



CITY OF GRAND RAPIDS

CITY COUNCIL
CHAMBERS
420 NORTH POKEGAMA
AVE.

Meeting Agenda Full Detail City Council Work Session

Monday, April 23, 2012

Conference Room 2A

Immediately following Closed meeting.

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 23, 2012 immediately following the Closed meeting in Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

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

Discussion Items

1. 12-0227 Financial Statement Presentation by David Mol, HLB Tautges Redpath, Ltd.
Attachments: [Final Issued Draft B4 PUC - 04-17-12](#)
[Final Issued IC and LC Draft B4 PUC - 04-17-12](#)
[Final Issued Mgmt Report - 04-17-12](#)
2. 12-0250 Review Request for Proposals for Solid Waste Service.
3. 12-0251 Discuss Civic Center Roof.
4. 12-0252 Discuss contract proposal with Honeywell.
5. 11-1768 Review 5:00 p.m. Regular Meeting and other business as noted.

ADJOURN

Attest:

Shawn Gillen, City Administrator



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0227 **Version:** 1 **Name:** FINANCIAL PRESENTATION
Type: Agenda Item **Status:** CC Worksession
File created: 4/13/2012 **In control:** City Council Work Session
On agenda: 4/23/2012 **Final action:**
Title: Financial Statement Presentation by David Mol, HLB Tautges Redpath, Ltd.
Sponsors:
Indexes:
Code sections:
Attachments: [Final Issued Draft B4 PUC - 04-17-12](#)
[Final Issued IC and LC Draft B4 PUC - 04-17-12](#)
[Final Issued Mgmt Report - 04-17-12](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

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

Background Information:

Attached please find the following reports that will be discussed at the Council work session on Monday, April 23, 2012:

- 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 23, 2012 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 2011 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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF GRAND RAPIDS, MINNESOTA

For The Year Ended
December 31, 2011

Prepared by:

Finance Department

Shirley Miller
Finance Director

- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
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		17
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	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 Assets - Proprietary Funds	Statement 6	43
Statement of Revenue, Expenses and Changes in Fund Net Assets - 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	90
Schedule of Funding Progress - Retiree Health Plan		94

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	98
Combining Statement of Revenue, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 12	99
Subcombining Balance Sheet - Nonmajor Special Revenue Funds	Statement 13	102
Subcombining Statement of Revenue, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds	Statement 14	104
Subcombining Balance Sheet - Nonmajor Debt Service Funds	Statement 15	108
Subcombining Statement of Revenue, Expenditures and Changes in Fund Balance - Nonmajor Debt Service Funds	Statement 16	112
Subcombining Balance Sheet - Nonmajor Capital Project Funds	Statement 17	118
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

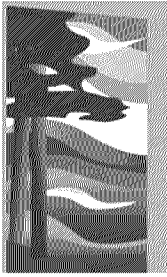
CITY OF GRAND RAPIDS, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
III. STATISTICAL SECTION (UNAUDITED)		
Financial Trends:		
Net Assets by Component	Table 1	146
Changes in Net Assets	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:		
Legal Debt Margin Information	Table 12	164
Pledged Revenue Coverage	Table 13	166
Operating Information:		
Demographic and Economic Statistics	Table 14	167
Principal Employers	Table 15	168
Full-time Equivalent City Government Employees by Function/Program	Table 16	169
Operating Indicators by Function/Program	Table 17	170
Capital Asset Statistics by Function/Program	Table 18	171
IV. OTHER INFORMATION (UNAUDITED)		
Combined Schedule of Indebtedness	Exhibit 1	174
Debt Service Payments to Maturity:		
General Obligation Bonds	Exhibit 2	177
General Obligation Improvement Bonds	Exhibit 3	178
Taxable Valuations	Exhibit 4	181
Schedule of Deferred Tax Levies:		
General Obligation Improvement Bonds	Exhibit 5	182

- This page intentionally left blank -

I. INTRODUCTORY SECTION

- This page intentionally left blank -



April XX, 2012

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, 2011, 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, 2011, 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, 2011, 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. 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 Economic Development Authority (EDA) and the Public Utilities Commission (PUC). Both governing boards are appointed by the City Council. The Council has the ability to approve or modify the EDA's budget and overrule other decisions of the EDA. The EDA does not issue separate financial statements. The PUC 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 PUC. Separate financial statements are issued by the PUC.

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

The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments, however, require the special approval of the governing Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 90 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 through 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.

The City and the Grand Rapids Economic Development Authority (GREDA) have partnered with Round Development LLC in the platting, development of infrastructure, marketing and ownership of a 40 acre industrial park located west of and adjacent to a developing retail corridor along Trunk Highway 169, called the Airport South Industrial Park (ASIP). The GREDA purchased approximately one half of the parcels in this development, and Round Development retained the other parcels. The GREDA and Round Development are jointly marketing the sale of these properties to light industrial and technology based companies.

In 2010, the City established a TIF Housing District for a 58 unit housing project. The project will involve the construction of two 29 unit apartments. Fourteen of the apartment units will be priced at affordable rates of 50% of the area median income, and the remaining units will be priced at market rates. The first of the two apartment buildings is scheduled to be ready for occupancy in June of 2012. The developer reports a greater than expected demand with 80% of the units in the first building committed. The second building is scheduled to be under construction by April 2012.

In 2011, the City permitted the construction of 7 new single family homes valued at \$672 thousand. The 2011 total building construction valuation statistic was slightly below our eight year valuation average, which is approximately \$19.4 million, closing out the year at \$15.7 million. This figure compares to a yearend total of \$17.8 million in 2010 and \$18.3 million in 2009.

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 and is planned to be shipping product in the second quarter of 2012. Magnetation's rapid growth, will include another, third, facility in Chisholm 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 this November. 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 tax rate.

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 the tax rate continue to decrease each year or at a minimum, not increase.

Realizing the volatility of Local Government Aid (LGA) and the loss of the Market Value Homestead Credit, the City Council is working to reduce/eliminate LGA as operating revenue and use any LGA received for capital purchases. The City is focusing on reducing the growth of expenditures by making permanent adjustments to the base. The City and the Grand Rapids Public Utilities Commission (GRPUC) are working to merge services

to reduce costs for both the City and the GRPUC. The City of Grand Rapids recently entered into an agreement with the City of Bovey, (neighboring City), to perform accounting services for them in an effort to help reduce their costs and generate income 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.

The City purchased several large pieces of equipment for the Public Works Department and financed the purchase with an internal loan from the General Fund to the Capital Equipment Replacement Fund instead of issuing Equipment Certificates. The loan repayment is part of the levy and will be repaid over five years, with the interest being paid to the City.

Major initiatives

In June 2011, the City began construction of the Riverfront Energy Center. One of the goals for this project included the utilization of hot waste water from the UPM Kymmene paper mill to provide heat for the Grand Rapids Area Library and possibly other nearby buildings in the future. The goal of this project is a 70% reduction in the use of the gas-fired boilers in the Library, leading to reduced energy costs and the reduction of CO² produced. Operation of the system began in late December and is working better than anticipated.

The second goal for the Riverfront Energy Center is to provide a resource for the community for learning more about alternative energy projects and a central place to go for additional information about energy conservation measures. Solar panels will be installed this summer and funding is being pursued for a demonstration vertical access wind turbine.

In 2008, the City implemented a high deductible HSA health care plan combined with a wellness program that has resulted in reduced health care costs. The 2011 health insurance increase was 3%. The 2012 health insurance costs decreased by 2.80%.

Two of the purchases made with the internal loan were a 2012 Mack Truck equipped with an Epoke/De-icing unit and a 12 yard tandem dump box and a 2011 John Deere Loader. The Mack truck utilizes modern technology to improve service and reduce both material and labor costs. It has the capability of accurate calibration and applies de-icing product on four lanes at once while distributing precise material placement on each individual lane. It also functions as a tandem for snow plowing. The new John Deere Loader is better suited for the snow plow and the snow blower attachments creating a more efficient snow plow/removal operation.

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, 2010. This was the nineteenth 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,

Shawn J. Gillen
City Administrator

Shirley A. Miller
Finance Director

- This page intentionally left blank -

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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

- This page intentionally left blank -

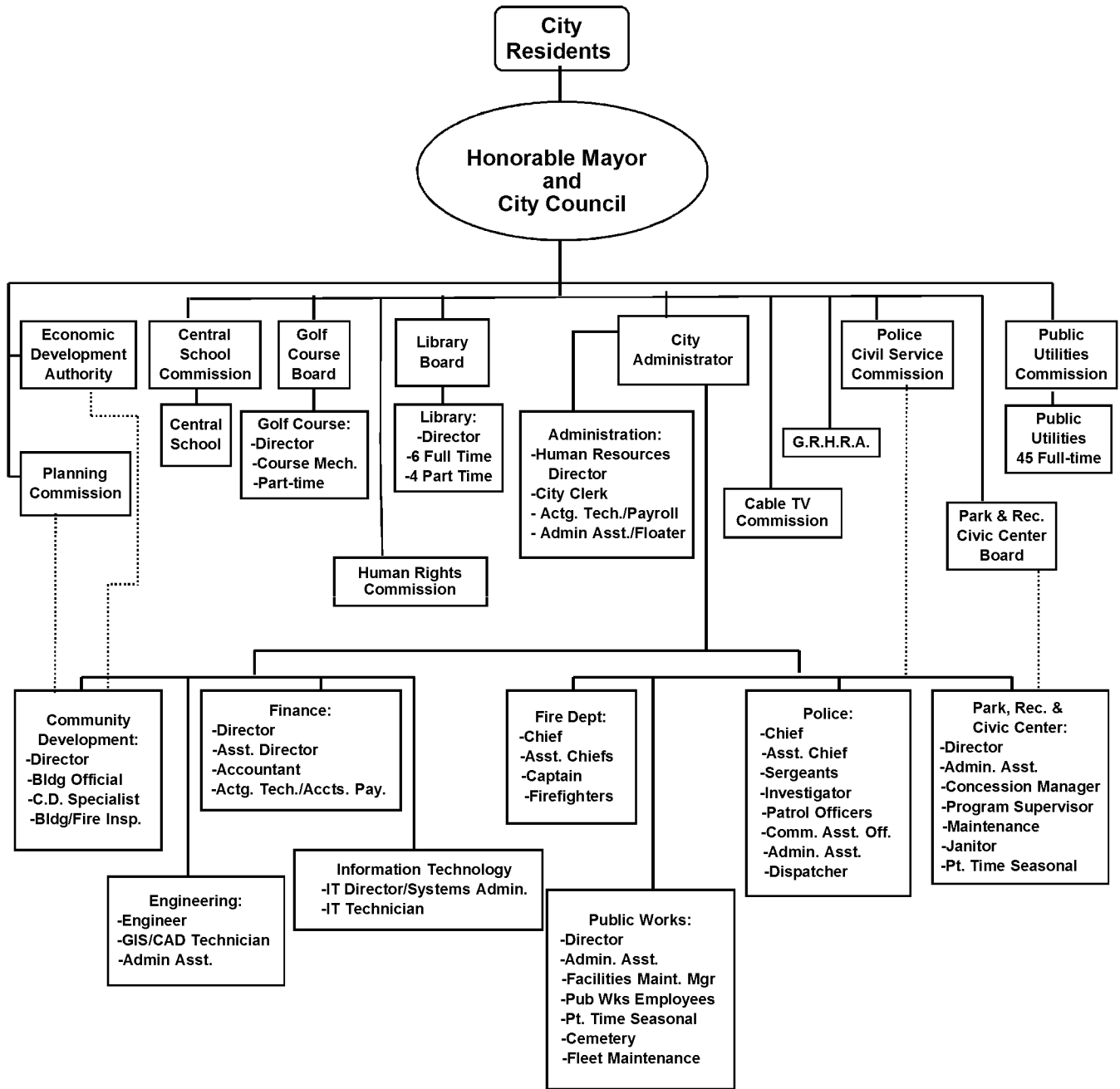
CITY OF GRAND RAPIDS, MINNESOTA

PRINCIPAL CITY OFFICIALS

December 31, 2011

	<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	Appointed
Finance Director - Treasurer: Shirley Miller	Appointed

City of Grand Rapids Organization Chart



II. FINANCIAL SECTION

- This page intentionally left blank -

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, as of and for the year ended December 31, 2011 which collectively comprise the City of Grand Rapids, Minnesota's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Rapids, Minnesota's management. 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). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission, is based on the report of the other auditors. The prior year partial comparative information has been derived from the City of Grand Rapids, Minnesota's 2010 financial statements and, in our report dated June 20, 2011, we expressed unqualified opinions 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.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 13 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. Adoption of the provisions of this statement results in changes to classifications of the components of fund balance.

In accordance with *Government Auditing Standards*, we have also issued a report dated _____, 2012 on our consideration of the City of Grand Rapids, Minnesota's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Rapids, Minnesota's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

HLB TAUTGES REDPATH, LTD.

_____, 2012

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 6 of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$52,926,516 (net assets). Of this amount, \$6,050,177 (unrestricted net assets) 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 assets increased by \$9,106,999. The governmental activities of the City increased by \$8,971,243 due to the \$6,212,220 special item relating to the Grand Rapids / Itasca County Airport and an increase in capital grants and contributions of \$2,886,503 from the prior year. The Business-Type Activities increased by approximately \$135,756 due primarily to an operating gain in the Storm Water Utility Fund of \$121,480.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,963,151. Of this amount, \$6,744,338 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 \$5,021,201. Of that amount, \$1,071,817 was in a nonspendable form, \$15,567 was restricted, \$76,401 was committed and \$3,857,416 was unassigned.

The City's total debt decreased from \$25,022,624 to \$23,671,015 (excluding compensated absences). The City issued the following bonds in 2011:

- \$1,555,000 General Obligation Improvement and Refunding Bonds, Series 2011B that included the following:
 - \$1,030,000 General Obligation Improvement Bonds for current City projects
 - \$ 525,000 General Obligation Improvement Bonds, Series 2003A refunding.

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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 includes 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 change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For 2011, the City maintained six 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
- Improvement Bonds of 2005A – Debt service fund
- Improvement Bonds of 2006C – Debt service fund
- General Obligation Capital Improvement Refunding Bonds of 2006B – Debt service fund
- 2011 Infrastructure Bonds – Capital project 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 42 of this report.

Management's Discussion and Analysis

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 pages 43 through 45 of this report.

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

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

- Grand Rapids/Itasca County Airport (closed January 1, 2011)
- 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 88 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, agency funds, and EDA component unit are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 98 through 141 of this report.

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$52,926,516 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$34,496,952 or 65% 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.

CITY OF GRAND RAPIDS' NET ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$21,862,960	\$25,573,551	\$289,001	\$172,664	\$22,151,961	\$25,746,215
Capital assets	54,328,742	43,306,081	2,793,653	2,827,242	57,122,395	46,133,323
Total assets	<u>\$76,191,702</u>	<u>\$68,879,632</u>	<u>\$3,082,654</u>	<u>\$2,999,906</u>	<u>\$79,274,356</u>	<u>\$71,879,538</u>
Long-term liabilities outstanding	\$24,507,002	\$25,939,058	\$8,269	\$8,809	\$24,515,271	\$25,947,867
Other liabilities	1,788,246	2,015,363	44,323	44,611	1,832,569	2,059,974
Total liabilities	<u>\$26,295,248</u>	<u>\$27,954,421</u>	<u>\$52,592</u>	<u>\$53,420</u>	<u>\$26,347,840</u>	<u>\$28,007,841</u>
Net assets:						
Invested in capital assets, net of related debt	\$31,703,299	\$19,133,457	\$2,793,653	\$2,827,242	\$34,496,952	\$21,960,699
Restricted	12,379,387	13,417,300	-	-	12,379,387	13,417,300
Unrestricted	5,813,768	8,374,454	236,409	119,244	6,050,177	8,493,698
Total net assets	<u>\$49,896,454</u>	<u>\$40,925,211</u>	<u>\$3,030,062</u>	<u>\$2,946,486</u>	<u>\$52,926,516</u>	<u>\$43,871,697</u>

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,050,177) 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the City's net assets by \$8,971,243 in 2011. Key elements of this increase are as follows:

- Charges for services increased by \$190,770. The City incorporated the Grand Rapids/Itasca County Airport Advisory Board's financial information into the City financial statements-see Notes 14 and 23. This resulted in an increase in Public Works charges for services of \$132,000. Public Safety had an increase of \$59,000 due to an increase in pound fees of \$25,000 from a contract with Itasca County for housing their animals and a \$29,000 increase in the Police administrative fines and forfeitures.
- Operating grants and contributions increased by \$212,824. As mentioned above, the incorporation of the Airport resulted in \$146,300 of operating grants and contributions. The City also received a \$200,000 grant from the State of Minnesota for the Grand Rapids Housing and Redevelopment Authority.
- Capital grants and contributions increased by \$2,886,503 due to infrastructure projects that had several sources of funding. City Project 2010-3 19th Avenue Railroad Crossing Project received federal funds of \$589,225, State bonding funds of \$760,000, \$50,000 from Burlington Northern Railroad, and \$391,470 from Grand Rapids Public Utilities. Other infrastructure projects received \$891,538 from Municipal State Aid Bonds, \$151,220 for Grand Rapids Public Utilities and another \$50,000 from Burlington Northern Railroad.
- Taxes increased by \$387,889. The City's levy increased by approximately \$402,000. Of that amount, \$175,000 was for the newly annexed cemetery.
- Public works expenses increased by \$548,599 due to several items. The Airport expenses of \$219,694 were incorporated into Public Works. There was approximately \$100,000 in unanticipated expenses for storm water and infrastructure maintenance. The fleet maintenance expenses were incorporated into the Public Works budget and they had previously been reported in an Internal Service Fund.

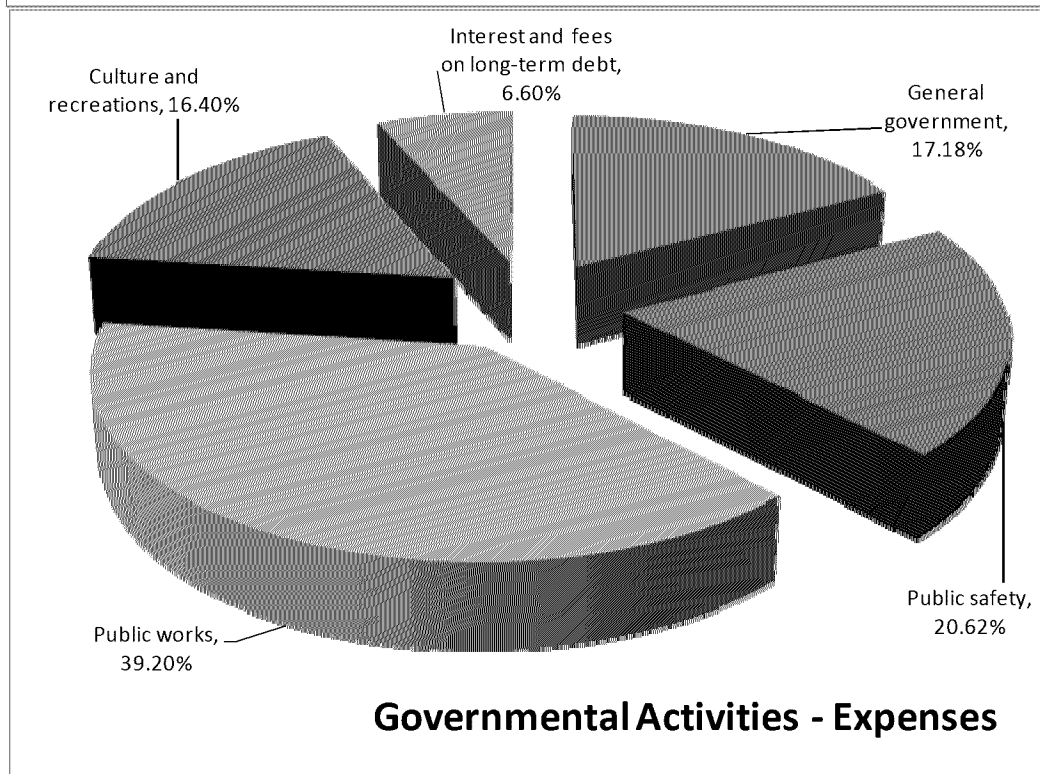
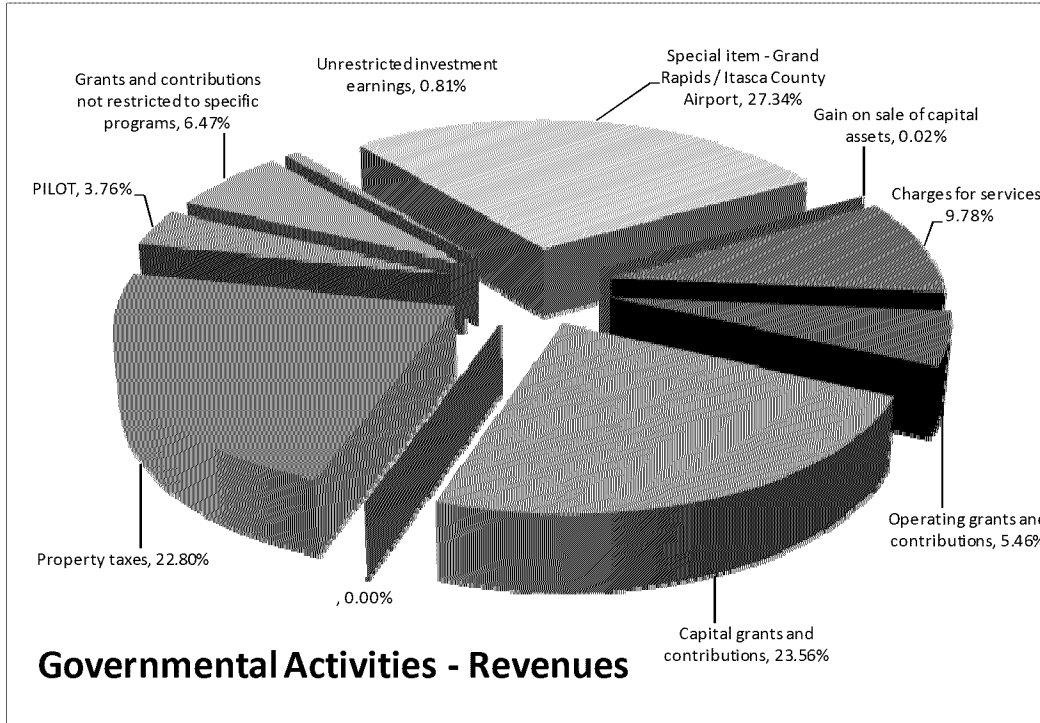
Management's Discussion and Analysis

City of Grand Rapids' Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$2,223,085	\$2,032,315	\$1,051,788	\$1,054,156	\$3,274,873	\$3,086,471
Operating grants and contributions	1,240,128	1,027,304	-	-	1,240,128	1,027,304
Capital grants and contributions	5,349,509	2,463,006	7,995	97,352	5,357,504	2,560,358
General revenues:						
Taxes	5,180,915	4,793,026	-	-	5,180,915	4,793,026
Payments in lieu of taxes (PILOT)	854,710	853,542	-	-	854,710	853,542
Grants and contributions not restricted to specific programs	1,470,249	1,452,870	-	-	1,470,249	1,452,870
Unrestricted investment earnings	184,059	159,010	6,313	2,271	190,372	161,281
Gain on sale of capital assets	5,360	4,957	-	61,827	5,360	66,784
Total revenues	<u>16,508,015</u>	<u>12,786,030</u>	<u>1,066,096</u>	<u>1,215,606</u>	<u>17,574,111</u>	<u>14,001,636</u>
Expenses:						
General government	2,362,986	2,407,660	-	-	2,362,986	2,407,660
Public safety	2,836,212	2,789,559	-	-	2,836,212	2,789,559
Public works	5,390,413	4,841,814	-	-	5,390,413	4,841,814
Culture and recreation	2,255,043	2,270,942	-	-	2,255,043	2,270,942
Interest and fees on long-term debt	907,838	978,289	-	-	907,838	978,289
Golf course	-	-	549,733	455,315	549,733	455,315
Storm water utility	-	-	377,107	411,849	377,107	411,849
Total expenses	<u>13,752,492</u>	<u>13,288,264</u>	<u>926,840</u>	<u>867,164</u>	<u>14,679,332</u>	<u>14,155,428</u>
Change in net assets before special items and trans	2,755,523	(502,234)	139,256	348,442	2,894,779	(153,792)
Special items	6,212,220	574,001	-	-	6,212,220	574,001
Transfers - primary government	3,500	(257,467)	(3,500)	257,467	-	-
Change in net assets	<u>8,971,243</u>	<u>(185,700)</u>	<u>135,756</u>	<u>605,909</u>	<u>9,106,999</u>	<u>420,209</u>
Net assets - January 1, as previously reported	40,925,211	41,110,911	2,946,486	2,340,577	43,871,697	43,451,488
Prior period adjustment	-	-	(52,180)	-	(52,180)	-
Net assets - January 1, as restated	<u>40,925,211</u>	<u>41,110,911</u>	<u>2,894,306</u>	<u>2,340,577</u>	<u>43,819,517</u>	<u>43,451,488</u>
Net assets - December 31	<u>\$49,896,454</u>	<u>\$40,925,211</u>	<u>\$3,030,062</u>	<u>\$2,946,486</u>	<u>\$52,926,516</u>	<u>\$43,871,697</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 assets by \$135,756 in 2011. The City has two Business-Type Activities – Pokegama Golf Course and a Storm Water Utility Fund. The City completed a new Clubhouse for the Golf Course in 2010 and the 2011 net assets increased by \$10,028. The Storm Water Utility Fund is used to pay for storm water maintenance and infrastructure construction.

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 \$11,963,151. Approximately 12% of this total amount (\$1,417,708) constitutes nonspendable fund balance and approximately 56% (\$6,744,338) constitutes restricted fund balance. The remainder of the fund balance consists of amounts committed (\$725,768) and assigned (\$2,073,531) by City Council, as well as unassigned fund balance (\$1,001,806). Additional information about the City's fund balance classifications can be found in Note 13.

The general fund balance increased by \$79,740 in 2011, compared to a \$192,119 increase in 2010. Prior to other financing sources and uses and special items, the General Fund balance increased \$360,722 in 2011 compared to a \$181,852 increase in 2010. Key elements of this increase are as follows:

- The City's tax levy for the General Fund increased by \$286,000 for 2011. Property taxes from the annexed areas and payment of delinquent property taxes were approximately \$250,000 over the budgeted amount. The City lost \$141,000 in market value homestead credit for the General Fund and the additional property taxes help offset this loss.
- Public Works charges for services were approximately \$38,500 over the budget
- Received \$45,000 in unbudgeted grants
- Police and Recreation were under budget due to personnel changes and the Fire Department and Engineering were over budget, but had offsetting revenues to make up the overage.

The special item of \$67,000 in the General Fund relates to a loan between the General Fund and the Grand Rapids / Itasca County Airport which was reclassified to an interfund loan receivable effective January 1, 2011. Further information pertaining to the relationship between the City and the Airport can be found in Notes 14 and 23.

The 2005A Improvement Bonds had a decrease of (\$92,554) in the fund balance due to the expenditure of prepayments of assessments received in previous years to make the debt service payments. The 2006C Improvement Bonds had a fund balance increase due primarily to \$108,500 of prepaid assessments received during 2011. The 2006B Refunding Bonds had a slight fund balance decrease due to fiscal fees exceeding investment income. The 2011 Infrastructure Bond Fund had a fund balance decrease of \$236,803 due to a federal grant of

Management's Discussion and Analysis

\$877,500 that will not be received until October 1, 2013. The City issued temporary bonds in March 2012 to cover the shortfall until the federal funds are received. The 2012 Infrastructure Bond Fund balance decreased (\$1,848,329) due to a project that was started in 2011 that qualifies for state aid bond funding that will be bonded for in 2012. The City is issuing \$4,175,000 in State Aid Bonds for three projects in 2012.

