

Comprehensive Annual Financial Report



City of Grand Rapids, MI

Year Ended June 30, 2018



300 Monroe Avenue, Northwest | Grand Rapids, Michigan 49503 | www.grcity.us | 616-456-3189

Cover Art:

The cover features a digital rendering of Studio Park, currently under construction in the heart of Grand Rapids' entertainment district. The project is the largest mixed-use redevelopment project in the City in over a decade. Studio Park includes offices, restaurants, hotel, retail, housing, a movie theater, live music venues, a public outdoor piazza and 942 space parking garage.

- Entertainment – Creating unique spaces for story, Studio C presents a nine screen movie theatre, special programming and event spaces and a new kind of music venue unlike anything in Grand Rapids.
- Residential – Those drawn to the center of entertainment, culture, and the vitality of downtown now have a living space that provides both respite, and connection to the city's heartbeat. 140 condos and 106 apartments.
- Retail – 12 restaurants and shops make this a destination to dine, play and work.
- Canopy by Hilton – Inspired by local surroundings, including the design of the hotel, music and artists as part of the scene and local fitness options, this 155-room hotel lets guests feel as though they are getting an authentic travel experience.
- Parking - 942 parking spaces for those who work, live and play at Studio Park.
- Piazza – Outdoor space for concerts, movies and events to bring the community together during every month of the year. Capacity: 600 seated/2,000 standing

CITY OF GRAND RAPIDS, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018

Prepared by:

Comptroller's Office
Sara VanderWerff
Comptroller

Elected Officials

Mayor	Rosalynn Bliss
Commissioners	Jon O'Connor Kurt Reppart Joseph D. Jones Ruth E. Kelly Senita Lenear Nathaniel Moody
Comptroller	Sara VanderWerff

Appointed Officials

Interim City Manager	Eric Delong
City Attorney	Anita Hitchcock
City Treasurer	John M. Globensky
City Clerk	Joel Hondorp

City of Grand Rapids, Michigan
Comprehensive Annual Financial Report
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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Grand Rapids
Michigan**

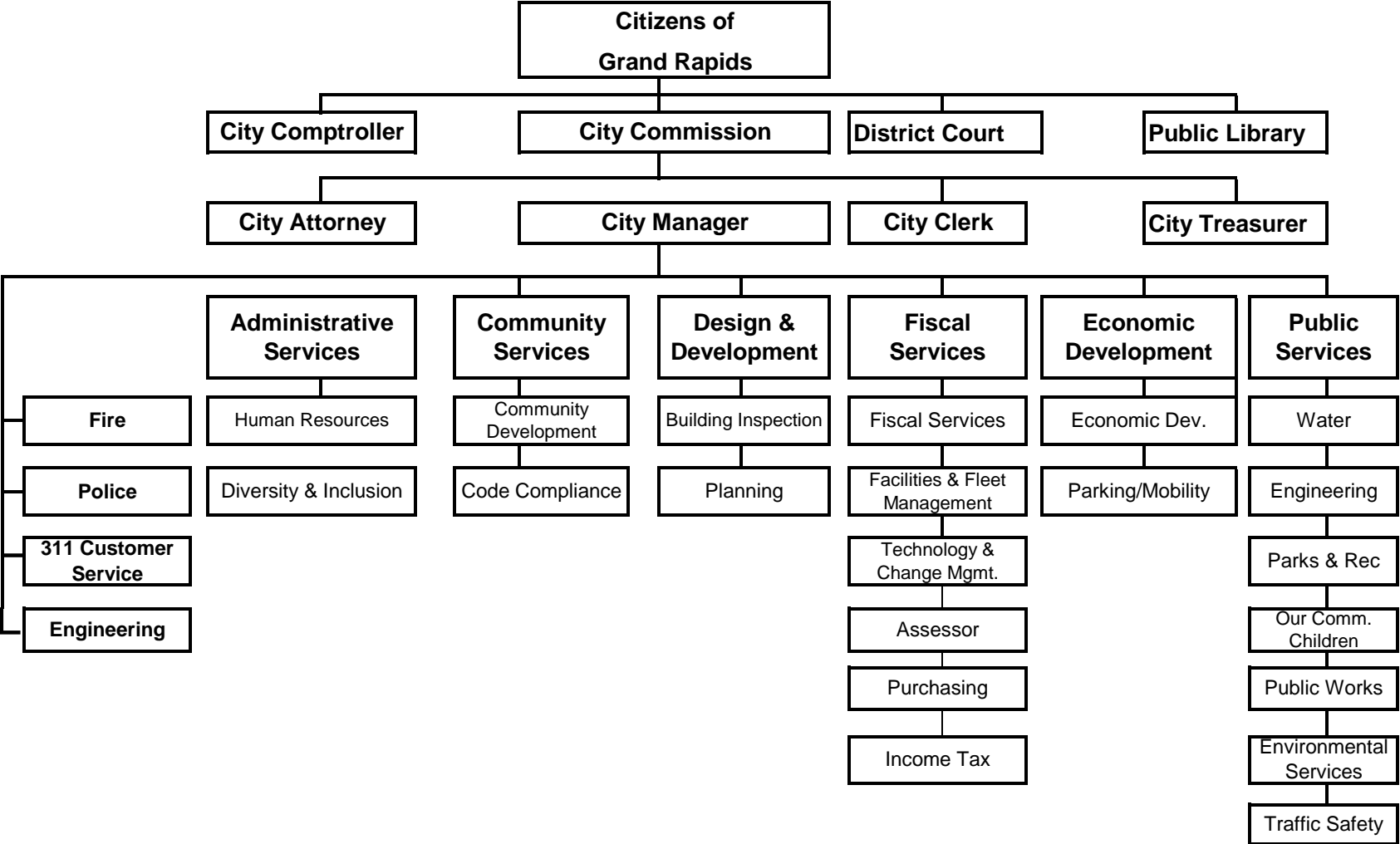
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

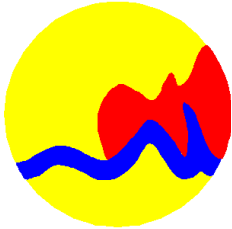
June 30, 2017

Christopher P. Morill

Executive Director/CEO

**City of Grand Rapids
Organizational Chart
FY 2018**





CITY OF GRAND RAPIDS

December 13, 2018

Honorable Mayor Rosalynn Bliss, City Commissioners, and Residents of Grand Rapids:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Grand Rapids (the City), Michigan for the fiscal year ended June 30, 2018 with the Independent Auditor's Report, submitted in compliance with Michigan State Law. State law requires that within six months of the close of each fiscal year local governments publish a complete set of financial statements presented in conformance with generally accepted accounting principles in the USA (GAAP) and audited in conformity with generally accepted auditing standards by a firm of licensed certified public accountants. This CAFR meets state law requirements.

The Office of the City Comptroller assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

Plante & Moran, PLLC, independent auditors, has issued an unmodified, "clean" opinion on the City's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City was incorporated on April 2, 1850. On August 29, 1916, the people of Grand Rapids voted to adopt a Home Rule Charter that abolished their old alderman system and replaced it with a Commission-Manager form of government that, with amendments, is still in effect today. The City Commission has seven elected, non-partisan commissioners, with two commissioners from each of the three wards and a seventh commissioner elected at large who serves as the Mayor. The City Comptroller is elected at large and, with the assistance of the staff members in the Office of City Comptroller, is responsible for monitoring the financial activities of the City Commission and all City departments. Terms of all the elected offices are four years, with three commissioners and either the Mayor or Comptroller elected every two years. The City Manager is appointed by the City Commission to serve as the City's chief administrator and is responsible for the coordination of all City departments and execution of City Commission policies and programs. A seven member Library Board is elected at large and is responsible for the operations of the library system. All other boards, such as the pension, building authority, and other component unit boards, have a majority of members appointed by the City Commission.

The City provides its citizens with a full range of services. The City separately tracks revenues and expenses for these services in four broad categories based on activity type: governmental funds, business-type funds, component unit funds, and fiduciary funds.

Governmental funds provide services including police, fire, street lighting, trash and recycle collection, storm water collection, street maintenance, libraries, and parks and recreation. These activities are paid for through income and property taxes, charges for services, and other general revenue sources such as revenue sharing from the state or grant monies from the state and federal governments. These revenue sources do not have a direct relationship between the amount the taxpayer pays and the amount of benefits received from the service. That is, the taxpayer may pay income and property taxes, which are used to fund the fire department whose presence may reduce property insurance rates, but the taxpayer may never need to call on the fire department. In addition to services primarily for city residents, the City's Traffic Safety Department is responsible for the maintenance of traffic signals throughout Kent and eastern Ottawa County using funding from many jurisdictions.

The City also provides business-type activities which include the water and sewer systems, parking services, cemeteries, Belknap Ice Arena, and Indian Trails Golf Course. The water and sewer systems provide retail service to over 86,000 retail customers in the City and suburban communities, as well as wholesale service to communities that operate their own municipal water and sewer systems. The Parking System operates over 7,180 off-street and 2,700 on-street parking spaces. These services are similar to a business enterprise and are intended to be funded solely by charges and fees. The revenues from these services can only be used to provide these services.

Besides governmental and business-type activities, the financial reporting entity includes component units. Component units are legally separate entities for which the primary government is financially accountable. The following component units are incorporated into the City's Comprehensive Annual Financial Report on either a blended or discrete basis:

- Grand Rapids Building Authority (GRBA)
- City of Grand Rapids General Retirement System
- City of Grand Rapids Police and Fire Retirement System
- Corridor Improvement Districts (CIDs)
- Grand Rapids Brownfield Redevelopment Authority (Brownfield)
- Grand Rapids Downtown Development Authority (DDA)
- Grand Rapids SmartZone Development Authority (SmartZone)
- Grand Rapids Tax Increment Financing Authority (TIFA)
- State of Michigan 61st District Court

Blended component units, although legally separate entities, are part of the primary government's operations and are included as part of the primary government. Accordingly, the activities of the GRBA have been blended within the primary government's activities included in the Parking System and various capital projects and debt service funds of the City of Grand Rapids. The City of Grand Rapids General and Police and Fire Retirement Systems have been reported as pension trust funds within the fiduciary funds.

Discretely presented component units are segregated from the primary government in the government-wide financial statements. This emphasizes that they are legally separate from the primary government. The DDA, the TIFA, the SmartZone, the Brownfield, the 61st District Court, and CIDs are reported as discretely presented component units.

The City of Grand Rapids and County of Kent Joint Building Authority (JBA), the Convention Arena Authority (C/AA), and the Grand Valley Regional Bio-solids Authority are also legally separate entities. These three joint ventures, two with Kent County and one with the City of Wyoming, are summarized in Note 1 but are excluded from the financial statements.

Fiduciary funds are used to track resources that are held by the City in a trustee or agency capacity for others and which therefore cannot be used to support the City's own programs. Fiduciary fund assets include property taxes collected by the City Treasurer for other units of government as well as the investments of the defined benefit pension systems, and other post-employment benefit trusts providing retiree health care benefits.

The City is a significant economic presence in the region. This year the City raised and spent approximately \$400 million on governmental and proprietary services. The City is a service organization, so its single largest expense is payroll costs, but as is true most years, about a quarter of the total outlay went into improvements and additions to the City's capital assets, primarily street, water and sewer infrastructure. This organization continues to recognize that the short-term savings from deferring maintenance is small compared to the future costs created by failing to maintain infrastructure assets.

Approximately 58 percent of the City's governmental revenues are derived from the City income tax and local property taxes. A temporary income tax increase approved by the voters on May 4, 2010, expired on June 30, 2015. On May 6, 2014 the voters extended that increase for 15 years with the resulting revenue restricted to the repair and rebuilding of the City's streets and sidewalks. As a result of this temporary increase the income tax rate for residents and businesses is 1.5 percent and the income tax rate for non-residents is 0.75 percent. Income tax revenue for fiscal year 2018 rose 4.8 percent from fiscal year 2017 to over \$98 million; and revenue from property taxes increased less than 1.0percent to \$39.9 million.

The annual budget serves as the foundation for the City's financial planning and control. The annual budget process begins in October with instructions and rosters for personnel distributed to Internal Service Fund departments, followed by operating departmental proposals for service delivery and required financial resources, and culminates with a public hearing and subsequent adoption of the general appropriation act by the City Commission. The budget is generally prepared by fund (e.g. general). Each operating fund's budget is developed and presented within the context of a seven year time frame beginning with the actual results in the most recently completed fiscal year and ending with the projected requirements five years in the future. A 5-year Capital Plan is also prepared. These multi-year presentations are designed to aid planning and understanding by revealing trends in revenues and expenditures. Department heads may transfer resources within the activities they manage. Transfers between departments, between funds, and above administrative amounts set by the City Commission need specific approval from the governing body. The City labors to meet its responsibility for sound financial management.

CITY'S FINANCIAL POSITION

As the result of the general economic recovery and transformational efforts by staff, the City has moved to a stable financial position exceeding the level of financial reserves that is commonly recommended to permit a local government to handle normal economic fluctuations. The discussion that follows focuses on the local economy of West Michigan, as well as the City's long-run financial planning, current financial policies, and initiatives to move the City forward.

Local Economy

The City is the economic, governmental and cultural hub of West Michigan. Situated on the Grand River approximately 28 miles east of Lake Michigan and 66 miles west of Lansing, the state capital, the City encompasses an area of 44.4 square miles with a population of 198,829, making it the second most populous city in the state of Michigan and the 119th most populated in the United States. The City hosts federal courts for the Western District of Michigan, and is the county seat of Kent, which has a population of 648,594. The four-county Metropolitan Statistical Area (MSA) has a population of over one million while the Combined Statistical Area includes 1.4 million people (US Census Bureau, 2017).

The City boasts a diverse economy hosting major industries such as health services; manufacturing; professional, scientific and technical services; administrative, support and waste management services; accommodation and food services; trade; finance and insurance; arts, entertainment and recreation; information; transportation and warehousing; real estate; education and utilities. Top employers in West Michigan include: Spectrum Health, Meijer, Mercy Health, Amway, Gentex, Steelcase, Grand Valley State University, Grand Rapids Public Schools, Farmers Insurance, SpartanNash, and Lacks Enterprises.

The local economy has continued its recovery during the past year. The Grand Rapids unemployment rate has remained steady at an average annual rate of 4.7 percent for fiscal year 2018. Income tax withholding payments during the first half of 2018 indicate some continued growth in incomes. Construction activity remains at a high level. Although the current assessed value of most real property remains below the levels of five and ten years ago, commercial property is up and residential continues to increase year over year.

The core city that Grand Rapids has been redeveloping over many years continues to change as can be seen from the cranes in the sky and construction areas on the ground. The City has been awarded the Redevelopment Ready Communities certification by the Michigan Economic Development Corporation (MEDC) to further build on its assets; and Grand Rapids was selected as one of five new cities to participate in Bloomberg Philanthropies' national What Works Cities initiative to improve open data.

The City continues its commitment to the environment earning the U.S. Environmental Protection Agency's (EPA) Energy Star certification for superior energy performance for six of its buildings; along with the Grand Rapids 2030 District launched the Grand Rapids Property Assessed Clean Energy Program (PACE); received the bronze designation as a Bicycle Friendly Community from the League of American Bicyclists; the Economic Development Department completed work on a \$1.76M EPA Revolving Loan Fund Grant leveraged \$93M of private investment; and received \$40,000 in grant funding from the National Recreation and Park Association (NRPA) to increase access to parks within a 10-minute walk.

Grand Rapids and the surrounding region continues to receive national accolades including: (1) Rosa Parks Circle, designed by internationally-acclaimed artist Maya Lin, was named one of five Great Places in America by the American Planning Association (2) IRS data showed the center city to have the fastest growing income reported by taxpayers between 2014 and 2015; (3) Trulia identified Grand Rapids as the top housing market to watch in 2018 (4) The Washington Post named Grand Rapids the No. 1 place for end-of-life care and (5) the Metro area has been named #1 for Living a Balanced Lifestyle by MagnifyMoney®.

The City within the Larger Economy

West Michigan, as well as the entire state of Michigan, has a long tradition as a manufacturing driven economy, exporting products, particularly furniture, across the country and around the globe. Michigan's economy was hit particularly hard in the late twentieth century as manufacturers were lured away from their historic roots by a combination of lower labor costs, investment incentives and access to previously closed markets. The local economy is adapting to the global economic shifts by increased focus on manufacturing excellence, life science discovery and technological innovation. The following industries are driving the growth of the Grand Rapids region: Smart Manufacturing, Information Technology, Life Sciences, Food Processing, and Aerospace and Defense.

Long-Term Financial Planning

The City established a separate accounting fund -- the Transformation Fund -- in fiscal year 2011 to isolate and track the new income tax monies from a temporary five-year City Income Tax increase. These monies, plus some additional revenue sources, funded the Transformation Investment

Plan which has been a great success, allowing the City to maintain public safety services while also investing in new methods of service delivery designed to reduce ongoing operating costs. This fund was expected to close in 2018 as the projects underwritten with these temporary revenues were completed; however funds allocated to three major projects remain unspent at year end: to support equitable investments, particularly in the third Ward; support for the Capital Reserve Fund to cover library debt, courthouse lease payments, or other projects; and support for plans to make the Grand River more accessible to the public.

As the Transformation Fund comes to a close, efforts have been underway to invest dedicated parks millage dollars in the City's parks, pools and playgrounds. Over the course of the 7-year millage, every park in the city is getting upgrades. Additionally, complete reconstruction of City streets is now underway in addition to rotomilling, resurfacing and repairing roads to reach a goal of 70percent of streets in good or fair condition by 2030; a significant source of funding having been provided by the 15-year income tax extension approved by voters in 2014. Having received the generous support of tax payers and the benefits of a growing economy, it may be time to turn attention to legacy costs in order that future generations do not unnecessarily bear the burden of liability to come.

The City continues to adopt annual budgets within a framework of a five-year budget projection that alerts the organization to potential future financial problems that may be created by decisions made currently. Current projections show deficits in the last three years of the projections, within the ability of current fund balances to cover; but a potential negative trend that needs to be monitored and reassessed to ensure the organization continues to live within its means.

Relevant Financial Policies

In June 2011, the City Commission adopted a new fund balance policy that complies with GASB 54 requirements. This policy established five new classifications (non-spendable, restricted, committed, assigned, and unassigned) of fund balances for the general fund and all special revenue funds. The classifications comprise a hierarchy based on the extent to which the City is bound to honor constraints on specific purposes for which amounts in those funds can be spent. The five classifications are further categorized into two groups, restricted (non-spendable and restricted) and unrestricted (committed, assigned, and unassigned). This policy states specifically that the General Operating Fund will maintain an unassigned balance equal to 15 percent of its expenditures. The Budget Stabilization Fund, as allowed by Public Act 30 of 1978, was reopened in fiscal year 2013 with a goal of holding an additional 10 percent of General Fund Expenditures in preparation for the next economic downturn. For financial reporting, this fund is consolidated with the General Fund as required by GASB 54. The combined funds achieved the desired total fund balance of 25 percent of expenditures during fiscal year 2016. The unassigned fund balance of the General Fund ended the current year at 22.7 percent and the Budget Stabilization Fund ended at 10.7 percent of fiscal year 2018 General Fund expenditures.

Major Initiatives

As previously mentioned, the City continues a major effort to repair and reconstruct street infrastructure made possible in part by the voter approved income tax increase enacted in May 2014. Achieving the goal relies in part on adequate additional support from the State in future years. State gas and weight tax receipts used to maintain streets were supplemented in 2018 by appropriations from the state's general fund. The repair efforts were jump-started using financing from three bond issues, one of which was repaid in October 2017, and the remainder to be paid by future income tax receipts. Using the Pavement Surface Evaluation and Rating (PASER) system, approximately 58 percent of the streets are at Good or Fair condition.

In FY2017 the City began appropriating funds to match a \$7.5 million Michigan National Resources Trust Fund Grant for acquisition of North Monroe Avenue properties that will support river restoration and access to the Grand River. This acquisition, while initially serving as a staging

area for the river restoration, will add to the City's 74 already-owned parks that are already benefitting from the 2013 Parks Millage to provide reconstruction, modernization and new amenities.

Among the phase III goals of the Transformation Plan is creating more sustainable assets. Beginning in fiscal year 2019 the replacement of substantial portions of the aging Street Lighting System, with new equipment, new wiring, and modern technology to eventually include electronic controls and LED lights, is projected to create a more stable system with lower operating costs paid by the General Fund.

AWARDS

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 for the fiscal year ended June 30, 2017; an award the City has received annually since 1985. In order to be awarded a Certificate of Achievement, a governmental unit must publish a user-friendly and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to the GFOA for consideration.

The City also received the GFOA's award for Distinguished Budget Presentation for its budget document for the fiscal year beginning July 1, 2017. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan and as a communications medium.

ACKNOWLEDGEMENTS

The timely, orderly preparation and completion of this report is made possible by the hard work and dedication of the staff in the Office of the City Comptroller. I appreciate the time and talent of everyone who contributed to this document. The people who live or work in, or receive services from the City of Grand Rapids might also appreciate the behind-the-scenes work and responsibility that has gone into this description of the City's stewardship of the resources entrusted to it. I would also like to thank the members of the City Commission and the City Manager and his staff for their interest and efforts in planning and conducting the financial operations of the City in a balanced manner.

Respectfully submitted,



Sara Vander Werff
City Comptroller



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Independent Auditor's Report

To the Honorable Members of the City Commission
City of Grand Rapids, Michigan

Report on the Financial Statements

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, Michigan (the "City") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Grand Rapids, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Grand Rapids General Retirement System as of and for the year ended June 30, 2018 and the City of Grand Rapids Police and Fire Retirement System as of and for the year ended December 31, 2017, which represents 93 percent, 93 percent, and 87 percent of the assets, net position, and revenue of the fiduciary funds, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Grand Rapids General Retirement System as of and for the year ended June 30, 2018 and the City of Grand Rapids Police and Fire Retirement System as of and for the year ended December 31, 2017, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Michigan as of June 30, 2018 (December 31, 2017 for the City of Grand Rapids Police and Fire Retirement System) and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Members of the City Commission
City of Grand Rapids, Michigan

Emphasis of Matter

As discussed in Note 13 to the basic financial statements, during the year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting requirements for employers providing OPEB benefits to their employees. As a result of implementing this pronouncement, the City's net OPEB liability has been recognized on the government-wide, proprietary, and component unit statements, and, as discussed in Note 13, the beginning of year net position has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, schedules of changes in the City's net pension and OPEB liabilities and related ratios, schedules of contributions and actuarial assumptions, and schedules of investment returns 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, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Grand Rapids, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the City of Grand Rapids, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the City of Grand Rapids, Michigan's internal control over financial reporting and compliance.



December 12, 2018

City of Grand Rapids, Michigan Management's Discussion and Analysis

As the 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 June 30, 2018. We encourage readers to consider the information presented here in conjunction with the information contained in the letter of transmittal, which is found in the introductory section of this report.

Financial Highlights

- The net position for the City is the amount by which the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. At June 30, 2018, net position totalled \$717,999,561. The unrestricted portion of this amount, \$42,273,755, may be used to meet the government's on-going obligations to citizens and creditors, consistent with the purpose in which the funds were accumulated.
- This is the first year that these financial statements include a long-term liability related to the City's three closed defined benefit retiree health care benefit plans (OPEB). Incorporating this new accounting standard resulted in a decrease of \$89,065,419 in beginning net position as described in Note 13. During the current fiscal year the net OPEB liability decreased by \$6,580,747 as a result of plan assets increasing faster than plan liabilities during the year. This is expected to be the typical pattern most years as contributions to fund the Unfunded Actuarial Accrued Liability are made by the City and as the current plan members continue to lose the eligibility for the benefit when they reach age 65.
- The City's total net position increased by \$22,667,640 during the fiscal year. Business-type activities increased net position by \$32,695,987 driven by positive operating results in all three major enterprise funds. This increase offset the decrease in net position from governmental activities of \$10,028,347. The largest factors causing the decline within governmental activities was the excess of depreciation expense on infrastructure assets over the amount of new assets capitalized.
- At June 30, 2018, the City's governmental funds reported combined fund balances of \$131,304,232, a decrease of \$6,847,180 from the previous year. A total of \$7,280,018 of the fund balance for governmental funds is *nonspendable*, and the fund balance of \$21,399,994 is *restricted* as to purpose by an outside party, which means \$102,624,220 is available for spending at the City's discretion, but only within the purpose of the individual funds where the fund balance is located. Only the *unassigned* fund balance of the General Fund, a total of \$30,434,665 at June 30, 2018, is available to use for any purpose.
- In fiscal year 2011, the City Commission established a policy that the General Fund's unassigned fund balance should be 15% of current expenditures, including transfers-out. The unassigned portion of the fund balance of the General Fund totalled \$30,434,665 at year-end; an increase of \$3,145,518 from the previous year and 22.7% of 2018 General Fund expenditures. The unassigned fund balance at the end of the year was \$10.4 million above the fund balance policy. The Commission also created a Budget Stabilization Fund with a policy goal that it hold 10% of current General Fund expenditures. That goal was first achieved in fiscal year 2016. State law requires this be held in a separate fund to better control its use, but accounting standards dictate its presentation be blended as part of the General Fund. The current balance of 10.7% of current General Fund expenditures is presented as \$14,298,835 in committed fund balance within the General Fund.
- The City issued \$46,335,359 of new debt during the fiscal year. The total debt of the City and its component units decreased by \$7,061,387 as a result of principal payments and other reductions exceeding new debt issuance. A schedule of the City's long-term obligations can be found in Note 6 of the notes to financial statements.
- This is the fourth year these financial statements include a long-term liability related to the City's two defined benefit pension plans. The net pension liability of \$218.9 million a year earlier declined to \$191.3 million primarily because average investment returns over the prior five years exceeded the expected rates of return over that period by more than the negative impact of changes in mortality and other actuarial assumptions.

The impact on pension expense recognition is muted in any one year because differences, positive and negative, between expected and actual changes in the components used to calculate net pension liability are deferred and recognized over the following two, three, or four years as shown on the schedule on page 73. A total of \$52.6 million in net deferred outflows of resources have been created to reduce pension expense and offset potential negative experience in the next four years.

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 sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This comprehensive annual financial report also contains other supplementary information in addition to the basic financial statements.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when 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 resulted from cash flows in prior years or will result in cash flows in future fiscal periods (e.g., depreciation and amortization, changes in pension liabilities, and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and urban and community development. The major business-type activities of the City are the Water Supply System, Sewage Disposal System, and the Parking System.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also nine legally separate authorities and a court system, for which the City is financially accountable. They are a Downtown Development Authority, a Tax Increment Finance Authority, a SmartZone Authority, a Brownfield Redevelopment Authority, five Corridor Improvement Districts, and the 61st District Court. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government wide statements can be found on pages 15-16 of this report.

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

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus

on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

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 will better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities* on pages 18 and 20.

The City maintains six major and nineteen non-major individual 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 balances for the general fund and all major special revenue and capital project funds. Data from the non-major governmental funds are combined in a single column presentation on the governmental funds statements. Individual fund data for each of these non-major governmental funds is provided in the *combining statements* section of this report on pages 108-111.

The City adopts an annual appropriated budget for most of its governmental funds. Throughout the year, the budget is amended based on changing conditions (e.g. the award of a grant). Budgetary comparison statements have been provided in the required supplementary information section of this report for the major funds to demonstrate compliance with this budget. The budgetary comparison schedule on page 107 shows the general fund budget at the department level, which is where it is legally adopted. Budget comparison statements have also been provided for the non-major special revenue funds on page 112.

Proprietary funds: The City maintains two different types of proprietary funds. *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 Water Supply System, Sewage Disposal System, Parking System, Cemeteries and Belknap Ice Arena. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Information Technology, Motor Equipment System, Facilities Management, 311 Customer Service, Engineering, and Insurance Payment Funds. These internal service funds have been allocated to both *business activities* and to *governmental activities* in the government-wide statement of activities.

Proprietary funds use the full accrual basis of accounting which includes capital assets with depreciation and long term liabilities. The focus is on the full cost of funding services. The proprietary fund financial statements provide separate information for the major enterprise funds of the City. The non-major enterprise funds and the internal service funds are each combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Individual fund data for the non-major enterprise funds and internal service funds are provided in the *combining statements* section of this report, pages 113-119.

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 City uses fiduciary funds to account for its pension trusts, other post-employment benefit trusts, private-purpose and agency tax funds.

The basic fiduciary fund financial statements can be found on pages 26-27 of this report with important additional detail on pages 120-122.

Notes to the financial statements: The notes provide additional information that is essential for 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 30-95 of this report.

Other information: In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* regarding the budgetary comparisons of the City's general fund and the major and local street special revenue funds as well as multi-year schedules of funding for the City's defined benefit retirement and OPEB programs. This supplementary information is found on pages 96-106 following the notes to financial statements.

At the end of the report, on pages 126-145 are various statistical tables containing information presented to assist the reader in further evaluating the financial information and the overall financial position of the City by showing current information in a multi-year context.

Government-wide Financial Analysis

	City of Grand Rapids' Net Position					
	Governmental Activities 2018	Governmental Activities 2017 (restated-Note 13)	Business-Type Activities 2018	Business-Type Activities 2017 (restated-Note 13)	Total Primary Government 2018	Total Primary Government 2017 (restated-Note13)
Current and other assets	\$ 210,515,270	\$ 209,644,894	\$ 221,188,453	\$ 169,429,748	\$ 431,703,723	\$ 379,074,642
Capital assets, net of accumulated depreciation	288,542,527	292,859,725	807,062,281	795,551,434	1,095,604,808	1,088,411,159
Total Assets	<u>499,057,797</u>	<u>502,504,619</u>	<u>1,028,250,734</u>	<u>964,981,182</u>	<u>1,527,308,531</u>	<u>1,467,485,801</u>
Deferred outflows of resources	<u>89,229,790</u>	<u>114,603,845</u>	<u>25,409,997</u>	<u>36,259,106</u>	<u>114,639,787</u>	<u>150,862,951</u>
Current liabilities	28,139,885	26,658,393	32,631,975	33,799,363	60,771,860	60,457,756
Non-current liabilities	352,008,017	398,680,393	470,761,819	449,508,032	822,769,836	848,188,425
Total Liabilities	<u>380,147,902</u>	<u>425,338,786</u>	<u>503,393,794</u>	<u>483,307,395</u>	<u>883,541,696</u>	<u>908,646,181</u>
Deferred inflows of resources	<u>35,858,174</u>	<u>9,459,820</u>	<u>4,548,887</u>	<u>4,910,830</u>	<u>40,407,061</u>	<u>14,370,650</u>
Net investment in capital assets	201,008,554	178,448,878	417,402,970	400,784,184	618,411,524	579,233,062
Restricted net position	25,235,721	31,118,311	32,078,561	33,335,807	57,314,282	64,454,118
Unrestricted net position	(53,962,764)	(27,257,331)	96,236,519	78,902,072	42,273,755	51,644,741
Total Net Position	<u>\$ 172,281,511</u>	<u>\$ 182,309,858</u>	<u>\$ 545,718,050</u>	<u>\$ 513,022,063</u>	<u>\$ 717,999,561</u>	<u>\$ 695,331,921</u>

Total net position at June 30, 2018 was \$717,999,561, an increase of \$22,667,640 from the restated net position at June 30, 2017 of \$695,331,921.

The City's current and other assets increased by \$52,629,081 or 13.9%. Governmental activities saw a \$870,376 increase in current and other assets and Business type activities saw a \$51,758,705 increase in current and other assets primarily attributable to the issuance of sewer bonds 10 days before year end.

Total deferred outflows of resources decreased by \$36,223,164 during the year. Deferred outflows of resources continue to decline as the higher than expected investment returns that occurred during the pension measurement periods ending in 2014 are recognized by reducing annual pension expense.

The total liabilities of the primary government decreased 2.8% or \$25,104,485. Current liabilities increased \$314,104 or 0.5%. Non-current liabilities decreased \$25,418,589 or 3.0%. More debt principal was paid than new debt was issued and both net pension and net OPEB liabilities declined.

Total deferred inflows of resources increased by \$26,036,411 during the year primarily from the unamortized amount of changes, described in note 7, in the mortality and rate of return assumptions made by the pension systems.

By far, the largest portion of the City's net position (86.1%) is its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); 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.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The City's restricted net position is primarily restricted for debt service and authorized capital projects. The remaining balance, *unrestricted net position* (\$42,273,755), may be used to meet government's on-going obligations to citizens and creditors consistent with the purpose of the fund containing the assets. Only the \$30.4 million of the General Fund's *unassigned* fund balance shown on page 17 is freely available or transferable to support the operations of the General Fund or of any other fund. As noted on page 3, the ending unassigned fund balance is \$10.4 million more than the target goal in the fund balance policy.

At June 30, 2018, the City is able to report positive balances in all three categories of net position.

Capital Asset and Debt Administration

City of Grand Rapids' Capital Assets						
(net of depreciation)						
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	2018	2017
	2018	2017	2018	2017		
Land	\$ 23,737,047	\$ 15,938,611	\$ 15,005,188	\$ 15,048,228	\$ 38,742,235	\$ 30,986,839
Easements/Right of Way	788,413	762,049	2,095,405	1,757,973	2,883,818	2,520,022
Land improvements	23,320,683	14,304,815	9,356,218	8,712,972	32,676,901	23,017,787
Buildings and structures	67,456,061	72,523,629	95,721,217	98,978,599	163,177,278	171,502,228
Storage tanks	-	-	7,599,116	8,098,389	7,599,116	8,098,389
Machinery and equipment	6,529,996	5,419,042	79,129,700	81,899,565	85,659,696	87,318,607
Motor vehicles	24,127,177	25,217,049	2,201,870	2,407,546	26,329,047	27,624,595
Furniture	102,824	140,802	20,720	30,091	123,544	170,893
Software	141,011	185,274	95,740	133,932	236,751	319,206
Water and sewer mains	-	-	571,832,465	562,072,974	571,832,465	562,072,974
Infrastructure	128,582,300	141,681,480	-	-	128,582,300	141,681,480
Construction in progress	13,757,015	16,686,974	24,004,642	16,411,165	37,761,657	33,098,139
Total	<u>\$ 288,542,527</u>	<u>\$ 292,859,725</u>	<u>\$ 807,062,281</u>	<u>\$ 795,551,434</u>	<u>\$ 1,095,604,808</u>	<u>\$ 1,088,411,159</u>

Capital assets: The City's investment in capital assets for its governmental and business type activities as of June 30, 2018 amounts to \$1,095,604,808 (net of accumulated depreciation). This investment in capital assets is summarized above. The City's new investments in capital assets for the current fiscal year (before disposals or depreciation allowances) totalled \$60.1 million. Major capital asset events during the current fiscal year included the following:

- Various additions and improvements were completed in the Water Supply System at a cost of \$15,956,077. Construction in progress on additional projects as of June 30, 2018 totalled \$12,955,329.
- Various additions and improvements were completed in the Sewage Disposal System at a total cost of \$10,048,944. Construction in progress in on-going projects at the close of the fiscal year increased to a total of \$14,538,227.
- The Parks Department completed \$12,177,736 of capital improvements to existing parks during the year.
- New motor vehicles were purchased by the Motor Equipment System Fund and the Fire Department for \$3,098,629.

Additional information on the City's capital assets can be found in note 5 of the notes to the financial statements.

City of Grand Rapids' Outstanding Debt						
Limited Tax Bonds, Revenue Bonds and Long-term Contracts						
	Governmental Activities 2018	Governmental Activities 2017	Business-Type Activities 2018	Business-Type Activities 2017	Total 2018	Total 2017
Limited tax pledge bonds	\$ 52,871,800	\$ 73,924,800	\$ 27,580,000	\$ 28,910,000	\$ 80,451,800	\$ 102,834,800
Revenue bonds	22,950,000	24,445,000	371,814,942	345,262,407	394,764,942	369,707,407
Long-term contracts	12,850,809	17,287,544	1,319,610	1,604,297	14,170,419	18,891,841
Total	<u>\$ 88,672,609</u>	<u>\$ 115,657,344</u>	<u>\$ 400,714,552</u>	<u>\$ 375,776,704</u>	<u>\$ 489,387,161</u>	<u>\$ 491,434,048</u>

Long-term debt: At June 30, 2018 the City had total long-term debt outstanding of \$489,387,161. Of this amount, \$80,451,800 comprises limited tax full faith and credit general obligations. Limited tax full faith and credit general obligation bonds generally require the City to provide sufficient moneys from its general fund as a first budget obligation for principal and interest, including the collection of ad valorem taxes which the City is authorized to levy on all taxable property within its boundaries. Such tax levies, however, are subject to applicable statutory, constitutional, and charter tax limitations. As a practical matter the City pledges its limited full faith and credit on various debt issues to lower debt service costs paid by funds other than the general fund; e.g. the building authority, library, streets, etc. The remainder of the City's debt represents bonds secured solely by specified revenue sources and long-term contracts. These long-term contracts are general obligations of the City.

The City's total bonded debt does not include the June 30, 2018 balance of the City of Grand Rapids and County of Kent Building Authority bonds of \$37,375,204 issued in 2001 and 2013 to finance a substantial portion of the new DeVos Place Convention Center. The County of Kent has the sole responsibility for the repayment of this debt through their Hotel/Motel tax receipts and general assets. The City is not liable for the payment of principal or interest and therefore has excluded them from the financial statements.

All normally scheduled debt payments were made during fiscal year 2018. Additional information on the City's long-term debt can be found in note 6 of the notes to the financial statements.

Changes in Net Position:

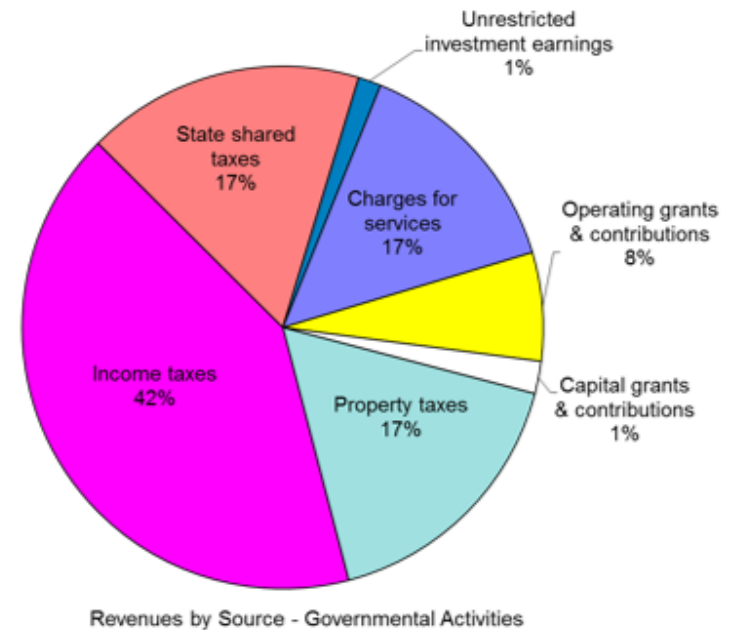
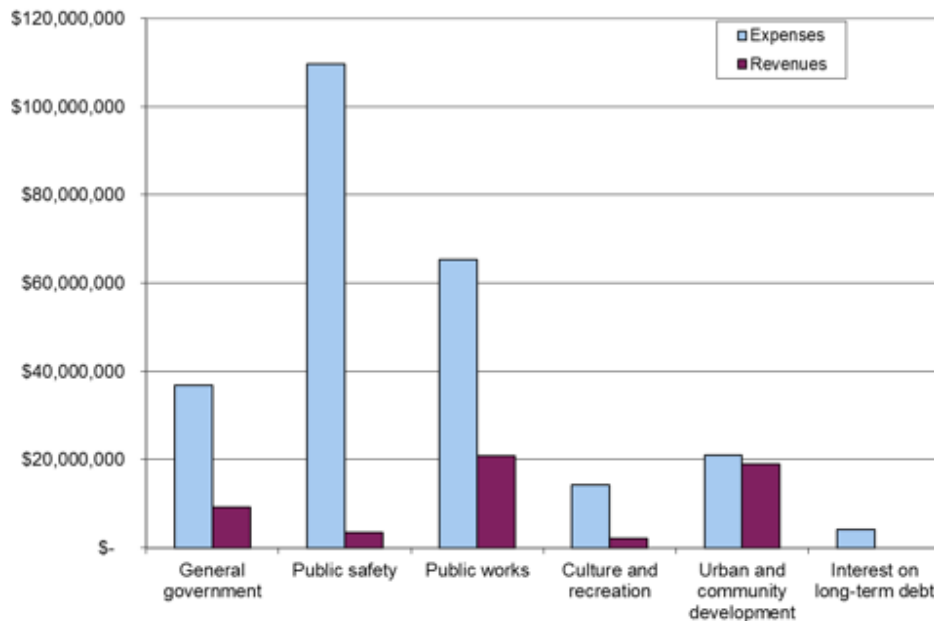
City of Grand Rapids' Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017	Business-Type Activities 2018	Business-Type Activities 2017	Total Primary Government 2018	Total Primary Government 2017
Revenues:						
Program Revenues:						
Charges for services	\$ 34,855,613	\$ 33,081,367	\$ 123,917,417	\$ 120,348,914	\$ 158,773,030	\$ 153,430,281
Operating grants and contributions	36,120,086	13,056,796	629,035	653,864	36,749,121	13,710,660
Capital grants and contributions	4,717,120	992,780	7,236,180	5,274,555	11,953,300	6,267,335
General Revenues:						
Property taxes	39,913,281	39,505,377	-	-	39,913,281	39,505,377
City Income taxes	98,558,635	94,038,914	-	-	98,558,635	94,038,914
Intergovernmental, unrestricted	20,977,402	37,443,494	-	-	20,977,402	37,443,494
Unrestricted investment earnings	3,364,427	217,143	1,670,570	10,638	5,034,997	227,781
Miscellaneous	816,860	1,070,668	3,642,538	1,128,510	4,459,398	2,199,178
Gain on sale of capital assets	209,777	-	250,456	3,594	460,233	3,594
Total Revenues	<u>239,533,201</u>	<u>219,406,539</u>	<u>137,346,196</u>	<u>127,420,075</u>	<u>376,879,397</u>	<u>346,826,614</u>
Expenses:						
General government	36,888,060	32,918,016	-	-	36,888,060	32,918,016
Public safety	109,576,349	111,566,878	-	-	109,576,349	111,566,878
Public works	65,283,661	73,773,068	-	-	65,283,661	73,773,068
Culture and Recreation	14,263,996	18,038,363	-	-	14,263,996	18,038,363
Urban & Community Development	21,061,730	19,611,904	-	-	21,061,730	19,611,904
Interest on long-term debt	4,166,106	4,600,305	-	-	4,166,106	4,600,305
Water Supply System	-	-	35,258,241	39,206,129	35,258,241	39,206,129
Sewage Disposal System	-	-	48,601,656	50,334,631	48,601,656	50,334,631
Parking System	-	-	16,949,252	15,902,942	16,949,252	15,902,942
Other Enterprises	-	-	2,162,706	2,513,612	2,162,706	2,513,612
Total Expenses	<u>251,239,902</u>	<u>260,508,534</u>	<u>102,971,855</u>	<u>107,957,314</u>	<u>354,211,757</u>	<u>368,465,848</u>
Change in Net Position before Transfers	(11,706,701)	(41,101,995)	34,374,341	19,462,761	22,667,640	(21,639,234)
Transfers	1,678,354	1,716,466	(1,678,354)	(1,716,466)	-	-
Change in Net Position	(10,028,347)	(39,385,529)	32,695,987	17,746,295	22,667,640	(21,639,234)
Net Position - beginning, as restated	182,309,858	300,011,418	513,022,063	506,025,156	695,331,921	806,036,574
Net Position - ending	<u>\$ 172,281,511</u>	<u>\$ 260,625,889</u>	<u>\$ 545,718,050</u>	<u>\$ 523,771,451</u>	<u>\$ 717,999,561</u>	<u>\$ 784,397,340</u>

Governmental activities: Governmental activities decreased the City's net position by \$10,028,347. Key elements within this change are as follows:

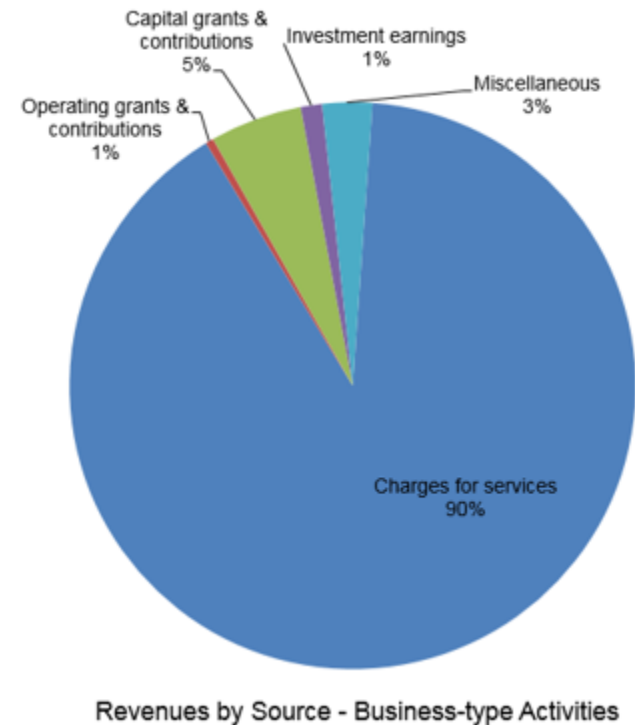
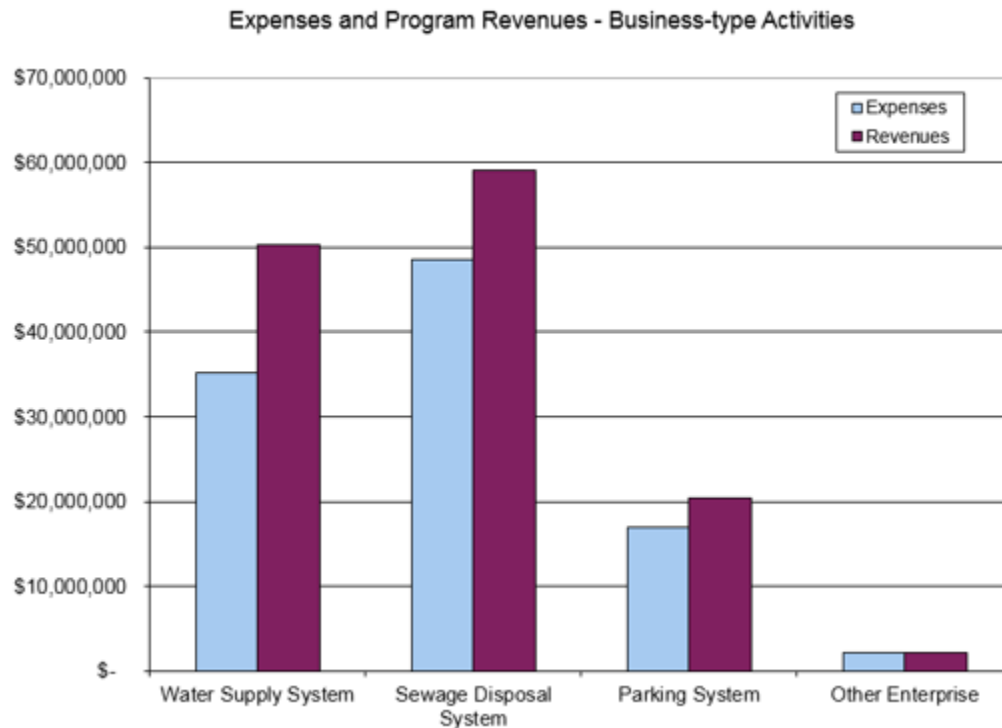
- Tax revenues increased \$4.9 million. Most of the increase was in the City's largest tax revenue, the local income tax, which increased \$4.5 million, or 4.8% from the prior year. The increase was a result of a small increase in the number of returns filed and higher income shown on the returns. Gas & Weight taxes were moved from intergovernmental in 2017 to operating grants & contributions in 2018. The combined increase of the two categories was \$6.6 million or 13.1%. Most of the increase went to the Major and Local Street Funds from both higher Gas & Weight Taxes and a supplemental appropriation in the State's General Fund to increase road funding to local units of government.
- General government expenses increased by almost \$4.0 million over the prior year. The allocation of non-cash pension expenses resulting from changes in net pension liabilities can be volatile. Changes in pension expenses accounted for the entire increase in expenses this year.
- Public safety expenses, primarily police and fire department personnel costs, remain the largest single category of City spending.
- Public works revenues increased \$7.6 million. The majority of the increase came from supplemental state appropriations for street improvements. Expenses dropped by \$8.5 million compared to the prior year as some the tax revenues in the Vital Street Fund transitioned from supplementing debt financed street repairs to repaying the debt issued to allow the street improvement efforts to begin before the tax revenues were collected.
- Unrestricted investment earnings in 2018 were \$3.1 million above the prior year. Implementation of a new investment policy late in fiscal 2017 substantially increased the portfolio's allocation to marketable securities just before an increase in market interest rates caused a drop in the portfolio's value last year almost offsetting all interest earnings. Now that the policy has been in place for an entire year these daily unrealized gains and losses tend to offset each other and provide increased interest earnings compared to the prior investment policy.

