



***Comprehensive Annual Financial Report
City of Grand Rapids, Michigan
Year Ended June 30, 2013***

300 Monroe Ave NW, Grand Rapids, MI



Cover Art Courtesy of Integrated Architecture

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This year's cover illustration features the northwest corner of Fulton Street and Ottawa Avenue in downtown Grand Rapids. On the left is The B.O.B. (an acronym for Big Old Building), located where the downtown hotel, office, and entertainment districts meet. The B.O.B. is a 110 year old grocery warehouse that was transformed into a popular entertainment and dining venue. To the right and in the foreground is a rendering of Bobville, a proposed expansion of the B.O.B. concept that offers patrons multiple choices after they walk through the door. This private development will replace a surface parking lot with a theatre and several new retail spaces targeted toward new businesses offering unique products and services, all of which will provide residents and visitors even more reasons to make downtown a preferred destination.

CITY OF GRAND RAPIDS, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

Prepared by:

Comptroller's Office
Sara VanderWerff
Comptroller

Elected Officials

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

Appointed Officials

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

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

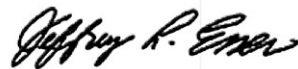
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for Excellence
in Financial
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Presented to

**City of Grand Rapids
Michigan**

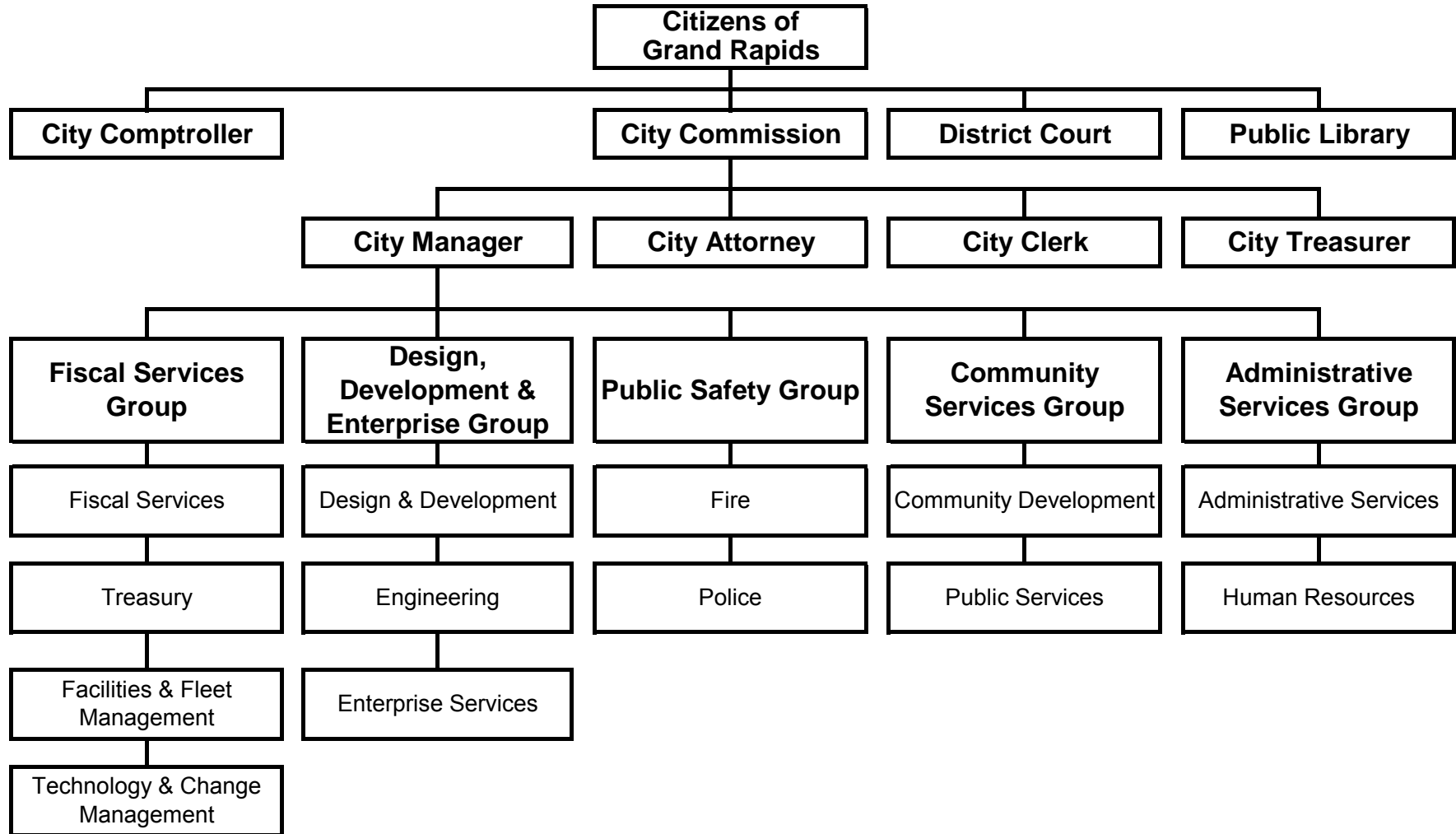
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for the Fiscal Year Ended