- The nonmajor special revenue funds decreased by (\$115,660) for 2011. The Public Library had a deficit of (\$263,932). They had budgeted the use of \$51,640 of their fund balance for operations. They also lost approximately \$23,000 in Market Value Homestead Credit due to the reduction by the State Legislature. They had capital expenditures of approximately \$489,000 for the Riverfront Energy Project funded with \$250,000 in grants and the rest (\$239,000) from fund balance.
- The Central School had deficit of (\$13,586) due to vacant rental units.
- The Civic Center had \$19,218 in revenue over expenditures in 2011, but previously had a deficit of (\$132,449) due to a loan and previous year's deficits, consequently the deficit was reduced to (\$113,231).
- The City received the Itasca Calvary Cemetery as part of the final annexation of Grand Rapids Township in 2010. In 2011, the Cemetery fund had revenues over expenditures of \$13,711, however the fund was carrying a fund deficit of \$42,756 from 2010, when in the transition year from Grand Rapids Township to the City, the levy did not come in as anticipated. In 2011, the City approved a transfer from the General Fund to the Cemetery Fund to eliminate the deficit.

The nonmajor debt service funds decreased by (\$349,829). The 2002A Improvement Bonds were refunded in 2010 and the final payoff was in February 2011. 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 decreased by (\$942,091). The Capital Equipment Replacement Fund (\$410,011) purchased \$449,329 in capital equipment of which \$310,118 was funded with an internal loan from the General Fund. The 2010 Infrastructure Bond Fund (\$551,487) had revenue from 2010 to cover \$386,030 of this deficit; however, when all of the projects are complete there will be a deficit that will be covered from the Permanent Improvement Revolving Fund.

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 \$6,298 and the Storm Water Utility had operating income of \$121,480.

The unrestricted net assets of the proprietary Storm Water Utility Fund are \$307,967. 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.

Management's Discussion and Analysis

Budgetary Highlights

General Fund. The General Fund had an increase in fund balance of \$79,740. The General Fund revenue was under budget by (\$230,575). The State of Minnesota had certified a Local Government Aid (LGA) amount of \$1,349,614 for 2011, consequently, the City budgeted for that amount. However, realizing that the State may likely cut that amount, the City also budgeted a \$412,000 transfer to the Capital Equipment Replacement Fund that would not be made if the LGA was cut. The LGA was cut by \$386,204, consequently the transfer was not made. Also the State cut the Market Value Homestead Credit (MVHC) totaling \$218,000 of which \$141,381 would have been revenue for the General Fund.

Taxes were more than budgeted due to the taxes for the annexed areas coming in \$195,000 higher than budgeted and due to delinquent taxes and tax forfeit sales totaling \$55,000 that were not budgeted. This help offset some of the loss of LGA and MVHC. Administration and Engineering fees for City projects and GIS fees were \$66,000 higher than budgeted.

The Police and Recreation Departments were under budget by \$52,650 due to personnel changes. The Fire Department and the Engineering Departments were over budget by approximately \$30,000, but had offsetting revenue to cover the overage. Public Works was over budget by \$90,990 due to snow and ice control in early 2011. As mentioned above, transfers out were budgeted at \$709,815, but only \$376,164 was transferred out due to an unallotment of LGA.

Management's Discussion and Analysis

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, 2011, amounts to \$57,122,395 (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	
	2011	2010	2011	2010	2011	2010
Land and land improvements	\$5,485,552	\$4,984,903	\$906,387	\$979,510	\$6,391,939	\$5,964,413
Building and structures	12,434,917	7,725,069	1,736,733	1,763,625	14,171,650	9,488,694
Vehicles, equipment and furniture	4,039,147	3,270,881	150,533	84,107	4,189,680	3,354,988
Infrastructure	27,285,566	24,148,790	-	-	27,285,566	24,148,790
Construction in progress	5,083,560	3,176,438	-	-	5,083,560	3,176,438
Total	\$54,328,742	\$43,306,081	\$2,793,653	\$2,827,242	\$57,122,395	\$46,133,323

The large increase in capital assets of governmental activities occurred primarily because the City now accounts for the assets of the Grand Rapids / Itasca County Airport. 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 \$23,671,015 (excluding compensated absences), a decrease of \$1,351,609 from 2010. Of the total outstanding amount:

- \$18,890,000 is general obligation improvement debt that is supported in part by special assessments,
- \$835,000 is general obligation tax increment debt which financed the City's economic development program,
- \$3,675,000 are CIP Bonds, Street Reconstruction Bonds and an Equipment Certificate that is supported by property tax levies,
- \$271,015 of capital lease and loans payable in addition to unamortized bond premiums.

City of Grand Rapids' Outstanding Debt

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

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation improvement bonds	\$18,890,000	\$20,000,000	\$ -	\$ -	\$18,890,000	\$20,000,000
General obligation tax increment bonds	835,000	850,000	-	-	835,000	850,000
Other general obligation bonds	3,675,000	3,950,000	-	-	3,675,000	3,950,000
Capital leases, loans, bond premium	271,015	222,624	-	-	271,015	222,624
Total	\$23,671,015	\$25,022,624	\$0	\$0	\$23,671,015	\$25,022,624

Management's Discussion and Analysis

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 \$19,850,196. Of the City's outstanding debt, \$3,675,000 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.

- This page intentionally left blank -

BASIC FINANCIAL STATEMENTS

- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
 STATEMENT OF NET ASSETS
 December 31, 2011
 With Comparative Totals For December 31, 2010

Statement 1

	Primary Government		Totals		Component Units	
	Governmental	Business-Type			Economic	Public
	Activities	Activities	2011	2010	Development Authority	Utilities Commission
Assets:						
Cash and investments	\$11,200,764	\$413,702	\$11,614,466	\$14,774,332	\$636,871	-
Accrued interest	30,027	-	30,027	34,786	-	-
Due from other governmental units	2,011,048	-	2,011,048	1,423,010	-	-
Due from primary government	-	-	-	-	-	-
Due from component unit	1,042,653	43,940	1,086,593	1,778,245	-	-
Accounts receivable - net	63,308	108,371	171,679	243,630	-	-
Internal balances	278,128	(278,128)	-	-	-	-
Prepaid items	419,069	1,116	420,185	176,520	-	-
Property taxes receivable	92,965	-	92,965	81,857	549	-
Special assessments receivable	6,091,021	-	6,091,021	6,535,199	-	-
Inventories - at cost	-	-	-	-	-	-
Land held for resale	214,390	-	214,390	214,390	1,397,594	-
Mortgages, notes and leases receivable	-	-	-	-	181,482	-
Loan to airport	-	-	-	67,000	-	-
Restricted cash and investments	-	-	-	-	-	-
Restricted accounts receivable	-	-	-	-	-	-
Unamortized debt issuance costs	419,587	-	419,587	417,246	-	-
Other deferred debits	-	-	-	-	-	-
Financial assurance landfill closure	-	-	-	-	-	-
Capital assets - nondepreciable	10,569,112	906,387	11,475,499	9,140,851	-	-
Capital assets - net of accumulated depreciation	43,759,630	1,887,266	45,646,896	36,992,472	-	-
Total assets	76,191,702	3,082,654	79,274,356	71,879,538	2,216,496	0
Liabilities:						
Accounts payable	472,204	11,421	483,625	411,676	10,187	-
Accrued wages and other liabilities	98,195	2,305	100,500	99,513	-	-
Due to other governmental units	23,792	3,527	27,319	196,527	46	-
Due to component units	56,014	4,936	60,950	69,628	-	-
Contracts payable	314,428	-	314,428	112,320	-	-
Deposits payable	16,991	14,000	30,991	33,217	-	-
Due to primary government	-	-	-	-	-	-
Accrued interest payable	341,242	1,378	342,620	373,566	-	-
Unearned revenue	465,380	6,756	472,136	763,527	44,726	-
Termination benefits payable:						
Due within one year	120,000	-	120,000	122,500	-	-
Due in more than one year	200,000	-	200,000	320,000	-	-
Other post employment benefits	197,799	5,169	202,968	179,578	-	-
Landfill closure costs	-	-	-	-	-	-
Demand payment deferral:						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Noncurrent liabilities:						
Due within one year	3,336,187	1,593	3,337,780	3,059,948	-	-
Due in more than one year	20,653,016	1,507	20,654,523	22,265,841	100,000	-
Total liabilities	26,295,248	52,592	26,347,840	28,007,841	154,959	0
Net assets:						
Invested in capital assets, net of related debt	31,703,299	2,793,653	34,496,952	21,960,699	-	-
Restricted for:						
Debt service	12,180,524	-	12,180,524	13,351,203	-	-
Itasca County's equity interest in Airport	126,398	-	126,398	-	-	-
Other purposes	72,465	-	72,465	66,097	-	-
Unrestricted	5,813,768	236,409	6,050,177	8,493,698	2,061,537	-
Total net assets	\$49,896,454	\$3,030,062	\$52,926,516	\$43,871,697	\$2,061,537	\$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, 2011

With Comparative Totals For The Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$2,362,986	\$401,410	\$227,775
Public safety	2,836,212	447,864	419,233
Public works	5,390,413	432,900	372,384
Culture and recreation	2,255,043	940,911	42,699
Interest and fees on long-term debt	907,838	-	178,037
Total governmental activities	<u>13,752,492</u>	<u>2,223,085</u>	<u>1,240,128</u>
Business-type activities:			
Golf course	549,733	553,201	-
Storm water utility	377,107	498,587	-
Total business-type activities	<u>926,840</u>	<u>1,051,788</u>	<u>0</u>
Total primary government	<u>\$14,679,332</u>	<u>\$3,274,873</u>	<u>\$1,240,128</u>
Component units:			
Economic Development Authority	\$509,093	\$6,248	\$461,920
Public Utilities Commission	22,600,323	22,842,382	-
Total component units	<u>\$23,109,416</u>	<u>\$22,848,630</u>	<u>\$461,920</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			
Special items:			
Grand Rapids / Itasca County Airport			
Merger with Grand Rapids Township			
Transfers			
Total general revenues, special items and transfers			
Change in net assets			
Net assets - January 1, as previously reported			
Prior period adjustment			
Net assets - January 1, as restated			
Net assets - 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		Economic Development Authority	Public Utilities Commission
			Totals			
			2011	2010		
\$104,100	(\$1,629,701)	\$ -	(\$1,629,701)	(\$1,678,971)	\$ -	\$ -
48,483	(1,920,632)	-	(1,920,632)	(1,966,264)	-	-
4,896,547	311,418	-	311,418	(2,022,752)	-	-
300,379	(971,054)	-	(971,054)	(1,308,811)	-	-
-	(729,801)	-	(729,801)	(788,841)	-	-
<u>5,349,509</u>	<u>(4,939,770)</u>	<u>0</u>	<u>(4,939,770)</u>	<u>(7,765,639)</u>	<u>0</u>	<u>0</u>
7,995	-	11,463	11,463	190,857	-	-
-	-	121,480	121,480	93,487	-	-
<u>7,995</u>	<u>0</u>	<u>132,943</u>	<u>132,943</u>	<u>284,344</u>	<u>0</u>	<u>0</u>
<u>\$5,357,504</u>	<u>(4,939,770)</u>	<u>132,943</u>	<u>(4,806,827)</u>	<u>(7,481,295)</u>	<u>0</u>	<u>0</u>
\$ -					(40,925)	-
4,186,875					-	-
<u>\$4,186,875</u>					<u>(40,925)</u>	<u>0</u>
	5,180,915	-	5,180,915	4,793,026	44,236	
	854,710	-	854,710	853,542	-	
	1,470,249	-	1,470,249	1,452,870	4,382	
	184,059	6,313	190,372	161,281	12,120	
	5,360	-	5,360	66,784	-	
	6,212,220	-	6,212,220	-	-	
	-	-	-	574,001	-	
	3,500	(3,500)	-	-	-	
	<u>13,911,013</u>	<u>2,813</u>	<u>13,913,826</u>	<u>7,901,504</u>	<u>60,738</u>	<u>0</u>
	<u>8,971,243</u>	<u>135,756</u>	<u>9,106,999</u>	<u>420,209</u>	<u>19,813</u>	<u>0</u>
	40,925,211	2,946,486	43,871,697	43,451,488	2,041,724	41,396,714
	-	(52,180)	(52,180)	-	-	
	<u>40,925,211</u>	<u>2,894,306</u>	<u>43,819,517</u>	<u>43,451,488</u>	<u>2,041,724</u>	<u>41,396,714</u>
	<u>\$49,896,454</u>	<u>\$3,030,062</u>	<u>\$52,926,516</u>	<u>\$43,871,697</u>	<u>\$2,061,537</u>	<u>\$41,396,714</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
With Comparative Totals For December 31, 2010

	<u>101 General Fund</u>	<u>348 Improvement Bonds of 2005A</u>	<u>351 Improvement Bonds of 2006C</u>
Assets			
Cash and investments	\$1,858,487	\$1,216,559	\$593,997
Accrued interest receivable	30,027	-	-
Due from other governmental units	311,623	-	-
Due from other funds	1,828,015	-	-
Due from component unit	23,674	-	-
Accounts receivable	12,171	-	-
Interfund loan receivable	1,093,843	-	-
Prepaid items	178,521	-	-
Loan to airport	-	-	-
Taxes receivable - delinquent	73,816	505	-
Special assessments receivable	64,343	1,315,710	1,549,686
Land held for resale	214,390	-	-
	<u>\$5,688,910</u>	<u>\$2,532,774</u>	<u>\$2,143,683</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$151,023	\$ -	\$ -
Accrued wages payable	78,661	-	-
Due to other governmental units	14,950	-	-
Due to component units	41,329	-	-
Contracts payable	-	-	-
Due to other funds	419	-	-
Deposits payable	5,498	-	-
Interfund loan payable	-	-	-
Deferred revenue	375,829	1,316,215	1,549,686
Total liabilities	<u>667,709</u>	<u>1,316,215</u>	<u>1,549,686</u>

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

352 GO CIP Refunding Bonds of 2006B	473 2011 Infrastructure Bonds	474 2012 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
				2011	2010
\$308,437	\$ -	\$ -	\$7,223,284	\$11,200,764	\$14,566,889
-	-	-	-	30,027	34,786
-	1,349,225	-	316,585	1,977,433	1,388,940
-	-	-	1,433,282	3,261,297	1,182,852
1,013,527	-	-	5,452	1,042,653	1,736,522
-	-	-	51,137	63,308	90,580
-	-	-	125,894	1,219,737	455,386
-	-	-	240,548	419,069	174,253
-	-	-	-	-	67,000
-	-	-	18,644	92,965	81,857
-	-	-	3,161,282	6,091,021	6,535,199
-	-	-	-	214,390	214,390
<u>\$1,321,964</u>	<u>\$1,349,225</u>	<u>\$0</u>	<u>\$12,576,108</u>	<u>\$25,612,664</u>	<u>\$26,528,654</u>
\$2,750	\$182,266	\$31,149	\$105,016	\$472,204	\$402,608
-	-	-	19,534	98,195	96,036
-	2,012	539	6,291	23,792	193,384
1,234	-	-	13,451	56,014	63,300
-	44,647	50,114	219,667	314,428	112,320
-	1,090,209	1,804,274	364,367	3,259,269	1,182,627
-	-	-	11,493	16,991	17,217
-	-	-	943,637	943,637	223,792
<u>1,308,888</u>	<u>589,225</u>	<u>-</u>	<u>3,325,140</u>	<u>8,464,983</u>	<u>8,844,620</u>
<u>1,312,872</u>	<u>1,908,359</u>	<u>1,886,076</u>	<u>5,008,596</u>	<u>13,649,513</u>	<u>11,135,904</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
With Comparative Totals For December 31, 2010

Liabilities and Fund Balances (continued)	<u>101 General Fund</u>	<u>348 Improvement Bonds of 2005A</u>	<u>351 Improvement Bonds of 2006C</u>
Fund balances:			
Nonspendable	\$1,071,817	\$ -	\$ -
Restricted	15,567	1,216,559	593,997
Committed	76,401	-	-
Assigned	-	-	-
Unassigned	3,857,416	-	-
Total fund balances	<u>5,021,201</u>	<u>1,216,559</u>	<u>593,997</u>
 Total liabilities and fund balances	 <u><u>\$5,688,910</u></u>	 <u><u>\$2,532,774</u></u>	 <u><u>\$2,143,683</u></u>

Fund balance reported above

Amounts reported for governmental activities in the statement of net assets 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
- Loan to Airport
- 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 assets of governmental activities

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

352 GO CIP Refunding Bonds of 2006B	473 2011 Infrastructure Bonds	474 2012 Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds	
				2011	2010
\$ -	\$ -	\$ -	\$345,891	\$1,417,708	\$581,151
9,092	-	-	4,909,123	6,744,338	6,986,797
-	-	-	649,367	725,768	-
-	-	-	2,073,531	2,073,531	4,015,122
-	(559,134)	(1,886,076)	(410,400)	1,001,806	3,809,680
<u>9,092</u>	<u>(559,134)</u>	<u>(1,886,076)</u>	<u>7,567,512</u>	<u>11,963,151</u>	<u>15,392,750</u>
<u>\$1,321,964</u>	<u>\$1,349,225</u>	<u>\$0</u>	<u>\$12,576,108</u>	<u>\$25,612,664</u>	<u>\$26,528,654</u>
				\$11,963,151	\$15,392,750
				54,328,742	43,306,081
				92,965	81,857
				6,091,023	6,535,199
				-	67,000
				214,390	214,390
				1,012,000	1,189,200
				419,587	417,246
				622,840	34,070
				(23,476,365)	(24,886,180)
				(194,650)	(136,444)
				(341,242)	(373,524)
				(318,188)	(298,857)
				(320,000)	(442,500)
				<u>(197,799)</u>	<u>(175,077)</u>
				<u>\$49,896,454</u>	<u>\$40,925,211</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, 2011
With Comparative Totals For The Year Ended December 31, 2010

	<u>101 General Fund</u>	<u>348 Improvement Bonds of 2005A</u>	<u>351 Improvement Bonds of 2006C</u>
Revenues:			
Taxes:			
General property	\$3,403,815	\$42,807	\$33,525
Tax increments	-	-	-
Tax abatements	-	27,688	-
Payments in lieu of taxes (PILOT)	854,710	-	-
Licenses and permits	225,828	-	-
Intergovernmental	1,764,599	4,222	3,298
Special assessments	-	154,553	324,554
Charges for services	696,373	-	-
Fines and forfeits	108,982	-	-
Investment income	36,292	16,834	6,551
Contributions and donations	3,637	-	-
Other	30,252	-	-
Total revenues	<u>7,124,488</u>	<u>246,104</u>	<u>367,928</u>
Expenditures:			
Current:			
General government	1,710,292	2,979	34,756
Public safety	2,409,197	-	-
Public works	2,070,477	-	-
Culture and recreation	152,186	-	-
Miscellaneous	369,809	-	-
Capital outlay/construction	51,805	-	-
Debt service:			
Principal retirement	-	245,000	180,000
Interest	-	90,276	75,800
Paying agent fees	-	403	431
Bond issuance costs	-	-	-
Total expenditures	<u>6,763,766</u>	<u>338,658</u>	<u>290,987</u>
Revenues over (under) expenditures	<u>360,722</u>	<u>(92,554)</u>	<u>76,941</u>
Other financing sources (uses):			
Sale of capital assets	5,360	-	-
Capital lease proceeds	-	-	-
Issuance of refunding bonds	-	-	-
Bond issuance	-	-	-
Transfers in	22,822	-	-
Transfers out	(376,164)	-	-
Total other financing sources (uses)	<u>(347,982)</u>	<u>0</u>	<u>0</u>
Special item: Grand Rapids / Itasca County Airport	<u>67,000</u>	<u>-</u>	<u>-</u>
Special item: Merger with Grand Rapids Township	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	79,740	(92,554)	76,941
Fund balance - January 1	<u>4,941,461</u>	<u>1,309,113</u>	<u>517,056</u>
Fund balance - December 31	<u>\$5,021,201</u>	<u>\$1,216,559</u>	<u>\$593,997</u>

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

352 GO CIP Refunding Bonds of 2006B	473 2011 Infrastructure Bonds	474 2012 Infrastructure Bonds	Other Governmental Funds	Totals Governmental Funds	
				2011	2010
\$ -	\$ -	\$ -	\$1,520,205	\$5,000,352	\$4,705,029
-	-	-	141,767	141,767	131,121
-	-	-	-	27,688	27,569
-	-	-	-	854,710	853,542
-	-	-	290	226,118	255,052
-	813,290	891,538	2,456,426	5,933,373	4,302,317
-	-	-	584,880	1,063,987	1,326,354
-	441,471	-	1,277,854	2,415,698	1,604,785
-	-	-	82,570	191,552	142,528
811	-	-	123,571	184,059	159,010
-	-	-	124,103	127,740	28,971
220,600	-	-	2,157	253,009	246,950
<u>221,411</u>	<u>1,254,761</u>	<u>891,538</u>	<u>6,313,823</u>	<u>16,420,053</u>	<u>13,783,228</u>
1,601	-	-	296,252	2,045,880	1,879,463
-	-	-	142,425	2,551,622	2,500,602
-	-	-	636,083	2,706,560	2,117,665
-	-	-	1,593,738	1,745,924	1,731,467
-	-	-	-	369,809	541,014
-	2,493,646	2,739,867	3,113,240	8,398,558	3,836,307
170,000	-	-	2,395,512	2,990,512	2,812,668
50,600	-	-	686,907	903,583	965,697
224	-	-	5,146	6,204	7,842
-	27,918	-	14,571	42,489	39,692
<u>222,425</u>	<u>2,521,564</u>	<u>2,739,867</u>	<u>8,883,874</u>	<u>21,761,141</u>	<u>16,432,417</u>
<u>(1,014)</u>	<u>(1,266,803)</u>	<u>(1,848,329)</u>	<u>(2,570,051)</u>	<u>(5,341,088)</u>	<u>(2,649,189)</u>
-	-	-	-	5,360	4,957
-	-	-	-	-	136,444
-	-	-	525,000	525,000	925,000
-	1,030,000	-	-	1,030,000	825,000
-	-	-	1,022,169	1,044,991	1,058,790
-	-	-	(665,327)	(1,041,491)	(1,333,243)
<u>0</u>	<u>1,030,000</u>	<u>0</u>	<u>881,842</u>	<u>1,563,860</u>	<u>1,616,948</u>
-	-	-	280,629	347,629	-
-	-	-	-	-	574,001
(1,014)	(236,803)	(1,848,329)	(1,407,580)	(3,429,599)	(458,240)
10,106	(322,331)	(37,747)	8,975,092	15,392,750	15,850,990
<u>\$9,092</u>	<u>(\$559,134)</u>	<u>(\$1,886,076)</u>	<u>\$7,567,512</u>	<u>\$11,963,151</u>	<u>\$15,392,750</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, 2011
With Comparative Amounts For The Year Ended December 31, 2010

Statement 5

	2011	2010
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)	(\$3,429,599)	(\$458,240)
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	(2,751,694)	(2,204,611)
Capital outlay	8,398,558	3,836,307
Capital outlay not capitalized	(767,256)	(512,915)
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.	-	(704,794)
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.	104,100	-
Special item - contribution of capital assets from the Grand Rapids / Itasca County Airport	6,038,953	-
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds are reported with governmental activities.	-	948
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	11,108	(70,693)
Change in deferred and delinquent special assessments	(444,176)	(888,408)
Change in unavailable intergovernmental revenue	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	(244,200)	(167,200)
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	(1,555,000)	(1,886,444)
Special item - loans payable from the Grand Rapids / Itasca County Airport	(107,362)	-
Principal payments on bonds, capital leases and loans payable	3,004,156	2,930,000
Current year bond issuance costs and amortization of deferred charges	12,156	12,005
Change in due from other governmental units accrual related to a federal credit on BAB bonds	(455)	6,814
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	(19,331)	(12,462)
Change in other post employment benefits and termination benefits payable	99,778	(88,944)
Change in accrued interest payable	32,282	22,937
Change in net assets of governmental activities (Statement 2)	<u>\$8,971,243</u>	<u>(\$185,700)</u>

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

CITY OF GRAND RAPIDS, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011
With Comparative Totals For December 31, 2010

Statement 6

	Business-Type Activities - Enterprise Funds			
	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2011	2010
Assets:				
Current assets:				
Cash and cash equivalents	\$123,555	\$290,147	\$413,702	\$207,443
Due from component units	-	43,940	43,940	41,723
Accounts receivable	7,412	3,595	11,007	8,915
Pledges receivable	48,682	-	48,682	50,657
Prepaid items	1,116	-	1,116	2,267
Total current assets	180,765	337,682	518,447	311,005
Noncurrent assets:				
Pledges receivable - net	48,682	-	48,682	93,478
Capital assets:				
Land and land improvements	871,481	34,906	906,387	979,510
Buildings and structures	2,186,197	-	2,186,197	2,098,482
Machinery, equipment and furniture	603,194	185,243	788,437	676,794
Total capital assets	3,660,872	220,149	3,881,021	3,754,786
Less: Allowance for depreciation	(916,048)	(171,320)	(1,087,368)	(927,544)
Net capital assets	2,744,824	48,829	2,793,653	2,827,242
Total noncurrent assets	2,793,506	48,829	2,842,335	2,920,720
Total assets	2,974,271	386,511	3,360,782	3,231,725
Liabilities:				
Current liabilities:				
Accounts payable	785	10,636	11,421	9,068
Accrued wages payable	1,271	1,034	2,305	3,477
Due to other governmental units	3,321	206	3,527	3,143
Due to component units	1,097	3,839	4,936	6,328
Accrued interest payable	1,378	-	1,378	42
Deposits payable	-	14,000	14,000	16,000
Due to other funds	2,028	-	2,028	225
Interfund loan payable	276,100	-	276,100	231,594
Compensated absences payable - current	1,593	-	1,593	1,928
Unearned revenue	6,756	-	6,756	6,553
Total current liabilities	294,329	29,715	324,044	278,358
Noncurrent liabilities:				
Compensated absences payable	1,507	-	1,507	2,380
Other post employment benefits	5,169	-	5,169	4,501
Total noncurrent liabilities	6,676	0	6,676	6,881
Total liabilities	301,005	29,715	330,720	285,239
Net assets:				
Invested in capital assets	2,744,824	48,829	2,793,653	2,827,242
Unrestricted	(71,558)	307,967	236,409	119,244
Total net assets	\$2,673,266	\$356,796	3,030,062	2,946,486

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 ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2011
With Comparative Totals For The Year Ended December 31, 2010

Statement 7

Business-Type Activities - Enterprise Funds

	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2011	2010
Operating revenues:				
Season passes	\$182,423	\$ -	\$182,423	\$175,846
Green fees	201,973	-	201,973	217,387
Special play	8,434	-	8,434	9,443
Rentals and leases	158,502	-	158,502	145,504
Miscellaneous	1,869	-	1,869	640
Charges for service	-	498,587	498,587	505,336
Total operating revenues	<u>553,201</u>	<u>498,587</u>	<u>1,051,788</u>	<u>1,054,156</u>
Operating expenses:				
Personnel services	226,321	188,239	414,560	419,229
Materials and supplies	63,981	22,317	86,298	73,173
Other services and charges	175,854	139,654	315,508	309,377
Depreciation	80,747	26,897	107,644	62,633
Total operating expenses	<u>546,903</u>	<u>377,107</u>	<u>924,010</u>	<u>864,412</u>
Operating income	<u>6,298</u>	<u>121,480</u>	<u>127,778</u>	<u>189,744</u>
Nonoperating revenues (expenses):				
Investment income	2,065	4,248	6,313	2,271
Interest expense	(2,187)	-	(2,187)	-
Gain (loss) on sale of capital assets	(643)	-	(643)	57,827
Total nonoperating revenues (expenses)	<u>(765)</u>	<u>4,248</u>	<u>3,483</u>	<u>60,098</u>
Income before contributions and transfers	<u>5,533</u>	<u>125,728</u>	<u>131,261</u>	<u>249,842</u>
Capital contributions	7,995	-	7,995	97,352
Transfers in	-	-	-	317,300
Transfers out	(3,500)	-	(3,500)	(59,833)
Total transfers and contributions	<u>4,495</u>	<u>0</u>	<u>4,495</u>	<u>354,819</u>
Change in net assets	<u>10,028</u>	<u>125,728</u>	<u>135,756</u>	<u>604,661</u>
Net assets - January 1, as previously reported	2,715,418	231,068	2,946,486	2,341,825
Prior period adjustment	(52,180)	-	(52,180)	-
Net assets - January 1, as restated	<u>2,663,238</u>	<u>231,068</u>	<u>2,894,306</u>	<u>2,341,825</u>
Net assets - December 31	<u>\$2,673,266</u>	<u>\$356,796</u>	<u>\$3,030,062</u>	<u>\$2,946,486</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, 2011

With Comparative Totals For The Year Ended December 31, 2010

Statement 8

	Business-Type Activities - Enterprise Funds			
	613 Pokegama Golf Course	655 Storm Water Utility	Totals	
			2011	2010
Cash flows from operating activities:				
Receipts from customers and users	\$552,330	\$495,352	\$1,047,682	\$1,059,960
Payment to suppliers	(238,957)	(162,353)	(401,310)	(452,271)
Payment to employees	(226,226)	(190,046)	(416,272)	(419,798)
Net cash flows provided by operating activities	<u>87,147</u>	<u>142,953</u>	<u>230,100</u>	<u>187,891</u>
Cash flows from noncapital financing activities:				
Change in interfund borrowing	46,309	-	46,309	176,028
Interest on interfund borrowing	(851)	-	(851)	-
Transfers in	-	-	-	317,300
Transfers out	(3,500)	-	(3,500)	(59,833)
Net cash flows provided by (used in) noncapital financing activities	<u>41,958</u>	<u>0</u>	<u>41,958</u>	<u>433,495</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(121,679)	(7,143)	(128,822)	(1,089,445)
Sale of capital assets	1,944	-	1,944	65,205
Capital contributions	54,766	-	54,766	161,756
Net cash flows (used in) capital and related financing activities	<u>(64,969)</u>	<u>(7,143)</u>	<u>(72,112)</u>	<u>(862,484)</u>
Cash flows from investing activities:				
Investment income	2,065	4,248	6,313	2,271
Net increase (decrease) in cash and cash equivalents	<u>66,201</u>	<u>140,058</u>	<u>206,259</u>	<u>(238,827)</u>
Cash and cash equivalents - January 1	<u>57,354</u>	<u>150,089</u>	<u>207,443</u>	<u>446,270</u>
Cash and cash equivalents - December 31	<u>\$123,555</u>	<u>\$290,147</u>	<u>\$413,702</u>	<u>\$207,443</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$6,298</u>	<u>\$121,480</u>	<u>\$127,778</u>	<u>\$189,744</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	80,747	26,897	107,644	62,633
Changes in assets and liabilities:				
Decrease (increase) in receivables	(1,074)	(3,235)	(4,309)	37,437
Decrease (increase) in prepaid items	1,151	-	1,151	(1,634)
Increase (decrease) in unearned revenue	203	-	203	(31,633)
Increase (decrease) in payables	(178)	(2,189)	(2,367)	(68,656)
Total adjustments	<u>80,849</u>	<u>21,473</u>	<u>102,322</u>	<u>(1,853)</u>
Net cash provided by (used in) operating activities	<u>\$87,147</u>	<u>\$142,953</u>	<u>\$230,100</u>	<u>\$187,891</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, 2011
With Amounts Totals For December 31, 2010

Statement 9

Assets:	Agency Funds	
	2011	2010
Cash and investments	<u>\$85,956</u>	<u>\$398,209</u>
Liabilities:		
Accounts payable	\$17,594	\$21,631
Due to third-party grantees	<u>68,362</u>	<u>376,578</u>
Total liabilities	<u>\$85,956</u>	<u>\$398,209</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 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.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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

The City reports the following major governmental funds:

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

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

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 *2011 Infrastructure Bonds Fund* accounts for infrastructure improvements financed by the Improvement Bonds of 2011B.

