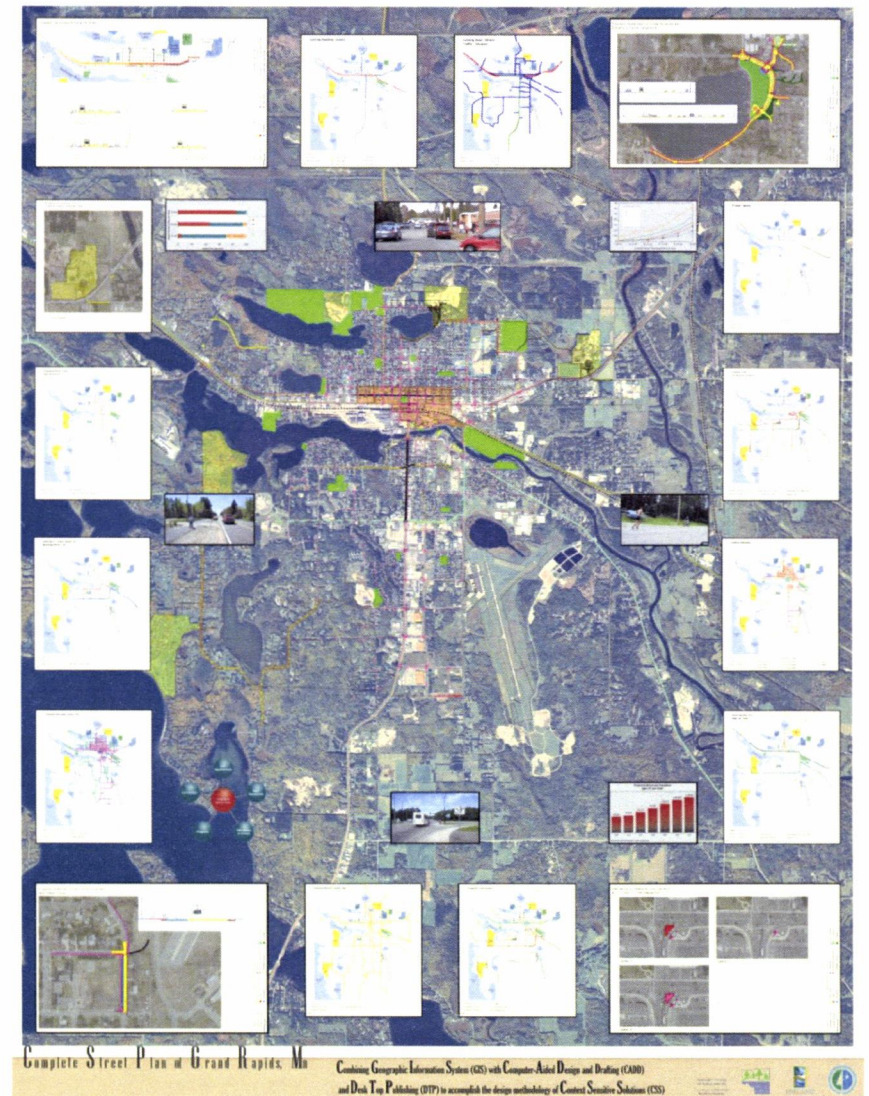
Complete Streets Plan: Objectives

- ▶ Consider and balance needs of all users (pedestrian, ADA, bike, transit, auto, freight ...)
- ▶ Decrease crashes involving bicyclists and pedestrians
- ▶ Improve the health of community residents
- ▶ Increase opportunities to bike and walk
- ▶ Ensure connectivity for non-auto modes
- ▶ Provide connections to trails and other active recreation opportunities
- ▶ Provide multi-modal access to major destinations
- ▶ Ensure economic vitality through a quality multi-modal transportation system