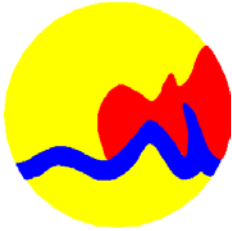
June 30, 2012



Executive Director/CEO

**City of Grand Rapids
Organizational Chart
FY 2013**





CITY OF GRAND RAPIDS

December 11, 2013

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, 2013 with the Independent Auditor's Report, submitted in compliance with Michigan State Law. State law requires that within six months of the close of each fiscal year local governments publish a complete set of financial statements presented in conformance with generally accepted accounting principles in the USA (GAAP) and audited in conformity with generally accepted auditing standards by a firm of licensed certified public accountants. This CAFR meets state law requirements.

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

BDO USA, LLP, independent accountants, has issued an unmodified, "clean" opinion on the City's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City was incorporated on April 2, 1850. On August 29, 1916, the people of Grand Rapids voted to adopt a Home Rule Charter that abolished their old alderman system and replaced it with a Commission-Manager form of government that 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 based on activity type: governmental funds, business-type funds, component unit funds, and fiduciary funds.

Governmental funds provide services including police, fire, street lighting, trash and recycle collection, storm water collection, street maintenance, libraries, and parks and recreation. 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 whose presence may reduce property insurance rates, 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 over 80,000 retail customers in the City and suburban communities, as well as wholesale service to communities that operate their own municipal water and sewer systems. The 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. The revenues from these services can only be used to provide these services.

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

- Grand Rapids Building Authority (GRBA)
- City of Grand Rapids General Retirement System
- City of Grand Rapids Police and Fire Retirement System
- Grand Rapids Brownfield Redevelopment Authority (Brownfield)
- Grand Rapids Downtown Development Authority (DDA)
- Grand Rapids SmartZone Development Authority (SmartZone)
- Grand Rapids Tax Increment Financing Authority (TIFA)
- State of Michigan 61st District Court
- 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, the 61st District Court, and CIDs are reported as discretely presented component units. The City of Grand Rapids and County of Kent Joint Building Authority (JBA), the Convention Arena Authority (C/AA), and the Grand Valley Regional Bio-solids Authority are also legally separate entities. These three joint ventures, two with Kent County and one with the City of Wyoming, are summarized in Note 1 but are excluded from the financial statements.

In fiscal year 2013 the City spent \$301 million on all the governmental and business-type services including interest payments on the City's debt. Governmental activities expended \$204 million, a 5.8 percent decrease from 2012 and business-type activities spent \$98 million in fiscal year 2013, which is a 1.5 percent increase from the previous year. In addition to the City's own expenditures, its component units spent \$30 million, a 7.2 percent decrease from the prior fiscal year, and the City's two pension funds paid \$46 million in benefits during their most recent fiscal years.