The *2012 Infrastructure Bonds Fund* accounts for infrastructure improvements which will be financed by the issuance of an improvement bond.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary-fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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, 2011, 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:

<u>Assets</u>	
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 2012, 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 assets. 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.
- 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 2011 are described in footnotes 3, 6, 18, and 20.

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, 2010, 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;
- 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, 2011 the carrying amount of the City's deposits with financial institutions was \$7,139,112.

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, 2011, the bank balance of the City’s deposits was \$7,319,521, 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.
- 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.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

As of December 31, 2011, 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	\$400,332	\$ -	\$ -	\$400,332
FNMA notes	Aaa	100,214	-	100,214	-
FHLB notes	Aaa	210,344	-	-	210,344
Federal farm credit bank note	Aaa	113,915	-	-	113,915
US treasury notes	Aaa	205,656	-	205,656	-
Brokered cd's	NR	3,965,567	1,303,233	2,412,334	250,000
First american treasury fund	Aaa	197,663	197,663	-	-
Total		<u>\$5,193,691</u>	<u>\$1,500,896</u>	<u>\$2,718,204</u>	<u>\$974,591</u>
			Total investments		\$5,193,691
			Deposits		7,139,112
NR - Not Rated			Petty cash		4,490
			Total cash and investments		<u>\$12,337,293</u>

Following is a reconciliation of the City's cash and investment balances as of December 31, 2011:

Cash and investments - primary government:	
Governmental and business-type (Statement 1)	\$11,614,466
Fiduciary (Statement 9)	85,956
Cash and investments - EDA (Statement 1)	636,871
	<u>\$12,337,293</u>

C. INVESTMENT RISKS

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

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011 for the Public Utilities Commission are as follows:

Demand deposits and cash on hand	
Certificates of deposit - negotiable	
US agencies - implicitly guaranteed	
Total cash and investments	_____
Less restricted amounts	
Total cash and investments - unrestricted	_____
	\$ -

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2011 are as follows:

	Primary Government						EDA
	Major Funds					Total	
	General	Improvement Bonds of 2005A	Improvement Bonds of 2006C	G.O. CIP Refunding Bonds of 2006B	Nonmajor Funds		
Special assessments receivable	\$39,882	\$1,221,303	\$1,403,826	\$ -	\$2,781,808	\$5,446,819	\$ -
Property taxes receivable	41,930	287	-	-	10,591	52,808	312
Interfund loan receivable	200,547	-	-	-	20,551	221,098	-
Mortgages, notes and leases receivable	-	-	-	-	-	-	171,557
Receivable from PUC	-	-	-	832,600	-	832,600	-
	\$282,359	\$1,221,590	\$1,403,826	\$832,600	\$2,812,950	\$6,553,325	\$171,869

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011, the capital campaign raised a total of \$406,861 in pledges. An estimated allowance for doubtful accounts of \$5,124 was recorded, resulting in net pledge revenue of \$401,737. Of this amount, \$6,062 was recognized as revenue in 2011 and the remaining amount was recognized as revenue in prior years.

Pledges receivable consist of the following at December 31, 2011:

Pledges receivable due within 1 year	\$51,244
Pledges receivable due after 1 year	<u>51,244</u>
Total pledges receivable	102,488
Less: Allowance for doubtful accounts	<u>(5,124)</u>
Net pledges receivable	<u><u>\$97,364</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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)	\$73,816	\$ -
Delinquent property taxes receivable (Improvement Bonds of 2005A)	505	-
Delinquent property taxes receivable (Nonmajor Funds)	18,644	-
Delinquent and deferred special assessments (General Fund)	64,343	-
Delinquent and deferred special assessments (Improvement Bonds of 2005A)	1,315,710	-
Delinquent and deferred special assessments (Improvement Bonds of 2006C)	1,549,686	-
Delinquent and deferred special assessments (Nonmajor Funds)	3,161,284	-
Due from Public Utilities Commission (G.O. CIP Refunding Bonds of 2006B)	1,012,000	296,888
Land held for resale (General Fund)	214,390	-
Federal TE/ATP grant (2011 Infrastructure Bonds)	589,225	-
Miscellaneous (General Fund)	-	23,280
Miscellaneous (Nonmajor Funds)	-	145,212
Total primary government	<u>7,999,603</u>	<u>465,380</u>
EDA (discretely presented component unit):		
Delinquent property taxes receivable	549	-
Unearned taconite tax	-	6,810
Land held for resale	1,397,594	-
Mortgages, notes and leases receivable	181,482	-
Unearned grants	-	37,916
Total EDA	<u>1,579,625</u>	<u>44,726</u>
Total deferred/unearned revenue	<u>\$9,579,228</u>	<u>\$510,106</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City has approved seven interfund loans. Three loans were made to the Pokegama Golf Course for a sales tax payment, to purchase golf carts, and 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, 2011 is as follows:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Major funds:		
General Fund	\$1,093,843	\$ -
Pokegama Golf Course	-	276,100
Nonmajor funds:		
Special revenue funds:		
Airport Operations	-	57,000
IRA Civic Center	-	72,743
Debt Service Funds:		
TIF 1-5 Black Bear Homes	-	125,894
Capital Projects Funds:		
General Capital Improvement Projects	125,894	-
Capital Equipment Replacement	-	688,000
	<u>\$1,219,737</u>	<u>\$1,219,737</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Amounts reported as due to/from other funds at December 31, 2011 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$1,828,015	\$419
2011 Infrastructure Bonds	-	1,090,209
2012 Infrastructure Bonds	-	1,804,274
Pokegama Golf Course	-	2,028
Nonmajor Funds:		
Special Revenue Funds:		
Airport Operations	419	-
IRA Civic Center	-	28,279
Haz-Mat	-	17,085
Debt Service Funds:		
TIF 1-6 Old Hospital Housing	-	1,868
TIF 1-5 Black Bear Homes	-	17,882
Capital Project Funds:		
General Capital Improvement Projects	17,882	-
7th Avenue Bridge Rehab	578,181	-
Permanent Improvement Revolving	836,800	-
2010 Infrastructure Bonds	-	299,253
	<u> </u>	<u> </u>
Total	<u>\$3,261,297</u>	<u>\$3,261,297</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:

	<u>Transfers In</u>		
	Nonmajor		
	Governmental		
	<u>General</u>	<u>Funds</u>	<u>Total</u>
Transfers out:			
General Fund	\$ -	\$376,164	\$376,164
Nonmajor Governmental Funds	19,322	646,005	665,327
Golf Course	3,500	-	3,500
Totals	<u>\$22,822</u>	<u>\$1,022,169</u>	<u>\$1,044,991</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 2011, the City made transfers from the General Fund to Special Revenue Funds (\$149,309) 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 (\$119,127), operating purposes (\$3,500) and to close five funds (\$623,055).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 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	\$4,984,903	\$500,649	\$ -	\$5,485,552
Construction in progress	3,176,438	6,929,663	(5,022,541)	5,083,560
Total capital assets, not being depreciated	<u>8,161,341</u>	<u>7,430,312</u>	<u>(5,022,541)</u>	<u>10,569,112</u>
Capital assets, being depreciated:				
Buildings and structures	18,403,715	8,128,536	(142,000)	26,390,251
Vehicles, equipment and furniture	6,891,445	2,169,130	(26,070)	9,034,505
Infrastructure	44,913,583	4,534,078	-	49,447,661
Total capital assets, being depreciated	<u>70,208,743</u>	<u>14,831,744</u>	<u>(168,070)</u>	<u>84,872,417</u>
Less accumulated depreciation for:				
Buildings and structures	10,678,646	3,418,688	(142,000)	13,955,334
Vehicles, equipment and furniture	3,620,564	1,400,864	(26,070)	4,995,358
Infrastructure	20,764,793	1,397,302	-	22,162,095
Total accumulated depreciation	<u>35,064,003</u>	<u>6,216,854</u>	<u>(168,070)</u>	<u>41,112,787</u>
Total capital assets being depreciated - net	<u>35,144,740</u>	<u>8,614,890</u>	<u>-</u>	<u>43,759,630</u>
Governmental activities capital assets - net	<u>\$43,306,081</u>	<u>\$16,045,202</u>	<u>(\$5,022,541)</u>	<u>\$54,328,742</u>

Primary Government	<u>Beginning Balance</u>	<u>Period Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$979,510	(\$70,536)	\$ -	(\$2,587)	\$906,387
Capital assets, being depreciated:					
Buildings and structures	2,098,482	70,536	17,179	-	2,186,197
Machinery, equipment and furniture	676,794	-	111,643	-	788,437
Total capital assets, being depreciated	<u>2,775,276</u>	<u>70,536</u>	<u>128,822</u>	<u>0</u>	<u>2,974,634</u>
Less accumulated depreciation for:					
Buildings and structures	334,857	52,180	62,427	-	449,464
Machinery, equipment and furniture	592,687	-	45,217	-	637,904
Total accumulated depreciation	<u>927,544</u>	<u>52,180</u>	<u>107,644</u>	<u>0</u>	<u>1,087,368</u>
Total capital assets being depreciated - net	<u>1,847,732</u>	<u>18,356</u>	<u>21,178</u>	<u>0</u>	<u>1,887,266</u>
Business-type activities capital assets - net	<u>\$2,827,242</u>	<u>(\$52,180)</u>	<u>\$21,178</u>	<u>(\$2,587)</u>	<u>\$2,793,653</u>

Included as increases to capital assets of governmental activities are \$6,038,953 (net) of Grand Rapids / Itasca County Airport capital assets that were contributed to the City on January 1, 2011. Notes 14 and 23 provide further information pertaining to the relationship between the City and the Airport.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

See Note 24 for details pertaining to the prior period adjustment.

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

Governmental activities:	
General government	\$77,820
Public safety	261,062
Public works, including depreciation of general infrastructure assets	1,912,365
Culture and recreation	<u>500,447</u>
Total depreciation expense - governmental activities	<u><u>\$2,751,694</u></u>
Business-type activities:	
Golf course	\$80,747
Storm water utility	<u>26,897</u>
Total depreciation expense - business-type activities	<u><u>\$107,644</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

Primary Government	Interest Rates	Issue Date	Maturity Date	Original Issue	Payable 12/31/11
Governmental Activities:					
G.O. Tax Increment Bonds:					
Tax Increment Bonds Series 2008A	3.75 - 4.60	8/1/2008	2/1/2034	\$850,000	\$835,000
G.O. Improvement Bonds:					
Improvement Bonds of 2001B	3.00 - 5.00	10/1/2001	2/1/2017	470,000	190,000
Improvement Bonds of 2003A	2.00 - 4.35	12/1/2003	1/27/2012	2,460,000	1,095,000
Improvement Bonds of 2004A	3.00 - 4.15	11/1/2004	2/1/2021	3,705,000	1,870,000
Improvement Bonds of 2005A	3.00 - 3.90	9/1/2005	2/1/2021	3,450,000	2,265,000
Improvement Bonds of 2005B	3.50 - 3.70	9/1/2005	4/1/2015	1,105,000	475,000
Improvement Bonds of 2006C	4.00	10/1/2006	2/1/2022	2,505,000	1,805,000
Improvement Bonds of 2007A	4.00-4.15	9/1/2007	2/1/2023	1,775,000	1,515,000
Improvement Bonds of 2007B	4.00-4.10	12/15/2007	4/1/2022	1,150,000	830,000
Improvement Bonds of 2008C	3.25-4.60	11/1/2008	2/1/2024	1,145,000	1,010,000
Improvement Refunding Bonds of 2009B	1.00 - 3.00	6/1/2009	2/1/2016	1,265,000	720,000
Improvement Bonds of 2009C	1.85 - 5.30	9/1/2009	2/1/2025	4,565,000	4,445,000
Improvement Bonds of 2010A	0.75 - 3.625	11/1/2010	2/1/2026	1,115,000	1,115,000
Improvement Bonds of 2011B	0.50 - 3.15%	12/1/2011	2/1/2027	1,555,000	1,555,000
Total G.O. Improvement Bonds				<u>26,265,000</u>	<u>18,890,000</u>
Other General Obligation Bonds:					
Capital Improvement Plan Bonds of 2006B	4.00	10/1/2006	2/1/2017	1,785,000	1,180,000
Street Reconstruction Bonds of 2008B	3.25-4.60	11/1/2008	2/1/2024	1,010,000	900,000
G.O. Equipment Certificates of 2009D	2.00 - 4.85	9/1/2009	2/1/2019	1,005,000	960,000
Capital Improvement Plan Bonds of 2010A	0.75 - 2.25	11/1/2010	2/1/2018	635,000	635,000
Total other general obligation bonds				<u>4,435,000</u>	<u>3,675,000</u>
Total bonded debt - governmental activities				31,550,000	23,400,000
Capital lease payable	0.00	11/22/2010	12/31/2020	136,444	122,800
Airport loan payable to Itasca County	0.00	2001	2017	147,000	57,000
Airport loan payable for t-hangars	0.00	2002	2012	255,088	14,850
Bond premium				76,365	76,365
Compensated absences				318,188	318,188
Total governmental activities				<u>\$32,483,085</u>	<u>\$23,989,203</u>
Business-Type Activities:					
Compensated absences				3,100	3,100
Total business-type activities				<u>\$3,100</u>	<u>\$3,100</u>
Component Units:					
EDA:					
Note payable	0.00	8/5/2010	8/5/2015	\$100,000	\$100,000
Public Utilities:					
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00 - 4.90	6/1/2009	12/1/2019	925,000	
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029	28,509,779	
Revenue Bonds:					
Taxable G.O. Wastewater Revenue Bonds of 2001A	5.00 - 6.50	10/1/2001	12/1/2021	4,700,000	
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016	1,915,000	
Revenue Notes:					
G.O. Revenue Note Series 1999	3.04	1/3/2000	1/1/2019	1,079,657	
Total public utilities				<u>37,129,436</u>	-
Total component unit				<u>\$37,229,436</u>	<u>\$100,000</u>

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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
2012	\$15,000	\$36,496	\$2,780,000	\$636,726	\$420,000	\$125,359
2013	15,000	35,934	1,800,000	572,369	445,000	112,375
2014	15,000	35,371	1,795,000	517,794	460,000	97,892
2015	20,000	34,715	1,565,000	463,161	475,000	82,134
2016	20,000	33,965	1,415,000	411,653	485,000	65,245
2017	20,000	33,170	1,400,000	361,257	500,000	47,237
2018	25,000	32,225	1,340,000	310,688	300,000	32,427
2019	25,000	31,175	1,320,000	259,616	205,000	22,164
2020	25,000	30,125	1,310,000	207,226	70,000	15,880
2021	30,000	28,970	1,250,000	154,805	75,000	12,690
2022	30,000	27,680	915,000	109,118	75,000	9,315
2023	35,000	26,250	700,000	73,747	80,000	5,750
2024	35,000	24,710	575,000	44,640	85,000	1,955
2025	40,000	23,060	505,000	19,214	-	-
2026	40,000	21,280	140,000	4,878	-	-
2027	45,000	19,368	80,000	1,260	-	-
2028	45,000	17,342	-	-	-	-
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	\$835,000	\$543,931	\$18,890,000	\$4,148,152	\$3,675,000	\$630,423

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Year Ending December 31,	Loans Payable		Revenue Bonds and Notes*	
	Governmental Activities		PUC Component Unit	
	Principal	Interest	Principal	Interest
2012	\$24,850	\$ -	\$4,634,000	\$1,183,193
2013	10,000	-	1,920,000	919,771
2014	10,000	-	1,976,000	865,313
2015	10,000	-	2,037,000	807,549
2016	10,000	-	2,101,000	746,020
2017	7,000	-	1,925,000	687,854
2018	-	-	1,977,000	632,469
2019	-	-	2,038,000	573,996
2020	-	-	1,926,000	511,782
2021	-	-	1,988,000	454,008
2022	-	-	1,531,000	393,356
2023	-	-	1,575,000	348,957
2024	-	-	1,621,000	303,282
2025	-	-	1,668,000	256,273
2026	-	-	1,716,000	207,901
2027	-	-	1,766,000	158,137
2028	-	-	1,817,000	106,923
2029	-	-	1,870,000	54,230
Total	<u>\$71,850</u>	<u>\$0</u>	<u>\$36,086,000</u>	<u>\$9,211,014</u>

*During 2009, the Commission was authorized to issue \$28,509,779 of sewer system Clean Water Fund revenue bonds. The outstanding amount reported on page 61 has been issued as of December 31, 2011. The repayment schedule above reflects the entire \$28,509,779 authorized less the \$700,779 principal payment made in 2010.

CURRENT REFUNDING

On December 1, 2011 the City issued General Obligation Improvement and Refunding Bonds, Series 2011B with interest rates ranging between 0.50% and 3.15%. \$525,000 of the proceeds, along with other cash, were used to refund the G.O. Improvement Bonds of 2003A on January 27, 2012. The interest rates on these bonds ranged from 3.5% to 4.35%. This refunding reduced total debt service payments by \$128,364 with a net present value of \$72,837.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
G.O. Tax increment bonds	\$850,000	\$ -	(\$15,000)	\$835,000	\$15,000
G.O. Improvement bonds	20,000,000	1,555,000	(2,665,000)	18,890,000	2,780,000
Other G.O. bonds	3,950,000	-	(275,000)	3,675,000	420,000
Bond premium	86,180	-	(9,815)	76,365	9,815
Capital lease payable	136,444	-	(13,644)	122,800	13,644
Loans payable	-	107,362	(35,512)	71,850	24,850
Compensated absences	298,857	65,479	(46,148)	318,188	72,878
Total governmental activities	<u>\$25,321,481</u>	<u>\$1,727,841</u>	<u>(\$3,060,119)</u>	<u>\$23,989,203</u>	<u>\$3,336,187</u>
<u>Business Type Activities:</u>					
Compensated absences	\$4,308	\$ -	(\$1,208)	\$3,100	\$1,593
<u>Component Units:</u>					
Lease revenue bonds - EDA	\$865,000	\$ -	(\$865,000)	\$ -	\$ -
Note payable - EDA	100,000	-	-	100,000	-
G.O. Revenue Bonds and Notes - PUC	28,535,597	-	-	28,535,597	-
Other deferred credits - PUC	98,968	-	-	98,968	-
Compensated absences - PUC	493,310	-	-	493,310	-
Total component units	<u>\$30,092,875</u>	<u>\$0</u>	<u>(\$865,000)</u>	<u>\$29,227,875</u>	<u>\$0</u>

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

\$107,362 of loans payable additions are shown in the schedule above. This amount represents the balance of loans payable owed by the Grand Rapids / Itasca County Airport as of January 1, 2011. Notes 14 and 23 provide further information pertaining to the relationship between the City and the Airport.

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, 2011 is \$122,800. The lease is payable in annual installments of \$13,644, beginning in 2011, and matures in 2020. Depreciation in the amount of \$13,644 has been recorded as depreciation expense during 2011.

The net book value of assets under the capital lease at December 31, 2010 is as follows:

	<u>December 31, 2011</u>
Machinery and equipment	\$136,444
Accumulated depreciation	<u>(27,288)</u>
Net	<u>\$109,156</u>

CITY OF GRAND RAPIDS, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

<u>Year</u>	<u>Payment</u>
2012	\$13,644
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>\$122,800</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, 2011, the amount of proceeds received was \$23,264,376 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, 2011

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	\$218,268	\$39,445	\$8,600
G.O. Improvement, 2003A	Infrastructure improvements	Special assessments	100%	2003-2020	\$1,116,839	\$186,128	\$121,965
G.O. Improvement, 2004A	Infrastructure improvements	Special assessments	67%	2004-2021	\$2,195,845	\$366,716	\$114,349
G.O. Improvement, 2005A	Infrastructure improvements	Special assessments	85%	2005-2021	\$2,685,258	\$335,276	\$154,553
G.O. Improvement, 2005B	Street reconstruction	MSA allotments	100%	2005-2015	\$510,037	\$128,920	\$128,920
Capital Improvement Plan Bonds, 2006B	Refunded 1996A Public Utilities Revenue Bonds	Receipts from PUC	100%	2006-2017	\$1,328,800	\$220,600	\$220,600
G.O. Improvement, 2006C	Infrastructure improvements	Special assessments	100%	2006-2023	\$2,190,700	\$255,800	\$324,554
G.O. Improvement, 2007A	Infrastructure improvements	Special assessments	33%	2007-2024	\$1,904,424	\$173,815	\$50,106
G.O. Improvement, 2007B	Street reconstruction	MSA allotments	100%	2007-2022	\$1,013,101	\$114,950	\$114,950
G.O. Tax Increment, 2008A	Demolition costs in TIF 1-6	Tax increment	100%	2009-2034	\$1,378,931	\$52,059	\$56,201
G.O. Street Reconstruction, 2008B	Street reconstruction	Special assessments	20%	2009-2023	\$1,171,862	\$98,860	\$12,486
G.O. Improvement, 2008C	Infrastructure improvements	Special assessments	38%	2009-2023	\$1,305,428	\$113,480	\$58,233
G.O. Improvement, 2009B	Refunded 96B, 98A, 99A and Improvement bonds	Special assessments	19%	2009-2016	\$746,431	\$286,268	\$48,930
G.O. Improvement, 2009C (Build America Bond)	Infrastructure improvements	Special assessments Federal BAB credit	24% 10%	2010-2024	\$6,013,934	\$314,888	\$140,384
G.O. Equip. Certificates, 2009D (Build America Bond)	2009 Ladder Truck	Federal BAB credit	7%	2010-2019	\$1,128,942	\$82,175	\$13,011
G.O. Improvement and CIP, 2010A	Infrastructure improvements, refund existing debt	Special assessments	35%	2011-2025	\$2,006,319	\$26,034	\$88,817
G.O. Improvement, 2011B	Infrastructure improvements, refund existing debt	Special assessments	56%	2012-2026	\$1,807,387	\$ -	\$ -

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, 2011

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 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. The City was required to contribute the following percentages of annual covered payroll in 2011: 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, 2011, 2010, and 2009 were \$202,817, \$188,420 and \$183,148, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2011, 2010, and 2009 were \$159,960, \$154,436 and \$178,335, 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 2011, 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 2011 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 \$86,228 made by the State of Minnesota for the Fire Relief Association. The City's annual pension cost and related information for the 2011 is as follows:

Annual pension cost - total	\$91,016
Contributions made	
City	\$5,000
State aid - pass-through	\$86,016
Actuarial valuation date	12/31/11
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, 2011

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>
12/31/2009	\$82,618	100%	\$ -
12/31/2010	94,054	100%	-
12/31/2011	91,016	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>
12/31/2009	\$1,486,938	\$1,328,600	\$158,338	112%
12/31/2010	1,710,510	1,451,000	259,510	118%
12/31/2011	1,763,048	1,591,125	171,923	111%

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, 2011

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>83</u>
Participating employers	<u>1</u>

D. FUNDING POLICY

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

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other 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, 2011, was calculated as follows:

Annual required contribution (ARC)	\$74,900
Interest on net OPEB obligation	7,183
Adjustment to ARC	<u>(10,392)</u>
Annual OPEB cost	71,691
Contributions made during the year	<u>(48,301)</u>
Increase in net OPEB obligation	23,390
Net OPEB obligation - beginning of year	<u>179,578</u>
Net OPEB obligation - end of year	<u>\$202,968</u>

The net OPEB obligation is allocated as follows:

Governmental activities	\$197,799
Business-type activities	<u>5,169</u>
Total	<u>\$202,968</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, 2011

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$71,691	\$48,301	67.4%	\$202,968
December 31, 2010	81,239	33,468	41.2%	179,578
December 31, 2009	78,747	16,437	20.9%	131,807

F. FUNDED STATUS AND FUNDING PROGRESS

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

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

*Using the projected unit credit actuarial pay cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

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

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

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011, was 26 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, 2011, \$300,000 of benefits have been paid, resulting in a \$320,000 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, 2011 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, 2011 the principal amount outstanding on the note was \$9,540.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011 the principal amount outstanding on the note was \$389,300.

Note 11 CONTINGENCIES

A. LITIGATION

The City attorney has indicated that 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 attorney, 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, and again in 2009-2010, 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 and 2009A bonds were issued to fund the remaining portion of the 2007 landfill 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 assets, the Commission reports \$2,462,644 of other deferred debits. This amount consists of deferred debits relating to the 2007 Landfill Phases 5 and 6 (\$1,275,954), the 2007 Landfill Phase 7 (\$810,729) and the unamortized portion of the Water Tower Reconditioning Project (\$375,961).

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 13 FUND BALANCE

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. This standard changed fund balance classifications for governmental fund statements. Definitions for the new classifications are included in Note 1P.