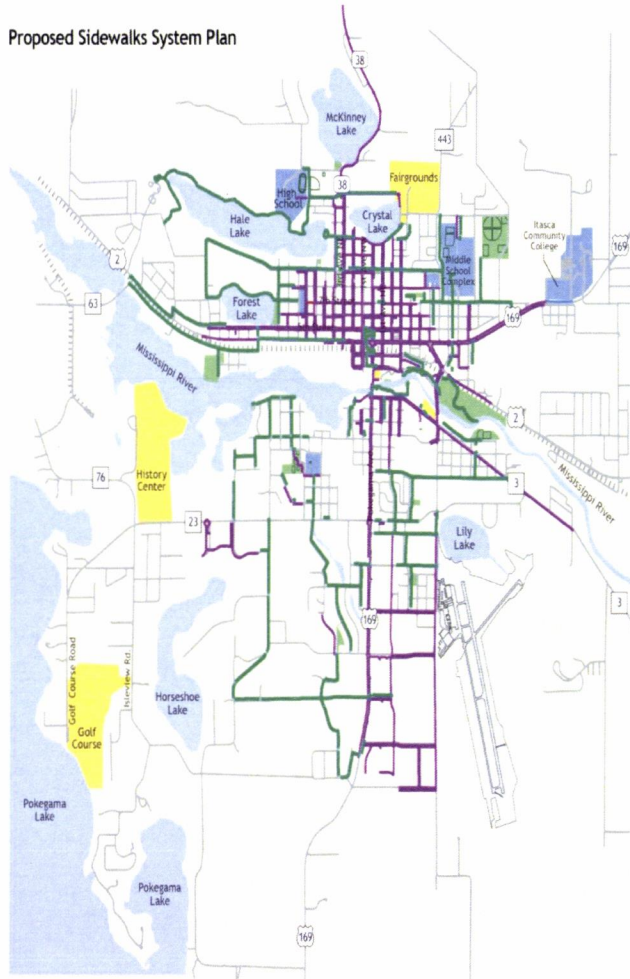
Addressing the Problem Statement

- Expanding and connecting sidewalks
- Providing improved connections to existing multi-use trails
- Ensuring pedestrian and bicycle access and connectivity to major destinations
- Addressing pedestrian and bicycle concerns along Hwy 169, 2 & 38 and CSAH 63 & 3 through the city
- Providing safer and more convenient crossings for pedestrians and bicyclists across major streets and highways
- Evaluating intersections where there have been multiple pedestrian and/or bicycle crashes (along 4th and 5th Street and Pokegama Avenue particularly)
- Providing improved connectivity for pedestrians and bicyclists in light of cul de sac development patterns in some neighborhoods and the challenges of existing topography, water features ...



