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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OF GRAND RAPIDS, MICHIGAN  
YEAR ENDED JUNE 30, 2012**



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**CITY OF GRAND RAPIDS, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2012**

**Prepared by:**

**Comptroller's Office**  
**Donijo DeJonge**  
**Comptroller**

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**Elected Officials**

Mayor	George Heartwell
Commissioners	Rosalynn Bliss Walt Gutowski Dave Shaffer Ruth E. Kelly Elias Lumpkins, Jr. James B. White, Sr.
Comptroller	Donijo DeJonge

**Appointed Officials**

City Manager	Gregory A. Sundstrom
City Attorney	Catherine Mish
City Treasurer	Albert C. Mooney
City Clerk	Lauri S. Parks

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# 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, 2011

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



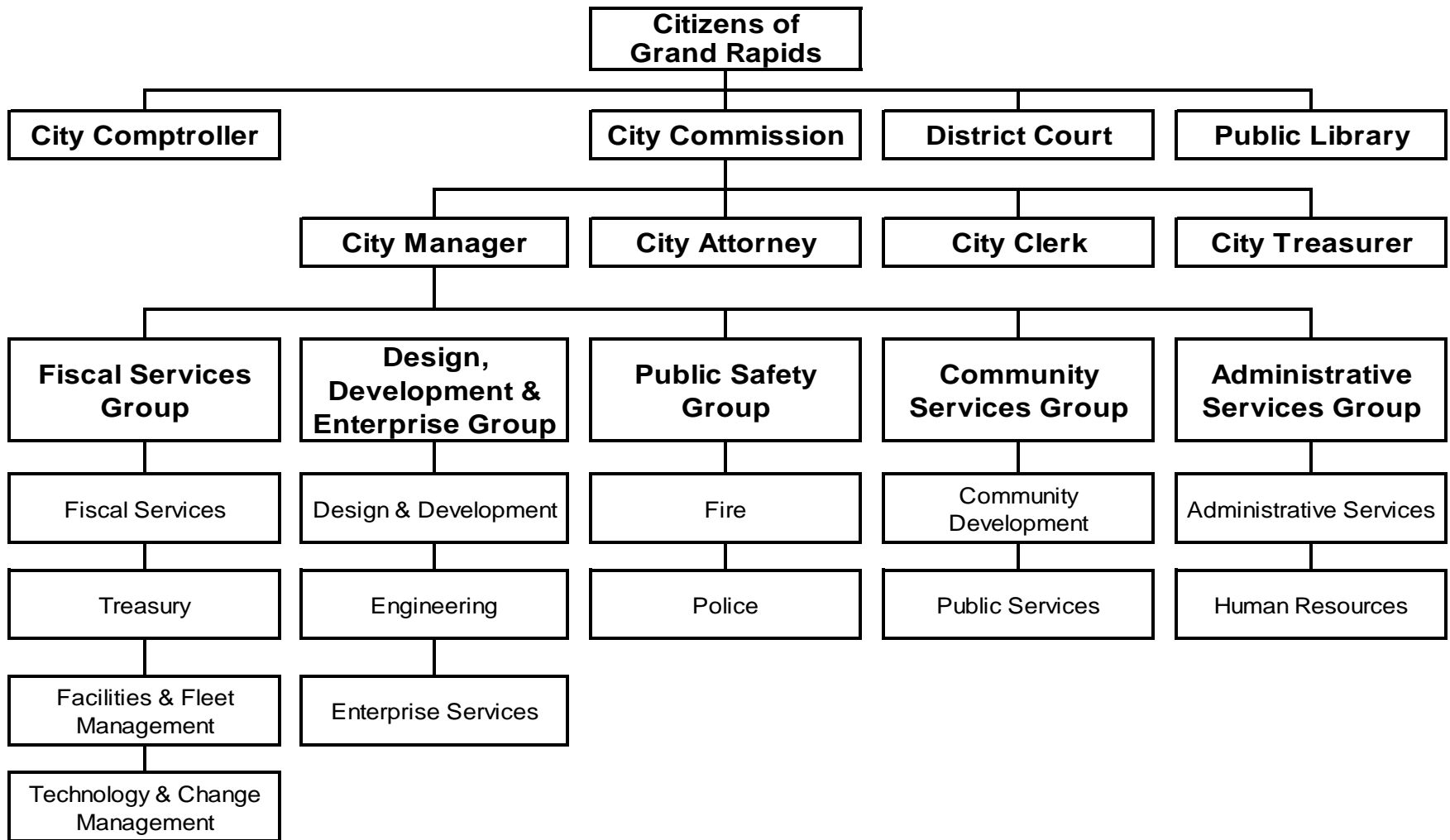
*Linda C. Davison*

President

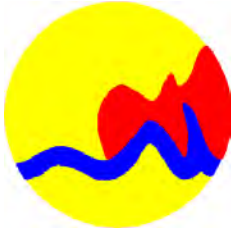
*Jeffrey R. Emmer*

Executive Director

**City of Grand Rapids  
Organizational Chart  
FY2012**







# CITY OF GRAND RAPIDS

December 14, 2012

Honorable Mayor George K. Heartwell, City Commissioners, & 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, 2012 with the Independent Auditors' 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.

BDO USA, LLP, independent accountants, has issued an unqualified "clean" opinion on the City's financial statements for the year ended June 30, 2012. The independent auditors' report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' 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 is still in effect today, although it has been amended several times. The City Commission has seven elected, non-partisan commissioners, with two commissioners from each of the three wards and the seventh commissioner elected at large who serves as the Mayor. The City Comptroller is elected-at-large and the staff members in the Office of City Comptroller are 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 board, have members who are appointed by the City Commission.

The City provides its citizens with a full range of services. When the City tracks revenues and expenses for these services, it separates them into four broad categories, or funds, 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, libraries, and parks and recreation. The City's Traffic Safety Department is responsible for the maintenance of traffic signals throughout Kent and eastern Ottawa Counties. 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, but the taxpayer may never need to call on the fire department.

The City also provides business-type activities which include the water and sewer systems, parking services, Belknap Ice Arena, City cemeteries, and Indian Trails Golf Course. The water and sewer systems provide retail service to some 78,000 customers in the City and suburban communities, as well as wholesale service to other communities that operate their own municipal water and sewer systems. The Auto Parking System maintains over 7,500 off-street and 2,600 on-street parking spaces. These services are similar to a business and are intended to be funded solely by charges and fees and the charges paid can only be used for 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
- Grand Rapids Downtown Development Authority (DDA)
- Grand Rapids Tax Increment Financing Authority (TIFA)
- Grand Rapids SmartZone Development Authority (SmartZone Authority)
- Grand Rapids Brownfield Redevelopment Authority (Brownfield Authority)
- State of Michigan 61<sup>st</sup> District Court
- Corridor Improvement Districts (CIDs)

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 Auto 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 Authority, 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 Biosolids Authority are also legally separate entities. These three joint ventures, two with Kent County and one with the City of Wyoming, are excluded from these financial statements.

In fiscal year 2012 the City spent \$312 million on all the governmental and business-type services including interest payments on the City's debt in fiscal year 2012. Governmental activities expended \$216 million, a 5.4 percent increase from 2011 and business-type activities spent \$96 million in fiscal year 2012, which is virtually unchanged from the previous year. Expenses for component units increased 3 percent to \$32 million in fiscal year 2012.

Approximately 52 percent of the City's governmental revenues are derived from the City income tax and local property taxes. On May 4, 2010, Grand Rapids voters approved a temporary, five-year increase to the resident, non-resident, and business income tax rate. Effective July 1, 2010 (the beginning of fiscal year 2011), the income tax rate for residents and businesses increased from 1.3 percent to 1.5 percent and the income tax rate for non-residents, increased from 0.65 percent to 0.75 percent. Income tax revenue for fiscal year 2012 increased 7 percent from fiscal year 2011 to \$68 million; however, revenue from property taxes decreased 4 percent to \$36 million.

The annual budget serves as the foundation for the City's financial planning and control. The annual budget process begins in January with departmental proposals for service delivery and required financial resources and culminates in June with a public hearing and subsequent adoption of the general appropriation act by the City Commission. The budget is prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. police). 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 special approval from the governing body. The City continues to meet its responsibility for sound financial management.

## **CITY'S FINANCIAL POSITION**

For more than a decade, the financial position of the City had been deteriorating, but with the temporary income tax rate increase, rebounding taxable incomes, and changes to the City's health insurance and pension programs, the financial position for this fiscal year has improved. That is these changes have given management time to solve its financial problems. The discussion that follows focuses on the local economy of West Michigan, as well as the City's long-run financial planning, new financial policies, and initiatives to move the City to a stronger fiscal future.

### *Local Economy*

The City is the economic 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 188,040 making it the second most populated city in the state of Michigan and the 124th most populated in the United States. The City is the county seat of Kent County, which has a population of 602,622. The four-county Metropolitan Statistical Area (MSA) has a population of 774,160 and the Combined Statistical Area includes 1.3 million people (US Census Bureau, 2010). The City boasts a diverse economy hosting major industries such as trade, transportation, utilities, manufacturing, education and health services, and professional and business services. Top employers in West Michigan include: Spectrum Health, Meijer, Axios, Spartan Stores, Amway, Mercy General Health Partners, and Grand Rapids Public Schools.

The local economy is at best slowly improving as signaled by decreasing unemployment rate and increasing taxable incomes. In the past year, the Grand Rapids unemployment rate has dropped 2.4 percentage points from 12.4 percent in July 2011 to 10.0 percent in June 2012. The unemployment rate has declined for the third year in a row. In fiscal year 2012, the Grand Rapids-Wyoming MSA labor force added 12,500 jobs; however, since 2002 over 16,000 people in the MSA have dropped from the labor force (U.S. Bureau of Labor Statistics, 2012).

Personal income has increased. Income tax returns filed with the income tax department show that after three years of modest annual increases, both average wage income and average taxable income have finally exceeded the amounts reported on returns for 2008. This reflects a rebound in the local economy shown by other statistical measures. With a time lag, this should help continue the rebound in property values..

Since fiscal year 2008, taxable values of property have declined 5.6 percent. From fiscal year 2011 to fiscal year 2012, taxable property values decreased 2.7 percent. The change in the taxable base of property resulted in lower revenues from tax receipts.

### *Long-Term Financial Planning*

The City established the Transformation Fund to account for the temporary five-year City Income Tax increase. To isolate and track the new income tax monies, the City created a separate accounting fund—labeled the Transformation Fund. The Transformation Investment Plan is organized into six themes: 1) public safety, 2) streets and infrastructure, 3) quality of life, 4) transparency, accountability, and communications, 5) City operations, and 6) citizen engagement and customer service. The plan includes seventy-four value streams to drive change, set goals and measure our progress, and create new service models—all intended to reduce costs or otherwise sustain the ability to provide service outcomes. Although aggressive budget reduction targets have been set for all departments, City-wide expenses have increased \$11.4 million or 3.8 percent from the previous fiscal year. The primary driver of the increased spending was federal grants that funded the hiring of additional public service personnel.

### *Relevant Financial Policies*

In June 2011, the City Commission adopted a new fund balance policy that complies with GASB 54. 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 funds 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 can be 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. To date, the City has yet to achieve this 15 percent minimum fund balance. Until more robust financial policies with spending and revenue triggers are implemented, the 15 percent minimum is likely to remain unattainable.

### *Major Initiatives*

In 2011, the City transitioned from our legacy mainframe financial system to a client-server based system. Following the transition of the financial system and water customer billing system to client-server systems, the City was able to shut down our mainframe computer, saving the City over \$775,000 each year.

### **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, 2011; an award the City has received for over twenty consecutive years. 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.

In addition, the City has received the GFOA's award for Distinguished Budget Presentation its budget document for the fiscal year beginning July 1, 2011. 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 and orderly preparation and completion of this report is possible only with the dedication of the staff in the Office of the City Comptroller. I appreciate the times and talents of all those in the office who contributed to this document. The citizens of Grand Rapids should be proud of this outstanding staff, I know I am! Also, I extend my appreciation to the Mayor, Commissioners, and City Manager and his staff whose leadership and commitment are imperative to the sustainability of this great City!

Respectfully submitted,

A handwritten signature in black ink that reads "Donijo Robbins De Jonge". The signature is written in a cursive, flowing style.

Donijo Robbins De Jonge  
City Comptroller



## Independent Auditor's Report

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

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, 2012 (December 31, 2011 for the Police and Fire Pension System), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. 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 Retirement Systems which represents 97% of the total assets of the Fiduciary Funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the City of Grand Rapids Retirement Systems, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 at June 30, 2012 (December 31, 2011 for the Police and Fire Pension System), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2012 on our consideration of the City of Grand Rapids' internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and funding progress schedules, on pages 2-12 and 73-78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

*BDO USA, LLP*

December 13, 2012

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

## 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, 2012. We encourage readers to consider the information presented here in conjunction with the information that we have furnished in our letter of transmittal, which is contained in the introductory section of this report.

### Financial Highlights

- The Net Assets for the City is the amount by which the City's assets exceeded its liabilities. At June 30, 2012, net assets totalled \$826,909,458. The unrestricted portion of this amount, \$165,183,329, may be used to meet the government's on-going obligations to citizens and creditors, consistent with the purpose that the funds were accumulated.
- The City's total net assets increased by \$2,637,305. An \$11,580,429 decrease in the net assets for governmental activities was offset by an increase in the net assets for business-type activities of \$14,217,734. For governmental activities, depreciation expense on existing assets overwhelmed closely matched revenues and expenses in individual funds.
- At June 30, 2012, the City's governmental funds reported combined fund balances of \$81,164,225; a decrease of \$660,212 from the previous year. A total of \$14,532,929 of the fund balance for governmental funds is *nonspendable*, and the spending of \$13,426,422 is *restricted* as to purpose by an outside party, which means \$53,204,874 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, which was \$8,499,517 at June 30, 2012, 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. The unassigned portion of the fund balance of the General Fund totalled \$8,499,517 at year-end; an increase of \$914,706 from the previous year. This increase was possible only because the amount of fund balance assigned to cover the following fiscal year budget deficit declined from \$5,541,833 to only \$199,864. At June 30, 2012, the unassigned balance stands at 8.1% of 2012 general fund expenditures, compared with 8.0% in 2011. At year end the unassigned fund balance was \$7,181,662 below the fund balance policy.
- The City's total debt decreased by \$23,133,255 during the current fiscal year. Payments reducing debt totaled \$44,160,720 and new debt issued included \$14,585,000 of refunding bonds and \$6,442,465 new debt. A schedule of the City's long-term obligations can be found in Note 6 of the notes to financial statements.

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported 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., uncollected taxes 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 include the Water Supply System, Sewage Disposal System, and the Auto Parking System.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also six legally separate authorities 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, Corridor Improvement Districts, and the 61<sup>st</sup> 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 13-14 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.

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 a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight major and sixteen 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 83-86.

The City adopts an annual appropriated budget for most of its governmental funds. 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 pages 79-82 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 87.



The basic governmental fund financial statements can be found on pages 15-18 of this report.

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, Auto 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 Department of Information Technology, Motor Equipment System, Facilities Management, Engineering, and the Insurance Payment Fund. The internal service funds have been allocated to both *business activities* and to *governmental activities* in the government-wide Statement of Activities.

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

The basic proprietary fund financial statements can be found on pages 19-23 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City uses fiduciary funds to account for its pension trust, other post-employment benefit trusts, private-purpose and agency funds.

The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

**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 28-72 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 four major special revenue funds as well as schedules of funding progress for the City's defined benefit retirement and OPEB programs. This supplementary information is contained behind its own tab following the notes to financial statements on pages 73-78 of this report.

Also included under the tab "statistical section" are various statistical tables containing information presented to assist the reader in further evaluating the financial information and the overall position of the City.

**Government-wide Financial Analysis**

	City of Grand Rapids' Net Assets					
	Governmental Activities 2012	Governmental Activities 2011	Business-Type Activities 2012	Business-Type Activities 2011	Total Primary Government 2012	Total Primary Government 2011
Current and other assets	\$ 140,297,218	\$ 141,470,421	\$ 138,535,000	\$ 145,651,566	\$ 278,832,218	\$ 287,121,987
Capital assets, net of accumulated depreciation	359,735,403	385,346,637	762,078,690	756,428,728	1,121,814,093	1,141,775,365
<b>Total Assets</b>	<b>\$ 500,032,621</b>	<b>\$ 526,817,058</b>	<b>\$ 900,613,690</b>	<b>\$ 902,080,294</b>	<b>\$ 1,400,646,311</b>	<b>\$ 1,428,897,352</b>
Current liabilities	\$ 21,520,275	\$ 23,736,720	\$ 32,376,052	\$ 31,951,161	\$ 53,896,327	\$ 55,687,881
Non-current liabilities	115,434,196	128,421,759	404,406,330	420,515,559	519,840,526	548,937,318
<b>Total Liabilities</b>	<b>\$ 136,954,471</b>	<b>\$ 152,158,479</b>	<b>\$ 436,782,382</b>	<b>\$ 452,466,720</b>	<b>\$ 573,736,853</b>	<b>\$ 604,625,199</b>
Net assets						
Invested in capital assets, net of related debt	\$ 267,497,557	\$ 286,842,665	\$ 357,748,563	\$ 360,515,741	\$ 625,246,120	\$ 647,358,406
Restricted	14,778,249	15,069,304	21,706,695	21,769,063	36,484,944	36,838,367
Unrestricted	80,802,344	72,746,610	84,376,050	67,328,770	165,178,394	140,075,380
<b>Total Net Assets</b>	<b>\$ 363,078,150</b>	<b>\$ 374,658,579</b>	<b>\$ 463,831,308</b>	<b>\$ 449,613,574</b>	<b>\$ 826,909,458</b>	<b>\$ 824,272,153</b>

Assets exceeded liabilities by \$826,909,458 at June 30, 2012 and \$824,272,153 at June 30, 2011.

The City's current and other assets decreased by \$8,289,769 or 2.9%. Most of the decrease is explained by the spending of the proceeds of bonds, issued in prior years by business type activities, to acquire the new capital assets the bonds were issued to fund.

The total liabilities decreased 5.1% or \$30,888,346, primarily as the result of scheduled debt payments reducing the outstanding debt of the City.

By far, the largest portion of the City's net assets (75.6%) 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 assets represent resources that are subject to external restrictions on how they may be used. The City's restricted net assets are primarily restricted for debt service and authorized capital projects. The remaining balance of *unrestricted net assets* (\$165,178,394) may be used to meet government's on-going obligations to citizens and creditors consistent with the purpose of the fund, however only the \$8.5 million of the General Fund's *unassigned* fund balance shown on page 15 is freely available or transferable to support the operations of the General Fund or of any other fund, however as noted on page 2, the fund balance policy considers the ending fund balance to be \$7.2 million less than the desired balance.

At June 30, 2012, the City is able to report positive balances in all three categories of net assets.

**Capital Asset and Debt Administration**

**City of Grand Rapids' Capital Assets  
(net of depreciation)**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>	<b>Business-Type Activities 2012</b>	<b>Business-Type Activities 2011</b>	<b>Total 2012</b>	<b>Total 2011</b>
Land	\$ 18,288,973	\$ 18,088,973	\$ 14,936,185	\$ 14,918,335	\$ 33,225,158	\$ 33,007,308
Easements/Right of Way	594,620	462,031	381,404	167,992	976,024	630,023
Land improvements	15,146,325	14,735,301	9,012,845	9,110,437	24,159,170	23,845,738
Buildings and structures	96,312,982	100,611,453	113,299,670	116,470,986	209,612,652	217,082,439
Leasehold improvements	-	-	-	-	-	-
Storage tanks	-	-	7,212,106	7,633,389	7,212,106	7,633,389
Machinery and equipment	5,965,624	7,982,148	84,055,529	85,432,813	90,021,153	93,414,961
Motor vehicles	9,065,955	11,213,011	1,655,920	2,117,211	10,721,875	13,330,222
Furniture	688,759	788,855	99,099	124,855	787,858	913,710
Software	872,740	610,675	-	-	872,740	610,675
Water and sewer mains	-	-	517,032,423	509,948,991	517,032,423	509,948,991
Infrastructure	210,219,335	226,698,932	-	-	210,219,335	226,698,932
Construction in progress	2,580,090	4,155,258	14,393,509	10,503,719	16,973,599	14,658,977
<b>Total</b>	<b><u>\$ 359,735,403</u></b>	<b><u>\$ 385,346,637</u></b>	<b><u>\$ 762,078,690</u></b>	<b><u>\$ 756,428,728</u></b>	<b><u>\$ 1,121,814,093</u></b>	<b><u>\$ 1,141,775,365</u></b>

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of June 30, 2012 amounts to \$1,121,814,093 (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) were over \$37 million compared to \$44 million the prior year. 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 \$8,445,585. Construction in progress on additional projects as of June 30, 2012 had reached \$4,809,334.
- Various additions and improvements were completed in the Sewage Disposal System at a cost of \$16,298,676. Construction in progress in on-going projects at the close of the fiscal year was \$9,584,175.

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**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>	<b>Business-Type Activities 2012</b>	<b>Business-Type Activities 2011</b>	<b>Total 2012</b>	<b>Total 2011</b>
Limited tax pledge bonds	\$ 55,507,161	\$ 61,278,557	\$ 34,962,839	\$ 36,526,443	\$ 90,470,000	\$ 97,805,000
Revenue bonds	30,905,000	32,025,000	371,792,963	382,676,778	402,697,963	414,701,778
Long-term contracts	8,029,640	10,620,080	10,210,000	11,414,000	18,239,640	22,034,080
<b>Total</b>	<b><u>\$ 94,441,801</u></b>	<b><u>\$ 103,923,637</u></b>	<b><u>\$ 416,965,802</u></b>	<b><u>\$ 430,617,221</u></b>	<b><u>\$ 511,407,603</u></b>	<b><u>\$ 534,540,858</u></b>

**Long-term debt:** At June 30, 2012, the City had total long-term debt outstanding of \$511,407,603. Of this amount, \$90,470,000 comprises limited tax full faith and credit general obligations. Limited tax full faith and credit general obligation bonds 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, 2012 balance of the City of Grand Rapids and County of Kent Building Authority bonds of \$64,958,904 issued in 2001 and 2003 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 2012.

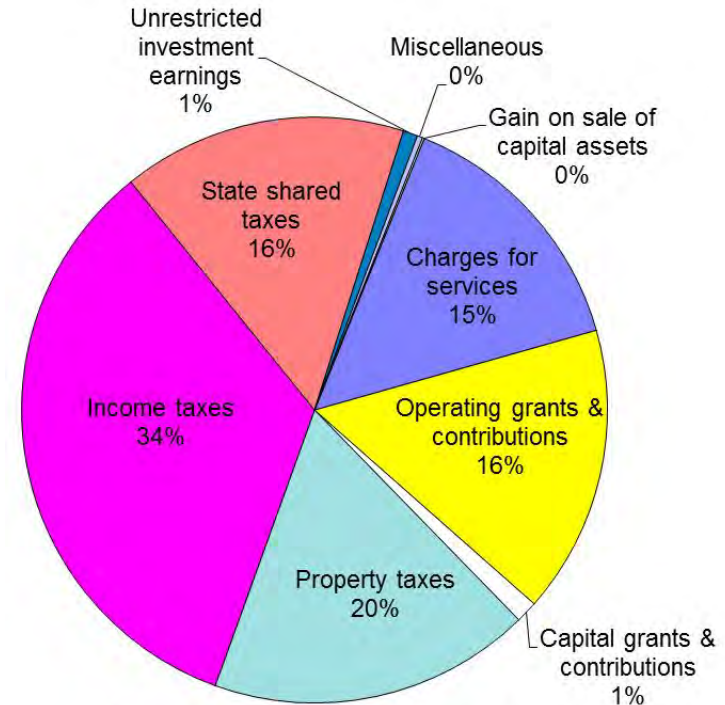
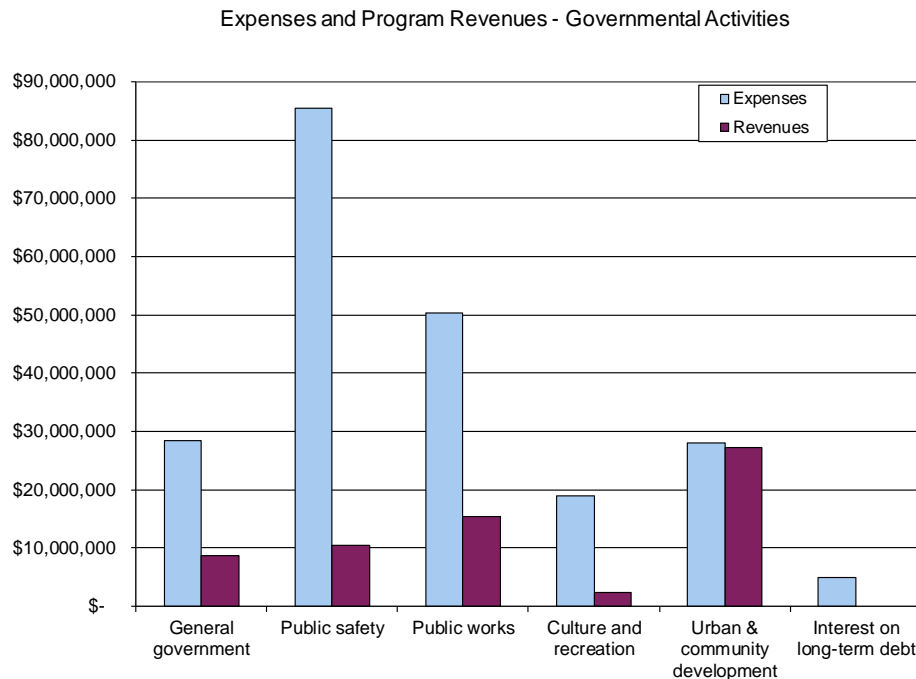
Additional information on the City's long-term debt can be found in note 6 in the notes to the financial statements.

Changes in Net Assets:

<b>City of Grand Rapids' Changes in Net Assets</b>						
	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>	<b>Business-Type Activities 2012</b>	<b>Business-Type Activities 2011</b>	<b>Total Primary Government 2012</b>	<b>Total Primary Government 2011</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 29,288,364	\$ 29,417,499	\$ 109,331,718	\$ 105,230,818	\$ 138,620,082	\$ 134,648,317
Operating grants and contributions	32,169,748	21,175,008	676,381	208,000	32,846,129	21,383,008
Capital grants and contributions	2,461,425	968,301	1,144,782	1,098,463	3,606,207	2,066,764
General Revenues:						
Property taxes	35,981,291	37,451,239	-	-	35,981,291	37,451,239
City Income taxes	68,179,409	63,852,926	-	-	68,179,409	63,852,926
Intergovernmental, unrestricted	31,667,177	32,775,451	-	-	31,667,177	32,775,451
Unrestricted investment earnings	1,717,328	1,738,367	432,126	975,845	2,149,454	2,714,212
Miscellaneous	528,525	1,962,840	1,592,148	1,378,751	2,120,673	3,341,591
Gain on sale of capital assets	103,401	292,191	-	-	103,401	292,191
Total Revenues	<u>202,096,668</u>	<u>189,633,822</u>	<u>113,177,155</u>	<u>108,891,877</u>	<u>315,273,823</u>	<u>298,525,699</u>
Expenses:						
General government	28,490,087	25,886,186	-	-	28,490,087	25,886,186
Public safety	85,540,347	78,776,861	-	-	85,540,347	78,776,861
Public works	50,339,679	49,113,508	-	-	50,339,679	49,113,508
Culture and Recreation	18,844,448	19,853,225	-	-	18,844,448	19,853,225
Urban & Community Development	28,103,849	26,234,918	-	-	28,103,849	26,234,918
Interest on long-term debt	4,825,257	5,139,731	-	-	4,825,257	5,139,731
Water Supply System	-	-	37,697,767	38,356,246	37,697,767	38,356,246
Sewage Disposal System	-	-	45,697,111	45,297,991	45,697,111	45,297,991
Auto Parking System	-	-	10,615,215	10,214,220	10,615,215	10,214,220
Other Enterprises	-	-	2,482,758	2,371,611	2,482,758	2,371,611
Total Expenses	<u>216,143,667</u>	<u>205,004,429</u>	<u>96,492,851</u>	<u>96,240,068</u>	<u>312,636,518</u>	<u>301,244,497</u>
Change in Net Assets before Transfers	(14,046,999)	(15,370,607)	16,684,304	12,651,809	2,637,305	(2,718,798)
Transfers	<u>2,466,570</u>	<u>2,633,781</u>	<u>(2,466,570)</u>	<u>(2,633,781)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(11,580,429)	(12,736,826)	14,217,734	10,018,028	2,637,305	(2,718,798)
Net Assets - beginning	<u>374,658,579</u>	<u>387,395,405</u>	<u>449,613,574</u>	<u>439,595,546</u>	<u>824,272,153</u>	<u>826,990,951</u>
Net Assets - ending	<u>\$ 363,078,150</u>	<u>\$ 374,658,579</u>	<u>\$ 463,831,308</u>	<u>\$ 449,613,574</u>	<u>\$ 826,909,458</u>	<u>\$ 824,272,153</u>

Governmental activities: Governmental activities decreased the City's net assets by \$11,580,429. Key elements of this decrease are as follows:

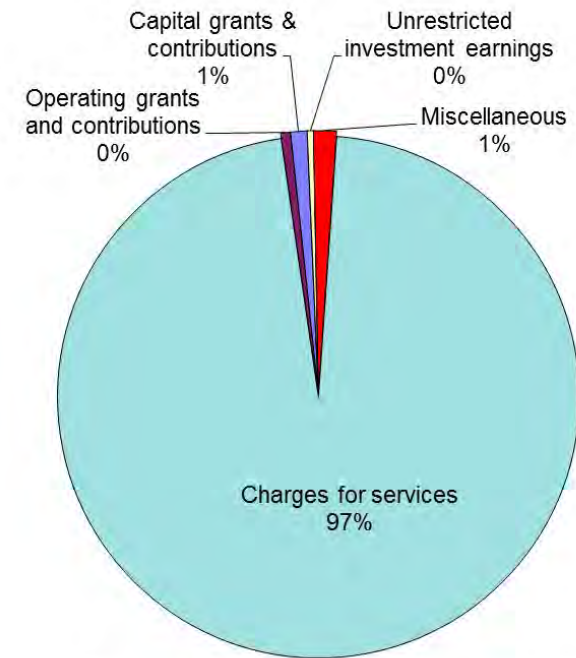
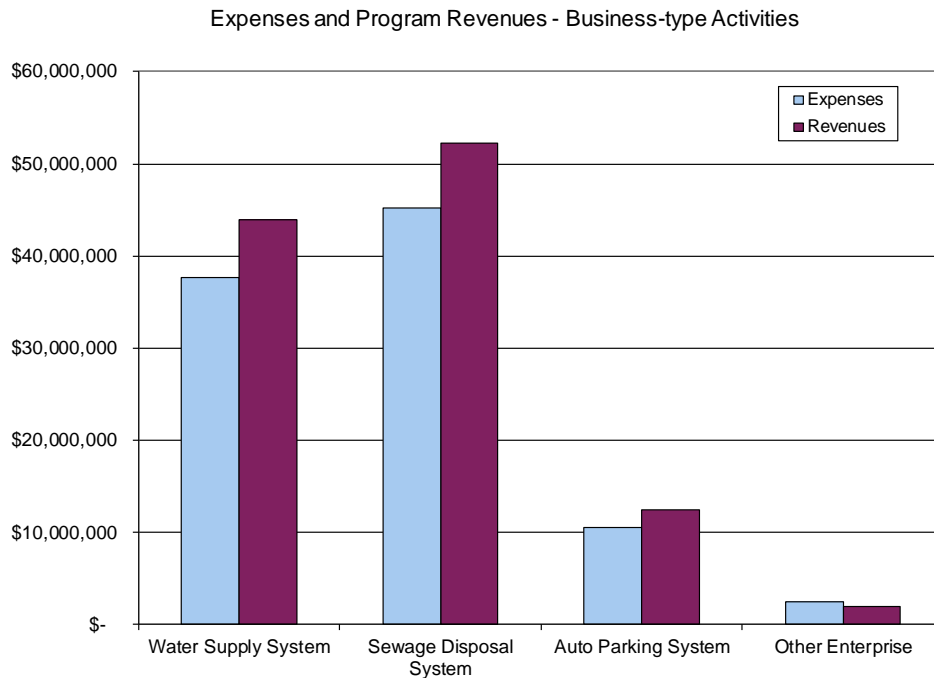
- Depreciation on existing assets of \$29.9 million, substantially in excess of the \$7.7 million cost of newly capitalized assets, reduced net assets by \$22.2 million.
- Repayments of existing debt totalled \$7.5 million, while new debt issuance of only \$2.3 million, caused net assets to increase by \$5.2 million.
- Tax revenues are used to finance most governmental activities. The City's largest tax revenue, the local income tax, increased \$4.3 million, or 6.8%. Most of the increase was a result of the temporary tax rate increase, although also contributing was a 2.1% increase in reported income on the average return. Local property tax revenue decreased 3.9% because of continued declines in property values since 2008. State shared taxes declined 2.3%, mostly as a result of the Legislature reducing the dollars available for disbursement to local governments in the sales and use tax allocation formerly known as Statutory Revenue Sharing.