A. CLASSIFICATIONS

At December 31, 2011, a summary of the governmental fund balance classifications are as follows:

	General Fund	Improvement Bonds of 2005A	Improvement Bonds of 2006C	G.O. CIP Refunding Bonds of 2006B	2011 Infrastructure Bonds	2012 Infrastructure Bonds	Other Governmental Funds	Total
Nonspendable:								
Prepaid items	\$178,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$240,548	\$419,069
Interfund loans receivable	893,296	-	-	-	-	-	105,343	998,639
Restricted:								
Debt service	-	1,216,559	593,997	9,092	-	-	4,725,827	6,545,475
Law enforcement	-	-	-	-	-	-	50,587	50,587
Itasca County's equity in Airport	-	-	-	-	-	-	126,398	126,398
Other purposes	15,567	-	-	-	-	-	6,311	21,878
Committed								
Revenue stabilization	76,401	-	-	-	-	-	-	76,401
Public library	-	-	-	-	-	-	420,454	420,454
Central school	-	-	-	-	-	-	132,891	132,891
Airport operations	-	-	-	-	-	-	48,330	48,330
Recreation programs	-	-	-	-	-	-	42,462	42,462
Cemetery	-	-	-	-	-	-	455	455
Domestic animal control facility	-	-	-	-	-	-	4,775	4,775
Assigned:								
Capital purposes	-	-	-	-	-	-	2,073,531	2,073,531
Unassigned	3,857,416	-	-	-	(559,134)	(1,886,076)	(410,400)	1,001,806
Total	\$5,021,201	\$1,216,559	\$593,997	\$9,092	(\$559,134)	(\$1,886,076)	\$7,567,512	\$11,963,151

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, 2011, the unassigned fund balance of the General Fund was \$3,857,416, compared to its targeted unassigned fund balance of \$4,352,423 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, 2011 is as follows:

Revenue stabilization at December 31, 2010	\$ -
2011 replenishment	<u>76,401</u>
Revenue stabilization at December 31, 2011	<u><u>\$76,401</u></u>

Note 14 JOINT POWERS COOPERATIVE AGREEMENT

On October 27, 2011, the Joint Power Entity known as the Grand Rapids / Itasca County Airport Commission was dissolved and an Airport Advisory Board was created, as established by the Grand Rapids/ Itasca County Airport Joint Powers Cooperative Agreement. The agreement superseded and replaced all prior agreements between the City of Grand Rapids and Itasca County pertaining to the ownership, operations and maintenance of the Grand Rapids / Itasca County Airport.

The Airport Advisory Board was established 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. The real property, improvements, structures and equipment of the Grand Rapids / Itasca County Airport will continue to be 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 Grand Rapids / Itasca County Airport are reported as funds of the City.

Note 23 describes a special item reported in 2011 relating to the change in financial reporting of the airport.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

Note 15 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 2011 was 29,650 kW.

B. CONSTRUCTION COMMITMENTS

Significant construction commitments of the primary government at December 31, 2011 are as follows:

City Project	Contract Authorization	Expended as of 12/31/11	Committed
2014-1	\$512,721	\$494,023	\$18,698
2010-3	1,389,558	1,291,876	97,682
2011-4	2,439,598	2,004,571	435,027
	<u>\$4,341,877</u>	<u>\$3,790,470</u>	<u>\$551,407</u>

The Public Utilities Commission has _____ active construction projects as of December 31, 2011. The remaining commitment on these projects is \$ _____. As of _____, the Commission has awarded _____ additional contracts in 2012 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 2010 calculation of projected costs for all open and planned landfill sites included in the existing Industrial Solid Waste Disposal Facility Permit is:

Closure cost estimate	
Post-closure care cost estimate	
Contingency action	
Total	<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 – 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.

On January 12, 2011 and on November 30, 2009, Blandin Paper Company established an irrevocable letter of credit for \$2,797,030 and \$3,336,058, respectively 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 16 RISK MANAGEMENT

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

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

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

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

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

Note 17 CONDUIT DEBT

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

As of December 31, 2011, there were five bond issues outstanding, with an estimated aggregate principal amount payable of \$5,928,482.

Note 18 OPERATING LEASE

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

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

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

Note 19 AIRPORT LEASES

The City acts as the lessor in several operating-type lease agreements for space in the terminal building and hangars at the Airport. Most lease agreements are for less than three years. Future minimum lease agreements for 2012 total \$15,040. As of December 31, 2011, the cost of assets being leased was \$666,723 and the accumulated depreciation on those assets was \$219,947.

Note 20 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 method of calculating the payment was modified by a resolution adopted by both the Commission and the City. The annual payment is equal to the gross retail electric sales kilowatt hours from the previous year multiplied by 4.84 mills (a mill is one-tenth of one cent). The minimum annual payment to be distributed to the City shall be \$823,000. The amount of the payment in lieu of tax, including cash and utility supplied services, from the Public Utilities Commission for both 2011 and 2010 was \$823,000.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 21 DEFICIT FUND BALANCES

At December 31, 2011, individual funds with deficit fund balances are as follows:

Special Revenue Funds:	
IRA Civic Center	\$113,231
Debt Service Funds:	
TIF 1-5 Black Bear Homes	122,443
TIF 1-6 Old Hospital Housing Paygo	5,197
Capital Project Funds:	
2010 Infrastructure Bonds	165,457
2011 Infrastructure Bonds	559,134
2012 Infrastructure Bonds	1,886,076

Note 22 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 2011. 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 and 2009E. 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 2011 were \$_____.

Note 23 SPECIAL ITEM: GRAND RAPIDS / ITASCA COUNTY AIRPORT

As described in Note 14, the Grand Rapids / Itasca County Airport Commission was dissolved during 2011 and the Airport Advisory Board was created. Under the Commission, the airport was a joint venture between the City and Itasca County, possessed corporate powers, and issued its own Annual Financial Report. Because the City acted as the Commission's fiscal agent, the assets and liabilities of the airport were reported in an agency fund of the City.

The newly created Airport Advisory Board does not possess corporate powers and therefore, the two funds of the airport are reported as funds within the financial statements of the City (one special revenue fund and one capital project fund). The City began reporting the financial operations of the airport effective January 1, 2011 and no longer reports the airport's assets and liabilities in an agency fund.

CITY OF GRAND RAPIDS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

In accordance with generally accepted accounting principles, the City recorded a special item equal to the fund balance and net assets of the Itasca County – Grand Rapids Airport at January 1, 2011 in the following funds and on the statement of activities.

	<u>Special Item</u>
General Fund	\$67,000
Airport Operations Special Revenue Fund	\$133,482
Airport Capital Project Fund	\$147,147
Statement of Activities	\$6,212,220

Note 24 PRIOR PERIOD ADJUSTMENT

On January 1, 2011, the City recorded a prior period adjustment in the Pokegama Golf Course Fund. Previously reported net assets were overstated by \$52,180 because cart paths had not been depreciated.

Note 25 SUBSEQUENT EVENT

The City issued three general obligation bonds dated April 1, 2012 to fund various infrastructure improvements as follows:

- \$2,245,000 G.O. Improvement Bonds, Series 2012A, with interest rates from 0.5% to 3.25%, maturing February 1, 2028.
- \$4,175,000 G.O. State-Aid Street Bonds, Series 2012B, with interest rates from 0.4% to 2.6%, maturing April 1, 2027.
- \$905,000 G.O. Grant Anticipation Notes, Series 2012C, with an interest rate of 0.5% maturing February 1, 2014.

In addition, the Public Utilities Commission issued _____.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2011
 With Comparative Actual Amounts For The Year Ended December 31, 2010

	2011		Actual Amounts	Actual Over (Under) Final Budget	2010 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Revenues:					
Taxes:					
General property taxes	\$3,117,223	\$3,117,223	\$3,403,815	\$286,592	\$3,107,526
Payment in lieu of taxes:					
Housing and Redevelopment Authority	32,000	32,000	31,710	(290)	30,542
Public utilities	823,000	823,000	823,000	-	823,000
Total taxes	<u>3,972,223</u>	<u>3,972,223</u>	<u>4,258,525</u>	<u>286,302</u>	<u>3,961,068</u>
Licenses and permits:					
Business	37,950	37,950	40,715	2,765	40,025
Nonbusiness	233,515	233,515	185,113	(48,402)	213,977
Total licenses and permits	<u>271,465</u>	<u>271,465</u>	<u>225,828</u>	<u>(45,637)</u>	<u>254,002</u>
Intergovernmental:					
Federal:					
Public safety grants	-	-	25,840	25,840	4,912
State:					
Local government aid	1,349,614	1,349,614	963,410	(386,204)	963,410
Market value homestead credit	206,828	206,828	65,447	(141,381)	60,412
Mobile home homestead credit	-	-	3,589	3,589	2,922
Taconite supplemental aid	242,770	242,770	242,770	-	234,785
Taconite credit - mobile homes	-	-	13,519	13,519	11,959
Municipal state aid street maintenance	109,038	109,038	109,038	-	72,838
Police aid	114,000	114,000	116,967	2,967	132,367
Fire aid	95,000	95,000	87,016	(7,984)	89,228
Police training aid	9,700	9,700	7,196	(2,504)	7,170
PERA aid	11,695	11,695	11,695	-	11,695
State - miscellaneous	1,000	1,000	20,280	19,280	56,175
Local:					
School District #318	97,000	97,000	97,832	832	97,629
Total intergovernmental	<u>2,236,645</u>	<u>2,236,645</u>	<u>1,764,599</u>	<u>(472,046)</u>	<u>1,745,502</u>
Charges for services:					
General government	141,903	141,903	154,009	12,106	185,810
Public safety	262,075	262,075	265,758	3,683	256,595
Public works	247,301	247,301	269,479	22,178	203,843
Culture and recreation	6,560	6,560	7,127	567	7,575
Total charges for services	<u>657,839</u>	<u>657,839</u>	<u>696,373</u>	<u>38,534</u>	<u>653,823</u>
Fines and forfeits	<u>143,400</u>	<u>143,400</u>	<u>108,982</u>	<u>(34,418)</u>	<u>101,829</u>
Investment income	<u>49,241</u>	<u>49,241</u>	<u>36,292</u>	<u>(12,949)</u>	<u>36,801</u>
Miscellaneous:					
Donations/contributions	800	800	3,637	2,837	3,009
Rentals and leases	3,950	3,950	4,140	190	7,826
Airport loan repayment	10,000	10,000	-	(10,000)	10,000
Other	9,500	9,500	26,112	16,612	19,985
Total miscellaneous	<u>24,250</u>	<u>24,250</u>	<u>33,889</u>	<u>9,639</u>	<u>40,820</u>
Total revenues	<u>7,355,063</u>	<u>7,355,063</u>	<u>7,124,488</u>	<u>(230,575)</u>	<u>6,793,845</u>

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2011
 With Comparative Actual Amounts For The Year Ended December 31, 2010

	2011				2010 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personnel services	\$41,215	\$41,215	\$41,185	(\$30)	\$41,168
Materials and supplies	-	-	839	839	66
Other services and charges	74,031	74,031	72,703	(1,328)	72,160
Total mayor and city council	<u>115,246</u>	<u>115,246</u>	<u>114,727</u>	<u>(519)</u>	<u>113,394</u>
Administration:					
Current:					
Personnel services	339,899	339,899	350,356	10,457	346,321
Materials and supplies	7,250	7,250	4,569	(2,681)	8,038
Other services and charges	105,586	105,586	106,817	1,231	88,772
Total administration	<u>452,735</u>	<u>452,735</u>	<u>461,742</u>	<u>9,007</u>	<u>443,131</u>
Finance:					
Current:					
Personnel services	323,780	323,780	323,093	(687)	312,922
Materials and supplies	4,550	4,550	11,439	6,889	4,977
Other services and charges	61,885	61,885	56,799	(5,086)	50,923
Total finance	<u>390,215</u>	<u>390,215</u>	<u>391,331</u>	<u>1,116</u>	<u>368,822</u>
Information technology:					
Current:					
Personnel services	67,931	67,931	96,794	28,863	65,647
Materials and supplies	1,200	1,200	1,382	182	539
Other services and charges	107,950	107,950	78,662	(29,288)	91,892
Total information technology	<u>177,081</u>	<u>177,081</u>	<u>176,838</u>	<u>(243)</u>	<u>158,078</u>
Community development:					
Current:					
Personnel services	295,728	295,728	294,304	(1,424)	287,191
Materials and supplies	3,650	3,650	2,870	(780)	2,762
Other charges and services	33,650	50,650	47,770	(2,880)	60,072
Total community development	<u>333,028</u>	<u>350,028</u>	<u>344,944</u>	<u>(5,084)</u>	<u>350,025</u>
Building maintenance - City hall:					
Current:					
Personnel services	137,481	137,481	142,077	4,596	131,390
Materials and supplies	6,350	6,350	6,789	439	6,822
Other charges and services	75,470	75,470	71,844	(3,626)	64,108
Total building maintenance - City hall	<u>219,301</u>	<u>219,301</u>	<u>220,710</u>	<u>1,409</u>	<u>202,320</u>
Total general government	<u>1,687,606</u>	<u>1,704,606</u>	<u>1,710,292</u>	<u>5,686</u>	<u>1,635,770</u>

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2011
 With Comparative Actual Amounts For The Year Ended December 31, 2010

	2011				2010 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Public safety:					
Police protection:					
Current:					
Personnel services	\$1,662,868	1,662,868	\$1,615,109	(\$47,759)	\$1,595,057
Materials and supplies	79,450	79,450	103,391	23,941	101,591
Other charges and services	190,427	190,427	186,591	(3,836)	207,723
Total police protection	<u>1,932,745</u>	<u>1,932,745</u>	<u>1,905,091</u>	<u>(27,654)</u>	<u>1,904,371</u>
Fire protection:					
Current:					
Personnel services	368,806	368,806	344,556	(24,250)	332,143
Materials and supplies	52,382	52,382	51,236	(1,146)	45,501
Other charges and services	104,975	104,975	108,314	3,339	102,938
Capital outlay	-	-	32,878	32,878	-
Total fire protection	<u>526,163</u>	<u>526,163</u>	<u>536,984</u>	<u>10,821</u>	<u>480,582</u>
Total public safety	<u>2,458,908</u>	<u>2,458,908</u>	<u>2,442,075</u>	<u>(16,833)</u>	<u>2,384,953</u>
Public works:					
Public works:					
Current:					
Personnel services	656,494	656,494	704,894	48,400	653,830
Materials and supplies	192,500	192,500	186,238	(6,262)	184,685
Other services and charges	404,917	404,917	416,444	11,527	477,132
Street lighting	220,000	220,000	238,401	18,401	250,680
Capital outlay	-	-	18,927	18,927	56,424
Total public works	<u>1,473,911</u>	<u>1,473,911</u>	<u>1,564,904</u>	<u>90,993</u>	<u>1,622,751</u>
Engineering:					
Current:					
Personnel services	219,213	219,213	239,638	20,425	215,288
Materials and supplies	5,900	5,900	4,614	(1,286)	1,922
Other services and charges	46,840	46,840	46,379	(461)	44,139
Total engineering	<u>271,953</u>	<u>271,953</u>	<u>290,631</u>	<u>18,678</u>	<u>261,349</u>
Fleet maintenance:					
Current:					
Personnel services	157,432	157,432	163,571	6,139	-
Materials and supplies	11,000	11,000	15,660	4,660	-
Other services and charges	44,800	44,800	54,638	9,838	-
Total fleet maintenance	<u>213,232</u>	<u>213,232</u>	<u>233,869</u>	<u>20,637</u>	<u>0</u>
Total public works	<u>1,959,096</u>	<u>1,959,096</u>	<u>2,089,404</u>	<u>130,308</u>	<u>1,884,100</u>

CITY OF GRAND RAPIDS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2011
 With Comparative Actual Amounts For The Year Ended December 31, 2010

	2011				2010 Actual Amounts
	Budgeted Amounts		Actual Amounts	Actual Over (Under) Final Budget	
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Current:					
Personnel services	\$164,188	\$164,188	\$132,604	(\$31,584)	\$151,834
Materials and supplies	3,000	3,000	12,085	9,085	6,062
Other services and charges	6,950	6,950	7,497	547	8,260
Total culture and recreation	<u>174,138</u>	<u>174,138</u>	<u>152,186</u>	<u>(21,952)</u>	<u>166,156</u>
Miscellaneous:					
City-wide:					
Current:					
Early Retirement Incentive Plan	122,500	122,500	122,500	-	115,000
Other services and charges	250,822	250,822	225,824	(24,998)	369,946
Special projects:					
Current:					
Other services and charges	15,000	15,000	21,485	6,485	56,068
Total miscellaneous	<u>388,322</u>	<u>388,322</u>	<u>369,809</u>	<u>(18,513)</u>	<u>541,014</u>
Total expenditures	<u>6,668,070</u>	<u>6,685,070</u>	<u>6,763,766</u>	<u>78,696</u>	<u>6,611,993</u>
Revenues over (under) expenditures	<u>686,993</u>	<u>669,993</u>	<u>360,722</u>	<u>(309,271)</u>	<u>181,852</u>
Other financing sources (uses):					
Sale of capital assets	-	-	5,360	5,360	4,957
Transfers in	22,822	22,822	22,822	-	3,500
Transfers out	(709,815)	(709,815)	(376,164)	333,651	(572,191)
Total other financing sources (uses)	<u>(686,993)</u>	<u>(686,993)</u>	<u>(347,982)</u>	<u>339,011</u>	<u>(563,734)</u>
Special item:					
Grand Rapids / Itasca County Airport	-	-	67,000	67,000	-
Merger of Grand Rapids Township	-	-	-	-	574,001
Total special items	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>	<u>574,001</u>
Net change in fund balance	<u>\$0</u>	<u>(\$17,000)</u>	<u>79,740</u>	<u>\$96,740</u>	<u>192,119</u>
Fund balance - January 1			<u>4,941,461</u>		<u>4,749,342</u>
Fund balance - December 31			<u>\$5,021,201</u>		<u>\$4,941,461</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, 2011

<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%
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**

NONMAJOR GOVERNMENTAL FUNDS

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, 2011
 With Comparative Totals For December 31, 2010

Statement 11

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2011	2010
Assets					
Cash and investments	\$953,247	\$4,762,481	\$1,507,556	\$7,223,284	\$9,189,599
Due from other governmental units	136,940	-	179,645	316,585	729,461
Due from other funds	419	-	1,432,863	1,433,282	-
Due from component unit	-	-	5,452	5,452	518,829
Accounts receivable	51,137	-	-	51,137	51,088
Interfund loan receivable	-	-	125,894	125,894	135,000
Prepaid items	11,915	-	228,633	240,548	11,547
Taxes receivable - delinquent	7,293	11,351	-	18,644	19,516
Special assessments receivable	-	3,150,149	11,133	3,161,282	3,281,971
Total assets	\$1,160,951	\$7,923,981	\$3,491,176	\$12,576,108	\$13,937,011
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$53,210	\$18,648	\$33,158	\$105,016	\$170,993
Accrued wages payable	19,534	-	-	19,534	18,949
Due to other governmental units	6,291	-	-	6,291	8,856
Due to component units	13,451	-	-	13,451	13,342
Contracts payable	198,067	-	21,600	219,667	99,335
Due to other funds	45,364	19,750	299,253	364,367	675,122
Deposits payable	11,493	-	-	11,493	9,593
Interfund loan payable	129,743	125,894	688,000	943,637	223,792
Deferred revenue	40,849	3,161,502	122,789	3,325,140	3,741,937
Total liabilities	518,002	3,325,794	1,164,800	5,008,596	4,961,919
Fund balance:					
Nonspendable	11,915	-	333,976	345,891	140,147
Restricted	98,970	4,725,827	84,326	4,909,123	5,135,679
Committed	649,367	-	-	649,367	-
Assigned	-	-	2,073,531	2,073,531	4,015,122
Unassigned	(117,303)	(127,640)	(165,457)	(410,400)	(315,856)
Total fund balance	642,949	4,598,187	2,326,376	7,567,512	8,975,092
Total liabilities and fund balance	\$1,160,951	\$7,923,981	\$3,491,176	\$12,576,108	\$13,937,011

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2011
With Comparative Totals For The Year Ended December 31, 2010

Statement 12

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2011	2010
Revenue:					
Taxes:					
General property	\$628,735	\$891,470	\$ -	\$1,520,205	\$1,488,075
Tax increments	-	141,767	-	141,767	131,121
Licenses and permits	290	-	-	290	1,050
Intergovernmental	473,728	422,211	1,560,487	2,456,426	2,298,437
Special assessments	-	575,659	9,221	584,880	629,432
Charges for services	1,073,143	-	204,711	1,277,854	950,962
Fines and forfeits	82,570	-	-	82,570	40,699
Investment income	13,055	54,713	55,803	123,571	102,844
Contributions and donations	112,255	-	11,848	124,103	25,962
Other	2,157	-	-	2,157	2,139
Total revenue	<u>2,385,933</u>	<u>2,085,820</u>	<u>1,842,070</u>	<u>6,313,823</u>	<u>5,670,721</u>
Expenditures:					
Current:					
General government	-	44,025	252,227	296,252	207,525
Public safety	139,925	-	2,500	142,425	115,649
Public works	403,353	-	232,730	636,083	289,989
Culture and recreation	1,590,275	-	3,463	1,593,738	1,565,311
Capital outlay/construction	638,269	-	2,474,971	3,113,240	3,173,093
Debt service:					
Principal retirement	35,512	2,360,000	-	2,395,512	2,227,668
Interest	-	686,907	-	686,907	726,033
Paying agent fees	-	5,146	-	5,146	6,577
Bond issuance costs	-	14,571	-	14,571	39,692
Total expenditures	<u>2,807,334</u>	<u>3,110,649</u>	<u>2,965,891</u>	<u>8,883,874</u>	<u>8,351,537</u>
Revenue over (under) expenditures	<u>(421,401)</u>	<u>(1,024,829)</u>	<u>(1,123,821)</u>	<u>(2,570,051)</u>	<u>(2,680,816)</u>
Other financing sources (uses):					
Capital lease proceeds	-	-	-	-	136,444
Issuance of refunding bonds	-	525,000	-	525,000	925,000
Bond issuance	-	-	-	-	825,000
Transfers in	172,259	191,969	657,941	1,022,169	1,055,290
Transfers out	-	(41,969)	(623,358)	(665,327)	(523,688)
Total other financing sources (uses)	<u>172,259</u>	<u>675,000</u>	<u>34,583</u>	<u>881,842</u>	<u>2,418,046</u>
Special item:					
Grand Rapids / Itasca County Airport	<u>133,482</u>	<u>-</u>	<u>147,147</u>	<u>280,629</u>	<u>-</u>
Net change in fund balance	(115,660)	(349,829)	(942,091)	(1,407,580)	(262,770)
Fund balance - January 1	<u>758,609</u>	<u>4,948,016</u>	<u>3,268,467</u>	<u>8,975,092</u>	<u>9,237,862</u>
Fund balance - December 31	<u>\$642,949</u>	<u>\$4,598,187</u>	<u>\$2,326,376</u>	<u>\$7,567,512</u>	<u>\$8,975,092</u>

- This page intentionally left blank -

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, 2011
With Comparative Totals For December 31, 2010

	<u>211 Public Library</u>	<u>225 Central School</u>	<u>226 Airport Operations</u>	<u>228 IRA Civic Center</u>
Assets				
Cash and investments	\$551,627	\$147,578	\$145,593	\$ -
Due from other governmental units	93,667	-	17,675	406
Due from other funds	-	-	419	-
Accounts receivable	1,696	-	4,700	44,741
Prepaid items	5,728	1,288	276	4,072
Taxes receivable - delinquent	5,994	-	-	-
Total assets	<u><u>\$658,712</u></u>	<u><u>\$148,866</u></u>	<u><u>\$168,663</u></u>	<u><u>\$49,219</u></u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$15,838	\$2,264	\$5,980	\$18,502
Accrued wages payable	8,452	-	1,547	7,339
Due to other governmental units	528	1	2,126	1,894
Due to component units	2,830	1,069	1,799	6,878
Due to other funds	-	-	-	28,279
Deposits payable	-	11,353	-	-
Interfund loan payable	-	-	57,000	72,743
Contracts payable	198,067	-	-	-
Deferred revenue	6,815	-	3,275	26,815
Total liabilities	<u><u>232,530</u></u>	<u><u>14,687</u></u>	<u><u>71,727</u></u>	<u><u>162,450</u></u>
Fund balance (deficit):				
Nonspendable	5,728	1,288	276	4,072
Restricted	-	-	48,330	-
Committed	420,454	132,891	48,330	-
Assigned	-	-	-	-
Unassigned	-	-	-	(117,303)
Total fund balance (deficit)	<u><u>426,182</u></u>	<u><u>134,179</u></u>	<u><u>96,936</u></u>	<u><u>(113,231)</u></u>
Total liabilities and fund balance	<u><u>\$658,712</u></u>	<u><u>\$148,866</u></u>	<u><u>\$168,663</u></u>	<u><u>\$49,219</u></u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2011	2010
\$47,493	\$ -	\$51,337	\$5,174	\$4,445	\$953,247	\$983,860
129	21,740	-	-	3,323	136,940	52,741
-	-	-	-	-	419	-
-	-	-	-	-	51,137	51,088
-	-	-	-	551	11,915	11,547
-	-	-	1,299	-	7,293	6,732
<u>\$47,622</u>	<u>\$21,740</u>	<u>\$51,337</u>	<u>\$6,473</u>	<u>\$8,319</u>	<u>\$1,160,951</u>	<u>\$1,105,968</u>
\$2,367	\$3,935	\$750	\$1,858	\$1,716	\$53,210	\$53,263
-	667	-	978	551	19,534	18,949
8	-	-	1,716	18	6,291	7,437
-	-	-	167	708	13,451	13,166
-	17,085	-	-	-	45,364	66,223
140	-	-	-	-	11,493	8,561
-	-	-	-	-	129,743	88,792
-	-	-	-	-	198,067	-
2,645	-	-	1,299	-	40,849	90,968
<u>5,160</u>	<u>21,687</u>	<u>750</u>	<u>6,018</u>	<u>2,993</u>	<u>518,002</u>	<u>347,359</u>
-	-	-	-	551	11,915	11,547
-	53	50,587	-	-	98,970	45,091
42,462	-	-	455	4,775	649,367	-
-	-	-	-	-	-	881,418
-	-	-	-	-	(117,303)	(179,447)
<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>\$47,622</u>	<u>\$21,740</u>	<u>\$51,337</u>	<u>\$6,473</u>	<u>\$8,319</u>	<u>\$1,160,951</u>	<u>\$1,105,968</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, 2011
With Comparative Totals For The Year Ended December 31, 2010

	<u>211 Public Library</u>	<u>225 Central School</u>	<u>226 Airport Operations</u>	<u>228 IRA Civic Center</u>
Revenue:				
General property taxes	\$473,588	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	270,618	7,000	73,588	-
Charges for services	154,554	82,995	131,878	632,248
Fines and forfeits	14,303	-	-	-
Investment income	6,340	2,164	3,056	55
Contributions and donations	111,755	-	-	-
Other	-	1,181	138	-
Total revenue	<u>1,031,158</u>	<u>93,340</u>	<u>208,660</u>	<u>632,303</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	219,694	-
Culture and recreation	773,613	123,926	-	640,535
Capital outlay	589,786	-	-	-
Debt service - loan repayment	-	-	35,512	-
Total expenditures	<u>1,363,399</u>	<u>123,926</u>	<u>255,206</u>	<u>640,535</u>
Revenue over (under) expenditures	<u>(332,241)</u>	<u>(30,586)</u>	<u>(46,546)</u>	<u>(8,232)</u>
Other financing sources (uses):				
Transfers in	<u>68,309</u>	<u>17,000</u>	<u>10,000</u>	<u>27,450</u>
Special item:				
Grand Rapids / Itasca County Airport	<u>-</u>	<u>-</u>	<u>133,482</u>	<u>-</u>
Net change in fund balance	(263,932)	(13,586)	96,936	19,218
Fund balance (deficit) - January 1	<u>690,114</u>	<u>147,765</u>	<u>-</u>	<u>(132,449)</u>
Fund balance (deficit) - December 31	<u><u>\$426,182</u></u>	<u><u>\$134,179</u></u>	<u><u>\$96,936</u></u>	<u><u>(\$113,231)</u></u>

230 Recreation Programs	231 Haz-Mat	232 Police Forfeiture	233 Cemetery	235 Domestic Animal Control Facility	Totals Nonmajor Special Revenue Funds	
					2011	2010
\$ -	\$ -	\$ -	\$155,147	\$ -	\$628,735	\$602,474
-	-	-	-	290	290	1,050
-	105,286	928	16,308	-	473,728	144,708
46,363	-	-	25,105	-	1,073,143	929,246
-	-	35,263	-	33,004	82,570	40,699
749	-	691	-	-	13,055	12,691
500	-	-	-	-	112,255	22,462
-	-	-	810	28	2,157	2,139
<u>47,612</u>	<u>105,286</u>	<u>36,882</u>	<u>197,370</u>	<u>33,322</u>	<u>2,385,933</u>	<u>1,755,469</u>
-	57,404	30,732	-	51,789	139,925	115,649
-	-	-	183,659	-	403,353	226,685
52,201	-	-	-	-	1,590,275	1,561,438
-	48,483	-	-	-	638,269	30,463
-	-	-	-	-	35,512	-
<u>52,201</u>	<u>105,887</u>	<u>30,732</u>	<u>183,659</u>	<u>51,789</u>	<u>2,807,334</u>	<u>1,934,235</u>
<u>(4,589)</u>	<u>(601)</u>	<u>6,150</u>	<u>13,711</u>	<u>(18,467)</u>	<u>(421,401)</u>	<u>(178,766)</u>
-	-	-	29,500	20,000	172,259	55,881
-	-	-	-	-	133,482	-
(4,589)	(601)	6,150	43,211	1,533	(115,660)	(122,885)
<u>47,051</u>	<u>654</u>	<u>44,437</u>	<u>(42,756)</u>	<u>3,793</u>	<u>758,609</u>	<u>881,494</u>
<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>

- This page intentionally left blank -

NONMAJOR DEBT SERVICE FUNDS

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

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

- General Debt Bonds
- Tax Increment Bonds
- Improvement Bonds

General Debt Bonds are repaid primarily from general property taxes.