Expenses and Program Revenues - Governmental Activities



Business-type activities: Business-type activities increased the City's net position by \$32,695,987. The key elements of this increase are as follows:

- The Water System's retail water sales increased by over \$2.1 million as a result of a 2.27% increase in billed volume as well as a mid-year rate increase of 2.46%. Even with increased reinvestment, the Water System improved its net position.
- The Sewer System had wholesale and retail revenue growth of \$300,000 from a billed volume increase of 0.22% and a 3.08 mid-year rate increase. The System issued \$26.5 million in revenue bonds during the fiscal year to finance the ongoing capital improvement program.
- The Parking System had operating income of \$4.6 million during the year, most of which was invested in new lighting, elevators, and other equipment expected to reduce future annual operating costs.
- The three major funds were able to generate an operating margin sufficient to fund their current operating expenses, all required debt service payments, and increase their net position.



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. The change in total fund balance, less any non-spendable portion, indicates whether the City is accumulating or using resources that were available to support future activities.

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$131,304,232. Of this total, all but \$30,434,665 of unassigned fund balance has been spoken for in the sense that it is either non-spendable, restricted by an outside party, committed to identified projects by the City Commission, assigned to a specific fund or purpose prior to year-end, or a deficit in a governmental fund. A summary of restrictions by fund appears on page 17.

The General Fund is the primary operating fund of the City. At June 30, 2018, the fund had an unassigned fund balance of \$30,434,665. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represented 22.7% and 41.7% respectively of total fiscal year 2018 General Fund expenditures, compared to the unassigned and total fund balance representing 20.6% and 38.4% of fund expenditures a year earlier. The fund's fund balance increased \$4,866,019 during fiscal year 2018. As originally adopted, the budget anticipated a decrease in fund balance of \$309,474. Three things explain most of the \$5.1 million difference. Tax revenues were about \$1.5 million above the initial budget estimate, personnel costs were \$2.6 million below the budget because of unfilled positions, and the amount of matching funds required to support anticipated grants were less than expected.

The Major Street Fund saw a decrease of \$10,136,109 in fund balance. This is mainly due to the repayment of the \$17.0 million of capital improvement bonds (Vital Streets) issued in 2014 to begin the vital street projects prior to the start of the fifteen year income tax rate increase dedicated to street maintenance, rehabilitation, and reconstruction. In governmental funds, debt issuance is shown as a revenue and debt repayment is an expenditure.

The Local Street Fund saw an increase of \$498,399 in fund balance. While revenues were \$312,720 lower than anticipated, expenditures were controlled and lower for contractual services and supplies resulting in the fund balance increase.

The fund balance of the three Capital Construction Funds increased by \$1,679,788 to \$22,445,841 as resources for upcoming projects were added slightly faster than the spending on previously funded projects was occurring.

The fund balances of the City's non-major governmental funds decreased by \$1.3 million net of a \$2.4 million decrease in the fund balance of the Transformation Fund as that fund completes disbursing its committed programming prior to the expected closure of the fund, in fiscal year 2019. Other than the Transformation Fund, the Community Dispatch Fund accounted for most of the decline after a cost-sharing agreement with another municipality eliminated a large portion of the fund's revenues. An increase of almost a million dollars in the fund balance of the Building Inspections Fund driven by strong construction activity in the city was offset by a near identical decrease in the fund balance of the Sidewalk Repair Fund caused by that fund's proportion of the repayment of the Vital Street bonds.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water Supply System, Sewage Disposal System, Parking System and non-major enterprise funds at the end of the year amounted to \$85,346,041. The total net position for enterprise funds is \$534,827,572, the bulk of which are the assets used to provide service to customers. The major factors concerning the finances of the three major funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year the general fund budget increased by \$1,909,894 and the \$1,500,000 contingency budget in the original appropriation was allocated to specific projects. The primary changes were:

- \$750,000 was appropriated to transfer to the Budget Stabilization Fund to increase its balance in line with the fund balance policy.
- \$499,549 was appropriated to transfer to the District Court Fund to eliminate the projected deficit in that fund.
- \$472,251 was appropriated to address the hazard posed by trees killed by the emerald ash borer infestation.
- \$440,750 was re-appropriated to allow four departments to complete projects begun in the prior fiscal year.

Actual departmental and other expenditures and transfers-out in the General Fund were \$6,441,791 below amended appropriations, achieving the budgeted appropriation lapse of \$3,500,000.

Revenues for the year ended June 30, 2018 were \$1,897,955 higher than originally budgeted. For the third consecutive year the primary driver of this increase was revenue from the local income tax that was up \$1,042,427 or 1.3% above the original budget.

Economic Factors and Next Year's Budgets and Rates

City Commission, top management, and fiscal staff considered many factors when preparing the fiscal year 2019 (FY19) budget. The FY19 budget builds on the success of the City's Transformation Plan by continuing to seek opportunities for improvement as measured by the quadruple bottom line that considers social equity, environmental integrity, economic performance and governance. Without losing the focus of Phase III of the Plan on maintaining financial reserves, pursuing best practices for service delivery, and continuing the long-term asset management strategies developed in Phase II; the past success of the Plan is permitting the organization to put effort into increasing community engagement in the City's service delivery, and supporting neighborhood efforts to undertake projects developed by residents. A major asset management value stream is expected to be addressed beginning in 2019 with the planned replacement of the City's entire street lighting system including new wires and LED fixtures to lower annual operating costs.

The adopted budget for FY19 projected a 3.0% increase in the local income tax collections above the FY18 estimated revenue, or 2.5% above the actual FY18 results. Total local property tax revenues are expected to show little change from the final revenues in FY18.

Future budget forecasts reflect the maintenance of effort support from the General Fund that were promised to the voters as a part of the successful campaigns to create dedicated tax revenues to support parks and street improvements. The Parks Fund will receive \$6.16 million and the Vital Streets Fund will receive \$850,000 of General Fund support in fiscal 2019. In addition, forecasts anticipate continuing General Fund subsidies providing approximately half of the cost of operating the District Court, as well as continuing to provide any required local grant match dollars required by the District Court or the Grants Fund.

The City's capital plans have been prepared within the context of five years for many years. Phase II of the City's Transformation Plan aligned resources to meet the forecasted needs of the capital plans. FY19 is the thirteenth year that five-year operating budgets have been prepared. The current five-year forecast reflects spending in excess of revenues for the major governmental funds over the forecasted period. Having these forward looking projections allows the organization to make informed decisions on whether there is a need to pare back current plans or an opportunity to set and achieve new goals.

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 City Comptroller Department, 300 Monroe NW, Grand Rapids, MI 49503. Contact telephone number: (616) 456-3189.



CITY OF
GRAND
RAPIDS

City of Grand Rapids, Michigan
Statement of Net Position
Government Wide
June 30, 2018

	Primary Government			Total Component Units
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Equity in pooled cash and investments (Note 2)	\$ 189,436,030	\$ 115,239,568	\$ 304,675,598	\$ 21,750,353
Investments held by trustee	-	-	-	864,374
Receivables, net	13,095,962	18,134,403	31,230,365	592,843
Internal balances	(8,265,478)	8,265,478	-	-
Due from other governmental units	9,141,482	-	9,141,482	43,635
Inventories	2,590,097	2,551,904	5,142,001	-
Prepaid expenses and other assets	-	-	-	118,317
Restricted assets (Notes 2 and 4)	4,517,177	74,288,522	78,805,699	-
Investment in joint venture (Note 1)	-	2,472,900	2,472,900	-
Other assets	-	235,678	235,678	-
Capital Assets (Note 5):				
Non-depreciable	38,282,475	41,105,235	79,387,710	13,379,929
Depreciable, net	250,260,052	765,957,046	1,016,217,098	21,447,362
Total assets	<u>499,057,797</u>	<u>1,028,250,734</u>	<u>1,527,308,531</u>	<u>58,196,813</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 7)	76,630,758	11,499,197	88,129,955	3,347,005
Deferred outflows related to OPEB (Note 8)	11,261,775	1,392,553	12,654,328	428,006
Deferred on refunding of bonds	1,337,257	12,518,247	13,855,504	2,402,753
Total deferred outflows of resources	<u>89,229,790</u>	<u>25,409,997</u>	<u>114,639,787</u>	<u>6,177,764</u>
LIABILITIES				
Accounts payable and accrued expenses	24,102,579	5,434,050	29,536,629	3,425,860
Accrued interest payable	991,855	8,029,028	9,020,883	209,094
Due to other governmental units	142,305	-	142,305	10,094
Unearned revenues	655,268	593,471	1,248,739	1,000
Customer deposits	2,247,878	-	2,247,878	-
Payable from restricted assets (Note 6):				
Bonds and contracts payable	-	16,050,000	16,050,000	-
Accrued interest and other	-	2,525,426	2,525,426	-
Noncurrent liabilities:				
Due within 1 year: (Note 6)	18,483,157	3,018,878	21,502,035	6,898,712
Due in more than 1 year: (Note 6)	88,809,606	428,754,803	517,564,409	23,332,697
Net pension liability (Note 7)	156,216,685	27,154,965	183,371,650	7,903,841
Net OPEB liability (Note 8)	88,498,569	11,833,173	100,331,742	3,636,970
Total liabilities	<u>380,147,902</u>	<u>503,393,794</u>	<u>883,541,696</u>	<u>45,418,268</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 7)	33,144,626	4,442,243	37,586,869	1,292,978
Deferred inflows related to OPEB (Note 8)	2,713,548	106,644	2,820,192	32,778
Total deferred inflows of resources	<u>35,858,174</u>	<u>4,548,887</u>	<u>40,407,061</u>	<u>1,325,756</u>
NET POSITION				
Net investment in capital assets	201,008,554	417,402,970	618,411,524	10,999,850
Restricted for:				
Expendable:				
Public Safety	1,434,216	-	1,434,216	-
Cultural and recreation	516,669	-	516,669	-
Public Works	13,904,969	-	13,904,969	-
Debt service	-	32,078,561	32,078,561	-
Authorized projects	3,278,847	-	3,278,847	15,903,370
Urban and community development	3,090,972	-	3,090,972	-
Nonexpendable:				
Perpetual care	2,970,778	-	2,970,778	-
Cultural and recreation	39,270	-	39,270	-
Unrestricted (deficit)	<u>(53,962,764)</u>	<u>96,236,519</u>	<u>42,273,755</u>	<u>(9,272,667)</u>
Total net position	<u>\$ 172,281,511</u>	<u>\$ 545,718,050</u>	<u>\$ 717,999,561</u>	<u>\$ 17,630,553</u>

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

City of Grand Rapids, Michigan
Statement of Activities
Government Wide
for the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
<i>Governmental activities:</i>								
General government	\$ 36,888,060	\$ 8,562,555	\$ 614,219	\$ -	\$ (27,711,286)	\$ -	\$ (27,711,286)	\$ -
Public safety	109,576,349	2,758,010	1,834,207	-	(104,984,132)	-	(104,984,132)	-
Public works	65,283,661	12,088,820	24,112,614	4,717,120	(24,365,107)	-	(24,365,107)	-
Culture and recreation	14,263,996	1,203,052	846,159	-	(12,214,785)	-	(12,214,785)	-
Urban and community development	21,061,730	10,243,176	8,712,887	-	(2,105,667)	-	(2,105,667)	-
Interest on long-term debt	4,166,106	-	-	-	(4,166,106)	-	(4,166,106)	-
Total governmental activities	<u>251,239,902</u>	<u>34,855,613</u>	<u>36,120,086</u>	<u>4,717,120</u>	<u>(175,547,083)</u>	<u>-</u>	<u>(175,547,083)</u>	<u>-</u>
<i>Business-type activities:</i>								
Water Supply System	35,258,241	45,852,294	31,421	4,354,990	-	14,980,464	14,980,464	-
Sewage Disposal System	48,601,656	55,657,384	467,276	2,881,190	-	10,404,194	10,404,194	-
Parking System	16,949,252	20,307,490	130,338	-	-	3,488,576	3,488,576	-
Other Enterprise	2,162,706	2,100,249	-	-	-	(62,457)	(62,457)	-
Total business-type activities	<u>102,971,855</u>	<u>123,917,417</u>	<u>629,035</u>	<u>7,236,180</u>	<u>-</u>	<u>28,810,777</u>	<u>28,810,777</u>	<u>-</u>
Total primary government	<u>\$ 354,211,757</u>	<u>\$ 158,773,030</u>	<u>\$ 36,749,121</u>	<u>\$ 11,953,300</u>	<u>(175,547,083)</u>	<u>28,810,777</u>	<u>(146,736,306)</u>	<u>-</u>
Component Units:								
Downtown Development Authority	13,374,019	1,555,965	-	-	-	-	-	(11,818,054)
Tax Increment Financing Authority	449,366	-	122,248	-	-	-	-	(327,118)
SmartZone Development Authority	1,639,696	-	182,892	-	-	-	-	(1,456,804)
Brownfield Redevelopment Authority	4,983,180	202,832	230,398	-	-	-	-	(4,549,950)
Corridor Improvement Districts	142,275	-	152,879	-	-	-	-	10,604
61st District Court	13,104,370	6,344,976	8,407,160	-	-	-	-	1,647,766
Total component units	<u>\$ 33,692,906</u>	<u>\$ 8,103,773</u>	<u>\$ 9,095,577</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,493,556)</u>
General revenues:								
Property taxes					39,913,281	-	39,913,281	17,773,403
City income taxes					98,558,635	-	98,558,635	-
Intergovernmental, unrestricted					20,977,402	-	20,977,402	-
Unrestricted investment earnings					3,364,427	1,670,570	5,034,997	339,119
Miscellaneous					816,860	3,642,538	4,459,398	-
Gain on sale of capital assets					209,777	250,456	460,233	2,508,122
Transfers (Note 9)					<u>1,678,354</u>	<u>(1,678,354)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>165,518,736</u>	<u>3,885,210</u>	<u>169,403,946</u>	<u>20,620,644</u>
Change in net position					(10,028,347)	32,695,987	22,667,640	4,127,088
Net position - beginning, as restated					<u>182,309,858</u>	<u>513,022,063</u>	<u>695,331,921</u>	<u>13,503,465</u>
Net position - ending					<u>\$ 172,281,511</u>	<u>\$ 545,718,050</u>	<u>\$ 717,999,561</u>	<u>\$ 17,630,553</u>

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

City of Grand Rapids, Michigan
Balance Sheet
Governmental Funds
June 30, 2018

	Major Governmental Funds							Total Governmental Funds
	General	Major Streets	Local Streets	Vital Streets Capital Construction	Streets Capital Construction	General Capital Construction	Nonmajor Governmental Funds	
ASSETS								
Equity in pooled cash & investments (Note 2)	\$ 55,170,869	\$ 8,177,016	\$ 906,623	\$ 3,185,793	\$ 3,140,408	\$ 18,207,421	\$ 42,842,580	\$ 131,630,710
Receivables, net	9,309,981	1,784,225	3,496	114,540	10,001	964,809	165,157	12,352,209
Due from other funds (Note 9)	60,616	-	-	-	-	-	-	60,616
Due from other governmental units	3,489,845	2,696,947	726,416	126,450	-	440,757	1,575,622	9,056,037
Inventories	801,797	825,679	-	-	-	-	17,494	1,644,970
Long-term advance	2,625,000	-	-	-	-	-	-	2,625,000
Total assets	\$ 71,458,108	\$ 13,483,867	\$ 1,636,535	\$ 3,426,783	\$ 3,150,409	\$ 19,612,987	\$ 44,600,853	\$ 157,369,542
LIABILITIES								
Accounts payable and accruals	\$ 14,939,072	\$ 1,137,001	\$ 77,443	\$ 1,658,211	\$ 259,189	\$ 1,345,814	\$ 2,555,577	\$ 21,972,307
Due to other governmental units	55,140	-	-	-	-	-	1,065	56,205
Unearned revenues	-	-	-	-	-	-	653,855	653,855
Customer deposits	618,611	989	-	-	-	445,186	1,183,092	2,247,878
Total liabilities	15,612,823	1,137,990	77,443	1,658,211	259,189	1,791,000	4,393,589	24,930,245
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues - special assessments	-	-	-	-	1,169	34,769	-	35,938
Unavailable revenues	-	-	-	-	-	-	1,099,127	1,099,127
Total deferred inflows of resources	-	-	-	-	1,169	34,769	1,099,127	1,135,065
FUND BALANCES								
Nonspendable:								
Long-term advance	2,625,000	-	-	-	-	-	-	2,625,000
Inventories	801,797	825,679	-	-	-	-	17,494	1,644,970
Nonexpendable trust principal	-	-	-	-	-	-	3,010,048	3,010,048
Restricted:(Note 1)								
Public safety	-	-	-	-	-	-	1,434,216	1,434,216
Urban and community development	-	-	-	-	-	-	3,090,972	3,090,972
Culture and recreation	-	-	-	-	-	-	516,669	516,669
Public works	-	11,520,198	1,559,092	-	-	-	-	13,079,290
Authorized projects	-	-	-	-	-	3,278,847	-	3,278,847
Committed: (Note 1)								
Authorized projects	-	-	-	1,768,572	2,890,051	14,508,371	5,619,927	24,786,921
Other purposes	14,298,835	-	-	-	-	-	1,170,480	15,469,315
Assigned: (Note 1)								
Culture and recreation	-	-	-	-	-	-	5,699,935	5,699,935
Public safety	-	-	-	-	-	-	1,043,580	1,043,580
Urban and community development	-	-	-	-	-	-	8,468,327	8,468,327
Public works	-	-	-	-	-	-	5,472,722	5,472,722
Ensuing year budget	-	-	-	-	-	-	395,809	395,809
Compensated absences	6,614,913	-	-	-	-	-	1,488,329	8,103,242
Other purposes	1,070,075	-	-	-	-	-	1,679,629	2,749,704
Unassigned	30,434,665	-	-	-	-	-	-	30,434,665
Total fund balance	55,845,285	12,345,877	1,559,092	1,768,572	2,890,051	17,787,218	39,108,137	131,304,232
Total liabilities, deferred inflows of resources and fund balances	\$ 71,458,108	\$ 13,483,867	\$ 1,636,535	\$ 3,426,783	\$ 3,150,409	\$ 19,612,987	\$ 44,600,853	\$ 157,369,542

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

City of Grand Rapids, Michigan
Reconciliation of the Fund Balances of Governmental Funds to the
Net Position of Governmental Activities on the Statement of Net Position

June 30, 2018

Total governmental funds, fund balances	\$ 131,304,232
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital assets, at cost	885,094,512
Accumulated depreciation	<u>(596,551,985)</u>
Net capital assets	288,542,527
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	1,135,065
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. These consist of:	
Deferred on pensions	76,630,758
Deferred on OPEB	11,261,775
Deferred on refunding of bonds	1,337,257
Deferred inflows of resources related to pensions yet to be recognized in relation to the pension actuarial calculation	(33,144,626)
Deferred inflows of resources related to pensions yet to be recognized in relation to the OPEB actuarial calculation	(2,713,548)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	50,927,943
Long-term liabilities, including interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and contracts payable	(88,672,609)
Premium on bonds	(3,506,672)
Compensated absences	(9,613,664)
Net pension liability	(156,216,685)
Net OPEB liability	(88,498,569)
Insurance claims	(5,499,818)
Accrued interest on bonds	<u>(991,855)</u>
Net position of governmental activities	<u>\$ 172,281,511</u>

City of Grand Rapids, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the year ended June 30, 2018

	Major Governmental Funds						Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Streets	Local Streets	Vital Street Capital Construction	Street Capital Construction	General Capital Construction		
Revenues:								
Property taxes	\$ 13,774,826	\$ -	\$ -	\$ -	\$ -	\$ 5,251,805	\$ 20,904,816	\$ 39,931,447
City income taxes	81,558,479	11,054,303	-	-	-	3,844,099	2,083,588	98,540,469
State shared taxes	18,280,901	15,840,316	4,247,351	-	-	2,657,229	39,272	41,065,069
Licenses and permits	2,651,628	-	-	-	-	-	4,881,636	7,533,264
Federal grants	-	298,257	-	711,980	16,480	-	6,896,169	7,922,886
State grants	902,953	1,096,229	368,138	870,606	340,459	1,031,483	1,313,827	5,923,695
Other grants & contributions	980,922	25,000	-	976,684	1,905,635	769,428	2,245,289	6,902,958
Charges for services	10,168,703	2,732,786	162	-	59,898	16,275	10,888,466	23,866,290
Fines and forfeitures	2,155,412	-	-	-	-	-	165,582	2,320,994
Investment earnings	667,500	156,742	5,927	23,098	27,415	221,597	581,956	1,684,235
Miscellaneous	5,371	597,806	33,876	-	-	82,552	159,073	878,678
Total revenues	131,146,695	31,801,439	4,655,454	2,582,368	2,349,887	13,874,468	50,159,674	236,569,985
Expenditures:								
Current:								
General government	28,746,649	-	-	-	-	1,592,375	365,407	30,704,431
Public safety	78,636,585	-	-	-	-	-	7,849,721	86,486,306
Public works	5,363,233	11,801,296	3,677,709	-	-	-	14,401,728	35,243,966
Culture and recreation	-	-	-	-	-	-	19,868,500	19,868,500
Urban and community development	5,108,490	-	-	-	-	-	12,917,291	18,025,781
Debt service:								
Principal	52,632	18,930,000	-	-	-	2,085,261	5,706,316	26,774,209
Interest, fees, and bond issue costs	8,374	1,330,514	-	-	-	737,260	2,003,197	4,079,345
Capital outlay	-	2,846,605	4,539,051	6,061,122	1,373,701	7,786,565	439,643	23,046,687
Total expenditures	117,915,963	34,908,415	8,216,760	6,061,122	1,373,701	12,201,461	63,551,803	244,229,225
Excess (deficit) of revenues over expenditures	<u>13,230,732</u>	<u>(3,106,976)</u>	<u>(3,561,306)</u>	<u>(3,478,754)</u>	<u>976,186</u>	<u>1,673,007</u>	<u>(13,392,129)</u>	<u>(7,659,240)</u>
Other financing sources (uses):								
Transfers in (Note 9)	7,535,004	2,704,984	5,118,750	5,280,728	75,000	3,791,578	20,449,189	44,955,233
Transfers out (Note 9)	(15,954,248)	(9,951,212)	(1,059,045)	(567,272)	-	(6,070,685)	(10,817,817)	(44,420,279)
Sale of capital assets	-	-	-	-	-	-	5,480	5,480
Total other financing sources (uses)	(8,419,244)	(7,246,228)	4,059,705	4,713,456	75,000	(2,279,107)	9,636,852	540,434
Net change in fund balances	4,811,488	(10,353,204)	498,399	1,234,702	1,051,186	(606,100)	(3,755,277)	(7,118,806)
Fund balances - beginning	50,979,266	22,481,986	1,060,693	533,870	1,838,865	18,393,318	42,863,414	138,151,412
Current year change in inventory levels	54,531	217,095	-	-	-	-	-	271,626
Fund balances - ending	\$ 55,845,285	\$ 12,345,877	\$ 1,559,092	\$ 1,768,572	\$ 2,890,051	\$ 17,787,218	\$ 39,108,137	\$ 131,304,232

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

City of Grand Rapids, Michigan
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
for the year ended June 30, 2018

Net change in fund balances - total governmental funds	\$ (7,118,806)
Amounts reported for governmental activities in the statement of activities are different because:	
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 as depreciation expense. This is the amount by which depreciation (\$21,994,469) exceeded capital outlays (\$17,272,695).	(4,721,774)
In the statement of activities only the gain on the sale of property and equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the property sold.	(9,970)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,135,065
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	26,774,209
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.	
Accrued interest	142,429
Compensated absences	60,116
Net OPEB liability including deferred inflows and outflows	3,597,875
Net pension liability including deferred inflows and outflows	(37,716,925)
Other	513,143
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The governmental share of the net expense of the internal service fund is reported in governmental activities.	<u>7,316,291</u>
Change in net position of governmental activities	<u><u>\$ (10,028,347)</u></u>

City of Grand Rapids, Michigan
Statement of Net Position
Proprietary Funds

June 30, 2018

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System			
ASSETS						
Current assets:						
Equity in pooled cash and investments (Note 2)	\$ 36,126,564	\$ 48,623,912	\$ 29,137,276	\$ 1,351,816	\$ 115,239,568	\$ 57,805,320
Receivables, net	7,343,333	10,180,103	464,928	146,039	18,134,403	683,137
Due from other governmental units	-	-	-	-	-	85,445
Inventory	1,621,089	928,263	-	2,552	2,551,904	945,127
Restricted assets (Note 4)	<u>6,575,000</u>	<u>12,000,426</u>	<u>-</u>	<u>-</u>	<u>18,575,426</u>	<u>4,517,177</u>
Total current assets	<u>51,665,986</u>	<u>71,732,704</u>	<u>29,602,204</u>	<u>1,500,407</u>	<u>154,501,301</u>	<u>64,036,206</u>
Noncurrent assets:						
Restricted assets (Note 4)	2,125,346	53,587,750	-	-	55,713,096	-
Other assets	-	-	-	235,678	235,678	-
Investment in joint venture (Note 1)	-	2,472,900	-	-	2,472,900	-
Capital assets: (Note 5)						
Non-depreciable	15,315,536	18,980,387	6,804,057	5,255	41,105,235	913,448
Depreciable	517,440,830	725,167,992	91,198,604	8,697,258	1,342,504,684	49,413,574
Less accumulated depreciation	<u>(209,854,973)</u>	<u>(314,781,889)</u>	<u>(47,279,193)</u>	<u>(4,631,583)</u>	<u>(576,547,638)</u>	<u>(25,927,483)</u>
Total noncurrent assets	<u>325,026,739</u>	<u>485,427,140</u>	<u>50,723,468</u>	<u>4,306,608</u>	<u>865,483,955</u>	<u>24,399,539</u>
Total assets	<u>376,692,725</u>	<u>557,159,844</u>	<u>80,325,672</u>	<u>5,807,015</u>	<u>1,019,985,256</u>	<u>88,435,745</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions (Note 7)	\$ 5,134,708	\$ 4,631,213	\$ 1,583,779	\$ 149,497	\$ 11,499,197	\$ 5,030,936
Deferred outflows related to OPEB (Note 8)	621,937	560,713	191,766	18,137	1,392,553	611,624
Deferred on refunding of bonds	<u>3,277,248</u>	<u>7,947,815</u>	<u>1,293,184</u>	<u>-</u>	<u>12,518,247</u>	<u>1,080</u>
Total deferred outflows of resources	<u>9,033,893</u>	<u>13,139,741</u>	<u>3,068,729</u>	<u>167,634</u>	<u>25,409,997</u>	<u>5,643,640</u>

City of Grand Rapids, Michigan
Statement of Net Position
Proprietary Funds

June 30, 2018

	Business-Type Activities - Enterprise Funds					Total Internal Service Funds
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	
	Water Supply System	Sewage Disposal System	Parking System			
LIABILITIES						
Current liabilities:						
Vouchers and accounts payable	\$ 2,702,698	\$ 1,537,635	\$ 984,287	\$ 209,430	\$ 5,434,050	\$ 2,130,272
Accrued interest payable	1,868,669	5,844,908	315,451	-	8,029,028	4,760
Due to other governmental units	-	-	-	-	-	86,100
Unearned revenues	590,663	-	-	2,808	593,471	1,413
Current portion of claims payable	-	-	-	-	-	5,103,312
Current maturities of bonds, notes and contracts payable (Note 6)	192,454	28,500	1,400,000	-	1,620,954	210,256
Current portion of compensated absences (Note 6)	667,568	560,394	146,575	23,387	1,397,924	538,907
Liabilities payable from restricted assets (Note 6):						
Current maturities of bonds, notes and contracts payable	6,575,000	9,475,000	-	-	16,050,000	-
Other	-	2,525,426	-	-	2,525,426	-
Total current liabilities	<u>12,597,052</u>	<u>19,971,863</u>	<u>2,846,313</u>	<u>235,625</u>	<u>35,650,853</u>	<u>8,075,020</u>
Noncurrent liabilities (net of current portion) (Note 6):						
Bonds payable	97,598,149	301,611,000	27,617,197	-	426,826,346	173,135
Contracts and notes payable	1,038,156	60,500	-	-	1,098,656	-
Long-term advance	-	-	2,625,000	-	2,625,000	-
General claims payable	-	-	-	-	-	396,506
Compensated absences	396,265	332,647	87,007	13,882	829,801	319,895
Net pension liability (Note 7)	12,125,440	10,936,453	3,740,041	353,031	27,154,965	11,880,382
Net OPEB liability (Note 8)	5,284,891	4,764,644	1,629,524	154,114	11,833,173	5,197,250
Total noncurrent liabilities	<u>116,442,901</u>	<u>317,705,244</u>	<u>35,698,769</u>	<u>521,027</u>	<u>470,367,941</u>	<u>17,967,168</u>
Total liabilities	<u>129,039,953</u>	<u>337,677,107</u>	<u>38,545,082</u>	<u>756,652</u>	<u>506,018,794</u>	<u>26,042,188</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions (Note 7)	1,983,584	1,789,079	611,828	57,752	4,442,243	1,943,495
Deferred inflows related to OPEB (Note 8)	47,629	42,940	14,686	1,389	106,644	46,838
Total deferred inflows of resources	<u>2,031,213</u>	<u>1,832,019</u>	<u>626,514</u>	<u>59,141</u>	<u>4,548,887</u>	<u>1,990,333</u>
NET POSITION						
Net investment in capital assets	222,005,492	168,327,093	22,999,455	4,070,930	417,402,970	24,017,228
Restricted - Debt Service	8,700,346	23,378,215	-	-	32,078,561	-
Unrestricted	23,949,614	39,085,151	21,223,350	1,087,926	85,346,041	42,029,636
Total net position	<u>\$ 254,655,452</u>	<u>\$ 230,790,459</u>	<u>\$ 44,222,805</u>	<u>\$ 5,158,856</u>	<u>534,827,572</u>	<u>\$ 66,046,864</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time					10,890,478	
Net position of business-type activities					<u>\$ 545,718,050</u>	

City of Grand Rapids, Michigan
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

for the year ended June 30, 2018

	Business-Type Activities - Enterprise Funds					Total Internal Service Funds
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	
	Water Supply System	Sewage Disposal System	Parking System			
Operating revenues:						
Charges for services	\$ 1,711,895	\$ 54,484,181	\$ 20,305,979	\$ 1,722,095	\$ 78,224,150	\$ 59,841,610
Sales	43,738,416	43,648	1,511	378,154	44,161,729	20,547
Miscellaneous	401,983	1,129,555	-	-	1,531,538	283,401
Total operating revenues	<u>45,852,294</u>	<u>55,657,384</u>	<u>20,307,490</u>	<u>2,100,249</u>	<u>123,917,417</u>	<u>60,145,558</u>
Operating expenses:						
Personal services	9,785,681	9,296,064	4,990,442	587,299	24,659,486	8,692,265
Supplies and materials	2,459,707	2,236,995	3,385,539	135,104	8,217,345	3,011,348
Utilities	4,251,207	2,662,100	444,017	190,704	7,548,028	2,506,539
Contractual services	3,274,118	8,434,714	2,133,676	698,573	14,541,081	4,051,551
Other services and charges	4,536,702	2,638,049	2,286,609	291,246	9,752,606	31,952,439
Depreciation	9,186,012	14,735,236	2,434,273	287,138	26,642,659	3,979,183
Total operating expenses	<u>33,493,427</u>	<u>40,003,158</u>	<u>15,674,556</u>	<u>2,190,064</u>	<u>91,361,205</u>	<u>54,193,325</u>
Operating income (loss)	<u>12,358,867</u>	<u>15,654,226</u>	<u>4,632,934</u>	<u>(89,815)</u>	<u>32,556,212</u>	<u>5,952,233</u>
Nonoperating revenues (expenses):						
Other federal revenue	31,421	467,276	130,338	-	629,035	-
Investment earnings	505,467	685,784	465,969	13,350	1,670,570	1,223,463
Miscellaneous revenue	810,442	9	2,832,087	-	3,642,538	(61,818)
Gain on sale of capital assets	-	-	250,456	-	250,456	214,267
Interest expense and paying agent fees	(2,183,208)	(9,098,211)	(1,470,500)	-	(12,751,919)	(13,978)
Total nonoperating revenues (expenses)	<u>(835,878)</u>	<u>(7,945,142)</u>	<u>2,208,350</u>	<u>13,350</u>	<u>(6,559,320)</u>	<u>1,361,934</u>
Income (loss) before capital contributions and transfers	11,522,989	7,709,084	6,841,284	(76,465)	25,996,892	7,314,167
Capital contributions	4,354,990	2,881,190	-	-	7,236,180	-
Transfers in (Note 9)	2,459,792	-	200,000	392,363	3,052,155	3,291,287
Transfers out (Note 9)	(977,616)	(3,076,542)	(415,750)	(260,601)	(4,730,509)	(2,147,887)
Change in net position	17,360,155	7,513,732	6,625,534	55,297	31,554,718	8,457,567
Net position - beginning, as restated	237,295,297	223,276,727	37,597,271	5,103,559		57,589,297
Net position - ending	<u>\$ 254,655,452</u>	<u>\$ 230,790,459</u>	<u>\$ 44,222,805</u>	<u>\$ 5,158,856</u>		<u>\$ 66,046,864</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					<u>1,141,269</u>	
Change in net position of business-type activities					<u>\$ 32,695,987</u>	

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

City of Grand Rapids, Michigan
Statement of Cash Flows
Proprietary Funds

for the year ended June 30, 2018

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System			
Cash flows from operating activities:						
Receipts from customers	\$ 45,403,028	\$ 55,391,815	\$ 20,158,340	\$ 2,046,105	\$ 122,999,288	\$ 60,241,019
Payments to suppliers	(11,588,233)	(15,197,943)	(8,344,710)	(1,331,916)	(36,462,802)	(40,957,351)
Payments to employees	(6,888,849)	(5,914,783)	(2,554,300)	(421,256)	(15,779,188)	(5,532,780)
Payments for payroll taxes and benefits	(4,179,136)	(3,760,111)	(1,860,608)	(289,272)	(10,089,127)	(4,774,683)
Other operating receipts	810,442	9	2,832,087	-	3,642,538	(61,818)
Net cash provided by operating activities	<u>23,557,252</u>	<u>30,518,987</u>	<u>10,230,809</u>	<u>3,661</u>	<u>64,310,709</u>	<u>8,914,387</u>
Cash flows from noncapital financing activities:						
Other federal receipts	31,421	467,276	130,338	-	629,035	-
Transfers from other funds	2,459,792	-	200,000	392,363	3,052,155	3,291,287
Transfers to other funds	(977,616)	(3,076,542)	(415,750)	(260,601)	(4,730,509)	(2,147,887)
Payment of advance	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>1,513,597</u>	<u>(2,609,266)</u>	<u>(85,412)</u>	<u>131,762</u>	<u>(1,049,319)</u>	<u>1,143,400</u>
Cash flows from capital and related financing activities:						
Proceeds from capital debt	2,935,359	49,629,056	-	-	52,564,415	-
Purchase of capital assets	(13,068,298)	(14,532,067)	(4,056,113)	(34,255)	(31,690,733)	(4,393,734)
Sale of capital assets	-	-	391,787	-	391,787	214,267
Principal paid on capital debt	(11,608,437)	(7,827,000)	(1,330,000)	-	(20,765,437)	(210,526)
Interest paid on capital debt	(2,840,219)	(10,020,259)	(1,446,945)	-	(14,307,423)	(14,562)
Net cash provided (used) by capital and related financing activities	<u>(24,581,595)</u>	<u>17,249,730</u>	<u>(6,441,271)</u>	<u>(34,255)</u>	<u>(13,807,391)</u>	<u>(4,404,555)</u>
Cash flows from investing activities:						
Interest received	495,823	697,605	472,050	13,350	1,678,828	1,241,361
Net increase (decrease) in equity in pooled cash and investments	985,077	45,857,056	4,176,176	114,518	51,132,827	6,894,593
Equity in pooled cash and investments - beginning of year	35,141,487	44,954,644	24,961,100	1,237,298	106,294,529	55,427,904
Equity in pooled cash and investments - end of year (including \$42,187,788 and \$4,517,177 for the Sewer System and Internal Service, respectively, reported in restricted accounts)	<u>\$ 36,126,564</u>	<u>\$ 90,811,700</u>	<u>\$ 29,137,276</u>	<u>\$ 1,351,816</u>	<u>\$ 157,427,356</u>	<u>\$ 62,322,497</u>

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

City of Grand Rapids, Michigan
Statement of Cash Flows
Proprietary Funds

for the year ended June 30, 2018

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 12,358,867	\$ 15,654,226	\$ 4,632,934	\$ (89,815)	\$ 32,556,212	\$ 5,952,233
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	9,186,012	14,735,236	2,434,273	287,138	26,642,659	3,979,183
Miscellaneous cash received	810,442	9	2,832,087	-	3,642,538	(61,818)
Change in assets and liabilities:						
Increase in accounts receivable	(108,184)	(308,744)	(149,150)	(55,621)	(621,699)	276,578
Increase in due from other intergovernmental units	90,000	-	-	-	90,000	(85,445)
(Increase) decrease in inventory	(363,885)	45,845	-	1,477	(316,563)	(95,672)
Increase (decrease) in vouchers and accounts payable	1,762,039	(152,049)	(94,869)	(17,786)	1,497,335	818,052
Decrease in due to other funds	-	-	-	-	-	(135,892)
Increase in unearned revenues	(72,246)	-	-	-	(72,246)	-
Decrease in restricted assets	1,176,511	923,294	-	-	2,099,805	-
Increase in other liabilities	-	-	-	1,497	1,497	-
Increase in deferred outflows related to pensions	4,820,166	3,781,596	848,129	195,500	9,645,391	4,857,751
Increase (decrease) in deferred inflows related to pensions	(328,435)	(164,795)	47,017	(22,374)	(468,587)	(353,152)
(Increase) decrease in deferred outflows related to OPEB	(39,287)	(66,099)	(49,558)	1,702	(153,242)	(30,452)
Increase in deferred inflows related to OPEB	47,629	42,940	14,686	1,389	106,644	46,838
Increase (decrease) in compensated absences	117,544	47,377	38,976	(2,182)	201,715	(35,264)
Decrease in net pension liability	(5,519,989)	(3,975,601)	(570,617)	(258,491)	(10,324,698)	(5,647,727)
Increase (decrease) in net OPEB liability	(379,932)	(44,248)	246,901	(38,773)	(216,052)	(453,192)
Increase in general claims payable	-	-	-	-	-	(117,634)
	<u>11,198,385</u>	<u>14,864,761</u>	<u>5,597,875</u>	<u>93,476</u>	<u>31,754,497</u>	<u>2,962,154</u>
Net cash provided (used) by operating activities	\$ <u>23,557,252</u>	\$ <u>30,518,987</u>	\$ <u>10,230,809</u>	\$ <u>3,661</u>	\$ <u>64,310,709</u>	\$ <u>8,914,387</u>
Noncash capital activities						
Contributions of capital assets	\$ <u>3,722,916</u>	\$ <u>2,881,190</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,604,106</u>	\$ <u>-</u>

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

City of Grand Rapids, Michigan
Statement of Changes in Net Position
Fiduciary Funds
for the year ended June 30, 2018

	Total Employee Benefit Trust Funds
ADDITIONS	
Plan Contributions:	
Employer	\$ 32,346,343
Plan members	7,947,320
Total contributions	<u>40,293,663</u>
Investment earnings:	
Interest and dividends	12,047,131
Net appreciation in fair value of investments	<u>76,951,228</u>
Total investment earnings	88,998,359
Investment management expense	<u>(2,056,419)</u>
Net investment earnings	<u>86,941,940</u>
Securities lending earnings	<u>208,832</u>
Total net investment earnings	<u>87,150,772</u>
Total additions	<u>127,444,435</u>
DEDUCTIONS	
Benefits paid	68,573,968
Administration expenses	<u>1,569,106</u>
Total deductions	<u>70,143,074</u>
Change in net position	57,301,361
Net position - beginning	<u>848,637,931</u>
Net position - ending	<u>\$ 905,939,292</u>

City of Grand Rapids, Michigan
Statement of Net Position
Component Units
June 30, 2018

	Downtown Development Authority	Tax Increment Financing Authority	SmartZone Local Development Financing Authority	Brownfield Redevelopment Authority	Corridor Improvement Districts	61st District Court	Totals
ASSETS							
Equity in pooled cash and investments (Note 2)	\$ 11,256,129	\$ 1,636,148	\$ 4,507,365	\$ 3,037,994	\$ 314,704	\$ 998,013	\$ 21,750,353
Investments held by trustee (Note 2)	864,374	-	-	-	-	-	864,374
Receivables, net	519,154	4,125	11,512	52,048	777	3,591	591,207
Accrued interest	-	-	-	-	-	1,636	1,636
Due from other governmental units	-	-	-	-	-	43,635	43,635
Prepaid expenses and other assets	118,317	-	-	-	-	-	118,317
Capital Assets (Note 5):							
Non-depreciable	12,099,929	1,280,000	-	-	-	-	13,379,929
Depreciable	75,846,605	4,027,124	-	-	-	197,884	80,071,613
Less: accumulated depreciation	(54,924,733)	(3,610,734)	-	-	-	(88,784)	(58,624,251)
Total assets	<u>45,779,775</u>	<u>3,336,663</u>	<u>4,518,877</u>	<u>3,090,042</u>	<u>315,481</u>	<u>1,155,975</u>	<u>58,196,813</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions (Note 7)	-	-	-	-	-	3,347,005	3,347,005
Deferred outflows related to OPEB (Note 8)	-	-	-	-	-	428,006	428,006
Deferred gain on refunding of debt	2,396,283	6,470	-	-	-	-	2,402,753
Total deferred outflows of resources	<u>2,396,283</u>	<u>6,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,775,011</u>	<u>6,177,764</u>
LIABILITIES							
Vouchers payable and accruals	1,536,405	22,789	207,503	182,238	48,729	524,308	2,521,972
Accrued Interest	202,670	727	-	5,697	-	-	209,094
Unearned revenue	1,000	-	-	-	-	-	1,000
Due to primary government	10,094	-	-	-	-	-	10,094
Due to participants	-	-	-	720,785	-	183,103	903,888
Non-current liabilities :							
Due within 1 year (Note 6)	6,398,078	34,897	8,196	130,874	-	326,667	6,898,712
Due in more than 1 year (Note 6)	21,243,519	73,014	4,865	1,817,391	-	193,908	23,332,697
Net pension liability (Note 7)	-	-	-	-	-	7,903,841	7,903,841
Net OPEB liability (Note 8)	-	-	-	-	-	3,636,970	3,636,970
Total liabilities	<u>29,391,766</u>	<u>131,427</u>	<u>220,564</u>	<u>2,856,985</u>	<u>48,729</u>	<u>12,768,797</u>	<u>45,418,268</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions (Note 7)	-	-	-	-	-	1,292,978	1,292,978
Deferred inflows related to OPEB (Note 8)	-	-	-	-	-	32,778	32,778
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,756</u>	<u>1,325,756</u>
NET POSITION							
Net investment in capital assets	9,294,690	1,596,060	-	-	-	109,100	10,999,850
Restricted for authorized projects	9,489,602	1,615,646	4,298,313	233,057	266,752	-	15,903,370
Unrestricted (deficit)	-	-	-	-	-	(9,272,667)	(9,272,667)
Total net position (deficit)	<u>\$ 18,784,292</u>	<u>\$ 3,211,706</u>	<u>\$ 4,298,313</u>	<u>\$ 233,057</u>	<u>\$ 266,752</u>	<u>\$ (9,163,567)</u>	<u>\$ 17,630,553</u>

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

City of Grand Rapids, Michigan
Statement of Activities
Component Units
for the year ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position							Total
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	SmartZone			Brownfield Redevelopment Authority	Corridor Improvement Districts	61st District Court	
					Tax Incremental Financing Authority	Local Development Financing Authority	61st District Court				
Urban & community development:											
Downtown Development Authority	\$ 13,374,019	\$ 1,555,965	\$ -	\$ (11,818,054)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,818,054)
Tax Incremental Financing Authority	449,366	-	122,248	-	(327,118)	-	-	-	-	-	(327,118)
SmartZone Development Authority	1,639,696	-	182,892	-	-	(1,456,804)	-	-	-	-	(1,456,804)
Brownfield Redevelopment Authority	4,983,180	202,832	230,398	-	-	-	(4,549,950)	-	-	-	(4,549,950)
Corridor Improvement Districts	142,275	-	152,879	-	-	-	-	10,604	-	-	10,604
Public safety:											
61st District Court	13,104,370	6,344,976	8,407,160	-	-	-	-	-	-	1,647,766	1,647,766
	<u>\$ 33,692,906</u>	<u>\$ 8,103,773</u>	<u>\$ 9,095,577</u>	<u>(11,818,054)</u>	<u>(327,118)</u>	<u>(1,456,804)</u>	<u>(4,549,950)</u>	<u>10,604</u>	<u>1,647,766</u>	<u>(16,493,556)</u>	
General revenues:											
Investment earnings (losses)				214,190	18,643	55,114	42,823	2,072	6,277		339,119
Property taxes				10,691,517	373,259	1,146,376	5,344,359	217,892	-		17,773,403
Gain on sale of capital assets				2,508,122	-	-	-	-	-		2,508,122
Total general revenues				<u>13,413,829</u>	<u>391,902</u>	<u>1,201,490</u>	<u>5,387,182</u>	<u>219,964</u>	<u>6,277</u>		<u>20,620,644</u>
Change in net position				<u>1,595,775</u>	<u>64,784</u>	<u>(255,314)</u>	<u>837,232</u>	<u>230,568</u>	<u>1,654,043</u>		<u>4,127,088</u>
Net position (deficit) - beginning, as restated				<u>17,188,517</u>	<u>3,146,922</u>	<u>4,553,627</u>	<u>(604,175)</u>	<u>36,184</u>	<u>(10,817,610)</u>		<u>13,503,465</u>
Net position (deficit) - ending				<u>\$ 18,784,292</u>	<u>\$ 3,211,706</u>	<u>\$ 4,298,313</u>	<u>\$ 233,057</u>	<u>\$ 266,752</u>	<u>\$ (9,163,567)</u>		<u>\$ 17,630,553</u>

The accompanying notes are an integral part of the financial statements

1. Summary of Significant Accounting Policies

THE REPORTING ENTITY

The City of Grand Rapids, Michigan (the “City”) was incorporated as a village in 1838. It was incorporated as a city under a mayor-council form of government in 1850 and remained under that form of government until 1916 when the commission-manager system of government was instituted by the current City Charter. The City provides the following services: public safety, public works, streets, recreation and culture, urban development and general administrative services.