Revenues by Source - Governmental Activities

Business-type activities: Business-type activities increased the City's net assets by \$14,217,734. The key elements of this increase are as follows:

- The Water and Sewer Systems benefited from increases in volume of 3.5% and 0.2% respectively in addition to mid-year rate increases of 5.15 % and 2.89%.
- The Parking System realized the benefit of increased revenue from the opening of two ramps late in the prior year and an \$849,978 capital grant to purchase new DASH buses that connect outlying parking lots with downtown employment and activities.
- 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 assets.



Revenues by Source - Business-type Activities

## **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, 2012, the City's governmental funds reported combined ending fund balances of \$81,164,225. Of this total, all but \$8,499,517 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, or *assigned* to a specific fund or purpose prior to year end. A summary of restrictions by fund appears on page 15.

The General Fund is the primary operating fund of the City. At June 30, 2012, the fund had an unassigned fund balance of \$8,499,517. 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 8.1% and 25.2% respectively of total fiscal year 2012 General Fund expenditures, compared to the unassigned and total fund balance representing 8.0% and 32.3% of fund expenditures a year earlier.

The fund balance of the City's General Fund decreased \$5,352,757 during fiscal year 2012. As originally adopted, the budget anticipated a deficit of \$4,982,940, which was close to the final deficit. As detailed on the following page, the key factors in the final decrease were increases in three revenue sources offsetting much of the shortfall in anticipated labor cost savings.

The fund balance of the Library Fund decreased \$741,519 as the Library undertook a major project to add Radio Frequency Identification tags (RFID) to their entire collection. After completion next year, the RFID project is expected to improve control and reduce future operating costs.

The fund balance of the Refuse Fund increased by \$2,472,553. A loan, in the form of a transfer of \$2,400,000 from the Transformation Fund to finance start-up costs of a "pay-as-you-throw" service model starting in fiscal year 2013, accounted for almost all of the increase.

The Grants fund was added as a major fund due to the large grants that the City has received-SAFER for fire fighters and COPS for police officers.

The budget process anticipated the Major and Local Street Funds would increase fund balance \$105,429 and \$343,058 respectively. Actual results saw an increase in fund balance of \$1,783,809 in the Major Street Fund and a reduction of \$1,644,367 in the Local Street Fund. At the time of budget development it had been anticipated that the Major Street Fund would need to subsidize operations in the Local Street Fund. Decisions made during the prior year to reduce cap-sealing paving projects to retain resources in the two street funds removed the need of the subsidy.

The fund balances of the City's Streets Capital Construction Fund increased \$1,142,816 primarily as a result of more new projects being approved and funded than the amount that was spent on previously approved projects. The fund balance of the General Capital Construction Fund increased by \$854,003; primarily as a result of a mismatch in the timing of acquiring resources and spending on multi-year construction projects.

The fund balances of the City's Non-Major Governmental funds increased by \$493,195. The major components of that increase came from a million dollar increase in the Community Dispatch Fund as rates were set to erase the deficit in its first year of operation and a million dollar increase in the Transformation Fund. Offsetting those increases, the Building Inspection Fund continued to support current operations by drawing down \$496,783 of the fund balance accumulated from fees in the last year of the of real estate boom, the Parks and Recreation Fund spent 64% of its fund balance, \$421,864, to support current operations, and the Grand Rapids Building Authority Capital Project fund reduced fund balance \$624,967 as it neared the end of spending bond proceeds on two projects.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net assets of the Water Supply System, Sewage Disposal System, Auto Parking System and non-major enterprise funds at the end of the year amounted to \$79,149,519. The total growth in net assets for enterprise funds was \$13,477,213. 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 there was an increase of \$5,769,875 in appropriations between the original and final amended budget. The major components of the increase were:

- \$5,463,157 of anticipated savings from new labor agreements was removed from the budget after it became clear the savings would be smaller and later than anticipated. A transfer from the transformation fund of \$7,679,552 was authorized to offset this shortfall in labor savings.
- \$383,703 was reappropriated to allow completion of departmental projects that had not been completed in the prior fiscal year.
- \$72,900 was appropriated to allow the Fire Department to acquire a less expensive type of vehicle called a QRV, or quick response vehicle.

Actual departmental expenditures in the General Fund were \$5,142,871 below amended appropriations. After considering the remaining appropriation lapse of \$5,265,396 budgeted at the fund level, departmental expenditures were \$122,525 above expectations. This was primarily because increases in both volume and cost per kilowatt hour for street lighting electric purchases by the Enterprise Services Department exceeded the budget by 16%.

Revenues for the year ended June 30, 2012 were \$2,888,739 higher than originally budgeted. There were number off-setting differences within the total change. Three items accounted for most of the increase. Net income tax receipts increased \$1,096,480, primarily because refund claims were 20% below expectations. State shared revenue from the Constitutional formula was \$742,739 above initial projections because of increasing retail sales. Finally, a wide range of fee for service charges: reimbursements of police officer overtime at community events; reimbursements by other funds for electricity drawn from the street lighting system; housing and planning related fees; all came in above their expected levels.

### **Economic Factors and Next Year's Budgets and Rates**

City Commission, top management, and fiscal staff considered many factors when preparing the fiscal year 2013 budget. The primary factor impacting the budgeting process in recent years has been that the City of Grand Rapids is located in the State of Michigan. State government has dealt with its, economic stress in part by significantly reducing tax revenues returned to local governments. Recognizing both a need to reduce costs in the future, and the immediate fiscal stress on the City, in 2010 the voters approved a five-year, 15.4% increase in local income tax rates to allow current public safety service levels to continue and to provide time and resources to revise future service delivery methods. The revenues from that temporary increase are placed in a separate fund to allow management to account to the voters on how they have used this temporary funding source.

The initial FY 2013 budget projected a 4% increase in the local income tax base. Based on projections from the State of Michigan, the amount of tax revenues returned to the City is expected to increase slightly from the prior year, but decreases in property tax revenues will offset that increase.

In spite of continuing efforts to reduce the impact of other funds on the General Fund, future budgets anticipate continuing General Fund subsidies providing over 35% of the cost of operating the District Court, over 35% of the cost of operations and debt service in the Cemetery Fund, over 80% of the cost of operating the Parks and Recreation Fund, almost 60% of the cost of operating the multijurisdictional Dispatch Fund, as well as continuing to provide any required local match dollars in the Grants Fund.

Overall, the City's current and most recent budgets emphasize cost containment and, when feasible, maintenance of existing service levels. The City's capital plans have been prepared within the context of five years for many years. FY2013 is the seventh year that five-year operating budgets have been prepared. These five-year forecasts give City Commission and staff better information regarding the current and future impact of funding priorities and are guiding the on-going reinvention of the City organization. Two years ago the five year plan showed rising deficits each year within governmental activities. The latest five-year plan shows some progress has been made in bringing expenditures in line with anticipated revenue sources. Despite the progress, few reserves exist to cope with the unexpected but inevitable shocks the future will bring.

### **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, Michigan**  
**Statement of Net Assets**  
**Government Wide**

June 30, 2012

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Total Component Units</u>
<b>ASSETS</b>				
Equity in pooled cash and investments (Note 2)	\$ 110,871,826	\$ 66,268,474	\$ 177,140,300	\$ 20,144,079
Investments held by trustee	-	-	-	5,382,603
Receivables, net	10,192,989	22,644,050	32,837,039	1,056,853
Internal balances	(4,903,354)	4,903,354	-	-
Due from other governmental units	8,817,209	-	8,817,209	32,004
Advance to component unit	-	1,165,517	1,165,517	-
Inventories	2,880,724	3,176,423	6,057,147	-
Deferred expenses and other assets	457,141	617,987	1,075,128	744,189
Restricted assets (Notes 2 and 4)	2,380,683	37,076,871	39,457,554	-
Investment in joint venture (Note 1)	-	2,472,900	2,472,900	-
Long-term advance	9,600,000	-	9,600,000	-
Other assets	-	209,424	209,424	-
Capital Assets (Note 5):				
Non-depreciable	21,463,683	29,711,098	51,174,781	15,141,482
Depreciable, net	338,271,720	732,367,592	1,070,639,312	37,513,058
Total assets	<u>\$ 500,032,621</u>	<u>\$ 900,613,690</u>	<u>\$ 1,400,646,311</u>	<u>\$ 80,014,268</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 16,551,627	\$ 2,724,915	\$ 19,276,542	\$ 6,885,029
Accrued interest payable	1,207,089	9,252,836	10,459,925	267,752
Due to other governmental units	2,417,638	-	2,417,638	-
Unearned revenues	1,075,660	32,392	1,108,052	50,000
Customer deposits	268,261	-	268,261	-
Payable from restricted assets (Note 6):				
Bonds and contracts payable	-	18,151,899	18,151,899	-
Accrued interest and other	-	2,214,010	2,214,010	-
Noncurrent liabilities (Note 6):				
Due within 1 year:	19,976,403	3,923,222	23,899,625	4,421,833
Due in more than 1 year:	95,457,793	400,483,108	495,940,901	49,701,390
Total liabilities	<u>136,954,471</u>	<u>436,782,382</u>	<u>573,736,853</u>	<u>61,326,004</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	267,497,557	357,748,563	625,246,120	24,621,999
Restricted for:				
Expendable:				
Public Safety	2,095,942	-	2,095,942	-
Cultural and recreation	503,616	-	503,616	-
Public Works	8,138,884	-	8,138,884	-
Debt service	-	21,706,695	21,706,695	-
Authorized projects	-	-	-	4,136,291
Urban and community development	1,194,228	-	1,194,228	-
Nonexpendable:				
Perpetual care	2,806,309	-	2,806,309	-
Cultural and recreation	39,270	-	39,270	-
Unrestricted	<u>80,802,344</u>	<u>84,376,050</u>	<u>165,178,394</u>	<u>(10,070,026)</u>
Total net assets	<u>363,078,150</u>	<u>463,831,308</u>	<u>826,909,458</u>	<u>18,688,264</u>
Total liabilities and net assets	<u>\$ 500,032,621</u>	<u>\$ 900,613,690</u>	<u>\$ 1,400,646,311</u>	<u>\$ 80,014,268</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
<i>Governmental activities:</i>								
General government	\$ 28,490,087	\$ 8,722,141	\$ 16,299	\$ -	\$ (19,751,647)	\$ -	\$ (19,751,647)	\$ -
Public safety	85,540,347	3,035,450	7,418,122	-	(75,086,775)	-	(75,086,775)	-
Public works	50,339,679	10,530,342	2,319,876	2,461,425	(35,028,036)	-	(35,028,036)	-
Culture and recreation	18,844,448	1,837,477	425,415	-	(16,581,556)	-	(16,581,556)	-
Urban & community development	28,103,849	5,162,954	21,990,036	-	(950,859)	-	(950,859)	-
Interest on long-term debt	4,825,257	-	-	-	(4,825,257)	-	(4,825,257)	-
Total governmental activities	<u>216,143,667</u>	<u>29,288,364</u>	<u>32,169,748</u>	<u>2,461,425</u>	<u>(152,224,130)</u>	<u>-</u>	<u>(152,224,130)</u>	<u>-</u>
<i>Business-type activities:</i>								
Water Supply System	37,697,767	43,392,238	-	532,175	-	6,226,646	6,226,646	-
Sewage Disposal System	45,697,111	51,619,089	522,531	612,607	-	7,057,116	7,057,116	-
Auto Parking System	10,615,215	12,413,783	153,850	-	-	1,952,418	1,952,418	-
Other Enterprise	2,482,758	1,906,608	-	-	-	(576,150)	(576,150)	-
Total business-type activities	<u>96,492,851</u>	<u>109,331,718</u>	<u>676,381</u>	<u>1,144,782</u>	<u>-</u>	<u>14,660,030</u>	<u>14,660,030</u>	<u>-</u>
Total primary government	<u>\$ 312,636,518</u>	<u>\$ 138,620,082</u>	<u>\$ 32,846,129</u>	<u>\$ 3,606,207</u>	<u>(152,224,130)</u>	<u>14,660,030</u>	<u>(137,564,100)</u>	<u>-</u>
<b>Component Units:</b>								
Downtown Development Authority	\$ 13,141,938	\$ 396,439	\$ -	\$ -	-	-	-	(12,745,499)
Tax Increment Financing Authority	544,025	-	-	-	-	-	-	(544,025)
SmartZone Development Authority	1,450,405	-	-	-	-	-	-	(1,450,405)
Brownfield Redevelopment Authority	3,848,784	40,282	-	-	-	-	-	(3,808,502)
Corridor Improvement Districts	4,000	-	-	-	-	-	-	(4,000)
61st District Court	13,136,122	7,463,042	6,128,921	-	-	-	-	455,841
Total component units	<u>\$ 32,125,274</u>	<u>\$ 7,899,763</u>	<u>\$ 6,128,921</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,096,590)</u>
<b>General revenues:</b>								
Property taxes					35,981,291	-	35,981,291	14,487,944
City income taxes					68,179,409	-	68,179,409	-
Intergovernmental, unrestricted					31,667,177	-	31,667,177	-
Unrestricted investment earnings					1,717,328	432,126	2,149,454	157,344
Miscellaneous					528,525	1,592,148	2,120,673	-
Gain on sale of capital assets					103,401	-	103,401	-
Transfers (Note 9)					2,466,570	(2,466,570)	-	-
Total general revenues and transfers					<u>140,643,701</u>	<u>(442,296)</u>	<u>140,201,405</u>	<u>14,645,288</u>
Change in net assets					<u>(11,580,429)</u>	<u>14,217,734</u>	<u>2,637,305</u>	<u>(3,451,302)</u>
Net assets - beginning					<u>374,658,579</u>	<u>449,613,574</u>	<u>824,272,153</u>	<u>22,139,566</u>
Net assets - ending					<u>\$ 363,078,150</u>	<u>\$ 463,831,308</u>	<u>\$ 826,909,458</u>	<u>\$ 18,688,264</u>

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

**City of Grand Rapids, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
*June 30, 2012*

**Major Governmental Funds**

	<u>General</u>	<u>Library</u>	<u>Refuse</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Grants</u>	<u>Streets Capital Construction</u>	<u>General Capital Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>										
Equity in pooled cash & investments (Note 2)	\$ 20,021,537	\$ 4,681,453	\$ 3,638,841	\$ 4,741,828	\$ 810,463	\$ 624,181	\$ 9,030,881	\$ 6,646,261	\$ 19,394,636	\$ 69,590,081
Receivables, net	6,911,514	21,309	51,839	268,929	5,027	239,262	109,193	319,914	1,444,866	9,371,853
Due from other funds (Note 9)	388,960	-	-	-	-	-	-	-	-	388,960
Due from other governmental units	2,371,924	-	-	2,200,649	454,255	2,070,696	192,641	-	1,527,044	8,817,209
Inventories	723,093	-	-	1,345,875	-	-	-	-	18,382	2,087,350
Long-term advance	9,600,000	-	-	-	-	-	-	-	-	9,600,000
Total assets	<u>\$ 40,017,028</u>	<u>\$ 4,702,762</u>	<u>\$ 3,690,680</u>	<u>\$ 8,557,281</u>	<u>\$ 1,269,745</u>	<u>\$ 2,934,139</u>	<u>\$ 9,332,715</u>	<u>\$ 6,966,175</u>	<u>\$ 22,384,928</u>	<u>\$ 99,855,453</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable and accruals	\$ 11,676,686	\$ 267,033	\$ 432,192	\$ 212,919	\$ 98,598	\$ 1,205,909	\$ 203,299	\$ 482,039	\$ 791,857	\$ 15,370,532
Due to other funds (Note 9)	-	-	-	-	-	-	-	-	27,156	27,156
Due to other governmental units	1,969,537	-	-	-	-	-	-	-	973	1,970,510
Deferred revenues	11,089	-	-	-	-	913,540	60,284	69,856	-	1,054,769
Customer deposits	-	-	15,363	30,750	-	-	-	-	113,138	268,261
Total liabilities	<u>13,657,312</u>	<u>267,033</u>	<u>447,555</u>	<u>243,669</u>	<u>98,598</u>	<u>2,119,449</u>	<u>263,583</u>	<u>665,033</u>	<u>928,996</u>	<u>18,691,228</u>
<b>FUND BALANCE</b>										
<b>Nonspendable:</b>										
Long-term advance	9,600,000	-	-	-	-	-	-	-	-	9,600,000
Inventories	723,093	-	-	1,345,875	-	-	-	-	18,382	2,087,350
Nonexpendable Trust principal	-	14,270	-	-	-	-	-	-	2,831,309	2,845,579
<b>Restricted:</b>										
Public safety programs	-	-	-	-	-	-	-	-	2,095,942	2,095,942
Urban and community redevelopment	-	-	-	-	-	814,690	-	-	737,771	1,552,461
Culture and recreation	-	379,328	-	-	-	-	-	-	124,288	503,616
Public works	-	-	-	6,967,737	1,171,147	-	-	-	-	8,138,884
Debt service	-	-	-	-	-	-	1,210,494	320,640	-	1,531,134
Other purposes	-	-	-	-	-	-	-	-	95,452	95,452
<b>Committed:</b>										
Authorized projects	-	-	-	-	-	-	7,858,638	5,980,502	8,470,347	22,309,487
Other purposes	-	-	-	-	-	-	-	-	939,068	939,068
<b>Assigned:</b>										
Culture & recreation	-	3,250,050	-	-	-	-	-	-	31,063	3,281,113
Public safety	-	-	-	-	-	-	-	-	567,886	567,886
Urban & community development	-	-	-	-	-	-	-	-	2,573,124	2,573,124
Public works	-	-	2,951,060	-	-	-	-	-	396,831	3,347,891
Ensuing year budget	199,864	336,478	-	-	-	-	-	-	550,627	1,086,969
Compensated absences	6,942,492	455,603	292,065	-	-	-	-	-	562,405	8,252,565
Other purposes	394,750	-	-	-	-	-	-	-	1,461,437	1,856,187
Unassigned	8,499,517	-	-	-	-	-	-	-	-	8,499,517
Total fund balance	<u>26,359,716</u>	<u>4,435,729</u>	<u>3,243,125</u>	<u>8,313,612</u>	<u>1,171,147</u>	<u>814,690</u>	<u>9,069,132</u>	<u>6,301,142</u>	<u>21,455,932</u>	<u>81,164,225</u>
Total liabilities and fund balances	<u>\$ 40,017,028</u>	<u>\$ 4,702,762</u>	<u>\$ 3,690,680</u>	<u>\$ 8,557,281</u>	<u>\$ 1,269,745</u>	<u>\$ 2,934,139</u>	<u>\$ 9,332,715</u>	<u>\$ 6,966,175</u>	<u>\$ 22,384,928</u>	<u>\$ 99,855,453</u>

**City of Grand Rapids, Michigan**  
**Reconciliation of the Fund Balances of Governmental Funds to the**  
**Net Assets of Governmental Activities on the Statement of Net Assets**  
*June 30, 2012*

Total governmental funds, fund balances	\$ 81,164,225
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital assets, at cost	846,044,757
Accumulated depreciation	<u>(486,309,354)</u>
Net capital assets	359,735,403
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:	
Deferred issuance costs and on refunding	2,945,073
Prepaid Expenses	457,141
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 assets.	38,362,668
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	(94,441,801)
Premium on bonds	(1,203,629)
Compensated absences	(9,641,275)
Net OPEB Obligation	(6,629,200)
Insurance claims	(6,463,366)
Accrued interest on bonds	<u>(1,207,089)</u>
Net assets of governmental activities	<u>\$ 363,078,150</u>

**City of Grand Rapids, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
*for the year ended June 30, 2012*

	Major Governmental Funds									
	General	Library	Refuse	Major Streets	Local Streets	Grants	Street Capital Construction	General Capital Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:										
Property taxes	\$ 13,453,120	\$ 10,037,671	\$ 7,376,006	\$ -	\$ -	\$ -	\$ -	\$ 5,114,494	\$ -	\$ 35,981,291
City income taxes	56,757,578	-	-	-	-	-	-	2,364,614	9,057,217	68,179,409
State shared taxes	13,854,586	79,344	-	10,333,129	2,761,067	68,995	-	-	4,570,056	31,667,177
Licenses and permits	489,182	-	-	-	-	-	-	-	2,391,732	2,880,914
Fines and forfeitures	1,946,122	224,578	-	-	-	-	-	-	-	2,170,700
Federal grants	50,604	-	-	330,536	-	26,519,238	549,442	205,109	188,400	27,843,329
State grants	231,136	-	-	-	-	1,039,241	31,053	-	58,222	1,359,652
Other grants & contributions	66,049	359,447	-	-	-	333,846	176,343	1,499,478	2,993,029	5,428,192
Charges for services	11,442,607	148,831	5,014,994	2,263,949	20,204	874,693	118,998	-	4,112,474	23,996,750
Investment earnings	573,068	40,436	26,968	-	14,756	27,725	5,386	3,198	161,784	853,321
Miscellaneous	115,757	105,027	-	66,641	20	37,464	-	55,577	107,098	487,584
Total revenues	<u>98,979,809</u>	<u>10,995,334</u>	<u>12,417,968</u>	<u>12,994,255</u>	<u>2,796,047</u>	<u>28,901,202</u>	<u>881,222</u>	<u>9,242,470</u>	<u>23,640,012</u>	<u>200,848,319</u>
Expenditures:										
Current:										
General government	23,842,467	-	-	-	-	68,238	-	1,634,898	-	25,545,603
Public safety	71,193,879	-	-	-	-	5,012,575	-	-	7,013,402	83,219,856
Public works	5,525,318	-	12,034,937	8,484,731	4,306,499	1,728,880	-	-	1,396,459	33,476,824
Culture and recreation	-	9,628,092	-	-	-	-	-	-	4,946,822	14,574,914
Urban and community development	3,545,636	-	-	-	-	21,378,290	-	-	3,663,467	28,587,393
Debt service:										
Principal	354,170	-	-	594,536	-	-	-	1,295,904	5,211,396	7,456,006
Interest, fees, and bond issue costs	79,724	300	-	448,034	-	-	-	466,863	3,457,590	4,452,511
Capital outlay	-	-	-	30,157	4,802	-	3,399,167	3,879,015	983,101	8,296,242
Total expenditures	<u>104,541,194</u>	<u>9,628,392</u>	<u>12,034,937</u>	<u>9,557,458</u>	<u>4,311,301</u>	<u>28,187,983</u>	<u>3,399,167</u>	<u>7,276,680</u>	<u>26,672,237</u>	<u>205,609,349</u>
Excess (deficit) of revenues over expenditures	<u>(5,561,385)</u>	<u>1,366,942</u>	<u>383,031</u>	<u>3,436,797</u>	<u>(1,515,254)</u>	<u>713,219</u>	<u>(2,517,945)</u>	<u>1,965,790</u>	<u>(3,032,225)</u>	<u>(4,761,030)</u>
Other financing sources (uses):										
Transfers in (Note 9)	15,753,138	-	2,400,000	-	-	1,126,472	3,769,000	1,587,277	17,190,771	41,826,658
Transfers out (Note 9)	(15,529,690)	(2,108,461)	(310,478)	(1,587,754)	(129,113)	(1,507,636)	(108,239)	(2,699,064)	(13,657,471)	(37,637,906)
Face value of bonds and contracts issued	-	-	-	-	-	-	-	-	2,255,000	2,255,000
Premium on bonds and contracts issued	-	-	-	-	-	-	-	-	175,389	175,389
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(2,438,269)	(2,438,269)
Total other financing sources (uses)	<u>223,448</u>	<u>(2,108,461)</u>	<u>2,089,522</u>	<u>(1,587,754)</u>	<u>(129,113)</u>	<u>(381,164)</u>	<u>3,660,761</u>	<u>(1,111,787)</u>	<u>3,525,420</u>	<u>4,180,872</u>
Net change in fund balances	<u>(5,337,937)</u>	<u>(741,519)</u>	<u>2,472,553</u>	<u>1,849,043</u>	<u>(1,644,367)</u>	<u>332,055</u>	<u>1,142,816</u>	<u>854,003</u>	<u>493,195</u>	<u>(580,158)</u>
Fund balances - beginning	31,712,473	5,177,248	770,572	6,529,803	2,815,514	482,635	7,926,316	5,447,139	20,962,737	81,824,437
Current year change in inventory levels	(14,820)	-	-	(65,234)	-	-	-	-	-	(80,054)
Fund balances - ending	<u>\$ 26,359,716</u>	<u>\$ 4,435,729</u>	<u>\$ 3,243,125</u>	<u>\$ 8,313,612</u>	<u>\$ 1,171,147</u>	<u>\$ 814,690</u>	<u>\$ 9,069,132</u>	<u>\$ 6,301,142</u>	<u>\$ 21,455,932</u>	<u>\$ 81,164,225</u>

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, 2012*

Net change in fund balances - total governmental funds \$ (580,158)

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 (\$26,624,649) exceeded capital outlays (\$2,593,034). (24,031,615)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	(2,255,000)
Premium on bonds issued	(175,389)
Repayments	7,456,006
Issue costs on bonds	122,727
Defeasance of bonds	2,325,000

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	79,599
Compensated absences	(459,618)
Net OPEB obligation	3,342,578
Other	2,572

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.

2,592,869

Change in net assets of governmental activities \$ (11,580,429)

**City of Grand Rapids, Michigan**  
**Statement of Net Assets**  
**Proprietary Funds**  
*June 30, 2012*

	Major Funds			Nonmajor Proprietary Funds	Totals	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments (Note 2)	\$ 24,529,180	\$ 26,070,629	\$ 15,225,880	\$ 442,785	\$ 66,268,474	\$ 41,281,745
Receivables, net	9,988,707	12,195,772	246,612	212,959	22,644,050	782,508
Due from component units	1,165,517	-	-	-	1,165,517	-
Investment in joint venture (Note 1)	-	2,472,900	-	-	2,472,900	-
Inventory	2,013,081	1,152,066	-	11,276	3,176,423	793,374
Restricted Assets (Note 4)	9,871,592	6,357,485	-	-	16,229,077	2,380,683
Deferred expenses and other assets	-	-	617,987	-	617,987	524,088
Total current assets	<u>47,568,077</u>	<u>48,248,852</u>	<u>16,090,479</u>	<u>667,020</u>	<u>112,574,428</u>	<u>45,762,398</u>
Noncurrent assets:						
Restricted assets (Note 4)	10,353,477	10,494,317	-	-	20,847,794	-
Other assets	-	-	-	209,424	209,424	-
Capital assets: (Note 5)						
Non-depreciable	8,886,276	14,028,299	6,791,268	5,255	29,711,098	1,111,328
Depreciable	436,599,684	634,884,338	87,245,593	5,484,215	1,164,213,830	49,498,729
Less accumulated depreciation	(160,264,559)	(232,433,547)	(35,315,151)	(3,832,981)	(431,846,238)	(41,435,778)
Total noncurrent assets	<u>295,574,878</u>	<u>426,973,407</u>	<u>58,721,710</u>	<u>1,865,913</u>	<u>783,135,908</u>	<u>9,174,279</u>
Total assets	<u>\$ 343,142,955</u>	<u>\$ 475,222,259</u>	<u>\$ 74,812,189</u>	<u>\$ 2,532,933</u>	<u>\$ 895,710,336</u>	<u>\$ 54,936,677</u>



City of Grand Rapids, Michigan  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Major Funds			Nonmajor Proprietary Funds	Totals	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers and accounts payable	\$ 1,087,600	\$ 1,011,015	\$ 360,841	\$ 265,459	\$ 2,724,915	\$ 1,181,095
Accrued interest payable	2,793,846	6,082,796	376,194	-	9,252,836	33,528
Due to other governmental units	-	-	-	-	-	447,128
Due to other funds (Note 9)	-	-	-	323,177	323,177	-
Unearned revenues	-	-	32,392	-	32,392	20,891
Current portion of claims payable	-	-	-	-	-	5,212,107
Current maturities of bonds, notes and contracts payable (Note 6)	-	77,500	1,302,839	-	1,380,339	988,652
Current portion of compensated absences and workers' compensation	769,379	479,271	87,512	26,721	1,362,883	537,456
Current portion of long-term advance	-	-	1,180,000	-	1,180,000	-
Liabilities payable from restricted assets (Note 6):						
Current maturities of bonds, notes and contracts payable	9,577,838	8,574,061	-	-	18,151,899	-
Other	293,754	1,920,256	-	-	2,214,010	-
Total current liabilities	<u>14,522,417</u>	<u>18,144,899</u>	<u>3,339,778</u>	<u>615,357</u>	<u>36,622,451</u>	<u>8,420,857</u>
Noncurrent liabilities (net of current portion) (Note 6):						
Bonds payable	116,174,786	241,428,563	33,316,183	-	390,919,532	2,693,621
Contracts and notes payable	-	532,500	-	-	532,500	681,434
Long-term advance	-	-	8,420,000	-	8,420,000	-
General claims payable	-	-	-	-	-	352,239
Compensated absences and workers' compensation	491,898	306,419	55,951	17,084	871,352	1,098,026
Net OPEB Obligation (Note 8)	(100,040)	(161,797)	(4,820)	6,381	(260,276)	23,230
Total noncurrent liabilities	<u>116,566,644</u>	<u>242,105,685</u>	<u>41,787,314</u>	<u>23,465</u>	<u>400,483,108</u>	<u>4,848,550</u>
Total liabilities	<u>131,089,061</u>	<u>260,250,584</u>	<u>45,127,092</u>	<u>638,822</u>	<u>437,105,559</u>	<u>13,269,407</u>
<b>NET ASSETS</b>						
Invested in capital assets net of related debt	166,178,245	165,811,141	24,102,688	1,656,489	357,748,563	5,043,144
Restricted:						
Debt service	8,733,913	12,972,782	-	-	21,706,695	-
Unrestricted	37,141,736	36,187,752	5,582,409	237,622	79,149,519	36,624,126
Total net assets	<u>212,053,894</u>	<u>214,971,675</u>	<u>29,685,097</u>	<u>1,894,111</u>	<u>458,604,777</u>	<u>41,667,270</u>
Total liabilities and net assets	<u>\$ 343,142,955</u>	<u>\$ 475,222,259</u>	<u>\$ 74,812,189</u>	<u>\$ 2,532,933</u>		<u>\$ 54,936,677</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					5,226,531	
Net assets of business-type activities					<u>\$ 463,831,308</u>	

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

**City of Grand Rapids, Michigan**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
*for the year ended June 30, 2012*

	Major Funds			Nonmajor Proprietary Funds	Totals	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
Operating revenues:						
Charges for services	\$ 734,690	\$ 51,506,897	\$ 12,413,783	\$ 1,572,393	\$ 66,227,763	\$ 53,082,801
Sales	41,884,503	-	-	334,022	42,218,525	-
Miscellaneous	773,045	112,192	-	193	885,430	41,931
Total operating revenues	<u>43,392,238</u>	<u>51,619,089</u>	<u>12,413,783</u>	<u>1,906,608</u>	<u>109,331,718</u>	<u>53,124,732</u>
Operating expenses:						
Personal services	12,948,984	8,826,740	1,997,752	925,991	24,699,467	7,519,623
Supplies and materials	2,899,222	1,162,007	133,560	533,575	4,728,364	4,078,836
Utilities	4,667,670	2,707,672	475,966	177,798	8,029,106	1,679,869
Contractual services	1,067,007	5,454,460	1,630,450	536,747	8,688,664	3,696,122
Other services and charges	2,965,158	2,971,441	1,519,403	132,382	7,588,384	28,511,333
Depreciation	7,534,387	12,892,913	3,081,635	200,235	23,709,170	3,287,294
Total operating expenses	<u>32,082,428</u>	<u>34,015,233</u>	<u>8,838,766</u>	<u>2,506,728</u>	<u>77,443,155</u>	<u>48,773,077</u>
Operating income (loss)	<u>11,309,810</u>	<u>17,603,856</u>	<u>3,575,017</u>	<u>(600,120)</u>	<u>31,888,563</u>	<u>4,351,655</u>
Nonoperating revenues (expenses):						
Other federal revenue	-	522,531	153,850	-	676,381	40,941
Interest revenue	217,194	210,384	1,663	2,885	432,126	759,474
Miscellaneous revenue	677,973	890,701	23,474	-	1,592,148	-
Gain on sale of capital assets	-	-	-	-	-	103,401
Interest expense and paying agent fees	(5,922,115)	(12,007,136)	(1,860,966)	-	(19,790,217)	(199,896)
Total nonoperating revenues (expenses)	<u>(5,026,948)</u>	<u>(10,383,520)</u>	<u>(1,681,979)</u>	<u>2,885</u>	<u>(17,089,562)</u>	<u>703,920</u>
Income (loss) before capital contributions and transfers	6,282,862	7,220,336	1,893,038	(597,235)	14,799,001	5,055,575
Capital contributions	532,175	612,607	-	-	1,144,782	-
Transfers in (Note 9)	2,274,018	-	-	554,594	2,828,612	225,640
Transfers out (Note 9)	(743,226)	(2,862,983)	(1,380,082)	(308,891)	(5,295,182)	(1,947,822)
Change in net assets	8,345,829	4,969,960	512,956	(351,532)	13,477,213	3,333,393
Total net assets - beginning	<u>203,708,065</u>	<u>210,001,715</u>	<u>29,172,141</u>	<u>2,245,643</u>		<u>38,333,877</u>
Total net assets - ending	<u>\$ 212,053,894</u>	<u>\$ 214,971,675</u>	<u>\$ 29,685,097</u>	<u>\$ 1,894,111</u>		<u>\$ 41,667,270</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>740,521</u>	
Change in net assets of business-type activities					<u>\$ 14,217,734</u>	