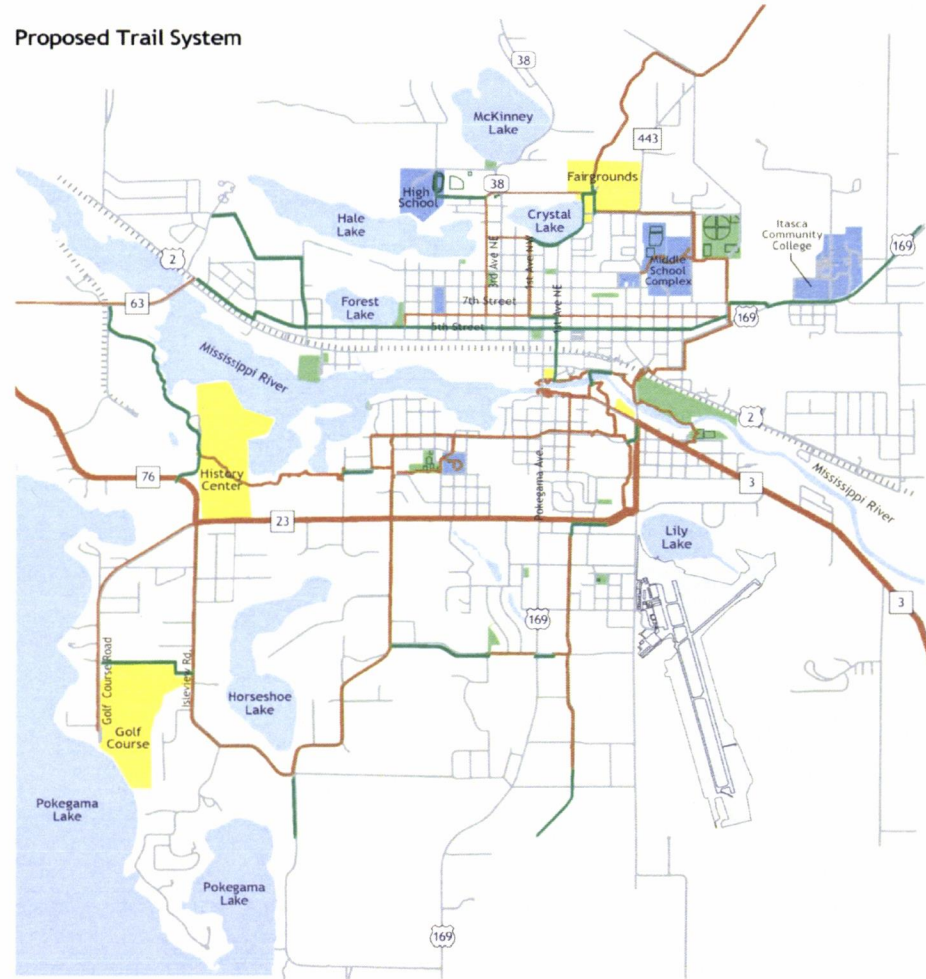
Addressing the Problem Statement

Proposed Sidewalks System Plan



- Lakes
- Streams & Rivers
- Streets & Roads
- Proposed Sidewalks
- Existing Sidewalks