Tax Increment Bonds are repaid primarily from tax increment collections.

Improvement Bonds are repaid primarily from special assessments.

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2011
With Comparative Totals For December 31, 2010

	<u>301 Debt Service Reserve</u>	<u>308 Tax Abatement</u>	<u>309 Equipment Certificates of 2009D</u>	<u>344 Improvement Bonds of 2001B</u>
Assets				
Cash and investments	\$4,718	\$1,557	\$141,897	\$160,193
Due from other governmental units	-	-	-	-
Taxes receivable - delinquent	-	-	1,453	-
Special assessments:				
Delinquent	-	-	-	179
Deferred	-	-	-	24,175
Special deferred	-	-	-	-
Total assets	<u><u>\$4,718</u></u>	<u><u>\$1,557</u></u>	<u><u>\$143,350</u></u>	<u><u>\$184,547</u></u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$2,750
Due to other funds	-	-	-	-
Interfund loan payable	-	-	-	-
Deferred revenue	-	-	1,453	24,354
Total liabilities	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>1,453</u></u>	<u><u>27,104</u></u>
Fund balance:				
Restricted	4,718	1,557	141,897	157,443
Unassigned	-	-	-	-
Total fund balance	<u><u>4,718</u></u>	<u><u>1,557</u></u>	<u><u>141,897</u></u>	<u><u>157,443</u></u>
Total liabilities and fund balance	<u><u>\$4,718</u></u>	<u><u>\$1,557</u></u>	<u><u>\$143,350</u></u>	<u><u>\$184,547</u></u>

346 Improvement Bonds of 2003A	347 Improvement Bonds of 2004	353 Improvement Bonds of 2007A	349 G.O. State- Aid Street Bonds of 2005B	354 G.O. State- Aid Improvement Bonds of 2007B	355 Improvement Bonds of 2008C	356 G.O. Street Reconstruction Bonds of 2008B
\$1,189,161	\$885,099	\$304,331	\$6,231	\$19,337	\$213,225	\$122,243
-	-	-	-	-	-	-
-	1,124	1,270	-	-	894	932
29,023	4,898	5,676	-	-	31,266	485
628,378	484,895	259,079	-	-	205,677	74,983
-	1,575	-	-	-	24,042	-
<u>\$1,846,562</u>	<u>\$1,377,591</u>	<u>\$570,356</u>	<u>\$6,231</u>	<u>\$19,337</u>	<u>\$475,104</u>	<u>\$198,643</u>
\$1,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
657,401	492,492	266,026	-	-	261,879	76,400
<u>659,305</u>	<u>492,492</u>	<u>266,026</u>	<u>0</u>	<u>0</u>	<u>261,879</u>	<u>76,400</u>
1,187,257	885,099	304,330	6,231	19,337	213,225	122,243
-	-	-	-	-	-	-
<u>1,187,257</u>	<u>885,099</u>	<u>304,330</u>	<u>6,231</u>	<u>19,337</u>	<u>213,225</u>	<u>122,243</u>
<u>\$1,846,562</u>	<u>\$1,377,591</u>	<u>\$570,356</u>	<u>\$6,231</u>	<u>\$19,337</u>	<u>\$475,104</u>	<u>\$198,643</u>

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2011
With Comparative Totals For December 31, 2010

	357 Improvement Refunding Bonds of 2009B	358 Improvement Bonds of 2009C	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B
Assets				
Cash and investments	\$399,752	\$812,880	\$249,544	\$810
Due from other governmental units	-	-	-	-
Taxes receivable - delinquent	692	3,120	1,679	-
Special assessments:				
Delinquent	403	17,749	4,994	-
Deferred	98,361	638,610	405,685	187,230
Special deferred	1,156	21,630	-	-
Total assets	\$500,364	\$1,493,989	\$661,902	\$188,040
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Interfund loan payable	-	-	-	-
Deferred revenue	100,613	681,109	412,358	187,230
Total liabilities	100,613	681,109	412,358	187,230
Fund balance:				
Restricted	399,751	812,880	249,544	810
Unassigned	-	-	-	-
Total fund balance	399,751	812,880	249,544	810
Total liabilities and fund balance	\$500,364	\$1,493,989	\$661,902	\$188,040

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	
					2011	2010
\$41,562	\$11,989	\$ -	\$21,333	\$176,619	\$4,762,481	\$5,118,135
-	-	-	-	-	-	242
-	175	-	12	-	11,351	12,784
-	-	-	-	-	94,673	53,920
-	-	-	-	-	3,007,073	3,159,297
-	-	-	-	-	48,403	48,403
<u>\$41,562</u>	<u>\$12,164</u>	<u>\$0</u>	<u>\$21,345</u>	<u>\$176,619</u>	<u>\$7,923,981</u>	<u>\$8,392,781</u>
\$1,405	\$9,260	\$3,329	\$ -	\$ -	\$18,648	\$30,374
-	-	1,868	17,882	-	19,750	4,987
-	-	-	125,894	-	125,894	135,000
-	175	-	12	-	3,161,502	3,274,404
<u>1,405</u>	<u>9,435</u>	<u>5,197</u>	<u>143,788</u>	<u>0</u>	<u>3,325,794</u>	<u>3,444,765</u>
40,157	2,729	-	-	176,619	4,725,827	5,084,425
-	-	(5,197)	(122,443)	-	(127,640)	(136,409)
<u>40,157</u>	<u>2,729</u>	<u>(5,197)</u>	<u>(122,443)</u>	<u>176,619</u>	<u>4,598,187</u>	<u>4,948,016</u>
<u>\$41,562</u>	<u>\$12,164</u>	<u>\$0</u>	<u>\$21,345</u>	<u>\$176,619</u>	<u>\$7,923,981</u>	<u>\$8,392,781</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, 2011
With Comparative Totals For The Year Ended December 31, 2010

	301 Debt Service Reserve	308 Tax Abatement	309 Equipment Certificates of 2009D	315 EDA Capital Lease	344 Improvement Bonds of 2001B
Revenue:					
Taxes:					
General property	\$ -	\$ -	\$119,448	\$ -	\$8,630
Tax increments	-	-	-	-	-
Intergovernmental:					
State:					
Market value homestead credit	-	-	2,382	-	173
Supplemental aid	-	-	9,456	-	686
MSA	-	-	-	-	-
Federal BAB credit	-	-	13,011	-	-
Special assessments	-	-	-	-	8,600
Investment income	71	-	1,086	-	2,319
Total revenue	<u>71</u>	<u>0</u>	<u>145,383</u>	<u>0</u>	<u>20,408</u>
Expenditures:					
General government:					
Current:					
Contractual services	-	-	228	-	2,750
Developer assistance	-	-	-	-	-
Debt service:					
Principal retirement	-	-	45,000	-	30,000
Interest	-	-	37,175	-	9,445
Paying agent fees	-	-	400	-	431
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>0</u>	<u>0</u>	<u>82,803</u>	<u>0</u>	<u>42,626</u>
Revenue over (under) expenditures	<u>71</u>	<u>0</u>	<u>62,580</u>	<u>0</u>	<u>(22,218)</u>
Other financing sources (uses):					
Issuance of refunding bonds	-	-	-	-	-
Transfer in	-	-	-	-	-
Transfer out	-	-	-	(26,298)	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,298)</u>	<u>0</u>
Net change in fund balance	71	0	62,580	(26,298)	(22,218)
Fund balance (deficit) - January 1	<u>4,647</u>	<u>1,557</u>	<u>79,317</u>	<u>26,298</u>	<u>179,661</u>
Fund balance (deficit) - December 31	<u>\$4,718</u>	<u>\$1,557</u>	<u>\$141,897</u>	<u>\$0</u>	<u>\$157,443</u>

345 Improvement Bonds of 2002A	346 Improvement Bonds of 2003A	347 Improvement Bonds of 2004	353 Improvement Bonds of 2007A	355 Improvement Bonds of 2008C	349 G.O. State- Aid Street Bonds of 2005B	354 G.O. State- Aid Improvement Bonds of 2007B
\$ -	\$ -	\$78,743	\$102,836	\$63,321	\$ -	\$ -
-	-	-	-	-	-	-
-	-	1,561	2,046	1,259	-	-
-	-	6,196	8,121	4,997	-	-
-	-	-	-	-	128,920	114,950
-	-	-	-	-	-	-
-	121,965	114,349	50,106	58,233	-	-
502	10,655	11,983	3,489	2,453	291	363
502	132,620	212,832	166,598	130,263	129,211	115,313
-	-	230	229	229	2,978	229
-	-	-	-	-	-	-
1,015,000	140,000	295,000	110,000	70,000	110,000	80,000
22,812	46,128	71,716	63,815	43,480	18,920	34,950
-	431	431	350	375	403	375
-	14,571	-	-	-	-	-
1,037,812	201,130	367,377	174,394	114,084	132,301	115,554
(1,037,310)	(68,510)	(154,545)	(7,796)	16,179	(3,090)	(241)
-	525,000	-	-	-	-	-
-	-	-	-	-	-	-
(15,671)	-	-	-	-	-	-
(15,671)	525,000	0	0	0	0	0
(1,052,981)	456,490	(154,545)	(7,796)	16,179	(3,090)	(241)
1,052,981	730,767	1,039,644	312,126	197,046	9,321	19,578
\$0	\$1,187,257	\$885,099	\$304,330	\$213,225	\$6,231	\$19,337

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, 2011
With Comparative Totals For The Year Ended December 31, 2010

	356 G.O. Street Reconstruction Bonds of 2008B	357 Improvement Refunding Bonds of 2009B	358 Improvement Bonds of 2009C	359 Improvement Bonds of 2010A	360 Improvement Bonds of 2011B
Revenue:					
Taxes:					
General property	\$72,041	\$61,735	\$253,648	\$131,068	\$ -
Tax increments	-	-	-	-	-
Intergovernmental:					
State:					
Market value homestead credit	1,434	1,225	5,055	2,607	-
Supplemental aid	5,691	4,862	20,066	10,350	-
MSA	-	-	-	-	-
Federal BAB credit	-	-	68,211	-	-
Special assessments	12,486	48,930	72,173	88,817	-
Investment income	1,193	4,955	9,738	1,976	810
Total revenue	92,845	121,707	428,891	234,818	810
Expenditures:					
General government:					
Current:					
Contractual services	230	229	228	2,440	-
Developer assistance	-	-	-	-	-
Debt service:					
Principal retirement	60,000	270,000	120,000	-	-
Interest	38,860	16,268	194,888	26,034	-
Paying agent fees	375	400	400	400	-
Bond issuance costs	-	-	-	-	-
Total expenditures	99,465	286,897	315,516	28,874	0
Revenue over (under) expenditures	(6,620)	(165,190)	113,375	205,944	810
Other financing sources (uses):					
Issuance of refunding bonds	-	-	-	-	-
Transfer in	-	150,000	-	41,969	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	0	150,000	0	41,969	0
Net change in fund balance	(6,620)	(15,190)	113,375	247,913	810
Fund balance (deficit) - January 1	128,863	414,941	699,505	1,631	-
Fund balance (deficit) - December 31	\$122,243	\$399,751	\$812,880	\$249,544	\$810

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	
					2011	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$891,470	\$885,601
56,201	25,709	8,427	23,940	27,490	141,767	131,121
-	-	-	4,008	-	21,750	23,469
-	-	-	4,944	-	75,369	79,344
-	-	-	-	-	243,870	245,833
-	-	-	-	-	81,222	72,001
-	-	-	-	-	575,659	628,711
266	22	-	103	2,438	54,713	47,678
<u>56,467</u>	<u>25,731</u>	<u>8,427</u>	<u>32,995</u>	<u>29,928</u>	<u>2,085,820</u>	<u>2,113,758</u>
3,362	1,426	418	473	365	16,044	19,997
-	20,397	7,584	-	-	27,981	55,549
15,000	-	-	-	-	2,360,000	2,227,668
37,059	-	-	25,357	-	686,907	726,033
375	-	-	-	-	5,146	6,577
-	-	-	-	-	14,571	8,916
<u>55,796</u>	<u>21,823</u>	<u>8,002</u>	<u>25,830</u>	<u>365</u>	<u>3,110,649</u>	<u>3,044,740</u>
671	3,908	425	7,165	29,563	(1,024,829)	(930,982)
-	-	-	-	-	525,000	925,000
-	-	-	-	-	191,969	427,364
-	-	-	-	-	(41,969)	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>675,000</u>	<u>1,352,364</u>
671	3,908	425	7,165	29,563	(349,829)	421,382
39,486	(1,179)	(5,622)	(129,608)	147,056	4,948,016	4,526,634
<u>\$40,157</u>	<u>\$2,729</u>	<u>(\$5,197)</u>	<u>(\$122,443)</u>	<u>\$176,619</u>	<u>\$4,598,187</u>	<u>\$4,948,016</u>

- This page intentionally left blank -

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.

CITY OF GRAND RAPIDS, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2011
With Comparative Totals For December 31, 2010

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development	407 Capital Equipment Replacement	409 Street and Light Utility
Assets					
Cash and investments	\$280,837	\$86,650	\$13,327	\$958,888	\$9,763
Due from other governmental units	-	-	-	-	-
Due from other funds	17,882	-	-	-	-
Due from component unit	-	5,452	-	-	-
Interfund loan receivable	125,894	-	-	-	-
Prepaid items	-	-	-	228,633	-
Special assessments receivable:					
Deferred	-	-	-	-	-
Special deferred	-	-	-	-	-
Total assets	\$424,613	\$92,102	\$13,327	\$1,187,521	\$9,763
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$17,639	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	-	-
Due to component unit	-	-	-	-	-
Interfund loan payable	-	-	-	688,000	-
Contracts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	-	-
Deferred revenue	2,652	-	-	109,004	-
Total liabilities	2,652	17,639	0	797,004	0
Fund balance (deficit):					
Nonspendable	105,343	-	-	228,633	-
Restricted	-	-	-	-	-
Assigned	316,618	74,463	13,327	161,884	9,763
Unassigned	-	-	-	-	-
Total fund balance (deficit)	421,961	74,463	13,327	390,517	9,763
Total liabilities and fund balance	\$424,613	\$92,102	\$13,327	\$1,187,521	\$9,763

413 Airport Capital Fund	429 IRA Civic Center Projects	431 7th Ave Bridge Rehab	458 2000 Infrastructure Other	471 2010 Infrastructure Bonds	501 Permanent Improvement Revolving	Totals Nonmajor Capital Project Funds	
						2011	2010
						\$147,406	\$4,427
39,645	-	-	-	140,000	-	179,645	676,478
-	-	578,181	-	-	836,800	1,432,863	-
-	-	-	-	-	-	5,452	518,829
-	-	-	-	-	-	125,894	135,000
-	-	-	-	-	-	228,633	-
-	-	-	-	-	4,846	4,846	4,846
-	-	-	-	-	6,287	6,287	15,505
<u>\$187,051</u>	<u>\$4,427</u>	<u>\$578,181</u>	<u>\$6,258</u>	<u>\$140,000</u>	<u>\$847,933</u>	<u>\$3,491,176</u>	<u>\$4,438,262</u>
\$9,315	\$ -	\$ -	\$ -	\$6,204	\$ -	\$33,158	\$87,356
-	-	-	-	-	-	-	1,419
-	-	-	-	-	-	-	176
-	-	-	-	-	-	688,000	-
21,600	-	-	-	-	-	21,600	99,335
-	-	-	-	299,253	-	299,253	603,912
-	-	-	-	-	-	-	1,032
-	-	-	-	-	11,133	122,789	376,565
<u>30,915</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>305,457</u>	<u>11,133</u>	<u>1,164,800</u>	<u>1,169,795</u>
-	-	-	-	-	-	333,976	128,600
78,068	-	-	6,258	-	-	84,326	6,163
78,068	4,427	578,181	-	-	836,800	2,073,531	3,133,704
-	-	-	-	(165,457)	-	(165,457)	-
<u>156,136</u>	<u>4,427</u>	<u>578,181</u>	<u>6,258</u>	<u>(165,457)</u>	<u>836,800</u>	<u>2,326,376</u>	<u>3,268,467</u>
<u>\$187,051</u>	<u>\$4,427</u>	<u>\$578,181</u>	<u>\$6,258</u>	<u>\$140,000</u>	<u>\$847,933</u>	<u>\$3,491,176</u>	<u>\$4,438,262</u>

- This page intentionally left blank -

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, 2011
With Comparative Totals For The Year Ended December 31, 2010

	401 General Capital Improvement Projects	402 Municipal State Aid	404 Park Acquisition and Development	407 Capital Equipment Replacement
Revenue:				
Intergovernmental:				
State:				
MSA	\$ -	\$106,005	\$ -	\$ -
Other intergovernmental	214,750	-	-	12,988
Special assessments	-	-	-	-
Charges for services	-	-	-	-
Investment income	29,437	2,140	212	10,432
Contributions and donations	11,848	-	-	-
Total revenue	<u>256,035</u>	<u>108,145</u>	<u>212</u>	<u>23,420</u>
Expenditures:				
Current:				
General government	233,252	-	-	13,208
Public safety	-	-	-	2,500
Public works	-	152,885	-	27,490
Culture and recreation	-	-	3,463	-
Capital outlay/construction	-	21,100	12,000	429,551
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>233,252</u>	<u>173,985</u>	<u>15,463</u>	<u>472,749</u>
Revenue over (under) expenditures	<u>22,783</u>	<u>(65,840)</u>	<u>(15,251)</u>	<u>(449,329)</u>
Other financing sources (uses):				
Capital lease proceeds	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	10,715	-	-	66,140
Transfers out	-	-	-	(26,822)
Total other financing sources (uses)	<u>10,715</u>	<u>0</u>	<u>0</u>	<u>39,318</u>
Special item:				
Grand Rapids / Itasca County Airport	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	33,498	(65,840)	(15,251)	(410,011)
Fund balance - January 1	<u>388,463</u>	<u>140,303</u>	<u>28,578</u>	<u>800,528</u>
Fund balance (deficit) - December 31	<u>\$421,961</u>	<u>\$74,463</u>	<u>\$13,327</u>	<u>\$390,517</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, 2011
With Comparative Totals For The Year Ended December 31, 2010

	409 Street and Light Utility	411 Infrastructure 4th St	413 Airport Capital Fund	429 IRA Civic Center Projects
Revenue:				
Intergovernmental:				
State:				
MSA	\$ -	\$ -	\$ -	\$ -
Other intergovernmental	-	-	272,644	-
Special assessments	-	-	-	-
Charges for services	-	3,490	-	-
Investment income	148	998	1,709	146
Contributions and donations	-	-	-	-
Total revenue	<u>148</u>	<u>4,488</u>	<u>274,353</u>	<u>146</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	12,671	38,899	-
Culture and recreation	-	-	-	-
Capital outlay/construction	-	-	226,465	-
Debt service:				
Bond issuance costs	-	-	-	-
Total expenditures	<u>0</u>	<u>12,671</u>	<u>265,364</u>	<u>0</u>
Revenue over (under) expenditures	<u>148</u>	<u>(8,183)</u>	<u>8,989</u>	<u>146</u>
Other financing sources (uses):				
Capital lease proceeds	-	-	-	-
Bond issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(63,205)	-	(15,450)
Total other financing sources (uses)	<u>0</u>	<u>(63,205)</u>	<u>0</u>	<u>(15,450)</u>
Special item:				
Grand Rapids / Itasca County Airport	<u>-</u>	<u>-</u>	<u>147,147</u>	<u>-</u>
Net change in fund balance	148	(71,388)	156,136	(15,304)
Fund balance - January 1	<u>9,615</u>	<u>71,388</u>	<u>-</u>	<u>19,731</u>
Fund balance (deficit) - December 31	<u><u>\$9,763</u></u>	<u><u>\$0</u></u>	<u><u>\$156,136</u></u>	<u><u>\$4,427</u></u>

431 7th Ave Bridge Rehab	458 2000	465 2007	468 2009	471 2010	501 Permanent	Totals Nonmajor Capital	
	Infrastructure Other	Infrastructure Bonds	Infrastructure Bonds	Infrastructure Bonds	Improvement Revolving	Project Funds	
						2011	2010
\$ -	\$ -	\$ -	\$ -	\$185,960	\$ -	\$291,965	\$131,581
-	-	-	-	768,140	-	1,268,522	1,601,501
-	-	-	-	-	9,221	9,221	721
-	-	151,221	-	50,000	-	204,711	21,716
3,753	95	1,777	2,095	1,225	1,636	55,803	42,475
-	-	-	-	-	-	11,848	3,500
<u>3,753</u>	<u>95</u>	<u>152,998</u>	<u>2,095</u>	<u>1,005,325</u>	<u>10,857</u>	<u>1,842,070</u>	<u>1,801,494</u>
-	-	-	-	-	5,767	252,227	131,979
-	-	-	-	-	-	2,500	-
-	-	-	785	-	-	232,730	63,304
-	-	-	-	-	-	3,463	3,873
-	-	229,043	-	1,556,812	-	2,474,971	3,142,630
-	-	-	-	-	-	-	30,776
<u>0</u>	<u>0</u>	<u>229,043</u>	<u>785</u>	<u>1,556,812</u>	<u>5,767</u>	<u>2,965,891</u>	<u>3,372,562</u>
<u>3,753</u>	<u>95</u>	<u>(76,045)</u>	<u>1,310</u>	<u>(551,487)</u>	<u>5,090</u>	<u>(1,123,821)</u>	<u>(1,571,068)</u>
-	-	-	-	-	-	-	136,444
-	-	-	-	-	-	-	825,000
-	-	-	-	-	581,086	657,941	572,045
-	-	(195,943)	(321,938)	-	-	(623,358)	(523,688)
<u>0</u>	<u>0</u>	<u>(195,943)</u>	<u>(321,938)</u>	<u>0</u>	<u>581,086</u>	<u>34,583</u>	<u>1,009,801</u>
-	-	-	-	-	-	147,147	-
<u>3,753</u>	<u>95</u>	<u>(271,988)</u>	<u>(320,628)</u>	<u>(551,487)</u>	<u>586,176</u>	<u>(942,091)</u>	<u>(561,267)</u>
<u>574,428</u>	<u>6,163</u>	<u>271,988</u>	<u>320,628</u>	<u>386,030</u>	<u>250,624</u>	<u>3,268,467</u>	<u>3,829,734</u>
<u>\$578,181</u>	<u>\$6,258</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$165,457)</u>	<u>\$836,800</u>	<u>\$2,326,376</u>	<u>\$3,268,467</u>

- This page intentionally left blank -

INDIVIDUAL BUDGET TO ACTUAL STATEMENTS

SPECIAL REVENUE FUNDS

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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 19

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
General property taxes	\$465,437	\$465,437	\$473,588	\$453,334
Intergovernmental:				
State:				
Market value homestead credit	31,901	31,901	9,417	10,067
Supplemental aid	37,378	37,378	37,378	38,008
Other	-	-	223,823	112
Charges for services:				
Townships	133,000	133,000	135,333	144,511
Other	11,182	11,182	19,221	19,758
Fines and forfeits	15,000	15,000	14,303	14,970
Investment income	8,000	8,000	6,340	9,596
Contributions and donations	11,400	11,400	111,755	22,162
Total revenue	<u>713,298</u>	<u>713,298</u>	<u>1,031,158</u>	<u>712,518</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	503,133	503,133	509,566	489,498
Materials and supplies	98,725	98,725	114,363	96,525
Other services and charges	163,080	163,080	149,684	163,461
Total current	<u>764,938</u>	<u>764,938</u>	<u>773,613</u>	<u>749,484</u>
Capital outlay	-	-	589,786	-
Total expenditures	<u>764,938</u>	<u>764,938</u>	<u>1,363,399</u>	<u>749,484</u>
Revenue over (under) expenditures	(51,640)	(51,640)	(332,241)	(36,966)
Other financing sources:				
Transfers in	-	-	68,309	-
Net change in fund balance	<u>(\$51,640)</u>	<u>(\$51,640)</u>	(263,932)	(36,966)
Fund balance - January 1			<u>690,114</u>	<u>727,080</u>
Fund balance - December 31			<u>\$426,182</u>	<u>\$690,114</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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 20

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$94,548	\$94,548	\$82,363	\$88,349
Other	-	-	632	618
Intergovernmental	-	-	7,000	11,011
Investment income	-	-	2,164	1,794
Other	-	-	1,181	25
Total revenue	<u>94,548</u>	<u>94,548</u>	<u>93,340</u>	<u>101,797</u>
Expenditures:				
Culture and recreation:				
Current:				
Materials and supplies	3,600	3,600	3,053	3,492
Other services and charges	115,955	115,955	120,873	137,733
Total expenditures	<u>119,555</u>	<u>119,555</u>	<u>123,926</u>	<u>141,225</u>
Revenue over (under) expenditures	(25,007)	(25,007)	(30,586)	(39,428)
Other financing sources:				
Transfer in	<u>12,000</u>	<u>12,000</u>	<u>17,000</u>	<u>12,000</u>
Net change in fund balance	<u>(\$13,007)</u>	<u>(\$13,007)</u>	(13,586)	(27,428)
Fund balance - January 1			<u>147,765</u>	<u>175,193</u>
Fund balance - December 31			<u>\$134,179</u>	<u>\$147,765</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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 21

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$115,941	\$115,941	\$127,076	\$ -
Other	4,800	4,800	4,802	-
Intergovernmental:				
State operations reimbursement	64,000	64,000	59,305	-
Itasca County	14,283	14,283	14,283	-
Investment income	2,000	2,000	3,056	-
Other	300	300	138	-
Total revenue	<u>201,324</u>	<u>201,324</u>	<u>208,660</u>	<u>0</u>
Expenditures:				
Public works:				
Current:				
Personnel services	48,313	48,313	95,996	-
Materials and supplies	12,150	12,150	11,873	-
Other services and charges	114,082	114,082	111,825	-
Total current	<u>174,545</u>	<u>174,545</u>	<u>219,694</u>	<u>0</u>
Debt service - loan repayment	35,450	35,450	35,512	-
Total expenditures	<u>209,995</u>	<u>209,995</u>	<u>255,206</u>	<u>0</u>
Revenue over (under) expenditures	(8,671)	(8,671)	(46,546)	0
Other financing sources:				
Transfer in	10,970	10,970	10,000	-
Special item:				
Grand Rapids / Itasca County Airport	-	-	133,482	-
Net change in fund balance	<u>\$2,299</u>	<u>\$2,299</u>	96,936	0
Fund balance - January 1			-	-
Fund balance - December 31			<u>\$96,936</u>	<u>\$0</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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 22