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

for the year ended June 30, 2012

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Totals	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
Cash flows from operating activities:						
Receipts from customers	\$ 41,833,260	\$ 51,009,531	\$ 13,356,869	\$ 1,852,614	\$ 107,852,274	\$ 51,863,590
Payments to suppliers	(11,434,744)	(12,297,688)	(3,591,007)	(1,102,451)	(28,425,890)	(40,154,611)
Payments to employees	(7,977,208)	(5,476,257)	(1,453,500)	(707,328)	(15,614,293)	(4,859,013)
Payments for payroll taxes and benefits	(5,643,060)	(3,795,114)	(622,364)	(244,787)	(10,305,325)	(3,123,084)
Other operating revenues (expenses)	806,398	890,701	23,474	193	1,720,766	41,512
Net cash provided (used) by operating activities	<u>17,384,646</u>	<u>30,331,173</u>	<u>7,713,472</u>	<u>(201,759)</u>	<u>55,227,532</u>	<u>3,768,394</u>
Cash flows from noncapital financing activities:						
Other federal revenue	-	522,531	153,850	-	676,381	40,941
Transfers from other funds	2,274,018	-	-	554,594	2,828,612	225,640
Transfers to other funds	(743,226)	(2,862,983)	(1,380,082)	(308,891)	(5,295,182)	(1,947,822)
Net cash provided (used) by noncapital financing activities	<u>1,530,792</u>	<u>(2,340,452)</u>	<u>(1,226,232)</u>	<u>245,703</u>	<u>(1,790,189)</u>	<u>(1,681,241)</u>
Cash flows from capital and related financing activities:						
Proceeds from capital debt	2,629,222	3,813,243	12,843,323	-	19,285,788	-
Proceeds from capital grant	242,824	-	-	-	242,824	-
Purchase of capital assets	(8,690,957)	(19,084,609)	(275,417)	(406,191)	(28,457,174)	(1,768,650)
Sale of capital assets	-	-	-	2,839	2,839	164,376
Principal paid on capital debt	(9,110,000)	(8,290,280)	(15,023,604)	-	(32,423,884)	(1,715,830)
Interest paid on capital debt	(6,146,042)	(12,175,661)	(2,702,805)	-	(21,024,508)	(191,920)
Net cash provided (used) by capital and related financing activities	<u>(21,074,953)</u>	<u>(35,737,307)</u>	<u>(5,158,503)</u>	<u>(403,352)</u>	<u>(62,374,115)</u>	<u>(3,512,024)</u>
Cash flows from investing activities:						
Interest received	217,194	210,384	1,663	2,885	432,126	759,474
Net increase (decrease) in equity in pooled cash and investments	(1,942,321)	(7,536,202)	1,330,400	(356,523)	(8,504,646)	(665,397)
Equity in pooled cash and investments - beginning of year	33,180,969	35,450,100	13,895,480	799,308	83,325,857	44,327,825
Equity in pooled cash and investments - end of year						
(including \$6,709,468, \$1,843,269 and \$2,380,683 for the Water System, Sewage System and Internal Service, respectively, reported in restricted accounts)	<u>\$ 31,238,648</u>	<u>\$ 27,913,898</u>	<u>\$ 15,225,880</u>	<u>\$ 442,785</u>	<u>\$ 74,821,211</u>	<u>\$ 43,662,428</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, 2012

	Business-Type Activities - Enterprise Funds					Total Internal Service Funds
	Major Funds			Nonmajor Enterprise Funds	Totals	
	Water Supply System	Sewage Disposal System	Auto Parking System			
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 11,309,810	\$ 17,603,856	\$ 3,575,017	\$ (600,120)	\$ 31,888,563	\$ 4,351,655
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	7,534,387	12,892,913	3,081,635	200,235	23,709,170	3,287,294
Miscellaneous cash received	677,973	890,701	23,474	-	1,592,148	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(1,676,025)	(641,672)	684,096	(59,981)	(1,693,582)	150,885
Increase in due from other intergovernmental units	(375,944)	-	-	-	(375,944)	-
(Increase) decrease in inventory	292,990	5,422	-	6,180	304,592	(11,853)
(Increase) decrease in deferred expenses	-	-	258,990	-	258,990	(433,251)
Increase (decrease) in vouchers and accounts payable	164,314	153,409	178,874	19,874	516,471	(1,074,188)
Decrease in due to other intergovernmental units	-	-	-	-	-	(271,887)
Increase in due to other funds	-	-	-	258,177	258,177	-
Decrease in deferred revenues	-	-	(10,502)	-	(10,502)	(1,358,662)
(Increase) decrease in restricted assets	128,425	(128,825)	-	-	(400)	-
Increase (decrease) in compensated absences	(42,127)	20,128	8,484	(4,619)	(18,134)	(127,289)
Decrease in Net OPEB Obligation	(629,157)	(464,759)	(86,596)	(21,505)	(1,202,017)	(335,185)
Decrease in general claims payable	-	-	-	-	-	(409,125)
	<u>6,074,836</u>	<u>12,727,317</u>	<u>4,138,455</u>	<u>398,361</u>	<u>23,338,969</u>	<u>(583,261)</u>
Net cash provided (used) by operating activities	<u>\$ 17,384,646</u>	<u>\$ 30,331,173</u>	<u>\$ 7,713,472</u>	<u>\$ (201,759)</u>	<u>\$ 55,227,532</u>	<u>\$ 3,768,394</u>
Noncash capital activities						
Contributions of capital assets from other governments	<u>\$ 289,351</u>	<u>\$ 612,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 901,958</u>	<u>\$ -</u>

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

**City of Grand Rapids, Michigan**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
*June 30, 2012*

	<u>Total Employee Benefit Trust Funds</u>	<u>Agency Tax Fund</u>
<b>ASSETS</b>		
Equity in pooled cash and investments (Note 2)	\$ 1,978,202	\$ 203,118
Investments held by trustee (Note 2):		
Cash and money market funds	7,612,948	-
United States Government Securities	47,937,072	-
State and municipal bonds	163,324	-
Corporate bonds	121,663,611	-
Common stocks and equity mutual funds	437,647,903	-
Asset-backed securities	36,089,479	-
Other	2,839,635	-
Comingled multi-asset portfolio	17,310,079	-
Collateral held by broker under securities lending		
Short-term fixed income	40,895,780	-
Receivables, net:		
Investment securities sold	944,894	-
Property taxes	-	770,335
Other accounts	1,252,533	-
Accrued interest	1,123,642	-
Total assets	<u>\$ 717,459,102</u>	<u>\$ 973,453</u>
<b>LIABILITIES</b>		
Compensated absences	\$ 31,194	\$ -
Investment securities purchased	1,892,513	-
Vouchers and accounts payable	729,443	-
Due to other funds (Note 9)	17,214	-
Due to other governmental units	-	973,453
Liabilities under securities lending program	40,895,780	-
Total liabilities	<u>43,566,144</u>	<u>973,453</u>
<b>NET ASSETS</b>		
Held in trust for pension and OPEB benefits	<u>673,892,958</u>	-
Total net assets	<u>673,892,958</u>	-
Total liabilities and net assets	<u>\$ 717,459,102</u>	<u>\$ 973,453</u>



**City of Grand Rapids, Michigan**  
**Combining Statement of Net Assets**  
**Component Units**  
*June 30, 2012*

	<b>Downtown Development Authority</b>	<b>Tax Increment Financing Authority</b>	<b>SmartZone Local Development Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Corridor Improvement Districts</b>	<b>61st District Court</b>	<b>Totals</b>
<b>ASSETS</b>							
Equity in pooled cash and investments (Note 2)	\$ 10,223,886	\$ 1,484,271	\$ 2,835,987	\$ 3,059,549	\$ 7,948	\$ 2,532,438	\$ 20,144,079
Investments held by trustee (Note 2)	5,382,603	-	-	-	-	-	5,382,603
Receivables, net:	1,004,856	22,732	5,736	23,529	-	-	1,056,853
Due from other governmental units	-	-	-	-	-	32,004	32,004
Prepaid expenses and other assets	720,939	-	-	23,250	-	-	744,189
Capital Assets (Note 5):							
Non-depreciable	13,861,482	1,280,000	-	-	-	-	15,141,482
Depreciable	76,474,967	4,027,124	-	-	-	20,212	80,522,303
Less: accumulated depreciation	<u>(40,576,827)</u>	<u>(2,418,943)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,475)</u>	<u>(43,009,245)</u>
Total assets	<u>\$ 67,091,906</u>	<u>\$ 4,395,184</u>	<u>\$ 2,841,723</u>	<u>\$ 3,106,328</u>	<u>\$ 7,948</u>	<u>\$ 2,571,179</u>	<u>\$ 80,014,268</u>
<b>LIABILITIES</b>							
Vouchers payable and accruals	\$ 4,560,006	\$ 20,126	\$ 184,064	\$ 810,288	\$ 2,000	\$ 335,508	\$ 5,911,992
Accrued interest	249,290	4,485	13,977	-	-	-	267,752
Unearned revenue	50,000	-	-	-	-	-	50,000
Due to participants	146,987	-	-	652,749	-	173,301	973,037
Non-current liabilities (Note 6):							
Due within 1 year	3,769,712	93,994	221,946	13,051	-	323,130	4,421,833
Due in more than 1 year	<u>42,367,681</u>	<u>613,755</u>	<u>4,319,366</u>	<u>2,322,561</u>	<u>-</u>	<u>78,027</u>	<u>49,701,390</u>
Total liabilities	<u>51,143,676</u>	<u>732,360</u>	<u>4,739,353</u>	<u>3,798,649</u>	<u>2,000</u>	<u>909,966</u>	<u>61,326,004</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	22,433,201	2,182,061	-	-	-	6,737	24,621,999
Restricted for authorized projects	-	1,480,763	2,649,580	-	5,948	-	4,136,291
Unrestricted	<u>(6,484,971)</u>	<u>-</u>	<u>(4,547,210)</u>	<u>(692,321)</u>	<u>-</u>	<u>1,654,476</u>	<u>(10,070,026)</u>
Total net assets (deficit)	<u>15,948,230</u>	<u>3,662,824</u>	<u>(1,897,630)</u>	<u>(692,321)</u>	<u>5,948</u>	<u>1,661,213</u>	<u>18,688,264</u>
Total liabilities and net assets	<u>\$ 67,091,906</u>	<u>\$ 4,395,184</u>	<u>\$ 2,841,723</u>	<u>\$ 3,106,328</u>	<u>\$ 7,948</u>	<u>\$ 2,571,179</u>	<u>\$ 80,014,268</u>

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

**City of Grand Rapids, Michigan**  
**Combining Statement of Activities**  
**Component Units**

for the year ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Tax Increment Financing Authority	SmartZone	Brownfield Redevelopment Authority	Corridor Improvement Districts	61st District Court	
						Local Development Financing Authority				
Urban & community development:										
Downtown Development Authority	\$ 13,141,938	\$ 396,439	\$ -	\$ (12,745,499)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12,745,499)
Tax Increment Financing Authority	544,025	-	-	-	(544,025)	-	-	-	-	(544,025)
SmartZone Development Authority	1,450,405	-	-	-	-	(1,450,405)	-	-	-	(1,450,405)
Brownfield Redevelopment Authority	3,848,784	40,282	-	-	-	-	(3,808,502)	-	-	(3,808,502)
Corridor Improvement Districts	4,000	-	-	-	-	-	-	(4,000)	-	(4,000)
Public safety:										
61st District Court	<u>13,136,122</u>	<u>7,463,042</u>	<u>6,128,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,841</u>	<u>455,841</u>
	<u>\$ 32,125,274</u>	<u>\$ 7,899,763</u>	<u>\$ 6,128,921</u>	<u>(12,745,499)</u>	<u>(544,025)</u>	<u>(1,450,405)</u>	<u>(3,808,502)</u>	<u>(4,000)</u>	<u>455,841</u>	<u>(18,096,590)</u>
General revenues:										
Investment earnings				119,904	3,996	29,674	3,770	-	-	157,344
Property taxes				<u>9,587,112</u>	<u>486,841</u>	<u>1,574,404</u>	<u>2,829,639</u>	<u>9,948</u>	<u>-</u>	<u>14,487,944</u>
Total general revenues				<u>9,707,016</u>	<u>490,837</u>	<u>1,604,078</u>	<u>2,833,409</u>	<u>9,948</u>	<u>-</u>	<u>14,645,288</u>
Change in net assets				<u>(3,038,483)</u>	<u>(53,188)</u>	<u>153,673</u>	<u>(975,093)</u>	<u>5,948</u>	<u>455,841</u>	<u>(3,451,302)</u>
Net assets (deficit) - beginning				<u>18,986,713</u>	<u>3,716,012</u>	<u>(2,051,303)</u>	<u>282,772</u>	<u>-</u>	<u>1,205,372</u>	<u>22,139,566</u>
Net assets (deficit) - ending				<u>\$ 15,948,230</u>	<u>\$ 3,662,824</u>	<u>\$ (1,897,630)</u>	<u>\$ (692,321)</u>	<u>\$ 5,948</u>	<u>\$ 1,661,213</u>	<u>\$ 18,688,264</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 has been closed to new entrants with the exception of members of one bargaining unit. 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 31<sup>st</sup> 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.

## 1. Summary of Significant Accounting Policies, continued:

***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 as it must annually approve their budgets and their development and tax increment financing plans.

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 in 1985 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 on October 16, 2001 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 each of the zones 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 of Grand Rapids Madison Square Corridor Improvement Authority ("Madison") was created under the provisions of Act 280, Public Acts of 2005 of the State of Michigan. The purpose of the Authority is to plan and propose construction, renovation, or repair projects that use tax increment revenues to aid the economic growth of the Madison Square Improvement District. The Authority consists of a five member board appointed by the Mayor with the approval of the City Commission. Madison does not issue separate financial statements.

The City of Grand Rapids Uptown Corridor Improvement Authority ("Uptown") was created under the provisions of Act 280, Public Acts of 2005 of the State of Michigan. The purpose of the Authority is to plan and spend tax increment revenues to assist in the revitalizing of an economically transitioning area located along four commercial corridors in the east-central area of the City. The Authority consists of a nine member board appointed by the Mayor with the approval of the City Commission. Uptown does not issue separate financial statements.

State of Michigan 61<sup>st</sup> 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 61<sup>st</sup> 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 61<sup>st</sup> District Court is subject to control by the Michigan Supreme Court. The 61<sup>st</sup> District Court accounts for the collection and payment to the State of Michigan, Kent County and the City of Grand Rapids of fines and fees collected on their behalf. Bond and other trust money held by the Court are also accounted for as liabilities in this fund. The City is financially accountable for the 61<sup>st</sup> District Court and is required to fund its operations. The 61<sup>st</sup> District Court does not issue separate financial statements.

**1. Summary of Significant Accounting Policies, continued:**

**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. 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, 2012</u>		<u>Year ended June 30, 2012</u>
Total Assets	\$ 197,243,049		
Total Liabilities	\$ 99,522,676	Revenues	\$ 6,031,003
Total Net Assets	<u>97,720,373</u>	Expenses	<u>(9,861,548)</u>
Total Liabilities and Net Assets	<u>\$ 197,243,049</u>	Change in Net Assets	<u>\$ (3,830,545)</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. 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, 2011</u>		<u>Year ended June 30, 2011</u>
Total Assets	\$ 29,002,557		
Total Liabilities	\$ 5,325,564	Revenues	\$ 10,702,245
Total Net Assets	<u>23,676,993</u>	Expenses	<u>(12,542,487)</u>
Total Liabilities and Net Assets	<u>\$ 29,002,557</u>	Change in Net Assets	<u>\$ (1,840,242)</u>

Grand Valley Regional Biosolids Authority was created by the City and the City of Wyoming under the provisions of Act 233, (Public Acts of Michigan of 1955, as amended, MCL 124.281), for the development, construction and operation of a regional biosolids management project. The City and Wyoming will share equally the initial costs, ongoing administrative costs and planning and design of the project. Articles of incorporation were adopted April 2004. Summary financial information is as follows:

	<u>At June 30, 2012</u>		<u>Year ended June 30, 2012</u>
Total Assets	\$ 35,927,746		
Total Liabilities	\$ 30,204,560	Revenues	\$ 7,222,179
Total Net Assets	<u>5,723,186</u>	Expenses	<u>(6,446,295)</u>
Total Liabilities and Net Assets	<u>\$ 35,927,746</u>	Change in Net Assets	<u>\$ 775,884</u>

## 1. Summary of Significant Accounting Policies, continued:

### 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 in the Comptroller's Department and Retirement System sections of the City's web site, [www.grcity.us](http://www.grcity.us).

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) 456-4300

### 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 assets 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 assets, net assets are reported in three categories as follows:

1. *Invested in capital assets, net of related debt* 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 assets* result when constraints placed on the use of assets are either externally imposed by creditors, grantors, or contributors or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories and thus are generally available for use in operations. Unrestricted net assets 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.

## 1. Summary of Significant Accounting Policies, continued:

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.

### *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, 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. 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 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.

## 1. Summary of Significant Accounting Policies, continued:

### **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. Expenditures are recorded when the related fund liability is incurred, except for debt service and expenditures related to certain compensated absences; claims and judgments are recognized when the payment is due.

Property and income taxes, intergovernmental revenue and grants, state-shared taxes, interest earned 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, liabilities, 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.

For its business-type activities and Proprietary Funds, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to follow subsequent private-sector (FASB) guidance.

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 Library Fund accounts for the operation, maintenance and capital improvements of the Public Library System. Financing is provided by a dedicated property tax levy, library revenues, contributions and trust assets willed to the City for the purpose of buying new books and other library operations.

The Refuse Fund accounts for the collection and removal of trash and debris. Financing is provided by special tax millage, sale of refuse bags and tags, and rentals of trash collection units.

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.

## 1. Summary of Significant Accounting Policies, continued:

The Grants Fund accounts for the receipts and expenditures of state and federal grants received by the primary government for governmental activities. Financing is provided by external grantors and is supplemented by any required local resources transferred from appropriate city funds. Appropriations are established at the time a grant is awarded and remain in effect until the grant is completed.

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

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 Funds account for the collection and distribution of property taxes.

## 1. Summary of Significant Accounting Policies, continued:

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 restricted, committed, assigned, or unassigned. In FY2011, the City implemented GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions.

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.

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.

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. The City Commission delegates to the City Manager or his/her designee the authority to assign amounts to be used for other specific purposes.

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 Special Revenue Funds, if expenditures exceed the amounts restricted, committed or assigned, it may be necessary to report a negative unassigned fund balance 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.



## 1. Summary of Significant Accounting Policies, continued:

### **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.

### **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 in an internal investment 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 compounded 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. Interest earned on cash balances of funds whose continued existence is reliant on an annual subsidy from the General Fund, including Cemetery Operations, Capital Project, Street Capital Project, and the District Court Fund is recorded in the General Fund.

**1. Summary of Significant Accounting Policies, continued:**

**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 deferred. 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, with the exception of Sewage Disposal System, are valued at the lower of cost (first-in, first-out) or market. The Sewage Disposal System inventories 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 fair market 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.

<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	20-25	1,000,000

**1. Summary of Significant Accounting Policies, continued:**

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.

**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 for uncollected delinquent personal property taxes and for estimated refunds resulting from property tax appeals.

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. The majority of Kent County taxes are billed on July 1 with the remainder billed on December 1 and are due without penalty on or before February 14. Taxes collected on behalf of other governmental units are accounted for in agency funds. Uncollectable 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 2011, the total assessed value of all real and personal property in the City subject to *ad valorem* taxation was \$4,920,948,700 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 \$325,014,914 by this limitation, reducing City tax revenues by approximately \$2,720,797 for fiscal year 2012.

Additionally, beginning in fiscal year 1998, State law exempted from virtually all State and local taxation, for a period of 12 years, income earned and property located in the City’s six “Renaissance Zones”. This exemption is currently in a phase out period, but for fiscal year 2012, the \$208,494,073 reduction of the *ad valorem* roll total for property located in the Renaissance Zones reduced City property tax revenues by approximately \$966,500 for the fiscal year.

The City’s portion of the property tax levy per \$1,000 of taxable value for fiscal year 2012 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>
General operating	4.1070	4.2600	4.1070
Promotional and advertising	0.0110	\$50,000 maximum	\$50,000 maximum
Refuse collection	1.8000	3.0000	2.7711
Library operating	2.0728	2.1500	2.0728
Library capital	0.3805	0.3950	0.3805

**1. Summary of Significant Accounting Policies, continued:**

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 2012.

**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.

**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>2012</u>	<u>2011</u>
Unpaid claims - beginning of year	\$ 6,872,491	\$ 8,470,800
Incurred claims, net of changes in estimates	23,683,368	20,266,278
Claim payments	<u>(24,092,493)</u>	<u>(21,864,587)</u>
Unpaid claims - end of year	<u>\$ 6,463,366</u>	<u>\$ 6,872,491</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.

The laws of the State of Michigan, the City of Grand Rapids Charter and the City ordinance on investments, and the City's Investment Policy authorize the Treasurer to invest surplus monies belonging to and under the control of the City in investment instruments 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 or state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two of the following four nationally recognized statistical rating organizations (NRSRO): Moodys, Standard and Poors, Fitch ICBA, or Duff and Phelps. Maturities cannot be more than 270 days after the date of the purchase. Commercial paper of any one firm shall not exceed 10% of the City's investments, excluding bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States. The City shall be limited to a maximum of 10% of a firm's total outstanding commercial paper.

United States or federal agency or instrumentality obligation repurchase agreements.

Banker's Acceptances of United States Banks.

Obligations of this state or any of its political subdivisions that, at the time of purchase, are rated as investment grade by not less than 1 standard rating service.

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.

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.

### **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. 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 \$170,412,900 and the associated bank balances totaled \$182,625,026. Of the bank balances, \$3,065,034 was covered by federal deposit insurance. Accordingly, the remaining deposits of \$179,559,992 were uninsured and exposed to custodial credit risk. The City has no policy regarding custodial credit risk.

## 2. Equity in Pooled Cash and Investments, continued:

The State of Michigan requires deposits be maintained in depositories that maintain a principal office or branch office within the State of Michigan. City Commission Policy #400-01, initially adopted on September 26, 1989, establishes various criteria that qualify certain financial institutions, limits the total amount of certificates of deposit with any one institution, and provides for other practices used by the City of Grand Rapids to invest funds and control portfolio risk. Not less than annually, the City Treasurer's Office reviews the financial data of the banks with which deposits are placed to make sure the banks meet the City's profitability standard. Banks must show a net profit on three of their last four annual financial statements and an aggregate profit over the four-year period. The review includes, but is not limited to, evaluating the safety of the City's capital and defining parameters on the amount of City investments placed with any one institution. Pursuant to the Investment Policy, certificates of deposit with any one financial institution at the time of the investment are limited to 25% of total of certificates of deposits plus other investments. The City's certificates of deposits with an institution shall not exceed 25% of the total certificates the institution has issued over \$100,000.

If a bank is a new institution, the profitability standards are to be adjusted to available information requiring that financial reporting reflect an aggregate profit for the available reporting periods and an overall profit in 75% of the available periods for which information is available. In the event that the City Treasurer deems that sufficient capital exists, the profitability standard may be waived and amounts may be invested up to 1/10th of the capital (excluding borrowing, loan losses, and goodwill) of the financial institution.

At June 30, 2012, the City had the following deposits:

Financial Institution	Certificates of Deposit	Money Market Accounts	Other Deposit Accounts	Totals	
				Dollars	Percentages
AAC Credit Union	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	0.59 %
Bank of New York Mellon	-	-	16,025,809	16,025,809	9.40
Choice One Bank	2,000,000	-	-	2,000,000	1.17
Community West Credit Union	1,600,000	-	-	1,600,000	0.94
Fifth Third Bank	40,000,000	1,086,230	-	41,086,230	24.11
Huntington National Bank	-	32,526,002	-	32,526,002	19.09
JPMorgan Chase Bank	-	811,411	-	811,411	0.48
Lake Michigan Credit Union	2,000,000	-	-	2,000,000	1.17
Mercantile Bank of Michigan	42,500,000	281,010	-	42,781,010	25.10
Option 1 Credit Union	1,000,000	-	-	1,000,000	0.59
The Bank of Holland	4,000,000	350,854	-	4,350,854	2.55
The Private Bank	10,000,000	15,166,550	-	25,166,550	14.77
US Bank	-	-	17,509	17,509	0.01
Other deposits, various banks	-	-	47,525	47,525	0.03
<b>Total</b>	<b>\$ 104,100,000</b>	<b>\$ 50,222,057</b>	<b>\$ 16,090,843</b>	<b>\$ 170,412,900</b>	<b>100.00 %</b>
<b>Percentage</b>	<b>61.09 %</b>	<b>29.47 %</b>	<b>9.44 %</b>	<b>100.00 %</b>	

## 2. Equity in Pooled Cash and Investments, continued:

### 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 reviewing references and the net worth of their investment company. At June 30, 2012, all investments were held by the City's agents in the City's name.

#### ***Concentration of Credit Risk***

The City's Investment Policy places limits on the amount that may be invested in any one issuer. The policy aggregates investments and time deposits to calculate the concentration percentage but excludes U.S. Treasury securities from the limitation. There is a maximum of 25% per financial institution at the time of investment. In addition, the purchase of commercial paper of any one company shall be limited to 10% of that company's total outstanding commercial paper and shall not exceed 10% of the City's investments at the time of purchase, when non-negotiable Certificates of Deposit are included, and U.S. Treasury Securities are excluded from the calculation. On June 30, 2012 more than 5% of the City's investments were in the commercial paper of three issuers. As included above, these investments were 31.17% for Daimler Finance NA LLC, 31.39% for Vodafone Group PLC, and 15.69% for Prudential PLC of the City's total investments, excluding non-negotiable certificates of deposit.

#### ***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 NRSROs at the time of purchase and limiting the purchase of municipal obligations to those rated investment grade by at least one NRSRO. All Money Market Mutual Funds are rated AAA by two or more of the NRSROs.

#### ***Interest Rate Risk***

Interest rate risk is the exposure of investments to change in market value as interest rates change. The Treasurer's policy limits maturities of each investment to no longer than three 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 by investing operating funds primarily in shorter-term laddered certificates of deposit securities, liquid asset funds, money market funds, or similar accounts and/or investment pools in accordance with the City's cash requirements. At June 30, 2012 the City's investments had the following maturities:

	<u>Fair Value</u>	<u>Maturity (Days)</u>
U. S. Treasury Bills	\$ 5,680,886	12
U. S. Treasury Notes	5,365,092	31
U. S. Treasury Notes	1,105,652	92
Commercial Paper	19,998,400	9
Commercial Paper	9,994,500	59
Commercial Paper	19,860,360	212
Municipal Bonds	420,084	107
Municipal Bonds	504,850	154
Money Market Mutual Funds	779,574	<90

## 2. Equity in Pooled Cash and Investments, continued:

### **RETIREMENT SYSTEMS—DEPOSITS**

The systems do not maintain any checking or other demand/time deposit accounts. Accounts reported as cash in the statement of plan net assets 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 system. 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 decades in the future. Because of this long-term orientation, they are allowed to invest in assets that have substantially greater risk of decline in value over the short-term than would be prudent for the investments described above 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, 2011, no cash equivalents of the Police and Fire Retirement System (P&F) were exposed to custodial credit risk. As of June 30, 2012, 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 assets.

#### ***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.



**2. Equity in Pooled Cash and Investments, continued:**

As of December 31, 2011, the fixed income securities in the P&F portfolio had the following credit ratings:

Fair value by Investment Type	S&P Rating											
	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	AGY/TSY	Not Rated
Asset Backed Securities	\$ 1,774,789	\$ -	\$ 357,981	\$ -	\$ -	\$ 361,726	\$ 245,353	\$ 158,713	\$ -	\$ -	\$ -	\$ 1,006,610
Commercial Mortgage Bkd	3,266,029	-	-	-	-	-	-	-	-	-	-	-
Corporate Bonds	-	1,460,214	4,412,688	2,774,694	710,441	411,973	-	-	-	-	-	685,400
Funds - Institutional Bond	690,797	23,315,560	8,048,481	6,717,885	3,834,155	2,109,481	792,794	329,172	41,726	324,536	-	157,632
Government Bonds	-	-	-	97,688	-	-	-	-	-	-	10,375,977	-
Govt Mortgage Backed	-	-	-	-	-	-	-	-	-	-	11,370,880	-
Municipal/Provincial Bonds	-	-	-	82,717	-	-	-	-	-	-	-	-
Non-Govt Backed. – CMOs	169,035	-	-	-	-	-	963,027	137,752	-	-	-	2,118,368
Short-term Investment Funds	-	-	-	-	-	-	-	-	-	-	-	3,114,583
	<u>\$ 5,900,650</u>	<u>\$24,775,774</u>	<u>\$12,819,150</u>	<u>\$ 9,672,984</u>	<u>\$ 4,544,596</u>	<u>\$2,883,180</u>	<u>\$2,001,174</u>	<u>\$625,637</u>	<u>\$ 41,726</u>	<u>\$324,536</u>	<u>\$21,746,857</u>	<u>\$ 7,082,593</u>

As of June 30, 2012, the fixed income securities in the GRS portfolio had the following credit ratings:

Fair value by Investment Type	S&P Rating											
	AAA	AA	A	BBB	BB	B	CCC	CC	D	AGY/TSY	Not Rated	
Asset-backed securities	\$ 1,526,512	\$ -	\$ 305,318	\$ -	\$ -	\$ 616,700	\$ 252,884	\$ 138,147	\$ -	\$ -	\$ -	\$ 501,901
Commercial Mortgage Bkd	4,075,207	-	-	-	-	-	-	-	-	-	-	543,933
Corporate bonds	-	1,542,963	5,642,710	2,853,631	897,629	465,398	-	-	-	-	-	683,305
Fixed Income Commingled	-	52,760,347	-	-	-	-	-	-	-	-	-	-
Government agencies	-	1,012,574	-	-	-	-	-	-	-	-	-	-
Government bonds	-	-	-	102,375	-	-	-	-	-	-	11,374,509	-
Govt Mortgage Backed	-	-	-	-	-	-	-	-	-	-	13,087,089	-
Govt. issued CMB	-	-	-	-	-	-	-	-	-	-	515,979	-
Municipal/Provincial bonds	-	-	-	80,607	-	-	-	-	-	-	-	-
Non-Govt Backed. – CMOs	155,454	-	-	-	-	-	914,853	-	125,536	-	-	1,694,739
Short-term Investment Funds	-	-	-	-	-	-	-	-	-	-	-	4,436,297
	<u>\$ 5,757,173</u>	<u>\$ 55,315,884</u>	<u>\$ 5,948,028</u>	<u>\$ 3,036,613</u>	<u>\$ 897,629</u>	<u>\$ 1,082,098</u>	<u>\$1,167,737</u>	<u>\$ 138,147</u>	<u>\$ 125,536</u>	<u>\$ 24,977,577</u>	<u>\$ 7,860,175</u>	

## 2. Equity in Pooled Cash and Investments, continued:

### 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:

<b>P&amp;F at December 31, 2011:</b>		<b>Investment Maturities in Years</b>			
<u>Investment Type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 - 6</u>	<u>6 - 10</u>	<u>More than 10</u>
Asset-backed Securities	\$ 3,905,172	\$ -	\$ 1,710,543	\$ -	\$ 2,194,629
Commercial Mortgage Backed	3,266,029	-	-	-	3,266,029
Corporate Bonds	10,455,410	246,140	5,204,719	1,548,401	3,456,150
Funds - Institutional Bond	46,362,219	755,704	22,921,481	14,798,820	7,886,214
Government Bonds	10,473,665	-	3,869,158	-	6,604,507
Government Mortgage Backed	11,370,880	-	258,068	1,136,949	9,975,863
Municipal/Provincial Bonds	82,717	-	-	-	82,717
Non-government Backed CMOs	3,388,182	-	-	1,515,059	1,873,123
Short-term Investment Funds	3,114,583	3,114,583	-	-	-
	<u>\$ 92,418,857</u>	<u>\$ 4,116,427</u>	<u>\$33,963,969</u>	<u>\$18,999,229</u>	<u>\$ 35,339,232</u>

<b>GRS at June 30, 2012:</b>		<b>Investment Maturities in Years</b>			
<u>Investment Type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 - 6</u>	<u>6 - 10</u>	<u>More than 10</u>
Asset-backed Securities	\$ 3,341,462	\$ -	\$ 1,006,167	\$ -	\$ 2,335,295
Commercial Mortgage Backed	4,619,140	-	-	-	4,619,140
Corporate Bonds	12,085,636	1,790,898	4,234,140	2,287,352	3,773,246
Fixed Income Commingled Funds	52,760,347	-	-	52,760,347	-
Government Agencies	1,012,574	-	1,012,574	-	-
Government Bonds	11,476,884	-	4,049,415	-	7,427,469
Government Mortgage Backed	13,087,089	-	210,695	1,072,918	11,803,476
Government Issued Commercial Mortgage Bkd	515,979	-	-	515,979	-
Municipal/Provincial Bonds	80,607	-	-	-	80,607
Non-government Backed CMOs	2,890,582	-	-	1,108,284	1,782,298
Short-term Investment Funds	4,436,297	4,436,297	-	-	-
	<u>\$ 106,306,597</u>	<u>\$ 6,227,195</u>	<u>\$10,512,991</u>	<u>\$57,744,880</u>	<u>\$ 31,821,531</u>

**2. Equity in Pooled Cash and Investments, continued:**

***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. 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. 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:

<b>P&amp;F at December 31, 2011</b>	<b>Investment Type</b>			
	<b>Currency</b>	<b>Equities</b>	<b>Corporate Bonds</b>	<b>Government Bonds</b>
Australian dollar	\$	676,855	\$ 587,581	\$ -
Brazilian real		112,809	284,638	-
British pound		8,218,360	917,890	-
Canadian dollar		4,169,763	203,309	-
Chilean peso		459,593	-	-
Chinese yuan renminbi		593,293	-	-
Danish krone		1,245,079	-	-
Euro		9,287,899	1,270,099	-
Japanese yen		5,347,992	-	-
Mexican peso		-	-	97,688
Norwegian krone		1,123,914	-	-
Republic of Korea won		1,420,560	556,005	-
Singapore dollar		179,659	-	-
South African		467,949	-	-
Swedish krona		1,320,286	-	-
Swiss franc		4,871,687	-	-
Turkish		162,947	-	-
Total	\$	<u>39,658,645</u>	<u>\$ 3,819,522</u>	<u>\$ 97,688</u>

**GRS at June 30, 2012**

<b>Currency</b>	<b>Fair Market Value</b>	<b>Equities</b>	<b>Corporate Bonds</b>	<b>Government Bonds</b>
U.S. Dollar	\$ 53,840,692	\$ 48,772,216	\$ 4,966,101	\$ 102,375
Euro	14,499	14,499	-	-
Total	<u>\$ 53,855,191</u>	<u>\$ 48,786,715</u>	<u>\$ 4,966,101</u>	<u>\$ 102,375</u>

**2. Equity in Pooled Cash and Investments, continued:**

***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, 2011, 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</u>
U.S. Corporate Fixed Income	\$ 2,168,547	\$ 2,220,508
U.S. Equities	6,973,525	7,170,999
U.S. Govt. Fixed Income	9,818,831	10,025,036
	<u>\$ 18,960,903</u>	<u>\$ 19,416,543</u>

As of June 30, 2012, 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</u>
U.S. Agencies	\$ 1,016,280	1,032,960
U.S. Corporate Fixed Income	1,832,461	\$ 1,848,386
U.S. Equities	7,254,910	7,281,610
U.S. Govt. Fixed Income	11,118,785	11,316,281
	<u>\$ 21,222,436</u>	<u>\$ 21,479,237</u>

## 2. Equity in Pooled Cash and Investments, continued:

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.