Proposed Trail System

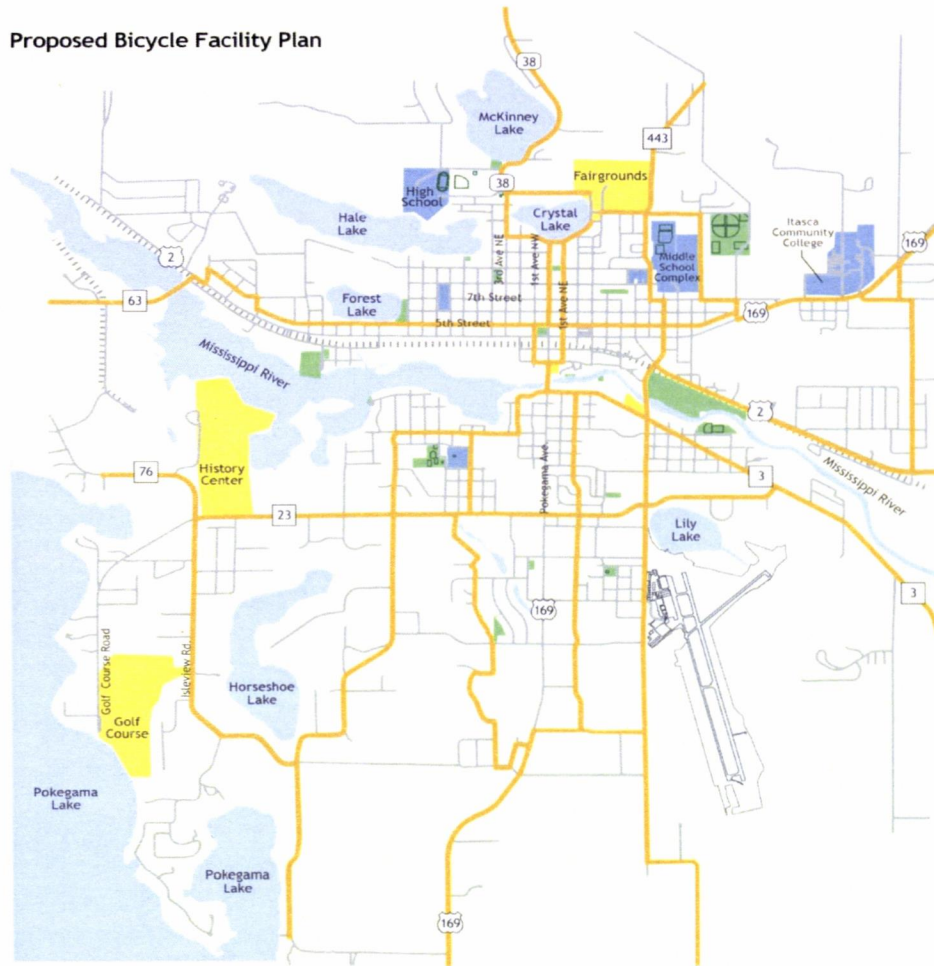


- Lakes
- Streams & Rivers
- Streets & Roads
- Proposed Trails
- Existing Trails



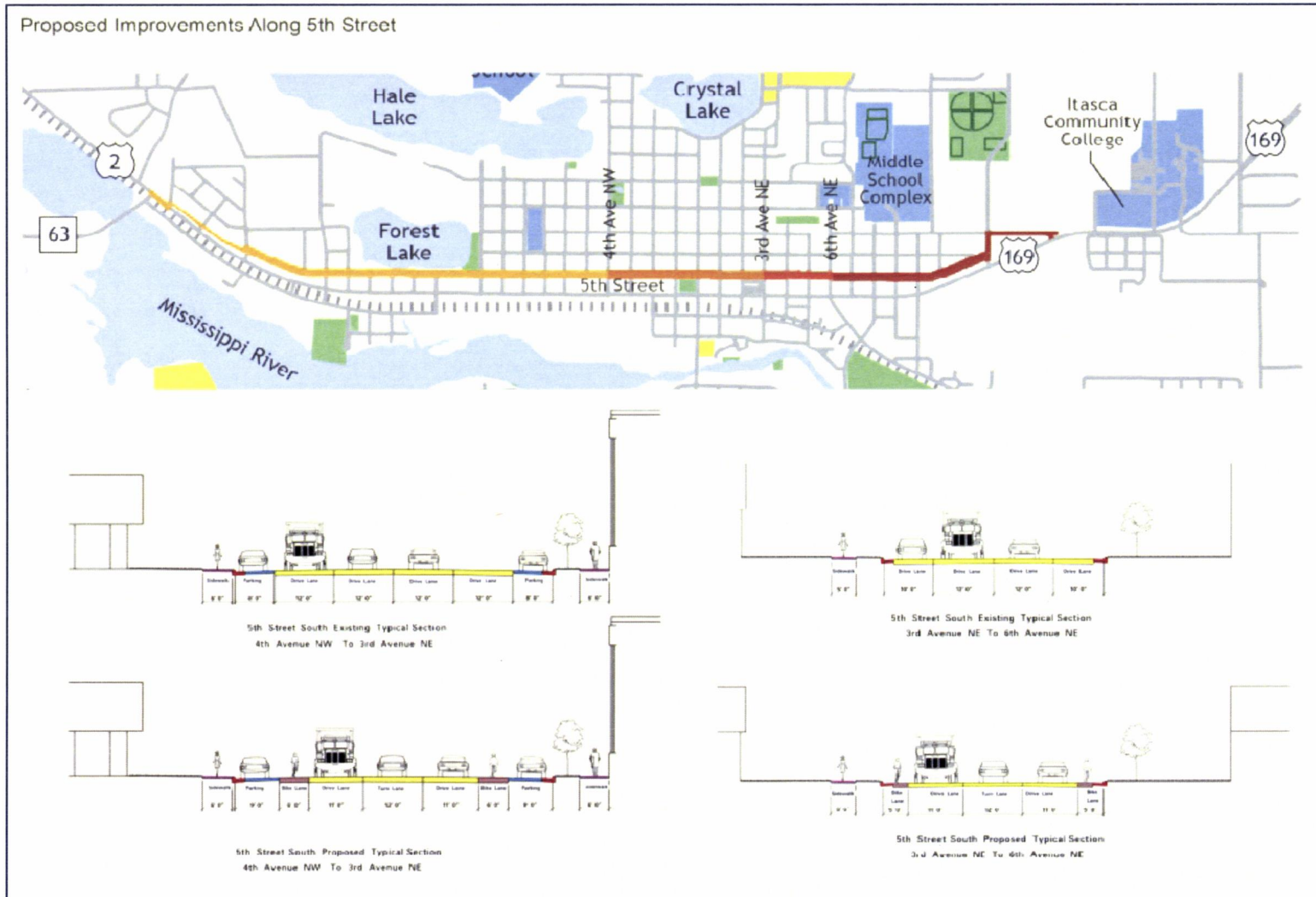
Addressing the Problem Statement

Proposed Bicycle Facility Plan



Proposed 5th Street Improvements

East-West US Hwy 2 & 169 Downtown Parallel Route Road Diet & Re-striping