In accordance with generally accepted accounting principles in the USA, these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operations or financial relationship with the City.

Blended Component Units—Blended component units of the City have been included in the various fund types as follows:

The Grand Rapids Building Authority (“GRBA”) was created by the City of Grand Rapids under the provisions of Act 31, Public Acts of 1948 of the State of Michigan (First Extra Session), as amended, and is governed by a three member board appointed by the City Commission. Although it is legally separate from the City, the GRBA is reported as if it were part of the primary government because its sole purpose is to finance and construct facilities for any legitimate public purpose of the City. The City has included in its financial statements the capital projects funds for projects in process during the fiscal year as well as debt service funds used for the accumulation of resources to repay the related debt on current projects and those previously financed. Likewise, the City has incorporated the bond issues and the related capital assets in governmental activities for Government-wide presentation. For completed proprietary project facilities, the City has included the capital assets and related debt within the specific proprietary funds and reported them in the business activities column of the Government-wide presentation.

The City of Grand Rapids General Retirement System (“General Retirement System”) was established by City Ordinance which provides that general administration and responsibility for the operation of the General Retirement System is vested in a seven member Board of Trustees, the majority of whom are appointed by the City Commission (four of the seven members are common among the General and Police and Fire Retirement Systems). Three members are elected by current employees. The General Retirement System is a defined benefit pension plan that covers all eligible employees of the City of Grand Rapids, except for police officers, firefighters, and newly hired employees that are participants in one of the two defined contribution plans discussed in Note 11. The plan closed to new entrants on June 30, 2014. Funding for the General Retirement System is primarily provided by the City. Additional details of the General Retirement System are included in Note 7. Separate audited financial statements are issued. The General Retirement System is included in these statements as a fiduciary fund.

The City of Grand Rapids Police and Fire Retirement System (“Police and Fire Retirement System”) was established by City Ordinance which provides that the general administration and responsibility for the operation of the Police and Fire Retirement System is vested in a seven member Board of Trustees, the majority of whom are appointed by the City Commission (four of the seven members are common among the General and Police and Fire Retirement Systems). The Police and Fire Retirement System covers all the eligible uniformed police and fire personnel of the City of Grand Rapids under a defined benefit pension plan. Funding for the Police and Fire Retirement System is primarily provided by the City. The fiscal year-end of this system changed to December 31st during the 2004 fiscal year. Additional details of the Police and Fire Retirement System are included in Note 7. Separate audited financial statements are issued. The Police and Fire Retirement System is included in these statements as a fiduciary fund.

Discretely Presented Component Units—The component unit column in the combined financial statements includes the financial data of the City’s other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the ability to impose its will on all of the listed authorities as it must annually approve their budgets and their development and tax increment financing plans.

1. Summary of Significant Accounting Policies, continued:

The Grand Rapids Downtown Development Authority (“DDA”) was created under the provisions of Act 197, Public Acts of 1975 of the State of Michigan, to correct and prevent deterioration, encourage historic preservation and promote economic growth of business districts in the City. The DDA is under the supervision and control of a nine member Board consisting of the Mayor and eight members appointed by the Mayor and confirmed by the City Commission. Tax increment revenue is the DDA’s primary source of financing its programs and activities.

The Grand Rapids Tax Increment Financing Authority (“TIFA”) was created under the provisions of Act 450, Public Acts of 1980 of the State of Michigan, to provide for the development of the Monroe North Development Area through tax increment revenues. The TIFA is under the supervision and control of an eleven member Board appointed by the Mayor and confirmed by the City Commission.

The City of Grand Rapids SmartZone Local Development Financing Authority (“SmartZone”) was created under the provisions of the Local Development Financing Act, Act 281 of the Public Acts of 1986 of the State of Michigan, as amended by Act 248 of the Public Acts of 2000 of the State of Michigan, to promote economic development within an area, or areas, of specified boundaries. The SmartZone is under the supervision and control of an eleven member Board. Seven members are appointed by the Mayor, one by the Kent County Commission, one by the President of Grand Rapids Community College, and two by the Superintendent of the Grand Rapids Public Schools. Tax increment revenue from the zone is the authority’s primary source of financing its development plan.

The City of Grand Rapids Brownfield Redevelopment Authority (“Brownfield”) was created under the provisions of Act 381, Public Acts of 1996 of the State of Michigan. The purpose of the Authority is to promote the revitalization of environmentally distressed areas within the boundaries of the City. The Authority consists of a seven member board that has an interest in the revitalization of environmentally distressed properties. Members are appointed by the Mayor with City Commission approval.

The City has created five separate Corridor Improvement Authorities (“CIDs”), detailed below, under the provisions of Act 280, Public Acts of 2005 of the State of Michigan. The primary financing source of each CID is expected to be property tax increment revenues. The primary purpose of each Authority is to plan and propose construction, renovation, repair, or marketing projects that use tax increment revenues to aid the economic growth of the district. Each CID has a nine member board appointed by the Mayor with the approval of the City Commission. None of the authorities issue separate financial statements. The resources and activities of all five CIDs are aggregated for presentation in these financial statements.

The City of Grand Rapids Michigan Street Corridor Improvement Authority (“Michigan St.”). The purpose of the Authority is to aid the economic growth of the Michigan St. corridor between Prospect and Plymouth Avenues.

The City of Grand Rapids North Quarter Corridor Improvement Authority (“NQCID”). The purpose of the Authority is to aid the economic growth of the Plainfield corridor north of downtown and the two business districts within it.

The City of Grand Rapids Southtown (formerly Madison Square) Corridor Improvement Authority (“Southtown”). The purpose of the Authority is to aid the economic growth of six business districts and the corridors connecting them in the south-central area of the City.

The City of Grand Rapids Uptown Corridor Improvement Authority (“Uptown”). The purpose of the Authority is to assist in the revitalizing of an economically transitioning area located along four commercial corridors in the east-central area of the City.

The City of Grand Rapids Westside Corridor Improvement Authority (“Westside”). The purpose of the Authority is to aid the economic growth of three business districts and eight commercial streets passing through them in the west-central area of the City.

1. Summary of Significant Accounting Policies, continued:

State of Michigan 61st District Court is one of 104 districts in the State of Michigan District Court system, which in turn is part of the one Court of Justice, established by Article 6 of the Michigan Constitution. The City is the Local Funding Unit (LFU) for the 61st District Court, in accordance with the Revised Judicature Act of 1961, Public Acts 374 and 388 of 1996 and Supreme Court Administrative Order No. 1998-5. In most instances providing funding gives control, in this case it does not. Rather, the 61st District Court is subject to control by the Michigan Supreme Court. The 61st District Court accounts for the trust money held by the Court are also accounted for as liabilities in the fund. The City is financially accountable for the 61st District Court and is required to fund its operations. The 61st District Court does not issue separate financial statements.

Joint Ventures—The joint ventures of the City have not been included in the City’s financial statements. They are:

The City of Grand Rapids and County of Kent Joint Building Authority (“JBA”) was created by the City and the County of Kent, Michigan (the “County”) under the provisions of Act 31, Public Acts of 1948 of the State of Michigan (First Extra Session), as amended (MCL 123.951). The JBA is governed by a three member Board of Commissioners of which one member is appointed by the City Commission, one member is appointed by the County Commission and one member is appointed by joint action of the City Commission and the County Commission. Because it is legally separate from the City, the JBA is not reported as part of the primary government. Summary financial information is as follows:

	<u>At June 30, 2018</u>		<u>Year ended June 30, 2018</u>
Total Assets	\$ 169,598,865		
Total Liabilities	\$ 88,089,987		
Total Deferred Inflows of Resources	85,278	Revenues	\$ 7,244,200
Total Net Position	<u>81,423,600</u>	Expenses	<u>(9,029,837)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 169,598,865</u>	Change in Net Position	<u>\$ (1,785,637)</u>

The Grand Rapids—Kent County Convention / Arena Authority (“C/AA”) was created when the City entered into an agreement with the County of Kent to establish an authority pursuant to Act 203 of the Public Acts of 1999, the Convention Facility Authority Act (MCL 141.1401). The C/AA is a separate legal entity established for the purpose of acquiring, constructing and operating convention facilities. The operating agreement provides that any facility operating deficits will be covered first by the net income of other C/AA facilities, second by an operating reserve fund and third by certain lodging excise tax revenues. The City and the County will share any remaining deficit equally. Summary financial information is as follows:

	<u>At June 30, 2018</u>		<u>Year ended June 30, 2018</u>
Total Assets	\$ 39,040,757		
Total Liabilities	\$ 13,552,225	Revenues	\$ 16,246,262
Total Net Position	<u>25,488,532</u>	Expenses	<u>(16,145,456)</u>
Total Liabilities and Net Position	<u>\$ 39,040,757</u>	Change in Net Position	<u>\$ 100,806</u>

1. Summary of Significant Accounting Policies, continued:

Grand Valley Regional Biosolids Authority was created by the City and the City of Wyoming under the provisions of Act 233, Public Acts of 1955, as amended, (MCL 124.281), for the development, construction and operation of a regional bio-solids management project. The City and Wyoming will share equally the initial costs, ongoing administrative costs and planning and design of the project. The City's current equity interest is \$2,472,900. Articles of incorporation were adopted April 2004. Summary financial information is as follows:

	<u>At June 30, 2018</u>		<u>Year ended June 30, 2018</u>
Total Assets	\$ 29,786,870		
Total Liabilities	\$ 21,049,533	Revenues	\$ 8,163,258
Total Net Position	<u>8,737,337</u>	Expenses	<u>(7,561,311)</u>
Total Liabilities and Net Position	<u>\$ 29,786,870</u>	Change in Net Position	<u>\$ 601,947</u>

REPORT COPIES

Individual audited financial reports of the component units and joint ventures of the City can be obtained from the City Comptroller's Office in City Hall, except for Pension Fund reports—which can be obtained from the City's Pension Office. Selected reports are also available on the City's web site, www.grcity.us, within the Comptroller's Department section and for the Retirement System at www.grpensions.org.

City of Grand Rapids
Comptroller's Office
300 Monroe Avenue NW
Grand Rapids, Michigan 49503
(616) 456-3189

City of Grand Rapids
Pension Office
233 East Fulton Avenue Suite 216
Grand Rapids, Michigan 49503
(616) 365-5015

1. Summary of Significant Accounting Policies, continued:

BASIC FINANCIAL STATEMENTS

The basic financial statements include both Government-wide financial statements (based on the City as a whole) and Fund statements (based on individual funds). Both the Government-wide and Fund financial statements categorize primary activities as either governmental or business-type.

Government-wide financial statements:

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. On the statement of net position, net position is reported in three categories as follows:

1. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other related debt attributed to the acquisition, construction, or improvements of those assets.
2. *Restricted net position* results when constraints placed on the use of assets are either externally imposed by creditors, grantors, or contributors or are imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net position* consists of amounts that do not meet the definition of the two preceding categories and thus are generally available for use in operations. Portions of unrestricted net position are sometimes segregated and designated to indicate that management does not consider them to be available for general operations. Such designations can be increased, decreased or eliminated at management's discretion.

The Government Wide Statement of Activities reflects both the gross and net costs per functional category (General Governmental, Public Safety, Public Works, Culture and Recreation, and Urban and Community Development), which are otherwise being supported by general government revenues (property, income tax and certain intergovernmental revenues). The Statement of Activities analyzes gross expenses (including depreciation) by program revenues, operating and capital grants by functional area. Revenues reported as program revenues must be directly associated with a function or they are reported as a general revenue. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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.

The net expense for each function or activity is normally covered by the City's general revenues.

This government-wide focus is centered on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

1. Summary of Significant Accounting Policies, continued:

Funds financial statements:

The Funds financial statements are, in substance, similar to the financial statements presented in the previous financial reporting model. Emphasis in the Funds financial statements is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column by category.

Since the Governmental Fund statements are presented on a different measurement focus and basis of accounting than the Government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the Fund-based financial statements to the governmental column of the Government-wide presentation.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's ongoing operations. The principal operating revenues of the City's Enterprise and Internal Service Funds are charges to customers for sales and services. The City also recognizes as operating revenue fees intended for the costs of connecting new customers to the system. Operating expenses for Enterprise and Internal Service 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 non-operating revenues and expenses.

Internal Service Funds of the City government (which provide services primarily to the various funds of the government) are presented, in summary form, as part of the Proprietary Fund financial statements. Since the principal user of the internal services are the City's governmental activities these services are allocated and included in the governmental column when presented at the Government-wide level in the Statement of Net Position. The costs of these services are allocated to the appropriate functional activity. When appropriate, surplus or deficits in the Internal Service Funds are allocated back to various users, Governmental or Business Type. Interfund services provided and used are not eliminated in the process of incorporating them within the Government Wide Statement of Activities.

The City's Fiduciary Funds are presented in the Fund financial statements by type. Since the assets in these funds are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the Government-wide statements.

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, Internal Services and Fiduciary Trust Fund statements. Revenues are recognized when earned and expenditures 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 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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days thereafter for property taxes or 90 days for other revenues. Property taxes are levied on the first day of the fiscal year to finance activities of the year and accordingly are not considered available in the prior year. Expenditures are recorded when the related fund liability is incurred, except for debt service, pensions, and expenditures related to certain compensated absences. Claims and judgments are recognized when the amount can be reasonably estimated.

1. Summary of Significant Accounting Policies, continued:

Income taxes, intergovernmental revenue, grant reimbursements, state-shared taxes, interest earnings, delinquent property taxes, and payments in lieu of taxes are susceptible to accrual because they are both measurable and available to finance expenditures of the current period.

Entitlements and shared revenues are recorded at the time of receipt or earlier if they meet the accrual criteria. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The City of Grand Rapids 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 the other funds.

The Major and Local Streets Funds account for the maintenance and construction of all major streets, trunk lines and local streets. Financing is provided by special revenue from P.A. 51 State Shared Gas and Weight Taxes and charges for various services. These funds also account for an income tax continuation revenue committed to be spent on the improvement of the streets. The City Commission appointed 25 members to the Vital Streets Oversight Commission with the goal of achieving a pavement condition rating of Fair to Good on 70% of the streets over the next 15 years.

The Vital Streets Capital Construction Fund accounts for the repair, rehabilitation, and reconstruction of streets to achieve the goals of the Vital Street Oversight Commission. Financing is provided by bonds, income taxes, and other contributions.

The Streets Capital Construction Fund accounts for the construction of capital projects to be used in governmental activities. Financing is provided by bonds, property taxes, the Major Streets Fund and contributions from private sources.

The General Capital Construction Fund accounts for the construction for capital projects to be used in governmental activities. Financing is provided by bonds, property taxes, income taxes, transfers from other funds and contributions from private sources.

The City of Grand Rapids reports the following major Proprietary funds:

The Water Supply System Fund accounts for the operation and maintenance, capital additions, improvements and retirement of revenue bonds of the water supply system. Financing is provided by user charges and contributions by other funds, municipalities and customers.

The Sewer Disposal System Fund accounts for the operation and maintenance, capital additions, improvements and retirement of bonds of the sewage disposal system. Financing is provided by user charges, federal grants and contributions from other funds, municipalities and customers.

The Parking System Fund accounts for the operations and maintenance, capital additions, improvements and retirement of bonds of the parking system. The fund was established to provide parking facilities on and off the streets. Financing is provided by user charges.

1. Summary of Significant Accounting Policies, continued:

Additionally, the City reports the following fund types:

The Internal Service Funds account for data processing, fleet management, facilities management, insurance services and engineering services provided to City departments on a cost reimbursement basis.

The Employee Benefit Trust Funds account for the accumulation of resources to be used for retirement annuity payments and retiree health care payments in appropriate amounts and times in the future.

The Agency Fund accounts for the collection and distribution of property taxes to other governmental entities.

Governmental Fund Balances are reported in specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned.

The City reports the following classifications:

Nonspendable Fund Balance is the amount that cannot be spent because it is either (a) not in spendable form - such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance is the portion of fund balance that reflects constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

<u>Function:</u>		<u>Total</u>
Public Safety		
Law Enforcement	\$ 1,434,216	\$ 1,434,216
Urban & community development		
Community development grants	1,833,331	
Home ownership income diversity	358,233	
Special assessments	899,408	3,090,972
Culture and recreation		
Library programs	398,561	
Statue maintenance	118,108	516,669
Public Works		
Major and Local Street work	13,079,290	13,079,290
Authorized projects		
Capital projects-bond proceeds	3,278,847	3,278,847
		<u>\$ 21,399,994</u>

1. Summary of Significant Accounting Policies, continued:

Committed Fund Balance is the amount that can only be used for specific purposes as a result of constraints imposed by formal action of the City Commission. City Commission Policy 700-06 states that a majority vote of the Commission is required to approve a commitment and a two-thirds majority vote of the Commission to remove a commitment. The City Commission has established a Budget Stabilization Fund as a “rainy day” reserve. Public Act 30 of 1978 governs the size and use of these funds in the State of Michigan. The fund is limited to 15% of the General Fund budget. Once committed to budget stabilization, state law allows the use of the funds with a 2/3 vote of the governing body in a limited set of circumstances, primarily to cover expenses in the event of a natural disaster or to prevent an immediate reduction in public services or employment in situations where expected sources of revenue decline from one fiscal year to the next. As required by current accounting standards, the balance of the Budget Stabilization Fund is presented as committed fund balance within the General Fund.

<u>Function:</u>		<u>Total</u>
Authorized projects		
Transformation projects	\$ 5,519,927	
Housing trust fund	100,000	
Streets capital projects	4,658,623	
General capital projects	14,508,371	\$ 24,786,921
Other purposes		
Budget stabilization	14,298,835	
Perpetual care-cemetery	1,170,480	15,469,315
		<u>\$ 40,256,236</u>

Assigned Fund Balance is the amount that is constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Per City Commission Policy 700-06, subject – Fund Balance, the City Commission delegates to the City Manager or his/her designee the authority to assign amounts to be used for other specific purposes.

<u>Function:</u>		<u>Total</u>		
Culture and recreation				
Library programs	\$ 3,486,217			
Parks & recreation programs	2,213,718	\$ 5,699,935		
Public safety				
Community Dispatch	1,043,580	1,043,580		
Urban & community development				
Property Management programs	714,326			
Building inspections	7,250,490			
Economic development programs	503,511			
		8,468,327		
			Public works	
			Refuse	4,433,475
			Sidewalk repair	511,641
			Vehicle storage	527,606
				5,472,722
			Ensuing budget year	
			Economic Development	288,507
			Property management	107,302
				395,809
			Compensated absences	8,103,242
				8,103,242
			Other purposes	
			Debt service	1,679,629
			Encumbrances-general fund	1,070,075
				2,749,704
				<u>\$ 31,933,319</u>

1. Summary of Significant Accounting Policies, continued:

Unassigned Fund Balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The size of the unassigned fund balance shall be maintained, per City policy, at no less than 15% of General Operating Fund expenditures. Also, for governmental funds other than the General Fund, if the sum of nonspendable, restricted, and committed fund balance exceeds the total amount of fund balance, it may be necessary to report a negative unassigned fund balance amount for those funds.

USE OF RESOURCES

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed. When committed, assigned, and unassigned are available for use for the same purpose, the flow assumption would be to use committed, then assigned and finally unassigned for that purpose.

BUDGETS AND BUDGETARY ACCOUNTING

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

The Uniform Budgeting Act (P.A. 2 of 1968) of the State of Michigan requires that annually a balanced budget on the modified accrual basis of accounting be adopted by the local legislative body in the form of a general appropriation act for the General and all Special Revenue Funds. The City's budget is adopted on the modified accrual basis consistent with generally accepted accounting principles ("GAAP").

Prior to May 31, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the City Commission to obtain taxpayer comments.

Prior to June 30, a separately issued budget report, which demonstrates legal compliance at the legal level of budgetary control, is enacted through passage of an ordinance.

Appropriations are authorized by ordinance at the departmental level within the General Fund and by fund for all other annually budgeted funds. This is the legal level of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. Budgeted amounts presented in the financial statements are as originally adopted, or as amended by the City Commission during the fiscal year.

The general appropriation ordinance authorizes the City Comptroller to transfer budgeted amounts between accounts within the same department of any fund upon written request by a department or division head and approval by the City Manager. Transfers between departments or between funds must be approved by the City Commission.

Supplemental appropriations are approved by the City Commission in the form of budget ordinance amendments. These appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Commission.

1. Summary of Significant Accounting Policies, continued:

CASH AND INVESTMENTS

Cash resources of the primary government and component units, except for the Pension Funds and certain restricted assets related to bond issues, are managed by the City Treasurer either in an internal investment pool or through delegation of a portion of the pool to an external investment manager trading an assigned portion of the pool. Each fund's equity in this pool is deemed to be a cash equivalent for financial reporting purposes because cash may be withdrawn at any time without prior notice or penalty.

Bank deposits are stated at cost plus accrued interest receivable. Investments are stated at fair value. Interest income earned as a result of cash and investment pooling is distributed to the appropriate funds.

DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Reimbursements received more than 90 days after year-end are not recognized as revenue until the following year. Revenues received in advance of project costs being incurred are unearned revenues. Capital grants for capital asset additions to the Proprietary Funds are recorded as receivables and a corresponding increase to revenues when reimbursable project costs are incurred.

In evaluating the appropriate accruals for intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

INVENTORIES

Inventories recorded in the Proprietary Funds are valued at average cost. Governmental Funds use the purchases method to account for inventories by charging the inventory items to expenditures at the time of purchase. The purchases method requires that significant year-end inventory balances be reflected by a direct adjustment to beginning fund balance.

CAPITAL ASSETS

Capital assets, which include property, buildings, equipment, and infrastructure assets, are reported in the applicable columns in the government-wide financial statements. Capital assets having a useful life in excess of one year with costs in excess of threshold amounts are capitalized. Capital assets are valued at historical cost or estimated cost if actual cost is not available. Donated capital assets are valued at acquisition value on the date of donation. Infrastructure, such as roads, bridges, and traffic signals, was capitalized for the first time in fiscal year 2002. Because a large portion of the assets were donated, transferred from another unit of government, or partially funded by other parties, the capitalization was based on an inventory of the public infrastructure assets.

1. Summary of Significant Accounting Policies, continued:

<u>Asset Category</u>	<u>Useful Life (Years)</u>	<u>Threshold</u>
Land improvements	20	\$ 10,000
Buildings and structures	20-50	50,000
Leasehold improvements	10	50,000
Equipment	3-30	10,000
Software	5-10	50,000
Water mains	75	20,000
Sewer service mains	50	20,000
Infrastructure	20-45	1,000,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during the construction phase of capital assets of business-type activities is included as part of the capitalized value. Depreciation is computed using the straight-line method over the estimated useful lives shown in the preceding table.

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The others are deferred resources related to pensions and OPEB plans that are yet to be recognized in the actuarial calculations of the individual plans.

In addition to liabilities, the City reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which qualify for reporting in this category, deferred resources due to time restrictions related to special assessments and deferred resources related to pensions and OPEB plans that are yet to be recognized in the actuarial calculations of the individual plans.

PROPERTY AND INCOME TAXES

The City bills and collects its own property taxes. Taxes are levied on July 1 and are due without penalty on or before July 31. The property taxes attach as an enforceable lien on all property as of July 1. Uncollected real property taxes as of March 1 each fiscal year are turned over to Kent County for collection. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Since all City property taxes levied are current receivables, tax revenues are recognized when levied. An allowance reducing revenues is recorded at June 30 for uncollected delinquent personal property taxes and for estimated refunds resulting from property tax appeals.

1. Summary of Significant Accounting Policies, continued:

The City also acts as the billing and collection agent for the State of Michigan, Kent County, the local transit authority (“Interurban Transit Partnership”) and the independent school districts within the City limits. All state and school district taxes are billed with the City taxes on the July 1 levy and due without penalty on July 31. Taxes levied by Kent County are primarily billed on July 1 and due on July 31. The remainder are billed on December 1 and due without penalty on or before February 14. Taxes collected on behalf of other governmental units are accounted for in agency funds. Uncollected real property taxes as of March 1 are turned over to Kent County for collection. The City Treasurer remains responsible for collecting delinquent personal property taxes.

At July 2017, the total assessed value of all real and personal property in the City subject to *ad valorem* taxation was \$4,629,447,243 before the reductions described in this paragraph. The assessed value generally represents 50% of the estimated current value of the property. Beginning in fiscal year 1995 the State constitution has limited the annual increase in taxable portion of the assessed value of existing property to the lesser of the rate of inflation or 5% until a transfer of ownership of the property occurs. At the time of transfer of ownership of property, the assessed value becomes the new base taxable value. The total *ad valorem* base was reduced \$948,868,757 by this limitation, reducing City tax revenues by approximately \$8,564,300 for fiscal year 2018.

The City’s portion of the property tax levy per \$1,000 of taxable value for fiscal year 2018 was based on the following rates:

	<u>Millage Rate Used</u>	<u>Authorized Millage Rate by either State law or City charter</u>	<u>Millage Rate as permanently reduced by State Constitution</u>	<u>City revenue derived from millages</u>
General operating	4.0390	4.2600	4.0881	\$ 18,785,619
Promotional and advertising	0.0107	\$50,000 maximum	\$50,000 maximum	49,447
Refuse collection	1.6000	3.0000	2.7583	7,441,842
Library operating	2.0384	2.1500	2.0632	9,480,688
Library capital	0.3741	0.3950	0.3787	1,739,695
Parks	0.9636	0.9800	0.9754	4,476,911

An income tax is imposed on income earned within the City, regardless of the residence of the taxpayer, and on all income of City residents. Residents paid 1.5% of all taxable income and non-residents paid 0.75% of taxable income earned within the City limits during fiscal year 2018.

COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts based on length of service, terms of collective bargaining agreements, and City policies. Employees are limited by bargaining agreements or policy as to the amount of vacation that can be carried from one calendar year to another. Upon termination, employees are paid for unused vacation at their current rates. Unused accumulated sick leave is paid to employees with ten or more years of continuous service who retire or resign as provided by bargaining agreements or policy. It is the City’s policy to recognize as a liability the obligation for vacation pay and sick leave in the government-wide and proprietary funds at the time the liability is incurred. In governmental fund statements, only amounts immediately payable due to terminations are reported as liabilities. In governmental funds, the vested portion of compensated absences is reported as part of assigned fund balance.

1. Summary of Significant Accounting Policies, continued:

PENSIONS

The measurement date that the City has chosen for the measurement of the net pension asset or liability to record in the City's financial statements is the plan years ending six and twelve months prior to the date of these financial statements. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting; for purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the City has used the same basis as the reporting by the City's pension plans. The City has recognized pension expense only to the extent that the pension system has recorded revenue as of the measurement date. Contributions to the pension plan after the measurement dates used to present the net pension asset or liability are presented as deferred outflows of resources in the current year and will be recognized as pension expense the following fiscal year. Governmental fund financial statements prepared using the current financial resources measurement focus include cash contributions to the pension plans as an expenditure of the current year. The difference between these two measurement foci is reconciled on the reconciliation statements presented on pages 18 and 20.

Amounts due for pension liabilities are liquidated by the Governmental or Proprietary funds from which the related employees' compensation is paid.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

The measurement date that the City has chosen for the measurement of the net OPEB asset or liability to record in the City's financial statements is the plan years ending twelve months prior to the date of these financial statements. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting; for purposes of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the City has used the same basis as the reporting by the City's OPEB plans. The City has recognized OPEB expense only to the extent that the OPEB plan has recorded revenue as of the measurement date. Contributions to the OPEB plan after the measurement dates used to present the net OPEB asset or liability are presented as deferred outflows of resources in the current year and reduce the net OPEB liability the following fiscal year. Governmental fund financial statements prepared using the current financial resources measurement focus include cash contributions to the OPEB plans as an expenditure of the current year. The difference between these two measurement foci is reconciled on the reconciliation statements presented on pages 18 and 20.

Amounts due for OPEB liabilities are liquidated by the Governmental or Proprietary funds from which the related employees' compensation is paid.

SELF INSURANCE

The City is predominantly self-insured (general liability, workers' compensation and health). It is the City's policy to recognize the cost of self-insured claims at the time the liability is incurred in the Enterprise Funds and the Insurance Payment Internal Service Fund, as applicable. Budgetary appropriations are made to the extent that current claims can be anticipated. Changes in the balances of claim liabilities are as follows:

	<u>2018</u>	<u>2017</u>
Unpaid claims - beginning of year	\$ 5,617,452	\$ 5,917,480
Incurred claims, net of changes in estimates	26,306,327	26,192,853
Claim payments	<u>(26,423,961)</u>	<u>(26,492,881)</u>
Unpaid claims - end of year	<u>\$ 5,499,818</u>	<u>\$ 5,617,452</u>

The extent of purchased insurance coverage (i.e., property, workers' compensation, and general liability stop loss coverage) has not changed significantly from previous years. Settlements, if any, on losses covered by insurance have not exceeded insurance coverage for each of the past three fiscal years.

2. Equity in Pooled Cash and Investments

The City maintains an investment pool for most City funds. Each fund's portion of the investment pool is displayed on the balance sheet as "Equity in pooled cash and investments". The City Treasurer is responsible for most investments, with the exception of the resources of the Retirement Systems' trust funds which are managed by their own Boards of Trustees and the assets of the retiree health care trusts which are managed by the Board of the Municipal Employees Retirement System of Michigan. The City Treasurer has delegated responsibility for investing certain sleeves of the portfolio to external managers where their expertise and market access is judged to be more cost effective than internal management. The laws of the State of Michigan, the City of Grand Rapids Charter, the City ordinance on investments, and the City's Investment Policy authorize the Treasurer, and any external investment managers contracted by the Treasurer, to invest surplus monies belonging to and under the control of the City in an investment portfolio diversified by type of instrument, issuer, and maturity according to the "prudent person" standard, with the results monitored with the assistance of an external investment consultant. Certain requirements for federal regulation and capital adequacy tests are required of any financial institution or broker dealer in the investment program. Authorized investments are summarized as follows:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank, savings and loan association, savings bank, or credit union whose deposits are insured by the United States government and that maintains a principal office or branch office in the State of Michigan.
- Commercial paper with an original maturity of 270 days or less and rated not less than A-1 (Standard & Poors), P-1 (Moody), or F1 (Fitch) at the time of purchase by not less than two of the listed rating organizations:
- Repurchase agreements of 90 days or less collateralized 102 percent by U.S. Treasury or federal agency obligation securities held by the City's custodial bank.
- Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase, were rated at least A or its equivalent.
- Banker's acceptances with maturities not exceeding 180 days, rated not less than A-1 (Standard & Poors), P-1 (Moody), or F1 (Fitch) at the time of purchase issued by a state or nationally chartered bank with combined capital and surplus of at least \$250 million.
- Mutual funds, registered under the investment company act of 1940, composed of investment vehicles which are legal for direct investment by local units of government in Michigan, which maintain a constant net asset value per share of \$1.00 and comply with Rule 2a-7 of the Investment Company Act of 1940.
- Investment pools organized under the local government investment pools acts and/or, investment pools organized under the surplus funds investment pool act, provided the fund has an average maturity less than 90 days.

The general policy states that investments should avoid an over-concentration in a specific security, issuer, or investment type. The investment policy specifically requires that the weighted average maturity of the portfolio of any external investment managers shall not exceed five years. The internally managed portfolio is restricted to individual investments that mature within five years and a weighted average maturity of not more than two and one half years. Certificates of deposit may not exceed a three year maturity.

2. Equity in Pooled Cash and Investments

The City's Investment Policy places limits on the amount that may be invested in any one issuer. The policy aggregates both deposits and investments to calculate the concentration percentage. The maximum concentrations by type of investment and issuer are shown below:

<u>Type of Instrument</u>	<u>Maximum % of Accounts/Funds</u>		<u>Individual Issuer</u>	<u>Maximum % of Accounts/Funds</u>
	<u>Internal</u>	<u>External</u>		
U.S. Treasury Obligations	100 %	100 %	U.S. Treasury	100 %
U.S Government Instrumentalities Securities	100	100	U.S. Government Agency	20
Investment Pools	25	0	Investment Pool	25
Certificates of Deposit	25	10	Bank or Savings and Loan	
Michigan Municipal Securities	25	25	Certificates of Deposit	10
Commercial Paper	25	25	Michigan Municipal Securities	5
Banker's Acceptance	25	25	Commercial Paper	5
Money Market Mutual Funds	25	10	Banker Acceptance	5

GENERAL CITY—DEPOSITS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be returned to the City. The City's investment policy seeks to minimize custodial credit risk by limiting the amount of deposits at each bank, savings and loan, or credit union to the amount of federal deposit insurance unless the institution has a bank credit rating of 30 or above by SNL Financial. Most deposits are uninsured and uncollateralized. At year-end, the carrying value of the City's deposits (included in "Equity in Pooled Cash and Investments") was \$64,074,844 and the associated bank balances totaled \$68,951,972. Of the bank balances, \$2,212,633 was covered by federal deposit insurance. Accordingly, the remaining deposits of \$66,739,339 were uninsured and exposed to custodial credit risk.

GENERAL CITY—INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk by pre-qualifying broker/dealers, intermediaries and advisors with which the City executes investment transactions by a review of references and the net worth of each investment company and by utilizing a third-party custodial bank for safekeeping of purchased securities. At June 30, 2018, all investments were held by the City's agents in the City's name.

2. Equity in Pooled Cash and Investments

Concentration of Credit Risk

The City's Investment Policy aggregates both deposits and investments to calculate the concentration limitation percentage relative to the entire portfolio. Generally accepted accounting principles require disclosure of any investments that exceed 5 percent of total investments. Excluded from this reporting requirement are securities issued by, or explicitly guaranteed by, the U.S. government, and investments in an investment pool or other fund that is itself a pool of other investments. At June 30, 2018 more than 5% of the City's investments were in securities of the following issuers:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	\$ 51,411,463	15.0 %
Federal National Mortgage Association	33,781,575	9.9
Federal Home Loan Mortgage Corp.	28,732,043	8.4

Credit Risk

Credit Risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The investment policy limits this risk by limiting investments in commercial paper to those rated in one of the two highest classifications established by at least two nationally recognized statistical rating organizations (NRSROs) at the time of purchase and limiting the purchase of municipal obligations to those rated at least A or the equivalent by at least one NRSRO. The investment policy restricts Money Market Mutual Funds to those that maintain a constant share value of \$1 but does not require a specific rating. At year end all such funds are rated AAA by two or more of the NRSROs.

<u>Fair value by Investment Type</u>	<u>S&P Rating or Equivalent</u>				Not subject to credit risk
	Total	AAA / A-1	AA / A-2	A / A-3	
U.S. Treasury Obligations	\$ 99,259,210	\$ -	\$ -	\$ -	\$ 99,259,210
U.S. Government Agencies	127,960,597	36,490,401	91,470,196	-	-
Michigan municipal securities	58,894,529	2,678,062	51,642,732	4,573,735	-
Commercial Paper	28,235,047	28,235,047	-	-	-
Money Market Mutual Funds	27,404,452	27,404,452	-	-	-
	<u>\$341,753,835</u>	<u>\$ 94,807,962</u>	<u>\$143,112,928</u>	<u>\$ 4,573,735</u>	<u>\$ 99,259,210</u>

Interest Rate Risk

Interest rate risk is the exposure of investments to changes in market value as interest rates change. The investment policy limits maturities of certificates of deposit to no longer than three years and the weighted average maturity of debt securities to no longer than five years, to minimize interest rate risk. As a general rule, the Treasurer's office avoids the risk that changes in market interest rates will negatively impact any fund by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. The City avoids the need to sell securities in the open market through the pooling concept where current cash receipts and investment maturities are used to pay any fund's current obligations by changing a funds equity in the investment pool.

2. Equity in Pooled Cash and Investments

At June 30, 2018 the City's investments had the following maturities:

Investment Type	Weighted average maturity (yrs)
U. S. Treasury bills	0.01
U. S. Treasury notes	1.43
U. S. Agency bonds	1.91
Michigan municipal bonds	2.62
Commercial paper	0.38
Money market mutual funds	<0.25

Fair value measurement

The City categorizes its fair value measurements of its investment portfolio within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs, using quoted market prices for similar assets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are those where market data is unavailable and use the best information available about the assumptions that market participants would use to price a similar asset. Security values are provided by the City's custodial bank using information from a third-party pricing service certain assets, such as money market mutual funds are reported at amortized cost.

The value of the City's investment portfolio at June 30, 2018 was developed using the following inputs:

	Reported value at June 30, 2018	Fair Value Measurements Using		
		Quoted prices for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments measured at fair value				
U.S. Treasury	\$ 99,259,210	\$ -	\$ 99,259,210	\$ -
U.S. government agency	127,960,597	-	127,960,597	-
Michigan municipal securities	58,894,529	-	58,894,529	-
Commercial Paper	28,235,047	-	28,235,047	-
Total measured at fair value level	<u>314,349,383</u>	<u>\$ -</u>	<u>\$ 314,349,383</u>	<u>\$ -</u>
Investments measured at amortized cost				
Money Market Mutual Funds	<u>27,404,452</u>			
Total measured at amortized cost	<u>27,404,452</u>			
Total investments	<u>\$ 341,753,835</u>			

2. Equity in Pooled Cash and Investments

RETIREMENT SYSTEMS—DEPOSITS

The systems do not maintain any checking or other demand or time deposit accounts. Accounts reported as cash in the statement of plan net position are composed entirely of short-term investments in investment accounts or funds in the custody of the counter-party of an unsettled trade.

RETIREMENT SYSTEMS—INVESTMENTS

The investments of the City's two Retirement Systems are designed to comply with requirements of the State of Michigan, Public Act 314 of 1965 (MCL 38.1132 *et seq*), which has numerous investment limitations depending on the type of investment. These restrictions are summarized in Note 7. In addition, contracts between the systems and their investment managers impose additional restrictions on the securities each investment manager may purchase on behalf of the systems. Currently both retirement systems are utilizing the same managers with the same investment mandates, although the individual securities in each portfolio may differ. Each Retirement System has a different fiscal year end which also contributes to differences in the reported portfolio composition. The assets accumulated by a pension system are used to fund liabilities that mature over many future decades. Because of this long-term orientation, they are allowed to invest in assets that have substantially greater risk of decline in value over short time periods than would be prudent for the investments described on the preceding pages that are used to fund general city functions.

Custodial Credit Risk

Custodial Credit Risk for investments is the risk that in the event of the failure of the counter-party to a transaction, the system will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Custodial Credit Risk is minimized by having most investments either in the form of open end mutual funds, or held by the system's agent, Northern Trust Co., in the name of the system. As of December 31, 2017, no cash equivalents of the Police and Fire Retirement System (P&F) were exposed to custodial credit risk. As of June 30, 2018, no General Retirement System (GRS) cash equivalents were exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. State statute and the systems' investment policies provide that no single issuer will represent more than 5% of the total fund. As of each system's fiscal year end, no single issuer within either portfolio represented more than 5% of the total fund or of the plan net position.

2. Equity in Pooled Cash and Investments

Credit Risk

Credit Risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The fixed income portfolio invests in both investment grade bonds as well as high yield bonds rated below investment grade, however, the Investment Policy states the composite credit rating for the entire portfolio is not to be below an "A" rating.

As of the end of each system's fiscal year the fixed income securities in the two portfolios had the following credit ratings:

	<u>P&F at December 31, 2017</u>	<u>GRS at June 30, 2018</u>
S&P AAA	\$ 2,578,412	\$ 1,980,804
S&P AA	1,246,016	3,243,729
S&P A	60,850,263	59,785,956
S&P BBB	8,083,563	8,162,129
S&P BB	193,938	121,928
S&P B	209,250	222,154
S&P CCC	383,503	-
S&P CC	-	344,939
S&P D	47,434	16,196
U.S. Gov't obligations - not subject to credit risk	22,482,148	24,340,174
Unrated securities and funds	<u>3,490,723</u>	<u>3,804,583</u>
Total Portfolio	<u>\$ 99,565,250</u>	<u>\$ 102,022,592</u>

2. Equity in Pooled Cash and Investments

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Both Retirement Systems structure their fixed income portfolios to be approximately neutral in duration and interest rate risk to that of the benchmark (Barclays Aggregate Index). The two portfolios contained the following debt investments and maturities at their respective fiscal year ends:

P&F at December 31, 2017:	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
<u>Fixed Income</u>					
United State government obligations	\$ 23,209,646	\$ 3,541	\$ 5,131,132	\$ 4,018,619	\$ 14,056,354
State and municipal bonds	398,536	-	50,833	-	347,703
Corporate bonds and fixed income commingled funds	70,425,357	1,416,531	8,671,805	55,320,429	5,016,592
Asset backed securities	<u>5,531,711</u>	<u>-</u>	<u>812,225</u>	<u>650,609</u>	<u>4,068,877</u>
Total	99,565,250	1,420,072	14,665,995	59,989,657	23,489,526
<u>Other</u>					
Cash and money market mutual funds	6,597,667	6,597,667	-	-	-
Investments held as collateral for securities lending	<u>18,207,550</u>	<u>18,207,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	24,805,217	24,805,217	-	-	-
Grand Total	<u>\$ 124,370,467</u>	<u>\$ 26,225,289</u>	<u>\$ 14,665,995</u>	<u>\$ 59,989,657</u>	<u>\$ 23,489,526</u>
GRS at June 30, 2018:	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
<u>Fixed Income</u>					
United State government obligations	\$ 24,802,992	\$ 1,134	\$ 5,935,540	\$ 4,087,470	\$ 14,778,848
State and municipal bonds	665,239	-	45,782	254,457	365,000
Corporate bonds and fixed income commingled funds	71,020,298	2,277,749	8,958,371	54,559,149	5,225,029
Asset backed securities	<u>5,534,063</u>	<u>4,867</u>	<u>1,186,058</u>	<u>197,303</u>	<u>4,145,835</u>
Total	102,022,592	2,283,750	16,125,751	59,098,379	24,514,712
<u>Other</u>					
Cash and money market funds	3,031,862	3,031,862	-	-	-
Investments held as collateral for securities lending	<u>15,000,228</u>	<u>15,000,228</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	18,032,090	18,032,090	-	-	-
Grand Total	<u>\$ 120,054,682</u>	<u>\$ 20,315,840</u>	<u>\$ 16,125,751</u>	<u>\$ 59,098,379</u>	<u>\$ 24,514,712</u>

* The maturity shown for comingled funds and mutual funds is the duration reported by their investment managers.

2. Equity in Pooled Cash and Investments

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. In general, the foreign currency exposure resulting from international investments is not hedged by the investment managers. This exposes the portfolio to foreign currency risk, which is not expected to harm or help the performance of the fund in a significant way over the long term. The principal investment vehicles used for international investing are a U.S. based institutional mutual fund whose shares are priced in the U.S. dollar and American Depository Receipts, which are negotiable certificates issued by a U.S. bank that are traded in the U.S. in U.S. dollars, but represent foreign stock held overseas by the bank. As of the indicated fiscal year-ends, the systems had the following U.S. dollar value of investments in foreign securities denominated in the indicated currencies:

	<u>Total Fair Value</u>	<u>Equities</u>	<u>Private Equity Partnerships</u>	<u>Government Obligations</u>	<u>Corporate Bonds and Comingled Funds</u>
P&F at December 31, 2017:					
U.S. Dollars	\$ 115,383,209	\$ 101,574,182	\$ 5,671,896	\$ 97,500	\$ 8,039,631
GRS at June 30, 2018:					
U.S. Dollars	\$ 106,213,516	\$ 89,973,579	\$ 7,180,915	\$ 290,125	\$ 8,768,897

Securities Lending Risk

Public Act 314 permits and Trustees have implemented a securities lending program whereby each system, through The Northern Trust Company (NT), lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Both systems authorized NT to utilize the Core U.S.A. Collateral Section in which all collateral is in U.S. dollars only and available to participating lenders who are domiciled or reside in the U.S.A. Cash, letters of credit, or government securities are collateral for loans of securities to approved borrowers. Cash collateral is invested in the short-term investment pool that maintains a maturity independent of, and longer than, the average length of a securities loan. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. Initial collateral levels will not be less than 102% of the market value of the borrowed securities, or not less than 105% if the borrowed securities and the collateral are denominated in different currencies.