## 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, 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, 2012, expenditures exceeded appropriations in the following annually budgeted governmental funds: Downtown Improvement District – excess of \$39,149 and Drug Law Enforcement Fund with an excess of \$260,136.

The SmartZone Local Development Financing Authority, a discretely presented component unit, had a fund deficit of \$1,897,630 at June 30, 2012. The deficit is solely the result of the issuance of long-term bonds that are a liability of the Authority to finance development projects that are not an asset of the authority. Funding is available to pay annual required debt service payments.

The Brownfield Redevelopment Authority, a discretely presented component unit, had a fund deficit of \$692,321 at June 30, 2012. The deficit is solely the result of the issuance of long-term bonds that are a liability of the Authority to finance development projects that are not an asset of the authority. Funding is available to pay annual required debt service payments.

## 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. Restricted assets as shown in the Statement of Net Assets as of June 30, 2012 consist of the following:

	<b>Proprietary Funds</b>			
	<b>Water Supply System</b>	<b>Sewage Disposal System</b>	<b>Internal Service</b>	<b>Total</b>
Equity in pooled cash and investments	\$ 6,709,468	\$ 1,843,269	\$ -	\$ 8,552,737
Funds held by trustee	8,733,913	12,972,782	2,380,683	24,087,378
Loans receivable	179,769	85,701	-	265,470
Deferred bond costs	4,601,919	1,950,050	-	6,551,969
Total restricted assets	<u>\$ 20,225,069</u>	<u>\$ 16,851,802</u>	<u>\$ 2,380,683</u>	<u>\$ 39,457,554</u>

## 5. Capital Assets

Capital assets at June 30, 2012 are summarized as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 18,088,973	\$ 200,000	\$ -	\$ 18,288,973
Easement/Right of Way	462,031	132,589	-	594,620
Construction in progress	4,155,258	1,767,389	3,342,557	2,580,090
Total capital assets, not being depreciated	<u>22,706,262</u>	<u>2,099,978</u>	<u>3,342,557</u>	<u>21,463,683</u>
Capital assets, being depreciated:				
Land improvements	37,781,593	1,927,582	-	39,709,175
Buildings and structures	172,599,875	1,581,602	-	174,181,477
Leasehold improvements	254,766	-	-	254,766
Machinery and equipment	32,411,814	455,873	-	32,867,687
Motor vehicles	45,321,842	269,065	847,408	44,743,499
Furniture	5,316,569	151,982	-	5,468,551
Software	684,869	410,340	-	1,095,209
Infrastructure	525,452,891	807,819	-	526,260,710
Total capital assets, being depreciated	<u>819,824,219</u>	<u>5,604,263</u>	<u>847,408</u>	<u>824,581,074</u>
Less accumulated depreciation for:				
Land improvements	23,046,292	1,516,558	-	24,562,850
Buildings and structures	71,988,422	5,880,073	-	77,868,495
Leasehold improvements	254,766	-	-	254,766
Machinery and equipment	24,429,666	2,472,397	-	26,902,063
Motor vehicles	34,108,831	2,355,146	786,433	35,677,544
Furniture	4,527,714	252,078	-	4,779,792
Software	74,194	148,275	-	222,469
Infrastructure	298,753,959	17,287,416	-	316,041,375
Total accumulated depreciation	<u>457,183,844</u>	<u>29,911,943</u>	<u>786,433</u>	<u>486,309,354</u>
Total capital assets, being depreciated, net	<u>362,640,375</u>	<u>(24,307,680)</u>	<u>60,975</u>	<u>338,271,720</u>
Governmental activities capital assets, net	<u>\$ 385,346,637</u>	<u>\$ (22,207,702)</u>	<u>\$ 3,403,532</u>	<u>\$ 359,735,403</u>

5. Capital Assets, continued:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 14,918,335	\$ 17,850	\$ -	\$ 14,936,185
Easement/Right of Way	167,992	213,412	-	381,404
Construction in progress	10,503,719	3,933,263	43,473	14,393,509
Total capital assets, not being depreciated	<u>25,590,046</u>	<u>4,164,525</u>	<u>43,473</u>	<u>29,711,098</u>
Capital assets, being depreciated:				
Land improvements	26,350,610	620,782	-	26,971,392
Buildings and structures	197,884,576	1,543,857	-	199,428,433
Storage tanks	17,046,751	-	-	17,046,751
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	200,528,255	4,127,578	-	204,655,833
Motor vehicles	2,910,770	-	-	2,910,770
Furniture	1,856,988	-	-	1,856,988
Sewer service mains	426,553,747	14,025,510	-	440,579,257
Water mains	258,468,572	4,920,353	-	263,388,925
Total capital assets, being depreciated	<u>1,138,975,750</u>	<u>25,238,080</u>	<u>-</u>	<u>1,164,213,830</u>
Less accumulated depreciation for:				
Land improvements	17,240,173	718,374	-	17,958,547
Buildings and structures	81,413,590	4,715,173	-	86,128,763
Storage tanks	9,413,362	421,283	-	9,834,645
Water meters	7,242,282	-	-	7,242,282
Machinery and equipment	115,228,641	5,504,862	-	120,733,503
Motor vehicles	793,559	461,291	-	1,254,850
Furniture	1,732,133	25,756	-	1,757,889
Sewer service mains	113,599,778	8,417,349	-	122,017,127
Water mains	61,473,550	3,445,082	-	64,918,632
Total accumulated depreciation	<u>408,137,068</u>	<u>23,709,170</u>	<u>-</u>	<u>431,846,238</u>
Total capital assets, being depreciated, net	<u>730,838,682</u>	<u>1,528,910</u>	<u>-</u>	<u>732,367,592</u>
Business-type activities capital assets, net	<u>\$ 756,428,728</u>	<u>\$ 5,693,435</u>	<u>\$ 43,473</u>	<u>\$ 762,078,690</u>

**5. Capital Assets, continued:**

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

<b>Governmental activities</b>	
General government	\$ 1,586,664
Public safety	1,947,533
Public works	18,448,250
Culture and recreation	4,642,202
Capital assets held by the government's internal service funds	<u>3,287,294</u>
Total depreciation expense - governmental activities	<u>\$ 29,911,943</u>
<b>Business-type activities</b>	
Water	\$ 7,534,387
Sewer	12,892,913
Auto parking	3,081,635
Other	<u>200,235</u>
Total depreciation expense - business-type activities	<u>\$ 23,709,170</u>

**DISCRETELY PRESENTED COMPONENT UNITS**

Activity for the 61st District Court for the year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets, being depreciated:				
Motor vehicles	\$ 20,212	\$ -	\$ -	\$ 20,212
Total capital assets, being depreciated	<u>20,212</u>	<u>-</u>	<u>-</u>	<u>20,212</u>
Less accumulated depreciation for:				
Motor vehicles	10,587	2,888	-	13,475
Total accumulated depreciation	<u>10,587</u>	<u>2,888</u>	<u>-</u>	<u>13,475</u>
Total capital assets, being depreciated, net	<u>9,625</u>	<u>(2,888)</u>	<u>-</u>	<u>6,737</u>
61st District Court capital assets, net	<u>\$ 9,625</u>	<u>\$ (2,888)</u>	<u>\$ -</u>	<u>\$ 6,737</u>



**5. Capital Assets, continued:**

**DISCRETELY PRESENTED COMPONENT UNITS**

Activity for the Downtown Development Authority for the year ended June 30, 2012 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2012</b>
Capital assets, not being depreciated:				
Land	\$ 13,826,357	\$ 35,125	\$ -	\$ 13,861,482
Total capital assets, not being depreciated	<u>13,826,357</u>	<u>35,125</u>	<u>-</u>	<u>13,861,482</u>
Capital assets, being depreciated:				
Land improvements	7,899,072	-	-	7,899,072
Buildings and structures	59,948,100	-	-	59,948,100
Machinery and equipment	5,800,255	-	-	5,800,255
Furniture	2,827,540	-	-	2,827,540
Total capital assets, being depreciated	<u>76,474,967</u>	<u>-</u>	<u>-</u>	<u>76,474,967</u>
Less accumulated depreciation for:				
Land improvements	4,380,719	335,683	-	4,716,402
Buildings and structures	28,959,275	1,998,973	-	30,958,248
Machinery and equipment	3,214,858	202,861	-	3,417,719
Furniture	1,390,206	94,252	-	1,484,458
Total accumulated depreciation	<u>37,945,058</u>	<u>2,631,769</u>	<u>-</u>	<u>40,576,827</u>
Total capital assets, being depreciated, net	<u>38,529,909</u>	<u>(2,631,769)</u>	<u>-</u>	<u>35,898,140</u>
Downtown Development Authority capital assets, net	<u>\$ 52,356,266</u>	<u>\$ (2,596,644)</u>	<u>\$ -</u>	<u>\$ 49,759,622</u>

**5. Capital Assets, continued:**

Activity for the Tax Increment Financing Authority for the year ended June 30, 2012 was as follows:

	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
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	2,112,670	192,673		2,305,343
Buildings and structures	104,917	8,683	-	113,600
Total accumulated depreciation	<u>2,217,587</u>	<u>201,356</u>	<u>-</u>	<u>2,418,943</u>
Total capital assets, being depreciated, net	<u>1,809,537</u>	<u>(201,356)</u>	<u>-</u>	<u>1,608,181</u>
Tax Increment Financing Authority capital assets, net	<u>\$ 3,089,537</u>	<u>\$ (201,356)</u>	<u>\$ -</u>	<u>\$ 2,888,181</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, 2012. 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:

<b>Fund</b>	<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Water	Various water mains and system construction projects	\$ 2,768,451	\$ 8,171,250
Sewer	Various sewer mains and system construction projects	6,605,899	18,373,531
General Capital	Various street construction projects	430,762	1,802,885
	Total	<u>\$ 9,805,112</u>	<u>\$ 28,347,666</u>

## 6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 71,689,101	\$ 2,255,000	\$ (10,407,300)	\$ 63,536,801	\$ 7,614,903
Revenue bonds	32,025,000	-	(1,120,000)	30,905,000	1,180,000
State Loans	209,536	-	(209,536)	-	-
Premium on bonds	1,150,963	175,389	(122,723)	1,203,629	-
Less deferred amounts:					
On refunding	(1,629,776)	(93,891)	165,526	(1,558,141)	-
Issue costs/discounts	(1,511,464)	(28,835)	153,365	(1,386,934)	-
Total bonds & contracts payable	101,933,360	2,307,663	(11,540,668)	92,700,355	8,794,903
Insurance Claims	6,872,491	23,683,368	(24,092,493)	6,463,366	5,300,322
Compensated absences	9,308,943	9,547,297	(9,214,965)	9,641,275	5,881,178
Net OPEB Obligation	10,306,965	(3,677,765)	-	6,629,200	-
Total Long-term Liabilities-					
Governmental Activities	<u>\$ 128,421,759</u>	<u>\$ 31,860,563</u>	<u>\$ (44,848,126)</u>	<u>\$ 115,434,196</u>	<u>\$ 19,976,403</u>
<b>Business-Type Activities</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 37,210,443	\$ 12,330,000	\$ (13,967,604)	\$ 35,572,839	\$ 1,380,339
Revenue bonds	382,676,778	6,442,465	(17,326,280)	371,792,963	18,151,899
Long term advance	10,730,000	-	(1,130,000)	9,600,000	1,180,000
Premium on bonds	10,421,286	611,962	(973,668)	10,059,580	-
Less deferred amounts:					
On refunding	(6,390,777)	(848,621)	798,286	(6,441,112)	-
Total bonds & contracts payable	434,647,730	18,535,806	(32,599,266)	420,584,270	20,712,238
Compensated absences	2,252,369	1,932,765	(1,950,899)	2,234,235	1,362,883
Net OPEB Obligation	941,741	(1,202,017)	-	(260,276)	-
Total Long-term Liabilities-					
Business-Type Activities	<u>\$ 437,841,840</u>	<u>\$ 19,266,554</u>	<u>\$ (34,550,165)</u>	<u>\$ 422,558,229</u>	<u>\$ 22,075,121</u>
<b>Component Units</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 33,112,800	\$ 2,325,000	\$ (325,800)	\$ 35,112,000	\$ 346,750
Revenue bonds	6,425,264	-	(1,049,788)	5,375,476	998,969
Accrued interest	14,430,340	1,546,391	(2,560,212)	13,416,519	2,721,031
State Loans	84,088	-	(84,088)	-	-
Premium on bonds	266,108	-	(19,552)	246,556	-
Less deferred amounts:					
On refunding	(1,763,213)	-	137,041	(1,626,172)	-
Total bonds & contracts payable	52,555,387	3,871,391	(3,902,399)	52,524,379	4,066,750
Satellite SmartZone, long-term advance-Water System	789,573	375,944	-	1,165,517	-
Compensated absences	647,687	415,639	(481,224)	582,102	355,083
Net OPEB Obligation	219,188	(367,963)	-	(148,775)	-
Total Long-term Liabilities-					
Component Units	<u>\$ 54,211,835</u>	<u>\$ 4,295,011</u>	<u>\$ (4,383,623)</u>	<u>\$ 54,123,223</u>	<u>\$ 4,421,833</u>

**6. Long-Term Obligations, continued:**

<b>Governmental Activities</b>	<b><u>Maturity Dates</u></b>	<b><u>Interest Rates</u></b>	<b><u>Outstanding Balance</u></b>
Bonds and Contracts:			
2011 Grand Rapids Building Authority Refunding Bonds (Arch. Ctr. Ph II)	10-12 to 10-21	2 - 5%	\$ 2,255,000
2010A Grand Rapids Building Authority Bonds (415 Franklin-1120 Monroe)	10-33 to 10-39	6.50%	1,770,000
2010B Grand Rapids Building Authority Bonds (415 Franklin-1120 Monroe-taxable)	10-12 to 10-32	1.85-6.33%	2,735,000
2009 Grand Rapids Building Authority Refunding (Archive Center Ph I)	8-12 to 8-18	3 - 3.75%	895,000
2009 Grand Rapids Building Authority Refunding (Police Facilities)	8-12 to 8-20	3 - 4.811%	14,960,000
2004A Grand Rapids Building Authority (Condo II-sublease)	10-12 to 10-28	4.7 - 5.75%	15,225,000
2003 Grand Rapids Building Authority Refunding Bonds	4-13	3.85%	27,161
2002A Grand Rapids Building Authority (Condo II)	10-12 to 10-28	4 - 5.5%	15,680,000
1998 Grand Rapids Building Authority (Library)	4-13 to 4-18	5%	10,030,000
1993 Grand Rapids and County of Kent Joint Building Authority Contract	1-13 to 1-14	5%	515,000
2009 Capital Improvement Bonds	8-12 to 8-29	2.4 - 6.05%	5,885,000
2007 Capital Improvement Bonds	9-12 to 9-27	4 - 5%	12,400,000
2003 Michigan Transportation Fund Bonds (Act 175 Bonds)	10-12 to 10-16	3.875 - 4%	1,120,000
1999 Michigan Transportation Fund Bonds (Act 175 Bonds)	10-12 to 10-14	5.3 - 5.5%	2,915,000
Kent County Drain Commission Contract payable (2003)	11-12 to 11-15	3.6 - 4.25%	1,506,640
Kent County Drain Commission Contract payable (2008 Floodwalls)	11-12 to 11-20	3.25 - 4.25%	4,453,000
Other 2008 installment purchase agreements	6-13 to 6-16	4.57%	785,000
Other 2002A installment purchase agreements	6-13 to 6-17	4 - 4.4%	254,914
Motor Equipment System - 2006A Installment Purchase agreements	12-12 to 12-14	4%	405,000
Motor Equipment System - 2006 Installment Purchase agreements	6-13 to 6-14	4%	330,000
Motor Equipment System - 2002A Installment Purchase agreements	6-13 to 6-17	4 - 4.4%	<u>295,086</u>
			94,441,801
Other:			
Insurance Claims			6,463,366
Compensated Absences			9,641,275
Net OPEB Obligation			6,629,200
Unamortized Bond Premium			1,203,629
Unamortized Bond Discount/Issue Costs			(1,386,934)
Deferred amount on Refunding Bonds			<u>(1,558,141)</u>
			115,434,196
Less amounts due within one year:			
Bonds & Contracts Payable			(8,794,903)
Insurance Claims			(5,300,322)
Compensated Absences			<u>(5,881,178)</u>
			(19,976,403)
Total Long-Term Portion Governmental Activities			<u>\$ 95,457,793</u>

**6. Long-Term Obligations, continued:**

<b>Business-Type Activities</b>	<b><u>Maturity Dates</u></b>	<b><u>Interest Rates</u></b>	<b><u>Outstanding Balance</u></b>
Bonds and Contracts:			
2010 Water Supply System Revenue Refunding Bonds	1-13 to 1-18	4 - 5%	\$ 37,480,000
2009 Water Supply System Revenue Bonds	1-13 to 1-39	3.5 - 5%	28,890,000
2005 Water Supply System Revenue Bonds	1-13 to 1-35	4 - 5%	30,965,000
1993 Water Supply System Revenue Bonds	1-13 to 1-20	3.35 - 4.45%	24,400,000
2011A Water Supply System Junior Lien Revenue Bonds		2.5%	833,374
2011B Water Supply System Junior Lien Revenue Bonds		2.5%	763,951
2011C Water Supply System Junior Lien Revenue Bonds		2.5%	1,031,897
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	1-13 to 1-25	2 - 4%	3,300,000
2010 Sanitary Sewer System Revenue Refunding Bonds	1-23 to 1-28	5%	29,625,000
2008 Sanitary Sewer System Revenue Bonds	1-13 to 1-38	3.5 - 5%	63,565,000
2005 Sanitary Sewer System Revenue Bonds	1-13 to 1-35	4 - 5.125%	47,325,000
2004 Sanitary Sewer System Revenue Bonds	1-13 to 1-34	3.75 - 5%	35,965,000
1998 Sanitary Sewer System Refunding and Improvement Revenue Bonds	1-13 to 1-28	5.375 - 5.5%	33,165,000
2011A Sanitary Sewer System Improvement Junior Lien Revenue Bonds		2.5%	3,573,079
2011B Sanitary Sewer System Improvement Junior Lien Revenue Bonds		2.5%	379,453
1995A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-13 to 4-16	2.25%	771,209
1995B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-12 to 10-16	2.25%	1,010,000
1994A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-12 to 10-14	2%	1,830,000
1994B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-13 to 4-15	2%	900,000
1993A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-12 to 10-13	2%	1,235,000
1993B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-12 to 10-14	2%	1,415,000
1992A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-12 to 10-13	2%	1,695,000
1992B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-12 to 10-13	2%	205,000
1991 Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-12 to 10-13	2%	140,000
2011 Grand Rapids Building Authority Refunding Bonds (Ottawa/Fulton)	10-12 to 10-20	2 - 4.663%	3,520,000
2011 Grand Rapids Building Authority Refunding Bonds (Monroe Center)	10-12 to 10-31	2 - 5%	8,810,000
2010C Grand Rapids Building Authority Bonds (Gallery)	10-12 to 10-35	1.45 - 5.9%	7,105,000
2008 Grand Rapids Building Authority Bonds (Weston/Commerce)	10-12 to 10-29	3.5 - 6.25%	8,515,000
2006 Grand Rapids Building Authority Bonds (Cherry/Commerce)	10-12 to 10-36	4 - 4.5%	6,685,000
2003 Grand Rapids Building Authority Bonds Refunding Bonds	4-13	3.85%	327,839
Long term advance	4-13 to 4-19	4%	9,600,000
Kent County Drain Commission Contract Payable (2008 Floodwall Refunding)	11-12 to 11-20	3.25 - 4.25%	610,000
			<u>416,965,802</u>
Other:			
Bond Premium			10,059,580
Net OPEB Obligation			(260,276)
Compensated Absences			2,234,235
Deferred Amount on Refunding Bonds			<u>(6,441,112)</u>
			422,558,229
Less amounts due within one year:			
Bonds & Contracts Payable			(19,532,238)
Long term advance			(1,180,000)
Compensated Absences			<u>(1,362,883)</u>
			<u>(22,075,121)</u>
Total Long-Term Portion Business-Type Activities			<u>\$ 400,483,108</u>

**6. Long-Term Obligations, continued:**

<b>Governmental Funds Component Units</b>	<b><u>Maturity Dates</u></b>	<b><u>Interest Rates</u></b>	<b><u>Outstanding Balance</u></b>
Bonds and Contracts:			
2009 Downtown Development Authority MMBA Refunding Bonds	5-17 to 5-24	4 - 5.499%	\$ 28,430,000
1994 Downtown Development Authority Tax Increment Revenue Bonds	6-13 to 6-19	7.25 - 7.35%	5,375,476
Kent County Drain Commission Contracts Payable (2008 Floodwall Refunding)	11-12 to 11-20	3.25 - 4.25%	1,037,000
Satellite SmartZone (2004)	6-13 to 6-28	4.25 - 5.375%	3,320,000
Brownfield Redevelopment Authority (2012)	6-15 to 6-32	2 - 4%	<u>2,325,000</u>
Other:			40,487,476
Accrued interest on Capital appreciation portion of 1994 issue			13,416,519
Satellite SmartZone, long-term advance from the Water Supply System			1,165,517
Compensated absences			582,102
Net OPEB Obligation			(148,775)
Unamortized Bond Premium			246,556
Deferred amount on Refunding Bonds			<u>(1,626,172)</u>
			54,123,223
Less amounts due within one year:			
Bonds & Contracts Payable			(4,066,750)
Compensated absences			<u>(355,083)</u>
			<u>(4,421,833)</u>
Total Long-Term Portion Governmental Component Units			<u>\$ 49,701,390</u>

On July 28, 2011, the Grand Rapids Building Authority issued \$14,585,000 of general obligation limited tax, refunding bonds with interest rates ranging from 2% to 5% with maturities at varying amounts from October 2012 to 2031. The bonds are titled series 2011. The net proceeds of \$15,255,671 (including a reoffering premium of \$787,351, less underwriter's discount of \$116,680) were used for issue costs of the bonds and deposited with an escrow agent to advance refund the series 2001 Grand Rapids Building Authority Bonds and the 2002 Grand Rapids Building Authority Bonds called October 1, 2011 and April 1, 2012 respectively. As a result of the advance refunding, the City reduced its total debt service requirements by \$1,310,411, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,113,897.

On June 12, 2012, the City of Grand Rapids Brownfield Redevelopment Authority issued series 2012 tax Increment, limited tax general obligation bonds in the amount of \$2,325,000. The bonds were issued with interest rates ranging from 2% to 4% with maturities at varying amounts from June 2015 to 2032. The net proceeds of \$2,300,915 (less an original issue discount of \$835 less underwriter's discount of \$23,250) were used for issue costs of the bonds and rehabilitating and reconstructing certain public streets.

## 6. Long-Term Obligations, continued:

On April 8, 2011 and on June 24, 2011 the City of Grand Rapids committed to the issuance of a maximum of \$6,000,000 and \$3,160,000 of Sanitary Sewer System Junior Lien Revenue Bonds, series 2011A and 2011B, respectively. The bonds will be issued in draws required to meet project expenditures related to improvements to the City's Sanitary Sewer System. The interest rate on both series is 2.5%. Assuming the City borrows the full amount of the bonds, there is possible principal forgiveness through the state revolving fund loan program of \$1,246,500 on series 2011A, for a total principal owed of \$4,753,500. Principal payments commence April 2013. Principal payments commence April 2014 on the Series 2011B bonds. At June 30, 2012, \$3,573,079 was received and recorded as debt on Series 2011A and \$379,453 was received and recorded as debt on Series 2011B.

On April 8, 2011, June 24, 2011 and on September 23, 2011 the City of Grand Rapids committed to the issuance of a maximum of \$1,500,000, \$960,000 and 3,460,000 of Water Supply System Junior Lien Revenue Bonds, series 2011A, 2011B and 2011C, respectively. The bonds will be issued in draws required to meet project expenditures related to improvements to the City's Water Supply System. The interest rate on all series is 2.5%. Assuming the City borrows the full amount of the bonds, there is possible principal forgiveness through the state revolving fund loan program of \$374,325 on series 2011A, for a total principal owed of \$1,125,675. Principal payments commence October 2012. Possible principal forgiveness on series 2011B is \$144,000, for a total principal owed of \$816,000. Principal payments commence April 2013. Principal forgiveness on series 2011C is \$519,000, for a total principal owed of \$2,941,000 with principal payments commencing on April 1, 2014. At June 30, 2012, \$833,374 was received and recorded as debt on Series 2011A, \$763,951 was received and recorded as debt on Series 2011B and \$1,031,897 was received and recorded as debt on Series 2011C.

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 2006 issue for the construction of the Cherry/Commerce Parking Ramp, 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, a majority of the series 2011 refunding bond and a portion of the 2003 refunding bond issues 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.

The 1993 bonds issued by the JBA are recorded in governmental activities for government-wide presentation and the related assets (the museum parking ramp) have been recorded in the governmental activities capital assets. The current debt service requirements are paid by the DDA, a component unit of the City. 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 Motor Vehicle Highway Revenue Bond (Act 175) issues are backed by the limited full faith and credit of the City. Current debt service requirements are funded by state collected taxes returned to the City for highway purposes and are maintained in a debt service fund.

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 \$58,098,904 or the 2003 JBA bonds of \$6,860,000. 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 2003 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, 2012 are:

Fiscal Year	Governmental Activities		Business Type Activities		Component Units		Totals	
	Principal	Interest	Principal	Interest	Governmental		Principal	Interest
					Principal	Interest		
2013	\$ 8,794,903	\$ 4,181,470	\$ 20,712,238	\$ 19,298,689	\$ 1,345,719	\$ 4,483,476	\$ 30,852,860	\$ 27,963,635
2014	9,148,651	3,831,099	21,182,387	18,551,009	1,296,747	4,537,221	31,627,785	26,919,329
2015	8,953,240	3,460,932	20,303,867	17,786,029	1,414,047	4,809,934	30,671,154	26,056,895
2016	8,008,306	3,119,521	19,875,842	16,995,119	1,357,937	4,855,312	29,242,085	24,969,952
2017	7,348,901	2,796,641	20,636,947	16,123,558	1,667,672	4,904,682	29,653,520	23,824,881
2018-2022	26,197,800	9,548,117	74,981,148	67,957,347	20,605,354	10,829,124	121,784,302	88,334,588
2023-2027	16,455,000	4,650,308	80,863,906	50,298,638	11,705,000	1,290,814	109,023,906	56,239,760
2028-2032	7,550,000	869,531	76,146,141	30,207,891	1,095,000	107,243	84,791,141	31,184,665
2033-2037	1,175,000	256,340	60,788,326	12,667,837	-	-	61,963,326	12,924,177
2038-2041	810,000	44,151	21,475,000	2,117,523	-	-	22,285,000	2,161,674
	<u>\$ 94,441,801</u>	<u>\$ 32,758,110</u>	<u>\$ 416,965,802</u>	<u>\$ 252,003,640</u>	<u>\$ 40,487,476</u>	<u>\$ 35,817,806</u>	<u>\$ 551,895,079</u>	<u>\$ 320,579,556</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, 2012</u>
2002A	Grand Rapids Building Authority (Condo II)	\$ 10,420,000
2003	Michigan Transportation Bonds	865,000

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.

**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.

## 7. Retirement Plans

The City has two single-employer defined benefit pension plans which provide retirement and disability benefits to plan members and beneficiaries. The Police and Fire Retirement System covers eligible employees who are police officers and firefighters regularly employed by the City. The General Retirement System covers other eligible employees regularly employed by the City, including the 61<sup>st</sup> District Court. 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. The Pension financial reports can be obtained from the City of Grand Rapids Retirement Systems Office at the address shown in Note 1 and are available on-line within the Retirement Systems section of the City web site, [www.grcity.us](http://www.grcity.us).

### **BASIS OF ACCOUNTING**

The Systems' financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due according to a formal commitment the City has made to provide the contributions. Plan member contributions are recognized when due. 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. These financial statements are prepared using the most recent audited statements of each system. The actuarial information is from the most recent available actuarial statements of each system.

### **INVESTMENTS**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The investments of these 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 U.S. equities 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 5% of the Systems' assets;
3. Investments in state and local government obligations are limited to 5% of the Systems' assets;
4. Investments in foreign securities are limited to 20% of the Systems' assets.

**7. Retirement Plans, continued:**

**FUNDING POLICY**

The contribution requirements of plan members and the City are based on City Ordinance. Employee contribution rates vary based on union contracts. The employer contribution is based on an actuarial valuation conducted annually. The contribution rates for fiscal year 2012 and related actuarial information as of the most recent actuarial valuation for each plan is as follows:

	<u>Police and Fire Retirement System</u>	<u>General Retirement System</u>
Contribution Rates:		
City (employer)	21.18%	20.13%
Plan Members	4.0 - 10.9%	2.0% - 10.2%
Actuarial valuation date	December 31, 2011	June 30, 2011
Actuarial cost method	Individual entry age	Individual entry age
Amortization method	Level percent, open	Level percent, closed
Remaining amortization period	30 years for unfunded actuarial liabilities	27 years for unfunded actuarial liabilities
Asset valuation method	5 year smoothed market	5 year smoothed market
Actuarial assumptions:		
Investment rate of return *	7.36%	7.38%
Projected salary increases	3.5% - 20.5%	4% - 8%
including wage inflation at	3.5%	3.5%
Post-retirement benefit changes	none, 1%, or 1.5% COLA based on union contract and date of retirement	none or 1% COLA dependent on union contract and date of retirement

\* The stated rate is calculated by blending a rate of 7.5% for members eligible for a COLA and 7.25% for members in the 13th check program.