Proposed North-South Bike Boulevard

SE 2nd Ave & Bike/Ped River Bridge Connecting to East-West 5th Street Spine



Proposed North-South Bike Boulevard

SE 2nd Ave & Bike/Ped River Bridge Connecting to East-West 5th Street Spine



Safe Routes to School

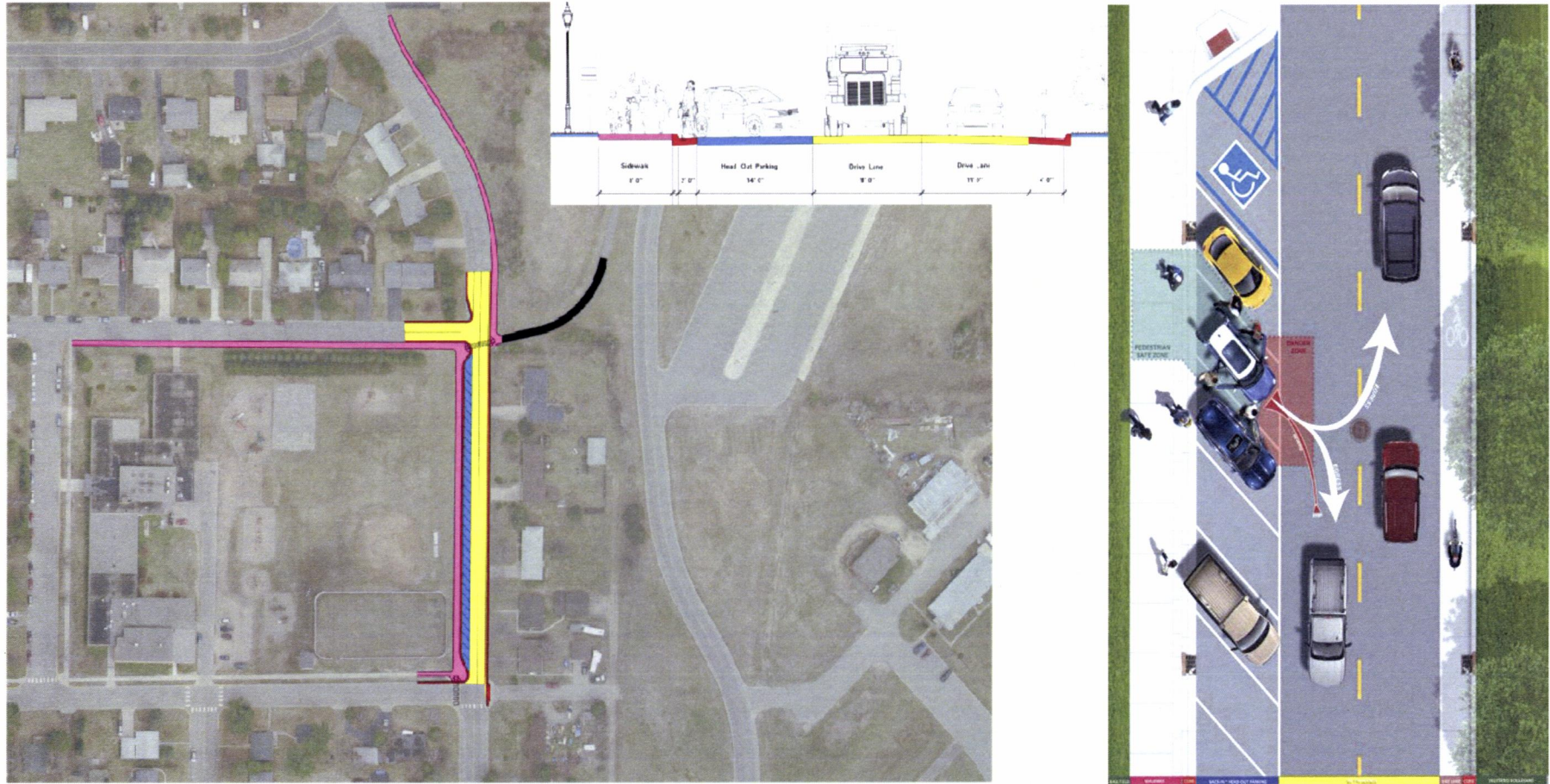
Concerns to Address at the Middle School / Murphy Elementary School Area