	2011		Actual Amounts	2010
	Budgeted Amounts			Actual Amounts
	Original	Final		
Revenue:				
Charges for services:				
Rent	\$446,500	\$446,500	\$434,724	\$409,234
Concessions	138,000	138,000	130,221	119,467
Advertising	53,000	53,000	49,367	51,467
Other	45,300	45,300	17,936	22,215
Investment income	-	-	55	186
Total revenue	<u>682,800</u>	<u>682,800</u>	<u>632,303</u>	<u>602,569</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	316,823	316,823	312,503	292,983
Materials and supplies	113,880	113,880	128,803	103,496
Other services and charges	258,970	258,970	199,229	226,767
Total expenditures	<u>689,673</u>	<u>689,673</u>	<u>640,535</u>	<u>623,246</u>
Revenue over (under) expenditures	(6,873)	(6,873)	(8,232)	(20,677)
Other financing sources (uses):				
Transfers in	<u>12,000</u>	<u>12,000</u>	<u>27,450</u>	<u>-</u>
Net change in fund balance	<u>\$5,127</u>	<u>\$5,127</u>	19,218	(20,677)
Fund balance (deficit) - January 1			<u>(132,449)</u>	<u>(111,772)</u>
Fund balance (deficit) - December 31			<u><u>(\$113,231)</u></u>	<u><u>(\$132,449)</u></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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 23

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Charges for services:				
Rental	\$2,100	\$2,100	\$840	\$1,650
Fees	54,600	54,600	45,523	43,262
Investment income	1,000	1,000	749	610
Contributions and donations	-	-	500	300
Total revenue	<u>57,700</u>	<u>57,700</u>	<u>47,612</u>	<u>45,822</u>
Expenditures:				
Culture and recreation:				
Current:				
Personnel services	55,478	55,478	44,146	36,846
Materials and supplies	363	363	6,329	9,064
Other services and charges	1,920	1,920	1,726	1,573
Total expenditures	<u>57,761</u>	<u>57,761</u>	<u>52,201</u>	<u>47,483</u>
Revenue over (under) expenditures	<u>(61)</u>	<u>(61)</u>	(4,589)	(1,661)
Fund balance - January 1			<u>47,051</u>	<u>48,712</u>
Fund balance - December 31			<u>\$42,462</u>	<u>\$47,051</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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 24

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Intergovernmental:				
State:				
Haz-Mat reimbursement	\$45,000	\$45,000	\$51,949	\$45,930
Haz-Mat terrorism grant	-	-	53,337	33,311
Other	-	-	-	685
Total revenue	<u>45,000</u>	<u>45,000</u>	<u>105,286</u>	<u>79,926</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	23,600	23,600	25,699	24,404
Materials and supplies	5,000	5,000	4,257	4,734
Other services and charges	15,400	15,400	27,448	19,725
Total current	<u>44,000</u>	<u>44,000</u>	<u>57,404</u>	<u>48,863</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>48,483</u>	<u>30,463</u>
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>105,887</u>	<u>79,326</u>
Revenue over expenditures	<u>\$0</u>	<u>\$0</u>	(601)	600
Fund balance - January 1			<u>654</u>	<u>54</u>
Fund balance - December 31			<u>\$53</u>	<u>\$654</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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 25

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Intergovernmental	\$ -	\$ -	\$928	\$1,624
Fines and forfeits	15,000	15,000	35,263	17,972
Investment income	-	-	691	505
Total revenue	<u>15,000</u>	<u>15,000</u>	<u>36,882</u>	<u>20,101</u>
Expenditures:				
Public safety:				
Current:				
Materials and supplies	12,500	12,500	27,020	12,183
Other services and charges	7,500	7,500	3,712	3,000
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>30,732</u>	<u>15,183</u>
Revenue over (under) expenditures	<u>(\$5,000)</u>	<u>(\$5,000)</u>	6,150	4,918
Fund balance - January 1			<u>44,437</u>	<u>39,519</u>
Fund balance - December 31			<u>\$50,587</u>	<u>\$44,437</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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 26

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
General property taxes	\$152,349	\$152,349	\$155,147	\$149,140
Intergovernmental:				
State:				
Market value homestead credit	10,440	10,440	3,076	633
Supplemental aid	12,211	12,211	12,211	3,502
PERA	-	-	1,021	510
Charges for services:				
Cemetery	22,000	22,000	25,105	28,715
Other	1,500	1,500	810	1,429
Total revenue	<u>198,500</u>	<u>198,500</u>	<u>197,370</u>	<u>183,929</u>
Expenditures:				
Public works:				
Current:				
Personnel services	157,140	157,140	136,171	168,010
Materials and supplies	5,900	5,900	14,636	6,716
Other services and charges	35,050	35,050	32,852	51,959
Total expenditures	<u>198,090</u>	<u>198,090</u>	<u>183,659</u>	<u>226,685</u>
Revenue over (under) expenditures	410	410	13,711	(42,756)
Other financing sources (uses):				
Transfers in	-	-	29,500	-
Net change in fund balance	<u>\$410</u>	<u>\$410</u>	43,211	(42,756)
Fund balance (deficit) - January 1			<u>(42,756)</u>	-
Fund balance (deficit) - December 31			<u>\$455</u>	<u>(\$42,756)</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, 2011
With Comparative Actual Amounts For The Year Ended December 31, 2010

Statement 27

	2011		Actual Amounts	2010 Actual Amounts
	Budgeted Amounts			
	Original	Final		
Revenue:				
Licenses and permits	\$1,750	\$1,750	\$290	\$1,050
Fines and forfeits	8,100	8,100	33,004	7,757
Other	-	-	28	-
Total revenue	<u>9,850</u>	<u>9,850</u>	<u>33,322</u>	<u>8,807</u>
Expenditures:				
Public safety:				
Current:				
Personnel services	35,105	35,105	33,641	31,258
Materials and supplies	4,200	4,200	4,623	7,202
Other services and charges	<u>12,545</u>	<u>12,545</u>	<u>13,525</u>	<u>13,143</u>
Total expenditures	<u>51,850</u>	<u>51,850</u>	<u>51,789</u>	<u>51,603</u>
Revenue over (under) expenditures	(42,000)	(42,000)	(18,467)	(42,796)
Other financing sources:				
Transfers in	<u>42,000</u>	<u>42,000</u>	<u>20,000</u>	<u>43,881</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	1,533	1,085
Fund balance - January 1			<u>3,793</u>	<u>2,708</u>
Fund balance - December 31			<u>\$5,326</u>	<u>\$3,793</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 2011, the City of Grand Rapids had the following Agency Funds:

Grand Rapids / Itasca County Airport – this fund was closed effective January 1, 2011 and was used to account for the assets and liabilities of the Airport. See Note 23 for details.

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

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

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2011
With Comparative Totals For December 31, 2010

Statement 28

	872 Lodging Tax	877 Cable TV Commision	Totals Agency Funds	
			2011	2010
Assets:				
Cash and investments	\$17,594	\$68,362	\$85,956	\$398,209
Liabilities:				
Accounts payable	\$17,594	\$ -	\$17,594	\$21,631
Due to third-party grantees	-	68,362	68,362	376,578
Total liabilities	\$17,594	\$68,362	\$85,956	\$398,209

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2011

Statement 29

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Grand Rapids / Itasca County Airport:				
Assets				
Cash and investments	\$330,225	\$ -	\$330,225	\$ -
Liabilities				
Due to third-party grantees	\$330,225	\$ -	\$330,225	\$ -
Lodging Tax:				
Assets				
Cash and investments	\$21,631	\$17,594	\$21,631	\$17,594
Liabilities				
Accounts payable	\$21,631	\$17,594	\$21,631	\$17,594
Cable TV Commission:				
Assets				
Cash and investments	\$46,353	\$68,362	\$46,353	\$68,362
Liabilities				
Due to third-party grantees	\$46,353	\$68,362	\$46,353	\$68,362
Totals - All Agency Funds:				
Assets				
Cash and investments	\$398,209	\$85,956	\$398,209	\$85,956
Liabilities				
Accounts payable	\$21,631	\$17,594	\$21,631	\$17,594
Due to third-party grantees	376,578	68,362	376,578	68,362
Total liabilities	\$398,209	\$85,956	\$398,209	\$85,956

- This page intentionally left blank -

COMPONENT UNIT

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

CITY OF GRAND RAPIDS, MINNESOTA
COMBINING BALANCE SHEET
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
 December 31, 2011
 With Comparative Totals For December 31, 2010

Statement 30

Assets	General	Capital Project	Totals	
			2011	2010
Cash and investments	\$82,149	\$554,722	\$636,871	\$841,506
Cash and investments with escrow agent	-	-	-	886,125
Due from other governmental units	-	-	-	47,932
Taxes receivable - delinquent	-	549	549	674
Inventory - land held for resale	-	1,397,594	1,397,594	1,397,594
Mortgages, notes and leases receivable	-	181,482	181,482	207,184
Total assets	\$82,149	\$2,134,347	\$2,216,496	\$3,381,015
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$91	\$10,096	\$10,187	\$53,825
Due to other governmental units	-	46	46	-
Contracts payable	-	-	-	2,887
Deferred revenue	-	1,624,351	1,624,351	1,905,393
Total liabilities	91	1,634,493	1,634,584	1,962,105
Fund balance:				
Restricted	-	-	-	886,125
Assigned	-	499,854	499,854	436,258
Unassigned	82,058	-	82,058	96,527
Total fund balance	82,058	499,854	581,912	1,418,910
Total liabilities and fund balance	\$82,149	\$2,134,347	\$2,216,496	\$3,381,015

CITY OF GRAND RAPIDS, MINNESOTA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

Statement 31

ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT

For The Year Ended December 31, 2011

With Comparative Totals For The Year Ended December 31, 2010

	General	Debt Service	Capital Project	Totals	
				2011	2010
Revenue:					
General property taxes	\$ -	\$ -	\$44,361	\$44,361	\$39,379
Intergovernmental	-	-	466,152	466,152	691,559
Investment income	1,331	-	10,789	12,120	9,600
Miscellaneous:					
Loan repayment	-	-	31,916	31,916	892,036
Other	-	-	150	150	171
Total revenue	<u>1,331</u>	<u>0</u>	<u>553,368</u>	<u>554,699</u>	<u>1,632,745</u>
Expenditures:					
Economic development:					
Current:					
Materials and supplies	9	-	-	9	75
Other services and charges	15,791	-	489,772	505,563	954,580
Loan disbursement	-	-	-	-	25,702
Debt service:					
Principal retirement	-	865,000	-	865,000	85,000
Interest	-	21,125	-	21,125	44,120
Total expenditures	<u>15,800</u>	<u>886,125</u>	<u>489,772</u>	<u>1,391,697</u>	<u>1,109,477</u>
Revenue over (under) expenditures	(14,469)	(886,125)	63,596	(836,998)	523,268
Other financing sources:					
Note proceeds	-	-	-	-	100,000
Net change in fund balance	(14,469)	(886,125)	63,596	(836,998)	623,268
Fund balance - January 1	<u>96,527</u>	<u>886,125</u>	<u>436,258</u>	<u>1,418,910</u>	<u>795,642</u>
Fund balance - December 31	<u>\$82,058</u>	<u>\$0</u>	<u>\$499,854</u>	<u>\$581,912</u>	<u>\$1,418,910</u>

- This page intentionally left blank -

III. STATISTICAL SECTION (UNAUDITED)

- This page intentionally left blank -

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. The City implemented GASB Statement 34 for the fiscal year ended December 31, 2003; the City has chosen to provide information for that year forward. Ultimately, these schedules will contain information for the last ten years.

CITY OF GRAND RAPIDS, MINNESOTA

NET ASSETS BY COMPONENT

Last Nine Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$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 assets	<u>\$31,656,734</u>	<u>\$32,792,571</u>	<u>\$35,604,304</u>	<u>\$39,441,844</u>
Business type activities:				
Invested in capital assets, net of related debt	\$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 assets	<u>\$1,142,203</u>	<u>\$1,040,587</u>	<u>\$947,777</u>	<u>\$1,045,728</u>
Primary government:				
Invested in capital assets, net of related debt	\$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 assets	<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
\$14,120,418	\$15,968,208	\$18,102,326	\$19,133,457	\$31,703,299
18,556,197	17,300,543	17,035,306	13,417,300	12,379,387
8,243,654	7,166,636	5,973,279	8,374,454	5,813,768
\$40,920,269	\$40,435,387	\$41,110,911	\$40,925,211	\$49,896,454
\$1,042,404	\$999,474	\$1,985,565	\$2,827,242	\$2,793,653
-	-	-	-	-
(23,617)	335,339	355,012	119,244	236,409
\$1,018,787	\$1,334,813	\$2,340,577	\$2,946,486	\$3,030,062
\$15,162,822	\$16,967,682	\$20,087,891	\$21,960,699	\$34,496,952
18,556,197	17,300,543	17,035,306	13,417,300	12,379,387
8,220,037	7,501,975	6,328,291	8,493,698	6,050,177
\$41,939,056	\$41,770,200	\$43,451,488	\$43,871,697	\$52,926,516

CITY OF GRAND RAPIDS, MINNESOTA

CHANGES IN NET ASSETS

Last Nine 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 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>

Fiscal Year				
2007	2008	2009	2010	2011
\$2,249,579	\$3,257,703	\$3,139,210	\$2,407,660	\$2,362,986
2,452,364	2,904,780	3,611,752	2,789,559	2,836,212
4,309,921	5,018,711	5,144,636	4,841,814	5,390,413
2,324,697	2,243,609	2,267,791	2,270,942	2,255,043
839,991	863,133	950,717	978,289	907,838
<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>
518,409	473,579	496,554	455,315	549,733
346,998	332,562	370,726	411,849	377,107
865,407	806,141	867,280	867,164	926,840
<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>
\$477,296	\$401,562	\$405,500	\$457,201	\$401,410
422,666	510,127	463,110	388,484	447,864
129,233	206,256	405,086	261,584	432,900
435,919	426,215	404,920	409,234	434,724
594,848	581,602	585,044	515,812	506,187
743,317	614,629	1,100,342	1,027,304	1,240,128
3,018,228	3,658,563	4,673,279	2,463,006	5,349,509
<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>
506,659	494,371	516,832	548,820	553,201
484,163	478,596	484,528	505,336	498,587
6,000	-	-	-	-
1,440	-	836,208	97,352	7,995
<u>998,262</u>	<u>972,967</u>	<u>1,837,568</u>	<u>1,151,508</u>	<u>1,059,783</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>
(\$6,355,045)	(\$7,888,982)	(\$7,076,825)	(\$7,765,639)	(\$4,939,770)
132,855	166,826	970,288	284,344	132,943
<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>

CITY OF GRAND RAPIDS, MINNESOTA

CHANGES IN NET ASSETS

Last Nine Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets				
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
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 assets:				
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>

Fiscal Year				
2007	2008	2009	2010	2011
\$4,062,932	\$4,472,247	\$4,684,768	\$4,793,026	\$5,180,915
667,148	682,276	854,072	853,542	854,710
2,043,737	1,632,339	1,946,680	1,452,870	1,470,249
785,302	534,160	274,557	159,010	184,059
98,573	-	11,553	4,957	5,360
-	-	-	-	6,212,220
-	-	-	574,001	-
175,778	83,078	(19,281)	(257,467)	3,500
<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>
15,982	12,312	16,195	2,271	6,313
-	219,966	-	61,827	-
(175,778)	(83,078)	19,281	257,467	(3,500)
<u>(159,796)</u>	<u>149,200</u>	<u>35,476</u>	<u>321,565</u>	<u>2,813</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>
\$1,478,425	(\$484,882)	\$675,524	(\$185,700)	\$8,971,243
(26,941)	316,026	1,005,764	605,909	135,756
<u>\$1,451,484</u>	<u>(\$168,856)</u>	<u>\$1,681,288</u>	<u>\$420,209</u>	<u>\$9,106,999</u>

CITY OF GRAND RAPIDS, MINNESOTA
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Nine 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
\$264,264	\$224,509	\$219,727	\$497,935	\$ -
5,537,743	4,847,138	4,529,615	4,443,526	-
-	-	-	-	1,071,817
-	-	-	-	15,567
-	-	-	-	76,401
-	-	-	-	3,857,416
<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>
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
-	-	-	-	6,728,771
-	-	-	-	649,367
-	-	-	-	2,073,531
-	-	-	-	(2,855,610)
<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>\$18,268,261</u>	<u>\$16,708,754</u>	<u>\$15,850,990</u>	<u>\$15,392,750</u>	<u>\$11,963,151</u>

CITY OF GRAND RAPIDS, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Nine 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 forfeitures	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):				
Impairment recovery	-	190,000	-	-
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
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
\$4,718,695	\$5,141,487	\$5,501,090	\$5,717,261	\$6,024,517
342,178	207,233	271,416	255,052	226,118
3,126,346	2,966,264	5,930,076	4,302,317	5,933,373
1,770,868	1,817,539	1,580,506	1,326,354	1,063,987
2,184,707	2,656,951	1,768,797	1,604,785	2,415,698
154,971	202,321	170,589	142,528	191,552
785,302	534,160	274,557	159,010	184,059
298,105	339,705	306,122	275,921	380,749
<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>
1,915,271	2,904,262	2,286,301	1,879,463	2,045,880
2,377,536	2,615,025	3,136,407	2,500,602	2,551,622
1,893,997	2,115,328	2,060,388	2,117,665	2,706,560
1,835,221	1,794,133	1,745,838	1,731,467	1,745,924
243,642	403,579	616,948	541,014	369,809
4,174,414	5,340,344	8,592,229	3,836,307	8,398,558
2,050,000	2,420,000	2,845,000	2,177,668	2,990,512
799,726	842,963	863,624	965,697	903,583
9,479	8,257	8,232	7,842	6,204
76,669	100,690	132,045	39,692	42,489
<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>(1,994,783)</u>	<u>(4,678,921)</u>	<u>(6,483,859)</u>	<u>(2,014,189)</u>	<u>(5,341,088)</u>
-	-	-	-	-
98,817	6,175	75,376	4,957	5,360
-	-	-	136,444	-
-	-	-	925,000	525,000
2,946,950	3,005,000	6,835,000	825,000	1,030,000
-	-	(1,265,000)	(635,000)	-
-	-	-	-	-
1,767,911	1,900,187	3,063,829	1,058,790	1,044,991
<u>(1,592,133)</u>	<u>(1,791,948)</u>	<u>(3,083,110)</u>	<u>(1,333,243)</u>	<u>(1,041,491)</u>
<u>3,221,545</u>	<u>3,119,414</u>	<u>5,626,095</u>	<u>981,948</u>	<u>1,563,860</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>
23.1%	22.5%	24.2%	25.2%	27.6%

CITY OF GRAND RAPIDS, MINNESOTA
PROGRAM REVENUES BY FUNCTION/PROGRAM
 Last Nine 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>

Table 5

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

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

Table 6

<u>Fiscal Year Ended December 31</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>	<u>Less: Fiscal Disparity Contribution</u>	<u>Adjusted Tax Capacity Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value</u>	<u>Tax Capacity as a Percent of EMV</u>
2002	\$2,244,504	\$2,140,496	\$54,067	\$4,439,067	\$64,399	\$4,374,668	80.169	\$333,348,100	1.31%
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%

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	
2002	68.384	11.785	80.169	70.868	22.343	2.696	0.457	176.533
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

*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	2011			2002		
	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	38.59%	\$686,881	1	53.37%
Wal-Mart Stores, Inc.	246,608	2	12.99%	68,110	5	5.29%
Terrex Corporation	136,422	3	7.19%	-	-	0.00%
Grand Hospitality LLC	131,178	4	6.91%	-	-	0.00%
Enbridge Energy, LP	130,614	5	6.88%	-	-	0.00%
Target Corporation	122,526	6	6.46%	68,300	4	5.31%
Arrowhead Prom. & Fulfillment Co.	117,926	7	6.21%	62,928	6	4.89%
Home Depot USA, Inc.	108,408	8	5.71%	-	-	0.00%
Hawkinson Constuction Properties	92,973	9	4.90%	-	-	0.00%
Horseshoe Professional Building	78,886	10	4.16%	-	-	0.00%
Grand Rapids Development Corp.	-	-	0.00%	51,960	7	4.04%
Miner-Varin Investments-Central Square Mall	-	-	-	97,055	3	7.54%
K-Mart Corporation	-	-	-	49,246	9	3.83%
Grand Rapids Economic Development Auth.	-	-	-	49,658	8	3.86%
North Star Partners	-	-	-	105,490	2	8.20%
Aquila, Inc.	-	-	-	47,296	10	3.68%
Total principal taxpayers	\$1,897,998		19.12%	\$1,286,924		27.28%
All other taxpayers	8,028,923		80.88%	3,430,046	(a)	72.72%
Total	\$9,926,921		100.00%	\$4,716,970		100.00%

Source: Itasca County Auditor's Office

UPM Blandin Paper Mill represents 7.4% of the City's 2010/11 taxable net tax capacity. The remaining nine tax payers represent 11.7% of the City's 2010/11 taxable net tax capacity.

(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.

2001 Taxable Net Tax Capacity was \$4,043,258

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
2002	\$3,221,066	\$3,200,684	99.37%	\$7,989	\$3,208,673	99.62%
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%	53,459	4,183,258	99.95%
2007	4,300,561	4,236,072	98.50%	55,851	4,291,923	99.80%
2008	4,743,955	4,680,998	98.67%	36,019	4,717,017	99.43%
2009	5,077,422	4,977,588	98.03%	26,634	5,004,222	98.56%
2010	5,275,002	4,956,991	93.97%	55,742	5,012,733	95.03%
2011	5,734,540	5,445,836	94.97%	-	5,445,836	94.97%

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	Percentage of estimated Market Value	Business-type	Total Primary Government	Per Capita
	General Obligation Bonds	General Obligation Impr Bonds	Tax Increment Bonds	Leases and Loans Payable			Capital Leases		
2002	\$ -	\$10,365,000	\$2,590,000	\$1,415,000	\$14,370,000	4.31%	\$ -	\$14,370,000	1,835.48
2003	-	12,000,000	2,220,000	1,415,000	15,635,000	4.04%	-	15,635,000	1,899.06
2004	-	14,070,000	1,850,000	1,345,000	17,265,000	4.11%	127,000	17,392,000	2,051.43
2005	-	17,685,000	1,455,000	1,270,000	20,410,000	4.28%	102,000	20,512,000	2,401.03
2006	1,785,000	17,780,000	1,035,000	1,195,000	21,795,000	4.39%	78,000	21,873,000	2,488.40
2007	1,785,000	19,185,000	585,000	1,115,000	22,670,000	4.12%	53,000	22,723,000	2,585.10
2008	2,670,000	18,595,000	955,000	1,035,000	23,255,000	3.85%	27,000	23,282,000	2,608.34
2009	3,515,000	20,665,000	850,000	950,000	25,980,000	3.45%	-	25,980,000	2,681.11
2010	3,950,000	20,000,000	850,000	865,000	25,665,000	3.26%	-	25,665,000	2,361.30
2011	3,675,000	18,890,000	835,000	194,650	23,594,650	3.01%	-	23,594,650	2,170.82

Note: Personal income not available
 Excludes Component Units.

CITY OF GRAND RAPIDS, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2011

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⁾	\$3,675,000	100.00%	\$3,675,000
Overlapping debt:			
Itasca County	25,075,000	13.75%	3,447,813
School District 318	<u>64,345,000</u>	20.04%	<u>12,894,738</u>
Total overlapping debt	<u>89,420,000</u>		<u>16,342,551</u>
Total direct and overlapping debt	<u><u>\$93,095,000</u></u>		<u><u>\$20,017,551</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

Market value	\$784,173,200
Debt limit percentage	<u>3%</u>
Debt limit amount	<u>23,525,196</u>
Debt applicable to limit	
General obligation bonds	<u>3,675,000</u>
Legal debt margin	<u><u>\$19,850,196</u></u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Market value	\$333,348,100	\$386,538,400	\$423,115,600	\$479,590,790	\$498,247,965
Legal debt margin					
Debt limit (3% of assessed value)*	6,666,962	7,730,768	8,462,312	9,591,816	9,964,959
Debt applicable to limit:					
Lease revenue bonds	-	1,415,000	1,345,000	1,270,000	1,195,000
General obligation bonds	-	-	-	-	1,785,000
Total net debt applicable to limit	<u>0</u>	<u>1,415,000</u>	<u>1,345,000</u>	<u>1,270,000</u>	<u>2,980,000</u>
Legal debt margin	<u><u>\$6,666,962</u></u>	<u><u>\$6,315,768</u></u>	<u><u>\$7,117,312</u></u>	<u><u>\$8,321,816</u></u>	<u><u>\$6,984,959</u></u>
Total net debt applicable to the limit as a percentage of debt limit	<u>100.00%</u>	<u>81.70%</u>	<u>84.11%</u>	<u>86.76%</u>	<u>70.10%</u>

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.

Table 12

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$551,098,890	\$604,049,500	\$753,764,700	\$722,925,300	\$784,173,200
11,021,978	18,121,485	22,612,941	21,687,759	23,525,196
1,115,000	1,035,000	950,000	865,000	-
<u>1,785,000</u>	<u>2,670,000</u>	<u>3,515,000</u>	<u>3,950,000</u>	<u>3,675,000</u>
<u>2,900,000</u>	<u>3,705,000</u>	<u>4,465,000</u>	<u>4,815,000</u>	<u>3,675,000</u>
<u>\$8,121,978</u>	<u>\$14,416,485</u>	<u>\$18,147,941</u>	<u>\$16,872,759</u>	<u>\$19,850,196</u>
<u>73.69%</u>	<u>79.55%</u>	<u>80.25%</u>	<u>77.80%</u>	<u>84.38%</u>

CITY OF GRAND RAPIDS, MINNESOTA
PLEDGED 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	
2002	439,293	695,000	413,918	39.61%	616,505	345,000	186,240	116.05%
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%

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>
2002	7,829	Information Not Available		10.40%
2003	8,233		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%	

Source: Minnesota Department of Employment and Economic Development

CITY OF GRAND RAPIDS, MINNESOTA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 15

Taxpayer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318	675	1	6.97%	575	2	5.86%
Grand Itasca Clinic & Hospital	617	2	6.37%	386	3	3.94%
UPM Blandin Paper Mill	460	3	4.75%	840	1	8.56%
Arrowhead Promo & Fulfillment	349	4	3.60%	270	5	2.75%
Itasca County	310	5	3.20%	380	4	3.87%
Wal-Mart	300	6	3.10%	220	6	2.24%
City of Grand Rapids(a)	225	7	2.32%	119	10	1.21%
Terex Corporation	225	8	2.32%	-	-	0.00%
Grand Village Nursing Home(b)	195	9	2.01%	136	8	1.39%
L&M Fleet Supply	120	10	1.24%	-	-	0.00%
Cub Foods	-	-	-	125	9	1.27%
Potlach Corporation	-	-	-	109	7	1.11%
Total	3,476		35.89%	3,160		32.22%
All other employers	6,209		64.11%	6,648		67.78%
Total	9,685		100.00%	9,808		100.00%

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
Administration	4.00	4.00	4.00	4.00	4.50	4.50	4.50	4.25	4.25	4.25
Finance	4.00	4.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
Community development	1.00	3.00	2.00	3.00	3.00	3.55	4.05	4.05	4.05	4.05
Engineering	2.00	2.00	3.00	3.00	4.00	3.45	3.45	3.45	2.45	2.45
Information technology	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	1.00	2.00
Police officers and dispatchers	20.00	19.00	19.00	20.00	21.00	22.00	23.50	23.50	20.50	20.50
Public works	14.00	13.00	13.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00
Parks and recreation	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00
Library	8.50	8.50	8.25	8.75	8.75	8.75	8.75	8.75	8.75	8.75
Golf course	2.00	2.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00
Total	60.50	60.50	62.25	66.75	70.25	71.25	72.25	71.00	66.00	65.00

The City has 30 paid-on-call firefighters.