Three year trend information on costs:				
	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police and Fire Retirement System	June 30, 2010	\$ 1,854,893	100%	\$ -
	June 30, 2011	5,780,419	100	-
	June 30, 2012	7,996,035	100	-
General Retirement System	June 30, 2010	4,708,020	100	-
	June 30, 2011	6,162,363	100	-
	June 30, 2012	8,949,239	100	-

## 7. Retirement Plans, continued:

Below is funded status information for each plan as of its most recent actuarial valuation dates. The Schedule of Funding Progress in the Required Supplemental Information section immediately following the Notes presents multiyear trend information showing whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
<b>Police and Fire Retirement System</b>						
December 31, 2011	\$ 321,207,218	\$ 365,300,394	\$ 44,093,176	88%	34,566,692	128%
<b>General Retirement System</b>						
June 30, 2011	360,280,315	445,762,361	85,482,046	81%	49,040,518	174%

## 8. Postemployment Benefits Other than Pensions

The City administers four single-employer defined benefit (DB) OPEB plans to provide other postemployment benefits (OPEB) consisting of health care benefits for eligible retirees and their eligible dependents until the retiree is age 65. All four plans are closed to new members. Recently hired employees and employees who have elected, or were required, to opt-out of the defined benefit plans are covered by a defined contribution (DC) plan created in 2009 and administered by a third party. Information about the DC plan is presented following the below discussion of the other plans. The Plans do not issue separate financial statements, accordingly the basic financial statements for the three funded plans are presented here for the fiscal year ended June 30, 2012.

### **BASIS OF ACCOUNTING**

The Plans' financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due according to a formal commitment the City has made to provide the contributions. Plan member contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

At June 30, 2012, the number of retirees currently receiving benefits under the four City DB plans was 403. Benefits are established through negotiation with employee unions and have been similar for all retired and active employees. 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). In September 2010, the Public Library established a fourth Retiree Health Care Plan that covered existing departmental retirees and a small number of current employees that elected not to convert their future benefits to the DC Plan. Prior to the current fiscal year the Library employees were included in the General Plan. The City first reported its OPEB plans under GASB 45 reporting standards in 2008 using biennial actuarial valuations as of July 1, 2007. The below statements cover accounts that are funded for the benefit of General, Police and Fire retirees. The Library has determined that they will fund their benefits on a pay-as-you-go basis.

**8. Postemployment Benefits Other than Pensions, continued:**

Under an agreement with the Municipal Employees' Retirement System of Michigan (MERS) the City's Plans became participants in the MERS Retiree Health Funding Vehicle, a governmental trust established under Section 115 of the Internal Revenue Code. MERS is the trustee, investment fiduciary, and manager for the Plan assets that are held in a subaccount within the collective and commingled investment pool of all funds held in trust for approximately 750 Michigan municipal employers.

<b>Statement of Fiduciary Net Assets</b> <i>for the year ended June 30, 2012</i>	<b>Retiree Health Care Trust Funds</b>			<b>Total Retiree Health Care Trust</b>
	<b>General Retiree</b>	<b>Police Retiree</b>	<b>Fire Retiree</b>	
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 899,749	\$ 529,542	\$ 548,911	\$ 1,978,202
Investments held by trustee:				
Diversified investment pool	6,333,768	5,303,287	5,673,024	17,310,079
Receivables, net:				
Other accounts	419	121	203	743
Accrued interest	2,636	1,998	1,603	6,237
Receivables, net	3,055	2,119	1,806	6,980
Total assets	\$ 7,236,572	\$ 5,834,948	\$ 6,223,741	\$ 19,295,261
<b>LIABILITIES</b>				
Vouchers and accounts payable	\$ 130,988	\$ 33,295	\$ 32,090	\$ 196,373
Due to other governmental units	3,248	810	851	4,909
Total liabilities	134,236	34,105	32,941	201,282
<b>NET ASSETS</b>				
Held in trust for health care benefits	7,102,336	5,800,843	6,190,800	19,093,979
Total net assets	7,102,336	5,800,843	6,190,800	19,093,979
Total liabilities and net assets	\$ 7,236,572	\$ 5,834,948	\$ 6,223,741	\$ 19,295,261

**8. Postemployment Benefits Other Than Pensions, continued:**

**Statement of Changes in Net Assets**  
*for the year ended June 30, 2012*

	<b>Retiree Health Care Trust Funds</b>			<b>Total Retiree Health Care Trust Funds</b>
	<b>General Employee</b>	<b>Police Retiree</b>	<b>Fire Retiree</b>	
<b>ADDITIONS</b>				
Employer	\$ 10,893,197	\$ 5,356,104	\$ 5,275,267	\$ 21,524,568
Plan members	166,153	30,597	9,364	206,114
Total contributions	<u>11,059,350</u>	<u>5,386,701</u>	<u>5,284,631</u>	<u>21,730,682</u>
Investment income (loss):				
Interest and dividends	6,467	4,672	7,138	18,277
Net appreciation (depreciation) in fair value of investments	(24,000)	34,777	33,558	44,335
Net gains (losses) from investment activities	(17,533)	39,449	40,696	62,612
Total additions	<u>11,041,817</u>	<u>5,426,150</u>	<u>5,325,327</u>	<u>21,793,294</u>
<b>DEDUCTIONS</b>				
Benefits paid	6,149,816	1,472,666	1,651,987	9,274,469
Administration expenses	151,735	37,676	39,224	228,635
Total deductions	<u>6,301,551</u>	<u>1,510,342</u>	<u>1,691,211</u>	<u>9,503,104</u>
Change in net assets	4,740,266	3,915,808	3,634,116	12,290,190
Total net assets - beginning	<u>2,362,070</u>	<u>1,885,035</u>	<u>2,556,684</u>	<u>6,803,789</u>
Total net assets - ending	<u>\$ 7,102,336</u>	<u>\$ 5,800,843</u>	<u>\$ 6,190,800</u>	<u>\$ 19,093,979</u>

**FUNDING POLICY**

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 annual required contribution of the employer (ARC), and available resources. No contributions are required from current employees covered by the DB plan, but retirees may have a required premium based on date of retirement and union contract. For fiscal year 2012, the City contributed \$21,659,555 to the four plans and retiree premium sharing added \$206,114 to the plans. Retiree Health Care costs are charged to individual funds at the percentage of payroll rates shown below with the DB plans receiving all revenue not required to be contributed to a DC plan. The City's net-OPEB obligation under each of the plans increased (decreased) by the difference between the ARC and actual amounts paid on behalf of the participants.

**8. Postemployment Benefits Other Than Pensions, continued:**

Details for each separate plan can be found below.

	<b>General Retiree Health Care Plan</b>	<b>Police Retiree Health Care Plan</b>	<b>Fire Retiree Health Care Plan</b>	<b>Library Retiree Health Care Plan</b>
Contribution rates:	Legislatively determined	Legislatively determined	Legislatively determined	Pay-as-you-go
City	21.34%	23.00%	24.57%	n/a
Plan members	n/a	n/a	n/a	n/a
Annual required contribution (ARC)	\$ 7,177,017	\$ 5,555,697	\$ 3,935,129	\$ 137,514
Interest on net OPEB obligation	146,315	174,063	251,966	736
Adjustment to ARC	<u>(216,934)</u>	<u>(220,980)</u>	<u>(319,881)</u>	<u>(2,716)</u>
Annual OPEB cost	7,106,398	5,508,780	3,867,214	135,534
Contributions made	<u>11,059,350</u>	<u>5,386,701</u>	<u>5,284,631</u>	<u>134,988</u>
Increase (decrease) in net OPEB obligation	(3,952,952)	122,079	(1,417,417)	546
Net OPEB obligation - beginning of year	<u>2,926,305</u>	<u>3,481,252</u>	<u>5,039,316</u>	<u>21,020</u>
Net OPEB obligation (asset) - end of year	<u>\$ (1,026,647)</u>	<u>\$ 3,603,331</u>	<u>\$ 3,621,899</u>	<u>\$ 21,566</u>

The City's annual OPEB cost for each plan is calculated based on the plan's ARC, actuarially determined in accordance with the parameters of Statement No. 45 of the Governmental Accounting Standards Board (GASB). The ARC represents a level of funding, that if paid on an ongoing basis would cover the value of benefits earned during the year by participants, referred to as the normal cost, as well as amortize the unfunded actuarial liability over a stated period, here ten years for the Library Plan and thirty years for the other Plans. The net OPEB obligation of each plan was set at zero at the time the plan was created and will change only to the extent that actual annual contributions are more or less than the ARC plus interest on the net OPEB obligation.

	<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
General Retiree Health Care Plan	June 30, 2010	\$ 7,168,588	139 %	\$ 2,915,023
	June 30, 2011	7,240,682	100	2,926,305
	June 30, 2012	7,106,398	156	(1,026,647)
Police Retiree Health Care Plan	June 30, 2010	4,630,016	136	2,313,483
	June 30, 2011	4,681,323	75	3,481,252
	June 30, 2012	5,508,780	98	3,603,331
Fire Retiree Health Care Plan	June 30, 2010	3,537,667	46	5,289,866
	June 30, 2011	3,592,147	107	5,039,316
	June 30, 2012	3,867,214	137	3,621,899
Library Retiree Health Care Plan	June 30, 2011	137,896	85	21,020
	June 30, 2012	135,534	100	21,566

## 8. Postemployment Benefits Other Than Pensions, continued:

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 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:

	<b>General Retiree Health Care Plan</b>	<b>Police Retiree Health Care Plan</b>	<b>Fire Retiree Health Care Plan</b>	<b>Library Retiree Health Care Plan</b>
Actuarial valuation date	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2010
Actuarial cost method	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	22 years for unfunded actuarial liabilities	30 years for unfunded actuarial liabilities	30 years for unfunded actuarial liabilities	10 years for unfunded actuarial liabilities
Asset valuation method	Current market	Current market	Current market	n/a
Actuarial assumptions:				
Investment rate of return	5.0%	5.0%	5.0%	3.5%
Projected salary increases	3.5% - 12.5%	4.5% - 20.5%	4.5% - 20.5%	3.5%
Inflation rate	3.0%	3.0%	3.0%	3.0%
Healthcare inflation rate	9.5% grading to 3.5% over twelve years	9.5% grading to 3.5% over twelve years	9.5% grading to 3.5% over twelve years	10% falling to 3.5% over 13 years

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Below is funded status information for each plan as of its most recent valuation date. During the time since that valuation date, changes in the covered populations and the plan benefits occurred that will be reflected in the next valuation. The Schedule of Funding Progress in the Required Supplemental Information immediately following the Notes repeats this information along with past valuation information to present multiyear trend information showing whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL of benefits.



**8. Postemployment Benefits Other Than Pensions, continued:**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
<b>General Retiree Plan</b>						
June 30, 2011	\$ 2,362,070	\$ 78,395,349	\$ 76,033,279	3%	\$ 31,070,349	245%
<b>Police Retiree Plan</b>						
June 30, 2011	\$ 1,885,035	\$ 55,430,263	\$ 53,545,228	3%	\$ 16,240,207	330%
<b>Fire Retiree Plan</b>						
June 30, 2011	\$ 2,556,684	\$ 36,411,404	\$ 33,854,720	7%	\$ 14,458,645	234%
<b>Library Retiree Plan</b>						
June 30, 2010	\$ -	\$ 1,042,078	\$ 1,042,078	0%	\$ 387,393	269%

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 a DB retiree health care plan. Contributions are made every pay period by both the employee and the employer. See Note 11 for more details.

**9. Inter-fund Receivables, Payables and Transfers**

Inter-fund receivables and payables at June 30, 2012 represent temporary cash flow assistance from the General Fund and are as follows:

<u>Fund</u>	<u>Primary Reason for Receivable/Payable</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	Cash flow assistance to other funds	\$ 388,960	\$ -
Community Dispatch	Cash flow assistance	-	27,156
Fiduciary	Accrued payroll	-	17,214
Fiduciary	Timing difference due to different year end	-	21,413
Cemetery	Cash flow assistance	-	323,177
		<u>\$ 388,960</u>	<u>\$ 388,960</u>

**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, 2012, 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	\$ 7,058,936	\$ -
		Transfer from Transformation Fund	8,694,202	-
		Debt service, support of Streets, Parks, Dispatch & others	-	15,529,690
	Library	Debt service & Internal cost allocation program	-	2,108,461
	Refuse	Transfer from Transformation Fund	2,400,000	-
		Internal cost allocation program	-	310,478
	Major Streets	Debt service & Internal cost allocation program	-	1,587,754
	Local Streets	Internal cost allocation program	-	129,113
	Streets Capital	Support from General Fund	3,769,000	108,239
	General Capital	Project support from other funds	1,587,277	-
		Debt service and General Fund support	-	2,699,064
	Grants Funds	Support from General Fund	1,126,472	-
		Internal cost allocation program	-	1,507,636
	Non-major Governmental		Transfers to pay debt service by various funds	8,607,336
Support from General Fund / internal cost allocation			8,583,435	-
Support of General Fund			-	13,657,471
Enterprise Funds:	Water Supply System	From Sewage Disposal Fund for customer service	2,274,018	-
		Internal cost allocation program	-	743,226
	Sewage Disposal System	Allocated cost of customer service and internal costs	-	2,862,983
	Auto Parking System	Debt service & Internal cost allocation program	-	1,380,082
Non-Major Proprietary	General Fund support of cemetery operations	554,594	308,891	
Internal Service Funds:	Information Technology	Transfer from Transformation Fund	225,640	-
		Internal cost allocation program	-	301,946
	Motor Equipment	Internal cost allocation program	-	430,162
	Facilities Management	Internal cost allocation program	-	762,564
	Engineering	Internal cost allocation program	-	272,410
Insurance Payment	Internal cost allocation program	-	180,740	
			<u>\$ 44,880,910</u>	<u>\$ 44,880,910</u>

## 10. 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. 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 2012 were \$2,684,930. Total future lease payments are as follows:

<u>Year ending June 30,</u>	<u>Outstanding Lease Due</u>
2013	\$ 2,751,583
2014	2,751,517
2015	2,752,198
2016	2,754,728
2017	2,756,377
2018-2022	13,795,243
2023-2026	10,850,834

5. 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 \$32,921 and \$16,100, respectively, at June 30, 2012. 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.
6. 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, 2012 is \$175,623,000.

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

The City acquired a building located at 1120 Monroe Avenue, NW, on March 30, 2010 for \$3,604,162. The accumulated depreciation at year end is \$192,543. The City leases parts of the building to various tenants with terms extending into FY2016. The total lease revenue for FY2012 is \$163,468. The aggregate amount of future minimum lease payments receivable for each of the succeeding fiscal years are as follows:

<u>Year ending June 30,</u>	<u>Outstanding Lease Receipts</u>
2013	\$ 167,047
2014	172,753
2015	170,534
2016	<u>75,770</u>
Total	<u>\$ 586,104</u>

7. Commitments -- On Aug 14, 2007, the Cities of Grand Rapids and Wyoming received funding commitments from the State of Michigan Water Pollution Control Revolving Fund for financing of the Grand Valley Regional Biosolids Authority's facility at an interest rate of 1.625%. The entire approved financing is \$16,430,000. In March of 2008, the Grand Valley Regional Biosolids Authority also received another Revolving fund commitment at an interest rate of 2.5% for \$17,675,000. Draws against the approved amounts are allowed only for construction expenditures. As of June 30, 2012 the full allowable amount of \$34,105,000 has been drawn, after principal payments made, the total liability at year end was \$29,845,000. In fiscal year 2012, Grand Rapid's portion of the liability was 60.80%, in fiscal year 2013 it is budgeted at 62.84%.
8. Subsequent Events – On October 10, 2012, the City of Grand Rapids issued Sanitary Sewer System Revenue Bonds in the amount of \$30,000,000 with interest rates ranging from 3.0% to 5.0% with maturities at varying amounts from January 2014 to 2042. The net proceeds of \$32,848,320 (par amount of the bonds plus premium of \$3,049,867 less \$201,547 underwriter's discount) were used for issue costs and improvements to the City's sewer system.

## 11. 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, 2012 employee contributions were \$13,215 and the employer contributions were \$46,394 to this Plan. At June 30, 2012, the fair market value of plan assets was \$26,414.

The City also offers to executive and appointed employees the Officer's Option Plan, a defined contribution contributory savings plan created in accordance with IRC Section 401(a). 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 at 6% and employer contributions at specified percentages (determined by City Ordinance) of employees' current salaries. Plan contributions are maintained with earnings in a deferred account for each participant. At June 30, 2012, there were 13 active and 24 terminated plan participants. The total fair market value of plan assets for both groups of participants was approximately \$8,112,272. Contributions made by employees and the City totaled \$114,493 and \$181,740 respectively, for the fiscal year ended June 30, 2012.

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all City employees, permits deferral of a portion of their current salary until future years. The deferred compensation is not available to the employees 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 the participants. At June 30, 2012, the total market value of plan assets was approximately \$67,601,131. Net of the effect of employee contributions, withdrawals and earnings, the fair market value of plan assets decreased \$1,656,441 for the year ended June 30, 2012. 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 are enrolled in a defined contribution post-employment health care program which is administered by the Municipal Employees' Retirement System of Michigan. This program is defined in IRC 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 30 month phase-in period after initial employment, an employee's mandatory bi-weekly contribution will be \$38.46, which vests immediately. The employer's contribution steps up over the same time period until it reaches \$67.30 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, 2012, 284 employees were participating in this defined contribution retiree health care plan. For the fiscal year ended June 30, 2012, regular contributions made by employees and the employer totaled \$466,836 and \$828,421 respectively. Over time, as the current participants in the defined benefit retiree health care plans described in Note 8 pass age 65, this savings program will gradually become the City's only retiree health care plan.

## 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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 13,442,792	\$ 13,442,792	\$ 13,453,120	\$ 10,328
City income taxes	55,661,098	55,661,098	56,757,578	1,096,480
State shared taxes	13,111,847	13,111,847	13,854,586	742,739
Licenses and permits	384,333	384,333	489,182	104,849
Fines and forfeitures	2,055,000	2,055,000	1,946,122	(108,878)
Federal grants	-	-	50,604	50,604
State grants	248,065	248,065	231,136	(16,929)
Other grants and contributions	362,608	362,608	66,049	(296,559)
Charges for services	10,143,017	10,184,399	11,442,607	1,258,208
Investment earnings	617,000	617,000	573,068	(43,932)
Miscellaneous	65,310	65,310	115,757	50,447
<b>Total revenues</b>	<u>96,091,070</u>	<u>96,132,452</u>	<u>98,979,809</u>	<u>2,847,357</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	25,630,875	25,555,611	23,842,467	1,713,144
Public safety	74,431,784	74,440,825	71,193,879	3,246,946
Public works	5,051,248	5,489,248	5,525,318	(36,070)
Urban and community development	3,451,229	3,771,083	3,545,636	225,447
<b>Debt service:</b>				
Principal	354,170	354,170	354,170	-
Interest and paying agent fees	73,128	73,128	79,724	(6,596)
<b>Total expenditures</b>	<u>108,992,434</u>	<u>109,684,065</u>	<u>104,541,194</u>	<u>5,142,871</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(12,901,364)</u>	<u>(13,551,613)</u>	<u>(5,561,385)</u>	<u>7,990,228</u>
<b>Other financing sources (uses):</b>				
Budgeted appropriation lapse for the fund	10,728,553	5,265,396	-	(5,265,396)
Transfers in	11,107,399	17,240,311	15,753,138	(1,487,173)
Transfers out	(13,917,528)	(13,601,566)	(15,529,690)	(1,928,124)
<b>Total other financing sources (uses)</b>	<u>7,918,424</u>	<u>8,904,141</u>	<u>223,448</u>	<u>(8,680,693)</u>
<b>Net change in fund balances</b>	<u>(4,982,940)</u>	<u>(4,647,472)</u>	<u>(5,337,937)</u>	<u>(690,465)</u>
Fund balances - beginning	31,712,473	31,712,473	31,712,473	-
Current year change in inventory levels	-	-	(14,820)	(14,820)
Fund balances - ending	<u>\$ 26,729,533</u>	<u>\$ 27,065,001</u>	<u>\$ 26,359,716</u>	<u>\$ (705,285)</u>

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

## Required Supplementary Information

**City of Grand Rapids, Michigan**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**Public Library**  
*for the year ended June 30, 2012*

	<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	\$ 10,255,676	\$ 10,255,676	\$ 10,037,671	\$ (218,005)
Intergovernmental	-	-	79,344	79,344
Fines and forfeitures	230,000	230,000	224,578	(5,422)
State grants	61,400	61,400	-	(61,400)
Other agencies grants	350,000	350,000	359,447	9,447
Charges for services	135,000	135,000	148,831	13,831
Investment earnings	133,500	133,500	40,436	(93,064)
Miscellaneous	-	-	105,027	105,027
Total revenues	<u>11,165,576</u>	<u>11,165,576</u>	<u>10,995,334</u>	<u>(170,242)</u>
Expenditures:				
Current:				
Culture and recreation	9,454,485	9,970,485	9,628,092	342,393
Debt service:				
Interest and paying agent fees	-	-	300	(300)
Total expenditures	<u>9,454,485</u>	<u>9,970,485</u>	<u>9,628,392</u>	<u>342,093</u>
Excess of revenues over expenditures	<u>1,711,091</u>	<u>1,195,091</u>	<u>1,366,942</u>	<u>171,851</u>
Other financing sources (uses):				
Transfers out	<u>(2,107,893)</u>	<u>(2,107,893)</u>	<u>(2,108,461)</u>	<u>(568)</u>
Total other financing sources (uses)	<u>(2,107,893)</u>	<u>(2,107,893)</u>	<u>(2,108,461)</u>	<u>(568)</u>
Net change in fund balances	(396,802)	(912,802)	(741,519)	171,283
Fund balances - beginning	<u>5,177,248</u>	<u>5,177,248</u>	<u>5,177,248</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,780,446</u>	<u>\$ 4,264,446</u>	<u>\$ 4,435,729</u>	<u>\$ 171,283</u>

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

## Required Supplementary Information

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

for the year ended June 30, 2012

	<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	\$ 7,379,814	\$ 7,379,814	\$ 7,376,006	\$ (3,808)
Charges for services	5,331,352	5,331,352	5,014,994	(316,358)
Investment earnings	55,000	55,000	26,968	(28,032)
Total revenues	<u>12,766,166</u>	<u>12,766,166</u>	<u>12,417,968</u>	<u>(348,198)</u>
Expenditures:				
Current:				
Public works	12,111,874	14,511,874	12,034,937	2,476,937
Capital outlay	<u>181,953</u>	<u>181,953</u>	-	<u>181,953</u>
Total expenditures	<u>12,293,827</u>	<u>14,693,827</u>	<u>12,034,937</u>	<u>2,658,890</u>
Excess (deficit) of revenues over expenditures	<u>472,339</u>	<u>(1,927,661)</u>	<u>383,031</u>	<u>2,310,692</u>
Other financing sources (uses):				
Transfers in	-	2,400,000	2,400,000	-
Transfers out	<u>(310,478)</u>	<u>(310,478)</u>	<u>(310,478)</u>	<u>-</u>
Total other financing sources (uses)	<u>(310,478)</u>	<u>2,089,522</u>	<u>2,089,522</u>	<u>-</u>
Net change in fund balances	161,861	161,861	2,472,553	2,310,692
Fund balances - beginning	<u>770,572</u>	<u>770,572</u>	<u>770,572</u>	<u>-</u>
Fund balances - ending	<u>\$ 932,433</u>	<u>\$ 932,433</u>	<u>\$ 3,243,125</u>	<u>\$ 2,310,692</u>

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



## 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, 2012*

	Major Streets				Local Streets			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
Revenues:								
State shared taxes	\$ 10,423,835	\$ 10,423,835	\$ 10,333,129	\$ (90,706)	\$ 2,789,271	\$ 2,789,271	2,761,067	\$ (28,204)
Federal grants	-	-	330,536	330,536	-	-	-	-
Charges for services	1,915,000	1,915,000	2,263,949	348,949	9,500	9,500	20,204	10,704
Investment earnings	26,000	26,000	-	(26,000)	30,000	30,000	14,756	(15,244)
Miscellaneous	56,000	56,000	66,641	10,641	10,000	28,500	20	(28,480)
Total revenues	<u>12,420,835</u>	<u>12,420,835</u>	<u>12,994,255</u>	<u>573,420</u>	<u>2,838,771</u>	<u>2,857,271</u>	<u>2,796,047</u>	<u>(61,224)</u>
Expenditures:								
Current:								
Public works	9,678,624	9,678,624	8,484,731	1,193,893	4,013,600	4,032,100	4,306,499	(274,399)
Debt service:								
Principal	594,536	594,536	594,536	-	-	-	-	-
Interest and paying agent fees	446,751	446,751	448,034	(1,283)	-	-	-	-
Capital outlay:	-	-	30,157	(30,157)	44,000	44,000	4,802	39,198
Total expenditures	<u>10,719,911</u>	<u>10,719,911</u>	<u>9,557,458</u>	<u>1,162,453</u>	<u>4,057,600</u>	<u>4,076,100</u>	<u>4,311,301</u>	<u>(235,201)</u>
Excess (deficit) of revenues over expenditures	<u>1,700,924</u>	<u>1,700,924</u>	<u>3,436,797</u>	<u>1,735,873</u>	<u>(1,218,829)</u>	<u>(1,218,829)</u>	<u>(1,515,254)</u>	<u>(296,425)</u>
Other financing sources (uses):								
Budgeted appropriation lapse for the fund	1,150,000	1,150,000	-	(1,150,000)	441,000	441,000	-	(441,000)
Transfers in	-	-	-	-	1,250,000	-	-	-
Transfers out	(2,837,754)	(1,587,754)	(1,587,754)	-	(129,113)	(129,113)	(129,113)	-
Total other financing sources (uses)	<u>(1,687,754)</u>	<u>(437,754)</u>	<u>(1,587,754)</u>	<u>(1,150,000)</u>	<u>1,561,887</u>	<u>311,887</u>	<u>(129,113)</u>	<u>(441,000)</u>
Net change in fund balances	13,170	1,263,170	1,849,043	585,873	343,058	(906,942)	(1,644,367)	(737,425)
Fund balances - beginning	6,529,803	6,529,803	6,529,803	-	2,815,514	2,815,514	2,815,514	-
Current year change in inventory levels	-	-	(65,234)	(65,234)	-	-	-	-
Fund balances - ending	<u>\$ 6,542,973</u>	<u>\$ 7,792,973</u>	<u>\$ 8,313,612</u>	<u>\$ 520,639</u>	<u>\$ 3,158,572</u>	<u>\$ 1,908,572</u>	<u>\$ 1,171,147</u>	<u>\$ (737,425)</u>

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

## Required Supplementary Information

**City of Grand Rapids, Michigan  
Schedules of Funding Progress  
Defined Benefit Pension Plans**

**Police and Fire Retirement Plan**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
December 31, 2009	\$ 334,247,051	\$ 348,250,068	14,003,017	96%	\$ 33,490,487	42%
December 31, 2010	328,609,947	360,573,351	31,963,404	91%	34,665,767	92%
December 31, 2011	321,207,218	365,300,394	44,093,176	88%	34,566,692	128%

**General Retirement Plan**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
June 30, 2009	\$ 381,136,182	\$ 391,339,300	\$ 10,203,118	97%	\$ 51,808,141	20%
June 30, 2010	366,543,009	435,893,490	69,350,481	84%	49,336,606	141%
June 30, 2011	360,280,315	445,762,361	85,482,046	81%	49,040,518	174%

These funding schedules were prepared using the individual entry-age cost method.

## Required Supplementary Information

**City of Grand Rapids, Michigan  
Schedules of Funding Progress  
Defined Benefit Retiree Health Care Plans**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	( a )	( b )	( b - a )	( a / b )	( c )	( ( b - a ) / c )
<b>General Retiree Plan</b>						
July 1, 2007	\$ -	\$ 94,641,249	\$ 94,641,249	0%	\$ 53,191,642	178%
July 1, 2009	-	113,928,362	113,928,362	0%	36,445,037	313%
June 30, 2011	2,362,070	78,395,349	76,033,279	3%	31,070,349	245%
<b>Police Retiree Plan</b>						
July 1, 2007	\$ -	\$ 69,425,881	\$ 69,425,881	0%	\$ 21,754,032	319%
July 1, 2009	-	64,267,410	64,267,410	0%	15,929,689	403%
June 30, 2011	1,885,035	55,430,263	53,545,228	3%	16,240,207	330%
<b>Fire Retiree Plan</b>						
July 1, 2007	\$ -	\$ 36,963,257	\$ 36,963,257	0%	\$ 14,637,776	253%
July 1, 2009	-	44,488,777	44,488,777	0%	14,196,674	313%
June 30, 2011	2,556,684	36,411,404	33,854,720	7%	14,458,645	234%
<b>Library Retiree Plan</b>						
June 30, 2010	\$ -	\$ 1,042,078	\$ 1,042,078	0%	\$ 387,393	269%

These funding schedules are copied from the actuarial studies which are prepared biennially using the individual entry-age cost method. The Library plan with 19 members was created in September of 2010 with the intention of conducting triennial actuarial valuations.

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2012*

<u>Department</u>	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>General Government - Fiscal and Administrative:</b>				
Executive Office:				
Personal services	\$ 938,075	\$ 938,075	\$ 937,023	\$ 1,052
Supplies	7,500	7,500	4,907	2,593
Services and charges	306,325	306,325	257,061	49,264
Minor Capital Outlay	4,000	4,000	4,238	(238)
	<u>1,255,900</u>	<u>1,255,900</u>	<u>1,203,229</u>	<u>52,671</u>
Human Resources:				
Personal services	1,152,419	1,152,419	1,120,599	31,820
Supplies	33,900	33,900	29,481	4,419
Services and charges	<u>830,504</u>	<u>830,504</u>	<u>797,562</u>	<u>32,942</u>
	<u>2,016,823</u>	<u>2,016,823</u>	<u>1,947,642</u>	<u>69,181</u>
Comptroller:				
Personal services	1,698,504	1,713,504	1,600,476	113,028
Supplies	50,800	50,800	27,132	23,668
Services and charges	<u>931,122</u>	<u>931,122</u>	<u>814,512</u>	<u>116,610</u>
	<u>2,680,426</u>	<u>2,695,426</u>	<u>2,442,120</u>	<u>253,306</u>
Treasury:				
Personal services	5,074,493	4,835,268	4,281,451	553,817
Supplies	315,973	315,973	227,309	88,664
Services and charges	1,545,110	1,616,614	1,601,965	14,649
Minor Capital Outlay	<u>47,257</u>	<u>48,522</u>	<u>22,208</u>	<u>26,314</u>
	<u>6,982,833</u>	<u>6,816,377</u>	<u>6,132,933</u>	<u>683,444</u>
Fiscal services:				
Personal services	1,063,677	1,063,677	850,344	213,333
Supplies	26,000	26,000	7,245	18,755
Services and charges	515,525	562,525	523,756	38,769
Minor Capital Outlay	-	3,000	1,036	1,964
	<u>\$ 1,605,202</u>	<u>\$ 1,655,202</u>	<u>\$ 1,382,381</u>	<u>\$ 272,821</u> continued
Attorney:				

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2012*

<b>Department</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Personal services	\$ 2,061,738	\$ 2,061,738	\$ 1,959,917	\$ 101,821
Supplies	39,800	39,800	37,149	2,651
Services and charges	321,755	321,755	290,061	31,694
Minor Capital Outlay	8,000	8,000	8,163	(163)
	<u>2,431,293</u>	<u>2,431,293</u>	<u>2,295,290</u>	<u>136,003</u>
<b>Clerk:</b>				
Personal services	1,218,648	1,218,648	1,145,520	73,128
Supplies	125,500	125,500	112,385	13,115
Services and charges	427,164	427,164	393,175	33,989
Minor Capital Outlay	6,824	6,824	28,364	(21,540)
	<u>1,778,136</u>	<u>1,778,136</u>	<u>1,679,444</u>	<u>98,692</u>
<b>Administrative Services:</b>				
Personal services	582,497	582,497	629,131	(46,634)
Supplies	15,600	15,600	7,381	8,219
Services and charges	135,694	135,694	95,426	40,268
	<u>733,791</u>	<u>733,791</u>	<u>731,938</u>	<u>1,853</u>
<b>Technology and Change Management:</b>				
Personal services	141,498	141,498	133,564	7,934
Supplies	-	-	49	(49)
Services and charges	72,070	72,070	72,539	(469)
Minor Capital Outlay	-	-	22	(22)
	<u>213,568</u>	<u>213,568</u>	<u>206,174</u>	<u>7,394</u>
<b>Total general government - fiscal and administrative</b>	<b>\$ 19,697,972</b>	<b>\$ 19,596,516</b>	<b>\$ 18,021,151</b>	<b>\$ 1,575,365</b>
<b>General purpose:</b>				
<b>General administration:</b>				
Personal services	\$ -	\$ -	\$ 11,897	\$ (11,897)
Supplies	10,590	10,590	8,899	1,691
Services and charges	5,922,313	5,948,505	5,800,520	147,985

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2012*

<b>Department</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>	
<b>Total general purpose</b>	\$ 5,932,903	\$ 5,959,095	\$ 5,821,316	\$ 137,779	
<b>Total General Government</b>	\$ 25,630,875	\$ 25,555,611	\$ 23,842,467	\$ 1,713,144	continued
<b>Public safety:</b>					
Police:					
Personal services	\$ 39,264,187	\$ 39,094,596	\$ 38,074,787	\$ 1,019,809	
Supplies	440,120	440,120	365,424	74,696	
Services and charges	6,210,809	6,235,809	6,205,763	30,046	
Minor Capital Outlay	64,890	69,363	78,622	(9,259)	
	<u>45,980,006</u>	<u>45,839,888</u>	<u>44,724,596</u>	<u>1,115,292</u>	
Fire:					
Personal services	25,503,876	25,503,876	23,879,917	1,623,959	
Supplies	257,938	279,938	240,384	39,554	
Services and charges	2,244,020	2,293,698	1,937,896	355,802	
Minor Capital Outlay	445,944	523,425	411,086	112,339	
	<u>28,451,778</u>	<u>28,600,937</u>	<u>26,469,283</u>	<u>2,131,654</u>	
<b>Total public safety</b>	\$ <u>74,431,784</u>	\$ <u>74,440,825</u>	\$ <u>71,193,879</u>	\$ <u>3,246,946</u>	
<b>Public works:</b>					
Enterprise services:					
Personal services	\$ 2,192,869	\$ 2,170,869	\$ 1,998,692	\$ 172,177	
Supplies	61,250	475,250	462,295	12,955	
Services and charges	2,751,147	2,797,147	3,048,612	(251,465)	
Minor Capital Outlay	45,982	45,982	15,719	30,263	
	<u>5,051,248</u>	<u>5,489,248</u>	<u>5,525,318</u>	<u>(36,070)</u>	*
<b>Total public works</b>	\$ <u>5,051,248</u>	\$ <u>5,489,248</u>	\$ <u>5,525,318</u>	\$ <u>(36,070)</u>	
<b>Urban development:</b>					
Design and Development:					
Personal services	\$ 985,335	\$ 1,053,635	\$ 1,018,599	\$ 35,036	
Supplies	39,000	39,000	28,906	10,094	

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2012*

<u>Department</u>	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>	
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>	
Services and charges	328,535	343,535	313,975	29,560	
Minor Capital Outlay	7,538	-	62	(62)	
	<u>1,360,408</u>	<u>1,436,170</u>	<u>1,361,542</u>	<u>74,628</u>	continued
Community Development:					
Personal services	\$ 1,558,861	\$ 1,718,204	\$ 1,689,918	\$ 28,286	
Supplies	40,000	42,500	33,823	8,677	
Services and charges	485,920	531,969	438,645	93,324	
Minor Capital Outlay	6,040	42,240	21,708	20,532	
	<u>2,090,821</u>	<u>2,334,913</u>	<u>2,184,094</u>	<u>150,819</u>	
<b>Total urban development</b>	<b>\$ 3,451,229</b>	<b>\$ 3,771,083</b>	<b>\$ 3,545,636</b>	<b>\$ 225,447</b>	
<b>Debt Service</b>					
Principal	\$ 354,170	\$ 354,170	\$ 354,170	\$ -	
Interest	73,128	73,128	79,724	(6,596)	
<b>Total debt service</b>	<b>\$ 427,298</b>	<b>\$ 427,298</b>	<b>\$ 433,894</b>	<b>\$ (6,596)</b>	
Budgeted Appropriation Lapse within Fund	(10,728,553)	(5,265,396)	-	(5,265,396)	
<b>Total expenditures</b>	<b>\$ 98,263,881</b>	<b>\$ 104,418,669</b>	<b>\$ 104,541,194</b>	<b>\$ (122,525)</b>	

\* The legal level of budgetary control is the department level. This department had expenditures in excess of appropriations. Presentation of budgetary information at the character level reflects general interest in that level of detail.