As of December 31, 2017, the P&F had the following balances related to securities lending transactions:

<u>Investment Type</u>	<u>Fair Value of Loaned Securities Collateralized by Cash Collateral</u>	<u>Cash Collateral Received</u>
U.S. Corporate Fixed Income	\$ 2,923,557	\$ 2,981,152
U.S. Equities	8,653,651	8,872,177
U.S. Govt. Fixed Income	6,236,951	6,354,221
	<u>\$ 17,814,159</u>	<u>\$ 18,207,550</u>

2. Equity in Pooled Cash and Investments

As of June 30, 2018, the GRS had the following balances related to securities lending transactions:

<u>Investment Type</u>	<u>Fair Value of Loaned Securities Collateralized by Cash Collateral</u>	<u>Cash Collateral Received</u>
U.S. Corporate Fixed Income	\$ 2,957,423	\$ 3,022,450
U.S. Equities	7,573,924	7,748,153
U.S. Govt. Fixed Income	<u>4,144,512</u>	<u>4,229,625</u>
	<u>\$ 14,675,859</u>	<u>\$ 15,000,228</u>

At their fiscal year-ends, neither system had credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the Retirement Systems. NT shall indemnify the systems if it is unable to recover borrowed securities and distributions made during the term of the loan or loans with respect to those securities as a result of either 1) NT fails to make a reasonable determination of the creditworthiness of a borrower, 2) NT fails to demand adequate and appropriate collateral on a prompt and timely basis, perfect a security interest, obtain equivalent rights in the collateral or maintain control of the collateral or 3) NT fails to otherwise perform its duties and responsibilities under its agreement with the systems or applicable law. All securities loans can be terminated on demand by either the system or NT and is subject to the performance by both parties of any of their respective obligations that remain outstanding at the time of termination. Upon termination of this program by either party, NT shall terminate all outstanding loans of the securities and shall make no further loans. The systems do not have the ability to pledge or sell collateral securities without a borrower default. There are no restrictions on the amount of the loans that can be made.

Fair Value Measurement

The retirement systems categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs are inputs that are observable, directly or indirectly, for an asset that are not Level 1 inputs. Level 3 inputs are values that are not directly observable and must be developed using reasonably available information about market participant assumptions on valuation of the asset.

The reported net asset values of open-end mutual funds are considered Level 1 inputs because that was the value at which shares could be purchased or sold at the end of the day. Values for most securities in separately managed accounts are also considered Level 1 inputs because they are traded in active markets. The reported value of investments in comingled investment funds and common trust funds are considered Level 2 inputs because there is less transparency into the daily valuation methodology of these investment vehicles. The reported value of private equity funds is considered a Level 3 input because each of the investments within the fund is valued quarterly using judgment and estimates derived from market comparisons. Classification into each level of the hierarchy is determined by the systems' investment consultant. The systems' investment consultant also validates the valuations reported by the investment managers each reporting period.

The investments of the two portfolios as of the end of their respective fiscal years were categorized as follows:

2. Equity in Pooled Cash and Investments

<u>Police & Fire Retirement System</u>	Reported value at December 31, 2017	Fair Value Measurements Using		
		Quoted prices for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by Fair Value Level				
United States government obligations	\$ 23,209,646	\$ 23,209,646	\$ -	\$ -
State and municipal bonds	398,536	398,536	-	-
Corporate bonds and fixed income commingled funds	70,425,357	18,104,528	52,320,829	-
Common stocks and equity mutual funds	267,085,596	121,425,555	145,660,041	-
Real estate security fund	20,026,836	-	20,026,836	-
Asset backed securities	5,531,711	5,531,711	-	-
Commodities	17,768,977	-	17,768,977	-
Private equity partnerships	14,573,844	-	-	14,573,844
Securities lending collateral pool	18,207,550	18,207,550	-	-
	<u>\$ 437,228,053</u>	<u>\$ 186,877,526</u>	<u>\$ 235,776,683</u>	<u>\$ 14,573,844</u>
Investments measured at amortized cost				
Cash and money market funds	6,597,667			
Total investments	<u>\$ 443,825,720</u>			

<u>General Retirement System</u>	Reported value at June 30, 2018	Fair Value Measurements Using		
		Quoted prices for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by Fair Value Level				
United States government obligations	\$ 24,802,992	\$24,802,992	\$ -	\$ -
State and municipal bonds	665,239	665,239	-	-
Corporate bonds and fixed income commingled funds	71,020,298	19,246,078	51,774,220	-
Common and preferred stocks and equity mutual funds	253,245,257	111,505,377	141,739,880	-
Real estate security fund	20,226,797	-	20,226,797	-
Asset backed securities	5,534,063	5,534,063	-	-
Commodities	18,505,628	-	18,505,628	-
Private equity partnerships	17,141,079	-	-	17,141,079
Securities lending collateral pool	15,000,228	15,000,228	-	-
	<u>\$ 426,141,581</u>	<u>\$ 176,753,977</u>	<u>\$ 232,246,525</u>	<u>\$ 17,141,079</u>
Investments measured at amortized cost				
Cash and money market funds	3,031,862			
Total investments	<u>\$ 429,173,443</u>			

3. Stewardship, Compliance and Accountability

The legal level of budgetary control is the department level within each fund. With the exception of the General Fund, Major and Local Street Funds and various Capital Project and Grant Funds where authorized appropriations span multiple years, funds contain the operations of a single department. For the year ended June 30, 2018, expenditures did not exceed appropriations in any of the annually budgeted governmental funds.

The Local Streets fund was originally budgeted with a deficit of \$47,396 and subsequently amended to remain with a positive fund balance.

The 311 Program Fund, an internal service fund that provides centralized customer services to other City funds, ended the year with a deficit of \$1,331,570. The deficit is solely the result of net pension liability and the adoption of a new accounting standard requiring the inclusion of net OPEB liability, non-current liabilities, in the financial statements of full accrual funds. Cash required to pay current operating and capital costs of the fund are provided on an ongoing basis by charges to other funds. Funding will be available from those funds in the future when non-current liabilities mature.

The Engineering Fund, an internal service fund that provides services to other City funds, ended the year with a deficit of \$137,526. The deficit is solely the result of the adoption of a new accounting standard requiring the inclusion of net OPEB liability, non-current liability, in the financial statements of full accrual funds. Cash required to pay current operation and capital costs of the fund are provided on an ongoing basis by charges to other funds. Funding will be available from those funds in the future when non-current liabilities mature.

The 61st District Court Fund, a discretely presented component unit, had a fund deficit of \$9,163,567 at June 30, 2018. The deficit is solely the result of net pension liability and the adoption of a new accounting standard requiring the inclusion of net OPEB liability, non-current liabilities, in the financial statements of full accrual funds. The General Fund is required to provide funding for the District Court, so future funding will be available when needed to fund these liabilities.

4. Restricted Assets

Certain bond issues require the restriction of assets. The amount of restricted assets is determined by authorized construction projects, requirements specified in bond ordinances and current bond maturities. Pooled cash is unspent bond proceeds. The funds held by trustee is the Insurance fund for Internal Service and restricted for debt service payments in the Water and Sewer Systems. Restricted assets as shown in the Statement of Net Position as of June 30, 2018 consist of the following:

	Proprietary Funds			
	Water Supply System	Sewage Disposal System	Internal Service	Total
Equity in pooled cash and investments	\$ -	\$ 42,187,788	\$ -	\$ 42,187,788
Funds held by trustee	8,604,574	23,378,215	4,517,177	36,499,966
Loans receivable	95,772	22,173	-	117,945
Total restricted assets	<u>\$ 8,700,346</u>	<u>\$ 65,588,176</u>	<u>\$ 4,517,177</u>	<u>\$ 78,805,699</u>

5. Capital Assets

Capital assets at June 30, 2018 are summarized as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 15,938,611	\$ 7,798,436	\$ -	\$ 23,737,047
Easement/Right of Way	762,049	26,364	-	788,413
Construction in progress	<u>16,686,974</u>	<u>10,034,132</u>	<u>12,964,091</u>	<u>13,757,015</u>
Total capital assets, not being depreciated	<u>33,387,634</u>	<u>17,858,932</u>	<u>12,964,091</u>	<u>38,282,475</u>
Capital assets, being depreciated:				
Land improvements	43,352,094	10,929,954	917,833	53,364,215
Buildings and structures	176,798,468	151,464	-	176,949,932
Machinery and equipment	23,895,301	2,184,981	2,477,803	23,602,479
Motor vehicles	52,558,633	3,098,629	2,788,393	52,868,869
Furniture	2,639,032	-	-	2,639,032
Software	221,312	-	-	221,312
Infrastructure	<u>536,592,993</u>	<u>573,205</u>	<u>-</u>	<u>537,166,198</u>
Total capital assets, being depreciated	<u>836,057,833</u>	<u>16,938,233</u>	<u>6,184,029</u>	<u>846,812,037</u>
Less accumulated depreciation for:				
Land improvements	29,047,279	1,904,115	907,862	30,043,532
Buildings and structures	104,274,839	5,219,032	-	109,493,871
Machinery and equipment	18,476,259	1,074,030	2,477,806	17,072,483
Motor vehicles	27,341,584	4,021,849	2,621,741	28,741,692
Furniture	2,498,230	37,978	-	2,536,208
Software	36,038	44,263	-	80,301
Infrastructure	<u>394,911,513</u>	<u>13,672,385</u>	<u>-</u>	<u>408,583,898</u>
Total accumulated depreciation	<u>576,585,742</u>	<u>25,973,652</u>	<u>6,007,409</u>	<u>596,551,985</u>
Total capital assets, being depreciated, net	<u>259,472,091</u>	<u>(9,035,419)</u>	<u>176,620</u>	<u>250,260,052</u>
Governmental activities capital assets, net	<u>\$ 292,859,725</u>	<u>\$ 8,823,513</u>	<u>\$ 13,140,711</u>	<u>\$ 288,542,527</u>

5. Capital Assets, continued:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 15,048,228	\$ -	\$ 43,040	\$ 15,005,188
Easement/Right of Way	1,757,973	337,432	-	2,095,405
Construction in progress	<u>16,411,165</u>	<u>30,572,102</u>	<u>22,978,625</u>	<u>24,004,642</u>
Total capital assets, not being depreciated	<u>33,217,366</u>	<u>30,909,534</u>	<u>23,021,665</u>	<u>41,105,235</u>
Capital assets, being depreciated:				
Land improvements	29,630,901	1,581,975	1,151,156	30,061,720
Buildings and structures	208,129,616	1,428,923	29,019	209,529,520
Storage tanks	20,291,868	-	-	20,291,868
Water meters	7,375,481	690,457	-	8,065,938
Machinery and equipment	229,309,275	2,979,812	1,154,044	231,135,043
Motor vehicles	4,259,234	-	24,578	4,234,656
Furniture	1,721,954	-	-	1,721,954
Sewer service mains	504,880,954	9,731,198	-	514,612,152
Water mains	308,695,644	13,965,231	-	322,660,875
Intangibles & Software	<u>190,958</u>	<u>-</u>	<u>-</u>	<u>190,958</u>
Total capital assets, being depreciated	<u>1,314,485,885</u>	<u>30,377,596</u>	<u>2,358,797</u>	<u>1,342,504,684</u>
Less accumulated depreciation for:				
Land improvements	20,917,929	842,326	1,054,753	20,705,502
Buildings and structures	109,151,017	4,684,418	27,132	113,808,303
Storage tanks	12,193,479	499,273	-	12,692,752
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	147,409,710	6,426,465	1,140,375	152,695,800
Motor vehicles	1,851,688	205,676	24,578	2,032,786
Furniture	1,691,863	9,371	-	1,701,234
Sewer service mains	168,055,133	9,769,675	-	177,824,808
Water mains	83,448,491	4,167,263	-	87,615,754
Intangibles & Software	<u>57,026</u>	<u>38,192</u>	<u>-</u>	<u>95,218</u>
Total accumulated depreciation	<u>552,151,817</u>	<u>26,642,659</u>	<u>2,246,838</u>	<u>576,547,638</u>
Total capital assets, being depreciated, net	<u>762,334,068</u>	<u>3,734,937</u>	<u>111,959</u>	<u>765,957,046</u>
Business-type activities capital assets, net	<u>\$ 795,551,434</u>	<u>\$ 34,644,471</u>	<u>\$ 23,133,624</u>	<u>\$ 807,062,281</u>

5. Capital Assets, continued:

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

Governmental activities	
General government	\$ 1,894,033
Public safety	1,636,986
Public works	14,440,302
Culture and recreation	4,012,260
Community and economic development	10,888
Capital assets held by the government's internal service funds	<u>3,979,183</u>
Total depreciation expense - governmental activities	<u>\$ 25,973,652</u>
Business-type activities	
Water	\$ 9,186,012
Sewer	14,735,236
Auto parking	2,434,273
Other	<u>287,138</u>
Total depreciation expense - business-type activities	<u>\$ 26,642,659</u>

DISCRETELY PRESENTED COMPONENT UNITS

Activity for the 61st District Court for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, being depreciated:				
Motor vehicles	47,104	-	-	47,104
Intangibles/Software	<u>150,780</u>	<u>-</u>	<u>-</u>	<u>150,780</u>
Total capital assets, being depreciated	<u>197,884</u>	<u>-</u>	<u>-</u>	<u>197,884</u>
Less accumulated depreciation for:				
Motor vehicles	25,821	2,693	-	28,514
Intangibles/Software	<u>30,114</u>	<u>30,156</u>	<u>-</u>	<u>60,270</u>
Total accumulated depreciation	<u>55,935</u>	<u>32,849</u>	<u>-</u>	<u>88,784</u>
Total capital assets, being depreciated, net	<u>141,949</u>	<u>(32,849)</u>	<u>-</u>	<u>109,100</u>
61st District Court capital assets, net	<u>\$ 141,949</u>	<u>\$ (32,849)</u>	<u>\$ -</u>	<u>\$ 109,100</u>

5. Capital Assets, continued:

Activity for the Downtown Development Authority for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	13,258,882	-	1,158,953	12,099,929
Total capital assets, not being depreciated	<u>13,258,882</u>	<u>-</u>	<u>1,158,953</u>	<u>12,099,929</u>
Capital assets, being depreciated:				
Land improvements	7,626,373	-	918,128	6,708,245
Buildings and structures	59,948,100	-	28,121	59,919,979
Machinery and equipment	6,123,062	-	-	6,123,062
Furniture	2,827,540	-	-	2,827,540
Infrastructure	267,779	-	-	267,779
Total capital assets, being depreciated	<u>76,792,854</u>	<u>-</u>	<u>946,249</u>	<u>75,846,605</u>
Less accumulated depreciation for:				
Land improvements	6,071,128	237,581	918,128	5,390,581
Buildings and structures	40,951,160	1,996,279	28,121	42,919,318
Machinery and equipment	4,138,721	241,817	-	4,380,538
Furniture	1,955,623	94,206	-	2,049,829
Infrastructure	178,517	5,950	-	184,467
Total accumulated depreciation	<u>53,295,149</u>	<u>2,575,833</u>	<u>946,249</u>	<u>54,924,733</u>
Total capital assets, being depreciated, net	<u>23,497,705</u>	<u>(2,575,833)</u>	<u>-</u>	<u>20,921,872</u>
Downtown Development Authority capital assets, net	<u>\$ 36,756,587</u>	<u>\$ (2,575,833)</u>	<u>\$ 1,158,953</u>	<u>\$ 33,021,801</u>

5. Capital Assets, continued:

Activity for the Tax Increment Financing Authority for the year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Total capital assets, not being depreciated	<u>1,280,000</u>	<u>-</u>	<u>-</u>	<u>1,280,000</u>
Capital assets, being depreciated:				
Land improvements	3,853,469	-	-	3,853,469
Buildings and structures	173,655	-	-	173,655
Total capital assets, being depreciated	<u>4,027,124</u>	<u>-</u>	<u>-</u>	<u>4,027,124</u>
Less accumulated depreciation for:				
Land improvements	3,263,852	181,729	-	3,445,581
Buildings and structures	156,651	8,502	-	165,153
Total accumulated depreciation	<u>3,420,503</u>	<u>190,231</u>	<u>-</u>	<u>3,610,734</u>
Total capital assets, being depreciated, net	<u>606,621</u>	<u>(190,231)</u>	<u>-</u>	<u>416,390</u>
Tax Increment Financing Authority capital assets, net	<u>\$ 1,886,621</u>	<u>\$ (190,231)</u>	<u>\$ -</u>	<u>\$ 1,696,390</u>

The SmartZone Local Development Financing Authority, the Brownfield Redevelopment Authority, and the Corridor Improvement Districts do not have capital assets.

The City has active construction projects as of June 30, 2018. The major projects include various Water Supply System, Sewage Disposal System and Street Construction Projects. At year-end, the City's major commitments with contractors are as follows:

<u>Fund</u>	<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water	Various water mains and system construction projects	\$ 11,343,803	\$ 5,171,858
Sewer	Various sewer mains and system construction projects	12,097,767	12,800,021
Streets Capital	Various street construction projects	1,286,728	1,599,151
Vital Streets Capital	Various vital street construction projects	<u>6,547,225</u>	<u>15,180</u>
	Total	<u>\$ 31,275,523</u>	<u>\$ 19,586,210</u>

6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities	(as restated)				
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 91,212,344	\$ -	\$ (25,489,735)	\$ 65,722,609	\$ 5,772,159
Revenue bonds	24,445,000	-	(1,495,000)	22,950,000	1,575,000
Premium on bonds	4,000,298	-	(456,729)	3,543,569	-
Discount on bonds	<u>(40,252)</u>	<u>-</u>	<u>3,355</u>	<u>(36,897)</u>	<u>-</u>
Total bonds & contracts payable	119,617,390	-	(27,438,109)	92,179,281	7,347,159
Insurance Claims	5,617,452	26,306,327	(26,423,961)	5,499,818	5,103,312
Compensated absences	<u>9,709,043</u>	<u>6,796,448</u>	<u>(6,891,827)</u>	<u>9,613,664</u>	<u>6,032,686</u>
Total Long-term Liabilities- Governmental Activities	<u>\$ 134,943,885</u>	<u>\$ 33,102,775</u>	<u>\$ (60,753,897)</u>	<u>\$ 107,292,763</u>	<u>\$ 18,483,157</u>
Business-Type Activities					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 30,514,297	\$ -	\$ (1,614,687)	\$ 28,899,610	\$ 1,620,954
Revenue bonds	345,262,407	46,335,359	(19,782,824)	371,814,942	16,050,000
Premium on bonds	41,286,145	6,229,056	(2,552,605)	44,962,596	-
Discount on bonds	<u>(143,967)</u>	<u>-</u>	<u>62,775</u>	<u>(81,192)</u>	<u>-</u>
Total bonds & contracts payable	416,918,882	52,564,415	(23,887,341)	445,595,956	17,670,954
Compensated absences	<u>2,026,010</u>	<u>1,583,541</u>	<u>(1,381,826)</u>	<u>2,227,725</u>	<u>1,397,924</u>
Total Long-term Liabilities- Business-Type Activities	<u>\$ 418,944,892</u>	<u>\$ 54,147,956</u>	<u>\$ (25,269,167)</u>	<u>\$ 447,823,681</u>	<u>\$ 19,068,878</u>
Component Units					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 31,046,200	\$ -	\$ (4,279,900)	\$ 26,766,300	\$ 5,748,450
Revenue bonds	879,154	-	(734,600)	144,554	144,554
Accrued interest	3,569,040	332,959	(3,260,399)	641,600	641,600
Premium on bonds	<u>2,635,820</u>	<u>-</u>	<u>(537,106)</u>	<u>2,098,714</u>	<u>-</u>
Total bonds & contracts payable	38,130,214	332,959	(8,812,005)	29,651,168	6,534,604
Compensated absences	<u>618,993</u>	<u>410,079</u>	<u>(448,831)</u>	<u>580,241</u>	<u>364,108</u>
Total Long-term Liabilities- Component Units	<u>\$ 38,749,207</u>	<u>\$ 743,038</u>	<u>\$ (9,260,836)</u>	<u>\$ 30,231,409</u>	<u>\$ 6,898,712</u>

The beginning balance was restated to remove the net OPEB obligation reported in fiscal year 2017. See Note 13 for detailed information.

6. Long-Term Obligations, continued:

Governmental Activities	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Bonds and Contracts:			
2011 Grand Rapids Building Authority Refunding Bonds (Arch. Ctr. Ph II)	10-18 to 10-21	4.5 - 5%	\$ 1,295,000
2010A Grand Rapids Building Authority Bonds (736 Madison-1120 Monroe)	10-33 to 10-39	6.5%	1,770,000
2010B Grand Rapids Building Authority Bonds (736 Madison-1120 Monroe-taxable)	10-18 to 10-32	4.9-6.33%	2,215,000
2009 Grand Rapids Building Authority Refunding (Archive Center Ph I)	8-18	3.75%	140,000
2009 Grand Rapids Building Authority Refunding (Police Facilities)	8-18 to 8-20	3.75 - 4.811%	5,565,000
2004A Grand Rapids Building Authority (Condo II-sublease)	10-18 to 10-28	6%	11,335,000
2002A Grand Rapids Building Authority (Condo II)	10-18 to 10-28	4.875 - 5.5%	11,615,000
2016 LTGO Refunding Bonds	10-18 to 10-27	3 - 5%	7,595,000
2012 Grand Rapids Brownfield Redevelopment Authority Purchase Agreement	6-19 to 6-23	2.1%	261,800
2017 Capital Improvement Bonds Cemeteries	2-19 - 2-27	1.1 - 2.65%	3,250,000
2016 Capital Improvement Bonds Vital Streets	4-19 to 4-26	4 - 5%	13,810,000
2015 Capital Improvement Bonds Vital Streets	8-20	1.79%	15,000,000
2013 Capital Improvement Bonds	8-18 to 8-29	2.98%	1,970,000
Kent County Drain Commission Contract payable (2016)	11-18 to 11-36	3 - 5%	8,150,000
Kent County Drain Commission Contract payable (2014)	11-18 to 11-34	3 - 4%	4,030,000
Kent County Drain Commission Contract payable (2008 Floodwalls)	11-18 to 11-20	4 - 4.25%	649,700
Kent County Dran commission Contract payable (2013A Shawmut Drain)	4-19	1.14%	21,109
			<u>88,672,609</u>
Other:			
Insurance claims			5,499,818
Compensated absences			9,613,664
Unamortized bond premium			3,543,569
Unamortized bond discount			<u>(36,897)</u>
			107,292,763
Less amounts due within one year:			
Bonds & contracts payable			(7,347,159)
Insurance claims			(5,103,312)
Compensated absences			<u>(6,032,686)</u>
			<u>(18,483,157)</u>
Total Long-Term Portion Governmental Activities			<u>\$ 88,809,606</u>

6. Long-Term Obligations continued:

Business-Type Activities	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Bonds and Contracts:			
2016 Water Supply System Revenue Refunding Bonds	1-19 to 1-46	3 - 5%	\$ 36,740,000
2015 Water Supply System Revenue Refunding Bonds	1-19 to 1-35	5%	25,370,000
2013 Water Supply System Revenue Refunding Bonds	1-19 to 1-28	2 - 4%	2,030,000
2009 Water Supply System Revenue Bonds	1-19	5%	715,000
1993 Water Supply System Revenue Bonds	1-19 to 1-20	4.45%	7,200,000
2016 Water Supply System Junior Lien Revenue Bonds	04-19 to 04-36	2.5%	1,983,008
2015 Water Supply System Junior Lien Revenue Bonds	10-18 to 10-36	2.5%	8,728,525
2014 Water Supply System Junior Lien Revenue Bonds	10-18 to 10-34	2.5%	2,517,840
2012 Water Supply System Junior Lien Revenue Bonds	10-18 to 10-33	2.5%	2,730,930
2012A Water Supply System Junior Lien Revenue Bonds	4-19 to 4-33	2%	533,514
2011A Water Supply System Junior Lien Revenue Bonds	10-18 to 10-31	2.5%	654,752
2011B Water Supply System Junior Lien Revenue Bonds	4-19 to 4-32	2.5%	581,549
2011C Water Supply System Junior Lien Revenue Bonds	4-19 to 4-33	2.5%	2,186,024
2018 Sanitary Sewer System Revenue Bonds	1-19 to 1-48	5%	43,400,000
2016 Sanitary Sewer System Revenue Refunding Bonds	1-19 to 1-38	4 - 5%	48,410,000
2014 Sanitary Sewer System Revenue Refunding Bonds	1-19 to 1-44	5%	52,970,000
2013 Sanitary Sewer System Revenue Refunding Bonds	1-19 to 1-34	2 - 5%	35,580,000
2012 Sanitary Sewer System Revenue Bonds	1-19 to 1-42	4 - 5%	25,530,000
2010A Sanitary Sewer System Revenue Bonds (BAB's)	1-26 to 1-41	6.62 - 6.72%	21,330,000
2010B Sanitary Sewer System Revenue Bonds	1-19 to 1-25	3.5 - 4%	1,955,000
2010 Sanitary Sewer System Revenue Refunding Bonds	1-23 to 1-28	5%	29,625,000
1998 Sanitary Sewer System Refunding and Improvement Revenue Bonds	1-19 to 1-22	5.5%	15,355,000
2013 Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-19 to 4-34	2%	919,125
2011A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-19 to 4-32	2.5%	3,474,305
2011B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-19 to 4-33	2.5%	1,295,370
2016 Limited Tax General Obligation Refunding Bonds	10-18 to 10-36	3 - 5%	11,765,000
2011 Grand Rapids Building Authority Refunding Bonds (Ottawa/Fulton)	10-18 to 10-20	4 - 4.669%	1,310,000
2011 Grand Rapids Building Authority Refunding Bonds (Monroe Center)	10-18 to 10-31	4.5 - 5%	8,400,000
2010C Grand Rapids Building Authority Bonds (Gallery)	10-18 to 10-35	4 - 5.9%	5,690,000
2008 Grand Rapids Building Authority Bonds (Weston/Commerce)	10-18	5%	415,000
2014 Water Supply System QECB/IPA	1-19 to 1-24	2.54%	1,230,610
Kent County Drain Commission Contract Payable (2008 Floodwall Refunding)	11-18 to 11-20	4 - 4.25%	89,000
			400,714,552

6. Long-Term Obligations, continued:

Business-Type Activities, continued

Other:

Bond premium	44,962,596
Bond discount	(81,192)
Compensated absences	<u>2,227,725</u>
Less amounts due within one year:	447,823,681
Bonds & contracts payable	(17,670,954)
Compensated absences	<u>(1,397,924)</u>
	<u>(19,068,878)</u>

Total Long-Term Portion Business-Type Activities	<u>\$ 428,754,803</u>
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Component Units

Bonds and Contracts:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2017 Downtown Development Authority TIF Refunding Bonds	5-19 to 5-22	4 - 5%	\$ 21,190,000
2009 Downtown Development Authority MMBA Refunding Bonds	5-19	5%	3,510,000
1994 Downtown Development Authority Tax Increment Revenue Bonds	6-19	7.35%	144,554
Kent County Drain Commission Contracts Payable (2008 Floodwall Refunding)	11-18 to 11-20	4 - 4.25%	151,300
2012 Brownfield Redevelopment Authority Bonds	6-19 to 6-32	3 - 4%	<u>1,915,000</u>

Other:

Accrued interest on Capital appreciation portion of 1994 issue			26,910,854
Compensated absences			641,600
Unamortized bond premium			580,241
			<u>2,098,714</u>
			30,231,409

Less amounts due within one year:

Bonds & contracts payable			(6,534,604)
Compensated absences			<u>(364,108)</u>
			<u>(6,898,712)</u>

Total Long-Term Portion Component Units	<u>\$ 23,332,697</u>
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6. Long-Term Obligations, continued:

On June 13, 2018 the City of Grand Rapids issued Sanitary Sewer System Revenue Improvement Bonds, Series 2018 in the amount of \$43,400,000 with an interest rate of 5% with maturities at varying amounts from January 2019 to 2048. The net proceeds of \$49,383,275 (including a premium of \$6,229,056 less underwriter's discount of \$245,781) were used for issue costs of the bonds, debt service reserve funds, and paying for certain improvements to the City's Sanitary Sewer System. The bonds are self-liquidating bonds and are not a general obligation of the City. Debt service will be funded solely from the net revenues derived from operation of the Sewer System.

On September 5, 2014, the City of Grand Rapids committed to the issuance of a maximum of \$3,545,000 with possible principal forgiveness of \$654,407 of Water Supply System Junior Lien Revenue Bonds, series 2014. The bonds were issued in draws required to meet project expenditures related to improvements to the City's Water Supply System. The interest rate is 2.5%. The City borrowed a total of \$3,517,840 (\$104,914 in the current fiscal year) has paid \$345,593 of principal payments and was given \$654,407 of principal forgiven resulting in a total owed at June 30, 2018 of \$2,517,840. Principal payments commenced October 2015.

On March 14, 2016, the City of Grand Rapids committed to the issuance of a maximum of \$2,830,000 with possible principal forgiveness of \$500,000 of Water Supply System Junior Lien Revenue Bonds, series 2016. The bonds were issued in draws required to meet project expenditures related to improvements to the City's Water Supply System. The interest rate is 2.5%. The City borrowed a total of \$2,668,008, all in the current fiscal year, has paid \$185,000 of principal payments and was given \$500,000 of principal forgiven resulting in a total owed at June 30, 2018 of \$1,983,008. Principal payments commenced April 2017.

On March 13, 2015, the City of Grand Rapids committed to the issuance of a maximum of \$10,000,000, with an interest rate of 2.5%, of Water Supply System Junior Lien Revenue Bonds, Series 2015. The bonds are issued in draws required to meet project expenditures related to improvements to the City's Water Supply System. Assuming the City borrows the full amount of the bonds, there is possible principal forgiveness through the state revolving fund loan program of \$259,250, for a total principal owed of \$9,740,750, principal payments commenced October 2017. At June 30, 2018, the City has borrowed \$9,109,275 of the \$10,000,000 available (\$162,437 in the current fiscal year) and has paid \$380,750 of principal payments resulting in a balance of \$8,728,525.

Revenue bond issues with the exception of the DDA Tax Increment Bonds are collateralized by capital assets constructed from bond proceeds. The current debt service requirements are provided by net revenues derived from operations of the various Enterprise Funds and are specifically restricted as detailed in Note 4.

The bonds issued by the GRBA have been recorded in the governmental activities for government-wide presentation except for the series 2008 issue for the construction of the Weston/Commerce Parking Ramp, the series 2010C issue for the purchase of the Gallery on Fulton Ramp and a majority of the series 2011 refunding bond for which the obligations and related assets are recorded in the Auto Parking System Enterprise Fund. The City pays the current debt service requirements on these bonds in the form of lease payments to the GRBA. The City has pledged its limited full faith and credit on these bonds.

Amounts reflected as Contracts Payable (with Kent County) represent the City's liability for road, intra-county drain and improvement projects in which it participated or is participating with the County.

The Installment Purchase Agreements or Municipal Purchase Notes Series issued by the City, depending on the nature of the Purchase Agreements, are reported as business or governmental assets and liabilities for government-wide presentation. These agreements are general obligations of the City.

6. Long-Term Obligations, continued:

The bonds issued by the DDA were issued in anticipation of Tax Incremental Revenues on taxable properties in the Development area. The debt service requirements are financed from property tax revenues collected in the DDA.

The City's total bonded debt does not include the 2001 JBA bonds of \$33,945,204 or the 2013 JBA bonds of \$3,430,000. These bonds were issued to finance a substantial portion of the new DeVos Place Convention Center Facility. The bonds are payable from the proceeds of semi-annual rental payments in amounts sufficient to pay principal and interest on the bonds. The County has the sole responsibility for the repayment of this debt through its Hotel/Motel tax receipts and general assets. The Downtown Development Authority has pledged to reimburse the county for half of the debt service payments on the 2013 bonds. The City is not liable for the payment of principal or interest and therefore has excluded them from the financial statements.

The annual requirements for debt service payments on long term bonds and contracts payable at June 30, 2018 are:

Fiscal Year	Governmental Activities		Business Type Activities		Component Units		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 7,347,159	\$ 3,560,780	\$ 17,670,954	\$ 17,496,372	\$ 5,893,004	\$ 949,517	\$ 30,911,117	\$ 22,006,669
2020	7,593,350	3,245,079	17,411,842	17,694,064	6,435,150	68,236	31,440,342	21,007,379
2021	22,669,300	2,898,638	14,303,355	16,900,550	6,512,700	62,816	43,485,355	19,862,004
2022	5,753,000	2,321,307	16,342,495	16,253,472	6,610,000	58,313	28,705,495	18,633,092
2023	5,609,800	2,072,468	17,132,765	15,473,812	125,000	53,512	22,867,565	17,599,792
2024-2028	27,325,000	6,106,022	97,693,199	64,660,931	685,000	195,663	125,703,199	70,962,616
2029-2033	7,635,000	1,680,264	90,880,514	43,068,173	650,000	61,681	99,165,514	44,810,118
2034-2038	4,190,000	476,781	75,844,428	22,137,255	-	-	80,034,428	22,614,036
2039-2043	550,000	19,841	37,910,000	8,391,830	-	-	38,460,000	8,411,671
2044-2048	-	-	15,525,000	2,170,500	-	-	15,525,000	2,170,500
	<u>\$ 88,672,609</u>	<u>\$ 22,381,180</u>	<u>\$400,714,552</u>	<u>\$ 224,246,959</u>	<u>\$ 26,910,854</u>	<u>\$ 1,449,738</u>	<u>\$516,298,015</u>	<u>\$248,077,877</u>

The City is in compliance with all significant limitations and restrictions contained in various bond indentures.

6. Long-Term Obligations, continued:

DEFEASANCE OF OUTSTANDING DEBT

In prior years, the City defeased the remaining outstanding principal, or a major portion thereof, of the following issues by depositing U.S. Treasury bonds and notes with an escrow agent:

<u>Year of Issue</u>	<u>Description</u>	<u>Amount Outstanding at June 30, 2018</u>
2008	Grand Rapids Building Authority Bonds	\$ 6,405,000
2009	Water Supply System Revenue Bonds	24,395,000
2009	2009 Downtown Development Authority MFA Refunding Bonds	24,245,000

The funds are held by escrow agents in irrevocable trust funds segregated for the benefit of the holders of the outstanding bonds, and accordingly the trust funds' assets and the liability for the defeased bonds are not included in the City's financial statements. The 2008 GRBA bonds are callable October 1, 2018.

WORKERS COMPENSATION

Although the liability for Workers' Compensation is recorded in the Insurance Payment Internal Services Fund, it remains a liability of the City. The operating budget of the City reflects the amounts required to pay for these liabilities. These amounts are reported as revenue to the Insurance Payment Fund, which is used to pay actual claims and related costs.

COMPENSATED ABSENCES

The City provides employees with paid time off—including vacation, sick and compensatory time off for overtime—as defined by Collective Bargaining Agreements and City policies. This liability for unused time is reported in the Governmental Funds statements as an assigned portion of fund balance under modified accrual accounting and in the Government Wide and Proprietary Funds statements as a liability under the full accrual method of accounting. Amounts due for Compensated Absences are liquidated as they become payable by the Governmental or Proprietary funds from which the related employees' compensation is paid. The liability is liquidated primarily from the General Fund as it contains the most significant compensated absence balance of the governmental funds.

7. Retirement Plans

The City has two single-employer defined benefit pension plans which provide retirement and disability benefits to plan members and beneficiaries. Benefit provisions are established and amended by City Ordinance. Each System issues publicly available audited financial reports that include financial statements and required supplementary information. Both system's financial reports for recent years can be found on the pension's systems web-site, www.grpensions.org. Copies are also available on the Michigan Department of Treasury web-site, <http://www.michigan.gov/treasury>, by searching Kent County governments within the Local Audit and Finance Division – Document Search page. The pension system's web-site also includes recent actuarial studies with a complete summary of benefit provisions.

The Police and Fire Retirement System covers eligible employees who are police officers and firefighters regularly employed by the City. Members of this plan are not covered by the federal social security program. Benefit provisions provide retirees either an annual non-compounding escalator of 1% to each Police member's, or 1.5% to each Fire member's, retirement allowance after a specified waiting period subsequent to his or her retirement date. Members not eligible for the escalator are eligible for a 13th check that is issued to participants when the average return on the system's investments the prior five years have exceeded 8.0%. Eligibility for either benefit is determined by the member's bargaining unit and termination date.

An eligible employee becomes a participant in the System as of his or her date of permanent employment. The System provides for 100% vesting in System benefits with ten years of credited service. Fire members may elect to retire after attaining age 55 and completing 10 years of service, or upon attainment of their credited service cap. Police members may elect to retire after attaining age 50 and completing 10 years of service. The benefit payable after retirement ranges between 2.0% and 2.8% of a member's final average salary (FAS) based on the three consecutive years of highest pay-rate, up to a maximum percentage of FAS between 80% and 100% based on a number of factors, including hire date and contributions into the system. At retirement an FAS adjustment factor is applied to adjust the retiree's FAS based on a factor representing the group average compensation in excess of the regular pay-rate (mostly over-time pay). In fiscal year 2018 those adjustments were 12.6% for police members and 9.8% for firefighter members. All plan members are eligible for a duty disability benefit of between 72 and 90% of their salary at the time of disability less certain offsets. Plan members are also eligible for a non-duty disability allowance that varies based on bargaining unit, years of service and age. The surviving spouse of a member that dies prior to retiring is eligible to receive benefits of at least 20% of the member's salary. Dependents are eligible for a separate allowance of up to 15% of the member's salary until age 18 (age 23 if they are full time students).

At December 31, 2017, the Police and Fire System's membership consisted of the following:

Retirees and beneficiaries receiving pension benefits	677
Terminated plan members entitled to but not yet receiving benefits	32
Active plan members	488
Total	1,197

The General Retirement System covers most other eligible employees regularly employed by the City, including the 61st District Court, a component unit of the City. Benefit provisions provide retirees either an annual non-compounding escalator of 1% to each member's retirement allowance subsequent to his or her retirement date or eligibility for a 13th check that is issued to participants when the average return of the system's investments the prior five years have exceeded 8.0%. Which of the two benefit enhancements a member is eligible for is determined by the member's bargaining unit and termination date.

7. Retirement Plans, continued:

An eligible employee became a participant in the System as of his or her date of permanent employment. The System provides for 100% vesting in System benefits with eight years of credited service. Employees may elect to retire after attaining age 62 and completing eight years of credited service, or after completing 30 years of service regardless of age. The yearly allowance payable monthly for life to the retired member equals a benefit multiplier multiplied by the member's final average salary (FAS), multiplied by years and months of credited service. A reduced benefit is available to members retiring prior to age 62 with less than 30 years of service.

For members of the Crime Scene Technicians group and for members of the ECO I, II and III group, FAS is adjusted each year by a factor that accounts for the average holiday, overtime, shift adjustment, and other forms of compensation that the group earned as a percentage of their pay-rate during the previous five-year period. Those adjustments to the pensions of group members retiring during the year ending June 30, 2018 were 11.5% and 56.9% respectively. For purposes of benefit calculations, the FAS is based on the member's three highest compensated calendar years of credited service, before the end of the calendar year in which the employee attains 40 years of credited service or reaches his or her credited service cap. All plan members are eligible for non-duty disability benefits after completing ten or more years of credited service and before attaining minimum service retirement age. All plan members are eligible for duty disability retirement benefits prior to attaining minimum service retirement age. Disability retirement benefits are determined in the same manner as retirement benefits and are not subject to an actuarial reduction. Duty disability allowances shall not be less than 50% of the member's final average salary; unless the member is a part of the Crime Scene Technician or ECO I, II and III groups, then the allowance shall not be less than 62% of the member's final average salary. Benefits are available to a beneficiary if a member dies while in employer service, before retiring, but after becoming eligible to retire with an immediate allowance.

The General Retirement System was closed to new entrants on June 30, 2014. Current members continue to accrue future benefits. The retirement program created to replace this pension plan is described in Note 11.

At June 30, 2017, the General System's membership consisted of the following:

Retirees and beneficiaries receiving pension benefits	1,183
Terminated plan members entitled to but not yet receiving benefits	100
Active plan members	533
Total	1,816

BASIS OF ACCOUNTING

The Systems' financial statements are prepared using the accrual basis of accounting. Employer contributions are calculated on an actuarial basis as a percent of pensionable wages. Both employer and plan member contributions are recognized when covered wages are earned. Benefits are paid monthly. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Police and Fire System has adopted a December 31 year-end. The General Retirement System shares a June 30 year-end with the primary government. The measurement dates of the City's net pension liability were December 31, 2017 for the Police and Fire System and June 30, 2017 for the General System.

7. Retirement Plans, continued:

The actuarial assumptions used to value the liabilities were as follows:

	<u>Police and Fire Retirement System</u>	<u>General Retirement System</u>
Actuarial measurement date	December 31, 2017	June 30, 2017
Projected salary increases	3.25% - 20.25%	3.25% - 7.45%
Inflation assumptions	3.25% - wage, 2.5% - price	2.75% - wage, no explicit price inflation
Investment rate of return	7.15%	7.25%
Discount rate	7.15%	7.25%
Mortality assumptions	RP-2014 healthy annuitant mortality tables, projected to 2019 using the MP-2014 mortality improvement scale	RP-2014 healthy annuitant mortality tables, projected to 2019 using the MP-2014 mortality improvement scale

CONTRIBUTIONS

The contribution requirements of plan members and the City are based on City Ordinance. The funding policy provides that the employer and employee contributions will continue to be made every two weeks when payroll is disbursed. Employee contribution rates vary based on union contracts. The employer contribution is based on an actuarial valuation conducted annually. Both contributions are based on each employee's "pensionable wage" during the pay period. An experience study is conducted every five years to validate the plan assumptions used to calculate needed contributions. The most recent studies covered the five years ending June 30, 2014 and December 31, 2014 and were used to set the assumptions used to calculate net pension liability presented herein and future contributions.

	<u>Police and Fire Retirement System</u>	<u>General Retirement System</u>
Contribution rates for fiscal year 2018:		
City (employer)	23.59%	32.85%
Plan Members	9.86 - 10.89%	3.00% - 11.54%

INVESTMENTS

Investments are reported at fair value. Short-term investments may be reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments, like private equity, that do not have an established market are reported at estimated fair value. More information on the System's investments and their valuation is found in Note 2.

7. Retirement Plans, continued:

The investments of the Systems are designed to comply with requirements of the State of Michigan, Public Act 314 of 1965, which has numerous investment limitations depending on the type of investment. The most significant requirements as they impact the Systems are:

1. Investments in equity securities are limited to 70% of the Systems' assets and investments in the stock of any one corporation are limited to 5% of the Systems' assets;
2. Equity investments in real estate are limited to 10% of the Systems' assets;
3. Investments in state and local government obligations are limited to 5% of the Systems' assets;
4. Investments in securities traded outside the U.S., or in a foreign currency, are limited to 20% of the Systems' assets;
5. Investments in derivatives are limited to a notional amount equal to 15% of the Systems' assets, and may not be used to leverage the portfolio.

LONG-TERM EXPECTED RATE OF RETURN AND ASSET ALLOCATION

The long-term expected rate of return on pension plan investments is determined by each System's board. A formal review of the assumed rate of return expectation occurs at a minimum of every five years in conjunction with the plans' actuarial experience study. The most recent studies in 2015 applied the nominal asset class return expectations of eight nationally recognized investment consultants to the plan's current asset allocation. After adjustment for the investment fees and converting the various consultant's inflation expectations to the 2.75% price inflation assumption found in the 2014 Social Security Trustee's Report, the expected rate of return was reduced from 7.5% to 7.25%. The expected rate of return was subsequently reduced to 7.15% for valuations on December 31, 2017 and later.

During the interval between experience studies, the expectation is tested through occasional asset allocation studies conducted by the Systems' investment consultant. The asset allocation studies utilize the consultant's quarterly generated, ten-year forward looking, nominal, geometric expected rate of return for various asset classes and historical measures of asset class risk and correlation. These estimates are then combined using a building-block method to estimate future returns for the current asset allocation. Future inflation in these studies is assumed to be the rate that would equalize the return on ten-year nominal Treasury bonds with the return on a ten-year TIPS. This process caused a change in the rate of return expectation from 7.25% to 7.15% for valuation studies beginning with the December 31, 2017 valuation. The last change in asset allocation was approved in 2014 and implemented in 2015.

Both Systems have the same asset allocation policies. The current asset allocation policy and the expected arithmetic real rate of return (net of 2.5% projected inflation) of each asset class as of December 31, 2017 and June 30, 2017 is shown below.