Approximately 56 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 2013 increased 10.7 percent from fiscal year 2012 to \$75 million; however, revenue from property taxes decreased 5.7 percent to \$34 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 specific 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 a temporary income tax rate increase, rebounding taxable incomes, and changes to the City's health insurance and pension programs, the City's financial position improved during this fiscal year. The changes have given management time to adjust to new financial realities. 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 190,426 making it the second most populous city in the state of Michigan and the 123rd 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 1,002,600 and the Combined Statistical Area includes 1.3 million people (US Census Bureau, 2013). 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 has continued its slow recovery during the past year as demonstrated in the statistical tables that show decreasing unemployment and increasing taxable incomes. The Grand Rapids unemployment rate declined for the third year in a row, dropping 1.3 percentage points to an average annual rate of 8.7 percent in fiscal year 2013 from 10.0 percent the prior fiscal year. In fiscal year 2013, the Grand Rapids-Wyoming MSA labor force added 11,400 jobs. Income tax returns filed with the income tax department during calendar year 2012 showed an increase in taxable income of 4% over calendar year 2011. Withholding payments during the first half of 2013 indicate accelerating growth in incomes. With a time lag, this income growth should help continue the rebound in property values.

Since tax year 2008, the taxable values of property have declined 8.2%. From fiscal year 2012 to fiscal year 2013, taxable property values decreased 2.7%. The change in the taxable base of property resulted in lower revenues from property tax receipts; however expectations are for a reversal of direction in the near future. As mentioned, personal incomes have increased to support higher residential values. Commercial realtors report ten consecutive quarters of declining vacancy in the office market segment, although vacancies remain above 20%. Construction permits have rebounded with the value of permits up 85% between calendar year 2011 and 2012. The value of permits issued in the first six months of 2013 already exceeds all of 2011.

While much of the manufacturing dependent local economy struggled through the twin recessions of 2000 and 2008, two sectors of the local economy can be singled out for their expansion the past decade. Local educational institutions used a combination of increased demand, low interest rates, surplus construction capacity, and philanthropic fundraising to expand their facilities to serve growing student populations. The craft beer industry has enjoyed explosive growth in west Michigan the past few years. While a small start-up doubling revenues every year may be common, Founders Brewing Co., the largest of the local brewers has said they anticipate 70% volume growth in 2014 over 2013 in the beer and ale they ship from Grand Rapids to twenty six states and twelve foreign countries. Eight breweries are located in Grand Rapids, four more are in the near suburbs, and several more a short drive away. In a nationwide poll Grand Rapids was given the title “BeerCity USA” in both 2012 and 2013 leading to increased tourism. More recently the skills developed in the beer industry are being transferred to local cider mills that have started expanding their seasonal fresh cider business into a year-round craft hard cider industry using local west Michigan apples and other fruits.

The City within the Larger Economy

West Michigan, as well as the entire state of Michigan, has a long tradition as a manufacturing driven economy, exporting products across the country and around the globe. Michigan’s economy was hit particularly hard in the late twentieth century as manufacturers were lured away from their historic roots by the combined incentives of lower labor costs, investment incentives and access to previously closed markets. More recently many of the cost advantages of foreign manufacturing have eroded and we are beginning to see new investments in manufacturing in the U.S. and in west Michigan. That trend, coupled with a domestic light vehicle fleet that averages over eleven years old provides a tailwind to the local economy. Looking forward, the biggest negative on the horizon appears to be the political impasse in Washington. After 2008, financial support from the federal government was crucial in allowing the City to maintain service levels in public safety departments and finance construction projects that helped many contractors to survive the economic downturn. Political brinkmanship as Congress walks up to the edge of default has the potential of undoing the gains in the ongoing local economic recovery.

Long-Term Financial Planning

The City established a separate accounting fund -- the Transformation Fund -- to isolate and track the new income tax monies from the temporary five-year City Income Tax increase. These monies, plus the portion of state revenue sharing dollars that the Legislature has turned from an entitlement into a discretionary grant, fund the Transformation Investment Plan which 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-six 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. For the first time since the Budget Stabilization Fund was emptied and the Government Center Parking ramp was sold in fiscal year 2010 to shore up the General Fund balance sheet, improving General Fund finances permitted the reestablishment of the Budget Stabilization Fund to provide a vital financial cushion for the City’s finances in the next recession.