Source: City Finance Department

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

Table 17

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Physical and sexual assaults	134	142	131	141	177	156	170	160	303	405
Parking citations	402	471	440	440	1,221	640	755	763	590	849
DUI arrests	52	58	67	94	129	134	138	104	91	171
Traffic citations	1,096	814	794	1,397	1,535	1,305	2,419	1,754	2,959	2,588
Accidents	577	533	565	587	450	507	557	550	531	569
Fire:										
Emergency responses	192	185	172	199	163	194	174	182	172	166
Haz-Mat responses	26	26	27	35	46	3	4	5	27	4
Inspections	N/A	N/A	61	59	72	68	62	91	103	112
Community development:										
Permits issued:										
Commercial	54	61	59	51	82	104	97	97	109	120
Governmental	N/A	N/A	5	5	5	15	7	-	11	14
Residential	231	260	231	264	263	294	271	376	401	386
Public works:										
Streets swept (miles)	67	68	71	75	77	77	88	92	93	93
Roads (miles)	67	68	71	75	77	77	88	92	93	93
Streetlights	799	995	995	1,030	1,057	1,062	1,093	1,288	1,290	1,321
Parks and recreation:										
Playgrounds	10	10	10	10	10	10	10	10	10	10
Baseball/softball fields	5	5	6	6	6	6	6	6	6	7
Soccer fields	3	3	3	3	3	3	3	3	3	3
Skate park	-	-	-	1	1	1	1	1	1	1
Library:										
Volumes in collection	71,902	73,943	80,200	81,802	80,118	81,491	88,570	84,440	82,338	79,400
Total volumes borrowed	225,301	182,465	172,999	183,840	179,729	189,860	196,315	190,895	202,908	187,569
Golf course:										
Number of passes sold										
Junior*	78	62	58	57	30	79	100	104	115	115
Young adult*	27	36	15	19	10	12	19	20	22	27
Single	203	199	154	163	144	156	139	145	135	129
Family	126	125	111	114	89	175	83	89	85	80

*Junior =Children ages 10 to 18

*Young Adult=Ages 19 to 24

Information prior to 2001 is not available

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	15	15	15	15	14	16	18	18	20
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of streets maintained	60	77	71	75	77	77	88	92	93	93
Miles of sidewalks maintained	17	18	18	20	23	77	88	90	91	91
Miles of curbs and gutters maintained	93	94	94	105	108	108	109	112	112	112
Parks and recreation:										
Community parks and playgrounds	21	21	22	22	23	23	24	24	24	24
Total acres	223	223	225	225	226	226	227	227	227	227

Source: Various City Departments

- This page intentionally left blank -

IV. OTHER INFORMATION (UNAUDITED)

CITY OF GRAND RAPIDS, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2011

	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 2002A	3.00-4.75	11/1/2002	2/1/2012
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
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
Total Other General Obligation Debt			
Lease Revenue Bonds (EDA):			
Public Facility Lease Revenue Bonds Series 2002	3.00-5.10	5/1/2002	2/1/2012
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 (Public Utilities):			
Taxable G.O. Wastewater Revenue Bonds of 2001A	5.00-6.50	10/1/2001	12/1/2021
G.O. Water Revenue Note of 1999	3.04	1/3/2000	8/20/2019
Taxable G.O. Wastewater Revenue Bonds of 2006A	5.70-5.90	10/1/2006	6/1/2016
Taxable G.O. Wastewater Revenue Bonds of 2009A	2.00-4.90	6/1/2009	12/1/2019
Taxable G.O. Wastewater Revenue Note of 2009E	2.90	11/10/2009	8/20/2029
Total Revenue Bonds (Public Utilities)			
Total bonded indebtedness			

Prior Years		Payable 01/01/11	2011		Payable 12/31/11	Due in 2012	
Original Issue	Payments		Issued	Payments		Principal	Interest
\$850,000	\$ -	\$850,000	\$ -	\$15,000	\$835,000	\$15,000	\$36,496
470,000	250,000	220,000	-	30,000	190,000	30,000	8,189
1,950,000	935,000	1,015,000	-	1,015,000	-	-	-
2,460,000	1,225,000	1,235,000	-	140,000	1,095,000	1,095,000	21,839
3,705,000	1,540,000	2,165,000	-	295,000	1,870,000	235,000	63,649
3,450,000	940,000	2,510,000	-	245,000	2,265,000	245,000	81,089
1,105,000	520,000	585,000	-	110,000	475,000	115,000	14,982
2,505,000	520,000	1,985,000	-	180,000	1,805,000	180,000	68,600
1,775,000	150,000	1,625,000	-	110,000	1,515,000	110,000	59,415
1,150,000	240,000	910,000	-	80,000	830,000	80,000	31,750
1,145,000	65,000	1,080,000	-	70,000	1,010,000	70,000	41,065
1,265,000	275,000	990,000	-	270,000	720,000	250,000	12,513
4,565,000	-	4,565,000	-	120,000	4,445,000	290,000	190,370
1,115,000	-	1,115,000	-	-	1,115,000	80,000	24,775
1,555,000	-	-	1,555,000	-	1,555,000	-	18,490
28,215,000	6,660,000	20,000,000	1,555,000	2,665,000	18,890,000	2,780,000	636,726
1,785,000	435,000	1,350,000	-	170,000	1,180,000	165,000	43,900
1,010,000	50,000	960,000	-	60,000	900,000	60,000	36,790
1,005,000	-	1,005,000	-	45,000	960,000	110,000	35,350
635,000	-	635,000	-	-	635,000	85,000	9,319
4,435,000	485,000	3,950,000	0	275,000	3,675,000	420,000	125,359
1,415,000	550,000	865,000	-	865,000	-	-	-
136,444	-	136,444	-	13,644	122,800	13,644	-
100,000	-	100,000	-	-	100,000	-	-
147,000	80,000	67,000	-	10,000	57,000	10,000	-
255,088	214,726	40,362	-	25,512	14,850	14,850	-
4,700,000	1,420,000	3,280,000	-	215,000	3,065,000	3,065,000	190,720
1,079,657	497,657	582,000	-	57,000	525,000	59,000	15,960
1,915,000	487,500	1,427,500	-	185,000	1,242,500	195,000	58,016
925,000	85,000	840,000	-	85,000	755,000	85,000	28,870
23,264,376	700,779	4,492,414	-	1,118,000	3,374,414	1,150,000	774,039
31,884,033	3,190,936	10,621,914	0	1,660,000	8,961,914	4,554,000	1,067,605
\$67,437,565	\$11,180,662	\$36,630,720	\$1,555,000	\$5,529,156	\$32,656,564	\$7,807,494	\$1,866,186

- This page intentionally left blank -

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS
December 31, 2011

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	Total
Bonds payable	\$835,000	\$1,180,000	\$900,000	\$960,000	\$635,000	\$4,510,000
Future interest payable	543,931	148,800	271,862	168,942	40,819	1,174,354
Totals	<u>\$1,378,931</u>	<u>\$1,328,800</u>	<u>\$1,171,862</u>	<u>\$1,128,942</u>	<u>\$675,819</u>	<u>\$5,684,354</u>
Payments to maturity:						
2012	\$51,496	\$208,900	\$96,790	\$145,350	\$94,319	\$596,855
2013	50,934	221,900	94,600	142,325	98,550	608,309
2014	50,371	224,300	92,334	143,720	97,538	608,263
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>\$1,378,931</u>	<u>\$1,328,800</u>	<u>\$1,171,862</u>	<u>\$1,128,942</u>	<u>\$675,819</u>	<u>\$5,684,354</u>

CITY OF GRAND RAPIDS, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2011

	2001B Improvement Bonds	2003A Improvement Bonds	2004A Improvement Bonds	2005A Improvement Bonds	2005B Improvement Bonds	2006C Improvement Bonds
Bonds payable	\$190,000	\$1,095,000	\$1,870,000	\$2,265,000	\$475,000	\$1,805,000
Future interest payable	28,268	21,839	325,845	420,258	35,037	385,700
Totals	<u>\$218,268</u>	<u>\$1,116,839</u>	<u>\$2,195,845</u>	<u>\$2,685,258</u>	<u>\$510,037</u>	<u>\$2,190,700</u>
Payments to maturity:						
2012	\$38,189	\$1,116,839	\$298,649	\$326,089	\$129,982	\$248,600
2013	36,891	-	291,188	307,088	125,958	236,500
2014	35,549	-	283,403	298,276	126,784	219,700
2015	34,161	-	211,463	284,558	127,313	213,100
2016	37,603	-	205,428	275,932	-	211,400
2017	35,875	-	199,223	267,307	-	204,600
2018	-	-	192,847	248,870	-	188,000
2019	-	-	186,217	235,660	-	181,600
2020	-	-	179,418	227,383	-	175,200
2021	-	-	148,009	214,095	-	159,000
2022	-	-	-	-	-	153,000
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
	<u>\$218,268</u>	<u>\$1,116,839</u>	<u>\$2,195,845</u>	<u>\$2,685,258</u>	<u>\$510,037</u>	<u>\$2,190,700</u>

2007A Improvement Bonds	2007B Improvement Bonds	2008C Improvement Bonds	2009B Improvement Refunding Bonds	2009C Improvement Bonds	2010A Improvement Bonds	2011B Improvement Refunding Bonds	Total
\$1,515,000	\$830,000	\$1,010,000	\$720,000	\$4,445,000	\$1,115,000	\$1,555,000	\$18,890,000
389,424	183,101	295,428	26,431	1,568,934	215,500	252,387	4,148,152
<u>\$1,904,424</u>	<u>\$1,013,101</u>	<u>\$1,305,428</u>	<u>\$746,431</u>	<u>\$6,013,934</u>	<u>\$1,330,500</u>	<u>\$1,807,387</u>	<u>\$23,038,152</u>
\$169,415	\$111,750	\$111,065	\$262,513	\$480,370	\$104,775	\$18,490	\$3,416,726
169,915	103,650	113,419	213,462	472,975	128,950	172,373	2,372,369
165,315	100,650	110,588	209,106	469,120	122,800	171,503	2,312,794
165,615	97,650	107,662	46,125	458,721	116,463	165,330	2,028,161
165,715	94,650	104,662	15,225	452,190	109,963	153,885	1,826,653
160,715	91,650	101,587	-	439,815	103,325	157,160	1,761,257
155,653	88,650	98,475	-	436,465	96,575	145,153	1,650,688
155,425	85,650	100,220	-	427,009	69,885	137,950	1,579,616
150,095	82,650	96,780	-	416,768	68,303	120,629	1,517,226
149,629	79,613	93,260	-	405,964	71,575	83,660	1,404,805
148,923	76,538	89,660	-	404,335	69,700	81,962	1,024,118
148,009	-	85,980	-	391,866	67,750	80,142	773,747
-	-	92,070	-	383,663	65,725	78,182	619,640
-	-	-	-	374,673	68,534	81,007	524,214
-	-	-	-	-	66,177	78,701	144,878
-	-	-	-	-	-	81,260	81,260
<u>\$1,904,424</u>	<u>\$1,013,101</u>	<u>\$1,305,428</u>	<u>\$746,431</u>	<u>\$6,013,934</u>	<u>\$1,330,500</u>	<u>\$1,807,387</u>	<u>\$23,038,152</u>

- This page intentionally left blank -

	2012 Tax Capacity Values	2011 Tax Capacity Values
	<u> </u>	<u> </u>
Taxable valuations:		
Real estate	\$8,969,941	\$9,744,645
Personal property	410,600	298,439
Net tax capacity	<u>9,380,541</u>	<u>10,043,084</u>
Less: Captured tax increment value	(132,575)	(116,130)
Fiscal disparities contributions	<u>(1,075,330)</u>	<u>(1,042,860)</u>
 Taxable net tax capacity	 <u><u>\$8,172,636</u></u>	 <u><u>\$8,884,094</u></u>

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION IMPROVEMENT BONDS
December 31, 2011

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
2011/2012	(\$62,500)	\$12,864	\$106,460	\$50,933	\$61,069	\$119,947
2012/2013	(62,500)	12,743	111,112	51,089	58,685	117,311
2013/2014	(62,500)	12,575	49,285	48,668	56,300	119,923
2014/2015	(70,929)	17,609	50,077	49,056	53,937	122,325
2015/2016	(44,730)	17,083	50,691	49,475	51,532	119,268
2016/2017	(34,500)	-	51,127	42,064	49,147	116,210
2017/2018	(34,500)	-	51,384	37,621	46,763	118,271
2018/2019	(34,500)	-	51,284	38,542	44,387	114,867
2019/2020	(34,500)	-	50,475	36,654	41,994	116,713
2020/2021	(27,500)	-	-	-	39,610	118,274
2021/2022	(19,670)	-	-	-	17,093	119,616
2022/2023	(17,593)	-	-	-	-	-
2023/2024	-	-	-	-	-	-
2024/2025	-	-	-	-	-	-
2025/2026	-	-	-	-	-	-
	<u>(\$505,922)</u>	<u>\$72,874</u>	<u>\$571,895</u>	<u>\$404,102</u>	<u>\$520,517</u>	<u>\$1,302,725</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.

\$1,010,000 GO Street Reconstr Bonds Series 2008B	\$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	Total
\$79,001	\$77,393	\$177,249	\$312,217	\$138,320	\$153,541	\$50,577	\$1,277,071
77,465	76,046	175,681	314,207	141,068	150,489	54,378	1,277,774
81,022	74,501	35,791	309,506	138,117	145,941	54,647	1,063,776
79,123	72,957	9,266	309,278	140,268	140,973	54,746	1,028,686
77,089	71,255	-	303,279	141,966	135,610	54,675	1,027,193
80,304	69,554	-	307,321	143,319	140,381	54,467	1,019,394
77,981	73,023	-	305,114	144,286	8,073	54,054	882,070
75,657	71,022	-	302,266	-	54,608	58,755	776,888
78,437	68,853	-	299,186	-	58,648	57,848	774,308
75,735	66,684	-	306,205	-	57,130	56,943	693,081
78,126	64,347	-	301,787	-	55,611	55,779	672,689
80,276	70,907	-	302,370	-	53,936	54,615	544,511
-	-	-	302,248	-	57,510	58,407	418,165
-	-	-	-	-	55,486	56,792	112,278
-	-	-	-	-	-	60,309	60,309
<u>\$940,216</u>	<u>\$856,542</u>	<u>\$397,987</u>	<u>\$3,974,984</u>	<u>\$987,344</u>	<u>\$1,267,937</u>	<u>\$836,992</u>	<u>\$11,628,193</u>

- This page intentionally left blank -

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 and
Members of the City Council
City of Grand Rapids, Minnesota

We have audited 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 as of and for the year ended December 31, 2011, which collectively comprise the City of Grand Rapids, Minnesota's basic financial statements and have issued our report thereon dated _____, 2012. We did not audit the financial statements of the Public Utilities Commission (a component unit), which is discretely presented in the financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for the Public Utilities Commission, was 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Grand Rapids, Minnesota is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Grand Rapids, Minnesota's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City of Grand Rapids, Minnesota's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as finding 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grand Rapids, Minnesota's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The City of Grand Rapids, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Grand Rapids, Minnesota's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the 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.

_____, 2012

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2011

2011-1 Audit Adjustments

Criteria: A City's controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: During the course of our audit, we identified adjustments relating to due from other governments and accumulated depreciation, which were material, and a third adjustment relating to accrued interest receivable which was not material.

Cause: In our viewpoint, the guidance provided by auditing standards combined with the complexity of governmental accounting will result in most local governments receiving a finding of this regard.

Effect: There is an increased risk that financial statement misstatements may occur.

Recommendation: We recommend City staff continue to attempt to appropriately record these types of transactions.

Views of Responsible Officials and Corrective Action Plan: It is the intent of the City's staff to minimize the number of audit adjustments needed each year. As explained in the cause section of the audit comment, due to the complexity of some governmental accounting issues it is unlikely that the City will not have one recommended audit adjustment in any particular year.

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, 2011, and have issued our report thereon dated _____, 2012. We did not audit the financial statements of the Public Utilities Commission (a component unit), which is discretely presented in the basic financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for the Public Utilities Commission, was 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.

_____, 2012



TAUTGES REDPATH, LTD.
Certified Public Accountants

April 17, 2012

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 23, 2012.

Thank you for the opportunity to be of service.

Sincerely,

HLB TAUTGES REDPATH, LTD.

David J Mol, CPA

DJM:clc

Enclosures

CITY OF GRAND RAPIDS, MINNESOTA

AUDIT MANAGEMENT LETTER

December 31, 2011

- This page intentionally left blank -



TAUTGES REDPATH, LTD.
Certified Public Accountants

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

We have substantially completed the 2011 audit of the financial statements of the City of Grand Rapids, Minnesota (the City) and the EDA. The Public Utilities Commission (PUC) is considered a "component unit" of the City. As such, the financial statements of the PUC are included in the City's Annual Financial Report. The audit of the PUC will begin in early May. Therefore, we have issued draft financial statements pending completion of the PUC audit.

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

A handwritten signature in black ink that reads "Herb Tautges Redpath, CPA".

HLB TAUTGES REDPATH, LTD.

April 11, 2012

- This page intentionally left blank -

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 • One internal control finding
<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 2012

EXECUTIVE SUMMARY

Several areas highlighted for your reference include the following:

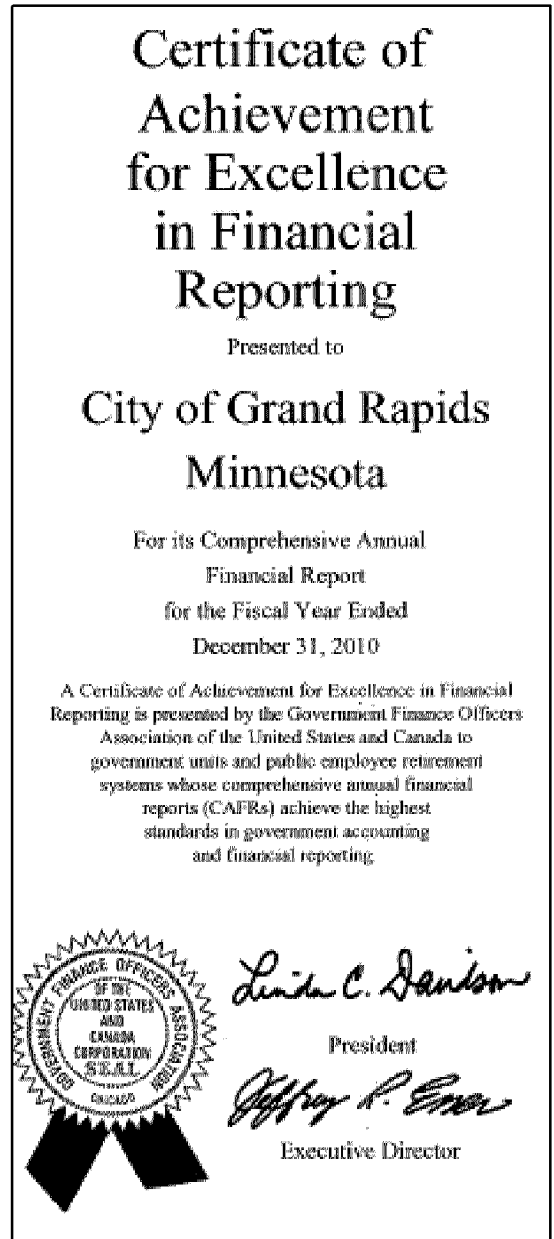
The City of Grand Rapids, Minnesota has been awarded the Certificate of Achievement for Excellence in Financial Reporting for every year since 1992.	Page 4
The City's total property tax collection rate in 2011 was 95.7%, an increase of 0.3% from 2010. The total special assessment collection rate decreased 6.4% in 2011 to 88.5%.	Page 10-11
The fund balance of the City's General Fund increased \$79,740 during 2011. Budget variances are shown herein.	Page 14
A comparison of Debt Service Fund assets with outstanding debt is shown herein.	Page 24
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 26
Governmental accounting standards affecting future years are summarized.	Page 34
Required auditor communications are included in this report.	Pages 35-38

**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:

- To encourage governments to prepare and publish an easily readable and understandable Comprehensive Annual Financial Report (CAFR).
- To assist governments in meeting the first goal by providing educational materials, comments, and suggestions for improvements.
- To recognize governments and individuals that have met the challenge of preparing and issuing a high-quality CAFR.

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



REPORTING ENTITY

The Governmental Accounting Standards Board (GASB) is the standard setting body for accounting principles and financial reporting. The GASB’s Statement No. 14, as amended, established standards for defining and reporting on the financial reporting entity. The foundation of Statement No. 14 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.

During 2011, the Joint Power Entity known as the Grand Rapids / Itasca County Airport Commission was dissolved and an Airport Advisory Board was created, as established by the Grand Rapids / Itasca County Airport Joint Powers Cooperative Agreement. Based on the terms of the agreement and GASB Statement No. 14, 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 Grand Rapids / Itasca County Airport are now reported as funds of the City.

Reporting Entity

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

Statement of Activities

The statement of activities is presented on Statement 2 in the financial statements. This statement presents expenses before revenues to emphasize that in the public sector, revenues are generated for the express purpose of providing services, rather than the maximization of net income.

This statement also separates *program* revenues from *general* revenues with a subtotal of (expenses) revenue before general revenues. This subtotal loosely translates to the amount of subsidy needed by each function. It is important to note that accounting principles have various acceptable methods for determining functions and allocating expenses. Thus, different governmental entities may or may not be comparable.

City of Grand Rapids, Minnesota

Audit Management Letter

Government-Wide Financial Statement Analysis

A summary of the City's statement of activities is as follows:

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-Type Activities	2011	2010
Primary government:								
Governmental activities:								
General government	\$2,362,986	\$401,410	\$227,775	\$104,100	(\$1,629,701)	\$ -	(\$1,629,701)	(\$1,678,971)
Public safety	2,836,212	447,864	419,233	48,483	(1,920,632)	-	(1,920,632)	(1,966,264)
Public works	5,390,413	432,900	372,384	4,896,547	311,418	-	311,418	(2,022,752)
Culture and recreation	2,255,043	940,911	42,699	300,379	(971,054)	-	(971,054)	(1,308,811)
Interest and fees on long-term debt	907,838	-	178,037	-	(729,801)	-	(729,801)	(788,841)
Total governmental activities	13,752,492	2,223,085	1,240,128	5,349,509	(4,939,770)	0	(4,939,770)	(7,765,639)
Business-type activities:								
Golf course	549,733	553,201	-	7,995	-	11,463	11,463	190,857
Storm water utility	377,107	498,587	-	-	-	121,480	121,480	93,487
Total business-type activities	926,840	1,051,788	0	7,995	0	132,943	132,943	284,344
Total primary government	\$14,679,332	\$3,274,873	\$1,240,128	\$5,357,504	(4,939,770)	132,943	(4,806,827)	(7,481,295)
General revenues:								
Property taxes					5,180,915	-	5,180,915	4,793,026
Payments in lieu of taxes (PILOT)					854,710	-	854,710	853,542
Grants and contributions not restricted to specific programs					1,470,249	-	1,470,249	1,452,870
Unrestricted investment earnings					184,059	6,313	190,372	161,281
Gain on sale of capital assets					5,360	-	5,360	66,784
Special item - Grand Rapids / Itasca County merger with Grand Rapids Township					6,212,220	-	6,212,220	-
Special item - equity acquired from the merger with Grand Rapids Township					-	-	-	574,001
Transfers					3,500	(3,500)	-	-
Total general revenues and transfers					13,911,013	2,813	13,913,826	7,901,504
Change in net assets					8,971,243	135,756	9,106,999	420,209
Net assets - January 1, as previously reported					40,925,211	2,946,486	43,871,697	43,451,488
Prior period adjustment					-	(52,180)	(52,180)	-
Net assets - January 1, as restated					40,925,211	2,894,306	43,819,517	43,451,488
Net assets - December 31					\$49,896,454	\$3,030,062	\$52,926,516	\$43,871,697

includes depreciation expense of \$2,750,000

state police and fire aid, hazmat, school liaison officer

Indicates the extent that general revenues (property taxes, LGA) are needed to fund these activities

includes Library, Central School and Civic Center

assessment interest, MSA construction, infrastructure grants

LGA, market value homestead credit, supplemental aid

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 - 2011						
	Fund	Revenue and Other Sources	Expenditures and Other Uses	Interfund Transfers (Net)	Increase (Decrease) in Fund Balance/ Net Assets	Fund Balance/ Net Assets 12/31/11
1	General	\$7,196,848	\$6,763,766	(\$353,342)	\$79,740	\$5,021,201
	Special Revenue Funds:					
2	Public Library	1,031,158	1,363,399	68,309	(263,932)	426,182
3	Central School	93,340	123,926	17,000	(13,586)	134,179
4	Airport Operations	342,142	255,206	10,000	96,936	96,936
4	IRA Civic Center	632,303	640,535	27,450	19,218	(113,231)
5	Recreation Programs	47,612	52,201	-	(4,589)	42,462
6	Haz-Mat	105,286	105,887	-	(601)	53
7	Police Forfeiture	36,882	30,732	-	6,150	50,587
8	Cemetery	197,370	183,659	29,500	43,211	455
9	Domestic Animal Control Facility	33,322	51,789	20,000	1,533	5,326
	Debt Service Funds:					
10	Debt Service Reserve	71	-	-	71	4,718
11	Equipment Certificates of 2009D	145,383	82,803	-	62,580	141,897
12	EDA Capital Lease	-	-	(26,298)	(26,298)	-
13	Improvement Bonds	2,925,850	3,545,675	176,298	(443,527)	6,168,706
14	Tax Abatement	-	-	-	-	1,557
15	G.O. CIP Refunding Bonds of 2006B	221,411	222,425	-	(1,014)	9,092
16	Tax Increment 1-6 Old Hospital Housing	56,467	55,796	-	671	40,157
17	Tax Increment 1-6 Old Hospital Housing Paygo	8,427	8,002	-	425	(5,197)
18	Tax Increment 1-5 Black Bear Homes	32,995	25,830	-	7,165	(122,443)
19	Tax Increment 1-4 Oakwood Terrace	29,928	365	-	29,563	176,619
20	Tax Increment 1-7 Block 37 Redevelopment	25,731	21,823	-	3,908	2,729
	Capital Project Funds:					
21	General Capital Improvement Projects	256,035	233,252	10,715	33,498	421,961
22	Municipal State Aid	108,145	173,985	-	(65,840)	74,463
23	Park Acquisition and Development	212	15,463	-	(15,251)	13,327
24	Capital Equipment Replacement	23,420	472,749	39,318	(410,011)	390,517
25	Street Light and Utility Services	148	-	-	148	9,763
26	Infrastructure Bonds	4,341,300	7,060,742	(581,086)	(3,300,528)	(2,604,409)
27	Airport Capital Fund	421,500	265,364	-	156,136	156,136
28	IRA Civic Center Capital Reserve	146	-	(15,450)	(15,304)	4,427
29	7th Avenue Bridge Rehabilitation	3,753	-	-	3,753	578,181
30	Permanent Improvement Revolving	10,857	5,767	581,086	586,176	836,800
	Enterprise Funds:					
31	Golf Course	563,261	549,733	(3,500)	10,028	2,673,266
32	Storm Water	502,835	377,107	-	125,728	356,796
	Total	\$19,394,138	\$22,687,981	\$0	(\$3,293,843)	\$14,993,213

Property Taxes

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

	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾
Property tax levy	<u>\$4,743,955</u>	<u>\$5,077,422</u>	<u>\$5,275,002</u>	<u>\$5,734,540</u>
Receipts:				
Current (includes MVHC and supplemental aid)	4,680,998	4,977,588	4,956,991	5,445,836
Delinquent	<u>40,725</u>	<u>32,337</u>	<u>75,110</u>	<u>41,525</u>
Total receipts	<u>4,721,723</u>	<u>5,009,925</u>	<u>5,032,101</u>	<u>5,487,361</u>
Total collections as a percent of current levy	<u>99.53%</u>	<u>98.67%</u>	<u>95.40%</u>	<u>95.69%</u>

⁽¹⁾Includes annexation portion of levy

The collection rate increased slightly in 2011, but was still lower than the long-term average, as a result of an unallotment of market value credit by the State of Minnesota in the amount of \$224,091. If these funds would have been received, the collection rate would have been 99.6%.