Asset Class	Target allocation	Long-term Expected Real Rate of Return	
		December 31, 2017	June 30, 2017
U.S. equity	22.5 %	5.75 %	6.10 %
Non-U.S. equity	15.0	6.25	6.60
American Depository Receipts	7.5	6.25	6.60
Fixed income	25.0	1.75	1.90
Treasury Inflation Protected Securities	10.0	1.20	1.20
Real estate securities	5.0	4.90	5.00
Private equity	5.0	10.72	11.30
Commodities	5.0	2.95	2.70
Master Limited Partnerships	5.0	9.10	8.50
Total	100.0 %	4.65 %	4.75 %

7. Retirement Plans, continued:

DISCOUNT RATE

A single discount rate based on the expected rate of return on System investments was used to measure the total pension liability. This single discount rate was of 7.25% as of the measurement date of the General Retirement System liabilities and was reduced to 7.15% as of December 31, 2017, the measurement date of the Police and Fire Retirement System liabilities. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate and that both contributions will continue to be made bi-weekly when wages are paid. Based on these assumptions, both System's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents each System's net pension liability as of the most recent measurement dates. The discount rates of 7.15% and 7.25% used in the calculations were the rates in effect at the respective measurement dates. Also shown is what each System's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

Police and Fire Retirement System			General Retirement System		
	Current Single Discount			Current Single Discount	
1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase
6.15%	7.15%	8.15%	6.25%	7.25%	8.25%
\$142,837,037	\$83,409,192	\$33,992,735	\$164,147,002	\$107,866,299	\$60,235,785

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7. Retirement Plans, continued:

**Changes in the Net Pension Liability
of the Police & Fire Retirement System
during the measurement
period**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Plan Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at December 31, 2016	\$481,925,023	\$ 383,172,939	\$98,752,084
Changes for the year:			
Service cost	8,723,494	-	8,723,494
Interest on the total pension liability	34,356,315	-	34,356,315
Changes in benefit terms	-	-	-
Difference between actual and expected experience	3,265,534	-	3,265,534
Changes in assumptions	5,497,995	-	5,497,995
Contributions - employer	-	8,911,489	(8,911,489)
Contributions - employee	-	5,114,841	(5,114,841)
Net investment income	-	53,740,592	(53,740,592)
Benefit payments, including refund of employee contributions	(24,813,135)	(24,813,135)	-
Administrative expense	-	(580,690)	580,690
Other changes	1	(1)	2
Net changes	<u>27,030,204</u>	<u>42,373,096</u>	<u>(15,342,892)</u>
Balances at December 31, 2017	<u>\$508,955,227</u>	<u>\$ 425,546,035</u>	<u>\$83,409,192</u>

**Changes in the Net Pension Liability
of the General Retirement System
during the measurement
period**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Plan Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2016	\$510,324,266	\$ 390,189,761	\$ 120,134,505
Changes for the year:			
Service cost	5,161,510	-	5,161,510
Interest on the total pension liability	36,025,286	-	36,025,286
Changes in benefit terms	-	-	-
Difference between actual and expected experience	(971,718)	-	(971,718)
Changes in assumptions	(1,495,183)	-	(1,495,183)
Contributions - employer	-	10,237,538	(10,237,538)
Contributions - employee	-	3,012,472	(3,012,472)
Net investment income	-	38,296,115	(38,296,115)
Benefit payments, including refund of employee contributions	(32,009,058)	(32,009,058)	-
Administrative expense	-	(558,024)	558,024
Other changes	-	-	-
Net changes	<u>6,710,837</u>	<u>18,979,043</u>	<u>(12,268,206)</u>
Balances at June 30, 2017	<u>\$517,035,103</u>	<u>\$ 409,168,804</u>	<u>\$ 107,866,299</u>

The below schedule provides a summary of all the amounts allocated to various funds within the City's financial statements for both pension plans.

Schedule of Aggregate Amounts Related to Defined Benefit Pension Plans

			<u>Amounts allocated to</u>			
			<u>Primary Government</u>		<u>Component Unit</u>	
	<u>June 30, 2017</u>	<u>Net Change</u>	<u>June 30, 2018</u>	<u>Governmental</u>		<u>Business-Type</u>
	<u>Balance</u>		<u>Balance</u>			
Deferred outflows of resources:						
Contributions after the measurement date	\$ 14,583,896	\$ 610,593	\$ 15,194,489	\$ 11,725,530	\$ 2,686,899	\$ 782,060
Other differences	115,808,025	(39,525,554)	76,282,471	64,905,228	8,812,298	2,564,945
Net pension liability	218,886,589	(27,611,098)	191,275,491	156,216,685	27,154,965	7,903,841
Deferred inflow of resources	16,012,895	22,866,952	38,879,847	33,144,626	4,442,243	1,292,978
Pension expense			\$ 53,930,433	\$ 46,647,584	\$ 5,640,965	\$ 1,641,884

7. Retirement Plans, continued:

For the year ended June 30, 2018, the City recognized pension expense of \$31,523,111 for the Police and Fire System and pension expense of \$22,407,322 for the General Retirement System, of which \$1,641,884 related to the 61st District Court, a discretely presented component unit. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police and Fire Retirement System</u>		<u>General Retirement System</u>	
	<u>Deferred outflows</u>	<u>Deferred inflows</u>	<u>Deferred outflows</u>	<u>Deferred inflows</u>
	<u>of resources</u>	<u>of resources</u>	<u>of resources</u>	<u>of resources</u>
Differences between expected and actual experience	\$ 10,793,233	\$ -	\$ 4,165,177	\$ 624,676
Change in assumptions	14,474,422	-	5,625,256	961,189
Net difference between projected and actual earnings on pension plan investments	16,010,172	21,234,147	25,214,211	16,059,835
Contributions subsequent to the measurement date	<u>4,521,455</u>	<u>-</u>	<u>10,673,034</u>	<u>-</u>
Total	<u>\$ 45,799,282</u>	<u>\$ 21,234,147</u>	<u>\$ 45,677,678</u>	<u>\$ 17,645,700</u>

Deferred outflows of resources and deferred inflows of resources that are the result of differences in expected and actual experience with regard to economic and demographic factors, or from changes in assumptions regarding those factors are amortized over a closed period equal to the average of the expected remaining period of service all system members. Those time periods are 3.9 years for the Police and Fire System and 2.8 years for the General Retirement System. The differences between projected and actual investment earnings are amortized over five years. The \$15,194,489 reported as deferred outflows of resources for contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense according to the following schedule:

Year ended June 30,	2019	2020	2021	2022	2023	Thereafter
from the Police and Fire System	\$ 19,712,537	\$ 8,268,388	\$ (2,662,719)	\$ (5,274,526)	\$ -	\$ -
from the General System	<u>8,788,367</u>	<u>7,078,345</u>	<u>3,633,753</u>	<u>(2,141,521)</u>	<u>-</u>	<u>-</u>
Total effect on future pension expense	<u>\$ 28,500,904</u>	<u>\$ 15,346,733</u>	<u>\$ 971,034</u>	<u>\$ (7,416,047)</u>	<u>\$ -</u>	<u>\$ -</u>

8. Postemployment Benefits Other than Pensions

The City has created and administers three single-employer defined benefit (DB) plans to provide other postemployment benefits (OPEB) to eligible retirees. This is the first fiscal year that the City's financial statements and footnotes are prepared in accordance with Statement No. 75 of the Governmental Accounting Standards Board (GASB). The statements report the Net OPEB liability within the individual fund statements similar to the presentation of pension liability. Because these plans do not issue separate statements, both GASB 74 and GASB 75 requirements are presented in this footnote. The basic financial statements for the plans are presented here for the fiscal year ended June 30, 2018. The measurement date of the employer's Net OPEB liability is June 30, 2017 while the actuarial valuation date to determine required contributions was June 30, 2016.

**City of Grand Rapids, Michigan
Other Post Employment Benefit Trust Funds**

Statement of Fiduciary Net Position

June 30, 2018

	<u>Retiree Health Care Trust Funds</u>			<u>Total Retiree Health Care Trust Funds</u>
	<u>General Retiree</u>	<u>Police Retiree</u>	<u>Fire Retiree</u>	
ASSETS				
Equity in pooled cash and investments	\$ 813,860	\$ 746,214	\$ 516,351	\$ 2,076,425
Investments held by trustee:				
Diversified investment pool	10,178,473	33,092,494	18,810,440	62,081,407
Receivables, net	<u>2,145</u>	<u>1,677</u>	<u>1,208</u>	<u>5,030</u>
Total assets	<u>10,994,478</u>	<u>33,840,385</u>	<u>19,327,999</u>	<u>64,162,862</u>
LIABILITIES				
Vouchers and accounts payable	<u>408,310</u>	<u>89,926</u>	<u>171,280</u>	<u>669,516</u>
Total liabilities	<u>408,310</u>	<u>89,926</u>	<u>171,280</u>	<u>669,516</u>
NET POSITION				
Restricted for health care benefits	<u>10,586,168</u>	<u>33,750,459</u>	<u>19,156,719</u>	<u>63,493,346</u>
Total net position	<u>\$ 10,586,168</u>	<u>\$ 33,750,459</u>	<u>\$ 19,156,719</u>	<u>\$ 63,493,346</u>

8. Postemployment Benefits Other than Pensions, continued:

City of Grand Rapids, Michigan
Statement of Changes in Fiduciary Net Position
Other Post Employment Benefit Trust Funds
for the year ended June 30, 2018

	<u>Retiree Health Care Trust Funds</u>			Total Retiree Health Care Trust Funds
	<u>General Employee</u>	<u>Police Retiree</u>	<u>Fire Retiree</u>	
ADDITIONS				
Employer contributions	\$ 5,510,302	\$ 4,251,612	\$ 2,999,906	\$ 12,761,820
Investment income:				
Interest and dividends	4,712	4,339	2,245	11,296
Net appreciation in fair value of investments	<u>599,407</u>	<u>2,296,557</u>	<u>1,325,610</u>	<u>4,221,574</u>
Total additions	<u>6,114,421</u>	<u>6,552,508</u>	<u>4,327,761</u>	<u>16,994,690</u>
DEDUCTIONS				
Benefits paid	5,181,856	1,926,606	2,256,796	9,365,258
Administration expenses	<u>177,180</u>	<u>143,142</u>	<u>111,952</u>	<u>432,274</u>
Total deductions	<u>5,359,036</u>	<u>2,069,748</u>	<u>2,368,748</u>	<u>9,797,532</u>
Change in net position	755,385	4,482,760	1,959,013	7,197,158
Total net position - beginning	<u>9,830,783</u>	<u>29,267,699</u>	<u>17,197,706</u>	<u>56,296,188</u>
Total net position - ending	<u>\$ 10,586,168</u>	<u>\$ 33,750,459</u>	<u>\$ 19,156,719</u>	<u>\$ 63,493,346</u>

GENERAL INFORMATION

The City's OPEB plans provide health care, dental, and vision benefits for eligible retirees and their eligible dependents until the retiree is age 65. Plan operation is administered by City staff. The fiduciary responsibility for the custody and investment of plan assets has been delegated to the Municipal Employees' Retirement System of Michigan (MERS), which operates a number of multi-employer cost sharing and agent pension, OPEB, and defined contribution retirement plans for Michigan municipalities. Current full-time employees not covered by one of the DB OPEB plans described here are covered by a defined contribution (DC) plan created in 2009 and administered by MERS. Information about the DC plan is presented in Note 12. The DB benefits under all plans are closed to new members, but at retirement (or death or disability) new hires who are members of the DC OPEB plan have the right to purchase the benefit coverage at the premium cost that applies to the entire insurance pool. Because the premium is not age-graded to reflect a retiree's actual age, an implicit rate subsidy is valued as a benefit provided under the DB plans.

8. Postemployment Benefits Other than Pensions, continued:

Benefits are established through negotiation with employee unions and are similar for all retirees and active employees. Future modifications to the plans would require changes in future labor contracts. Different employee bargaining units have different eligibility standards to qualify for the benefits, which led to the creation of three separate plans; the General Retiree Health Care Plan (General), the Police Retiree Health Care Plan (Police), and the Fire Retiree Health Care Plan (Fire).

BASIS OF ACCOUNTING

The Plans' financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized bi-weekly as part of the City's payroll process. Benefit expenses are recognized weekly when invoices are received from the third party administrator. Investment returns are recognized when they are reported by the custodian.

CONTRIBUTIONS

Contribution levels are determined annually by the City Commission during the annual budget process after considering the expected pay-as-you-go cash outlay from each plan for the benefit, the actuarially determined contribution (ADC) calculated by the Plans' Actuary, and available resources. No contributions are required from current employees covered by the DB plan, but members that retire after March of 2010 continue to make the same required monthly insurance premium payment made by current active employees plus an additional amount from a vesting schedule if they have not reached the full retirement age and service requirements in their labor agreement. Earlier retirees continue to receive the benefit under terms in effect at their retirement date. For fiscal year 2018, the City contributed \$12,761,820 to the three plans. Retiree premium payments of \$1,127,669 are shown as a reduction in benefits paid, rather than as a revenue. Retiree Health Care costs are charged to individual funds as a percentage of pensionable wages at rates of 19.77% for firefighters, 18.21% for police officers, and 12.59% for other employees. The DB plans receive all revenue from these charges that are not required to be contributed to the DC OPEB plan.

MEMBERSHIP

At the June 30, 2017 valuation date, membership consisted of the following:

	General	Police	Fire	Total
Retirees and beneficiaries receiving benefit payments	294	100	99	493
Non-covered retirees purchasing benefit at subsidized rate	-	3	-	3
Inactive plan members entitled to but not yet receiving benefit payments	-	26	6	32
Active plan members	292	140	137	569
Employees eligible to purchase benefit at subsidized rate after retirement	544	157	64	765
Total	1,130	426	306	1,862

8. Postemployment Benefits Other Than Pensions, continued:

At June 30, 2018, membership in the plans consisted of the following:

	General	Police	Fire	Total
Retirees or beneficiaries receiving benefit payments	245	94	102	441
Non-covered retirees purchasing benefit at subsidized rate	-	3	-	3
Inactive plan members entitled to but not yet receiving benefit payments	-	8	2	10
Active plan members	259	127	125	511
Employees eligible to purchase benefit at subsidized rate after retirement	606	172	62	840
Total	1,110	404	291	1,805

INVESTMENTS

Under an agreement with the Municipal Employees' Retirement System of Michigan (MERS), a public corporation established by the Michigan Legislature to provide pooled retirement plans for Michigan municipalities on a voluntary basis, the City's three plans became participants in the MERS Retiree Health Funding Vehicle, a governmental trust established under Section 115 of the Internal Revenue Code, and began funding the trust in 2010. MERS is the trustee, investment fiduciary, and manager for the Plans assets that are held in subaccounts within the collective and commingled investment pool of all funds held in trust for approximately 750 Michigan municipal employers.

The MERS Retiree Health Funding Vehicle is available to all municipalities in Michigan. Participating municipalities can contribute monies to the trust as desired and no contribution method is imposed. The Retiree Health Funding Vehicle has 13 investment portfolio choices. After careful review, city staff has allocated assets between two of these portfolios based on the actuarial projections of a need to make withdrawals to pay benefits during the next two years. This system should reduce the need to sell more volatile assets during a market downturn to pay benefits.

At June 30, 2018 the Police Retiree Health Care plan had 100% of assets invested in the MERS Total Market Portfolio, which is the most diversified of the available portfolio options. The General and Fire Retiree Health Care plans had 92.8% and 97.5% respectively of assets invested in the MERS Total Market Portfolio, with the remainder invested in the Short-term Income Portfolio.

For the year ended June 30, 2018, MERS calculated the aggregate annual money-weighted rate of return on investments, net of investment expense, as 7.68% for the Total Market Portfolio and 0.36% for the Short-Term Income Fund. Over the same time period the plans had the following money-weighted rates of return for their actual investments: General – 5.73%, Police – 7.31%, and Fire – 7.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

LONG-TERM EXPECTED RATE OF RETURN AND ASSET ALLOCATION

MERS calculates the long-term expected rate of return on the OPEB plan investments using a forward looking estimate of capital market returns model for each major investment asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates

8. Postemployment Benefits Other Than Pensions, continued:

of return by the target asset allocation percentage and by adding expected inflation of 2.5% and deducting investment expenses. The estimated arithmetic real rates of return for each portfolio and the average expected allocation of each plan to the portfolios are as follows:

Investment Type	Expected Real Return	Target Allocation of Each Portfolio	Expected Asset Allocation Over the Life of the Plan			Combined Plans
			General	Police	Fire	
Multi-asset diversified portfolio consisting of:						
Global Equity	6.15 %	55.5 %	44.4 %	30.5 %	33.3 %	33.3 %
Global Fixed Income	1.26	18.5	14.8	10.2	11.1	11.1
Real Assets	7.22	13.5	10.8	7.4	8.1	8.1
Diversifying Strategies	5.00	12.5	10.0	6.9	7.5	7.5
Total Portfolio	5.20 %	100.0 %	80.0 %	55.0 %	60.0 %	60.0 %
Short-term income portfolio consisting of:						
U.S. Bonds	(1.50) %	100.0 %	20.0 %	45.0 %	40.0 %	40.0 %
Total	2.52 %		100.0 %	100.0 %	100.0 %	100.0 %

The plans' actuary has projected cash flows over the life of each plan. As noted above, the plans use a varying proportion of these funds each year. The proportion of assets invested in the lower risk and lower return Short-term Income portfolio is very low during the current asset accumulation phase of the plans but under the current asset allocation model will constitute over 40% of assets by 2034. The average allocation between the two portfolios over the projected life of the three plans is projected to be a 60/40% split. The plans have elected to use an expected rate of return of 5.0% in the actuarial calculations. That rate of return is consistent with MERS current published real return expectations, plus inflation at 2.5% and the projected average plan asset allocation.

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City of Grand Rapids at June 30, 2018, were as follows:

	General	Police	Fire	Total
Total OPEB liability	\$ 54,585,545	\$ 64,501,757	\$ 40,897,069	\$ 159,984,371
Plan fiduciary net position	10,586,168	33,750,459	19,156,719	63,493,346
City's net OPEB liability	<u>\$ 43,999,377</u>	<u>\$ 30,751,298</u>	<u>\$ 21,740,350</u>	<u>\$ 96,491,025</u>
Plan fiduciary net position as a percent of the total OPEB liability	19.39%	52.32%	46.84%	39.69%

The City reports the net OPEB liability on its financial statements using a measurement date of June 30, 2017. Changes in the City's net OPEB liability resulting from the operation of the three plans during the year prior to the measurement date of June 30, 2017 are shown below:

8. Postemployment Benefits Other Than Pensions, continued:

**General Other Post Employment Benefit Plan
during the measurement period**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 58,696,918	\$ 9,413,935	\$ 49,282,983
Changes for the year:			
Service cost	1,081,550	-	1,081,550
Interest on the total OPEB liability	2,815,224	-	2,815,224
Difference between actual and expected experience	(72,851)	-	(72,851)
Contributions - employer	-	5,068,952	(5,068,952)
Contributions - member	-	479,082	(479,082)
Net investment income	-	907,367	(907,367)
Benefit payments	(5,866,434)	(5,866,434)	-
Administrative expense	-	(172,119)	172,119
Other changes	(1)	-	(1)
Net changes	(2,042,512)	416,848	(2,459,360)
Balances at June 30, 2017	\$ 56,654,406	\$ 9,830,783	\$ 46,823,623

**Police Other Post Employment Benefit Plan
during the measurement period**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 61,553,465	\$ 24,093,946	\$ 37,459,519
Changes for the year:			
Service cost	1,590,303	-	1,590,303
Interest on the total OPEB liability	3,056,154	-	3,056,154
Changes in benefit terms	-	-	-
Difference between actual and expected experience	246,949	-	246,949
Contributions - employer	-	4,319,030	(4,319,030)
Contributions - member	-	256,022	(256,022)
Net investment income	-	3,173,248	(3,173,248)
Benefit payments	(2,451,085)	(2,451,085)	-
Administrative expense	-	(123,462)	123,462
Other changes	-	-	-
Net changes	2,442,321	5,173,753	(2,731,432)
Balances at June 30, 2017	\$ 63,995,786	\$ 29,267,699	\$ 34,728,087

8. Postemployment Benefits Other Than Pensions, continued:

Fire Other Post Employment Benefit Plan during the measurement period	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	<u>\$ 38,620,175</u>	<u>\$ 14,423,807</u>	<u>\$ 24,196,368</u>
Changes for the year:			
Service cost	1,282,061	-	1,282,061
Interest on the total OPEB liability	1,905,021	-	1,905,021
Changes in benefit terms	-	-	-
Difference between actual and expected experience	129,028	-	129,028
Changes in assumptions	-	-	-
Contributions - employer	-	3,143,699	(3,143,699)
Contributions - member	-	187,749	(187,749)
Net investment income	-	1,864,124	(1,864,124)
Benefit payments	(2,321,577)	(2,321,577)	-
Administrative expense	-	(100,096)	100,096
Other changes	-	-	-
Net changes	<u>994,533</u>	<u>2,773,899</u>	<u>(1,779,366)</u>
Balances at June 30, 2017	<u>\$ 39,614,708</u>	<u>\$ 17,197,706</u>	<u>\$ 22,417,002</u>

The below schedule provides a summary of all the amounts allocated to various funds within the City's financial Statements for the three OPEB plans:

Schedule of Aggregate Amounts Related to Defined Benefit OPEB Plans	Amounts allocated to					
	June 30, 2017		June 30, 2018	Primary Government		Component Unit
	Balance	Net Change	Balance	Governmental	Business-Type	
Deferred outflows of resources:						
Contributions after the measurement date	\$ 12,531,681	\$ 230,139	\$ 12,761,820	\$ 10,941,261	\$ 1,392,553	\$ 428,006
Other differences	-	320,514	320,514	320,514	-	-
Net OPEB liability	110,938,870	(6,970,158)	103,968,712	88,498,569	11,833,173	3,636,970
Deferred inflow of resources	-	2,852,970	2,852,970	2,713,548	106,644	32,778
OPEB expense			\$ 8,093,979	\$ 7,092,369	\$ 766,135	\$ 235,475

8. Postemployment Benefits Other Than Pensions, continued:

DISCOUNT RATE

A single discount rate of 5.0% was used to measure the total OPEB liability of the three plans as of both June 30, 2017 and June 30, 2018. This single discount rate was based on the expected rate of return on System investments of 5.0%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to or above the actuarially determined contribution rates. Each plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following tables presents each Plan's net OPEB liability as of the most recent measurement dates, calculated using a single discount rate of 5.0%, as well as what the Plan's net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

General Other Post Employment Benefits Plan			Police Other Post Employment Benefits Plan			Fire Other Post Employment Benefits Plan		
June 30, 2018 Single Discount			June 30, 2018 Single Discount			June 30, 2018 Single Discount		
1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase
4.00%	5.00%	6.00%	4.00%	5.00%	6.00%	4.00%	5.00%	6.00%
\$47,417,435	\$43,999,377	\$40,856,905	\$35,791,527	\$30,751,298	\$26,224,053	\$24,294,414	\$21,740,350	\$19,360,984
June 30, 2017 Single Discount			June 30, 2017 Single Discount			June 30, 2017 Single Discount		
1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase
4.00%	5.00%	6.00%	4.00%	5.00%	6.00%	4.00%	5.00%	6.00%
\$50,290,045	\$46,823,623	\$43,626,011	\$39,896,470	\$34,728,087	\$30,007,479	\$24,949,959	\$22,417,002	\$20,060,351

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following table presents each Plan's net OPEB liability as of the most recent measurement dates, calculated using each Plan's current healthcare cost trend rate assumption, as well as what the Plan's net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

General Other Post Employment Benefits Plan			Police Other Post Employment Benefits Plan			Fire Other Post Employment Benefits Plan		
June 30, 2018 Healthcare Cost			June 30, 2018 Healthcare Cost			June 30, 2018 Healthcare Cost		
1% Decrease	Trend Rate Assumption	1% Increase	1% Decrease	Trend Rate Assumption	1% Increase	1% Decrease	Trend Rate Assumption	1% Increase
\$39,924,203	\$43,999,377	\$48,567,135	\$25,056,040	\$30,751,298	\$37,099,452	\$18,433,901	\$21,740,350	\$25,453,851
June 30, 2017 Healthcare Cost			June 30, 2017 Healthcare Cost			June 30, 2017 Healthcare Cost		
1% Decrease	Trend Rate Assumption	1% Increase	1% Decrease	Trend Rate Assumption	1% Increase	1% Decrease	Trend Rate Assumption	1% Increase
\$42,665,883	\$46,823,623	\$51,474,308	\$28,840,732	\$34,728,087	\$41,322,814	\$19,128,816	\$22,417,002	\$26,118,430

8. Postemployment Benefits Other Than Pensions, continued:

ACTUARIAL ASSUMPTIONS

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the actuarial valuation date. Actuarial calculations reflect a long-term perspective and may employ methods and assumptions that are designed to reduce short-term volatility in the value of actuarial assets and liabilities. Significant methods and assumptions are as follows:

	General Retiree Health Care Plan		Police Retiree Health Care Plan		Fire Retiree Health Care Plan	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Actuarial valuation date	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Actuarial assumptions:						
Investment rate of return	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Projected salary increases	3.25% - 7.41%	3.5% - 7.7%	4.25% - 20.25%	4.5% - 20.5%	4.25% - 20.25%	4.5% - 20.5%
Inflation rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Healthcare inflation rate -	8.0% grading to	8.0% grading to	8.0% grading to	8.0% grading to	8.0% grading to	8.0% grading to
Medical and drug	3.25% in 2028	3.5% in 2026	3.25% in 2028	3.5% in 2026	3.25% in 2028	3.5% in 2026
Dental and vision	3.25% in all years	3.25% in all years	3.25% in all years	3.25% in all years	3.25% in all years	3.25% in all years

A valuation load factor of 7.0% was applied to all health care liabilities and projections of benefits paid to approximate the cost of the 40% excise tax created under the Patient Protection and Affordable Care Act, scheduled to take effect January 1, 2020 on high-cost employer health plans.

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

For the year ended June 30, 2018 the City recognized OPEB expense of \$8,093,979. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	General Retiree Health Care Plan		Police Retiree Health Care Plan		Fire Retiree Health Care Plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 62,843	\$ 208,773	\$ -	\$ 111,741	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	359,146	-	1,534,830	-	896,151
Contributions subsequent to the measurement date	<u>5,510,302</u>	<u>-</u>	<u>4,251,612</u>	<u>-</u>	<u>2,999,906</u>	<u>-</u>
Total	<u>\$ 5,510,302</u>	<u>\$ 421,989</u>	<u>\$ 4,460,385</u>	<u>\$ 1,534,830</u>	<u>\$ 3,111,647</u>	<u>\$ 896,151</u>

8. Postemployment Benefits Other Than Pensions, continued:

Amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	2019	2020	2021	2022	2023	Thereafter
for General employee OPEB	\$ (99,795)	\$ (99,795)	\$ (99,795)	\$ (99,795)	\$ (10,008)	\$ (12,803)
for Police employee OPEB	(345,532)	(345,532)	(345,532)	(345,532)	38,176	17,893
for Fire employee OPEB	(206,751)	(206,751)	(206,751)	(206,751)	17,287	25,306
Total effect on future OPEB expense	<u>\$ (652,078)</u>	<u>\$ (652,078)</u>	<u>\$ (652,078)</u>	<u>\$ (652,078)</u>	<u>\$ 45,455</u>	<u>\$ 30,396</u>

The City of Grand Rapids has contracted with the Municipal Employees' Retirement System of Lansing Michigan to administer a DC OPEB plan for certain City employees. The MERS Health Care Savings Program is an Internal Revenue Code Section 115 Governmental Integral Part Trust. Participation is mandatory for permanent, full-time employees not covered by one of the DB retiree health care plans described above. Contributions are made every pay period by both the employee and the employer. See Note 12 for more details.

9. Inter-fund Receivables, Payables and Transfers

Inter-fund receivables and payables at June 30, 2018 represent temporary cash flow assistance from the General Fund and are as follows:

Fund	Primary Reason for Receivable/Payable	Interfund Receivables	Interfund Payables
General Fund	Unreimbursed payroll for fiduciary fund employees	\$ 60,616	\$ -
Fiduciary	Accrued payroll	-	71,507
Fiduciary	Timing difference due to different year end	10,891	-
		<u>\$ 71,507</u>	<u>\$ 71,507</u>

There is a long-term advance between the General Fund and the Parking System for \$2,625,000 at June 30, 2018. This is the balance due to the General Fund for the transfer of ownership of the Government Center Ramp to the Parking System.

9. Inter-fund Receivables, Payables and Transfers, continued:

The City has developed a central service cost allocation plan using the guidance in federal circular A-87, to charge benefited funds a portion of the cost of providing services that benefit several funds. Services that are not billed on a per unit basis are funded by inter-fund transfers. Inter-fund transfers for the year ended June 30, 2018, were as follows:

<u>Fund Type</u>	<u>Fund</u>	<u>Primary Reason for the Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:	General	Internal cost allocation for services provided to other funds	\$ 7,535,004	\$ -
		Debt service, support of Parks, Dispatch, & other funds	-	15,954,248
	Major Streets	Debt service & Internal cost allocation program	2,704,984	-
		Project support, support of Local Streets and Sidewalks	-	9,951,212
	Local Streets	Support from Major Streets Fund	5,118,750	-
		Internal cost allocation program	-	1,059,045
	Streets Capital	Project support from other funds	75,000	-
	Vital Streets Capital	Project support from major and local street funds	5,280,728	-
		Sidewalk & Major Street Fund support	-	567,272
	General Capital	Project support from other funds	3,791,578	-
		Debt service and General Fund support	-	6,070,685
	Non-major Governmental	Transfers to pay debt service by various funds	7,658,124	-
		Support from General and Other Funds	12,791,065	-
	Debt service and General and other funds support	-	10,817,817	
Enterprise Funds:	Water Supply System	From Sewage Disposal Fund for customer service	2,459,792	-
		Internal cost allocation program	-	977,616
	Sewage Disposal System	Allocated cost of customer service and internal costs	-	3,076,542
	Parking System	Debt service & Internal cost allocation program	200,000	415,750
	Non-Major Proprietary	General Fund & other funds support of cemetery operations	392,363	260,601
	Facilities Management	Internal cost allocation program	-	199,985
	311 Program	Internal cost allocation program and support for web design	-	72,481
	Motor Equipment	Internal cost allocation program	3,291,287	228,245
	Information Technology	Internal cost allocation program	-	119,769
	Engineering	Internal cost allocation program	-	331,271
Insurance Payment	Internal cost allocation program	-	1,196,136	
			<u>\$ 51,298,675</u>	<u>\$ 51,298,675</u>

10. Tax Abatements

As of June 30, 2018, the City of Grand Rapids provided the following tax abatements in accordance with Statement No. 77, as required by the Governmental Accounting Standards Board:

	Industrial Facilities Exemption	Obsolete Property Rehabilitation Exemption	New Personal Property Exemption	Neighborhood Enterprise Zone Exemption
1) Purpose of Program	Encourages investment in the renovation and expansion of aging facilities, building of new facilities, and establishment of high tech facilities.	Encourages investment in the significant renovation and/or rehabilitation of obsolete buildings for commercial use.	Encourages investment in new personal property as a component of a business expansion or attraction project.	Encourages investment in the construction or rehabilitation of multiple types of housing for both homeownership and rental.
2) Tax being abated	Real and/or personal property tax	Real property tax	Personal property tax	Real property tax
3) Authority under which abatement agreements are entered into	Public Act 198 of 1974, as amended; MCL 207.551 <i>et seq.</i> and City Commission Policy 900-09	Public Act 146 of 2000, as amended, MCL 125.2781 <i>et seq.</i> and City Commission Policy 900-42	Public Act 328 of 1998, as amended, MCL 211.9f and City Commission Policy 900-38	Public Act 147 of 1992, as amended, MCL 207.771 <i>et seq.</i> and City Commission Policy 900-45
4) Criteria to be eligible to receive abatement	Applicant must be a qualified business, generally defined as an industrial operator, or a high-technology company, be making an investment in a new or expanded facility and/or investment in new or rehabilitated, taxable personal property, and be located in an Industrial Development District or a Plant Rehabilitation District.	Property must be functionally obsolete as determined by the City Assessor as defined in the legislation. Project must be for a project that will have a commercial or commercial housing use. In addition, the City requires a minimum investment of \$30 per square foot in the rehabilitation of a building.	Must be an eligible business which is a business primarily engaged in manufacturing, mining, research and development, wholesale trade, or office operations.	Must be located in a Neighborhood Enterprise Zone (NEZ) as established by the City Commission. A qualifying project involves the construction of new housing for either homeownership or rental. A rehabilitation project involves the rehabilitation of existing housing, and requires a minimum investment in the rehabilitation. A new construction project must include rental apartments, contain retail space on the first floor, and be located in a Downtown Revitalization District.
5) How recipients' taxes are reduced	<u>New Facilities</u> : the taxable value generated by the eligible investment at the qualifying property is placed on the Industrial Facilities Tax Roll, and the millages levied are 50% of <i>ad valorem</i> millage rates, except for that millage levied for the State Education Tax which is not reduced. <u>Replacement Facilities</u> : the taxable value of the replacement facility is set ("frozen") at the taxable value of the qualifying property for the tax year immediately preceding the effective date of the exemption.	The taxable value of the qualifying property is set ("frozen") at the taxable value assigned in the year immediately preceding the effective date of the exemption certificate. New taxable value in excess of the frozen taxable value is exempted from certain millages levied on real property for a period of 1-12 years.	The eligible personal property that is placed in the service after the date of approval by the City Commission is exempt from all personal property taxes.	<u>New Facilities</u> : the rate of taxation of a new facility is equal to ½ of the average rate of taxation levied on commercial, industrial, and utility property in the State in the immediately preceding calendar year. <u>Rehabilitation Facility</u> : the taxable value is set ("frozen") at that value established in the year immediately preceding the effective date of the NEZ exemption for a property.

10. Tax Abatements, continued:

	Industrial Facilities Exemption - continued	Obsolete Property Rehabilitation Exemption - continued	New Personal Property Exemption - continued	Neighborhood Enterprise Zone Exemption - continued
6) How amount of abatement is determined	<p><u>New Facilities</u>: the amount of the abatement is equal to the qualifying taxable value applied to the reduction in the total millage rate levied on the Industrial Facilities Tax roll.</p> <p><u>Replacement Facilities</u>: the amount of the abatement is equal to the delta between the taxes levied on the taxable value in the year immediately preceding the effective date of the exemption, and the taxes that would have been levied on the current taxable value in any given year.</p>	<p>The amount of the abatement is equal to the exempted mills applied to the amount of the taxable value created by investment in the project.</p>	<p>As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement.</p>	<p><u>New Facility</u>: the amount of the abatement is equal to the taxable value of the qualifying property applied to the millage rate that is the difference between the NEZ millage rate and the ad valorem millage rate.</p> <p><u>Rehabilitation Facility</u>: the amount of the abatement is the difference between the taxes that would be levied on the current taxable value and the NEZ taxes levied on the value of the qualifying property in the year immediately preceding the effective date of the exemption certificate.</p>
7) Provisions for recapturing abated taxes	<p>The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application.</p>	<p>The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application.</p>	<p>The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application.</p>	N/A
8) Types of commitments made by the City other than to reduce taxes	N/A	N/A	N/A	N/A
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	2017: \$142,586	2017: \$91,162	2017: \$192,475	2017: \$88,520

10. Tax Abatements, continued:

	Brownfield Redevelopment Program	Renaissance Zones	Tool and Die Recovery Renaissance Zones	Agricultural Processing Renaissance Zones
1) Purpose of Program	Encourages investment in the revitalization, redevelopment, and reuse of certain properties considered contaminated, blighted, functionally obsolete, or historic resources.	Encourages new job creation and investment in commercial or industrial property in areas formerly included in geographic based renaissance zones.	Encourages investment by tool and die companies in their facilities and equipment acquisitions, and encourages collaboration among tool and die companies to help them retain existing jobs, and strengthen the companies to make them more competitive in the global market.	Encourages the investment in an agricultural processing facility that results in new job creation.
2) Tax being abated	Real and/or personal property tax	Real and/or personal property tax, and income taxes	Real and/or personal property tax, and income taxes	Real and/or personal property tax, and income taxes
3) Authority under which abatement agreements are entered into	Public Act 381 of 1996, as amended; MCL 125.2651 <u>et seq.</u>	Public Act 376 of 1996, as amended; MCL 125.2681 <u>et seq.</u> and City Commission Policy 900-48	Public Act 376 of 1996, as amended; MCL 125.2681 <u>et seq.</u>	Public Act 376 of 1996, as amended; MCL 125.2681 <u>et seq.</u>
4) Criteria to be eligible to receive abatement	Property must be included in a Brownfield Plan and qualify as either a facility/site, functionally obsolete, blighted, historic resource, transit oriented property/development or a targeted redevelopment area. The City of Grand Rapids has designated the entire City as an eligible Brownfield District.	Property must be located in an existing geographic renaissance zone and are proposing to undertake a project at the property, which involves private investments and creates jobs.	Applicants must be part of a collaboration of tool and die companies and apply to participate in the program.	Facility must be an agricultural process facility that transforms, packages, sorts, grades livestock or livestock products, into goods that are used for consumption. Includes goods for nonfood use, and surrounding property.
5) How recipients' taxes are reduced	The beneficiary's taxes are not reduced, but are captured and reimbursed, thereby reducing the effective rate of taxation. Upon paying its taxes, a participant is eligible to be reimbursed, from a portion of its taxes paid, by the Brownfield Redevelopment Authority for the documented costs of its eligible activities, thereby reducing the effective tax that is paid.	The real and personal property taxes are abated for a period of up to 15-years. The abatement is 100% of the above taxes, with a three year phase in of taxes in 25% increments for the final three years of a zone designation.	The real and personal property taxes are abated for a period of up to 15-years. The abatement is 100% of the above taxes, with a three year phase in of taxes in 25% increments for the final three years of a zone designation.	The real and personal property taxes are abated for a period of up to 15-years. The abatement is 100% of the above taxes, with a three year phase in of taxes in 25% increments for the final three years of a zone designation.

10. Tax Abatements, continued:

	Brownfield Redevelopment Program - continued	Renaissance Zones - continued	Tool and Die Recovery Renaissance Zones - continued	Agricultural Processing Renaissance Zones - continued
6) How amount of abatement is determined	In this case, the taxes are not reduced, but are used to reimburse for certain eligible activity costs. The amount of taxes not collected by local taxing authorities is generally any amount of taxes in excess of those taxes paid in the year immediately preceding approval of a Brownfield Plan Amendment.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement. Local income taxes are abated in the same manner. Property owners are still required to pay the taxes necessary for local school district bond obligations.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement. Local income taxes are abated in the same manner. Property owners are still required to pay the taxes necessary for local school district bond obligations.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement. Local income taxes are abated in the same manner. Property owners are still required to pay the taxes necessary for local school district bond obligations.
7) Provisions for recapturing abated taxes	Reimbursement is made pursuant to the terms and conditions of a Development and Reimbursement Agreement between the applicant and the Brownfield Redevelopment Authority. If taxes are captured and the terms and conditions of the Development and Reimbursement Agreement for the project are violated, the taxes may be returned to the taxing authorities that would otherwise have received the taxes.	N/A	N/A	N/A
8) Types of commitments made by the City other than to reduce taxes	From time to time, the City and/or the Brownfield Redevelopment Authority participate in a project by making investments in public infrastructure surrounding a project.	N/A	N/A	N/A
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	2017: \$908,534	2017: \$121,559	2017: \$18,097	2017: \$40,296

10. Tax Abatements, continued:

	Payment in Lieu of Taxes	Air & Water Pollution Control
1) Purpose of Program	Encourages development of affordable housing projects by keeping expenses reasonable and rent affordable; thus reducing the risk to developers and investors and allowing initial capital to fund the project.	Encourages establishment of facilities whose sole purpose is to control and/or dispose of environmental pollutants.
2) Tax being abated	Real property tax	Real and/or personal property tax; sales taxes.
3) Authority under which abatement agreements are entered into	Public Act 346 of 1966, as amended, MCL S125.1415a <i>et seq.</i> , and local ordinance (Article 5, Chapter 9 of the City Code).	Public Act 451 of 1994, as amended, MCL 324.5901 <i>et seq.</i> (Air Pollution) and MCL 324.3701 <i>et seq.</i> (Water Pollution).
4) Criteria to be eligible to receive abatement	Must be a housing project that meets all of the following criteria: (1) projects which are financed with a Federally-aided or State Housing Development Authority-aided mortgage or with an advance or grant from such Authority; (2) projects which serve lower-income families, elderly, and/or handicapped; and (3) projects which are owned by "consumer housing cooperatives," "qualified nonprofit housing corporations," and "limited dividend housing associations" as defined in Act No. 346 of the Public Acts of 1966, as amended.	Facilities must be designed and operate primarily for the purpose of controlling and/or disposing of air pollutants and/or industrial waste from water.
5) How recipients' taxes are reduced	100% of ad valorem property taxes on the qualified property are exempted; a service fee is assessed in lieu of the taxes.	100% of the property and sales taxes on the qualifying property are exempted

10. Tax Abatements, continued:

	Payment in Lieu of Taxes - continued	Air & Water Pollution Control - continued
6) How amount of abatement is determined	The housing project is exempt from ad valorem property taxes. The service fee charged is equal to 4% of annual shelter rent. Emergency shelters and transitional housing for the homeless are not assessed a service charge in lieu of property taxes.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement.
7) Provisions for recapturing abated taxes	Ad valorem property taxes may be assessed if the property owner is not current with all taxes and assessments on the subject property, and/or does not submit to the City Assessor an audited financial statement for each calendar year.	N/A
8) Types of commitments made by the City other than to reduce taxes	N/A	N/A (City of Grand Rapids does not approve this abatement; rather, it is approved directly by the State Tax Commission and an exemption certificate is forwarded to the City)
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	2017: 854,952	2017: 11,319

11. Commitments, Contingencies, Related Party Transactions and Subsequent Events

1. Federal and State Grants—The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although no amounts have been claimed, such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes such disallowance, if any, will be immaterial.
2. Remediation Sites—The City has reached remediation agreements with the appropriate regulatory bodies, and continues to perform maintenance and monitoring activities. There are no current legal issues at this time.
3. Litigation—In the normal course of its activities, the City becomes a party in various legal actions. In the opinion of the City attorney, adequate reserves have been established for the potential liability for all claims.
4. Commitments—The cities of Grand Rapids and Wyoming operate the Grand Valley Regional Biosolids Authority. Its facilities were constructed with initial financing in the amounts of \$16,430,000, at an interest rate of 1.625%, and \$17,675,000, at an interest rate of 2.5%, provided by the State of Michigan Water Pollution Control Revolving Fund. At June 30, 2018 the outstanding liability was \$20,485,000. Principal and interest payments are split between the two cities based on their usage of the facility. For fiscal year 2018, Grand Rapids' portion of the liability was 65.65%. For fiscal year 2019, it is budgeted at 64.32%.
5. Conduit debt—The City sometimes issues certain limited-obligation revenue bonds for the express purpose of providing capital financing for specific third parties. These debt issues are not an obligation of the City and therefore are not reported as such. The outstanding amount of conduit debt at June 30, 2018 was \$20,740,423.
6. Operating Leases—The City entered into a lease agreement with Kent County in October 1998, whereby the City leases part of the new courthouse facility from the County. The lease is scheduled to expire in fiscal year 2026, and includes operation and maintenance fees. Lease payments to the County for fiscal year 2018 were \$2,821,728. Total future lease payments are as follows:

<u>Year ending June 30,</u>	<u>Outstanding Lease Due</u>
2019	\$ 2,807,648
2020	2,810,182
2021	2,811,103
2022	2,812,460
2023	2,782,647
2024-2026	8,280,048

7. Lease Receivable – The City entered into a lease agreement with the Public Museum of West Michigan and the Public Museum of Grand Rapids Friends Foundation in July 2007. The Museum leases the Museum building from the City for \$1 per year for a period of 99 years, with an option to renew for an additional 50 year term to be exercised by the mutual consent of the City and the Public Museum of Grand Rapids Friends Foundation. The City retains title to the buildings and all improvements, fixtures or other types of fixed property appurtenant to the buildings and property located thereon, as well as the collection on display at the Public Museum. In accordance with the lease agreement, the City also retains a reversionary interest in the Museum's inventory and petty cash, valued at \$61,414 and \$15,500, respectively, at June 30, 2018. In the event that Museum operations should ever revert to the City, these items would be returned to the City at their value on the day of reversion.

11. Commitments, Contingencies, Related Party Transactions and Subsequent Events, continued:

8. Lease Receivable – On March 30, 2010, the City acquired a building located at 1120 Monroe Avenue, NW. The building and improvements as of June 30, 2018 total \$4,255,170. The accumulated depreciation at year end is \$821,004. The City leases parts of the building to various tenants with terms extending into FY2021. The total lease revenue for FY2018 was \$198,609. The aggregate amount of future minimum lease payments receivable for each of the succeeding fiscal years is as follows:

<u>Year ending June 30.</u>	<u>Outstanding Lease Receipts</u>
2019	\$ 135,640
2020	101,955
2021	<u>51,793</u>
Total	<u>\$ 289,388</u>

9. Subsequent Event – On September 20, 2018 the City of Grand Rapids issued Water Supply System Revenue Improvement and Refunding Bonds, series 2018 in the amount of \$38,680,000 with interest rates ranging from 4% to 5% with maturities at varying amounts from January 2019 to 2048. The net proceeds of \$42,875,450 (including premium of \$4,412,163 less underwriter's discount of \$216,713) were used for issue costs of the bonds, deposited into a debt service reserve fund, paying the cost of certain improvements to the City's Water Supply System, and deposited into an escrow fund for the redemption of \$7,200,000 of Series 1993 Water bonds. The net present value savings is \$119,645. The net carrying value of the old debt exceeded the reacquisition price by \$149,913 which will be amortized over the life of the refunded debt, which is shorter than the new debt. The bonds are self-liquidating bonds and are not a general obligation of the City. Debt service will be funded solely from the net revenues derived from operation of the Water System.
10. Subsequent Event – On December 18, 2018 the City of Grand Rapids issued General Obligation Limited Tax Capital Improvement Bonds, series 2018 in the amount of \$8,210,000 with interest rates ranging from 3% to 5% with maturities at varying amounts from October 2022 to 2041. The net proceeds of \$8,933,932 (including premium of \$785,507 less underwriter's discount of \$61,575) were used for issue costs of the bonds and for phase I street lighting capital improvements.

12. Deferred Compensation Plans

In 2011, the City created the City of Grand Rapids Deferred Compensation (CGRDC) Plan for most newly hired full-time, non-uniformed employees. This retirement arrangement is mandatory for new employees under most labor contracts and replaces the formerly required participation in the City of Grand Rapids General Retirement System defined benefit pension plan described in Note 7. This plan is administered by the ICMA Retirement Corporation (ICMA-RC) in accordance with Section 401(a) of the Internal Revenue Code (IRC), a Trust Document with the Vantage Trust Company, and an Administrative Services Agreement approved by the City Commission. Participation in the CGRDC Plan begins six months after date of hire and requires an employee contribution of 6% of pay with a 100% match by the employer. Contribution requirements are specified in labor agreements covering each employee group and may be changed during the collective bargaining process. Five year cliff-vesting applies to the employer contributions. During the fiscal year ended June 30, 2018 employee contributions were \$1,025,166 and the employer contributions were \$1,025,166 to this Plan. At June 30, 2018, the plan had 357 active and 38 terminated participants. The fair market value of plan assets was \$6,706,600.

12. Deferred Compensation Plans, continued:

The City also maintains the Officer's Option Plan, a defined contribution contributory savings plan created in accordance with IRC Section 401(a) and is offered to executive and appointed employees. The plan was established and may be amended by city ordinance. Participants with the 401(a) plan may not participate in the City's defined benefit pension plans. Participants are immediately vested in required employee contributions of 6%, optional contributions of 1 - 3%, and employer contributions of 12% of employees' current salaries. Plan contributions are maintained with earnings in a deferred account for each participant. At June 30, 2018, there were 11 active and 22 terminated plan participants with a total fair market value of plan assets for both active and retired participants of approximately \$10,663,211. Contributions made by employees and the City totaled \$101,269 and \$215,790 respectively, for the fiscal year ended June 30, 2018.