Relevant Financial Policies

In June 2011, the City Commission adopted a new fund balance policy that complies with GASB 54 requirements. This policy established five new classifications (non-spendable, restricted, committed, assigned, and unassigned) of fund balances for the general fund and all special revenue funds. The classifications comprise a hierarchy based on the extent to which the City is bound to honor constraints on specific purposes for which amounts in those funds can be spent. The five classifications 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, but progress toward the goal was made during the year. The Budget Stabilization Fund was reopened this year with a goal of holding 10 percent of General Fund Expenditures for the next economic downturn. Current projections anticipate that two million dollars a year can be added to the budget stabilization fund each of the next three years to reach that goal, while still permitting the General Fund's unassigned fund balance to remain stable as a percentage of total appropriations.

Major Initiatives

Inspired by a desire to implement best practices and reduce duplicative costs, the cities of Grand Rapids and Livonia signed an Interlocal Agreement in July of 2012 that created the Michigan Municipal Services Authority. During fiscal 2013, using start-up funding provided by the Michigan Department of Treasury, these founding members, along with other municipal governments, including the County of Kent, and City of Detroit, have been working to define requirements for a common solution that can be implemented individually or in total by the City and any other interested Michigan municipal governments to provide accounting, budgeting, cash and investment management, document management, IT services, project and grant management, purchasing, and other solutions to common needs of governmental organizations across the state. In fiscal 2014 the City expects to identify and begin implementing the first of these solutions, a new financial management system.

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, 2012; 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.

The City also received the GFOA's award for Distinguished Budget Presentation for its budget document for the fiscal year beginning July 1, 2012. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan and as a communications medium.

ACKNOWLEDGEMENTS

The timely, orderly preparation and completion of this report is made possible by the hard work and dedication of the staff in the Office of the City Comptroller. I appreciate the time and talent of everyone who contributed to this document. The people who live or work in, or receive services

from the City of Grand Rapids should also appreciate the work that has gone into this description of the City's stewardship of the resources entrusted to it. I would also like to thank the members of the City Commission and the City Manager and his staff for their interest and support in planning and conducting the financial operations of the City in a responsible and sustainable manner.

Respectfully submitted,

A handwritten signature in black ink, reading "Sara Vander Werff". The signature is written in a cursive style with a large initial 'S' and a long, sweeping underline.

Sara Vander Werff
City Comptroller



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Grand Rapids, Michigan (the City) as of and for the year ended June 30, 2013 (December 31, 2012 for the Police and Fire Pension System), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Grand Rapids, Michigan as of June 30, 2013 (December 31, 2012 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2013 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 3-13 and 76-81, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The introductory section and statistical section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 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* in considering the City of Grand Rapids' internal control over financial reporting and compliance.

BDO USA, LLP

December 10, 2013

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, 2013. 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 position for the City is the amount by which the City's assets exceeded its liabilities. At June 30, 2013, net position totalled \$824,107,248. The unrestricted portion of this amount, \$175,332,377, 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 position increased by \$4,662,047. A \$4,762,895 decrease in the net position for governmental activities was offset by an increase in the net position for business-type activities of \$9,424,942. For governmental activities, \$16.9 million of depreciation expense on existing infrastructure assets obscured the \$10.1 million increase in fund balance in the modified accrual fund statements.
- At June 30, 2013, the City's governmental funds reported combined fund balances of \$91,274,720; an increase of \$10,110,495 from the previous year. A total of \$13,317,290 of the fund balance for governmental funds is *nonspendable*, and the spending of \$12,471,415 is *restricted* as to purpose by an outside party, which means \$65,486,015 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 (less deficits in other funds), a total of \$12,436,321 at June 30, 2013, is available to use for any purpose.
- In fiscal year 2011, the City Commission established a policy that the general fund's unassigned fund balance should be 15% of current expenditures, including transfers-out. The unassigned portion of the fund balance of the General Fund totalled \$12,677,755 at year-end; an increase of \$4,178,238 from the previous year. At June 30, 2013, the unassigned balance stands at 10.9% of 2013 general fund expenditures, compared with 7.1% in 2012. At year end the unassigned fund balance was \$4,716,709 below the fund balance policy. In addition to the increase in unassigned fund balance, the Commission committed \$3,683,466 of fund balance to future budget stabilization, with a goal of building this committed portion of fund balance to 10% of current general fund expenditures. State law requires this be held in a separate fund, but accounting standards dictate its presentation as a component of the general fund.
- The City's total debt increased by \$13,192,373 during the current fiscal year. Payments reducing debt totalled \$65,465,553. New debt issued included \$35,545,000 of refunding bonds and \$43,112,926 of 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 position* presents information on all of the City's assets, liabilities, and two new categories, deferred outflows of resources and deferred inflows of resources, with the difference between the four categories reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that resulted from cash flows in prior years or will result in cash flows in future fiscal periods (e.g., 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 seven 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, two Corridor Improvement Districts, and the 61st District Court. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