Safe Routes to School

Proposed Improvements at Middle School / Murphy Elementary School Area

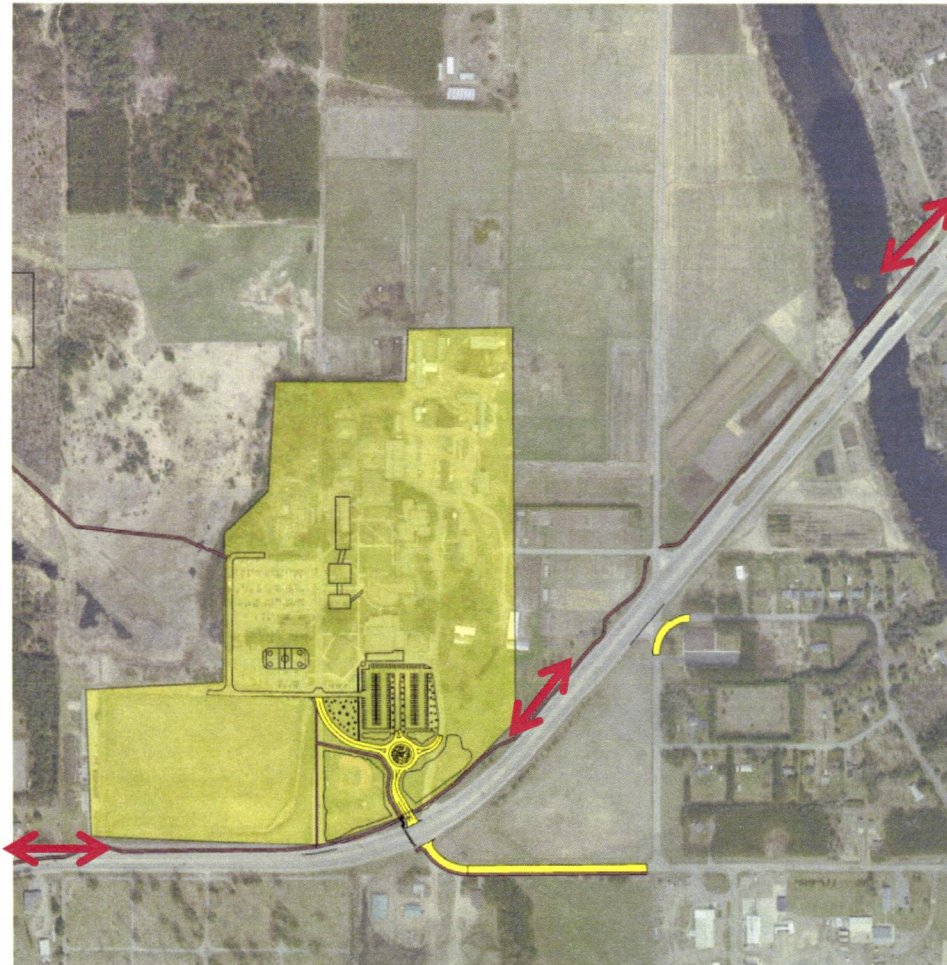
Proposed Pedestrian and Bicycle Improvements
Near Middle School