The City offers its employees deferred compensation plans created in accordance with IRC Section 457. The plans, available to all City employees, permit the voluntary deferral of a portion of current salary until future years. The deferred compensation is not available to the employee until termination, retirement, death or listed emergency. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights are solely the property and rights of each individual participant. At June 30, 2018, the total market value of plan assets was approximately \$93,533,832. Net of the effect of employee contributions, withdrawals and earnings, the fair market value of plan assets increased \$4,579,861 for the year ended June 30, 2018. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent administrator.

All permanent, full-time employees that are not covered by one of the City's defined benefit retiree health care plans described in Note 8 are enrolled in an agent multi-employer defined contribution post-employment health care program which is administered by the Municipal Employees' Retirement System of Michigan. This program is defined in the Internal Revenue Code Section 115 as a Governmental Integral Part Trust. After six months of employment, bi-weekly deposits are made into each employee's individual account in amounts determined by labor agreements or personnel policies. Following a 24 month phase-in period after initial employment, an employee's mandatory bi-weekly contribution will be between \$38.46 and \$42.31, depending on labor agreement. The employee's contribution vests immediately. The employer's contribution steps up over the same time period until it reaches \$67.30 to \$76.93 bi-weekly, which will vest after an eight or ten year period as specified in each labor agreement. Withdrawals from each employee's account are permitted at any time after separation from employment, but only for medical expense reimbursement to the former employee or legal dependents. At June 30, 2018, 840 employees were participating in this defined contribution retiree health care plan. For the fiscal year ended June 30, 2018, regular contributions made by employees and the employer totaled \$710,956 and \$1,281,464 respectively. As the current participants in the defined benefit retiree health care plans described in Note 8 reach age 65, this defined contribution savings program will become the primary, and eventually the City's only retiree health care plan.

13. Implementation of New Pronouncements

In 2018 the City of Grand Rapids implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Statement No. 75 fundamentally changed the required reporting by governments for defined benefit OPEB plans by moving the net OPEB liability onto the statement of net position for the government-wide, proprietary, and other full accrual statements. OPEB expense will be presented as the change in net OPEB liability after a smoothing of the differences between actuarial projections and actual results; over five years for investment results and over the average remaining period of service of plan members for all other differences. Contributions made after the measurement date of the OPEB liability, and prior to the government's fiscal year end, will be reported as deferred outflows of resources and will reduce the net OPEB liability in the next fiscal year. In addition Statement No. 75 requires revised and expanded disclosures in the notes and required supplemental information section. Individual fund financial statements for governmental activities that have a current financial resources measurement focus continue to present pension expenditures as the amount of cash contributions to the OPEB trusts.

13. Implementation of New Pronouncements, continued:

The differences between the two measurement focuses can be found on pages 18 and 20. The principal objective of the Statements is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees are provided with OPEB benefits in the form of a defined benefit plan. Prior to the implementation of this standard the City had reported an OPEB asset or obligation under GASB Statement No. 45. The only reported liability or asset related to OPEB was the difference between the actuarially determined contribution, adjusted for prior years' over/under funding, and the current year employer contributions to the plans. Achieving the financial reporting objective necessitated severing the link that had previously existed between the employer's funding of OPEB costs and the reporting of OPEB expenses.

Adoption of these statements required the restatement of Net Position on the Government Wide Statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Net Position as reported at June 30, 2017	\$ 260,625,889	\$ 523,771,451	\$ 17,162,972
Adjustment for net OPEB asset	(19,577)	(26,751)	(47,255)
Adjustment for net OPEB obligation	5,688,569	87,277	-
Adjustment for deferred outflows	10,878,241	1,239,311	414,129
Adjustment for net OPEB liability	(94,863,264)	(12,049,225)	(4,026,381)
Net Position, as restated	<u>\$ 182,309,858</u>	<u>\$ 513,022,063</u>	<u>\$ 13,503,465</u>

Funds reported using the economic resources measurement focus and the accrual basis of accounting were affected as follows:

	<u>Enterprise Funds</u>				<u>Total Internal Service Funds</u>
	<u>Water Supply System</u>	<u>Sewage Disposal System</u>	<u>Auto Parking System</u>	<u>Nonmajor Enterprise</u>	
Net Position as reported at June 30, 2017	\$ 242,324,627	\$ 227,617,756	\$ 38,815,082	\$ 3,504,895	\$ 62,530,644
Adjustment for net OPEB asset	-	(26,751)	-	-	(19,577)
Adjustment for net OPEB obligation	52,843	-	22,604	11,830	147,500
Adjustment for deferred outflows	582,650	494,614	142,208	19,839	581,172
Adjustment for net OPEB liability	(5,664,823)	(4,808,892)	(1,382,623)	(192,887)	(5,650,442)
Net Position, as restated	<u>\$ 237,295,297</u>	<u>\$ 223,276,727</u>	<u>\$ 37,597,271</u>	<u>\$ 3,343,677</u>	<u>\$ 57,589,297</u>

13. Implementation of New Pronouncements, continued:

	Component Units			
	Downtown Development Authority	SmartZone Local Development Financing Authority	Brownfield Redevelopment Authority	61st District Court
Net Position as reported at June 30, 2017	\$ 17,194,237	\$ 4,556,425	\$ (597,666)	\$ (7,173,130)
Adjustment for net OPEB asset	(5,720)	(2,798)	(6,509)	(32,228)
Adjustment for deferred outflows	-	-	-	414,129
Adjustment for net OPEB liability	-	-	-	(4,026,381)
Net Position, as restated	<u>\$ 17,188,517</u>	<u>\$ 4,553,627</u>	<u>\$ (604,175)</u>	<u>\$ (10,817,610)</u>

14. Upcoming New Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
General Fund

for the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 14,166,051	\$ 14,166,051	\$ 13,774,826	\$ (391,225)
City income taxes	80,516,052	80,516,052	81,558,479	1,042,427
State shared taxes	17,368,296	17,368,296	18,280,901	912,605
Licenses and permits	2,905,809	2,905,809	2,651,628	(254,181)
Fines and forfeitures	2,167,000	2,167,000	2,155,412	(11,588)
State grants	685,814	685,814	902,953	217,139
Other grants and contributions	1,046,733	1,055,066	980,922	(74,144)
Charges for services	9,762,032	9,762,032	10,174,074	412,042
Investment earnings	617,716	617,716	667,500	49,784
Miscellaneous	13,237	13,237	-	(13,237)
Total revenues	<u>129,248,740</u>	<u>129,257,073</u>	<u>131,146,695</u>	<u>1,889,622</u>
Expenditures:				
Current:				
General government	31,014,194	32,769,944	28,746,649	4,023,295
Public safety	79,941,648	79,932,592	78,636,585	1,296,007
Public works	5,285,064	5,448,264	5,363,233	85,031
Urban and community development	5,387,594	5,387,594	5,108,490	279,104
Debt service:				
Principal	50,000	50,000	52,632	(2,632)
Interest and paying agent fees	8,318	8,318	8,374	(56)
Total expenditures	<u>121,686,818</u>	<u>123,596,712</u>	<u>117,915,963</u>	<u>5,680,749</u>
Excess of revenues over expenditures	<u>7,561,922</u>	<u>5,660,361</u>	<u>13,230,732</u>	<u>7,570,371</u>
Other financing sources (uses):				
Budgeted appropriation lapse for the fund	3,500,000	3,500,000	-	(3,500,000)
Contingencies	(1,500,000)	-	-	-
Transfers in	6,804,705	7,554,705	7,535,004	(19,701)
Transfers out	(16,676,101)	(16,715,290)	(15,954,248)	761,042
Total other financing uses	<u>(7,871,396)</u>	<u>(5,660,585)</u>	<u>(8,419,244)</u>	<u>(2,758,659)</u>
Net change in fund balances	(309,474)	(224)	4,811,488	4,811,712
Fund balances - beginning	50,979,266	50,979,266	50,979,266	-
Current year change in inventory levels	-	-	54,531	54,531
Fund balances - ending	<u>\$ 50,669,792</u>	<u>\$ 50,979,042</u>	<u>\$ 55,845,285</u>	<u>\$ 4,866,243</u>

Note: Both budgets and actual figures are prepared in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Streets
for the year ended June 30, 2018

	Major Streets				Local Streets			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
Revenues:								
City income taxes	\$ 13,022,423	\$ 13,022,423	\$ 11,054,303	\$ (1,968,120)	\$ -	\$ -	\$ -	\$ -
State shared taxes	13,682,649	13,682,649	15,840,316	2,157,667	4,560,883	4,560,883	4,247,351	(313,532)
Federal grants	350,000	350,000	298,257	(51,743)	-	-	-	-
State grants	-	1,104,414	1,096,229	(8,185)	-	368,138	368,138	-
Other grants & contributions	-	-	25,000	25,000	-	-	-	-
Charges for services	2,672,760	2,672,760	2,732,786	60,026	1,000	1,000	162	(838)
Investment earnings	95,426	95,426	156,742	61,316	13,153	13,153	5,927	(7,226)
Miscellaneous	280,500	280,500	597,806	317,306	25,000	25,000	33,876	8,876
Total revenues	<u>30,103,758</u>	<u>31,208,172</u>	<u>31,801,439</u>	<u>593,267</u>	<u>4,600,036</u>	<u>4,968,174</u>	<u>4,655,454</u>	<u>(312,720)</u>
Expenditures:								
Current:								
Public works	12,571,371	12,571,371	11,801,296	770,075	4,421,199	4,421,199	3,677,709	743,490
Debt service:								
Principal	18,930,000	18,930,000	18,930,000	-	-	-	-	-
Interest and paying agent fees	1,336,375	1,336,375	1,330,514	5,861	-	-	-	-
Capital outlay:	4,863,661	3,010,190	2,846,605	163,585	1,079,189	4,950,965	4,539,051	411,914
Total expenditures	<u>37,701,407</u>	<u>35,847,936</u>	<u>34,908,415</u>	<u>939,521</u>	<u>5,500,388</u>	<u>9,372,164</u>	<u>8,216,760</u>	<u>1,155,404</u>
Excess (deficit) of revenues over expenditures	<u>(7,597,649)</u>	<u>(4,639,764)</u>	<u>(3,106,976)</u>	<u>1,532,788</u>	<u>(900,352)</u>	<u>(4,403,990)</u>	<u>(3,561,306)</u>	<u>842,684</u>
Other financing sources (uses):								
Budgeted appropriation lapse for the fund	400,012	400,012	-	(400,012)	128,356	128,356	-	(128,356)
Transfers in	3,132,824	3,132,824	2,704,984	(427,840)	1,490,000	5,886,867	5,118,750	(768,117)
Transfers out	(8,056,088)	(12,057,393)	(9,951,212)	2,106,181	(1,826,093)	(1,826,093)	(1,059,045)	767,048
Total other financing sources (uses)	<u>(4,523,252)</u>	<u>(8,524,557)</u>	<u>(7,246,228)</u>	<u>1,278,329</u>	<u>(207,737)</u>	<u>4,189,130</u>	<u>4,059,705</u>	<u>(129,425)</u>
Net change in fund balances	<u>(12,120,901)</u>	<u>(13,164,321)</u>	<u>(10,353,204)</u>	<u>2,811,117</u>	<u>(1,108,089)</u>	<u>(214,860)</u>	<u>498,399</u>	<u>713,259</u>
Fund balances - beginning	22,481,986	22,481,986	22,481,986	-	1,060,693	1,060,693	1,060,693	-
Current year change in inventory levels	-	-	217,095	217,095	-	-	-	-
Fund balances - ending	<u>\$ 10,361,085</u>	<u>\$ 9,317,665</u>	<u>\$ 12,345,877</u>	<u>\$ 3,028,212</u>	<u>\$ (47,396)</u>	<u>\$ 845,833</u>	<u>\$ 1,559,092</u>	<u>\$ 713,259</u>

Note: Both budgets and actual figures are prepared in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Defined Benefit Pension Plan - Police and Fire Employees

for the City's fiscal year ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 8,723,494	\$ 8,588,314	\$ 7,482,069	\$ 7,794,219
Interest on the total pension liability	34,356,315	32,676,161	29,375,231	28,440,421
Changes of benefit terms	-	114,084	-	-
Difference between expected and actual experience	3,265,534	7,264,098	16,663,107	2,978,624
Changes of assumptions	5,497,995	1,551,086	35,683,769	-
Benefit payments	(24,794,055)	(29,338,856)	(32,070,933)	(21,079,038)
Refunds of contributions	(19,080)	(21,606)	(11,369)	(24,749)
Net change in total pension liability	<u>27,030,203</u>	<u>20,833,281</u>	<u>57,121,874</u>	<u>18,109,477</u>
Total pension liability - beginning	<u>481,925,024</u>	<u>461,091,743</u>	<u>403,969,869</u>	<u>385,860,392</u>
Total pension liability - ending (a)	<u>\$ 508,955,227</u>	<u>\$ 481,925,024</u>	<u>\$ 461,091,743</u>	<u>\$ 403,969,869</u>
Plan fiduciary net position				
Contributions - employer	\$ 8,911,489	\$ 7,166,351	\$ 5,630,297	\$ 6,331,848
Contributions - employee	5,114,841	4,929,842	4,557,165	4,563,692
Net investment income	53,740,592	25,712,944	(9,083,712)	29,390,902
Benefit payments	(24,794,055)	(29,338,856)	(32,070,933)	(21,079,038)
Refunds of contributions	(19,080)	(21,606)	(11,369)	(24,749)
Administrative expenses	(580,690)	(542,277)	(581,364)	(523,607)
Other	(2)	-	-	(15,065)
Net change in plan fiduciary net position	<u>42,373,095</u>	<u>7,906,398</u>	<u>(31,559,916)</u>	<u>18,643,983</u>
Plan fiduciary net position - beginning	<u>383,172,940</u>	<u>375,266,542</u>	<u>406,826,458</u>	<u>388,182,475</u>
Plan fiduciary net position - ending (b)	<u>\$ 425,546,035</u>	<u>\$ 383,172,940</u>	<u>\$ 375,266,542</u>	<u>\$ 406,826,458</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 83,409,192</u>	<u>\$ 98,752,084</u>	<u>\$ 85,825,201</u>	<u>\$ (2,856,589)</u>
Plan fiduciary net position as a percentage of the total pension asset	83.6%	79.5%	81.4%	100.7%
Covered payroll	\$ 38,919,488	\$ 38,129,771	\$ 36,827,593	\$ 35,710,964
Net pension liability (asset) as a percentage of covered payroll	214.3%	259.0%	233.0%	-8.0%

Notes to schedule:

An additional year will be added to the schedule each year until ten years are presented.

Amounts presented for each fiscal year are determined based on a measurement date of December 31 of the prior year.

Changes of assumptions: In 2016 the amount reported as changes of assumptions reflected a reduction in the assumed rate of return from 7.50% to 7.25%, the adoption of a new mortality table and updated demographic assumptions for retirement and withdrawal patterns. In 2017 the future wage inflation assumption was reduced. In 2018 the assumed rate of return was reduced to 7.15%

Required Supplementary Information

City of Grand Rapids, Michigan Schedule of City Contributions * Police and Fire Retirement System

for the City's fiscal year ending June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 9,086,586	\$ 8,861,774	\$ 5,364,049	\$ 5,807,941	\$ 6,831,550
Actual contribution	<u>9,086,586</u>	<u>8,861,774</u>	<u>5,364,049</u>	<u>5,807,941</u>	<u>6,831,550</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 38,405,325	\$ 37,012,523	\$ 36,402,336	\$ 35,561,982	\$ 35,690,502
Actual Contribution as a Percentage of Covered Payroll	23.7%	23.9%	14.7%	16.3%	19.1%

Notes to Schedules

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, eighteen months prior to the end of the fiscal year when contributions are reported.

Methods and assumptions used to determine contributions rates for fiscal year 2018:

Actuarial cost method	Individual entry age, normal.
Amortization method	Level percent of payroll, closed.
Remaining amortization period	30 years at December 31, 2016.
Asset valuation method	5-year smoothed market.
Projected salary increases	3.5% - 20.5% including inflation.
Inflation assumptions	3.5% - No explicit price inflation assumption is used in this valuation.
Cost of living adjustments after retirement	Ad hoc "13th check" tied to plan investment returns for benefit recipients who do not have an automatic benefit increase. A 1.0% simple escalator for eligible police retirees. A 1.5% simple escalator for eligible firefighters.
Investment rate of return	7.15% compounded annually. (7.25% for fiscal year 2017 and 7.5% for contribution periods prior to fiscal year 2017)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the years 2010 through 2014.
Mortality	RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 Mortality Improvement Scale as of December 31, 2015. (Prior valuations used the 1983 Group Annuity Male and Female mortality tables with modifications.)

* An additional year will be added each year until ten years are presented.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Defined Benefit Pension Plan - General Employees

for the City's fiscal year ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 5,161,510	\$ 5,546,388	\$ 6,348,067	\$ 6,904,650	\$ 7,294,537
Interest on the total pension liability	36,025,286	35,127,721	33,287,484	33,394,709	32,920,147
Changes of benefit terms	-	-	20,882	-	-
Difference between expected and actual experience	(971,718)	6,361,929	10,083,648	(7,420,169)	(6,012,166)
Changes of assumptions	(1,495,183)	-	29,733,502	-	-
Benefit payments	(31,894,361)	(36,708,883)	(39,570,343)	(28,055,439)	(27,037,516)
Refunds of contributions	(114,697)	(208,843)	(283,087)	(152,273)	(114,916)
Net change in total pension liability	<u>6,710,837</u>	<u>10,118,312</u>	<u>39,620,153</u>	<u>4,671,478</u>	<u>7,050,086</u>
Total pension liability - beginning	<u>510,324,266</u>	<u>500,205,954</u>	<u>460,585,801</u>	<u>455,914,323</u>	<u>448,864,237</u>
Total pension liability - ending (a)	<u>\$ 517,035,103</u>	<u>\$ 510,324,266</u>	<u>\$ 500,205,954</u>	<u>\$ 460,585,801</u>	<u>\$ 455,914,323</u>
Plan fiduciary net position					
Contributions - employer	\$ 10,237,538	\$ 9,295,104	\$ 11,327,704	\$ 8,771,032	\$ 8,135,843
Contributions - employee	3,012,472	3,428,169	3,473,382	3,737,014	3,933,341
Net investment income	38,296,115	289,104	11,478,680	65,337,996	44,058,818
Benefit payments	(31,894,361)	(36,708,883)	(39,570,343)	(28,055,439)	(27,037,516)
Refunds of contributions	(114,697)	(208,843)	(283,087)	(152,273)	(114,916)
Administrative expenses	(558,024)	(568,895)	(567,869)	(523,086)	(476,059)
Other	-	-	-	(21,741)	(15,873)
Net change in plan fiduciary net position	<u>18,979,043</u>	<u>(24,474,244)</u>	<u>(14,141,533)</u>	<u>49,093,503</u>	<u>28,483,638</u>
Plan fiduciary net position - beginning	<u>390,189,761</u>	<u>414,664,005</u>	<u>428,805,538</u>	<u>379,712,035</u>	<u>351,228,397</u>
Plan fiduciary net position - ending (b)	<u>\$ 409,168,804</u>	<u>\$ 390,189,761</u>	<u>\$ 414,664,005</u>	<u>\$ 428,805,538</u>	<u>\$ 379,712,035</u>
Net pension liability - ending (a) - (b)	<u>\$ 107,866,299</u>	<u>\$ 120,134,505</u>	<u>\$ 85,541,949</u>	<u>\$ 31,780,263</u>	<u>\$ 76,202,288</u>
Plan fiduciary net position as a percentage of the total pension liability	79.1%	76.5%	91.9%	93.1%	83.3%
Covered payroll	\$ 33,647,390	\$ 35,760,078	\$ 38,492,586	\$ 40,510,955	\$ 43,783,450
Net pension liability as a percentage of covered payroll	320.6%	335.9%	222.2%	78.4%	174.0%

Notes to schedule:

An additional year will be added to the schedule each year until ten years are presented.

Amounts presented for each fiscal year are determined based on a measurement date of June 30 of the prior year.

Changes of assumptions: In 2018, the inflation rate assumption was reduced from 2.75% to 2.5%. In 2016, the amount reported as changes of assumptions reflected a reduction in the assumed rate of return from 7.50% to 7.25%, the adoption of a new mortality table and updated demographic assumptions for retirement and withdrawal patterns.

Required Supplementary Information

City of Grand Rapids, Michigan Schedule of City Contributions * General Retirement System

<i>for the City's fiscal year ending June 30,</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 10,673,034	\$ 10,237,538	\$ 9,295,104	\$ 11,327,704	\$ 8,771,032	\$ 8,135,843
Actual contribution	10,673,034	10,237,538	9,295,104	11,327,704	8,771,032	8,135,843
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 30,949,968	\$ 33,647,390	\$ 35,760,078	\$ 38,492,586	\$ 40,510,955	\$ 43,783,450
Actual Contribution as a Percentage of Covered Payroll	34.5%	30.4%	26.0%	29.4%	21.7%	18.6%

Notes to Schedules

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year when contributions are reported.

Methods and assumptions used to determine contributions rates for fiscal year 2018:

Actuarial cost method	Individual entry age, normal.
Amortization method	Level dollar, closed.
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market.
Projected salary increases	3.5% - 7.7% including inflation.
Inflation assumptions	3.5% - No explicit price inflation assumption is used in this valuation.
Cost of living adjustments after retirement	Ad hoc "13th check" tied to plan investment returns for benefit recipients who do not have an automatic benefit increase.
Investment rate of return	Eligible retirees receive a 1.0% simple escalator beginning 4 to 6 years after retirement.
Retirement age	7.25% compounded annually. (7.5% for contribution periods prior to fiscal year 2017)
Mortality	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the years 2010 through 2014.
Significant changes to the plan	RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 Mortality Improvement Scale. (Prior valuations used the 1983 Group Annuity Male and Female mortality tables with modifications.)
	In 2014 the plan was closed to all new entrants. Current members continue to accrue future benefits.

* An additional year will be added each year until ten years are presented.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedule of Changes in the City's Net OPEB Liability and Related Ratios *
Defined Benefit OPEB Plan - General Employees

for the plan fiscal year ended June 30,

	2018	2017
Total OPEB Liability		
Service cost	\$ 1,068,634	\$ 1,081,550
Interest on the total OPEB liability	2,729,890	2,815,223
Changes of benefit terms	-	-
Difference between expected and actual experience	(685,529)	(72,851)
Changes of assumptions	-	-
Benefit payments, net of retiree premiums	(5,181,856)	(5,866,434)
Net change in total OPEB liability	(2,068,861)	(2,042,512)
Total OPEB liability - beginning	56,654,406	58,696,918
Total OPEB liability - ending (a)	\$ 54,585,545	\$ 56,654,406
Plan fiduciary net position		
Contributions - employer	\$ 5,510,302	\$ 5,068,952
Contributions - employee	-	479,082
OPEB plan net investment income	604,119	907,367
Benefit payments, net of retiree premiums	(5,181,856)	(5,866,434)
OPEB plan administrative expenses	(177,180)	(172,119)
Net change in plan fiduciary net position	755,385	416,848
Plan fiduciary net position - beginning	9,830,783	9,413,935
Plan fiduciary net position - ending (b)	\$ 10,586,168	\$ 9,830,783
Net OPEB liability - ending (a) - (b)	\$ 43,999,377	\$ 46,823,623
Plan fiduciary net position as a percentage of the total OPEB liability	19.4%	17.4%
Covered payroll	\$ 51,145,356	\$ 48,397,770
Net pension liability as a percentage of covered payroll	86.0%	96.7%

Notes to schedule:

**An additional year will be added to the schedule each year until ten years are presented.*

Amounts presented for each plan fiscal year are the measurement date of the employer's liability the following year.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedule of Changes in the City's Net OPEB Liability and Related Ratios*
Defined Benefit OPEB Plan - Police Employees

for the plan fiscal year ended June 30,

	2018	2017
Total OPEB Liability		
Service cost	\$ 1,486,702	\$ 1,590,303
Interest on the total OPEB liability	3,188,792	3,056,154
Changes of benefit terms	-	-
Difference between expected and actual experience	(2,242,917)	246,949
Changes of assumptions	-	-
Benefit payments, net of retiree premiums	(1,926,606)	(2,451,085)
Net change in total OPEB liability	505,971	2,442,321
Total OPEB liability - beginning	63,995,786	61,553,465
Total OPEB liability - ending (a)	\$ 64,501,757	\$ 63,995,786
Plan fiduciary net position		
Contributions - employer	\$ 4,251,612	\$ 4,319,030
Contributions - employee	-	256,022
OPEB plan net investment income	2,300,896	3,173,248
Benefit payments, net of retiree premiums	(1,926,606)	(2,451,085)
OPEB plan administrative expenses	(143,142)	(123,462)
Net change in plan fiduciary net position	4,482,760	5,173,753
Plan fiduciary net position - beginning	29,267,699	24,093,946
Plan fiduciary net position - ending (b)	\$ 33,750,459	\$ 29,267,699
Net OPEB liability - ending (a) - (b)	\$ 30,751,298	\$ 34,728,087
Plan fiduciary net position as a percentage of the total OPEB liability	52.3%	45.7%
Covered payroll	\$ 24,711,919	\$ 24,371,065
Net pension liability as a percentage of covered payroll	124.4%	142.5%

Notes to schedule:

**An additional year will be added to the schedule each year until ten years are presented.*

Changes shown above for the OPEB plan year are reflected in the GASB 75 measurement date one year later.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedule of Changes in the City's Net OPEB Liability and Related Ratios *
Defined Benefit OPEB Plan - Fire Employees

for the fiscal year ended June 30,

	2018	2017
Total OPEB Liability		
Service cost	\$ 1,292,792	\$ 1,282,061
Interest on the total OPEB liability	1,956,635	1,905,021
Changes of benefit terms	-	-
Difference between expected and actual experience	289,730	129,028
Changes of assumptions	-	-
Benefit payments, net of retiree premiums	(2,256,796)	(2,321,577)
Net change in total OPEB liability	1,282,361	994,533
Total OPEB liability - beginning	39,614,708	38,620,175
Total OPEB liability - ending (a)	\$ 40,897,069	\$ 39,614,708
Plan fiduciary net position		
Contributions - employer	\$ 2,999,906	\$ 3,143,699
Contributions - employee	-	187,749
OPEB plan net investment income	1,327,855	1,864,124
Benefit payments, net of retiree premiums	(2,256,796)	(2,321,577)
OPEB plan administrative expenses	(111,952)	(100,096)
Net change in plan fiduciary net position	1,959,013	2,773,899
Plan fiduciary net position - beginning	17,197,706	14,423,807
Plan fiduciary net position - ending (b)	\$ 19,156,719	\$ 17,197,706
Net OPEB liability - ending (a) - (b)	\$ 21,740,350	\$ 22,417,002
Plan fiduciary net position as a percentage of the total OPEB liability	46.8%	43.4%
Covered payroll	\$ 15,678,337	\$ 15,410,482
Net pension liability as a percentage of covered payroll	138.7%	145.5%

Notes to schedule:

**An additional year will be added to the schedule each year until ten years are presented.*

Liability changes shown above for the OPEB plan year are reflected in the City's GASB 75 liability measurement date one year later.

Required Supplementary Information

City of Grand Rapids, Michigan Schedules of City Contributions *

	General OPEB plan		Police OPEB plan		Fire OPEB plan	
	<i>for the City's fiscal year ending June 30,</i>		<i>for the City's fiscal year ending June 30,</i>		<i>for the City's fiscal year ending June 30,</i>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 5,328,910	\$ 5,071,594	\$ 4,207,504	\$ 4,192,648	\$ 2,907,020	\$ 3,036,781
Actual contribution	<u>5,510,302</u>	<u>5,068,952</u>	<u>4,251,612</u>	<u>4,319,030</u>	<u>2,999,906</u>	<u>3,143,699</u>
Contribution Deficiency (Excess)	<u>\$ (181,392)</u>	<u>\$ 2,642</u>	<u>\$ (44,108)</u>	<u>\$ (126,382)</u>	<u>\$ (92,886)</u>	<u>\$ (106,918)</u>
Covered Payroll	\$ 51,145,356	\$ 48,397,770	\$ 24,711,919	\$ 24,371,065	\$ 15,678,337	\$ 15,410,482
Actual Contribution as a Percentage of Covered Payroll	10.8%	10.5%	17.2%	17.7%	19.1%	20.4%

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year when contributions are reported.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Individual entry age.
Amortization method	Level dollar, closed.
Remaining amortization period	16 years (General), 22 years (Police), 24 years (Fire).
Asset valuation method	Market value of assets.
Inflation	No explicit price inflation assumption is used.
Health care trend rates	8.0% trend for the first three years, then gradually decreasing to 3.25% in year 11.
Projected salary increases	3.5% - 20.5%, including inflation
Investment rate of return	5.0% net of OPEB plan investment expense, including inflation.
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Non-disabled retirees: RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale Disabled retirees: RP-2014 Disabled Retirees Mortality Table projected to 2019 using the MP-2014 mortality improvement scale

* An additional year will be added each year until ten years are presented.

Required Supplementary Information

City of Grand Rapids, Michigan
Schedules of Investment Returns
Defined Benefit Retiree Health Care Plans*

<i>for the City's fiscal year ending June 30,</i>	<u>2018</u>	<u>2017</u>
Annual Money-weighted rate of return, net of investment expenses for the following plans:		
General Retiree Health Care Plan	5.73%	10.33%
Police Retiree Health Care Plan	7.31%	12.99%
Fire Retiree Health Care Plan	7.22%	12.99%

** An additional year will be added each year until ten years are presented.*

City of Grand Rapids, Michigan
Budgetary Comparison Schedule
General Operating Fund Expenditures

for the year ended June 30, 2018

<u>Department</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
General Government - Fiscal and Administrative:				
Executive Office and City Commission	\$ 2,136,584	\$ 3,460,519	\$ 2,419,747	\$ 1,040,772
Comptroller's Office	2,724,870	2,724,870	2,373,158	351,712
Fiscal Services	7,265,294	7,266,359	6,208,369	1,057,990
Clerk's Office	2,003,426	2,016,426	1,802,379	214,047
Technology and Change Management	223,932	223,932	198,103	25,829
Treasury	2,117,043	2,142,043	2,040,259	101,784
Attorney's Office	2,678,333	2,748,333	2,684,439	63,894
Human Resources	2,937,463	2,989,463	2,435,806	553,657
Administrative Services Support	884,245	884,245	706,360	177,885
Other general government	8,043,004	8,313,754	7,878,029	435,725
Total General Government	31,014,194	32,769,944	28,746,649	4,023,295
Public safety:				
Police	50,787,375	50,787,375	50,019,536	767,839
Fire	29,154,273	29,145,217	28,617,049	528,168
Total Public Safety	79,941,648	79,932,592	78,636,585	1,296,007
Public Works:				
Enterprise Services	5,285,064	5,448,264	5,363,233	85,031
Total Public Works	5,285,064	5,448,264	5,363,233	85,031
Urban development:				
Community Development	3,326,573	3,326,573	3,120,210	206,363
Design, Development and Comm. Engagement	2,061,021	2,061,021	1,988,280	72,741
Total Urban Development	5,387,594	5,387,594	5,108,490	279,104
Non-departmental:				
Budgeted appropriation lapse	(3,500,000)	(3,500,000)	-	(3,500,000)
Contingencies	1,500,000	-	-	-
Debt service	58,318	58,318	61,006	(2,688)
Transfers to other funds	16,676,101	16,715,290	15,954,248	761,042
Total non-departmental	14,734,419	13,273,608	16,015,254	(2,741,646)
Total charges to appropriations	\$ 136,362,919	\$ 136,812,002	\$ 133,870,211	\$ 2,941,791

* The legal level of budgetary control is the department level. This department had expenditures in excess of appropriations.

City of Grand Rapids, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

	Library	Refuse	Parks & Recreation	Trans-formation	Grants	Michigan Justice Training	Vehicle Storage Facility	Property Management	Building Inspections
ASSETS									
Equity in pooled cash and investments	\$ 4,269,896	\$ 6,142,163	\$ 3,189,025	\$ 5,505,822	\$ 3,023,388	\$ 189,764	\$ 567,992	\$ 1,277,990	\$ 7,506,679
Receivables, net	44,599	27,082	28,508	14,105	-	480	2,088	2,927	19,193
Due from other governmental units	69,451	-	-	-	407,044	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 4,383,946</u>	<u>\$ 6,169,245</u>	<u>\$ 3,217,533</u>	<u>\$ 5,519,927</u>	<u>\$ 3,430,432</u>	<u>\$ 190,244</u>	<u>\$ 570,080</u>	<u>\$ 1,280,917</u>	<u>\$ 7,525,872</u>
LIABILITIES									
Vouchers and accounts payable	\$ 114,321	\$ 329,428	\$ 738,389	\$ -	\$ 943,246	\$ 1,745	\$ 31,022	\$ 308	\$ 24,348
Due to other governmental units	-	-	-	-	-	-	1,065	-	-
Unearned revenues	-	-	-	-	653,855	-	-	-	-
Customer deposits	-	1,160,862	21,662	-	-	-	-	-	-
Total liabilities	<u>114,321</u>	<u>1,490,290</u>	<u>760,051</u>	<u>-</u>	<u>1,597,101</u>	<u>1,745</u>	<u>32,087</u>	<u>308</u>	<u>24,348</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Nonspendable:									
Inventories	-	-	-	-	-	-	-	-	-
Nonexpendable Trust principal	14,270	-	-	-	-	-	-	-	-
Restricted:									
Public safety	-	-	-	-	-	188,499	-	-	-
Urban and community development	-	-	-	-	1,833,331	-	-	358,233	-
Culture and recreation	398,561	-	-	-	-	-	-	-	-
Committed:									
Authorized projects	-	-	-	5,519,927	-	-	-	100,000	-
Other purposes	-	-	-	-	-	-	-	-	-
Assigned:									
Culture and recreation	3,486,217	-	2,166,734	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Urban and community development	-	-	-	-	-	-	-	714,326	7,250,490
Public works	-	4,433,475	-	-	-	-	527,606	-	-
Ensuing budget year	-	-	-	-	-	-	-	107,302	-
Compensated absences	370,577	245,480	290,748	-	-	-	10,387	748	251,034
Other purposes	-	-	-	-	-	-	-	-	-
Total fund balance	<u>4,269,625</u>	<u>4,678,955</u>	<u>2,457,482</u>	<u>5,519,927</u>	<u>1,833,331</u>	<u>188,499</u>	<u>537,993</u>	<u>1,280,609</u>	<u>7,501,524</u>
Total liabilities and fund balances	<u>\$ 4,383,946</u>	<u>\$ 6,169,245</u>	<u>\$ 3,217,533</u>	<u>\$ 5,519,927</u>	<u>\$ 3,430,432</u>	<u>\$ 190,244</u>	<u>\$ 570,080</u>	<u>\$ 1,280,917</u>	<u>\$ 7,525,872</u>

City of Grand Rapids, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds						Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Sidewalk	Community	Drug Law	General	Economic	Downtown	Business	Grand Rapids Building Authority		Cemeteries Perpetual Care
	Repair	Dispatch	Enforcement	Special Revenue	Development	Improvement District	Improvement District			
ASSETS										
Equity in pooled cash and investments	\$ 812,039	\$ 1,313,853	\$ 1,256,670	\$ 193,600	\$ 813,126	\$ 944,755	\$ 25,511	\$ 1,679,629	\$ 4,130,678	\$ 42,842,580
Receivables, net	3,420	2,949	2,888	1,492	2,428	2,313	105	-	10,580	165,157
Due from other governmental units	-	1,099,127	-	-	-	-	-	-	-	1,575,622
Inventories	-	-	-	-	-	-	-	-	17,494	17,494
Total assets	<u>\$ 815,459</u>	<u>\$ 2,415,929</u>	<u>\$ 1,259,558</u>	<u>\$ 195,092</u>	<u>\$ 815,554</u>	<u>\$ 947,068</u>	<u>\$ 25,616</u>	<u>\$ 1,679,629</u>	<u>\$ 4,158,752</u>	<u>\$ 44,600,853</u>
LIABILITIES										
Vouchers and accounts payable	\$ 270,503	\$ 854	\$ 13,841	\$ 5,000	\$ 9,296	\$ 58,034	\$ 15,242	\$ -	\$ -	\$ 2,555,577
Due to other governmental units	-	-	-	-	-	-	-	-	-	1,065
Unearned revenues	-	-	-	-	-	-	-	-	-	653,855
Customer deposits	568	-	-	-	-	-	-	-	-	1,183,092
Total liabilities	<u>271,071</u>	<u>854</u>	<u>13,841</u>	<u>5,000</u>	<u>9,296</u>	<u>58,034</u>	<u>15,242</u>	<u>-</u>	<u>-</u>	<u>4,393,589</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenues	-	1,099,127	-	-	-	-	-	-	-	1,099,127
FUND BALANCES										
Nonspendable:										
Inventories	-	-	-	-	-	-	-	-	17,494	17,494
Nonexpendable Trust principal	-	-	-	25,000	-	-	-	-	2,970,778	3,010,048
Restricted:										
Public safety	-	-	1,245,717	-	-	-	-	-	-	1,434,216
Urban and community development	-	-	-	-	-	889,034	10,374	-	-	3,090,972
Culture and recreation	-	-	-	118,108	-	-	-	-	-	516,669
Committed:										
Authorized projects	-	-	-	-	-	-	-	-	-	5,619,927
Other purposes	-	-	-	-	-	-	-	-	1,170,480	1,170,480
Assigned:										
Culture and recreation	-	-	-	46,984	-	-	-	-	-	5,699,935
Public safety	-	1,043,580	-	-	-	-	-	-	-	1,043,580
Urban and community development	-	-	-	-	503,511	-	-	-	-	8,468,327
Public works	511,641	-	-	-	-	-	-	-	-	5,472,722
Ensuing budget year	-	-	-	-	288,507	-	-	-	-	395,809
Compensated absences	32,747	272,368	-	-	14,240	-	-	-	-	1,488,329
Other purposes	-	-	-	-	-	-	-	1,679,629	-	1,679,629
Total fund balance	<u>544,388</u>	<u>1,315,948</u>	<u>1,245,717</u>	<u>190,092</u>	<u>806,258</u>	<u>889,034</u>	<u>10,374</u>	<u>1,679,629</u>	<u>4,158,752</u>	<u>39,108,137</u>
Total liabilities and fund balances	<u>\$ 815,459</u>	<u>\$ 2,415,929</u>	<u>\$ 1,259,558</u>	<u>\$ 195,092</u>	<u>\$ 815,554</u>	<u>\$ 947,068</u>	<u>\$ 25,616</u>	<u>\$ 1,679,629</u>	<u>\$ 4,158,752</u>	<u>\$ 44,600,853</u>

City of Grand Rapids, Michigan
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the year ended June 30, 2018

Special Revenue Funds

	Library	Refuse	Parks & Recreation	Trans-formation	Grants	Michigan Justice Training	Vehicle Storage Facility	Property Management	Building Inspections	DNR Properties
Revenues:										
Property taxes	\$ 10,138,799	\$ 6,723,937	\$ 4,042,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City income taxes	-	-	-	-	-	-	-	-	-	-
State shared taxes	-	-	-	-	39,272	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	4,847,595	-
Federal grants	-	-	-	-	6,754,243	-	-	-	-	-
State grants	373,021	98,118	-	-	791,017	51,671	-	-	-	-
Other grants and contributions	409,238	-	63,900	-	1,166,627	-	-	-	-	-
Charges for services	175,346	6,131,948	862,124	-	613,150	-	787,079	22,166	363,269	-
Fines and forfeitures	165,582	-	-	-	-	-	-	-	-	-
Property sales	-	-	-	-	-	-	-	225,187	-	-
Investment earnings	89,560	89,519	77,103	95,844	9,570	2,018	6,067	14,932	78,244	493
Miscellaneous	4,000	10,434	19,360	-	21,387	-	-	1,300	-	-
Total revenues	11,355,546	13,053,956	5,064,567	95,844	9,395,266	53,689	793,146	263,585	5,289,108	493
Expenditures:										
Current:										
General government	-	-	-	-	365,407	-	-	-	-	-
Public safety	-	-	-	-	2,291,368	60,287	-	-	-	-
Public works	-	11,862,007	-	-	142,016	-	555,333	-	-	-
Culture and recreation	8,639,042	-	10,905,068	-	303,127	-	-	-	-	-
Urban and community development	-	-	-	-	7,106,465	-	-	280,066	3,995,877	-
Debt service:										
Principal	-	-	-	-	-	-	-	26,316	-	-
Interest and paying agent fees	-	-	-	-	-	-	-	14,079	-	-
Capital outlay	388,306	-	51,337	-	-	-	-	-	-	-
Total expenditures	9,027,348	11,862,007	10,956,405	-	10,208,383	60,287	555,333	320,461	3,995,877	-
Excess (deficiency) of revenues over expenditures	2,328,198	1,191,949	(5,891,838)	95,844	(813,117)	(6,598)	237,813	(56,876)	1,293,231	493
Other financing sources (uses):										
Transfers in	632,809	-	6,288,804	-	2,124,443	-	-	31,548	59,171	-
Transfers out	(2,517,854)	(1,228,369)	(853,852)	(2,521,628)	(1,415,875)	-	(151,839)	(9,976)	(368,085)	(31,548)
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,885,045)	(1,228,369)	5,434,952	(2,521,628)	708,568	-	(151,839)	21,572	(308,914)	(31,548)
Net change in fund balances	443,153	(36,420)	(456,886)	(2,425,784)	(104,549)	(6,598)	85,974	(35,304)	984,317	(31,055)
Fund balances - beginning	3,826,472	4,715,375	2,914,368	7,945,711	1,937,880	195,097	452,019	1,315,913	6,517,207	31,055
Fund balances - ending	\$ 4,269,625	\$ 4,678,955	\$ 2,457,482	\$ 5,519,927	\$ 1,833,331	\$ 188,499	\$ 537,993	\$ 1,280,609	\$ 7,501,524	\$ -

City of Grand Rapids, Michigan
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the year ended June 30, 2018

	Special Revenue Funds						Debt Service Fund	Permanent Fund	Total	
	Sidewalk	Community	Drug Law	General	Economic	Downtown	Business	Grand Rapids	Cemeteries	Total
	Repair	Dispatch	Enforcement	Special	Development	Improvement	Improvement	Building Authority	Perpetual	Nonmajor
			Revenue		District	District		Care	Governmental	Funds
Revenues:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,904,816
City income taxes	2,083,588	-	-	-	-	-	-	-	-	2,083,588
State shared taxes	-	-	-	-	-	-	-	-	-	39,272
Licenses and permits	34,041	-	-	-	-	-	-	-	-	4,881,636
Federal grants	-	-	141,926	-	-	-	-	-	-	6,896,169
State grants	-	-	-	-	-	-	-	-	-	1,313,827
Other grants and contributions	-	604,524	-	-	-	1,000	-	-	-	2,245,289
Charges for services	16,743	-	415,250	-	56,683	1,088,187	105,595	-	25,739	10,663,279
Fines and forfeitures	-	-	-	-	-	-	-	-	-	165,582
Property sales	-	-	-	-	-	-	-	-	-	225,187
Investment earnings	11,410	21,003	15,263	2,173	10,190	12,017	567	-	45,983	581,956
Miscellaneous	-	-	3,545	30,808	5,237	-	-	63,002	-	159,073
Total revenues	<u>2,145,782</u>	<u>625,527</u>	<u>575,984</u>	<u>32,981</u>	<u>72,110</u>	<u>1,101,204</u>	<u>106,162</u>	<u>63,002</u>	<u>71,722</u>	<u>50,159,674</u>
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	365,407
Public safety	-	4,798,306	699,760	-	-	-	-	-	-	7,849,721
Public works	1,842,372	-	-	-	-	-	-	-	-	14,401,728
Culture and recreation	-	-	-	21,263	-	-	-	-	-	19,868,500
Urban and community development	-	-	-	-	432,958	989,224	112,701	-	-	12,917,291
Debt service:										
Principal	-	-	-	-	-	-	-	5,680,000	-	5,706,316
Interest and paying agent fees	-	-	-	-	-	-	-	1,989,118	-	2,003,197
Capital outlay	-	-	-	-	-	-	-	-	-	439,643
Total expenditures	<u>1,842,372</u>	<u>4,798,306</u>	<u>699,760</u>	<u>21,263</u>	<u>432,958</u>	<u>989,224</u>	<u>112,701</u>	<u>7,669,118</u>	<u>-</u>	<u>63,551,803</u>
Excess (deficiency) of revenues over expenditures	<u>303,410</u>	<u>(4,172,779)</u>	<u>(123,776)</u>	<u>11,718</u>	<u>(360,848)</u>	<u>111,980</u>	<u>(6,539)</u>	<u>(7,606,116)</u>	<u>71,722</u>	<u>(13,392,129)</u>
Other financing sources (uses):										
Transfers in	-	3,250,929	-	-	306,966	-	-	7,658,124	96,395	20,449,189
Transfers out	(1,281,564)	(338,742)	-	-	(15,600)	(40,522)	-	-	(42,363)	(10,817,817)
Sale of capital assets	-	-	5,480	-	-	-	-	-	-	5,480
Total other financing sources (uses)	<u>(1,281,564)</u>	<u>2,912,187</u>	<u>5,480</u>	<u>-</u>	<u>291,366</u>	<u>(40,522)</u>	<u>-</u>	<u>7,658,124</u>	<u>54,032</u>	<u>9,636,852</u>
Net change in fund balances	(978,154)	(1,260,592)	(118,296)	11,718	(69,482)	71,458	(6,539)	52,008	125,754	(3,755,277)
Fund balances - beginning	<u>1,522,542</u>	<u>2,576,540</u>	<u>1,364,013</u>	<u>178,374</u>	<u>875,740</u>	<u>817,576</u>	<u>16,913</u>	<u>1,627,621</u>	<u>4,032,998</u>	<u>42,863,414</u>
Fund balances - ending	<u>\$ 544,388</u>	<u>\$ 1,315,948</u>	<u>\$ 1,245,717</u>	<u>\$ 190,092</u>	<u>\$ 806,258</u>	<u>\$ 889,034</u>	<u>\$ 10,374</u>	<u>\$ 1,679,629</u>	<u>\$ 4,158,752</u>	<u>\$ 39,108,137</u>

City of Grand Rapids
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget to Actual
Nonmajor Governmental Funds-Special Revenue
for the year ended June 30, 2018

	Budget (unaudited)				Actual				
	Revenues	Expenditures	Other Financing Sources (uses)	Net	Revenues	Expenditures	Other Financing Sources (uses)	Net	Net Variance
Library	\$ 11,199,343	9,933,174	\$ (1,823,651)	(557,482)	\$ 11,355,546	\$ 9,027,348	\$ (1,885,045)	443,153	\$ 1,000,635
Refuse	12,794,491	12,456,984	(978,369)	(640,862)	13,053,956	11,862,007	(1,228,369)	(36,420)	604,442
Grants	18,304,448	20,732,887	684,033	(1,744,406)	9,395,266	10,208,383	708,568	(104,549)	1,639,857
Michigan Justice Training	56,982	80,000	-	(23,018)	53,689	60,287	-	(6,598)	16,420
Vehicle Storage Facility	786,068	624,997	(182,810)	(21,739)	793,146	555,333	(151,839)	85,974	107,713
Parks & Recreation	4,792,590	12,015,567	5,534,952	(1,688,025)	5,064,567	10,956,405	5,434,952	(456,886)	1,231,139
Property Management	511,575	570,599	21,397	(37,627)	263,585	320,461	21,572	(35,304)	2,323
Building Inspections	3,678,582	4,044,437	(302,020)	(667,875)	5,289,108	3,995,877	(308,914)	984,317	1,652,192
DNR Properties	-	-	(31,373)	(31,373)	493	-	(31,548)	(31,055)	318
Sidewalk Repair	101,612	1,995,882	802,024	(1,092,246)	2,145,782	1,842,372	(1,281,564)	(978,154)	114,092
Community Dispatch	2,255,726	5,282,687	3,037,187	10,226	625,527	4,798,306	2,912,187	(1,260,592)	(1,270,818)
Transformation	20,200	-	(2,521,628)	(2,501,428)	95,844	-	(2,521,628)	(2,425,784)	75,644
Drug Law Enforcement	649,260	951,445	-	(302,185)	575,984	699,760	5,480	(118,296)	183,889
General Special Revenue	135,091	230,400	-	(95,309)	32,981	21,263	-	11,718	107,027
Economic Development	64,262	486,733	206,366	(216,105)	72,110	432,958	291,366	(69,482)	146,623
Downtown Improvement District	1,037,023	886,802	(40,522)	109,699	1,101,204	989,224	(40,522)	71,458	(38,241)
Business Improvement District	110,846	113,500	-	(2,654)	106,162	112,701	-	(6,539)	(3,885)
Total	\$ 56,498,099	70,406,094	\$ 4,405,586	(9,502,409)	\$ 50,024,950	\$ 55,882,685	\$ 1,924,696	(3,933,039)	\$ 5,569,370

Note: Both budgeted and actual figures are prepared in conformity with generally accepted accounting principles.