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

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

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

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 seven major and eighteen nonmajor 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 nonmajor governmental funds are combined in a single column presentation on the governmental funds statements. Individual fund data for each of these nonmajor governmental funds is provided in the *combining statements* section of this report on pages 86-89.

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 83-85 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 nonmajor special revenue funds on page 90.

The basic governmental fund financial statements can be found on pages 17-20 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 nonmajor 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 nonmajor enterprise funds and internal service funds are provided in the *combining statements* section of this report, pages 91-97.

The basic proprietary fund financial statements can be found on pages 21-25 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 tax funds.

The basic fiduciary fund financial statements can be found on pages 26-27 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 30-76 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 77-82 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 Position						
	Governmental Activities 2013	Governmental Activities 2012 (restated - Note 12)	Business-Type Activities 2013	Business-Type Activities 2012 (restated - Note 12)	Total Primary Government 2013	Total Primary Government 2012 (restated - Note 12)
Current and other assets	\$ 152,166,424	\$ 140,297,218	\$ 154,181,639	\$ 138,535,000	\$ 306,348,063	\$ 278,832,218
Capital assets, net of accumulated depreciation	337,789,494	359,735,403	767,704,971	762,078,690	1,105,494,465	1,121,814,093
Total Assets	\$ 489,955,918	\$ 500,032,621	\$ 921,886,610	\$ 900,613,690	\$ 1,411,842,528	\$ 1,400,646,311
Deferred outflows of resources	\$ 1,392,567		\$ 7,919,535		\$ 9,312,102	\$ -
Current liabilities	\$ 21,986,028	\$ 21,520,275	\$ 35,586,943	\$ 32,376,052	\$ 57,572,971	\$ 53,896,327
Non-current liabilities	112,319,866	116,759,330	427,102,075	410,545,453	539,421,941	527,304,783
Total Liabilities	\$ 134,305,894	\$ 138,279,605	\$ 462,689,018	\$ 442,921,505	\$ 596,994,912	\$ 581,201,110
Deferred inflows of resources	\$ 52,470		\$ -		\$ 52,470	
Net investment in capital assets	\$ 252,300,951	\$ 267,497,557	\$ 351,473,228	\$ 357,748,563	\$ 603,774,179	\$ 625,246,120
Restricted net position	14,052,452	14,778,249	30,948,240	21,706,695	45,000,692	36,484,944
Unrestricted net position	90,636,718	79,477,210	84,695,659	78,236,927	175,332,377	157,714,137
Total Net Position	\$ 356,990,121	\$ 361,753,016	\$ 467,117,127	\$ 457,692,185	\$ 824,107,248	\$ 819,445,201

The City adopted Governmental Accounting Standards Board (GASB) statements 63 and 65. The effect of this change appears in the "restated" columns above as an increase in total non-current liabilities and corresponding decrease in unrestricted net position of \$7,464,257. The changes required by the new GASB statements are more fully described in Notes 1 and 12 of the financial statements. Assets exceeded liabilities by \$824,107,248 at June 30, 2013 and by \$819,445,201 at June 30, 2012 after the required restatement.

The City's current and other assets increased by \$27,515,845 or 9.9%. Most of the increase is explained by the \$18 million of unspent proceeds from the new \$30 million issue of 2012 sewer revenue bonds.

The total liabilities increased 2.7% or \$15,793,802, primarily as the result of newly issued debt exceeding repayments of existing debt by \$13,192,373.