City of Grand Rapids, Michigan  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2012

**Special Revenue Funds**

	Michigan Justice		Vehicle Storage		Neighborhood					Trans-							
	Grants	Training	Facility	Parks & Recreation	Business Improvement	Building Inspections	DNR Properties	Sidewalk Repair	Community Dispatch	formation							
<b>ASSETS</b>																	
Equity in pooled cash and investments	\$	142,469	\$	255,010	\$	129,087	\$	1,238,306	1,437,442	\$	167,703	\$	333,346	\$	-	\$	6,797,314
Receivables, net		733		435		362,995		1,648	3,621		209		14,316		113,906		889,837
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governmental units															741,250		761,676
Total assets	\$	143,202	\$	255,445	\$	492,082	\$	1,239,954	1,441,063	\$	167,912	\$	347,662	\$	855,156	\$	8,448,827
<b>LIABILITIES AND FUND BALANCES</b>																	
<b>Liabilities</b>																	
Vouchers and accounts payable	\$	-	\$	20,999	\$	148,400	\$	89	926	\$	-	\$	126,929	\$	1,375	\$	52,249
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,156	-	-
Due to other governm	-	-	-	973	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	109,010	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	21,972	-	257,410	-	89	926	-	-	-	126,929	-	28,531	-	52,249
<b>Fund balance:</b>																	
<b>Nonspendable:</b>																	
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonexpendable Trus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Restricted:</b>																	
Public safety	-	143,202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Urban and community development	-	-	-	-	-	-	358,233	-	-	-	-	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Authorized projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Committed:</b>																	
Authorized projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,396,578
Other purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Assigned:</b>																	
Culture & recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	567,886	-	-
Urban & community	-	-	-	-	-	-	802,103	981,327	146,571	-	-	-	-	-	-	-	-
Public works	-	-	-	207,137	-	-	-	-	-	-	-	-	189,694	-	-	-	-
Ensuig budget year	-	-	-	14,002	157,547	77,276	280,461	21,341	-	-	-	-	-	-	-	-	-
Compensated abser	-	-	-	12,334	77,125	2,253	178,349	-	-	-	-	31,039	258,739	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balance	-	143,202	-	233,473	-	234,672	-	1,239,865	1,440,137	-	167,912	-	220,733	-	826,625	-	8,396,578
Total liabilities a	-	143,202	-	255,445	-	492,082	-	1,239,954	1,441,063	-	167,912	-	347,662	-	855,156	-	8,448,827



**City of Grand Rapids, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
*June 30, 2012*

	Special Revenue Funds				Capital Project Fund	Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug Law Enforcement	General Special Revenue	Economic Development	Downtown Improvement District	Grand Rapids Building Authority	Grand Rapids Building Authority	Cemeteries Perpetual Care	
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ 1,939,153	\$ 202,218	\$ 623,668	\$ 645,186	\$ 296,000	\$ 1,461,437	\$ 3,726,297	\$ 19,394,636
Receivables, net	3,008	209	22,021	5,180	7,668	-	19,080	1,444,866
Inventories	-	-	-	-	-	-	18,382	18,382
Due from other governmental units	24,118	-	-	-	-	-	-	1,527,044
Total assets	<u>\$ 1,966,279</u>	<u>\$ 202,427</u>	<u>\$ 645,689</u>	<u>\$ 650,366</u>	<u>\$ 303,668</u>	<u>\$ 1,461,437</u>	<u>\$ 3,763,759</u>	<u>\$ 22,384,928</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Vouchers and accounts payable	\$ 35,615	\$ -	\$ -	\$ 270,828	\$ 134,447	\$ -	\$ -	\$ 791,857
Due to other funds	-	-	-	-	-	-	-	27,156
Due to other governmental units	-	-	-	-	-	-	-	973
Customer deposits	-	-	-	-	-	-	-	109,010
Total liabilities	<u>35,615</u>	<u>-</u>	<u>-</u>	<u>270,828</u>	<u>134,447</u>	<u>-</u>	<u>-</u>	<u>928,996</u>
<b>Fund balance:</b>								
<b>Nonspendable:</b>								
Inventories	-	-	-	-	-	-	18,382	18,382
Nonexpendable Trust principal	-	25,000	-	-	-	-	2,806,309	2,831,309
<b>Restricted:</b>								
Public safety	1,930,664	22,076	-	-	-	-	-	2,095,942
Urban and community development	-	-	-	379,538	-	-	-	737,771
Culture & recreation	-	124,288	-	-	-	-	-	124,288
Authorized projects	-	-	-	-	95,452	-	-	95,452
<b>Committed:</b>								
Authorized projects	-	-	-	-	73,769	-	-	8,470,347
Other purposes	-	-	-	-	-	-	939,068	939,068
<b>Assigned:</b>								
Culture & recreation	-	31,063	-	-	-	-	-	31,063
Public safety	-	-	-	-	-	-	-	567,886
Urban & community development	-	-	643,123	-	-	-	-	2,573,124
Public works	-	-	-	-	-	-	-	396,831
Ensuing budget year	-	-	-	-	-	-	-	550,627
Compensated absences	-	-	2,566	-	-	-	-	562,405
Other purposes	-	-	-	-	-	1,461,437	-	1,461,437
Total fund balance	<u>1,930,664</u>	<u>202,427</u>	<u>645,689</u>	<u>379,538</u>	<u>169,221</u>	<u>1,461,437</u>	<u>3,763,759</u>	<u>21,455,932</u>
Total liabilities and fund balances	<u>\$ 1,966,279</u>	<u>\$ 202,427</u>	<u>\$ 645,689</u>	<u>\$ 650,366</u>	<u>\$ 303,668</u>	<u>\$ 1,461,437</u>	<u>\$ 3,763,759</u>	<u>\$ 22,384,928</u>

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
for the year ended June 30, 2012**

**Special Revenue Funds**

	<b>Michigan Justice Training</b>	<b>Vehicle Storage Facility</b>	<b>Parks &amp; Recreation</b>	<b>Neighborhood Business Improvement</b>	<b>Building Inspections</b>	<b>DNR Properties</b>	<b>Sidewalk Repair</b>	<b>Community Dispatch</b>	<b>Trans- formation</b>
Revenues:									
City income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,057,217
State shared taxes	-	-	-	-	-	-	-	-	4,570,056
Licenses and permits	-	-	-	-	1,977,827	-	413,905	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	58,222	-	-	-	-	-	-	-	-
Other grants and contributions	-	-	40,968	-	-	-	-	2,922,061	-
Charges for services	-	470,036	1,455,440	39,876	97,086	-	438,293	118,426	-
Investment Earnings	798	1,403	-	7,591	11,325	612	2,324	-	49,616
Miscellaneous	10,465	-	5,337	11,396	-	1,050	-	15,590	-
Total revenues	69,485	471,439	1,501,745	58,863	2,086,238	1,662	854,522	3,057,937	13,676,889
Expenditures:									
Current:									
Public safety	103,678	-	-	-	-	-	-	6,134,183	-
Public works	-	443,799	-	-	-	-	952,660	-	-
Culture and recreation	-	-	4,936,420	-	-	-	-	-	-
Urban and community development	-	-	-	138,142	2,670,457	5,397	-	-	-
Debt service:									
Principal	-	-	-	20,000	-	-	-	-	-
Interest and paying agent fees	-	-	-	31,007	-	-	-	-	-
Capital outlay	-	-	80,439	-	-	-	-	-	-
Total expenditures	103,678	443,799	5,016,859	189,149	2,670,457	5,397	952,660	6,134,183	-
Excess (deficiency) of revenues over expendit	(34,193)	27,640	(3,515,114)	(130,286)	(584,219)	(3,735)	(98,138)	(3,076,246)	13,676,889
Other financing sources (uses):									
Transfers in	-	-	3,491,015	-	283,465	79,755	-	4,376,222	-
Transfers out	-	(29,382)	(397,765)	(9,801)	(196,029)	(3,102)	(48,001)	(174,750)	(12,599,472)
Premium on bonds	-	-	-	-	-	-	-	-	-
Face value of bonds and contracts issued	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(29,382)	3,093,250	(9,801)	87,436	76,653	(48,001)	4,201,472	(12,599,472)
Net change in fund balances	(34,193)	(1,742)	(421,864)	(140,087)	(496,783)	72,918	(146,139)	1,125,226	1,077,417
Fund balances (deficit) - beginning	177,395	235,215	656,536	1,379,952	1,936,920	94,994	366,872	(298,601)	7,319,161
Fund balances - ending	\$ 143,202	\$ 233,473	\$ 234,672	\$ 1,239,865	\$ 1,440,137	\$ 167,912	\$ 220,733	\$ 826,625	\$ 8,396,578

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
for the year ended June 30, 2012

	Special Revenue Funds				Capital Project Fund	Debt Service Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Drug Law Enforcement	General Special Revenue	Economic Development	Downtown Improvement District	Grand Rapids Building Authority	Grand Rapids Building Authority	Public Act 175	Cemeteries Perpetual Care	
Revenues:									
City income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,057,217
State shared taxes	-	-	-	-	-	-	-	-	4,570,056
Licenses and permits	-	-	-	-	-	-	-	-	2,391,732
Federal grants	188,400	-	-	-	-	-	-	-	188,400
State grants	-	-	-	-	-	-	-	-	58,222
Other grants and contributions	5,000	25,000	-	-	-	-	-	-	2,993,029
Charges for services	625,095	8,628	22,373	804,213	-	-	-	33,008	4,112,474
Investment Earnings	10,546	908	4,778	3,052	4,445	37,204	-	25,322	161,784
Miscellaneous	-	-	4,237	-	7,250	51,773	-	-	107,098
Total revenues	829,041	34,538	31,388	807,265	11,695	88,977	-	58,330	23,640,012
Expenditures:									
Current:									
Public safety	775,541	-	-	-	-	-	-	-	7,013,402
Public works	-	-	-	-	-	-	-	-	1,396,458
Culture and recreation	-	10,402	-	-	-	-	-	-	4,946,822
Urban and community development	-	-	60,580	788,891	-	-	-	-	3,663,467
Debt service:									
Principal	-	-	-	-	-	4,071,396	1,120,000	-	5,211,396
Interest and paying agent fees	-	-	-	-	-	3,197,273	229,310	-	3,457,590
Capital outlay	-	-	-	-	902,662	-	-	-	983,101
Total expenditures	775,541	10,402	60,580	788,891	902,662	7,268,669	1,349,310	-	26,672,237
Excess (deficiency) of revenues over expenditures	53,500	24,134	(29,192)	18,374	(890,967)	(7,179,692)	(1,349,310)	58,330	(3,032,225)
Other financing sources (uses):									
Transfers in	-	-	-	-	263,000	7,258,027	1,349,310	89,977	17,180,771
Transfers out	-	-	-	-	-	-	-	(189,594)	(13,657,471)
Premium on bonds	-	-	(4,556)	(5,019)	-	175,389	-	-	175,389
Face value of bonds and contracts issued	-	-	-	-	-	2,255,000	-	-	2,255,000
Payment to refunded bond escrow agent	-	-	-	-	-	(2,438,269)	-	-	(2,438,269)
Total other financing sources (uses)	-	-	(4,556)	(5,019)	263,000	7,250,147	1,349,310	(99,617)	3,525,420
Net change in fund balances	53,500	24,134	(33,748)	13,355	(627,967)	70,455	-	(41,287)	493,195
Fund balances (deficit) - beginning	1,877,164	178,293	679,437	366,183	797,188	1,390,982	-	3,805,046	20,962,737
Fund balances - ending	\$ 1,930,664	\$ 202,427	\$ 645,689	\$ 379,538	\$ 169,221	\$ 1,461,437	\$ -	\$ 3,763,759	\$ 21,455,932

**City of Grand Rapids**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget to Actual**  
**Non-major Governmental Funds**  
*for the year ended June 30, 2012*

	Budget				Actual				Net Variance
	Revenues	Expenditures	Other Financing Sources (uses)	Net	Revenues	Expenditures	Other Financing Sources (uses)	Net	
Michigan Justice Training	69,000	104,000	-	(35,000)	69,485	103,678	-	(34,193)	807
Vehicle Storage Facility	489,280	511,349	(29,382)	(51,451)	471,439	443,799	(29,382)	(1,742)	49,709
Parks & Recreation	2,598,692	5,904,597	3,043,514	(262,391)	1,501,745	5,016,859	3,093,250	(421,864)	(159,473)
Neighborhood Business Improvement	198,500	298,087	(9,801)	(109,388)	58,863	189,149	(9,801)	(140,087)	(30,699)
Building Inspections	2,316,269	2,671,018	87,436	(267,313)	2,086,238	2,670,457	87,436	(496,783)	(229,470)
DNR Properties	151,936	40,000	(3,102)	108,834	1,662	5,397	76,653	72,918	(35,916)
Sidewalk Repair	1,332,075	1,247,177	(48,001)	36,897	854,522	952,660	(48,001)	(146,139)	(183,036)
Community Dispatch	2,974,721	6,360,367	4,201,472	815,826	3,057,937	6,134,183	4,201,472	1,125,226	309,400
Transformation	13,416,294	-	(12,599,472)	816,822	13,676,889	-	(12,599,472)	1,077,417	260,595
Drug Law Enforcement	413,500	515,405	-	(101,905)	829,041	775,541	-	53,500	155,405
General Special Revenue	5,900	13,850	-	(7,950)	34,536	10,402	-	24,134	32,084
Economic Development	35,465	125,866	(4,556)	(94,957)	31,388	60,580	(4,556)	(33,748)	61,209
Downtown Improvement District	753,442	749,742	(5,019)	(1,319)	807,265	788,891	(5,019)	13,355	14,674
<b>Total</b>	<b>\$ 24,755,074</b>	<b>\$ 18,541,458</b>	<b>\$ (5,366,911)</b>	<b>\$ 846,705</b>	<b>\$ 23,481,010</b>	<b>\$ 17,151,596</b>	<b>\$ (5,237,420)</b>	<b>\$ 1,091,994</b>	<b>\$ 245,289</b>

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

**City of Grand Rapids, Michigan**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**

June 30, 2012

	<u>Cemeteries Operating</u>	<u>Belknap Ice Arena</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 1,050	\$ 441,735	\$ 442,785
Receivables, net	167,376	45,583	212,959
Inventory	<u>11,276</u>	<u>-</u>	<u>11,276</u>
Total current assets	<u>179,702</u>	<u>487,318</u>	<u>667,020</u>
Noncurrent assets:			
Other assets	209,424	-	209,424
Capital assets:			
Non-depreciable	5,255	-	5,255
Depreciable	1,397,305	4,086,910	5,484,215
Less accumulated depreciation	<u>(1,191,663)</u>	<u>(2,641,318)</u>	<u>(3,832,981)</u>
Total noncurrent assets	<u>420,321</u>	<u>1,445,592</u>	<u>1,865,913</u>
Total assets	<u>\$ 600,023</u>	<u>\$ 1,932,910</u>	<u>\$ 2,532,933</u>
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers and accounts payable	\$ 86,479	\$ 178,980	\$ 265,459
Due to other funds	323,177	-	323,177
Accrual for compensated absences	<u>26,721</u>	<u>-</u>	<u>26,721</u>
Total current liabilities	<u>436,377</u>	<u>178,980</u>	<u>615,357</u>
Noncurrent liabilities (net of portion due within 1 year):			
Compensated absences	17,084	-	17,084
Net OPEB Obligation	<u>6,381</u>	<u>-</u>	<u>6,381</u>
Total noncurrent liabilities	<u>23,465</u>	<u>-</u>	<u>23,465</u>
Total liabilities	<u>459,842</u>	<u>178,980</u>	<u>638,822</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	210,897	1,445,592	1,656,489
Unrestricted	<u>(70,716)</u>	<u>308,338</u>	<u>237,622</u>
Total net assets	<u>140,181</u>	<u>1,753,930</u>	<u>1,894,111</u>
Total liabilities and net assets	<u>\$ 600,023</u>	<u>\$ 1,932,910</u>	<u>\$ 2,532,933</u>

**City of Grand Rapids, Michigan**

**Combining Statement of Revenues, Expenses and Changes in Net Assets**

**Nonmajor Enterprise Funds**

*for the year ended June 30, 2012*

	<b>Cemeteries Operating</b>	<b>Belknap Ice Arena</b>	<b>Total Nonmajor Enterprise Funds</b>
Operating revenues:			
Charges for services	\$ 803,047	\$ 769,346	\$ 1,572,393
Sales	278,870	55,152	334,022
Miscellaneous	193	-	193
Total operating revenues	<u>1,082,110</u>	<u>824,498</u>	<u>1,906,608</u>
Operating expenses:			
Personal services	682,086	243,905	925,991
Supplies and materials	506,111	27,464	533,575
Utilities	57,400	120,398	177,798
Contractual services	310,497	226,250	536,747
Other services and charges	36,987	95,395	132,382
Depreciation	25,484	174,751	200,235
Total operating expenses	<u>1,618,565</u>	<u>888,163</u>	<u>2,506,728</u>
Operating Loss	<u>(536,455)</u>	<u>(63,665)</u>	<u>(600,120)</u>
Nonoperating revenues:			
Interest revenue	30	2,855	2,885
Total nonoperating revenues	<u>30</u>	<u>2,855</u>	<u>2,885</u>
Loss before transfers	(536,425)	(60,810)	(597,235)
Transfers in	554,594	-	554,594
Transfers out	(308,891)	-	(308,891)
Change in net assets	(290,722)	(60,810)	(351,532)
Total net assets - beginning	<u>430,903</u>	<u>1,814,740</u>	<u>2,245,643</u>
Total net assets - ending	<u>\$ 140,181</u>	<u>\$ 1,753,930</u>	<u>\$ 1,894,111</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
*for the year ended June 30, 2012*

	<b>Cemeteries Operating</b>	<b>Belknap Ice Arena</b>	<b>Total Nonmajor Enterprise Funds</b>
Cash flows from operating activities:			
Receipts from customers	\$ 1,054,015	\$ 798,599	1,852,614
Payments to suppliers	(616,035)	(486,416)	(1,102,451)
Payments to employees	(495,756)	(211,572)	(707,328)
Payments for payroll taxes and benefits	(212,454)	(32,333)	(244,787)
Other operating revenues	193	-	193
Net cash provided (used) by operating activities	<u>(270,037)</u>	<u>68,278</u>	<u>(201,759)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	554,594	-	554,594
Transfers to other funds	(308,891)	-	(308,891)
Net cash provided by noncapital financing activities	<u>245,703</u>	<u>-</u>	<u>245,703</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	(406,191)	(406,191)
Sale of assets	2,839	-	2,839
Net cash provided by capital and related financing activities	<u>2,839</u>	<u>(406,191)</u>	<u>(403,352)</u>
Cash flows from investing activities:			
Interest received	30	2,855	2,885
Net increase (decrease) in equity in pooled cash and investments	(21,465)	(335,058)	(356,523)
Equity in pooled cash and investments, beginning	22,515	776,793	799,308
Equity in pooled cash and investments, ending	<u>\$ 1,050</u>	<u>\$ 441,735</u>	<u>442,785</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating Loss	\$ (536,455)	\$ (63,665)	(600,120)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	25,484	174,751	200,235
Change in assets and liabilities:			
Increase in accounts receivable	(34,082)	(25,899)	(59,981)
Decrease in inventory	6,180	-	6,180
Increase (decrease) in vouchers and accounts payable	36,783	(16,909)	19,874
Increase in due to other funds	258,177	-	258,177
Decrease in compensated absences	(4,619)	-	(4,619)
Decrease in Net OPEB Obligation	(21,505)	-	(21,505)
Total adjustments	<u>266,418</u>	<u>131,943</u>	<u>398,361</u>
Net cash provided (used) by operating activities	<u>\$ (270,037)</u>	<u>\$ 68,278</u>	<u>(201,759)</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
*June 30, 2012*

	Information		Facilities			Total Internal
	Technology	Motor Equipment	Management	Insurance Payment	Engineering	Service Funds
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments	\$ 4,248,520	\$ 11,369,806	\$ 2,472,889	\$ 21,906,433	\$ 1,284,097	\$ 41,281,745
Receivables, net	8,864	12,578	110,192	521,399	129,475	782,508
Inventory	-	793,374	-	-	-	793,374
Funds held by trustee	423,787	-	-	1,956,896	-	2,380,683
Deferred expenses	451,948	72,140	-	-	-	524,088
Total current assets	<u>5,133,119</u>	<u>12,247,898</u>	<u>2,583,081</u>	<u>24,384,728</u>	<u>1,413,572</u>	<u>45,762,398</u>
Noncurrent assets:						
Capital assets:						
Non-depreciable	-	-	1,111,328	-	-	1,111,328
Depreciable	13,219,660	36,160,894	118,175	-	-	49,498,729
Less accumulated depreciation	(9,850,055)	(31,580,799)	(4,924)	-	-	(41,435,778)
Total noncurrent assets	<u>3,369,605</u>	<u>4,580,095</u>	<u>1,224,579</u>	<u>-</u>	<u>-</u>	<u>9,174,279</u>
Total assets	<u>\$ 8,502,724</u>	<u>\$ 16,827,993</u>	<u>\$ 3,807,660</u>	<u>\$ 24,384,728</u>	<u>\$ 1,413,572</u>	<u>\$ 54,936,677</u>
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers and accounts payable	\$ 177,389	\$ 103,753	\$ 275,562	\$ 608,778	\$ 15,613	\$ 1,181,095
Accrued interest payable	1,524	32,004	-	-	-	33,528
Due to other governmental units	-	-	-	447,128	-	447,128
Unearned revenues	-	-	20,891	-	-	20,891
Health insurance claims payable	-	-	-	2,048,700	-	2,048,700
Current portion of general claims payable	-	-	-	3,163,407	-	3,163,407
Current maturities of bonds & contracts payable	65,000	923,652	-	-	-	988,652
Current workers' compensation liability	-	-	-	88,215	-	88,215
Compensated absences	34,929	136,264	73,327	23,558	181,163	449,241
Total current liabilities	<u>278,842</u>	<u>1,195,673</u>	<u>369,780</u>	<u>6,379,786</u>	<u>196,776</u>	<u>8,420,857</u>
Noncurrent liabilities (net of current portion):						
Bonds Payable	144,901	2,548,720	-	-	-	2,693,621
Contracts and notes payable	-	681,434	-	-	-	681,434
General claims payable	-	-	-	352,239	-	352,239
Workers compensation liability	-	-	-	810,805	-	810,805
Compensated absences	22,332	87,120	46,882	15,061	115,826	287,221
Net OPEB Obligation	(11,043)	(46,558)	(21,464)	90,040	12,255	23,230
Total noncurrent liabilities	<u>156,190</u>	<u>3,270,716</u>	<u>25,418</u>	<u>1,268,145</u>	<u>128,081</u>	<u>4,848,550</u>
Total liabilities	<u>435,032</u>	<u>4,466,389</u>	<u>395,198</u>	<u>7,647,931</u>	<u>324,857</u>	<u>13,269,407</u>
<b>NET ASSETS</b>						
Invested in capital assets net of related debt	3,352,946	465,619	1,224,579	-	-	5,043,144
Unrestricted	4,714,746	11,895,985	2,187,883	16,736,797	1,088,715	36,624,126
Total net assets	<u>8,067,692</u>	<u>12,361,604</u>	<u>3,412,462</u>	<u>16,736,797</u>	<u>1,088,715</u>	<u>41,667,270</u>
Total liabilities and net assets	<u>\$ 8,502,724</u>	<u>\$ 16,827,993</u>	<u>\$ 3,807,660</u>	<u>\$ 24,384,728</u>	<u>\$ 1,413,572</u>	<u>\$ 54,936,677</u>



**City of Grand Rapids, Michigan**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
*for the year ended June 30, 2012*

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	Total Internal Service Funds
Operating revenues:						
Charges for services	\$ 5,837,776	\$ 11,224,561	\$ 5,339,745	\$ 26,989,772	\$ 3,690,947	\$ 53,082,801
Miscellaneous	159	11,105	30,537	-	130	41,931
Total operating revenues	<u>5,837,935</u>	<u>11,235,666</u>	<u>5,370,282</u>	<u>26,989,772</u>	<u>3,691,077</u>	<u>53,124,732</u>
Operating expenses:						
Personal services	428,667	2,529,999	1,119,310	564,578	2,877,069	7,519,623
Supplies and materials	154,790	3,696,692	202,122	35	25,197	4,078,836
Utilities	259,295	71,286	1,331,625	1,406	16,257	1,679,869
Contractual services	2,635,344	20,367	7,722	862,806	169,883	3,696,122
Other services and charges	1,300,089	735,126	1,095,597	24,749,833	630,688	28,511,333
Depreciation	1,374,447	1,907,923	4,924	-	-	3,287,294
Total operating expenses	<u>6,152,632</u>	<u>8,961,393</u>	<u>3,761,300</u>	<u>26,178,658</u>	<u>3,719,094</u>	<u>48,773,077</u>
Operating income	<u>(314,697)</u>	<u>2,274,273</u>	<u>1,608,982</u>	<u>811,114</u>	<u>(28,017)</u>	<u>4,351,655</u>
Nonoperating revenues (expenses):						
Other federal revenue	2,191	38,750	-	-	-	40,941
Interest revenue	28,080	55,579	13,530	652,823	9,462	759,474
Gain on sale of capital assets	-	103,401	-	-	-	103,401
Interest expense and paying agent fees	(16,402)	(183,494)	-	-	-	(199,896)
Total nonoperating revenues (expenses)	<u>13,869</u>	<u>14,236</u>	<u>13,530</u>	<u>652,823</u>	<u>9,462</u>	<u>703,920</u>
Income (loss) before transfers	<u>(300,828)</u>	<u>2,288,509</u>	<u>1,622,512</u>	<u>1,463,937</u>	<u>(18,555)</u>	<u>5,055,575</u>
Transfers in	225,640	-	-	-	-	225,640
Transfers out	<u>(301,946)</u>	<u>(430,162)</u>	<u>(762,564)</u>	<u>(180,740)</u>	<u>(272,410)</u>	<u>(1,947,822)</u>
Change in net assets	<u>(377,134)</u>	<u>1,858,347</u>	<u>859,948</u>	<u>1,283,197</u>	<u>(290,965)</u>	<u>3,333,393</u>
Total net assets - beginning	<u>8,444,826</u>	<u>10,503,257</u>	<u>2,552,514</u>	<u>15,453,600</u>	<u>1,379,680</u>	<u>38,333,877</u>
Total net assets - ending	<u>\$ 8,067,692</u>	<u>\$ 12,361,604</u>	<u>\$ 3,412,462</u>	<u>\$ 16,736,797</u>	<u>\$ 1,088,715</u>	<u>\$ 41,667,270</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2012*

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	Total Internal Service Funds
Cash flows from operating activities:						
Receipts from customers	\$ 5,835,016	\$ 11,212,898	\$ 5,495,072	\$ 25,423,308	\$ 3,897,296	\$ 51,863,590
Payments to suppliers	(4,966,026)	(5,028,556)	(2,751,252)	(26,561,446)	(847,331)	(40,154,611)
Payments to employees	(302,563)	(1,607,697)	(713,962)	(344,042)	(1,890,749)	(4,859,013)
Payments for payroll taxes and benefits	(163,787)	(1,082,703)	(471,430)	(232,556)	(1,172,608)	(3,123,084)
Other operating revenues	159	10,686	30,537	-	130	41,512
Net cash provided (used) by operating activities	<u>402,799</u>	<u>3,504,628</u>	<u>1,588,965</u>	<u>(1,714,736)</u>	<u>(13,262)</u>	<u>3,768,394</u>
Cash flows from noncapital financing activities:						
Other federal revenue	2,191	38,750	-	-	-	40,941
Transfers from other funds	225,640	-	-	-	-	225,640
Transfers to other funds	(301,946)	(430,162)	(762,564)	(180,740)	(272,410)	(1,947,822)
Net cash used by noncapital financing activities	<u>(74,115)</u>	<u>(391,412)</u>	<u>(762,564)</u>	<u>(180,740)</u>	<u>(272,410)</u>	<u>(1,681,241)</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	(270,082)	(269,065)	(1,229,503)	-	-	(1,768,650)
Sale of capital assets	-	164,376	-	-	-	164,376
Principal paid on capital debt	(484,000)	(1,231,830)	-	-	-	(1,715,830)
Interest paid on capital debt	(15,210)	(176,710)	-	-	-	(191,920)
Net cash provided (used) by capital and related financing activities	<u>(769,292)</u>	<u>(1,513,229)</u>	<u>(1,229,503)</u>	<u>-</u>	<u>-</u>	<u>(3,512,024)</u>
Cash flows from investing activities:						
Interest received	28,080	55,579	13,530	652,823	9,462	759,474
Net increase (decrease) in equity in pooled cash and investments	(412,528)	1,655,566	(389,572)	(1,242,653)	(276,210)	(665,397)
Equity in pooled cash and investments - beginning of year	<u>5,084,835</u>	<u>9,714,240</u>	<u>2,862,461</u>	<u>25,105,982</u>	<u>1,560,307</u>	<u>44,327,825</u>
Equity in pooled cash and investments - end of year (including restricted cash held by trustee: \$423,787 in Information Technology and \$1,956,896 in Insurance Payment fund)	<u>\$ 4,672,307</u>	<u>\$ 11,369,806</u>	<u>\$ 2,472,889</u>	<u>\$ 23,863,329</u>	<u>\$ 1,284,097</u>	<u>\$ 43,662,428</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2012*

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Facilities Management</u>	<u>Insurance Payment</u>	<u>Engineering</u>	<u>Total Internal Service Funds</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (314,697)	\$ 2,274,273	\$ 1,608,982	\$ 811,114	\$ (28,017)	\$ 4,351,655
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	1,374,447	1,907,923	4,924	-	-	3,287,294
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(2,760)	(229)	138,074	(190,549)	206,349	150,885
Increase in inventory	-	(11,853)	-	-	-	(11,853)
Increase in deferred expenses	(433,251)	-	-	-	-	(433,251)
Decrease in vouchers and accounts payable	(183,257)	(505,085)	(114,186)	(266,354)	(5,306)	(1,074,188)
Decrease in due to intergovernmental units	-	-	-	(271,887)	-	(271,887)
Increase (decrease) in deferred revenues	-	-	17,253	(1,375,915)	-	(1,358,662)
Increase (decrease) in compensated absences	(13,971)	(35,402)	(7,044)	5,188	(76,060)	(127,289)
Decrease in Net OPEB Obligation	(23,712)	(124,999)	(59,038)	(17,208)	(110,228)	(335,185)
Decrease in general claims payable	-	-	-	(409,125)	-	(409,125)
<b>Total adjustments</b>	<u>717,496</u>	<u>1,230,355</u>	<u>(20,017)</u>	<u>(2,525,850)</u>	<u>14,755</u>	<u>(583,261)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 402,799</u>	<u>\$ 3,504,628</u>	<u>\$ 1,588,965</u>	<u>\$ (1,714,736)</u>	<u>\$ (13,262)</u>	<u>\$ 3,768,394</u>