City of Grand Rapids, Michigan
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2018

	Cemeteries Operating	Belknap Ice Arena	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Equity in pooled cash and investments	\$ 683,220	\$ 668,596	\$ 1,351,816
Receivables, net	46,596	99,443	146,039
Inventory	<u>2,552</u>	<u>-</u>	<u>2,552</u>
Total current assets	<u>732,368</u>	<u>768,039</u>	<u>1,500,407</u>
Noncurrent assets:			
Other assets	235,678	-	235,678
Capital assets:			
Non-depreciable	5,255	-	5,255
Depreciable	4,381,571	4,315,687	8,697,258
Less accumulated depreciation	<u>(1,423,596)</u>	<u>(3,207,987)</u>	<u>(4,631,583)</u>
Total noncurrent assets	<u>3,198,908</u>	<u>1,107,700</u>	<u>4,306,608</u>
Total assets	<u>3,931,276</u>	<u>1,875,739</u>	<u>5,807,015</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	149,497	-	149,497
Deferred outflows related to OPEB	<u>18,137</u>	<u>-</u>	<u>18,137</u>
Total deferred outflows of resources	<u>167,634</u>	<u>-</u>	<u>167,634</u>
LIABILITIES			
Current liabilities:			
Vouchers and accounts payable	68,663	140,767	209,430
Unearned revenues	2,808	-	2,808
Current portion of compensated absences	<u>23,387</u>	<u>-</u>	<u>23,387</u>
Total current liabilities	<u>94,858</u>	<u>140,767</u>	<u>235,625</u>
Noncurrent liabilities (net of portion due within 1 year):			
Compensated absences	13,882	-	13,882
Net pension liability	353,031	-	353,031
Net OPEB obligation	<u>154,114</u>	<u>-</u>	<u>154,114</u>
Total noncurrent liabilities	<u>521,027</u>	<u>-</u>	<u>521,027</u>
Total liabilities	<u>615,885</u>	<u>140,767</u>	<u>756,652</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	57,752	-	57,752
Deferred inflows related to OPEB	<u>1,389</u>	<u>-</u>	<u>1,389</u>
Total deferred inflows of resources	<u>59,141</u>	<u>-</u>	<u>59,141</u>
NET POSITION			
Net investment in capital assets	2,963,230	1,107,700	4,070,930
Unrestricted	<u>460,654</u>	<u>627,272</u>	<u>1,087,926</u>
Total net position	<u>\$ 3,423,884</u>	<u>\$ 1,734,972</u>	<u>\$ 5,158,856</u>

City of Grand Rapids, Michigan
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
for the year ended June 30, 2018

	<u>Cemeteries Operating</u>	<u>Belknap Ice Arena</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 971,090	\$ 751,005	\$ 1,722,095
Sales	330,934	47,220	378,154
Total operating revenues	<u>1,302,024</u>	<u>798,225</u>	<u>2,100,249</u>
Operating expenses:			
Personal services	347,290	240,009	587,299
Supplies and materials	104,959	30,145	135,104
Utilities	54,231	136,473	190,704
Contractual services	460,411	238,162	698,573
Other services and charges	220,168	71,078	291,246
Depreciation	174,714	112,424	287,138
Total operating expenses	<u>1,361,773</u>	<u>828,291</u>	<u>2,190,064</u>
Operating Loss	<u>(59,749)</u>	<u>(30,066)</u>	<u>(89,815)</u>
Nonoperating revenues:			
Interest earnings	8,194	5,156	13,350
Gain on sale of capital assets	-	-	-
Total nonoperating revenues	<u>8,194</u>	<u>5,156</u>	<u>13,350</u>
Loss before transfers	<u>(51,555)</u>	<u>(24,910)</u>	<u>(76,465)</u>
Transfers in	392,363	-	392,363
Transfers out	<u>(260,601)</u>	<u>-</u>	<u>(260,601)</u>
Change in net position	80,207	(24,910)	55,297
Total net position - beginning, as restated	<u>3,343,677</u>	<u>1,759,882</u>	<u>5,103,559</u>
Total net position - ending	<u>\$ 3,423,884</u>	<u>\$ 1,734,972</u>	<u>\$ 5,158,856</u>

City of Grand Rapids, Michigan
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
for the year ended June 30, 2018

	Cemeteries	Belknap	Total Nonmajor
	Operating	Ice Arena	Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,300,617	\$ 745,488	\$ 2,046,105
Payments to suppliers	(860,527)	(471,389)	(1,331,916)
Payments to employees	(209,063)	(212,193)	(421,256)
Payments for payroll taxes and benefits	(261,456)	(27,816)	(289,272)
Net cash provided (used) by operating activities	<u>(30,429)</u>	<u>34,090</u>	<u>3,661</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	392,363	-	392,363
Transfers to other funds	(260,601)	-	(260,601)
Net cash provided by noncapital financing activities	<u>131,762</u>	<u>-</u>	<u>131,762</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(34,255)	-	(34,255)
Net cash used by capital and related financing activities	<u>(34,255)</u>	<u>-</u>	<u>(34,255)</u>
Cash flows from investing activities:			
Interest received	8,194	5,156	13,350
Net increase in equity in pooled cash and investments	75,272	39,246	114,518
Equity in pooled cash and investments, beginning	607,948	629,350	1,237,298
Equity in pooled cash and investments, ending	<u>\$ 683,220</u>	<u>\$ 668,596</u>	<u>\$ 1,351,816</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (59,749)	\$ (30,066)	\$ (89,815)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	174,714	112,424	287,138
Change in assets and liabilities:			
Increase in accounts receivable	(2,884)	(52,737)	(55,621)
Decrease in inventory	1,477	-	1,477
Increase (decrease) in vouchers and accounts payable	(22,255)	4,469	(17,786)
Increase in other liabilities	1,497	-	1,497
Decrease in deferred outflows related to pensions	195,500	-	195,500
Decrease in deferred outflows related to OPEB	1,702	-	1,702
Decrease in deferred outflows related to pensions	(22,374)	-	(22,374)
Increase in deferred inflows related to OPEB	1,389	-	1,389
Decrease in compensated absences	(2,182)	-	(2,182)
Decrease in pension liability	(258,491)	-	(258,491)
Increase in net OPEB liability	(38,773)	-	(38,773)
Total adjustments	<u>29,320</u>	<u>64,156</u>	<u>93,476</u>
Net cash provided (used) by operating activities	<u>\$ (30,429)</u>	<u>\$ 34,090</u>	<u>\$ 3,661</u>

City of Grand Rapids, Michigan
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	311 Program	Total Internal Service Funds
ASSETS							
Current assets:							
Equity in pooled cash and investments	\$ 6,184,110	\$ 12,594,948	\$ 7,683,799	\$ 26,249,136	\$ 4,775,975	\$ 317,352	\$ 57,805,320
Receivables, net	14,191	33,841	164,669	291,855	177,929	652	683,137
Due from other governmental units	-	-	-	-	85,445	-	85,445
Inventorv	-	945,127	-	-	-	-	945,127
Restricted assets	-	-	-	4,517,177	-	-	4,517,177
Total current assets	<u>6,198,301</u>	<u>13,573,916</u>	<u>7,848,468</u>	<u>31,058,168</u>	<u>5,039,349</u>	<u>318,004</u>	<u>64,036,206</u>
Noncurrent assets:							
Capital assets:							
Non-depreciable	-	913,448	-	-	-	-	913,448
Depreciable	3,862,384	43,906,723	1,610,793	-	33,674	-	49,413,574
Less accumulated depreciation	<u>(2,506,720)</u>	<u>(22,855,188)</u>	<u>(555,630)</u>	<u>-</u>	<u>(9,945)</u>	<u>-</u>	<u>(25,927,483)</u>
Total noncurrent assets	<u>1,355,664</u>	<u>21,964,983</u>	<u>1,055,163</u>	<u>-</u>	<u>23,729</u>	<u>-</u>	<u>24,399,539</u>
Total assets	<u>7,553,965</u>	<u>35,538,899</u>	<u>8,903,631</u>	<u>31,058,168</u>	<u>5,063,078</u>	<u>318,004</u>	<u>88,435,745</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	195,469	1,317,172	707,297	400,033	1,815,267	595,698	5,030,936
Deferred outflows related to OPEB	23,715	159,795	85,808	50,186	219,851	72,269	611,624
Deferred on refunding of bonds	-	1,080	-	-	-	-	1,080
Total deferred outflows of resources	<u>219,184</u>	<u>1,478,047</u>	<u>793,105</u>	<u>450,219</u>	<u>2,035,118</u>	<u>667,967</u>	<u>5,643,640</u>
LIABILITIES							
Current liabilities:							
Vouchers and accounts payable	20,125	373,090	281,780	1,422,026	20,704	12,547	2,130,272
Accrued interest payable	-	4,760	-	-	-	-	4,760
Due to other governmental units	-	-	-	86,100	-	-	86,100
Unearned revenues	-	-	1,413	-	-	-	1,413
Current portion of claims payable	-	-	-	5,103,312	-	-	5,103,312
Current maturities of bonds, notes and contracts payable	-	210,256	-	-	-	-	210,256
Current portion of compensated absences	24,588	133,009	100,482	35,737	214,648	30,443	538,907
Total current liabilities	<u>44,713</u>	<u>721,115</u>	<u>383,675</u>	<u>6,647,175</u>	<u>235,352</u>	<u>42,990</u>	<u>8,075,020</u>
Noncurrent liabilities (net of current portion):							
Bonds payable	-	173,135	-	-	-	-	173,135
Claims payable	-	-	-	396,506	-	-	396,506
Compensated absences	14,596	78,954	59,646	21,214	127,414	18,071	319,895
Net pension liability	461,594	3,110,456	1,670,258	944,664	4,286,690	1,406,720	11,880,382
Net OPEB liability	201,515	1,357,856	729,149	426,452	1,868,175	614,103	5,197,250
Total noncurrent liabilities	<u>677,705</u>	<u>4,720,401</u>	<u>2,459,053</u>	<u>1,788,836</u>	<u>6,282,279</u>	<u>2,038,894</u>	<u>17,967,168</u>
Total liabilities	<u>722,418</u>	<u>5,441,516</u>	<u>2,842,728</u>	<u>8,436,011</u>	<u>6,517,631</u>	<u>2,081,884</u>	<u>26,042,188</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions (Note 7)	75,512	508,835	273,235	154,536	701,254	230,123	1,943,495
Deferred inflows related to OPEB (Note 8)	1,816	12,237	6,571	3,843	16,837	5,534	46,838
Total deferred inflows of resources	<u>77,328</u>	<u>521,072</u>	<u>279,806</u>	<u>158,379</u>	<u>718,091</u>	<u>235,657</u>	<u>1,990,333</u>
NET POSITION							
Net investment in capital assets	1,355,664	21,582,672	1,055,163	-	23,729	-	24,017,228
Unrestricted	5,617,739	9,471,686	5,519,039	22,913,997	(161,255)	(1,331,570)	42,029,636
Total net position	<u>\$ 6,973,403</u>	<u>\$ 31,054,358</u>	<u>\$ 6,574,202</u>	<u>\$ 22,913,997</u>	<u>\$ (137,526)</u>	<u>\$ (1,331,570)</u>	<u>\$ 66,046,864</u>

City of Grand Rapids, Michigan
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
for the year ended June 30, 2018

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	311 Program	Total Internal Service Funds
Operating revenues:							
Charges for services	\$ 6,273,166	\$ 12,378,549	\$ 6,435,290	\$ 28,335,350	\$ 4,805,581	\$ 1,613,674	\$ 59,841,610
Sales	-	16,947	3,600	-	-	-	20,547
Miscellaneous	-	172,611	-	110,518	250	22	283,401
Total operating revenues	<u>6,273,166</u>	<u>12,568,107</u>	<u>6,438,890</u>	<u>28,445,868</u>	<u>4,805,831</u>	<u>1,613,696</u>	<u>60,145,558</u>
Operating expenses:							
Personal services	373,328	1,868,589	1,333,095	288,805	3,525,972	1,302,476	8,692,265
Supplies and materials	32,044	2,706,255	215,764	-	48,570	8,715	3,011,348
Utilities	-	16,272	2,490,267	-	-	-	2,506,539
Contractual services	3,019,884	80,324	29,942	489,526	175,896	255,979	4,051,551
Other services and charges	2,771,143	769,094	1,297,465	26,238,187	697,509	179,041	31,952,439
Depreciation	485,197	3,408,456	82,163	-	3,367	-	3,979,183
Total operating expenses	<u>6,681,596</u>	<u>8,848,990</u>	<u>5,448,696</u>	<u>27,016,518</u>	<u>4,451,314</u>	<u>1,746,211</u>	<u>54,193,325</u>
Operating income (loss)	<u>(408,430)</u>	<u>3,719,117</u>	<u>990,194</u>	<u>1,429,350</u>	<u>354,517</u>	<u>(132,515)</u>	<u>5,952,233</u>
Nonoperating revenues (expenses):							
Investment earnings (loss)	73,056	96,065	75,761	923,444	49,624	5,513	1,223,463
Miscellaneous revenue (expense)	(191,065)	129,247	-	-	-	-	(61,818)
Gain on sale of capital assets	-	214,267	-	-	-	-	214,267
Interest expense and paying agent fees	-	(12,128)	(1,850)	-	-	-	(13,978)
Total nonoperating revenues (expenses)	<u>(118,009)</u>	<u>427,451</u>	<u>73,911</u>	<u>923,444</u>	<u>49,624</u>	<u>5,513</u>	<u>1,361,934</u>
Income (loss) before transfers	<u>(526,439)</u>	<u>4,146,568</u>	<u>1,064,105</u>	<u>2,352,794</u>	<u>404,141</u>	<u>(127,002)</u>	<u>7,314,167</u>
Transfers in	-	3,291,287	-	-	-	-	3,291,287
Transfers out	<u>(119,769)</u>	<u>(228,245)</u>	<u>(199,985)</u>	<u>(1,196,136)</u>	<u>(331,271)</u>	<u>(72,481)</u>	<u>(2,147,887)</u>
Change in net position	<u>(646,208)</u>	<u>7,209,610</u>	<u>864,120</u>	<u>1,156,658</u>	<u>72,870</u>	<u>(199,483)</u>	<u>8,457,567</u>
Total net position - beginning, as restated	<u>7,619,611</u>	<u>23,844,748</u>	<u>5,710,082</u>	<u>21,757,339</u>	<u>(210,396)</u>	<u>(1,132,087)</u>	<u>57,589,297</u>
Total net position - ending	<u>\$ 6,973,403</u>	<u>\$ 31,054,358</u>	<u>\$ 6,574,202</u>	<u>\$ 22,913,997</u>	<u>\$ (137,526)</u>	<u>\$ (1,331,570)</u>	<u>\$ 66,046,864</u>

City of Grand Rapids, Michigan
Combining Statement of Cash Flows
Internal Service Funds
for the year ended June 30, 2018

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	311 Program	Total Internal Service Funds
Cash flows from operating activities:							
Receipts from customers	6,273,166	12,472,710	6,433,374	28,834,807	4,613,266	1,613,696	60,241,019
Payments to suppliers	(5,991,859)	(3,447,405)	(4,044,953)	(25,931,681)	(927,828)	(613,625)	(40,957,351)
Payments to employees	(235,153)	(847,137)	(919,854)	(495,865)	(2,284,440)	(750,331)	(5,532,780)
Payments for payroll taxes and benefits	(140,158)	(1,911,677)	(547,608)	(322,434)	(1,368,551)	(484,255)	(4,774,683)
Other operating revenues (expenses)	(191,065)	129,247	-	-	-	-	(61,818)
Net cash provided (used) by operating activities	(285,069)	6,395,738	920,959	2,084,827	32,447	(234,515)	8,914,387
Cash flows from noncapital financing activities:							
Transfers from other funds	-	3,291,287	-	-	-	-	3,291,287
Transfers to other funds	(119,769)	(228,245)	(199,985)	(1,196,136)	(331,271)	(72,481)	(2,147,887)
Net cash provided (used) by noncapital financing activities	(119,769)	3,063,042	(199,985)	(1,196,136)	(331,271)	(72,481)	1,143,400
Cash flows from capital and related financing activities:							
Purchase of capital assets	(230,196)	(4,163,538)	-	-	-	-	(4,393,734)
Sale of capital assets	-	214,267	-	-	-	-	214,267
Principal paid on capital debt	-	(210,526)	-	-	-	-	(210,526)
Interest paid on capital debt	-	(14,562)	-	-	-	-	(14,562)
Net cash used by capital and related financing activities	(230,196)	(4,174,359)	-	-	-	-	(4,404,555)
Cash flows from investing activities:							
Interest received	80,479	87,113	75,471	938,228	53,102	6,968	1,241,361
Net increase (decrease) in equity in pooled cash and investments	(554,555)	5,371,534	796,445	1,826,919	(245,722)	(300,028)	6,894,593
Equity in pooled cash and investments - beginning of year	6,738,665	7,223,414	6,887,354	28,939,394	5,021,697	617,380	55,427,904
Equity in pooled cash and investments - end of year (including restricted cash held by trustee: \$4,517,177 in Insurance Payment fund)							
	<u>6,184,110</u>	<u>12,594,948</u>	<u>7,683,799</u>	<u>30,766,313</u>	<u>4,775,975</u>	<u>317,352</u>	<u>62,322,497</u>

City of Grand Rapids, Michigan
Combining Statement of Cash Flows
Internal Service Funds
for the year ended June 30, 2018

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	311 Program	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	(408,430)	3,719,117	990,194	1,429,350	354,517	(132,515)	5,952,233
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	485,197	3,408,456	82,163	-	3,367	-	3,979,183
Miscellaneous cash received	(191,065)	129,247	-	-	-	-	(61,818)
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	-	275	(5,516)	388,939	(107,120)	-	276,578
Increase in due from intergovernmental units	-	-	-	-	(85,445)	-	(85,445)
Increase in inventory	-	(95,672)	-	-	-	-	(95,672)
Increase (decrease) in vouchers and accounts payable	(168,788)	124,540	(11,515)	927,248	(5,853)	(47,580)	818,052
Increase in due to other funds	-	-	-	(13,582)	-	(122,310)	(135,892)
Decrease in deferred outflows related to pensions	175,566	1,569,371	614,836	619,418	1,467,283	411,277	4,857,751
(Increase) decrease in deferred outflows related to OPEB	(6,028)	8,094	(7,816)	16,548	(27,085)	(14,165)	(30,452)
Decrease in deferred inflows related to pensions	(10,661)	(161,564)	(33,830)	(82,232)	(61,118)	(3,747)	(353,152)
Increase in deferred inflows related to OPEB	1,816	12,237	6,571	3,843	16,837	5,534	46,838
(Increase) decrease in compensated absences	3,850	(37,858)	(11,723)	(2,348)	14,830	(2,015)	(35,264)
Decrease in pension liability	(196,082)	(2,006,061)	(673,277)	(862,356)	(1,531,767)	(378,184)	(5,647,727)
(Increase) decrease in net OPEB liability	29,556	(274,444)	(29,128)	(222,367)	(5,999)	49,190	(453,192)
Decrease in general claims payable	-	-	-	(117,634)	-	-	(117,634)
Total adjustments	<u>123,361</u>	<u>2,676,621</u>	<u>(69,235)</u>	<u>655,477</u>	<u>(322,070)</u>	<u>(102,000)</u>	<u>2,962,154</u>
Net cash provided (used) by operating activities	<u>(285,069)</u>	<u>6,395,738</u>	<u>920,959</u>	<u>2,084,827</u>	<u>32,447</u>	<u>(234,515)</u>	<u>8,914,387</u>

City of Grand Rapids, Michigan
Combining Statement of Fiduciary Net Position
Employee Benefit Trust Funds

	<u>Pension Trust Funds</u>		<u>Retiree Health Care Trust Funds</u>			<u>Total Employee Benefit Trust Funds</u>
	<u>Police and Fire</u>	<u>General</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>	
<i>as of :</i>	<i>December 31, 2017</i>	<i>June 30, 2018</i>	<i>June 30, 2018</i>	<i>June 30, 2018</i>	<i>June 30, 2018</i>	
ASSETS						
Equity in pooled cash and investments	\$ -	\$ -	\$ 813,860	\$ 746,214	\$ 516,351	\$ 2,076,425
Investments held by trustee:						
Cash and money market funds	6,597,667	3,031,862	-	-	-	9,629,529
United States Government Securities	23,209,646	24,802,992	-	-	-	48,012,638
State and municipal bonds	398,536	665,239	-	-	-	1,063,775
Corporate bonds and fixed income comingled funds	70,425,357	71,020,298	-	-	-	141,445,655
Common stocks and equity mutual funds	267,085,596	253,245,257	-	-	-	520,330,853
Real estate securities	20,026,836	20,226,797	-	-	-	40,253,633
Asset-backed securities	5,531,711	5,534,063	-	-	-	11,065,774
Commodities	17,768,977	18,505,628	-	-	-	36,274,605
Other	14,573,844	17,141,079	-	-	-	31,714,923
Comingled multi-asset portfolio	-	-	10,178,473	33,092,494	18,810,440	62,081,407
Collateral held by broker under securities lending						
Short-term fixed income	18,207,550	15,000,228	-	-	-	33,207,778
Receivables, net:						
Investment securities sold	2,077,427	2,220,316	-	-	-	4,297,743
Other accounts	700,958	989,043	1,513	140	523	1,692,177
Accrued interest and dividends	<u>374,012</u>	<u>486,249</u>	<u>632</u>	<u>1,537</u>	<u>685</u>	<u>863,115</u>
Total assets	<u>446,978,117</u>	<u>432,869,051</u>	<u>10,994,478</u>	<u>33,840,385</u>	<u>19,327,999</u>	<u>944,010,030</u>
LIABILITIES						
Compensated absences	21,137	22,827	-	-	-	43,964
Investment securities purchased	2,858,640	627,686	-	-	-	3,486,326
Vouchers and accounts payable	303,556	288,091	408,310	89,926	171,280	1,261,163
Due to other funds	41,199	30,308	-	-	-	71,507
Liabilities under security lending program	<u>18,207,550</u>	<u>15,000,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,207,778</u>
Total liabilities	<u>21,432,082</u>	<u>15,969,140</u>	<u>408,310</u>	<u>89,926</u>	<u>171,280</u>	<u>38,070,738</u>
NET POSITION						
Restricted for pension and OPEB benefits	<u>\$ 425,546,035</u>	<u>\$ 416,899,911</u>	<u>\$ 10,586,168</u>	<u>\$ 33,750,459</u>	<u>\$ 19,156,719</u>	<u>\$ 905,939,292</u>

City of Grand Rapids, Michigan
Combining Statement of Changes in Fiduciary Net Position
Employee Benefit Trust Funds

	<u>Pension Trust Funds</u>		<u>Retiree Health Care Trust Funds</u>			<u>Total Employee Benefit Trust Funds</u>
	<u>Police and Fire</u>	<u>General</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>	
	<i>December 31, 2017</i>	<i>June 30, 2018</i>	<i>June 30, 2018</i>	<i>June 30, 2018</i>	<i>June 30, 2018</i>	
<i>for the year ended:</i>						
ADDITIONS						
Plan Contributions:						
Employer	\$ 8,911,489	\$ 10,673,034	\$ 5,510,302	\$ 4,251,612	\$ 2,999,906	\$ 32,346,343
Plan members	5,114,841	2,832,479	-	-	-	7,947,320
Total contributions	<u>14,026,330</u>	<u>13,505,513</u>	<u>5,510,302</u>	<u>4,251,612</u>	<u>2,999,906</u>	<u>40,293,663</u>
Investment earnings:						
Interest and dividends	5,638,475	6,397,360	4,712	4,339	2,245	12,047,131
Net appreciation in fair value of investments	48,997,039	23,732,615	599,407	2,296,557	1,325,610	76,951,228
Total investment earnings	<u>54,635,514</u>	<u>30,129,975</u>	<u>604,119</u>	<u>2,300,896</u>	<u>1,327,855</u>	<u>88,998,359</u>
Investment management expense	(1,010,612)	(1,045,807)	-	-	-	(2,056,419)
Securities lending earnings	115,689	93,143	-	-	-	208,832
Total net investment earnings	<u>53,740,591</u>	<u>29,177,311</u>	<u>604,119</u>	<u>2,300,896</u>	<u>1,327,855</u>	<u>87,150,772</u>
Total additions	<u>67,766,921</u>	<u>42,682,824</u>	<u>6,114,421</u>	<u>6,552,508</u>	<u>4,327,761</u>	<u>127,444,435</u>
DEDUCTIONS						
Benefits paid	24,813,135	34,395,575	5,181,856	1,926,606	2,256,796	68,573,968
Administration expenses	580,690	556,142	177,180	143,142	111,952	1,569,106
Total deductions	<u>25,393,825</u>	<u>34,951,717</u>	<u>5,359,036</u>	<u>2,069,748</u>	<u>2,368,748</u>	<u>70,143,074</u>
Change in net position	42,373,096	7,731,107	755,385	4,482,760	1,959,013	57,301,361
Total net position - beginning	383,172,939	409,168,804	9,830,783	29,267,699	17,197,706	848,637,931
Total net position - ending	<u>\$ 425,546,035</u>	<u>\$ 416,899,911</u>	<u>\$ 10,586,168</u>	<u>\$ 33,750,459</u>	<u>\$ 19,156,719</u>	<u>\$ 905,939,292</u>

City of Grand Rapids, Michigan
Statement of Changes in Assets and Liabilities
Agency Tax Fund
for the year ended June 30, 2018

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
Assets:				
Equity in pooled cash and investments	\$ 257,945	\$ -	\$ 252,633	\$ 5,312
Property taxes receivable	<u>351,707</u>	<u>139,189,060</u>	<u>139,311,973</u>	<u>228,794</u>
Total assets	<u>\$ 609,652</u>	<u>\$ 139,189,060</u>	<u>\$ 139,564,606</u>	<u>\$ 234,106</u>
Liabilities:				
Due to other governmental units	<u>\$ 609,652</u>	<u>\$ 138,936,427</u>	<u>\$ 139,311,973</u>	<u>\$ 234,106</u>
Total liabilities	<u>\$ 609,652</u>	<u>\$ 138,936,427</u>	<u>\$ 139,311,973</u>	<u>\$ 234,106</u>

City of Grand Rapids, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2018

Function and Activity	Land	Easements/ Right of way	Land Improvements	Building and Structures	Machinery and Equipment	Motor Vehicles	Office Furniture and Equipment	Infrastructures	Construction in Progress	Totals
General government:	\$ 3,079,617	\$ -	\$ 398,304	\$ 52,001,320	\$ 2,532,153	\$ -	\$ -	\$ -	\$ 823,319	\$ 58,834,713
Public safety:										
Police	1,382,456	-	-	23,747,933	9,099,457	598,607	54,195	-	65,500	34,948,148
Fire	453,690	-	-	6,611,807	1,552,951	11,745,855	29,741	-	385,617	20,779,661
Total public safety	1,836,146	-	-	30,359,740	10,652,408	12,344,462	83,936	-	451,117	55,727,809
Public works:										
Public works	3,195,900	768,609	15,233,956	232,677	1,301,820	10,950	-	515,153,937	11,212,196	547,110,045
Street lighting	-	-	-	-	-	-	-	12,112,245	16,049	12,128,294
Traffic safety	-	1,488	16,965	3,582,426	435,940	-	66,669	9,900,015	-	14,003,503
Total public works	3,195,900	770,097	15,250,921	3,815,103	1,737,760	10,950	66,669	537,166,197	11,228,245	573,241,842
Culture and recreation:										
Libraries	2,284,018	-	72,997	37,287,108	30,125	25,224	2,018,539	-	-	41,718,011
Museum	2,736,700	-	104,131	42,691,644	344,881	-	530,787	-	-	46,408,143
Parks	10,604,666	18,316	37,419,687	9,438,608	910,285	87,290	-	-	340,886	58,819,738
Total culture and recreation	15,625,384	18,316	37,596,815	89,417,360	1,285,291	112,514	2,549,326	-	340,886	146,945,892
Urban and community development:										
Community and economic development	-	-	-	-	-	17,234	-	-	-	17,234
Total urban and community development	-	-	-	-	-	17,234	-	-	-	17,234
Total governmental funds capital assets	\$ 23,737,047	\$ 788,413	\$ 53,246,040	\$ 175,593,523	\$ 16,207,612	\$ 12,485,160	\$ 2,699,931	\$ 537,166,197	\$ 12,843,567	\$ 834,767,490

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

City of Grand Rapids, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
for the year ended June 30, 2018

<u>Function and Activity</u>	<u>June 30, 2017</u>	<u>Reclassification</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
General government	\$ 62,511,268	\$ (3,560,317)	634,776	\$ 751,014	\$ 58,834,713
Public safety:					
Police	33,988,538	919,572	234,111	194,073	34,948,148
Fire	21,710,274	(927,848)	488,517	491,282	20,779,661
Total public safety	55,698,812	(8,276)	722,628	685,355	55,727,809
Public works:					
Public works	544,798,180	(1,042,347)	3,490,897	136,685	547,110,045
Street lighting	11,954,362	(1)	173,933	-	12,128,294
Traffic safety	14,103,492	(172,713)	72,724	-	14,003,503
Total public works	570,856,034	(1,215,061)	3,737,554	136,685	573,241,842
Culture and recreation:					
Libraries	41,718,011	-	-	-	41,718,011
Museum	46,651,114	(242,971)	-	-	46,408,143
Parks	42,874,662	5,026,625	12,177,736	1,259,285	58,819,738
Total culture and recreation	131,243,787	4,783,654	12,177,736	1,259,285	146,945,892
Urban and community development:					
Community and economic development	17,234	-	-	-	17,234
Total urban and community development	17,234	-	-	-	17,234
Total governmental funds capital assets	\$ 820,327,135	\$ -	17,272,694	\$ 2,832,339	\$ 834,767,490

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as *governmental activities* in the statement of net position.

City of Grand Rapids, Michigan
Contents of the Statistical Section

This part of the City of Grand Rapids' 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's overall financial health. Many of the tables present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statement.

Contents

Tables

<p>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.</p>	<p>1-5</p>
<p>Revenue Capacity These schedules contain information to help the reader assess two locally levied taxes, the property tax collected by the City Treasurer which is the largest locally levied tax and the income tax collected by the City's Income Tax Department which is the city's most significant revenue source.</p>	<p>6-10</p>
<p>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.</p>	<p>11-14</p>
<p>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.</p>	<p>15, 16</p>
<p>Operating Information These schedules contain service 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.</p>	<p>17-19</p>

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

City of Grand Rapids, Michigan
Net Position by Component (unaudited)
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities										
Net Investment in capital assets	\$ 324,267,977	\$ 306,253,632	\$ 286,842,665	\$ 267,497,557	\$ 252,300,951	\$ 250,757,965	\$ 228,176,623	\$ 202,004,329	\$ 178,448,878	\$ 201,008,554
Restricted	5,587,778	15,806,474	15,069,304	14,778,249	14,052,452	15,868,799	16,462,828	28,568,423	31,118,311	25,235,721
Unrestricted	<u>59,785,812</u>	<u>65,335,299</u>	<u>72,746,610</u>	<u>80,802,344</u>	<u>90,636,718</u>	<u>99,685,291</u>	<u>83,771,482</u>	<u>69,438,666</u>	<u>51,058,700</u>	<u>(53,962,764)</u>
Total governmental activities net position	<u>\$ 389,641,567</u>	<u>\$ 387,395,405</u>	<u>\$ 374,658,579</u>	<u>\$ 363,078,150</u>	<u>\$ 356,990,121</u>	<u>\$ 366,312,055</u>	<u>\$ 328,410,933</u>	<u>\$ 300,011,418</u>	<u>\$ 260,625,889</u>	<u>\$ 172,281,511</u>
Business-type Activities										
Net Investment in capital assets	\$ 352,038,798	\$ 359,840,998	\$ 360,515,741	\$ 357,748,563	\$ 351,473,228	\$ 358,944,390	\$ 374,185,834	\$ 392,979,402	\$ 400,784,184	\$ 417,402,970
Restricted	18,602,657	19,527,952	21,769,063	21,706,695	30,948,240	35,885,669	33,589,225	32,359,186	33,335,807	32,078,561
Unrestricted	<u>66,765,478</u>	<u>60,226,596</u>	<u>67,328,770</u>	<u>84,376,050</u>	<u>84,695,659</u>	<u>84,352,379</u>	<u>76,022,631</u>	<u>80,686,568</u>	<u>89,651,460</u>	<u>96,236,519</u>
Total business-type activities net position	<u>\$ 437,406,933</u>	<u>\$ 439,595,546</u>	<u>\$ 449,613,574</u>	<u>\$ 463,831,308</u>	<u>\$ 467,117,127</u>	<u>\$ 479,182,438</u>	<u>\$ 483,797,690</u>	<u>\$ 506,025,156</u>	<u>\$ 523,771,451</u>	<u>\$ 545,718,050</u>
Primary Government										
Net Investment in capital assets	\$ 676,306,775	\$ 666,094,630	\$ 647,358,406	\$ 625,246,120	\$ 603,774,179	\$ 609,702,355	\$ 602,362,457	\$ 594,983,731	\$ 579,233,062	\$ 618,411,524
Restricted	24,190,435	35,334,426	36,838,367	36,484,944	45,000,692	51,754,468	50,052,053	60,927,609	64,454,118	57,314,282
Unrestricted	<u>126,551,290</u>	<u>125,561,895</u>	<u>140,075,380</u>	<u>165,178,394</u>	<u>175,332,377</u>	<u>184,037,670</u>	<u>159,794,113</u>	<u>150,125,234</u>	<u>140,710,160</u>	<u>42,273,755</u>
Total primary government net position	<u>\$ 827,048,500</u>	<u>\$ 826,990,951</u>	<u>\$ 824,272,153</u>	<u>\$ 826,909,458</u>	<u>\$ 824,107,248</u>	<u>\$ 845,494,493</u>	<u>\$ 812,208,623</u>	<u>\$ 806,036,574</u>	<u>\$ 784,397,340</u>	<u>\$ 717,999,561</u>

City of Grand Rapids, Michigan
Changes in Net Position (unaudited)
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses:										
Governmental activities:										
General government	\$ 28,569,892	\$ 24,244,049	\$ 25,886,186	\$ 28,490,087	\$ 25,763,302	\$ 24,317,558	\$ 27,158,278	\$ 31,370,052	\$ 32,918,016	\$ 36,888,060
Public safety	74,485,764	72,301,627	78,776,861	85,540,347	83,883,605	79,901,439	76,336,144	101,714,766	111,566,878	109,576,349
Public works	52,457,035	47,956,043	49,113,508	50,339,679	50,339,933	48,477,155	63,819,694	72,032,052	73,773,068	65,283,661
Culture and Recreation	21,740,208	22,130,169	19,853,225	18,844,448	18,560,598	17,453,598	19,718,462	17,714,262	18,038,363	14,263,996
Urban & Community Development	18,223,093	21,519,381	26,234,918	28,103,849	20,544,534	16,321,393	14,719,552	17,361,430	19,611,904	21,061,730
Interest on long-term debt	5,985,292	5,085,083	5,139,731	4,825,257	4,338,102	4,058,044	3,936,941	3,892,373	4,600,305	4,166,106
Total governmental activities expenses	<u>201,461,284</u>	<u>193,236,352</u>	<u>205,004,429</u>	<u>216,143,667</u>	<u>203,494,074</u>	<u>190,529,187</u>	<u>205,689,071</u>	<u>244,084,935</u>	<u>260,508,534</u>	<u>251,239,902</u>
Business-type activities:										
Water Supply System	40,839,383	39,797,298	38,356,246	37,697,767	36,459,316	37,285,497	33,302,278	36,197,215	39,206,129	35,258,241
Sewage Disposal System	45,152,263	43,555,979	45,297,991	45,697,111	48,008,068	46,561,350	45,184,106	47,691,862	50,334,631	48,601,656
Auto Parking System	9,192,422	8,901,722	10,214,220	10,615,215	11,262,622	11,798,952	11,594,252	14,249,852	15,902,942	16,949,252
Other Enterprises	2,781,803	2,259,044	2,371,611	2,482,758	1,990,459	2,300,183	2,411,202	1,950,213	2,513,612	2,162,706
Total business-type activities expenses	<u>97,965,871</u>	<u>94,514,043</u>	<u>96,240,068</u>	<u>96,492,851</u>	<u>97,720,465</u>	<u>97,945,982</u>	<u>92,491,838</u>	<u>100,089,142</u>	<u>107,957,314</u>	<u>102,971,855</u>
Total primary government expenses	<u>\$ 299,427,155</u>	<u>\$ 287,750,395</u>	<u>\$ 301,244,497</u>	<u>\$ 312,636,518</u>	<u>\$ 301,214,539</u>	<u>\$ 288,475,169</u>	<u>\$ 298,180,909</u>	<u>\$ 344,174,077</u>	<u>\$ 368,465,848</u>	<u>\$ 354,211,757</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 7,989,255	\$ 8,566,152	\$ 8,064,316	\$ 8,722,141	\$ 8,840,382	\$ 9,087,640	\$ 8,920,866	\$ 8,828,209	\$ 9,099,565	\$ 8,562,555
Public safety	2,036,877	3,193,456	2,260,699	3,035,450	2,432,020	2,508,324	2,151,757	1,752,816	1,764,425	2,758,010
Public works	12,995,564	12,409,177	10,141,484	10,530,342	10,176,136	11,345,612	11,231,351	11,708,111	11,372,907	12,088,820
Culture and recreation	2,728,078	2,831,131	2,766,016	1,837,477	1,198,277	782,280	807,855	765,030	882,614	1,203,052
Urban & community development	5,650,987	6,179,085	6,184,984	5,162,954	8,282,923	8,923,877	8,785,932	10,836,002	9,961,856	10,243,176
Total Charges for services:	<u>31,400,761</u>	<u>33,179,001</u>	<u>29,417,499</u>	<u>29,288,364</u>	<u>30,929,738</u>	<u>32,647,733</u>	<u>31,897,761</u>	<u>33,890,168</u>	<u>33,081,367</u>	<u>34,855,613</u>
Operating grants and contributions:	11,057,758	15,755,323	21,175,008	32,169,748	20,176,947	15,059,686	15,145,783	15,432,226	13,056,796	36,120,086
Capital grants and contributions	2,536,753	1,568,133	968,301	2,461,425	1,307,488	1,091,417	1,778,543	1,376,082	992,780	4,717,120
Total governmental activities program revenues	<u>44,995,272</u>	<u>50,502,457</u>	<u>51,560,808</u>	<u>63,919,537</u>	<u>52,414,173</u>	<u>48,798,836</u>	<u>48,822,087</u>	<u>50,698,476</u>	<u>47,130,943</u>	<u>75,692,819</u>
Business-type activities:										
Charges for services:										
Water Supply System	40,128,820	41,982,356	41,639,821	43,392,238	44,228,303	40,548,424	40,014,365	41,968,413	43,536,557	45,852,294
Sewage Disposal System	43,701,325	48,484,433	50,130,450	51,619,089	49,251,979	49,732,439	51,991,509	54,119,246	54,751,997	55,657,384
Auto Parking System	9,939,136	9,867,098	11,570,553	12,413,783	13,504,506	14,402,322	15,712,638	15,361,175	20,120,530	20,307,490
Other Enterprise	2,040,219	1,828,368	1,889,994	1,906,608	1,985,327	2,057,821	2,090,739	1,940,424	1,939,830	2,100,249
Total Charges for services:	<u>95,809,500</u>	<u>102,162,255</u>	<u>105,230,818</u>	<u>109,331,718</u>	<u>108,970,115</u>	<u>106,741,006</u>	<u>109,809,251</u>	<u>113,389,258</u>	<u>120,348,914</u>	<u>123,917,417</u>
Operating grants and contributions:	-	131,096	208,000	676,381	631,163	603,191	630,374	623,218	653,864	629,035
Capital grants and contributions:	1,836,608	1,034,755	1,098,463	1,144,782	3,265,749	3,347,880	4,593,227	6,216,877	5,274,555	7,236,180
Total business-type activities program revenues	<u>97,646,108</u>	<u>103,328,106</u>	<u>106,537,281</u>	<u>111,152,881</u>	<u>112,867,027</u>	<u>110,692,077</u>	<u>115,032,852</u>	<u>120,229,353</u>	<u>126,277,333</u>	<u>131,782,632</u>
Total primary government program revenues	<u>\$ 142,641,380</u>	<u>\$ 153,830,563</u>	<u>\$ 158,098,089</u>	<u>\$ 175,072,418</u>	<u>\$ 165,281,200</u>	<u>\$ 159,490,913</u>	<u>\$ 163,854,939</u>	<u>\$ 170,927,829</u>	<u>\$ 173,408,276</u>	<u>\$ 207,475,451</u>
Net (expense)/revenue										
Governmental activities	\$ (156,466,012)	\$ (142,733,895)	\$ (153,443,621)	\$ (152,224,130)	\$ (151,079,901)	\$ (141,730,351)	\$ (156,866,984)	\$ (193,386,459)	\$ (213,377,591)	\$ (175,547,083)
Business-type activities	(319,763)	8,814,063	10,297,213	14,660,030	15,146,562	12,746,095	22,541,014	20,140,211	18,320,019	28,810,777
Total primary government net expense	<u>\$ (156,785,775)</u>	<u>\$ (133,919,832)</u>	<u>\$ (143,146,408)</u>	<u>\$ (137,564,100)</u>	<u>\$ (135,933,339)</u>	<u>\$ (128,984,256)</u>	<u>\$ (134,325,970)</u>	<u>\$ (173,246,248)</u>	<u>\$ (195,057,572)</u>	<u>\$ (146,736,306)</u>

City of Grand Rapids, Michigan
Changes in Net Position (unaudited)
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 38,371,239	\$ 38,551,862	\$ 37,451,239	\$ 35,981,291	\$ 34,131,326	\$ 33,909,334	\$ 37,716,877	\$ 38,976,376	\$ 39,505,377	\$ 39,913,281
Income taxes	53,086,986	52,656,179	63,852,926	68,179,409	75,471,493	77,574,337	81,968,457	88,174,251	94,038,914	98,558,635
Intergovernmental, unrestricted	35,443,205	32,731,782	32,775,451	31,667,177	32,627,467	34,246,742	34,254,030	34,437,232	37,443,494	20,977,402
Unrestricted investment earnings	3,281,495	2,079,940	1,738,367	1,717,328	1,541,377	1,657,605	2,104,705	3,592,965	217,143	3,364,427
Miscellaneous	1,927,713	1,297,311	1,962,840	528,525	374,239	707,264	494,106	626,056	1,070,668	816,860
Gain on sale of capital assets	96,376	1,759,429	292,191	103,401	106,960	789,570	-	-	-	209,777
Transfers	1,632,809	11,411,230	2,633,781	2,466,570	2,064,144	2,167,433	1,252,086	(819,936)	1,716,466	1,678,354
Total governmental activities:	133,839,823	140,487,733	140,706,795	140,643,701	146,317,006	151,052,285	157,790,261	164,986,944	173,992,062	165,518,736
Business-type activities:										
Unrestricted investment earnings	2,677,764	2,030,100	975,845	432,126	593,408	711,272	697,150	1,107,815	10,638	1,670,570
Miscellaneous	2,816,747	2,755,680	1,378,750	1,592,148	617,730	775,377	161,301	159,504	1,128,510	3,642,538
Gain on sale of capital assets	-	-	-	-	-	-	-	-	3,594	250,456
Transfers	(1,632,809)	(11,411,230)	(2,633,780)	(2,466,570)	(2,064,144)	(2,167,433)	(1,252,086)	819,936	(1,716,466)	(1,678,354)
Special Item-Refund Water Bonds	-	-	-	-	(4,868,614)	-	-	-	-	-
Total business-type activities	3,861,702	(6,625,450)	(279,185)	(442,296)	(5,721,620)	(680,784)	(393,635)	2,087,255	(573,724)	3,885,210
Total primary government	\$ 137,701,525	\$ 133,862,283	\$ 140,427,610	\$ 140,201,405	\$ 140,595,386	\$ 150,371,501	\$ 157,396,626	\$ 167,074,199	\$ 173,418,338	\$ 169,403,946
Change in Net Position										
Governmental activities	\$ (22,626,189)	\$ (2,246,162)	\$ (12,736,826)	\$ (11,580,429)	\$ (4,762,895)	\$ 9,321,934	\$ 923,277	\$ (28,399,515)	\$ (39,385,529)	\$ (10,028,347)
Business-type activities	3,541,939	2,188,613	10,018,028	14,217,734	9,424,942	12,065,311	22,147,379	22,227,466	17,746,295	32,695,987
Total primary government	\$ (19,084,250)	\$ (57,549)	\$ (2,718,798)	\$ 2,637,305	\$ 4,662,047	\$ 21,387,245	\$ 23,070,656	\$ (6,172,049)	\$ (21,639,234)	\$ 22,667,640

Note: : Gas and Weight Taxes were reclassified from intergovernmental to operating grants and contributions in 2018

City of Grand Rapids, Michigan
Fund Balances, Governmental Funds (unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Reserved	\$ 1,616,452	\$ 13,220,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>18,116,197</u>	<u>19,023,491</u>	-	-	-	-	-	-	-	-
Nonspendable			11,467,913	10,323,093	9,085,247	7,650,268	6,370,712	5,021,173	3,372,266	3,426,797
Committed			-	-	3,683,466	5,940,801	8,948,835	12,948,835	12,948,835	14,298,835
Assigned			12,357,965	7,537,106	7,218,561	8,098,880	9,183,103	8,304,141	7,369,018	7,684,988
Unassigned			<u>7,886,595</u>	<u>8,499,517</u>	<u>12,677,755</u>	<u>13,840,518</u>	<u>15,101,671</u>	<u>22,388,202</u>	<u>27,289,147</u>	<u>30,434,665</u>
Total general fund	<u>\$ 19,732,649</u>	<u>\$ 32,244,357</u>	<u>\$ 31,712,473</u>	<u>\$ 26,359,716</u>	<u>\$ 32,665,029</u>	<u>\$ 35,530,467</u>	<u>\$ 39,604,321</u>	<u>\$ 48,662,351</u>	<u>\$ 50,979,266</u>	<u>\$ 55,845,285</u>
All other governmental funds										
Reserved	\$ 21,059,988	\$ 20,349,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	22,922,676	23,748,668	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt Service funds	<u>1,216,571</u>	<u>1,298,148</u>	-	-	-	-	-	-	-	-
Nonspendable			4,242,062	4,209,836	4,232,043	3,851,381	3,904,986	3,872,045	3,610,387	3,853,221
Restricted			14,770,028	13,917,489	12,471,415	13,723,322	17,846,513	38,001,238	28,234,961	21,399,994
Committed			18,978,088	23,248,555	30,862,888	39,983,001	41,781,471	28,609,072	29,681,306	25,957,401
Assigned			12,423,570	13,428,629	11,284,779	12,498,513	12,436,480	20,334,463	25,645,492	24,248,331
Unassigned			<u>(301,784)</u>	<u>-</u>	<u>(241,434)</u>	<u>(562,032)</u>	<u>(377,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 45,199,235</u>	<u>\$ 45,396,634</u>	<u>\$ 50,111,964</u>	<u>\$ 54,804,509</u>	<u>\$ 58,609,691</u>	<u>\$ 69,494,185</u>	<u>\$ 75,592,035</u>	<u>\$ 90,816,818</u>	<u>\$ 87,172,146</u>	<u>\$ 75,458,947</u>

Note: The adoption of GASB #54 standards on the reporting of fund balance in 2011 changed the presentation of fund balance beginning in 2011.