By far, the largest portion of the City's net position (73.2%) is its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The City's restricted net position is primarily restricted for debt service and authorized capital projects. The remaining balance, *unrestricted net position* (\$175,332,377), may be used to meet government's on-going obligations to citizens and creditors consistent with the purpose of the fund. Only the \$12.7 million of the General Fund's *unassigned* fund balance shown on page 17 is freely available or transferable to support the operations of the General Fund or of any other fund, however as noted on page 3, the fund balance policy considers the ending fund balance to be \$4.7 million less than the desired balance.

At June 30, 2013, the City is able to report positive balances in all three categories of net position.

Capital Asset and Debt Administration

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

	Governmental Activities 2013	Governmental Activities 2012	Business-Type Activities 2013	Business-Type Activities 2012	Total 2013	Total 2012
Land	\$ 18,288,973	\$ 18,288,973	\$ 14,936,185	\$ 14,936,185	\$ 33,225,158	\$ 33,225,158
Easements/Right of Way	610,810	594,620	730,192	381,404	1,341,002	976,024
Land improvements	14,016,566	15,146,325	8,452,197	9,012,845	22,468,763	24,159,170
Buildings and structures	92,287,531	96,312,982	108,976,036	113,299,670	201,263,567	209,612,652
Storage tanks	-	-	6,790,824	7,212,106	6,790,824	7,212,106
Machinery and equipment	5,996,890	5,965,624	81,214,011	84,055,529	87,210,901	90,021,153
Motor vehicles	10,212,352	9,065,955	1,269,570	1,655,920	11,481,922	10,721,875
Furniture	431,948	688,759	74,455	99,099	506,403	787,858
Software	667,473	872,740	-	-	667,473	872,740
Water and sewer mains	-	-	528,942,771	517,032,423	528,942,771	517,032,423
Infrastructure	193,586,414	210,219,335	-	-	193,586,414	210,219,335
Construction in progress	1,690,537	2,580,090	16,318,730	14,393,509	18,009,267	16,973,599
Total	\$ 337,789,494	\$ 359,735,403	\$ 767,704,971	\$ 762,078,690	\$ 1,105,494,465	\$ 1,121,814,093

Capital assets: The City's investment in capital assets for its governmental and business type activities as of June 30, 2013 amounts to \$1,105,494,465 (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 \$37 million, approximately the same as in 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 \$8,201,551. Construction in progress on additional projects as of June 30, 2013 had reached \$6,953,658.
- Various additions and improvements were completed in the Sewage Disposal System at a cost of \$19,296,597. Construction in progress in on-going projects at the close of the fiscal year was \$9,311,681.

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

City of Grand Rapids' Outstanding Debt

Limited Tax Bonds, Revenue Bonds and Long-term Contracts

	Governmental Activities 2013	Governmental Activities 2012	Business-Type Activities 2013	Business-Type Activities 2012	Total 2013	Total 2012
Limited tax pledge bonds	\$ 50,026,800	\$ 55,507,161	\$ 33,660,000	\$ 34,962,839	\$ 83,686,800	\$ 90,470,000
Revenue bonds	29,725,000	30,905,000	395,813,778	371,792,963	425,538,778	402,697,963
Long-term contracts	<u>6,421,898</u>	<u>8,029,640</u>	<u>532,500</u>	<u>10,210,000</u>	<u>6,954,398</u>	<u>18,239,640</u>
Total	<u>\$ 86,173,698</u>	<u>\$ 94,441,801</u>	<u>\$ 430,006,278</u>	<u>\$ 416,965,802</u>	<u>\$ 516,179,976</u>	<u>\$ 511,407,603</u>

Long-term debt: At June 30, 2013, the City had total long-term debt outstanding of \$516,179,976. Of this amount, \$83,686,800 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, 2013 balance of the City of Grand Rapids and County of Kent Building Authority bonds of \$58,903,904 issued in 2001 and 2013 to finance a substantial portion of the new DeVos Place Convention Center. The County of Kent has the sole responsibility for the repayment of this debt through their Hotel/Motel tax receipts and general assets. The City is not liable for the payment of principal or interest and therefore has excluded them from the financial statements.

All normally scheduled debt payments were made during fiscal year 2013.