Special Assessments

Special assessment collections have been as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Current portion due	<u>\$1,082,348</u>	<u>\$1,052,939</u>	<u>\$1,013,237</u>	<u>\$956,035</u>
Receipts:				
Current	1,046,995	1,014,822	955,810	824,639
Delinquent	<u>56,892</u>	<u>16,690</u>	<u>5,430</u>	<u>21,431</u>
Total receipts	<u>1,103,887</u>	<u>1,031,512</u>	<u>961,240</u>	<u>846,070</u>
Current collection rate	<u>96.7%</u>	<u>96.4%</u>	<u>94.3%</u>	<u>86.3%</u>
Total collection rate	<u>102.0%</u>	<u>98.0%</u>	<u>94.9%</u>	<u>88.5%</u>

As shown on the above, the City experienced a decrease in its collection rates in 2011. The delinquent special assessment receivable balance was \$217,000 at December 31, 2011. We recommend the City monitor the special assessment collection rate and consider the impact on the funding of debt service payments.

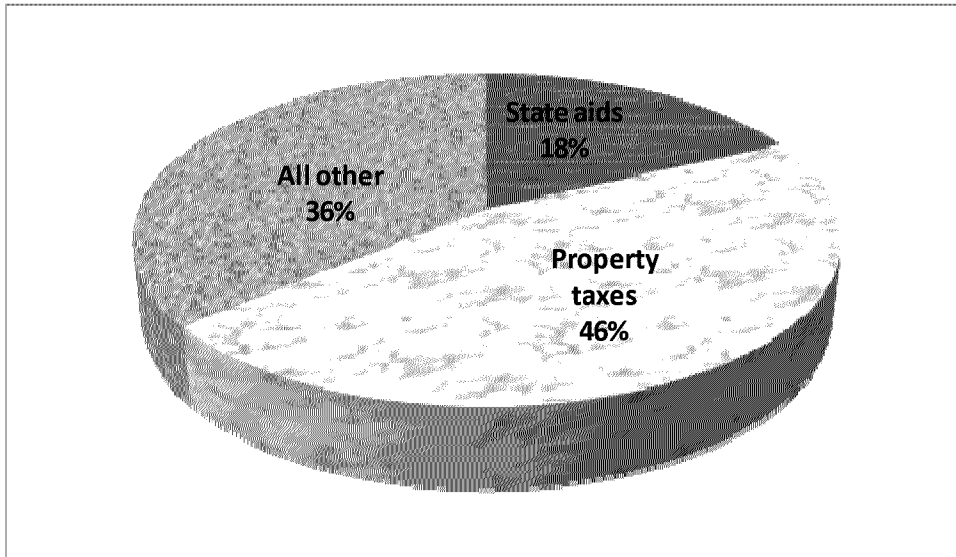
GENERAL FUND

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:

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
2002	2,344,562	39%	1,977,167	33%	1,715,793	28%	6,037,522	100%
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%

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

A chart of 2011 General Fund revenue sources is as follows:



The fund balance of the General Fund increased by \$79,740 in 2011 as follows:

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Taxes	\$3,972,223	\$4,258,525	\$286,302
Licenses and permits	271,465	225,828	(45,637)
Intergovernmental	2,236,645	1,764,599	(472,046)
Charges for services	657,839	696,373	38,534
Fines and forfeits	143,400	108,982	(34,418)
Investment income	49,241	36,292	(12,949)
Donations/contributions	800	3,637	2,837
Other	23,450	30,252	6,802
Total revenues	<u>7,355,063</u>	<u>7,124,488</u>	<u>(230,575)</u>
Expenditures:			
General government:			
Mayor and council	115,246	114,727	519
Administration	452,735	461,742	(9,007)
Finance	390,215	391,331	(1,116)
Information technology	177,081	176,838	243
Community development	350,028	344,944	5,084
Building maintenance - City hall	219,301	220,710	(1,409)
Public safety:			
Police protection	1,932,745	1,905,091	27,654
Fire protection	526,163	536,984	(10,821)
Public works:			
Public works	1,473,911	1,564,904	(90,993)
Engineering	271,953	290,631	(18,678)
Fleet maintenance	213,232	233,869	(20,637)
Culture and recreation	174,138	152,186	21,952
City-wide	373,322	348,324	24,998
Special projects	15,000	21,485	(6,485)
Total expenditures	<u>6,685,070</u>	<u>6,763,766</u>	<u>(78,696)</u>
Revenues over (under) expenditures	<u>669,993</u>	<u>360,722</u>	<u>(309,271)</u>
Other financing sources (uses):			
Sale of capital assets	-	5,360	5,360
Transfers in	22,822	22,822	-
Transfers out	(709,815)	(376,164)	333,651
Total other financing sources (uses)	<u>(686,993)</u>	<u>(347,982)</u>	<u>339,011</u>
Special item - Grand Rapids / Itasca County Airport	-	67,000	67,000
Net change in fund balance	<u>(\$17,000)</u>	<u>\$79,740</u>	<u>\$96,740</u>

Detail of the preceding budget variances is presented in Statement 10 of the 2011 Comprehensive Annual Financial Report. A summary of the budget variances is as follows:

Revenue:

Taxes – the favorable variance of \$286,000 is due to annexation tax collections exceeding budget (\$194,000), higher than anticipated delinquent tax collections (\$34,000), and other smaller unbudgeted collections such as mobile home taxes (\$4,000) and tax forfeit sales (\$18,000).

Licenses and permits – the unfavorable variance occurred because budgeted building permit revenue exceeded actual revenue by \$44,000.

Intergovernmental – the unfavorable variance of \$472,000 is due to an unbudgeted LGA deduction (\$386,000) and a market value homestead credit deduction (\$141,000) by the State. This deduction was partially offset by the receipt of unbudgeted state and federal grants.

Charges for services – the favorable variance primarily relates to GIS data fees and engineering fees charged to construction projects exceeding budgeted amounts by \$21,000 and \$11,000, respectively.

Fines and forfeits – the unfavorable variance relates court fines (\$9,000) and administrative fines (\$27,000).

Expenditures:

Public safety – ended the year with a net favorable variance. Within this net favorable variance was personal services under budget (\$48,000 police, \$24,000 fire). These favorable items, along with additional revenue, were used to make additional capital purchases for fire department equipment.

Public works – the unfavorable variance of \$130,000 is primarily the result of higher than anticipated personal services (\$75,000), street lighting (\$18,000), capital expenditures relating to the salt shed (\$19,000), and other fleet maintenance costs (\$14,000).

Culture and recreation – a favorable variance of \$31,500 occurred relating to personal services, which was partially offset by higher than anticipated materials and supplies costs.

Other Financing Uses:

Transfers out – the City budgeted to transfer \$710,000 from the General Fund to support the activities of various other funds, but actual transfers out were \$376,000 (a difference of \$334,000). Because of the state’s \$386,000 cut in LGA to the City, the General Fund did not have the resources available to make all budgeted transfers.

Special Item:

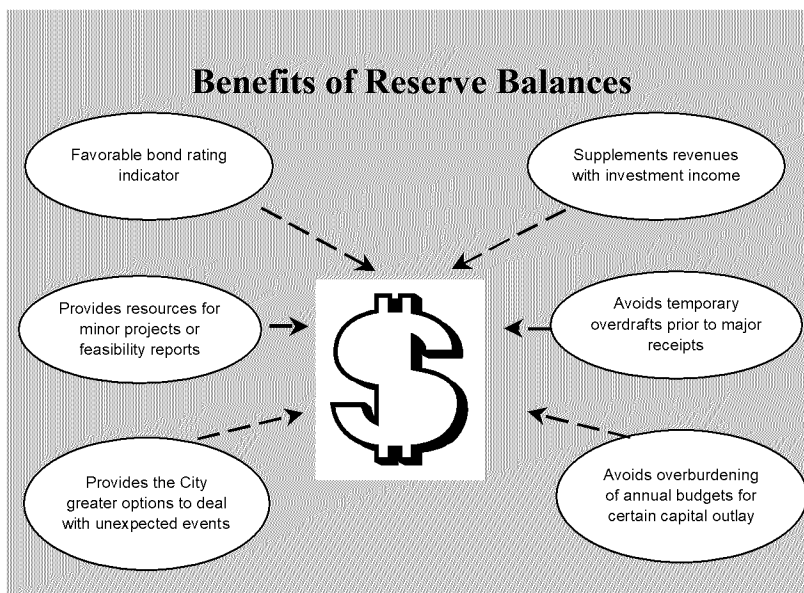
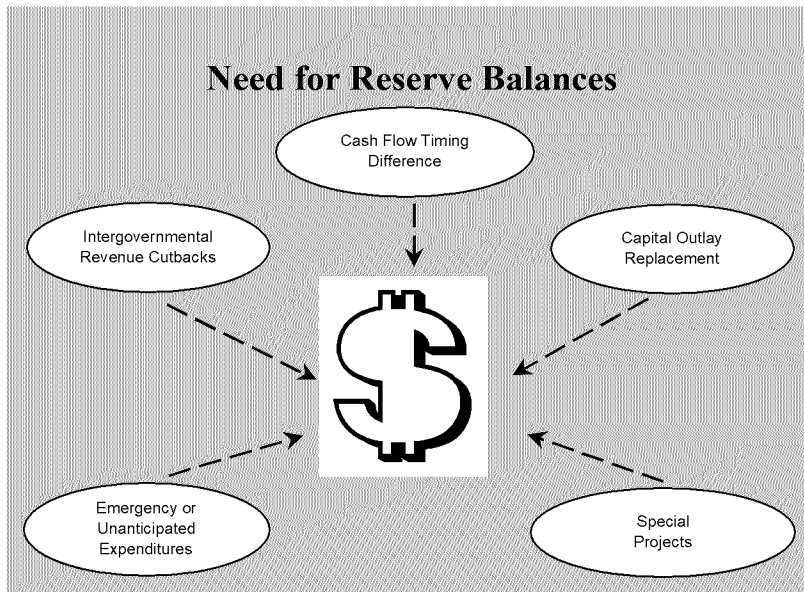
The City recorded \$67,000 of revenue in the General Fund when the reporting for the Grand Rapids / Itasca County Airport changed effective January 1, 2011. This amount relates to a loan owed by the Airport to the General Fund which still exists, but is now classified as an interfund loan receivable.

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

General Fund Balance		
<u>Year</u>	<u>Amount</u>	<u>Increase (Decrease)</u>
1997	\$4,619,153	\$320,619
1998	4,801,757	182,604
1999	4,722,836	(78,921)
2000	5,299,845	577,009
2001	6,122,777	822,932
2002	5,672,572	(450,205)
2003	5,675,707	3,135
2004	5,676,495	788
2005	5,716,055	39,560
2006	5,731,254	15,199
2007	5,802,007	70,753
2008	5,071,647	(730,360)
2009	4,749,342	(322,305)
2010	4,941,461	192,119
2011	5,021,201	79,740

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

In response to the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City adopted Resolution 11-110 amending its previous General Fund Balance Policy. GASB Statement No. 54 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'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, 2011, the unassigned fund balance of the General Fund was \$3,857,416, compared to its targeted unassigned fund balance of \$4,352,423.

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.

At December 31, 2011, the fund balance of the General Fund was as follows:

Fund Balance Constraint	Balance 12/31/10	Increases (Decreases)	Balance 12/31/11
Nonspendable:			
Interfund loan	\$320,386	\$572,910	\$893,296
Prepaid items	162,706	15,815	178,521
Restricted:			
Cash - Superior USA	5,806	110	5,916
Donor restrictions	9,037	614	9,651
Committed:			
Revenue stabilization	-	76,401	76,401
Unassigned:			
Cash flow	2,885,718	(196,840)	2,688,878
Compensated absences	245,798	40,893	286,691
Emergency / unanticipated	614,541	64,844	679,385
Economic development	697,469	(495,007)	202,462
Total	\$4,941,461	\$79,740	\$5,021,201

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 2011:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2011	Comments
Public Library	1,031,158	1,363,399	68,309	(263,932)	426,182	Budgeted decrease in fund balance of \$51,640. Additional fund balance usage of \$238,463 was allocated for the Riverfront Energy Center project.
Central School	93,340	123,926	17,000	(13,586)	134,179	Budgeted decrease in fund balance of \$13,000.
Airport Operations	342,142	255,206	10,000	96,936	96,936	Personnel service expenditures exceeded budget by \$48,000 relating to an employment termination.
IRA Civic Center	632,303	640,535	27,450	19,218	(113,231)	Both revenues and expenditures were under budget by approximately \$50,000.
Recreation Programs	47,612	52,201	-	(4,589)	42,462	Fee revenue was under budget by \$9,000.
Haz-Mat	105,286	105,887	-	(601)	53	
Police Forfeiture	36,882	30,732	-	6,150	50,587	
Cemetery	197,370	183,659	29,500	43,211	455	\$29,500 was transferred in from the General Fund so that the fund balance is positive.
Domestic Animal Control Facility	33,322	51,789	20,000	1,533	5,326	Receives annual transfer from the General Fund.
Totals	\$2,519,415	\$2,807,334	\$172,259	(\$115,660)	\$642,949	

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

A summary of activity of this fund is as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue	\$651,604	\$620,365	\$602,569	\$632,303
Expenditures	<u>738,071</u>	<u>625,666</u>	<u>623,246</u>	<u>640,535</u>
Revenue over (under) expenditures	(86,467)	(5,301)	(20,677)	(8,232)
Transfers in	63,835	27,335	-	27,450
Transfers out	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(27,632)	22,034	(20,677)	19,218
Fund balance (deficit) - January 1	<u>(106,174)</u>	<u>(133,806)</u>	<u>(111,772)</u>	<u>(132,449)</u>
Fund balance (deficit) - December 31	<u><u>(\$133,806)</u></u>	<u><u>(\$111,772)</u></u>	<u><u>(\$132,449)</u></u>	<u><u>(\$113,231)</u></u>

The fund deficit of (\$113,231) at December 31, 2011 is partially financed by an interfund loan of \$72,743 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

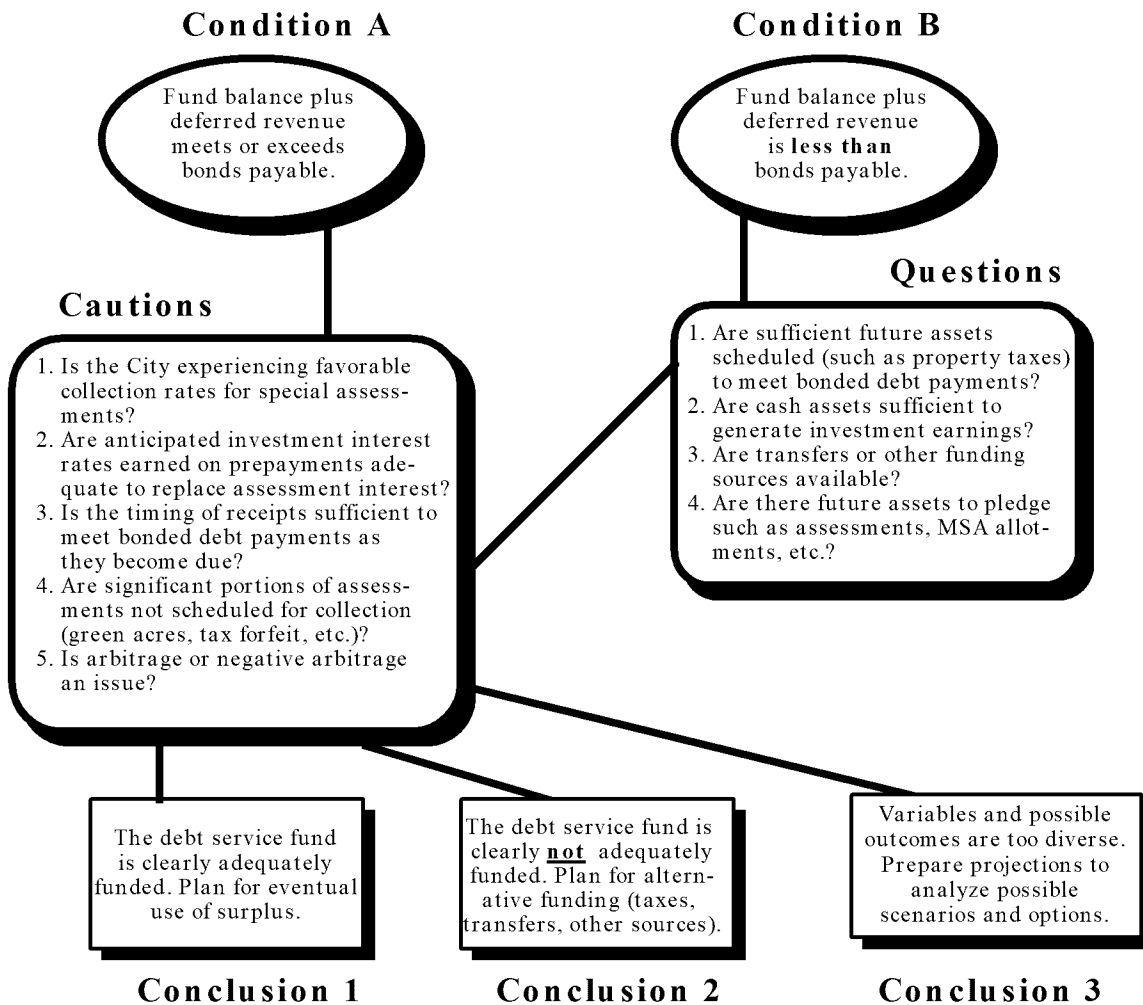
Audit Management Letter

Debt Service Funds

Fund Description	December 31, 2011			Outstanding Debt	Scheduled Ad-valorem Property Taxes	Final Maturity Date
	Fund Balance	Deferred Revenue	Total			
General Debt:						
Debt Service Reserve	\$4,718	\$ -	\$4,718	\$ -	\$ -	N/A
Tax Abatement	1,557	-	1,557	-	-	N/A
Capital Improvement Plan Bonds of 2006B	9,092	1,308,888	1,317,980	1,180,000	-	2/1/2017
Street Reconstruction Bonds of 2008B	122,243	76,400	198,643	900,000	940,216	2/1/2024
Equipment Certificates of 2009D	141,897	1,453	143,350	960,000	987,344 (1)	2/1/2024
Total general debt	<u>279,507</u>	<u>1,386,741</u>	<u>1,666,248</u>	<u>3,040,000</u>	<u>1,927,560</u>	
Tax Increment Debt:						
Tax Increment District 1-4 (Oakwood Terrace)	176,619	-	176,619	-	-	(2)
Tax Increment District 1-5 (Black Bear Homes)	(122,443)	12	(122,431)	-	-	(2)
Tax Increment District 1-6 (Old Hospital Housing Bonds)	40,157	-	40,157	835,000	-	(3) 2/1/2034
Tax Increment District 1-6 (Old Hospital Housing Paygo)	(5,197)	-	(5,197)	-	-	
Tax Increment District 1-7 (Block 37 Redevelopment)	2,729	175	2,904	-	-	(2)
Total tax increment debt	<u>91,865</u>	<u>187</u>	<u>92,052</u>	<u>835,000</u>	<u>0</u>	
Special Assessment Debt:						
Improvement Bonds of 2001B	157,443	24,354	181,797	190,000	72,874	2/1/2017
Improvement Bonds of 2003A	1,187,257	657,401	1,844,658	1,095,000	-	2/1/2020
Improvement Bonds of 2004A	885,099	492,492	1,377,591	1,870,000	571,895	2/1/2021
Improvement Bonds of 2005A	1,216,559	1,316,215	2,532,774	2,265,000	404,102	2/1/2021
State Aid Street Bonds of 2005B	6,231	-	6,231	475,000	-	(4) 4/1/2015
Improvement Bonds of 2006C	593,997	1,549,686	2,143,683	1,805,000	520,517	2/1/2022
Improvement Bonds of 2007A	304,330	266,026	570,356	1,515,000	1,302,725	2/1/2023
State Aid Street Bonds of 2007B	19,337	-	19,337	830,000	-	(4) 4/1/2022
Improvement Bonds of 2008C	213,225	261,879	475,104	1,010,000	856,542	2/1/2024
Improvement Bonds of 2009B	399,751	100,613	500,364	720,000	397,987	2/1/2016
Improvement Bonds of 2009C	812,880	681,109	1,493,989	4,445,000	3,974,984 (1)	2/1/2025
Improvement Bonds of 2010A	249,544	412,358	661,902	1,750,000	1,267,937	2/1/2026
Improvement Bonds of 2011B	810	187,230	188,040	1,555,000	836,992	2/1/2027
Supplemental levy	-	-	-	-	(505,922) (5)	
Total special assessment debt	<u>6,046,463</u>	<u>5,949,363</u>	<u>11,995,826</u>	<u>19,525,000</u>	<u>9,700,633</u>	
Total - All Debt Service Funds	<u>\$6,417,835</u>	<u>\$7,336,291</u>	<u>\$13,754,126</u>	<u>\$23,400,000</u>	<u>\$11,628,193</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 1996, the City requested our office to prepare a debt service analysis of the City's special assessment Debt Service Funds. This study was most recently updated in 2010.

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 2011 was as follows:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2011	Comments
General Capital Improvement Projects	\$256,035	\$233,252	\$10,715	\$33,498	\$421,961	Crystal Lake project funded by DEED grant.
Municipal State Aid	108,145	173,985	-	(65,840)	74,463	
Park Acquisition and Development	212	15,463	-	(15,251)	13,327	\$12,000 equipment purchase for Civic Center.
Capital Equipment Replacement	23,420	472,749	39,318	(410,011)	390,517	2011 expenditures included John Deere loader (\$162K), skidsteer with accessories (\$87K), 2 pick-up trucks (\$56K) and 3 squad cars with cameras (\$81K).
Street Light and Utility Services	148	-	-	148	9,763	
Airport Capital Fund	421,500	265,364	-	156,136	156,136	Culver replacement costs were \$223,000.
IRA Civic Center Capital Reserve	146	-	(15,450)	(15,304)	4,427	\$15,450 transferred to Civic Center Fund 228.
7th Avenue Bridge Rehabilitation	3,753	-	-	3,753	578,181	
Permanent Improvement Revolving	10,857	5,767	581,086	586,176	836,800	
Infrastructure 4th Street SE	\$4,488	\$12,671	(\$63,205)	(\$71,388)	\$ -	Fund was closed and \$63,000 was transferred to PIR fund.
2000 Infrastructure - Other	95	-	-	95	6,258	
2007 Infrastructure - Bonded	\$152,998	\$229,043	(\$195,943)	(\$271,988)	\$ -	Fund was closed and \$196,000 was transferred to PIR fund.
2009 Infrastructure - Bonded	\$2,095	\$785	(\$321,938)	(\$320,628)	\$ -	Fund was closed and \$322,000 was transferred to PIR fund.
2010 Infrastructure - Bonded	\$1,005,325	\$1,556,812	\$ -	(\$551,487)	(\$165,457)	Accounts for infrastructure projects. Future funding will be provided by the PIR Fund.
2011 Infrastructure - Bonded	\$2,284,761	\$2,521,564	\$ -	(\$236,803)	(\$559,134)	Accounts for infrastructure projects. Future funding will come from a federal grant.
2012 Infrastructure - Bonded	\$891,538	\$2,739,867	\$ -	(\$1,848,329)	(\$1,886,076)	Accounts for infrastructure projects. The deficit will be eliminated by future bonding and PUC contribution.
Totals	\$5,165,516	\$8,227,322	\$34,583	(\$3,027,223)	(\$118,834)	

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating revenue	\$494,371	\$516,832	\$548,820	\$553,201
Operating expenses	<u>472,258</u>	<u>481,945</u>	<u>451,315</u>	<u>546,903</u>
Operating income (loss)	22,113	34,887	97,505	6,298
Other income (expense) - net	227,534	833,291	155,245	7,230
Transfers in	20,422	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>\$266,569</u></u>	<u><u>\$1,039,678</u></u>	<u><u>\$566,550</u></u>	<u><u>\$10,028</u></u>

For 2008, the “other income (expense)” includes the gain on sale of land in the amount of \$219,966 and for 2009 this line item 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.

In 2011, a prior period adjustment of \$52,180 (reduction to net assets) was recorded because cart paths had not been depreciated.

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating revenue	\$478,596	\$484,528	\$505,336	\$498,587
Operating expenses	<u>331,627</u>	<u>363,381</u>	<u>413,097</u>	<u>377,107</u>
Operating income	146,969	121,147	92,239	121,480
Other income (expense) - net	1,255	3,718	2,205	4,248
Transfers out	<u>(100,000)</u>	<u>(152,219)</u>	<u>(56,333)</u>	<u>-</u>
Change in net assets	<u>\$48,224</u>	<u>(\$27,354)</u>	<u>\$38,111</u>	<u>\$125,728</u>

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 12/31/2011
General	\$1,331	\$15,791	(\$14,460)	\$82,058
Debt Service	-	886,125	(886,125)	-
Capital Project	553,368	489,772	63,596	499,854
Total	\$554,699	\$1,391,688	(\$836,989)	\$581,912

During 2010, the Debt Service Fund received loan repayment revenue from the City in the amount of \$876,788. This repayment was sufficient to allow the EDA to pay off the lease revenue bonds on February 1, 2011. Subsequent to this pay off, the Debt Service Fund was closed.

The Capital Project Fund expended \$293,000 in 2011 for the water and sewer portions of the Lakewood Housing Project. Funding was provided through the state using taconite dollars.

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. 57 <i>OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans</i>	2012
Statement No. 60 <i>Accounting and Financial Reporting for Service Concession Arrangements</i>	2012
Statement No. 61 <i>The Financial Reporting Entity Omnibus – An Amendment of GASB No. 14 and No. 34</i>	2013
Statement No. 62 <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i>	2012
Statement No. 63 <i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.</i>	2012
Statement No. 64 <i>Derivative Instruments: Application of Hedge Accounting Termination Provisions.</i>	2012
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

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, 2011. 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 letter to you dated January 16, 2012. 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. As described in Note 13 to the financial statements, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011. GASB No. 54 changed fund balance classifications for governmental fund statements. The former classifications of reserved, designated and undesignated have been replaced with nonspendable, restricted, committed, assigned and unassigned. Definitions for each new classification can be found in Note 1.P. to the financial statements. 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 and the allocation of project costs between the City and the Public Utilities Commission. 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. We identified three known misstatements, all of which were corrected. Two of the misstatements (due from other governments of \$589,000 and accumulated depreciation in the Golf Course Fund of \$52,000) were material. The third (accrued interest receivable of \$8,400) was not material.

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.

- This page intentionally left blank -



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

CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0250 **Version:** 1 **Name:** Solid Waste RFP
Type: Agenda Item **Status:** Passed
File created: 4/18/2012 **In control:** City Council Work Session
On agenda: 4/23/2012 **Final action:** 4/23/2012
Title: Review Request for Proposals for Solid Waste Service.

Sponsors:

Indexes:

Code sections:

Attachments: [Solid Waste RFP](#)

Date	Ver.	Action By	Action	Result
4/23/2012	1	City Council	Approved	Pass

Review Request for Proposals for Solid Waste Service.



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

CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0251 **Version:** 1 **Name:** Civic Center Roof
Type: Agenda Item **Status:** CC Worksession
File created: 4/18/2012 **In control:** City Council Work Session
On agenda: 4/23/2012 **Final action:**
Title: Discuss Civic Center Roof.

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Discuss Civic Center Roof.



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

CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0252 **Version:** 1 **Name:** Honeywell
Type: Agenda Item **Status:** CC Worksession
File created: 4/18/2012 **In control:** City Council Work Session
On agenda: 4/23/2012 **Final action:**
Title: Discuss contract proposal with Honeywell.

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Discuss contract proposal with Honeywell.



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

CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 11-1768 **Version:** 1 **Name:**
Type: Agenda Item **Status:** CC Worksession
File created: 9/7/2011 **In control:** City Council Work Session
On agenda: 4/23/2012 **Final action:**
Title: Review 5:00 p.m. Regular Meeting and other business as noted.

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Review 5:00 p.m. Regular Meeting and other business as noted.