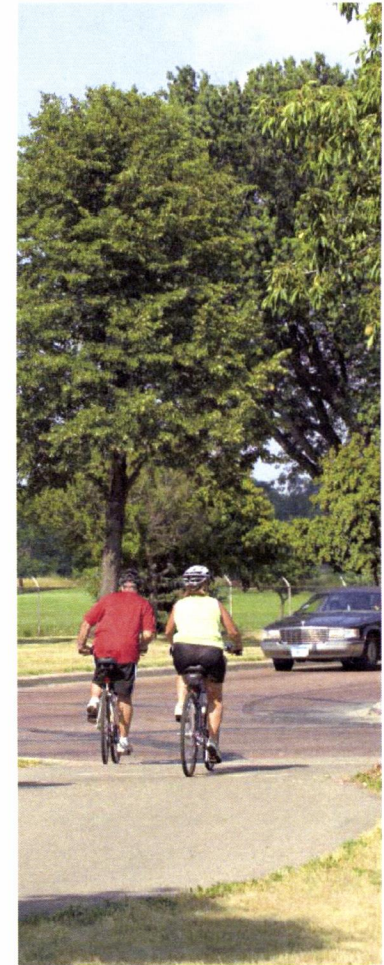
Itasca Community College Entrance

East-West 5th Street Spine Trail Connection and Proposed Access Consolidation

Proposed Improvements to the
Entrance to Itasca Community College



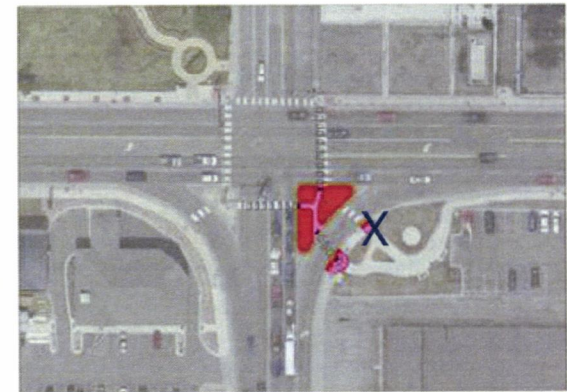
All the Way to Coleraine



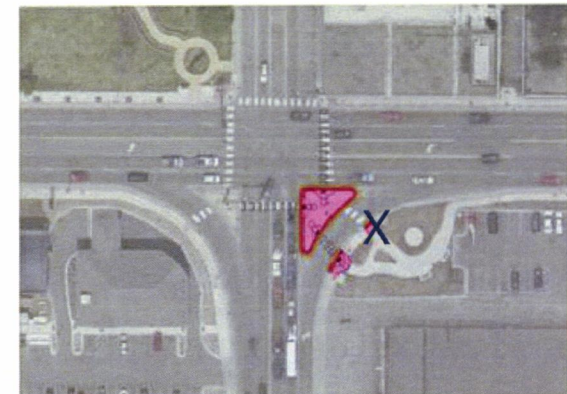
Proposed Pedestrian Improvements at Intersection of US Hwy 2 and 169