**City of Grand Rapids, Michigan  
Combining Statement of Fiduciary Net Assets  
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, 2011</i>	<i>June 30, 2012</i>	<i>June 30, 2012</i>	<i>June 30, 2012</i>	<i>June 30, 2012</i>	
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ -	\$ -	\$ 899,749	\$ 529,542	\$ 548,911	\$ 1,978,202
Investments held by trustee:						
Cash and money market funds	3,114,584	4,498,364	-	-	-	7,612,948
United States Government Securities	21,844,545	26,092,527	-	-	-	47,937,072
State and municipal bonds	82,717	80,607	-	-	-	163,324
Corporate bonds and fixed income comingled funds	56,817,628	64,845,983	-	-	-	121,663,611
Common stocks and equity mutual funds	194,627,848	243,020,055	-	-	-	437,647,903
Asset-backed securities	25,238,295	10,851,184	-	-	-	36,089,479
Other	980,114	1,859,521	-	-	-	2,839,635
Comingled multi-asset portfolio	-	-	6,333,768	5,303,287	5,673,024	17,310,079
Collateral held by broker under securities lending						
Core USA Fund	19,416,543	21,479,237	-	-	-	40,895,780
Receivables, net:						
Investment securities sold	700,000	244,894	-	-	-	944,894
Other accounts	602,147	649,643	419	121	203	1,252,533
Accrued interest and dividends	569,418	547,987	2,636	1,998	1,603	1,123,642
Total assets	<u>\$ 323,993,839</u>	<u>\$ 374,170,002</u>	<u>\$ 7,236,572</u>	<u>\$ 5,834,948</u>	<u>\$ 6,223,741</u>	<u>\$ 717,459,102</u>
<b>LIABILITIES</b>						
Compensated absences	\$ 17,211	\$ 13,983	\$ -	\$ -	\$ -	\$ 31,194
Investment securities purchased	726,973	1,165,540	-	-	-	1,892,513
Vouchers and accounts payable	257,264	270,897	134,236	34,105	32,941	729,443
Due to other funds	5,266	11,948	-	-	-	17,214
Liabilities under security lending program	19,416,543	21,479,237	-	-	-	40,895,780
Total liabilities	<u>20,423,257</u>	<u>22,941,605</u>	<u>134,236</u>	<u>34,105</u>	<u>32,941</u>	<u>43,566,144</u>
<b>NET ASSETS</b>						
Held in trust for pension benefits and other purposes	<u>303,570,582</u>	<u>351,228,397</u>	<u>7,102,336</u>	<u>5,800,843</u>	<u>6,190,800</u>	<u>673,892,958</u>
Total liabilities and net assets	<u>\$ 323,993,839</u>	<u>\$ 374,170,002</u>	<u>\$ 7,236,572</u>	<u>\$ 5,834,948</u>	<u>\$ 6,223,741</u>	<u>\$ 717,459,102</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Changes in Net Assets**  
**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, 2011</i>	<i>June 30, 2012</i>	<i>June 30, 2012</i>	<i>June 30, 2012</i>	<i>June 30, 2012</i>	
<i>for the year ended:</i>						
<b>ADDITIONS</b>						
Plan Contributions:						
Employer	\$ 7,851,051	\$ 8,949,239	\$ 10,893,197	\$ 5,356,104	\$ 5,275,267	\$ 38,324,858
Plan members	<u>1,906,402</u>	<u>3,255,272</u>	<u>166,153</u>	<u>30,597</u>	<u>9,364</u>	<u>5,367,788</u>
Total contributions	<u>9,757,453</u>	<u>12,204,511</u>	<u>11,059,350</u>	<u>5,386,701</u>	<u>5,284,631</u>	<u>43,692,646</u>
Investment earnings:						
Interest and dividends	4,123,796	4,249,141	6,467	4,672	7,138	8,391,214
Net appreciation (depreciation) in fair value of investments	<u>(2,371,604)</u>	<u>3,819,032</u>	<u>(24,000)</u>	<u>34,777</u>	<u>33,558</u>	<u>1,491,763</u>
Total investment gains	1,752,192	8,068,173	(17,533)	39,449	40,696	9,882,977
Investment management expense	<u>(863,346)</u>	<u>(859,014)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,722,360)</u>
Net gains from investment activities	<u>888,846</u>	<u>7,209,159</u>	<u>(17,533)</u>	<u>39,449</u>	<u>40,696</u>	<u>8,160,617</u>
Securities lending income	43,691	40,757	-	-	-	84,448
Securities lending expenses	<u>(15,279)</u>	<u>(14,254)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,533)</u>
Net income from securities lending activities	<u>28,412</u>	<u>26,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,915</u>
Total net investment gain	<u>917,258</u>	<u>7,235,662</u>	<u>(17,533)</u>	<u>39,449</u>	<u>40,696</u>	<u>8,215,532</u>
Total additions	<u>10,674,711</u>	<u>19,440,173</u>	<u>11,041,817</u>	<u>5,426,150</u>	<u>5,325,327</u>	<u>51,908,178</u>
<b>DEDUCTIONS</b>						
Benefits paid	18,899,437	26,732,325	6,149,816	1,472,666	1,651,987	54,906,231
Administration expenses	<u>517,405</u>	<u>509,371</u>	<u>151,735</u>	<u>37,676</u>	<u>39,224</u>	<u>1,255,411</u>
Total deductions	<u>19,416,842</u>	<u>27,241,696</u>	<u>6,301,551</u>	<u>1,510,342</u>	<u>1,691,211</u>	<u>56,161,642</u>
Change in net assets	(8,742,131)	(7,801,523)	4,740,266	3,915,808	3,634,116	(4,253,464)
Total net assets - beginning	<u>312,312,713</u>	<u>359,029,920</u>	<u>2,362,070</u>	<u>1,885,035</u>	<u>2,556,684</u>	<u>678,146,422</u>
Total net assets - ending	\$ <u>303,570,582</u>	\$ <u>351,228,397</u>	\$ <u>7,102,336</u>	\$ <u>5,800,843</u>	\$ <u>6,190,800</u>	\$ <u>673,892,958</u>

**City of Grand Rapids, Michigan**  
**Statement of Changes in Assets and Liabilities**  
**Agency Tax Fund**  
*for the year ended June 30, 2012*

	<u>Agency Tax Assets July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Agency Tax Assets June 30, 2012</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 213,315	\$ -	\$ 10,197	\$ 203,118
Taxes receivable	<u>768,270</u>	<u>115,763,959</u>	<u>115,761,894</u>	<u>770,335</u>
Total assets	<u>\$ 981,585</u>	<u>\$ 115,763,959</u>	<u>\$ 115,772,091</u>	<u>\$ 973,453</u>
<b>Liabilities:</b>				
Due to other governmental units	<u>\$ 981,585</u>	<u>\$ 115,753,762</u>	<u>\$ 115,761,894</u>	<u>\$ 973,453</u>
Total liabilities	<u>\$ 981,585</u>	<u>\$ 115,753,762</u>	<u>\$ 115,761,894</u>	<u>\$ 973,453</u>

**City of Grand Rapids, Michigan**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Source**  
*June 30, 2012*

Governmental funds capital assets:

Land	\$ 18,288,973
Easement/Right of Way	594,620
Land improvements	39,709,174
Buildings and structures	174,063,300
Machinery and equipment	21,595,011
Motor vehicles	10,412,752
Office furniture and equipment	3,041,396
Infrastructure	526,260,710
Construction in progress	<u>1,468,764</u>
Total governmental funds capital assets	<u>\$ 795,434,700</u>

Investments in governmental funds capital assets by source:

Capital Projects Funds	\$ 89,297,074
General Fund	3,573,288
Special Revenue Funds	543,081,797
Grand Rapids Building Authority	138,194,974
Federal grants	4,615,833
State grants	909,963
Gifts and donations	15,599,845
Enterprise Funds	<u>161,926</u>
Total governmental funds capital assets	<u>\$ 795,434,700</u>

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 assets.

**City of Grand Rapids, Michigan**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
*June 30, 2012*

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:	\$ 1,987,516	\$ -	\$ 3,448,891	\$ 43,206,659	\$ 3,739,198	\$ 10,950	\$ 142,280	\$ 7,650	\$ 344,818	\$ 52,887,962
Public safety:										
Police	1,382,456	-	-	23,791,193	10,875,546	1,010,689	278,474	-	41,800	37,380,158
Fire	453,690	-	-	6,622,702	2,359,624	9,237,822	29,741	-	-	18,703,579
	1,836,146	-	-	30,413,895	13,235,170	10,248,511	308,215	-	41,800	56,083,737
Public works:										
Public works	2,591,983	574,591	9,339,607	7,932,493	698,927	-	41,575	504,981,776	588,647	526,749,599
Street lighting	-	-	-	-	-	-	-	11,609,955	-	11,609,955
Traffic	42,400	-	16,965	3,710,930	1,954,393	-	-	9,661,329	-	15,386,017
City/County parking facility	3,505,326	-	149,099	-	129,478	-	-	-	-	3,783,903
	6,139,709	574,591	9,505,671	11,643,423	2,782,798	-	41,575	526,253,060	588,647	557,529,474
Culture and recreation:										
Libraries	2,248,625	-	72,997	37,319,279	229,379	25,224	2,018,539	-	-	41,914,043
Museum	3,109,348	-	135,894	41,971,981	1,311,370	-	530,787	-	-	47,059,380
Parks	1,861,839	20,029	26,545,721	9,088,063	297,096	128,067	-	-	493,499	38,434,314
Art museum	530,000	-	-	420,000	-	-	-	-	-	950,000
	7,749,812	20,029	26,754,612	88,799,323	1,837,845	153,291	2,549,326	-	493,499	128,357,737
Urban and community development:										
Urban Development	540,397	-	-	-	-	-	-	-	-	540,397
Neighborhood Business Improvements	35,393	-	-	-	-	-	-	-	-	35,393
Total urban and community development	575,790	-	-	-	-	-	-	-	-	575,790
Total governmental funds capital assets	\$ 18,288,973	\$ 594,620	\$ 39,709,174	\$ 174,063,300	\$ 21,595,011	\$ 10,412,752	\$ 3,041,396	\$ 526,260,710	\$ 1,468,764	\$ 795,434,700

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 assets.



**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, 2012*

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2011</u>	<u>Adjustments / Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2012</u>
General government	\$ 51,764,759	\$ 1,123,203	\$ -	\$ 52,887,962
Public safety:				
Police	37,264,703	115,455	-	37,380,158
Fire	<u>18,703,579</u>	<u>-</u>	<u>-</u>	<u>18,703,579</u>
Total public safety	<u>55,968,282</u>	<u>115,455</u>	<u>-</u>	<u>56,083,737</u>
Public works:				
Public works	527,164,857	(415,258)	-	526,749,599
Street lighting	11,609,955	-	-	11,609,955
Traffic safety	15,291,269	94,748	-	15,386,017
City/County parking facility	<u>3,783,903</u>	<u>-</u>	<u>-</u>	<u>3,783,903</u>
Total public works	<u>557,849,984</u>	<u>(320,510)</u>	<u>-</u>	<u>557,529,474</u>
Culture and recreation:				
Libraries	41,890,387	23,656	-	41,914,043
Museum	47,059,380	-	-	47,059,380
Parks	36,783,084	1,651,230	-	38,434,314
Art museum	<u>950,000</u>	<u>-</u>	<u>-</u>	<u>950,000</u>
Total culture and recreation	<u>126,682,851</u>	<u>1,674,886</u>	<u>-</u>	<u>128,357,737</u>
Urban and community development:				
Urban Development	540,397	-	-	540,397
Neighborhood Business Improvements	<u>35,393</u>	<u>-</u>	<u>-</u>	<u>35,393</u>
Total urban and community development	<u>575,790</u>	<u>-</u>	<u>-</u>	<u>575,790</u>
Total governmental funds capital assets	<u>\$ 792,841,666</u>	<u>\$ 2,593,034</u>	<u>\$ -</u>	<u>\$ 795,434,700</u>

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 assets.

## 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

#### 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.

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#### 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.

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#### 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.

11-14

#### 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.

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#### 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.

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**Sources:** Unless otherwise noted the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2002, schedules presenting government-wide information include information beginning in that year. Certain other information had not been presented previously. The reported numbers begin with the year for which information believed to be accurate is available.

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

	Fiscal Year Ended									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 95,971,286	\$ 94,804,365	\$ 87,476,858	\$ 372,091,207	\$ 346,049,782	\$ 337,227,130	\$ 324,267,977	\$ 306,253,632	\$ 286,842,665	\$ 267,497,557
Restricted	33,675,895	14,354,672	5,767,246	6,479,606	4,895,900	5,142,104	5,587,778	15,806,474	15,069,304	14,778,249
Unrestricted	<u>48,214,112</u>	<u>56,240,841</u>	<u>49,134,684</u>	<u>58,035,464</u>	<u>80,076,513</u>	<u>69,898,522</u>	<u>59,785,812</u>	<u>65,335,299</u>	<u>72,746,610</u>	<u>80,802,344</u>
Total governmental activities net assets	<u>\$ 177,861,293</u>	<u>\$ 165,399,878</u>	<u>\$ 142,378,788</u>	<u>\$ 436,606,277</u>	<u>\$ 431,022,195</u>	<u>\$ 412,267,756</u>	<u>\$ 389,641,567</u>	<u>\$ 387,395,405</u>	<u>\$ 374,658,579</u>	<u>\$ 363,078,150</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 251,630,423	\$ 279,644,764	\$ 270,812,583	\$ 336,310,697	\$ 343,690,232	\$ 351,218,972	\$ 352,038,798	\$ 359,840,998	\$ 360,515,741	\$ 357,748,563
Restricted	5,889,141	7,612,496	31,152,368	92,033,134	54,666,321	19,051,868	18,602,657	19,527,952	21,769,063	21,706,695
Unrestricted	<u>105,492,504</u>	<u>93,496,737</u>	<u>89,450,645</u>	<u>(16,867,351)</u>	<u>22,104,797</u>	<u>63,594,154</u>	<u>66,765,478</u>	<u>60,226,596</u>	<u>67,328,770</u>	<u>84,376,050</u>
Total business-type activities net assets	<u>\$ 363,012,068</u>	<u>\$ 380,753,997</u>	<u>\$ 391,415,596</u>	<u>\$ 411,476,480</u>	<u>\$ 420,461,350</u>	<u>\$ 433,864,994</u>	<u>\$ 437,406,933</u>	<u>\$ 439,595,546</u>	<u>\$ 449,613,574</u>	<u>\$ 463,831,308</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 347,601,709	\$ 374,449,129	\$ 358,289,441	\$ 708,401,904	\$ 689,740,014	\$ 688,446,102	\$ 676,306,775	\$ 666,094,630	\$ 647,358,406	\$ 625,246,120
Restricted	39,565,036	21,967,168	36,919,614	98,512,740	59,562,221	24,193,972	24,190,435	35,334,426	36,838,367	36,484,944
Unrestricted	<u>153,706,616</u>	<u>149,737,578</u>	<u>138,585,329</u>	<u>41,168,113</u>	<u>102,181,310</u>	<u>133,492,676</u>	<u>126,551,290</u>	<u>125,561,895</u>	<u>140,075,380</u>	<u>165,178,394</u>
Total primary government net assets	<u>\$ 540,873,361</u>	<u>\$ 546,153,875</u>	<u>\$ 533,794,384</u>	<u>\$ 848,082,757</u>	<u>\$ 851,483,545</u>	<u>\$ 846,132,750</u>	<u>\$ 827,048,500</u>	<u>\$ 826,990,951</u>	<u>\$ 824,272,153</u>	<u>\$ 826,909,458</u>

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

	Fiscal Year Ended									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 21,428,588	\$ 21,333,282	\$ 33,672,302	\$ 33,839,173	\$ 31,560,007	\$ 31,758,040	\$ 28,569,892	\$ 24,244,049	\$ 25,886,186	\$ 28,490,087
Public safety	81,271,096	78,550,437	63,974,695	65,765,653	70,760,682	78,488,302	74,485,764	72,301,627	78,776,861	85,540,347
Public works	34,634,556	37,049,923	43,527,115	51,053,186	45,630,253	52,100,751	52,457,035	47,956,043	49,113,508	50,339,679
Culture and Recreation	30,663,741	28,419,253	28,834,178	26,871,475	20,017,892	20,471,242	21,740,208	22,130,169	19,853,225	18,844,448
Urban & Community Development	19,293,049	17,214,538	19,631,447	20,772,920	19,701,047	18,111,909	18,223,093	21,519,381	26,234,918	28,103,849
Interest on long-term debt	6,324,449	5,772,221	5,976,465	5,725,618	5,724,165	6,126,343	5,985,292	5,085,083	5,139,731	4,825,257
Total governmental activities expenses	<u>193,615,477</u>	<u>188,339,654</u>	<u>195,616,202</u>	<u>204,028,025</u>	<u>193,394,046</u>	<u>207,056,587</u>	<u>201,461,284</u>	<u>193,236,352</u>	<u>205,004,429</u>	<u>216,143,667</u>
Business-type activities:										
Water Supply System	34,903,597	35,906,598	37,085,727	38,554,561	40,107,062	39,172,761	40,839,383	39,797,298	38,356,246	37,697,767
Sewage Disposal System	25,985,137	32,493,825	30,404,961	31,205,602	38,950,866	38,537,806	45,152,263	43,555,979	45,297,991	45,697,111
Auto Parking System	7,396,315	8,414,363	8,626,703	8,608,427	8,865,252	8,451,634	9,192,422	8,901,722	10,214,220	10,615,215
Other Enterprises	1,889,404	1,842,923	2,368,347	2,504,463	2,463,912	2,369,229	2,781,803	2,259,044	2,371,611	2,482,758
Total business-type activities expenses	<u>70,174,453</u>	<u>78,657,709</u>	<u>78,485,738</u>	<u>80,873,053</u>	<u>90,387,092</u>	<u>88,531,430</u>	<u>97,965,871</u>	<u>94,514,043</u>	<u>96,240,068</u>	<u>96,492,851</u>
Total primary government expenses	<u>\$ 263,789,930</u>	<u>\$ 266,997,363</u>	<u>\$ 274,101,940</u>	<u>\$ 284,901,078</u>	<u>\$ 283,781,138</u>	<u>\$ 295,588,017</u>	<u>\$ 299,427,155</u>	<u>\$ 287,750,395</u>	<u>\$ 301,244,497</u>	<u>\$ 312,636,518</u>
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,688,641	\$ 4,070,796	\$ 7,182,200	\$ 5,957,528	\$ 5,751,788	\$ 7,195,479	\$ 7,989,255	\$ 8,566,152	\$ 8,064,316	\$ 8,722,141
Public safety	6,421,329	6,730,074	2,398,078	2,518,245	2,495,403	2,515,301	2,036,877	3,193,456	2,249,522	3,035,450
Public works	13,646,250	15,676,915	13,911,524	13,146,848	13,734,660	13,238,694	12,995,564	12,409,177	10,141,484	10,530,342
Culture and recreation	7,696,469	4,390,803	5,367,635	5,307,086	2,229,907	2,202,843	2,728,078	2,831,131	2,766,016	1,837,477
Urban & community development	4,320,668	5,641,525	4,769,981	6,201,119	7,050,487	6,897,964	5,650,987	6,179,085	6,184,984	5,162,954
Total Charges for services:	<u>33,773,357</u>	<u>36,510,113</u>	<u>33,629,418</u>	<u>33,130,826</u>	<u>31,262,245</u>	<u>32,050,281</u>	<u>31,400,761</u>	<u>33,179,001</u>	<u>29,406,322</u>	<u>29,288,364</u>
Operating grants and contributions:	13,588,641	15,608,878	15,906,995	13,559,580	11,856,924	9,094,674	11,057,758	15,755,323	21,175,008	32,169,748
Capital grants and contributions	8,537,362	1,293,722	1,330,925	1,987,320	689,666	2,149,305	2,536,753	1,568,133	968,301	2,461,425
Total governmental activities program revenues	<u>55,899,360</u>	<u>53,412,713</u>	<u>50,867,338</u>	<u>48,677,726</u>	<u>43,808,835</u>	<u>43,294,260</u>	<u>44,995,272</u>	<u>50,502,457</u>	<u>51,549,631</u>	<u>63,919,537</u>
Business-type activities:										
Charges for services:										
Water Supply System	39,042,600	37,160,730	37,449,668	41,026,752	40,518,846	41,881,537	40,128,820	41,982,356	41,639,821	43,392,238
Sewage Disposal System	34,670,720	32,691,392	33,144,157	36,884,655	37,821,828	41,598,797	43,701,325	48,484,433	50,130,450	51,619,089
Auto Parking System	8,708,693	9,408,911	10,007,874	10,241,145	11,277,080	10,173,994	9,939,136	9,867,098	11,570,553	12,413,783
Other Enterprise	1,508,032	1,569,759	1,988,177	1,954,925	2,002,614	1,936,676	2,040,219	1,828,368	1,889,994	1,906,608
Total Charges for services:	<u>83,930,045</u>	<u>80,830,792</u>	<u>82,589,876</u>	<u>90,107,477</u>	<u>91,620,368</u>	<u>95,591,004</u>	<u>95,809,500</u>	<u>102,162,255</u>	<u>105,230,818</u>	<u>109,331,718</u>
Operating grants and contributions:	526,411	7,513,430	64,832	5,709,177	481,086	245,032	-	131,096	208,000	676,381
Capital grants and contributions:	-	7,742,882	7,269,318	6,290,514	2,707,224	2,170,346	1,836,608	1,034,755	1,098,463	1,144,782
Total business-type activities program revenues	<u>84,456,456</u>	<u>96,087,104</u>	<u>89,924,026</u>	<u>102,107,168</u>	<u>94,808,678</u>	<u>98,006,382</u>	<u>97,646,108</u>	<u>103,328,106</u>	<u>106,537,281</u>	<u>111,152,881</u>
Total primary government program revenues	<u>\$ 140,355,816</u>	<u>\$ 149,499,817</u>	<u>\$ 140,791,364</u>	<u>\$ 150,784,894</u>	<u>\$ 138,617,513</u>	<u>\$ 141,300,642</u>	<u>\$ 142,641,380</u>	<u>\$ 153,830,563</u>	<u>\$ 158,086,912</u>	<u>\$ 175,072,418</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (137,716,117)	\$ (134,926,941)	\$ (144,748,864)	\$ (155,350,299)	\$ (149,585,211)	\$ (163,762,327)	\$ (156,466,012)	\$ (142,733,895)	\$ (153,454,798)	\$ (152,224,130)
Business-type activities	14,282,003	17,429,395	11,438,288	21,234,115	4,421,586	9,474,952	(319,763)	8,814,063	10,297,213	14,660,030
Total primary government net expense	<u>\$ (123,434,114)</u>	<u>\$ (117,497,546)</u>	<u>\$ (133,310,576)</u>	<u>\$ (134,116,184)</u>	<u>\$ (145,163,625)</u>	<u>\$ (154,287,375)</u>	<u>\$ (156,785,775)</u>	<u>\$ (133,919,832)</u>	<u>\$ (143,157,585)</u>	<u>\$ (137,564,100)</u>

Table 2

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

	Fiscal Year Ended									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 30,661,413	\$ 28,716,475	\$ 30,665,405	\$ 33,936,687	\$ 35,486,005	\$ 37,819,932	\$ 38,371,239	\$ 38,551,862	\$ 37,451,239	\$ 35,981,291
Income taxes	50,356,192	50,939,823	53,110,303	58,199,875	58,475,287	59,496,282	53,086,986	52,656,179	63,852,926	68,179,409
State shared taxes	39,379,693	38,116,803	37,459,858	37,663,040	37,083,659	36,613,479	35,443,205	32,731,782	32,775,451	31,667,177
Unrestricted investment earnings	2,325,007	2,115,509	2,549,172	3,863,086	5,858,969	6,184,748	3,281,495	2,079,940	1,738,367	1,717,328
Miscellaneous	4,421,297	341,141	2,234,021	3,248,806	2,297,981	3,009,628	1,927,713	1,297,311	1,974,017	528,525
Gain on sale of capital assets	-	270,198	2,275,880	302,205	1,959,697	36,998	96,376	1,759,429	292,191	103,401
Transfers	1,027,381	1,965,577	3,247,121	3,320,778	2,839,531	1,846,821	1,632,809	11,411,230	2,633,781	2,466,570
Total governmental activities:	<u>128,170,983</u>	<u>122,465,526</u>	<u>131,541,760</u>	<u>140,534,477</u>	<u>144,001,129</u>	<u>145,007,888</u>	<u>133,839,823</u>	<u>140,487,733</u>	<u>140,717,972</u>	<u>140,643,701</u>
Business-type activities:										
Unrestricted investment earnings	2,190,115	1,574,371	2,005,844	2,939,706	6,878,811	4,435,828	2,677,764	2,030,100	975,845	432,126
Miscellaneous	5,639,524	703,740	464,588	580,841	524,004	1,339,685	2,816,747	2,755,680	1,378,750	1,592,148
Gain on sale of capital assets	289,557	-	-	-	-	-	-	-	-	-
Transfers	(1,150,937)	(1,965,577)	(3,247,121)	(3,320,778)	(2,839,531)	(1,846,821)	(1,632,809)	(11,411,230)	(2,633,780)	(2,466,570)
Total business-type activities	<u>6,968,259</u>	<u>312,534</u>	<u>(776,689)</u>	<u>199,769</u>	<u>4,563,284</u>	<u>3,928,692</u>	<u>3,861,702</u>	<u>(6,625,450)</u>	<u>(279,185)</u>	<u>(442,296)</u>
Total primary government	<u>\$ 135,139,242</u>	<u>\$ 122,778,060</u>	<u>\$ 130,765,071</u>	<u>\$ 140,734,246</u>	<u>\$ 148,564,413</u>	<u>\$ 148,936,580</u>	<u>\$ 137,701,525</u>	<u>\$ 133,862,283</u>	<u>\$ 140,438,787</u>	<u>\$ 140,201,405</u>
<b>Change in Net Assets</b>										
Governmental activities	\$ (9,545,134)	\$ (12,461,415)	\$ (13,207,104)	\$ (14,815,822)	\$ (5,584,082)	\$ (18,754,439)	\$ (22,626,189)	\$ (2,246,162)	\$ (12,736,826)	\$ (11,580,429)
Business-type activities	<u>21,250,262</u>	<u>17,741,929</u>	<u>10,661,599</u>	<u>21,433,884</u>	<u>8,984,870</u>	<u>13,403,644</u>	<u>3,541,939</u>	<u>2,188,613</u>	<u>10,018,028</u>	<u>14,217,734</u>
Total primary government	<u>\$ 11,705,128</u>	<u>\$ 5,280,514</u>	<u>\$ (2,545,505)</u>	<u>\$ 6,618,062</u>	<u>\$ 3,400,788</u>	<u>\$ (5,350,795)</u>	<u>\$ (19,084,250)</u>	<u>\$ (57,549)</u>	<u>\$ (2,718,798)</u>	<u>\$ 2,637,305</u>

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

	Fiscal Year Ended									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	2011	2012
General Fund										
Reserved	\$ 9,044,028	\$ 1,804,703	\$ 1,389,912	\$ 1,208,882	\$ 1,987,359	\$ 1,448,920	\$ 1,616,452	\$ 13,220,866	\$ -	\$ -
Unreserved	<u>10,544,224</u>	<u>13,628,370</u>	<u>17,611,164</u>	<u>23,993,189</u>	<u>21,264,507</u>	<u>17,724,256</u>	<u>18,116,197</u>	<u>19,023,491</u>	-	-
Nonspendable									11,467,913	10,323,093
Assigned									12,357,965	7,537,106
Unassigned									<u>7,886,595</u>	<u>8,499,517</u>
Total general fund	<u>\$ 19,588,252</u>	<u>\$ 15,433,073</u>	<u>\$ 19,001,076</u>	<u>\$ 25,202,071</u>	<u>\$ 23,251,866</u>	<u>\$ 19,173,176</u>	<u>\$ 19,732,649</u>	<u>\$ 32,244,357</u>	<u>\$ 31,712,473</u>	<u>\$ 26,359,716</u>
All other governmental funds										
Reserved	\$ 43,281,327	\$ 32,524,323	\$ 21,014,731	\$ 18,265,336	\$ 33,567,839	\$ 27,602,015	\$ 21,059,988	\$ 20,349,818	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	18,097,619	8,036,118	12,260,289	13,635,293	18,035,117	23,643,189	22,922,676	23,748,668	-	-
Capital projects funds	-	261,087	-	-	-	-	-	-	-	-
Debt Service funds	<u>-</u>	<u>610,994</u>	<u>640,043</u>	<u>1,092,513</u>	<u>1,063,888</u>	<u>1,115,085</u>	<u>1,216,571</u>	<u>1,298,148</u>	-	-
Nonspendable									4,242,062	4,209,836
Restricted									14,770,028	13,917,489
Committed									18,978,088	23,248,555
Assigned									12,423,570	13,428,629
Unassigned									<u>(301,784)</u>	<u>-</u>
Total all other governmental funds	<u>\$ 61,378,946</u>	<u>\$ 41,432,522</u>	<u>\$ 33,915,063</u>	<u>\$ 32,993,142</u>	<u>\$ 52,666,844</u>	<u>\$ 52,360,289</u>	<u>\$ 45,199,235</u>	<u>\$ 45,396,634</u>	<u>\$ 50,111,964</u>	<u>\$ 54,804,509</u>