City of Grand Rapids, Michigan
Changes in Fund Balances, Governmental Funds (unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Property taxes	\$ 38,371,239	\$ 38,551,862	\$ 37,451,239	\$ 35,981,291	\$ 34,155,212	\$ 33,909,334	\$ 37,716,877	\$ 38,990,487	\$ 39,543,379	\$ 39,931,447
City income taxes	53,086,986	52,656,179	63,852,926	68,179,409	75,471,493	77,574,337	81,970,412	88,174,251	94,021,662	98,540,469
State shared taxes	35,443,205	32,380,487	32,405,016	31,667,177	32,627,467	34,246,742	34,252,075	34,440,574	37,422,744	41,065,069
Licenses and permits	2,903,318	3,197,682	2,495,904	2,880,914	4,307,838	4,546,578	3,751,887	7,699,250	7,360,290	7,533,264
Federal grants	10,756,821	15,294,057	18,356,170	27,843,329	15,305,649	10,870,559	8,480,882	8,335,065	8,718,422	7,922,886
State grants	970,050	590,074	506,781	1,359,652	1,095,598	595,271	4,276,576	3,118,910	900,182	5,923,695
Other grants & contributions	1,615,425	1,790,620	3,650,792	5,428,192	5,083,188	4,685,273	4,166,868	5,354,333	4,430,972	6,902,958
Charges for services	25,791,006	27,464,656	24,506,126	23,996,750	23,968,290	25,287,684	26,073,539	24,075,616	23,371,878	23,866,290
Fines and forfeitures	2,084,267	2,301,663	2,179,292	2,170,700	2,403,610	2,461,177	2,072,303	2,115,302	2,349,199	2,320,994
Investment earnings (loss)	2,324,325	1,266,097	1,017,083	853,321	693,044	807,495	1,005,208	1,812,434	(282,270)	1,684,235
Miscellaneous	2,597,097	1,368,868	1,974,018	487,584	436,512	677,503	491,350	626,056	1,066,531	878,678
Total revenues	<u>\$ 175,943,739</u>	<u>\$ 176,862,245</u>	<u>\$ 188,395,347</u>	<u>\$ 200,848,319</u>	<u>\$ 195,547,901</u>	<u>\$ 195,661,953</u>	<u>\$ 204,257,977</u>	<u>\$ 214,742,278</u>	<u>\$ 218,902,989</u>	<u>\$ 236,569,985</u>
Expenditures:										
Current:										
General government	\$ 26,618,193	\$ 23,362,274	\$ 23,658,692	\$ 25,545,603	\$ 23,474,456	\$ 24,804,245	\$ 27,018,056	\$ 28,696,169	\$ 30,130,282	\$ 30,704,431
Public safety	69,586,390	72,110,735	74,187,140	83,219,856	81,200,548	80,855,089	81,072,054	83,471,722	85,419,851	86,486,306
Public works	30,234,531	30,536,277	32,347,463	33,476,824	31,236,419	30,244,106	31,291,362	31,432,079	32,215,909	35,243,966
Culture and recreation	16,788,477	16,819,954	15,311,589	14,574,914	13,940,573	14,127,062	18,390,409	17,791,041	17,775,381	19,868,500
Urban and community development	18,129,776	22,085,320	26,439,566	28,587,393	20,510,234	16,540,058	16,506,585	15,763,012	17,892,513	18,025,781
Debt service:										
Principal	6,670,865	7,285,732	8,608,539	7,456,006	7,556,251	7,970,700	8,508,124	7,437,220	7,349,646	26,774,209
Interest, fees, and bond issue costs	5,717,181	4,708,840	4,678,244	4,452,511	4,130,036	3,842,817	3,700,435	3,908,361	4,363,449	4,079,345
Capital outlay	12,920,345	12,652,862	4,023,338	8,296,242	6,603,218	7,735,049	29,024,143	35,497,277	39,899,156	23,046,687
Total expenditures	<u>186,665,758</u>	<u>189,561,994</u>	<u>189,254,571</u>	<u>205,609,349</u>	<u>188,651,735</u>	<u>186,119,126</u>	<u>215,511,168</u>	<u>223,996,881</u>	<u>235,046,187</u>	<u>244,229,225</u>
Excess (deficit) of revenues over expenditures	<u>\$ (10,722,019)</u>	<u>\$ (12,699,749)</u>	<u>\$ (859,224)</u>	<u>\$ (4,761,030)</u>	<u>\$ 6,896,166</u>	<u>\$ 9,542,827</u>	<u>\$ (11,253,191)</u>	<u>\$ (9,254,603)</u>	<u>\$ (16,143,198)</u>	<u>\$ (7,659,240)</u>
Other financing sources (uses):										
Transfers in	\$ 24,668,660	\$ 37,634,119	\$ 25,856,642	\$ 41,826,658	\$ 40,161,192	\$ 36,805,723	\$ 39,501,511	\$ 43,939,163	\$ 43,338,957	\$ 44,955,233
Transfers out	(22,017,238)	(24,172,859)	(22,402,271)	(37,637,906)	(37,403,178)	(32,542,961)	(41,363,356)	(43,674,269)	(40,473,207)	(44,420,279)
Face value of bonds and contracts issued	24,755,100	7,445,000	1,592,500	2,255,000	526,800	2,706,853	21,550,000	37,840,000	12,045,000	-
Premium on bonds issued	503,856	-	-	175,389	-	-	-	3,886,102	-	-
Payment to refunded bond escrow agent	(23,908,566)	-	-	(2,438,269)	-	(2,293,547)	-	(8,635,029)	-	-
Total other financing sources (uses)	<u>4,001,812</u>	<u>25,148,252</u>	<u>5,046,871</u>	<u>4,180,872</u>	<u>3,284,814</u>	<u>4,677,187</u>	<u>21,259,398</u>	<u>33,476,076</u>	<u>15,214,829</u>	<u>540,434</u>
Net change in fund balances	<u>(6,720,207)</u>	<u>12,448,503</u>	<u>4,187,647</u>	<u>(580,158)</u>	<u>10,180,980</u>	<u>14,220,014</u>	<u>10,006,207</u>	<u>24,221,473</u>	<u>(928,369)</u>	<u>(7,118,806)</u>
Fund balances, beginning	<u>71,533,465</u>	<u>64,931,884</u>	<u>77,640,991</u>	<u>81,824,437</u>	<u>81,164,225</u>	<u>91,274,720</u>	<u>105,024,652</u>	<u>115,196,356</u>	<u>139,479,169</u>	<u>138,151,412</u>
Current year change in inventory levels	<u>118,626</u>	<u>260,604</u>	<u>(4,201)</u>	<u>(80,054)</u>	<u>(70,485)</u>	<u>(470,082)</u>	<u>165,497</u>	<u>61,340</u>	<u>(399,388)</u>	<u>271,626</u>
Fund balances, ending	<u>\$ 64,931,884</u>	<u>\$ 77,640,991</u>	<u>\$ 81,824,437</u>	<u>\$ 81,164,225</u>	<u>\$ 91,274,720</u>	<u>\$ 105,024,652</u>	<u>\$ 115,196,356</u>	<u>\$ 139,479,169</u>	<u>\$ 138,151,412</u>	<u>\$ 131,304,232</u>
Debt Service as a percentage of non-capital expenditures	7.42%	7.01%	8.05%	6.56%	7.03%	6.95%	6.08%	5.27%	5.29%	13.59%

City of Grand Rapids, Michigan
Tax Revenue by Source - All Funds (unaudited)
Last Ten Fiscal Years

Fiscal Year	City Taxes		State Shared Taxes				Total Tax Revenues, All Funds
	Local Income Tax	Property Tax, All Funds ¹	Sales Tax	Gas and Weight Tax	CVTRS / EVIP ²	Other	
2009	\$ 53,086,986	\$ 38,371,239	\$ 21,665,044	\$ 12,811,157	\$ -	\$ 531,623	\$ 126,466,049
2010	52,656,179	38,551,862	19,268,891	12,592,453	-	519,143	123,588,528
2011	63,852,926	37,451,239	19,268,889	12,789,888	70,222	276,017	133,709,181
2012	68,179,409	35,981,291	13,466,847	13,094,196	4,639,051	467,083	135,827,877
2013	75,471,493	34,155,212	13,745,657	13,210,493	4,952,664	718,653	142,254,172
2014	77,574,337	33,909,334	14,068,013	14,450,641	5,188,615	539,473	145,730,413
2015	81,970,412	37,716,877	14,288,969	13,842,559	5,387,594	732,953	153,939,364
2016	88,174,251	38,990,487	14,275,240	14,633,980	5,289,078	242,276	161,605,312
2017	94,021,662	39,543,379	15,097,998	16,827,013	5,289,078	208,655	170,987,785
2018	98,540,469	39,931,447	15,623,672	20,087,667	5,314,458	39,272	179,536,985
Percent to Total Tax Sources							% Increase (Decrease) Over Prior Year
2009	42.0	30.3	17.1	10.1	0.0	0.4	(5.29)
2010	42.6	31.2	15.6	10.2	0.0	0.4	(2.28)
2011	47.8	28.0	14.4	9.6	0.1	0.2	8.19
2012	50.2	26.5	9.9	9.6	3.4	0.3	1.58
2013	53.1	24.0	9.7	9.3	3.5	0.5	4.73
2014	53.1	23.3	9.7	9.9	3.6	0.4	2.44
2015	53.2	24.5	9.3	10.7	1.7	0.5	5.63
2016	54.6	24.1	8.8	9.1	3.3	0.1	4.98
2017	55.0	23.1	8.8	9.8	3.1	0.1	5.81
2018	54.9	22.2	8.7	11.2	3.0	0.0	5.00

Note: (1) Excludes the discretely presented Component Units and special assessments.

(2) The City, Village, and Township Revenue Sharing (CVTRS), previously Economic Vitality Incentive Program (EVIP) was a replacement for the former statutory State Shared Revenue program, which was distributed according to a formula. The CVTRS program is not distributed by formula, but rather awards are determined based on grant project ranking.

City of Grand Rapids, Michigan
Segmented Data on Local Income Tax Filers, Rates and Liability (Unaudited)
Current Year and Nine Years Previous

Taxable Income per Return	Calendar Year 2017					Calendar Year 2008				
	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars
Individual and Joint Returns										
Resident Taxpayers:										
\$37 or less	3,968	3 %	\$ -	\$ -	0 %	2,962	2 %	\$ -	\$ -	0 %
38 - 12,500	12,998	10	78,000,000	1,170,000	1	16,022	12	91,600,000	1,190,000	2
12,501 - 25,000	11,289	8	211,000,000	3,160,000	4	12,100	9	225,100,000	2,930,000	6
25,001 - 50,000	16,809	12	607,700,000	9,120,000	12	15,655	12	565,400,000	7,350,000	14
50,001 - 100,000	12,616	9	880,500,000	13,210,000	17	11,134	9	764,400,000	9,940,000	19
More than \$100,000	5,500	4	1,070,400,000	16,060,000	21	3,236	2	694,700,000	9,030,000	17
Subtotal	63,180	46 %	\$ 2,847,600,000	\$ 42,720,000	55 %	61,109	46 %	\$ 2,341,200,000	\$ 30,440,000	58 %
Non-Resident Taxpayers:										
\$75 or less	6,805	5 %	\$ -	\$ -	0 %	7,577	6 %	\$ -	\$ -	0 %
76 - 12,500	16,199	12	83,800,000	630,000	1	15,650	12	81,400,000	530,000	1
12,501 - 25,000	9,326	7	173,400,000	1,300,000	2	9,870	8	185,700,000	1,210,000	2
25,001 - 50,000	16,087	12	590,400,000	4,430,000	6	16,556	13	605,000,000	3,930,000	8
50,001 - 100,000	13,475	10	921,800,000	6,910,000	9	10,089	8	679,300,000	4,420,000	9
More than \$100,000	5,994	4	1,287,000,000	9,650,000	13	3,619	3	758,300,000	4,930,000	10
Subtotal	67,886	50 %	\$ 3,056,400,000	\$ 22,920,000	31 %	63,361	50 %	2,309,700,000	15,020,000	30 %
All Other Returns										
Subtotal	5,484	4 %	\$ 700,800,000	\$ 10,510,000	14 %	5,615	4 %	\$ 365,200,000	\$ 6,170,000	12 %
Total	136,550	100.00 %	\$ 6,604,800,000	\$ 76,150,000	100 %	130,085	100 %	\$ 5,016,100,000	\$ 51,630,000	100 %

Source: City Income Tax Department

Note: Information is taken from returns filed during the calendar year. Tax rates applicable through June 30, 2010, were established by the City's electorate in 1995. In 2010, the City's electorate approved an increase in the tax rates effective July 1, 2010 for a five year period, which was extended by the voters in May 2014 to continue until June 30, 2030.

The pre-2010 / post-2010 tax rates are described in the following:

-City resident income, after exemptions, exclusions and deductions, are taxed at a flat rate of 1.3% / 1.5%.

-Non-residents and trusts pay at a rate of 0.65% / .75% on all City source income.

-Other taxpayers are corporations, which pay 1.3% / 1.5% on all City source income, and partnerships, which may be filing information returns or remit the tax at a rate based on the partner's residence status.

The income tax is the most significant local revenue source.

Numbers may not total due to rounding.

City of Grand Rapids, Michigan
Assessed and Estimated Actual Value of Taxable Property (unaudited)
Last Ten Fiscal Years

Taxable Values									Percent	
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Value	Renaissance Zone Property	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Taxable to Estimated Actual Value	Increase / (Decrease) in Estimated Actual Value Over Prior Year
2009	2,965,407,637	1,192,518,721	274,670,895	435,993,300	4,868,590,553	(246,011,916)	8.2410	11,066,034,400	44	0.14
2010	2,920,645,940	1,208,016,820	284,017,195	445,088,400	4,857,768,355	(238,026,374)	8.3709	10,942,712,600	44	(1.11)
2011	2,801,840,914	1,201,198,834	284,785,498	434,541,700	4,722,366,946	(231,184,032)	8.3711	10,384,438,400	45	(5.10)
2012	2,717,505,766	1,211,720,594	233,719,626	432,987,800	4,595,933,786	(208,494,073)	8.3713	9,841,897,400	47	(5.22)
2013	2,592,621,697	1,222,199,744	201,200,508	454,702,000	4,470,723,949	(92,284,733)	8.1716	9,370,433,400	48	(4.79)
2014	2,538,239,112	1,184,138,966	173,772,566	461,576,900	4,357,727,544	(87,293,944)	8.1719	9,068,073,600	48	(3.23)
2015	2,552,663,996	1,183,191,836	171,814,930	456,984,100	4,364,654,862	(85,385,420)	9.1518	9,234,667,900	47	1.84
2016	2,606,974,602	1,197,154,599	174,669,827	476,934,700	4,455,733,728	(66,582,151)	9.1515	9,719,837,200	46	5.25
2017	2,659,890,604	1,228,972,004	172,032,774	392,802,400	4,453,697,782	(34,038,291)	9.1166	10,194,198,000	44	4.88
2018	2,759,511,596	1,301,686,385	172,823,262	395,426,000	4,629,447,243	(19,937,510)	9.0258	11,156,632,000	41	9.44

Note: State statute requires all property subject to *ad valorem* taxation be assessed at 50 percent of market value. Estimated actual value as shown is calculated by doubling the assessed value. Since 1994, any increase in the taxable value of existing property has been limited each year to the lower of 5% or the rate of inflation, until the property ownership is transferred. Only the taxable portion of the assessed value is presented above under the Taxable Value headings. Property located in designated Renaissance Zones is assessed on the *ad valorem* roll, but taxes due, other than school debt millages, are abated for 15 years.

City of Grand Rapids, Michigan
Property Tax Levies and Collections (unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Original Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (net of adjustments)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Original Levy
2009	2008	35,403,361	35,341,720	99.83	(28,223)	35,313,497	99.75
2010	2009	35,607,847	35,562,537	99.87	(72,163)	35,490,374	99.67
2011	2010	34,856,007	34,743,948	99.68	(83,634)	34,660,314	99.44
2012	2011	34,133,129	33,993,003	99.59	(257,526)	33,735,477	98.83
2013	2012	32,464,748	32,073,324	98.79	(381,327)	31,691,997	97.62
2014	2013	31,640,801	31,561,732	99.75	(487,615)	31,074,117	98.21
2015	2014	31,685,204	31,502,619	99.42	(710,906)	30,791,713	97.18
2016	2015	36,360,029	36,281,099	99.78	(385,441)	35,895,658	98.72
2017	2016	36,345,588	36,317,720	99.92	14,156	36,331,877	99.96
2018	2017	37,127,348	37,075,832	99.86	-	37,075,832	99.86

Note: The tax levies and collections shown above are *ad valorem* taxes only and exclude amounts payable to discretely presented Component Units.

City of Grand Rapids, Michigan
Property Tax Rates
Direct and Overlapping Governments (unaudited)
Last Ten Fiscal Years

City of Grand Rapids Direct Tax Rates ¹

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>General Operating</u>	<u>Promotional and Advertising</u>	<u>Library ²</u>	<u>Refuse Collection</u>	<u>Parks ⁵</u>	<u>Total City</u>	<u>Total School ³</u>	<u>Total State Education</u>	<u>Total Intermodal Transit</u>	<u>Total County ⁶</u>	<u>Combined Total</u>
Tax Rates: ⁴												
2009	2008	4.1070	0.0107	2.4533	1.6700	-	8.2410	27.1768	6.0000	1.1200	5.3940	47.9318
2010	2009	4.1070	0.0106	2.4533	1.8000	-	8.3709	26.8968	6.0000	1.1200	5.3940	47.7817
2011	2010	4.1070	0.0108	2.4533	1.8000	-	8.3711	26.7668	6.0000	1.1200	5.3940	47.6519
2012	2011	4.1070	0.0110	2.4533	1.8000	-	8.3713	26.8368	6.0000	1.2900	5.3940	47.8921
2013	2012	4.1070	0.0113	2.4533	1.6000	-	8.1716	28.0768	6.0000	1.4100	5.3940	49.0524
2014	2013	4.1070	0.0116	2.4533	1.6000	-	8.1719	28.0768	6.0000	1.4700	5.3940	49.1127
2015	2014	4.1070	0.0115	2.4533	1.6000	0.9800	9.1518	28.0768	6.0000	1.4700	5.6196	50.3182
2016	2015	4.1070	0.0112	2.4533	1.6000	0.9800	9.1515	28.3768	6.0000	1.4700	5.6196	50.6179
2017	2016	4.0881	0.0112	2.4419	1.6000	0.9754	9.1166	30.3217	6.0000	1.4688	6.0596	52.9667
2018	2017	4.0390	0.0107	2.4125	1.6000	0.9636	9.0258	29.6982	6.0000	1.4632	6.0518	52.2390

- Note:**
- (1) All rates are Ad Valorem rates. City taxes, includes amounts payable to discretely presented Component Units: Due-July 1; Past Due-August 1; Penalties-1 percent per month until paid, after February 14, a total of 4 percent (3 percent penalty and 1 percent collection fee) is added.
 - (2) Library includes Library Capital Improvement of 0.3741 mills and portion of General Operating millage dedicated to Library Operations.
 - (3) Rate includes Grand Rapids Public School non-homestead rate, Kent Intermediate School District, and Grand Rapids Community College.
Property occupied as the owner's principal residence may have an 18 mill reduction in the school tax millage.
 - (4) Property tax rates: per \$1,000 of Taxable Value.
 - (5) The voters approved this millage in November 2013, from which the first receipts were in July 2015.

City of Grand Rapids, Michigan
Principal Property Tax Taxpayers (unaudited)
Current Year and Nine Years Previous

Taxpayer	Type of Business	Fiscal Year 2018			Fiscal Year 2009		
		Taxable Valuation	Rank	Percentage of Total Taxable Valuation	Taxable Valuation	Rank	Percentage of Total Taxable Valuation
Consumers Energy	Electric utility	\$ 83,641,676	1	1.79 %	\$ 43,336,558	1	0.88 %
Amway Hotel Corp.	Hospitality	40,056,941	2	0.86	36,359,032	2	0.74
Centerpoint Owner LLC	Retail shopping center	30,451,600	3	0.65	26,486,667	6	0.54
HP3 LLC	Lodging, dining, retail	24,451,260	4	0.52	34,104,300	4	0.69
DTE Gas Company	Gas utility	21,275,300	5	0.46	17,317,211	10	0.35
Kellogg Company (4)*	Food manufacturer	17,856,612	6	0.38	34,392,400	3	0.70
Spectrum Health Hospitals	Healthcare	17,416,913	7	0.37			
Fifth Third Bank	Banking / real estate	17,254,066	8	0.37	22,256,724	8	0.45
Steelcase, Inc.	Office systems design/manufacturing	16,839,900	9	0.36	23,797,700	7	0.48
Meijer, Inc.	Retailer	15,703,698	10	0.34			
SH-2 LLC & BT-2 LLC	Real estate				27,221,469	5	0.55
Dematic Corp.	Manufacturing				19,606,578	9	0.40
		<u>\$ 284,947,966</u>		<u>4.33 %</u>	<u>\$ 284,878,639</u>		<u>4.92 %</u>

Note: The principal Taxpayers and Taxable Values were determined from the July 1, 2017 and July 1, 2008 tax bills and includes qualified real and personal properties exempted from *ad valorem* property taxes but subject to a specific Industrial Facilities Tax under Public Act 198 of 1974.

* Keebler Company, a division of Kellogg USA, property is eligible through 2017 for property exemption under the Michigan Renaissance Zone Act, Public Act 376 of 1996.

The percentage calculation is based on the Total Taxable Values of \$4,533,844,660 in December 2016 and \$4,914,588,813 in 2007 on the *ad valorem* tax roll and property granted tax abatements. Some taxpayers operated under a different name in the earlier reporting period, but the business and major assets were essentially the same.

City of Grand Rapids, Michigan
Computation of Direct and Overlapping Governmental Activities Debt (unaudited)
June 30, 2018

Name of Governmental Unit	Gross	City Share as Percent of Gross	Net
Overlapping debt:			
Grand Rapids Public Schools	\$ 158,135,000	99.99%	\$ 158,119,187
Caledonia Community Schools	114,305,034	0.07%	80,014
Forest Hills Public Schools	119,270,000	2.10%	2,504,670
Godwin Heights Public Schools	16,395,000	5.63%	923,039
Kenowa Hills Public Schools	71,050,000	0.34%	241,570
Kentwood Public Schools	60,165,000	7.97%	4,795,151
Kent County	130,875,000	21.02%	27,509,925
Grand Rapids Community College	40,145,000	20.35%	8,169,508
Total overlapping debt	\$ 710,340,034		202,343,064
City direct debt			92,179,281
Total City direct and overlapping debt			\$ 294,522,345

Note: The City of Grand Rapids does not carry debt supported by special assessment billing and collections. The following statistical schedules are not relevant to the City of Grand Rapids and therefore have not been included in the statistical presentation:
 Special assessments billings and collections
 Computation of legal debt margin for special improvements
 Details regarding the city's outstanding debt can be found in the notes to the financial statements.

City of Grand Rapids, Michigan
Ratios of Outstanding Debt by Type (unaudited)
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Total Governmental Activities
	General Bonded Debt			Other Debt			
	General Obligation Limited Tax Bonds	Percentage of Personal Income ²	Per Capita ¹	Revenue Bonds	State Loans		
2009	77,709,937	1.76	402	34,092,724	632,085	112,434,746	
2010	80,895,073	1.80	420	33,146,922	424,953	114,466,948	
2011	72,545,983	1.71	386	32,111,120	209,536	104,866,639	
2012	64,492,376	1.72	340	30,985,319	-	95,477,695	
2013	57,412,823	1.53	301	29,799,517	-	87,212,340	
2014	49,773,182	1.23	259	28,568,715	-	78,341,897	
2015	63,131,172	1.44	326	27,267,913	-	90,399,085	
2016	89,536,548	2.23	459	25,917,111	-	115,453,659	
2017	95,121,080	2.20	478	24,496,310	-	119,617,390	
2018	69,183,773	1.60	348	22,995,508	-	92,179,281	

Fiscal Year	Business-Type Activities					
	General Obligation Limited Tax Bonds	Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income ²	Per Capita ¹
	2009	31,469,455	399,021,488	430,490,942	544,957,891	12.28
2010	30,579,043	383,634,962	414,214,005	519,080,644	11.78	2,747
2011	36,881,758	392,163,510	429,045,268	524,522,963	12.62	2,839
2012	35,916,658	380,402,290	416,318,948	503,531,288	13.68	2,696
2013	34,509,504	411,135,020	445,644,524	523,986,421	14.21	2,798
2014	33,404,366	391,095,979	424,500,344	502,842,241	12.46	2,615
2015	32,266,225	393,340,181	425,606,406	516,005,491	11.76	2,663
2016	32,126,772	381,577,159	413,703,931	529,157,590	12.30	2,750
2017	30,655,329	376,691,837	407,347,166	526,964,556	12.20	2,650
2018	30,336,807	415,259,149	445,595,956	537,775,237	12.45	2,705

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ Population Source:

2009-2010: The Right Place, Inc.

2011-2018: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

² Income Source

2009-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)

2012-2018: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

City of Grand Rapids, Michigan
Legal Debt Margin Information (unaudited)
Last Ten Fiscal Years

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 562,226,090	\$ 555,850,540	\$ 526,651,870	\$ 499,227,840	\$ 475,013,950	\$ 460,590,000	\$ 469,029,515	\$ 493,728,270	\$ 518,584,180	\$ 568,082,080
Total net debt applicable to limit	<u>140,368,032</u>	<u>154,430,831</u>	<u>151,182,344</u>	<u>170,691,640</u>	<u>149,161,448</u>	<u>140,405,688</u>	<u>154,636,585</u>	<u>174,316,401</u>	<u>177,217,841</u>	<u>187,738,519</u>
Legal debt margin	<u>\$ 421,858,058</u>	<u>\$ 41,419,709</u>	<u>\$ 375,469,526</u>	<u>\$ 328,536,200</u>	<u>\$ 325,852,502</u>	<u>\$ 320,184,312</u>	<u>\$ 314,392,930</u>	<u>\$ 319,411,869</u>	<u>\$ 341,366,339</u>	<u>\$ 380,343,561</u>
Total net debt applicable to the limit (as a percentage of debt limit)	24.97%	27.78%	28.71%	34.19%	31.40%	30.48%	32.97%	35.31%	34.17%	33.05%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value	\$ 5,578,316,000
Add back: exempt property	<u>102,504,800</u>
Total Assessed Value	5,680,820,800
Debt limit (10% of total AV)	568,082,080
Debt applicable to limit:	
Total debt outstanding	516,298,015
Less: exempt debt	<u>328,559,496</u>
Total net debt applicable to limit	<u>187,738,519</u>
Legal debt margin	<u>\$ 380,343,561</u>

Note: Under authority granted to the State Legislature, the Home Rule Cities Act limits the amount of debt a city may have to ten percent of total state equalized assessed property value. However, significant exceptions to the limitations are permitted for certain types of indebtedness which include: State transportation bonds, Water and Sewer revenue bonds, and Tax Increment Revenue Bonds. Details regarding the city's outstanding debt can be found in the notes to the financial statements.

City of Grand Rapids, Michigan
Pledged Revenue Coverage (unaudited)
Last Ten Fiscal Years

Fiscal Year	Gross	Direct	Net Revenue	Debt Service Requirements			
	Revenue ¹	Operating	Available for	Principal	Interest	Total	Coverage
<u>Water Supply System Fund:</u>							
2009	43,624,821	26,992,261	16,632,560	7,380,000	6,177,056	13,557,056	1.23
2010	45,221,473	25,638,078	19,583,395	7,830,000	6,808,246	14,638,246	1.34
2011	44,619,806	25,367,275	19,252,531	8,760,000	6,971,090	15,731,090	1.22
2012	46,561,423	24,548,041	22,013,382	9,110,000	5,782,527	14,892,527	1.48
2013	47,062,960	23,551,763	23,511,197	9,577,838	5,620,135	15,197,973	1.55
2014	43,659,098	23,906,882	19,752,216	10,406,000	5,409,250	15,815,250	1.25
2015	42,329,577	21,233,153	21,096,424	9,975,593	4,364,828	14,340,421	1.47
2016	44,354,200	24,195,366	20,158,834	10,520,000	4,207,769	14,727,769	1.37
2017	46,783,375	27,503,944	19,279,431	11,235,750	4,409,744	15,645,494	1.23
2018	49,579,416	24,307,415	25,272,001	6,575,000	3,915,535	10,490,535	2.41
<u>Sewage Disposal System Fund:</u>							
2009	45,221,517	25,126,021	20,095,496	6,231,433	9,786,083	16,017,516	1.25
2010	51,560,665	23,981,480	27,579,185	7,636,433	11,497,769	19,134,202	1.44
2011	51,112,288	23,287,934	27,824,354	7,881,357	11,086,778	18,968,135	1.47
2012	52,720,174	23,396,338	29,323,836	8,216,281	12,010,113	20,226,394	1.45
2013	49,525,204	24,620,944	24,904,260	8,574,061	11,779,929	20,353,990	1.22
2014	50,035,417	23,591,788	26,443,629	10,271,776	12,089,764	22,361,540	1.18
2015	52,306,225	22,549,030	29,757,195	7,464,372	12,571,402	20,035,774	1.49
2016	54,728,599	25,256,696	29,471,903	7,614,704	11,529,417	19,144,121	1.54
2017	54,599,465	28,365,449	26,234,016	7,730,000	11,625,970	19,355,970	1.36
2018	56,810,453	28,626,060	28,184,393	9,475,000	12,450,620	21,925,620	1.29

Notes: (1) Gross revenue includes operating revenues, interest revenue and miscellaneous revenue. The Water Supply System Fund also includes transfers in from the Sewage Disposal System Fund.

(2) Operating expenses are total operating expenses less depreciation expense. The Sewer Disposal System Fund operating expenses also include transfers out to the Water Supply System Fund.

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

City of Grand Rapids, Michigan
Demographic Statistics (unaudited)

Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income	Per Capita Income ²	Median Age ²	School Enrollment ³	Unemployment ⁴
2009	193,167	4,419,660,960	22,880	35.2	20,300	12.3
2010	192,435	4,487,584,200	23,320	35.5	19,100	15.0
2011	188,040	4,230,147,840	22,496	35.9	17,560	12.4
2012	189,813	3,742,353,108	19,716	31.2	17,091	10.0
2013	190,426	3,749,297,514	19,689	30.6	16,498	8.7
2014	192,285	4,034,908,440	20,984	31.6	15,983	8.1
2015	193,793	4,386,504,555	22,635	30.4	15,611	5.5
2016	195,099	4,007,723,658	20,542	32.1	15,222	4.2
2017	192,416	4,300,690,016	22,351	31.1	16,827	4.3
2018	198,829	4,320,554,170	21,730	31.1	15,053	4.7

Notes:

¹ 2009-2010: The Right Place, Inc.

2011-2018: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

² 2009-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)

2012-2018: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

³ 2009: Grand Rapids Public Schools - School Matters 2002-2009

2010: Director of Communications & External Affairs Grand Rapids Public Schools

2011-2014: State of Michigan Center for Educational Performance and Information, Public Student Headcount Data

2015-2018: Mi School Data, Student Counts

⁴ Michigan Department of Technology, Management & Budget: Labor Market Information (www.milmi.org) - City of Grand Rapids-average percent by fiscal year.

City of Grand Rapids, Michigan
Principal Local Employers (unaudited)
Current Year and Nine Years Previous

Employer	Type of Business	2018			2009		
		West Michigan		Total City	West Michigan		Total City
		Employees	Rank	Employment	Employees	Rank	Employment
Spectrum Health	Hospital and medical services	25,000	1	20.5 %	13,155	1	10.6 %
Meijer, Inc.	Retailer	10,340	2	8.5	10,840	2	8.7
Mercy Health	Hospital and medical services	6,200	3	5.1			
Amway Corporation	Consumer products manufacturing	4,000	4	3.3	4,000	5	3.2
Gentex Corporation	Glass products manufacturing for autos	3,900	5	3.2			
Perrigo Company	Pharmaceutical manufacturing	3,800	6	3.1			
Herman Miller, Inc.	Furniture manufacturing	3,621	7	3.0			
Steelcase, Inc.	Furniture manufacturing	3,500	8	2.9	4,300	4	3.5
Grand Valley State University	Education	3,306	9	2.7			
Magna International, Inc.	Glass products manufacturing for autos	2,500	10	2.1			
Spartan Stores, Inc.	Food distributor and retailer				4,440	3	3.6
Axios, Inc.	Human resources and employment services				3,857	6	3.1
Grand Rapids Public Schools	Education				3,478	7	2.8
St. Mary's Health Care	Hospital and medical services				2,800	8	2.3
City of Grand Rapids	Government				2,512	9	2.0
Hope Network Industries	Packaging, fulfillment, assembly				2,100	10	1.7
		<u>66,167</u>		<u>54.4 %</u>	<u>51,482</u>		<u>41.5 %</u>

Note: The above listed employers are selected from a list compiled by The Right Place, Inc. of self-reported employment by the largest employers in the seven county metropolitan area. The complete list of employers is available at [www.rightplace.org/ Data Center - Top West Michigan Employers](http://www.rightplace.org/Data Center - Top West Michigan Employers). Employers selected for inclusion here are those with a significant presence in Kent County. As principal local employer information was not available for 2018 from the Right Place, Inc., the figures above for 2018 reflect 2017 data.

According to the US Census data for 2014, while 23% of employed city residents work in the city, 64% of employed city residents work in Kent County. Non-city residents fill 78% of the employment in the city. Percentages are based on the total employment in the city, 121,684, for 2015. Focusing on the county rather than the city provides a better indication of the potential economic impact on the city of a closure or relocation of one or more of the major local employers.

Some employers operated under a different name in the earlier reporting period, but the business and major assets were essentially the same.

City of Grand Rapids, Michigan
Principal Local Employers (unaudited)
Current Year and Nine Years Previous

Employer	Type of Business	2018			2009		
		West Michigan		Total City	West Michigan		Total City
		Employees	Rank	Employment	Employees	Rank	Employment
Spectrum Health	Hospital and medical services	25,000	1	20.5 %	13,155	1	10.6 %
Meijer, Inc.	Retailer	10,340	2	8.5	10,840	2	8.7
Mercy Health	Hospital and medical services	6,200	3	5.1			
Amway Corporation	Consumer products manufacturing	4,000	4	3.3	4,000	5	3.2
Gentex Corporation	Glass products manufacturing for autos	3,900	5	3.2			
Perrigo Company	Pharmaceutical manufacturing	3,800	6	3.1			
Herman Miller, Inc.	Furniture manufacturing	3,621	7	3.0			
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Some employers operated under a different name in the earlier reporting period, but the business and major assets were essentially the same.

City of Grand Rapids, Michigan
Full-time Equivalent City Government Employees by Department (unaudited)
Last Ten Fiscal Years

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessor	19	16	16	16	16	15	14	14.2	13.9	15.2
Attorney	17	16	16	16	15	15	15	17.0	17.0	17.0
City Clerk	10	9	9	9	9	10	9	9.0	10.0	11.0
Community Development	20	24	23	25	20	17	15	14.6	14.9	15.4
Comptroller	17	15	15	15	16	16	16	17.0	17.0	15.0
311 Customer Service	-	-	-	-	-	10	12	13.0	13.0	14.0
Dispatch	-	-	51	51	51	51	54	53.5	44.0	42.8
61st District Court*	91	91	90.3	90.3	88.1	87.5	85.8	87.3	92.0	92.0
Economic Development	5	4	4	4	4	2	1.2	1.2	1.2	2.2
Engineering	48	51.0	50	42	24	26	29	35.4	36.3	39.1
Environmental Protection	129	122.0	116	113	98	98	114.9	117.4	118.2	118.2
Equal Opportunity (Admin Services)	6	6	5	5	5	4	3.3	4.3	4.3	4.3
Executive	12	11	11	11	11	11	11	12.8	12.2	18.1
Facilities Management	15	13	13	12	12	12	12.1	12.1	13.7	13.6
Fire	238	221	235	235	235	190	189.5	198.5	198.0	199.0
Fiscal Services	13	10.0	9	10	10	10	9	9.5	9.5	11.3
Human Resources	17	16	15	15	15	14	15.0	19.4	20.2	20.2
Income Tax	18	16	16	17	14	14	14	15.2	15.2	16.2
Information Technology	6	6	5	4	4	4	3	4.4	3.3	3.3
Management Services	4	-	-	-	-	-	-	-	-	-
Motor Equipment	32	32	32	33	33	33	33.7	34.7	33.3	33.4
Neighborhood Improvement (Building Inspections)	52	37.0	37	37	42	43	44	49.2	50.9	56.4
Parking Services	35	31	29	31	31	33	25.1	36.5	38.3	40.3
Parks and Recreation	40	28	23	34	31	26	27	31.2	35.2	36.9
Planning	11	9	9	9	10	11	12	14.3	13.9	13.4
Police	404	378	346	338	328	304	370	321.0	320.0	325.0
Public Library*	118	118	167.0	168.0	165.0	152.0	149.0	150.0	152.0	153.0
Streets & Sanitation	107	101	96	82	79	74	63.8	73.5	75.5	77.4
Traffic Safety	42	34	33	33	35	35	36.4	38.4	37.7	38.1
Treasurer	20	20	19	19	19	18	18	18.0	18.0	17.0
Water	186	176	161	157	156	140	128	110.3	112.1	112.1
Seasonal and Other FTEs*	190	233	101	130	86	123	80	97.0	114.2	112.0
	<u>1,921</u>	<u>1,844</u>	<u>1,752</u>	<u>1,761</u>	<u>1,662</u>	<u>1,597</u>	<u>1,611</u>	<u>1,629.4</u>	<u>1,654.8</u>	<u>1,682.5</u>

Notes: Source, Annual Fiscal Plan authorized positions.
 * Prior to 2009, PT positions for Library & District Court are included within *Seasonal and Other FTEs*.
 Effective with 2009, PT positions are included within the two departments.

City of Grand Rapids, Michigan
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Archives										
Requests*	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,340	1,728	1,501
Boxes Stored	14,147	14,147	14,147	14,147	14,147	14,147	14,147	14,147	14,147	14,147
Cemeteries										
Burials	491	467	494	492	469	408	436	394	408	378
Clerk										
Voters in November election	86,499	12,821	50,939	18,042	81,616	16,114	49,153	20,085	85,483	16,114
Environmental Services/Sewage										
Number of retail customers	73,843	74,012	74,117	73,960	73,956	74,146	74,415	74,628	74,805	75,052
New connections	215	277	181	165	275	288	330	303	259	282
Billions of gallons treated **	17.970	15.642	15.322	14.921	15.100	15.062	14.753	18.819	15.367	14.705
Peak daily flow (millions of gal.)	90.50	88.40	85.10	84.60	82.10	71.80	87.65	76.30	80.10	88.30
Average daily flow (millions of gal.)	49.20	42.90	42.00	40.90	41.40	41.40	40.53	40.60	42.10	40.37
Fire										
Total calls *	20,057	18,709	19,634	21,453	22,372	21,422	21,885	22,256	23,166	24,020
Civilian fire deaths *	2	3	-	5	2	1	2	1	2	3
Neighborhood Improvement										
Building permits issued	1,719	1,747	1,841	2,074	2,314	2,281	2,552	2,662	2,900	2,884
Construction value	\$ 326,870,000	\$ 214,010,000	\$ 130,890,000	\$ 165,540,000	\$ 308,220,000	\$ 312,800,000	\$ 245,710,000	\$ 459,870,000	\$ 411,570,000	\$ 497,580,000
Parks and Recreation										
Open swim participants	45,235	47,924	24,320	31,986	23,315	28,609	51,515	52,432	51,663	39,709
Swimming lesson participants	835	-	840	623	292	442	537	357	345	413
Softball league teams	159	175	192	183	156	129	120	104	95	86
Police										
Major crimes *	11,241	10,502	7,872	7,846	8,483	8,482	6,948	6,288	5,760	5,432
Physical Arrests *	16,211	12,959	15,227	16,550	16,823	13,235	14,477	14,756	15,142	13,174
Public Library										
Library card holders	124,519	133,311	66,453	66,631	65,873	75,490	70,079	69,481	66,966	66,799
Total user count	1,017,075	1,030,585	1,061,188	1,024,530	983,299	945,977	912,354	782,899	747,582	683,574
Local history collection users	46,723	42,105	39,323	42,560	38,744	35,349	36,356	35,663	35,524	34,819
Total circulation of materials	1,484,578	1,601,934	1,754,621	1,740,784	1,666,349	1,629,037	1,604,614	1,598,076	1,372,104	1,407,132
Public Works										
Tons of refuse picked up	29,032	29,013	27,469	26,458	23,071	23,590	24,613	26,305	26,683	28,154
Tons of recycling removed	5,739	5,867	8,279	9,579	9,905	10,669	10,647	10,118	10,042	9,852
Water										
Number of retail customers***	80,129	80,358	80,477	78,616	79,794	80,813	82,163	83,340	85,103	86,418
New connections	209	263	174	317	277	287	326	315	273	305
Billions of gallons produced	13.172	12.480	12.488	13.176	13.438	12.997	12.364	12.623	12.565	13.525
Peak daily flow (millions of gal.)	74.30	61.86	62.78	70.24	80.24	63.70	63.02	64.02	69.77	66.39
Average daily flow (millions of gal.)	36.00	34.20	34.20	36.00	36.70	35.60	33.84	34.68	34.39	37.01

Notes: * Calendar information for the previous calendar year
** Effective FY14, number of gallons treated changed to fiscal year; 2009-2013 revised accordingly
*** In FY14, number of customers for 2009-2013 adjusted per final water rate study
****Information is provided by the responsible departments

City of Grand Rapids, Michigan
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Fire stations	11	11	11	11	11	11	11	11	11	11
Parking Services										
Parking Ramps	6	7	8	8	8	8	8	8	8	8
Parks and Recreation										
Number of major parks	67	71	71	71	71	71	71	71	71	71
Number of swimming pools	9	9	9	9	9	9	9	3	3	3
Number of ball diamonds	70	74	74	74	74	74	74	74	74	74
Supervised playgrounds	32	25	22	10	0	0	0	0	1	1
Public Library										
Number of Libraries	8	8	8	8	8	8	8	8	8	8
Public Works										
Environmental Services										
Miles of sanitary sewers	897	898	904	904	905	907	910	913	913	915
Streets										
Miles of paved streets-major	205	205	206	206	206	206	206	206	206	206
Miles of paved streets-local	390	389	388	388	388	287	387	387	387	387
Streetlights	20,202	20,178	20,178	20,178	20,178	20,178	20,178	19,307	18,539	18,037
Water										
Miles of water mains	1,152	1,157	1,160	1,161	1,163	1,165	1,167	1,169	1,175	1,178

Note: Information is provided by the responsible departments