Alternatives for Pedestrian Improvements at U.S. 2 and U.S. 169 Intersection



Option A



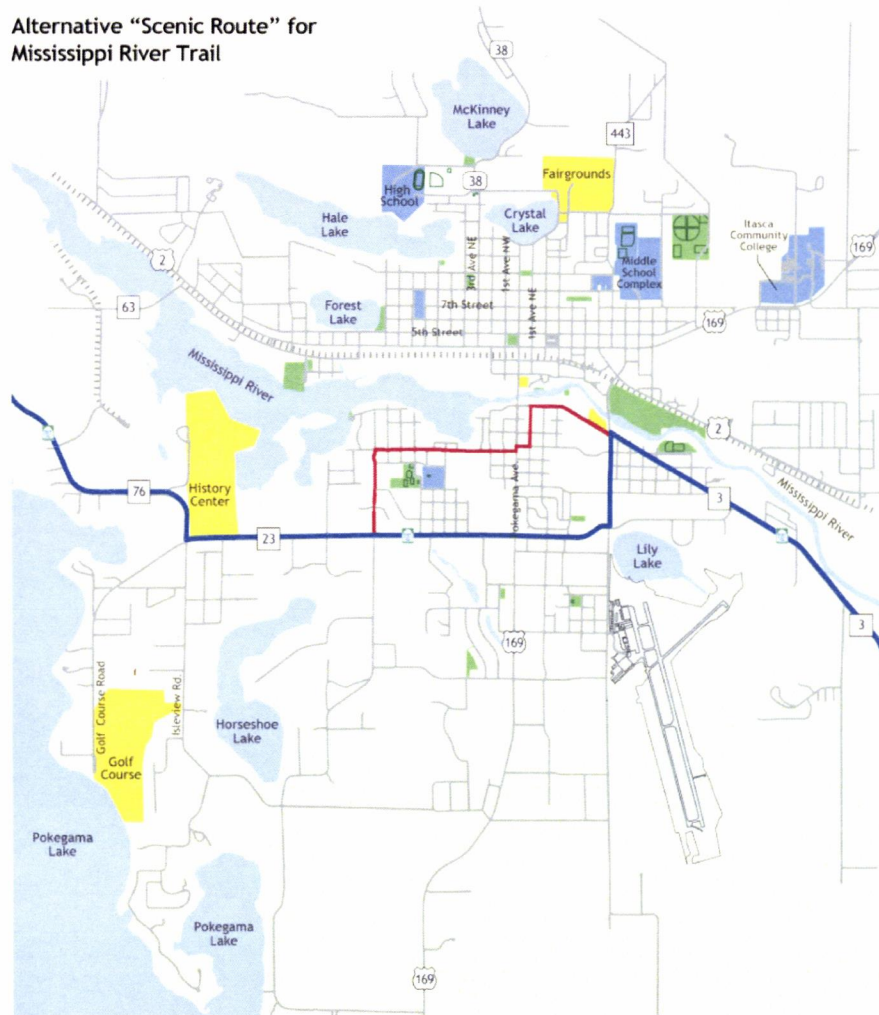
Option B



Mississippi River Trail (MRT)

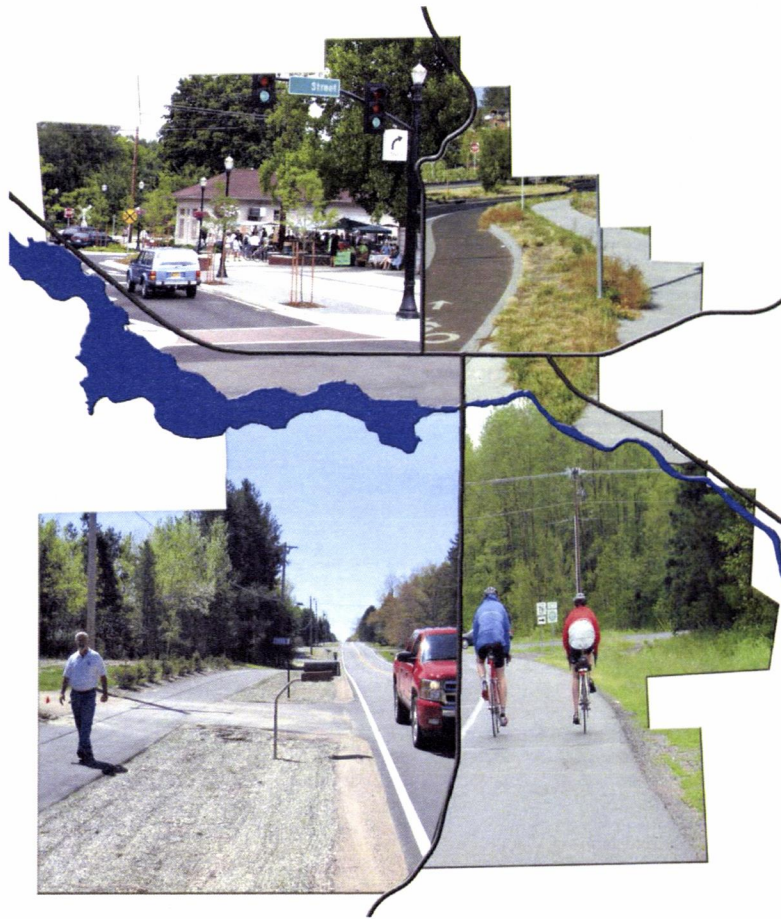
Proposed Alternate Scenic & River/Community Focused MRT Route

Alternative "Scenic Route" for Mississippi River Trail





Questions?



... Residents and visitors can move around the city with equal ease by car, bicycle, walking or other mode of transportation ... (Excerpt from Vision)

Your Destination... Our Priority