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

	Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Property taxes	\$ 29,533,993	\$ 29,843,895	\$ 30,665,405	\$ 33,936,687	\$ 35,486,005	\$ 37,819,932	\$ 38,371,239	\$ 38,551,862	\$ 37,451,239	\$ 35,981,291
City income taxes	50,356,192	50,939,823	53,110,303	58,199,875	58,475,287	59,496,282	53,086,986	52,656,179	63,852,926	68,179,409
State shared taxes	39,379,693	38,116,803	37,459,858	37,663,040	36,828,342	36,613,479	35,443,205	32,380,487	32,405,016	31,667,177
Licenses and permits	2,206,937	2,110,581	2,505,698	3,046,481	4,077,284	3,823,654	2,903,318	3,197,682	2,495,904	2,880,914
Fines and forfeitures	4,312,681	4,145,387	1,479,619	1,522,692	647,587	1,973,737	2,084,267	2,301,663	2,179,292	2,170,700
Federal grants	2,970,045	9,967,941	11,117,298	9,738,166	10,552,526	8,798,195	10,756,821	15,294,057	18,356,170	27,843,329
State grants	1,924,548	1,139,675	1,381,728	817,447	1,020,516	1,000,072	970,050	590,074	506,781	1,359,652
Other grants & contributions	17,231,410	2,047,994	4,543,370	4,927,413	807,639	1,830,393	1,615,425	1,790,620	3,650,792	5,428,192
Charges for services	27,130,183	30,805,504	27,384,991	28,385,989	25,599,287	25,613,387	25,791,006	27,464,656	24,506,126	23,996,750
Investment earnings	2,319,021	1,732,336	1,998,314	3,017,557	4,376,806	4,553,028	2,324,325	1,266,097	1,017,083	853,321
Miscellaneous	4,421,297	3,929,008	4,330,456	3,313,344	2,961,898	3,670,803	2,597,097	1,368,868	1,974,018	487,584
<b>Total revenues</b>	<b>\$ 181,786,000</b>	<b>\$ 174,778,947</b>	<b>\$ 175,977,040</b>	<b>\$ 184,568,691</b>	<b>\$ 180,833,177</b>	<b>\$ 185,192,962</b>	<b>\$ 175,943,739</b>	<b>\$ 176,862,245</b>	<b>\$ 188,395,347</b>	<b>\$ 200,848,319</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	\$ 18,754,484	\$ 18,616,815	\$ 28,983,009	\$ 28,547,800	\$ 29,382,551	\$ 29,609,107	\$ 26,618,193	\$ 23,362,274	\$ 23,658,692	\$ 25,545,603
Public safety	77,149,074	76,247,330	59,500,047	59,454,286	67,908,407	71,621,129	69,586,390	72,110,735	74,187,140	83,219,856
Public works	27,390,204	29,756,575	30,756,908	27,832,531	29,580,823	30,342,790	30,234,531	30,536,277	32,347,463	33,476,824
Culture and recreation	25,312,912	22,715,863	23,442,663	22,654,145	16,127,384	15,881,816	16,788,477	16,819,954	15,311,589	14,574,914
Urban and community development	18,820,446	17,222,874	19,220,353	20,310,964	19,781,538	18,358,822	18,129,776	22,085,320	26,439,566	28,587,393
<b>Debt service:</b>										
Principal	3,825,750	4,475,945	5,008,620	5,021,433	5,953,623	6,279,870	6,670,865	7,285,732	8,608,539	7,456,006
Interest, fees, and bond issue costs	5,696,222	5,324,341	6,014,816	5,361,182	5,173,407	5,455,238	5,717,181	4,708,840	4,678,244	4,452,511
<b>Capital outlay</b>	<b>58,799,311</b>	<b>17,333,821</b>	<b>18,189,746</b>	<b>10,963,908</b>	<b>10,365,952</b>	<b>15,424,881</b>	<b>12,920,345</b>	<b>12,652,862</b>	<b>4,023,338</b>	<b>8,296,242</b>
<b>Total expenditures</b>	<b>235,748,403</b>	<b>191,693,564</b>	<b>191,116,162</b>	<b>180,146,249</b>	<b>184,273,685</b>	<b>192,973,653</b>	<b>186,665,758</b>	<b>189,561,994</b>	<b>189,254,571</b>	<b>205,609,349</b>
Excess (deficit) of revenues over expenditures	\$ (53,962,403)	\$ (16,914,617)	\$ (15,139,122)	\$ 4,422,442	\$ (3,440,508)	\$ (7,780,691)	\$ (10,722,019)	\$ (12,699,749)	\$ (859,224)	\$ (4,761,030)
<b>Other financing sources (uses):</b>										
Transfers in	\$ 29,311,040	\$ 24,131,089	\$ 26,121,155	\$ 22,489,046	\$ 22,301,884	\$ 22,354,865	\$ 24,668,660	\$ 37,634,119	\$ 25,856,642	\$ 41,826,658
Transfers out	(28,856,336)	(23,583,746)	(22,589,426)	(21,632,413)	(20,394,195)	(19,555,589)	(22,017,238)	(24,172,859)	(22,402,271)	(37,637,906)
Sale of capital assets	-	-	2,544,000	-	2,268,309	945,075	-	4,241,992	-	-
Face value of bonds and contracts issued	39,254,017	1,348,640	18,225,000	-	14,740,000	427,560	24,755,100	7,445,000	1,592,500	2,255,000
Premium on bonds issued	266,577	-	(81,063)	-	642,623	-	503,856	-	-	175,389
Payment to refunded bond escrow agent	(4,070,363)	-	(13,030,000)	-	-	(945,075)	(23,908,566)	-	-	(2,438,269)
<b>Total other financing sources (uses)</b>	<b>35,904,935</b>	<b>1,895,983</b>	<b>11,189,666</b>	<b>856,633</b>	<b>19,558,621</b>	<b>3,226,836</b>	<b>4,001,812</b>	<b>25,148,252</b>	<b>5,046,871</b>	<b>4,180,872</b>
<b>Net change in fund balances</b>	<b>(18,057,468)</b>	<b>(15,018,634)</b>	<b>(3,949,456)</b>	<b>5,279,075</b>	<b>16,118,113</b>	<b>(4,553,855)</b>	<b>(6,720,207)</b>	<b>12,448,503</b>	<b>4,187,647</b>	<b>(580,158)</b>
Fund balances, beginning	99,024,666	80,967,198	56,865,595	52,916,139	58,195,214	75,918,710	71,533,465	64,931,884	77,640,991	81,824,437
Current year change in inventory levels	-	-	-	-	1,605,383	168,610	118,626	260,604	(4,201)	(80,054)
<b>Fund balances, ending</b>	<b>\$ 80,967,198</b>	<b>\$ 65,948,564</b>	<b>\$ 52,916,139</b>	<b>\$ 58,195,214</b>	<b>\$ 75,918,710</b>	<b>\$ 71,533,465</b>	<b>\$ 64,931,884</b>	<b>\$ 77,640,991</b>	<b>\$ 81,824,437</b>	<b>\$ 81,164,225</b>
<b>Debt Service as a percentage of non-capital expenditures</b>	<b>5.38%</b>	<b>5.36%</b>	<b>5.89%</b>	<b>5.83%</b>	<b>6.43%</b>	<b>6.42%</b>	<b>6.92%</b>	<b>6.64%</b>	<b>7.12%</b>	<b>5.87%</b>

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

Fiscal Year	City Taxes		Proportionally Shared State Taxes					EVIP & Other <sup>2</sup>	Total Tax Revenues, All Funds
	Local Income Tax	Property Tax, All Funds <sup>1</sup>	Sales Tax	Gas and Weight Tax	Library Aid	Fire Protection, State-Owned Facilities	Alcoholic Beverages Tax		
2003	50,356,192	28,940,220	26,175,653	13,745,362	294,953	65,392	183,523		119,761,295
2004	50,939,823	29,378,553	23,653,513	14,036,759	198,048	71,027	72,525		118,350,248
2005	53,110,303	30,665,405	23,394,253	13,855,765	172,308	74,581	135,259		121,407,874
2006	58,199,875	33,936,687	23,127,660	13,680,293	142,877	150,601	133,734		129,371,727
2007	58,475,287	33,865,482	22,444,741	13,521,754	156,351	207,854	136,863		128,808,332
2008	59,496,282	37,819,932	22,444,741	13,306,408	129,135	165,927	169,527		133,531,952
2009	53,086,986	38,371,239	21,665,044	12,811,157	124,252	263,422	143,949		126,466,049
2010	52,656,179	38,551,862	19,268,891	12,592,453	38,848	312,839	167,456		123,588,528
2011	63,852,926	37,451,239	19,268,889	12,789,888	105,906	139,888	30,223	70,222	133,709,181
2012	68,179,409	35,981,291	13,466,847	13,094,196	79,344	189,789	197,950	4,639,051	135,827,877
									<b>% Increase (Decrease)</b>
									<b>Over Prior Year</b>
									<b>Percent to Total Tax Sources</b>
2003	42.0	24.2	21.9	11.5	0.2	0.1	0.2	0.0	(3.94)
2004	43.0	24.8	20.0	11.9	0.2	0.1	0.1	0.0	(1.18)
2005	43.7	25.3	19.3	11.4	0.1	0.1	0.1	0.0	2.58
2006	45.0	26.2	17.9	10.6	0.1	0.1	0.1	0.0	6.56
2007	45.4	26.3	17.4	10.5	0.1	0.2	0.1	0.0	(0.44)
2008	44.6	28.3	16.8	10.0	0.1	0.1	0.1	0.0	3.67
2009	42.0	30.3	17.1	10.1	0.1	0.2	0.1	0.0	(5.29)
2010	42.6	31.2	15.6	10.2	0.0	0.3	0.1	0.0	(2.28)
2011	47.8	28.0	14.4	9.6	0.1	0.1	0.0	0.1	8.19
2012	50.2	26.5	9.9	9.6	0.1	0.1	0.1	3.4	1.58

**Note:** (1) Excludes the discretely presented Component Units and special assessments for Downtown Improvement District.

(2) The Economic Vitality Incentive Program (EVIP) was a replacement for the former statutory State Shared Revenue program, which was distributed according to a formula. The EVIP 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 2011					Calendar Year 2002				
	# 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
<b>Individual and Joint Returns</b>										
<b>Resident Taxpayers:</b>										
\$37 or less	4,056	3 %	\$ -	\$ -	0 %	3,739	3 %	\$ -	\$ -	0 %
38 - 12,500	15,471	12	89,300,000	1,250,000	2	20,909	14	117,500,000	1,530,000	3
12,501 - 25,000	11,332	9	210,300,000	2,940,000	6	15,217	10	281,900,000	3,660,000	7
25,001 - 50,000	14,706	12	529,600,000	7,410,000	15	18,217	13	655,000,000	8,510,000	16
50,001 - 100,000	10,311	8	710,200,000	9,940,000	20	11,393	8	768,100,000	9,990,000	19
More than \$100,000	3,085	2	537,400,000	7,520,000	15	2,528	2	465,800,000	6,060,000	12
Subtotal	58,961	47 %	\$ 2,076,800,000	\$ 29,060,000	57 %	72,003	50 %	\$ 2,288,300,000	\$ 29,750,000	58 %
<b>Non-Resident Taxpayers:</b>										
\$75 or less	7,166	6 %	\$ -	\$ -	0 %	8,925	6 %	\$ -	\$ -	0 %
76 - 12,500	15,231	12	79,000,000	550,000	1	16,925	12	88,400,000	570,000	1
12,501 - 25,000	9,223	7	172,600,000	1,210,000	2	12,013	8	227,400,000	1,480,000	3
25,001 - 50,000	15,253	12	561,500,000	3,930,000	8	19,355	13	698,400,000	4,540,000	9
50,001 - 100,000	10,460	8	706,300,000	4,940,000	10	8,842	6	590,800,000	3,840,000	7
More than \$100,000	3,810	3	776,000,000	5,430,000	11	2,605	2	555,100,000	3,610,000	7
Subtotal	61,143	49 %	\$ 2,295,400,000	\$ 16,060,000	32 %	68,665	47 %	2,160,100,000	14,040,000	27 %
<b>All Other Returns</b>										
Subtotal	5,087	4 %	\$ 277,600,000	\$ 5,650,000	11 %	4,661	3 %	\$ 563,100,000	\$ 7,900,000	15 %
<b>Total</b>	<b>125,191</b>	<b>100.00 %</b>	<b>\$ 4,649,800,000</b>	<b>\$ 50,770,000</b>	<b>100 %</b>	<b>145,329</b>	<b>100 %</b>	<b>\$ 5,011,500,000</b>	<b>\$ 51,690,000</b>	<b>100 %</b>

**Source:** City Income Tax Department

**Note:** Information is taken from returns filed during the calendar year. Tax rates for applicable through June 30, 2010, were established by the City's electorate in 1995. In 2010, the City's electorate increased the tax rates effective July 1, 2010.

The old / new 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.

For calculating 2010 income tax returns filed during the calendar year 2011, a blended rate of 1.4% was applied to City residents and Corporations and .7% for non-residents. 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									Ratio of Total Taxable to Estimated Actual Value	Percent Increase / (Decrease) in Estimated Actual Value Over Prior Year
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Value	Renaissance Zone Property	Total Direct Tax Rate	Estimated Actual Value		
2003	2,223,486,355	889,515,820	226,865,880	477,672,209	3,817,540,264	(92,933,347)	8.0386	8,710,012,200	44	7.09
2004	2,318,085,017	923,763,420	239,013,889	453,233,500	3,934,095,826	(125,082,362)	7.9740	9,293,591,000	42	6.70
2005	2,433,217,121	959,707,142	248,312,237	460,070,964	4,101,307,464	(145,669,332)	8.1517	9,705,688,400	42	4.43
2006	2,564,563,659	1,027,474,796	256,293,237	453,659,214	4,301,990,906	(172,046,412)	8.1223	10,236,127,400	42	5.47
2007	2,723,809,045	1,080,152,938	275,610,938	441,456,423	4,521,029,344	(194,798,099)	8.1217	10,731,463,200	42	4.84
2008	2,900,213,075	1,120,213,609	276,191,900	444,703,215	4,741,321,799	(225,905,875)	8.2413	11,050,637,600	43	2.97
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)

**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
2003	2002	28,327,549	28,111,333	99.24	41,958	28,153,291	99.38
2004	2003	28,727,962	28,484,072	99.15	52,209	28,536,281	99.33
2005	2004	30,520,491	30,229,415	99.05	69,327	30,298,742	99.27
2006	2005	31,489,290	31,189,355	99.05	(13,335)	31,176,020	99.01
2007	2006	33,103,919	33,003,553	99.70	(29,743)	32,973,810	99.61
2008	2007	34,822,801	34,724,866	99.72	(61,406)	34,663,460	99.54
2009	2008	35,403,361	35,341,720	99.83	(86,016)	35,255,704	99.58
2010	2009	35,607,847	35,562,537	99.87	(250,790)	35,311,748	99.17
2011	2010	34,856,007	34,743,948	99.68	(123,727)	34,620,222	99.32
2012	2011	34,133,129	34,012,745	99.65	-	34,012,745	99.65

**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*

<b>City of Grand Rapids Direct Tax Rates <sup>1</sup></b>											
<b>Fiscal</b>		<b>General</b>	<b>Promotional and</b>		<b>Refuse</b>			<b>Total State</b>	<b>Total</b>		<b>Combined</b>
<b>Year</b>	<b>Tax Year</b>	<b>Operating</b>	<b>Advertising</b>	<b>Library <sup>2</sup></b>	<b>Collection</b>	<b>Total City</b>	<b>Total School <sup>3</sup></b>	<b>Education</b>	<b>Intermodal</b>	<b>Total County</b>	<b>Total</b>
Tax Rates: <sup>4</sup>											
2003	2002	4.1791	0.0131	2.4964	1.3500	8.0386	24.5992	6.0000	0.7480	5.3140	44.6998
2004	2003	4.1389	0.0127	2.4724	1.3500	7.9740	24.2922	5.0000	0.7603	5.3140	43.3405
2005	2004	4.1256	0.0116	2.4645	1.5500	8.1517	26.8256	6.0000	0.9500	5.3140	47.2413
2006	2005	4.1070	0.0120	2.4533	1.5500	8.1223	26.3676	6.0000	0.9500	5.3140	46.7539
2007	2006	4.1070	0.0114	2.4533	1.5500	8.1217	26.0726	6.0000	0.9500	5.3940	46.5383
2008	2007	4.1070	0.0110	2.4533	1.6700	8.2413	27.1768	6.0000	0.9500	5.3940	47.7621
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

- Note:**
- (1) 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 0.3805 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.
  - (4) Property tax rates: per \$1,000 of Taxable Value.

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

Taxpayer	Type of Business	Fiscal Year 2012			Fiscal Year 2003		
		Taxable Valuation	Rank	Percentage of Total Taxable Valuation	Taxable Valuation	Rank	Percentage of Total Taxable Valuation
Consumers Energy	Electric Utility	\$ 54,670,017	1	1.18 %	\$ 41,688,889	2	1.07 %
Amway Hotel Corp.	Hotel / Real Estate	37,394,114	2	0.81 %	35,643,835	4	0.92 %
Kellogg/Keebler Company*	Bakery Products	35,820,500	3	0.77 %	19,702,593	7	0.51 %
HP3 LLC	Hotel	26,152,000	4	0.56 %			
Steelcase, Inc.	Furniture Manufacturing	23,110,608	5	0.50 %	102,681,434	1	2.65 %
Fifth Third Bank, Michigan	Banking/Real Estate	21,603,021	6	0.47 %	18,027,188	8	0.46 %
Centerpointe Dvlpmnt Co LLC	Shopping Center/Real Estate	20,518,791	7	0.44 %			
SH-2 LLC & BT-2 LLC	Real Estate	19,957,200	8	0.43 %	23,385,120	6	0.60 %
Michigan Street Development	Medical Office Building Development	19,491,504	9	0.42 %			
DTE Energy Co.	Gas Utility	19,377,494	10	0.42 %	30,095,113	5	0.78 %
Visser Brothers	Real Estate				38,017,119	3	0.98 %
Waters Corporation	Real Estate				15,291,801	9	0.39 %
Eenhoorn, KC	Real Estate				13,844,960	10	0.36 %
		<u>\$ 278,095,249</u>		<u>6.00 %</u>	<u>\$ 338,378,052</u>		<u>8.72 %</u>

**Note:** Total Taxable Valuation for largest taxpayers 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 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 Taxable Values of \$4,633,218,786 in 2010 and \$3,878,991,551 in 2001 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 Debt (unaudited)**

June 30, 2012

Name of Governmental Unit	Total Debt	Balances	Net Debt	Self	Debt Supported by
	Outstanding	On Hand	Outstanding	Supporting	City General Property Taxes
Direct debt:					
City of Grand Rapids:					
Grand Rapids Building Authority	98,540,000	-	98,540,000	65,867,839	32,672,161
Grand Rapids and Kent County Joint Building Authority	515,000	-	515,000	515,000	-
Act 175 Motor Vehicle Highway	4,035,000	-	4,035,000	4,035,000	-
Capital Improvement Bonds	18,285,000	-	18,285,000	-	18,285,000
Downtown Development Authority	33,805,476	998,969	32,806,507	32,806,507	-
Kent County Drain Commission contracts	7,606,640	-	7,606,640	-	7,606,640
Installment Purchase Agreements	1,039,914	-	1,039,914	-	1,039,914
Internal Service Installment Purchase Agreements	1,030,086	-	1,030,086	-	1,030,086
SmartZone - Local Finance Authority	3,320,000	-	3,320,000	3,320,000	-
Brownfield Redevelopment Authority	2,325,000	-	2,325,000	2,325,000	-
Total City direct debt	<u>\$ 170,502,116</u>	<u>\$ 998,969</u>	<u>\$ 169,503,147</u>	<u>\$ 108,869,346</u>	<u>\$ 60,633,801</u>

	City Share as		
	Gross	Percent of Gross	Net
Overlapping debt:			
Grand Rapids Public Schools	\$ 142,640,000	100.00%	\$ 142,640,000
Caledonia Community Schools	108,033,516	0.10%	108,034
Forest Hills Public Schools	193,990,000	1.97%	3,821,603
Godwin Heights Public Schools	8,695,000	5.68%	493,876
Grandville Public Schools	13,325,000	0.00%	-
Kenowa Hills Public Schools	37,225,000	0.11%	40,948
Kentwood Public Schools	67,565,000	8.53%	5,763,295
Kent County	184,320,000	21.65%	39,905,280
Grand Rapids Community College	44,935,000	21.04%	9,454,324
Total overlapping debt	<u>\$ 800,728,516</u>		<u>202,227,360</u>
Total City direct and overlapping debt			<u>\$ 262,861,161</u>

**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*

<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>General Bonded Debt</b>			<b>Other Debt</b>		<b>Total Governmental Activities</b>
	<b>General Obligation Limited Tax Bonds</b>	<b>Percentage of Personal Income</b>	<b>Per Capita <sup>1</sup></b>	<b>Revenue Bonds</b>	<b>State Loans</b>	
2003	91,867,232	2.65	468	30,855,000	1,750,824	124,473,056
2004	89,017,106	2.58	456	30,855,000	1,576,841	121,448,947
2005	82,323,826	1.86	422	36,590,000	1,383,951	120,297,777
2006	80,654,785	1.78	413	36,370,000	1,206,894	118,231,679
2007	91,465,096	1.87	471	35,650,000	1,022,755	128,137,851
2008	82,940,146	1.80	431	34,860,000	831,250	118,631,396
2009	76,694,474	1.74	397	33,995,000	632,085	111,321,559
2010	79,947,869	1.78	415	33,055,000	424,953	113,427,822
2011	71,689,101	1.69	381	32,025,000	209,536	103,923,637
2012	63,536,801	1.70	335	30,905,000	-	94,441,801

<b>Business-Type Activities</b>						
<b>Fiscal Year</b>	<b>General Obligation Limited Tax Bonds</b>	<b>Revenue Bonds</b>	<b>Total Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2003	22,757,733	246,260,393	269,018,126	393,491,182	11.35	2,004
2004	21,553,114	236,203,505	257,756,619	379,205,566	11.00	1,943
2005	20,405,101	262,961,693	283,366,794	403,664,571	9.11	2,067
2006	19,043,923	337,454,957	356,498,880	474,730,559	10.48	2,433
2007	25,463,909	324,883,297	350,347,206	478,485,057	9.80	2,462
2008	23,927,892	311,801,712	335,729,604	454,361,000	9.87	2,359
2009	31,829,558	395,450,279	427,279,837	538,601,396	12.19	2,788
2010	30,925,312	377,633,846	408,559,158	521,986,980	11.63	2,713
2011	37,210,443	382,676,778	419,887,221	523,810,858	12.38	2,786
2012	35,572,839	371,792,963	407,365,802	501,807,603	13.41	2,644

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

<sup>1</sup> Population Source:

2003-2004: CACI FILE 581: Population Demographics - per 2000 Census

2005-2010: The Right Place, Inc.

2011-2012: 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 446,813,800	\$ 475,370,080	\$ 495,389,880	\$ 521,158,190	\$ 545,804,600	\$ 561,637,260	\$ 562,226,090	\$ 555,850,540	\$ 526,651,870	\$ 499,227,840
Total net debt applicable to limit	<u>134,182,865</u>	<u>130,645,976</u>	<u>129,282,227</u>	<u>130,605,409</u>	<u>147,919,856</u>	<u>138,707,088</u>	<u>140,368,032</u>	<u>154,430,831</u>	<u>151,182,344</u>	<u>170,691,640</u>
Legal debt margin	<u>\$ 312,630,935</u>	<u>\$ 344,724,104</u>	<u>\$ 366,107,653</u>	<u>\$ 390,552,781</u>	<u>\$ 397,884,744</u>	<u>\$ 422,930,172</u>	<u>\$ 421,858,058</u>	<u>\$ 401,419,709</u>	<u>\$ 375,469,526</u>	<u>\$ 328,536,200</u>
Total net debt applicable to limit (as a percentage of debt limit)	30.03%	27.48%	26.10%	25.06%	27.10%	24.70%	24.97%	27.78%	28.71%	34.19%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed Value	\$ 4,920,948,700
Add back: exempt real property	<u>71,329,700</u>
Total Assessed Value	4,992,278,400
Debt limit (10% of total AV)	499,227,840
Debt applicable to limit:	
Total debt outstanding	551,895,079
Less: exempt debt	<u>381,203,439</u>
Total net debt applicable to limit	<u>170,691,640</u>
Legal debt margin	<u>\$ 328,536,200</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 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 Revenue <sup>1</sup>	Operating Expenses <sup>2</sup>	Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>Water Supply System Fund:</u>							
2003	41,562,453	21,344,581	20,217,872	5,040,000	6,683,900	11,723,900	1.72
2004	40,033,521	22,860,685	17,172,836	5,215,000	6,431,900	11,646,900	1.47
2005	40,681,154	24,404,759	16,276,395	5,505,000	6,171,150	11,676,150	1.39
2006	45,148,885	25,711,372	19,437,513	5,800,000	5,895,900	11,695,900	1.66
2007	46,124,735	26,089,718	20,035,017	6,645,000	7,318,848	13,963,848	1.43
2008	46,746,926	26,896,625	19,850,301	7,030,000	6,961,606	13,991,606	1.42
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
<u>Sewage Disposal System Fund:</u>							
2003	35,399,884	14,227,141	21,172,743	4,701,888	7,270,048	11,971,936	1.77
2004	33,598,127	16,938,028	16,660,099	4,841,888	7,129,146	11,971,034	1.39
2005	34,165,655	17,972,556	16,193,099	5,211,812	5,520,353	10,732,165	1.51
2006	38,207,316	17,719,500	20,487,816	5,296,736	6,568,594	11,865,330	1.73
2007	41,209,166	21,051,938	20,157,228	5,926,660	8,873,755	14,800,415	1.36
2008	43,266,185	20,035,372	23,230,813	6,051,585	8,690,230	14,741,815	1.58
2009	45,221,517	23,189,892	22,031,625	6,231,433	9,786,083	16,017,516	1.38
2010	51,560,665	21,789,188	29,771,477	7,636,433	11,497,769	19,134,202	1.56
2011	51,112,288	21,296,813	29,815,475	7,881,357	11,086,778	18,968,135	1.57
2012	52,720,174	21,122,320	31,597,854	8,216,281	12,010,113	20,226,394	1.56

**Notes:** (1) Gross revenue includes operating revenues, interest revenue and miscellaneous revenue. The Water Supply Fund also includes transfers in from the Sewage Disposal System Fund.  
(2) Direct operating expenses are total operating expenses less depreciation expense.  
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*

<b>Fiscal Year</b>	<b>Population</b> <sup>1</sup>	<b>Personal Income</b>	<b>Per Capita Income</b> <sup>2</sup>	<b>Median Age</b> <sup>2</sup>	<b>School Enrollment</b> <sup>3</sup>	<b>Unemployment</b> <sup>4</sup>
2003	196,306	3,466,960,266	17,661	30.4	25,823	9.3
2004	195,115	3,445,926,015	17,661	30.4	24,219	9.7
2005	195,287	4,430,476,169	22,687	34.2	23,233	8.6
2006	195,100	4,529,051,400	23,214	30.8	23,234	7.7
2007	194,341	4,883,594,989	25,129	34.6	22,340	8.0
2008	192,643	4,604,167,700	23,900	34.8	21,382	8.3
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

**Notes:**

<sup>1</sup> 2003-2004: CACI FILE 581: Population Demographics - per 2000 Census  
 2005-2010: The Right Place, Inc.  
 2011-2012: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>2</sup> 2001-2004: CACI FILE 581: Population Demographics - per 2000 Census  
 2005-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)  
 2012: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>3</sup> 2002-2009: Grand Rapids Public Schools - School Matters 2002-2009;  
 2010: Director of Communications & External Affairs Grand Rapids Public Schools  
 2011-2012: State of Michigan Center for Educational Performance and Information, Public Student Headcount Data

<sup>4</sup> Michigan Department of Technology, Management & Budget: Labor Market Information ([www.milmi.org](http://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	2012			2003		
		West Michigan Employees	Rank	Total City Employment	West Michigan Employees	Rank	Total City Employment
Spectrum Health	Hospital and medical services	16,600	1	14.4 %	14,000	1	12.2
Meijer Inc	Retailer	7,725	2	6.7	9,785	2	8.5
Axios Incorporated	Human resources and employment service	7,372	3	6.4			
Spartan Stores Inc	Food distributor and retailer	4,258	4	3.7	4,368	4	3.8
Amway Inc.	Consumer products manufacturer	4,000	5	3.5	4,000	5	3.5
Grand Rapids Public Schools	Education	3,297	6	2.9	3,490	7	3.0
Steelcase Inc.	Furniture manufacturing	3,227	7	2.8	5,400	3	4.7
Grand Valley State University	Education	3,091	8	2.7			
St. Mary's Health Care	Hospital and medical services	2,672	9	2.3			
Metro Health Hospital	Hospital and medical services	2,284	10	2.0			
Farmers Group / Foremost	Insurance				3,500	6	3.0
Fifth Third Bank	Banking / Real estate				2,700	8	2.3
U.S. Postal Service	Postal delivery				2,500	9	2.2
General Motors Corporation	Automotive components				2,400	10	2.1
		<u>54,526</u>		<u>47.4 %</u>	<u>52,143</u>		<u>45.4 %</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/ Regional Data - Local Companies](http://www.rightplace.org/RegionalData-LocalCompanies). Since principal Local Employer information was not available for 2012 from the Right Place Program, the above figures for 2012 reflect 2011 data. Employers selected for inclusion here are those with a significant presence in Kent County.

According to the statistics for 2009 provided by the Right Place Program utilizing US Census data, while less than 25% of employed city residents work in the city, 73% of employed city residents work in Kent County. Non-city residents fill 76% of the employment in the city. Percentages are based on the total employment in the city, 114,922, for 2009. 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 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**  
**Full-time Equivalent City Government Employees by Department (unaudited)**  
*Last Ten Fiscal Years*

<b>Department</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Assessor	20	20	19	19	18	19	19	16	16	16
Attorney	22	19	18	18	18	18	17	16	16	16
City Clerk	13	11	11	11	10	10	10	9	9	9
Community Development	30	30	29	27	19	18	20	24	23	25
Comptroller	20	19	17	15	17	17	17	15	15	15
Dispatch	-	-	-	-	-	-	-	-	51	51
61st District Court*	105	96	91	91	91	89	91.25	91.25	90.25	90.25
Economic Development	4	4	4	5	5	5	5	4	4	4
Engineering	54	51	51	51	51	50.5	48	51	50	42
Environmental Protection	127	124	124	126	126	128.5	128.5	122.0	116.0	113
Equal Opportunity (Admin Services)	-	-	-	7	7	7	6	6	5	5
Executive	17	14	14	14	12	12.5	12	11	11	11
Facilities Management	20	20	15	15	15	15	15	13	13	12
Fire	271	262	253	241	239	238	238	221	235	235
Fiscal Services	19	18	14	12	12	13.5	13	10	9	10
General Administration	-	1	1	1	-	-	-	-	-	-
Human Resources	30	29	28	18	17	17	17	16	15	15
Income Tax	18	16	15	16	16	17	18	16	16	17
Information Technology	8	8	8	8	8	5	6	6	5	4
Management Services	-	3	3	5	6	6	4	-	-	-
Motor Equipment	40	39	37	34	34	34	32	32	32	33
Neighborhood Improvement (Building Inspections)	63	58	57	53	52	52.5	51.5	37.0	37.0	37
Parking Services	36	37	37	37	37	36	35	31	29	31
Parks and Recreation	68	59	63	43	41	42	40	28	23	34
Planning	22	18	18	14	12	12	11	9	9	9
Police	458	445	411	412	411	411	404	378	346	338
Public Library*	71	71	66	67	63	63	117.75	117.50	116.50	116.50
Public Museum	34	21	17	17	-	-	-	-	-	-
Streets & Sanitation	111	111	113	112	107	106	107	101	96	82
Traffic Safety	44	44	40	41	41	42	42	34	33	33
Treasurer	22	21	21	20	20	20	20	20	19	19
Water	185	186	186	186	186	186	186	176	161	157
Seasonal and Other FTE's*	-	-	368	337	263	246	190	233	151	181
	<u>1,932</u>	<u>1,855</u>	<u>2,149</u>	<u>2,070</u>	<u>1,954</u>	<u>1,936</u>	<u>1,921</u>	<u>1,844</u>	<u>1,752</u>	<u>1,761</u>

**Notes:** Source, Annual Fiscal Plan authorized positions.

\* Prior to 2009, PT positions for Library & District Court are included within *Seasonal and Other FTE's*. 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	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cemeteries										
Burials	616	639	636	561	552	537	491	467	494	492
Clerk										
Voters in November election	54,881	15,005	83,369	15,070	66,264	10,840	86,499	12,821	50,939	18,042
Environmental Protection/Sewage										
Billions of gallons treated *	18.67	16.99	18.64	17.96	18.73	16.66	17.97	17.18	14.94	16.10
Fire										
Total calls *	17,394	18,874	18,861	19,000	19,079	19,642	20,057	18,709	19,634	21,453
Civilian fire deaths *	7	9	4	-	2	2	2	3	-	5
Neighborhood Improvement										
Building permits issued	1,733	1,723	1,945	1,964	1,813	1,905	1,719	1,747	1,841	2,074
Parks and Recreation										
Open swim participants	60,425	32,573	26,829	41,586	70,650	77,130	45,235	47,924	24,320	31,986
Swimming lesson participants	7,120	7,322	668	601	670	882	835	-	840	623
Softball league participants	37,296	35,102	24,788	174 teams	131 teams	135 teams	159 teams	175 teams	192 teams	183 teams
Police										
Major crimes *	11,485	11,956	11,625	12,427	12,544	12,792	11,241	10,502	7,872	7,846
Physical Arrests *	15,291	13,813	14,304	13,373	16,902	14,487	16,211	12,959	15,227	16,550
Public Library										
Library card holders	132,986	144,600	154,259	110,145	106,558	115,352	124,519	133,311	66,453	66,631
Total user count	738,226	908,786	910,513	954,027	985,011	1,037,686	1,017,075	1,030,585	1,061,188	1,024,530
Local history collection users	14,002	33,409	30,073	23,826	32,363	33,410	46,723	42,105	39,323	42,560
Total circulation of materials	1,393,001	1,546,593	1,428,096	1,523,566	1,587,379	1,597,192	1,484,578	1,601,934	1,754,621	1,740,784
Public Works										
Tons of refuse picked up	34,422	37,937	34,086	32,668	31,098	30,520	29,032	29,013	27,469	26,458
Tons of recycling removed	6,500	6,600	5,685	5,823	5,955	5,840	5,739	5,867	8,279	9,579
Water										
Number of retail customers	76,537	77,483	78,284	79,852	77,629	77,820	77,793	78,084	78,053	78,370
New connections	-	-	-	-	488	355	209	263	174	317
Billions of gallons produced	15.16	14.07	14.71	14.81	14.71	14.42	13.17	12.48	12.49	13.18
Peak daily flow (millions of gal.)	90.10	71.90	79.20	82.35	83.66	87.85	74.30	61.86	62.78	70.24

**Notes:** \* Calendar information for the previous calendar year.

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Fire stations	11	11	11	11	11	11	11	11	11	11
Parking Services										
Parking Ramps	5	6	5	5	5	6	6	7	8	8
Parks and Recreation										
Number of major parks	67	67	67	67	63	67	67	71	71	71
Number of swimming pools	10	9	9	9	6	9	9	9	9	9
Number of ball diamonds	70	70	70	70	40	70	70	74	74	74
Supervised playgrounds			19	19	19	32	32	25	22	10
Public Library										
Number of Libraries	8	8	8	8	8	8	8	8	8	8
Public Works										
Environmental Protection										
Miles of sanitary sewers	850	864	870	882	890	893	897	898	904	904
Streets										
Miles of paved streets-major	168	170	205	205	205	205	205	205	206	206
Miles of paved streets-local	397	395	390	390	390	390	390	389	388	388
Streetlights	19,026	19,026	19,026	19,026	19,026	20,191	20,202	20,178	20,178	20,178
Water										
Miles of water mains	1,101	1,112	1,122	1,134	1,143	1,147	1,152	1,157	1,160	1,161