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

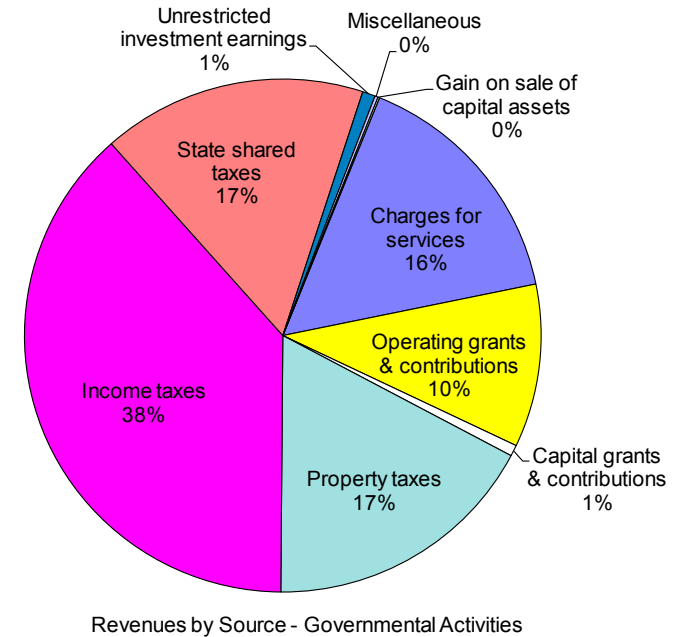
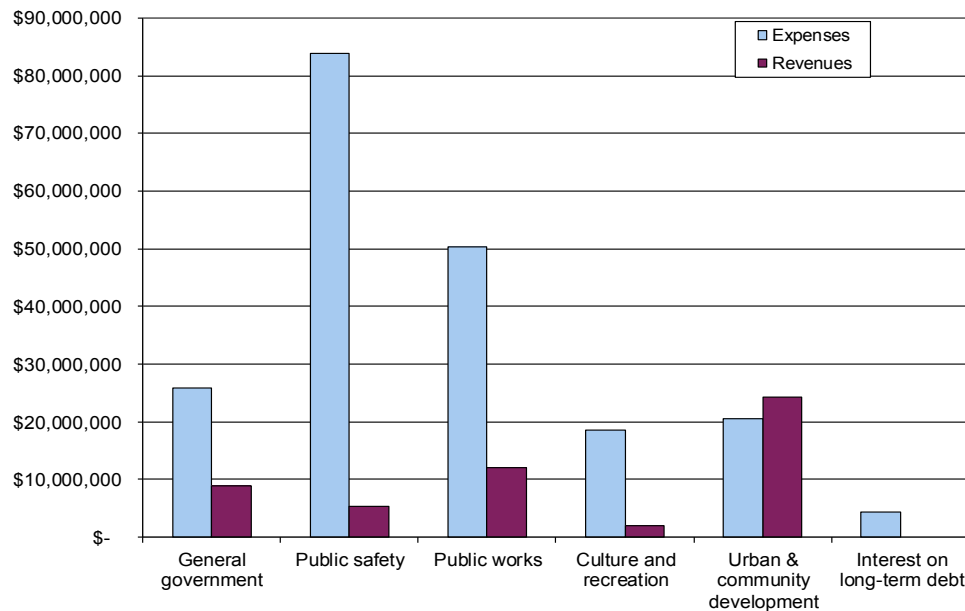
Changes in Net Position:

City of Grand Rapids' Changes in Net Position						
	Governmental Activities 2013	Governmental Activities 2012	Business-Type Activities 2013	Business-Type Activities 2012	Total Primary Government 2013	Total Primary Government 2012
Revenues:						
Program Revenues:						
Charges for services	\$ 30,929,738	\$ 29,288,364	\$ 108,970,115	\$ 109,331,718	\$ 139,899,853	\$ 138,620,082
Operating grants and contributions	20,176,947	32,169,748	631,163	676,381	20,808,110	32,846,129
Capital grants and contributions	1,307,488	2,461,425	3,265,749	1,144,782	4,573,237	3,606,207
General Revenues:						
Property taxes	34,131,326	35,981,291	-	-	34,131,326	35,981,291
City Income taxes	75,471,493	68,179,409	-	-	75,471,493	68,179,409
Intergovernmental, unrestricted	32,627,467	31,667,177	-	-	32,627,467	31,667,177
Unrestricted investment earnings	1,541,377	1,717,328	593,408	432,126	2,134,785	2,149,454
Miscellaneous	374,239	528,525	617,730	1,592,148	991,969	2,120,673
Gain on sale of capital assets	106,960	103,401	-	-	106,960	103,401
Total Revenues	<u>196,667,035</u>	<u>202,096,668</u>	<u>114,078,165</u>	<u>113,177,155</u>	<u>310,745,200</u>	<u>315,273,823</u>
Expenses:						
General government	25,763,302	28,490,087	-	-	25,763,302	28,490,087
Public safety	83,883,605	85,540,347	-	-	83,883,605	85,540,347
Public works	50,403,933	50,339,679	-	-	50,403,933	50,339,679
Culture and Recreation	18,560,598	18,844,448	-	-	18,560,598	18,844,448
Urban & Community Development	20,544,534	28,103,849	-	-	20,544,534	28,103,849
Interest on long-term debt	4,338,102	4,825,257	-	-	4,338,102	4,825,257
Water Supply System	-	-	36,459,316	37,697,767	36,459,316	37,697,767
Sewage Disposal System	-	-	48,008,068	45,697,111	48,008,068	45,697,111
Auto Parking System	-	-	11,262,622	10,615,215	11,262,622	10,615,215
Other Enterprises	-	-	1,990,459	2,482,758	1,990,459	2,482,758
Total Expenses	<u>203,494,074</u>	<u>216,143,667</u>	<u>97,720,465</u>	<u>96,492,851</u>	<u>301,214,539</u>	<u>312,636,518</u>
Change in Net Position before Transfers	(6,827,039)	(14,046,999)	16,357,700	16,684,304	9,530,661	2,637,305
Transfers	2,064,144	2,466,570	(2,064,144)	(2,466,570)	-	-
Special item	-	-	(4,868,614)	-	(4,868,614)	-
Change in Net Position	(4,762,895)	(11,580,429)	9,424,942	14,217,734	4,662,047	2,637,305
Net Position - beginning, as restated	361,753,016	374,658,579	457,692,185	449,613,574	819,445,201	824,272,153
Net Position - ending	<u>\$ 356,990,121</u>	<u>\$ 363,078,150</u>	<u>\$ 467,117,127</u>	<u>\$ 463,831,308</u>	<u>\$ 824,107,248</u>	<u>\$ 826,909,458</u>

Governmental activities: Governmental activities decreased the City's net position by \$4,762,895. Key elements of this decrease are as follows:

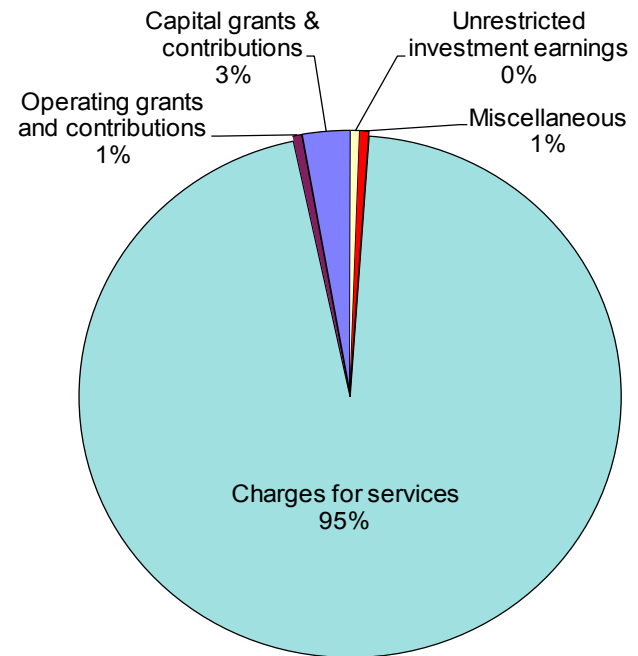
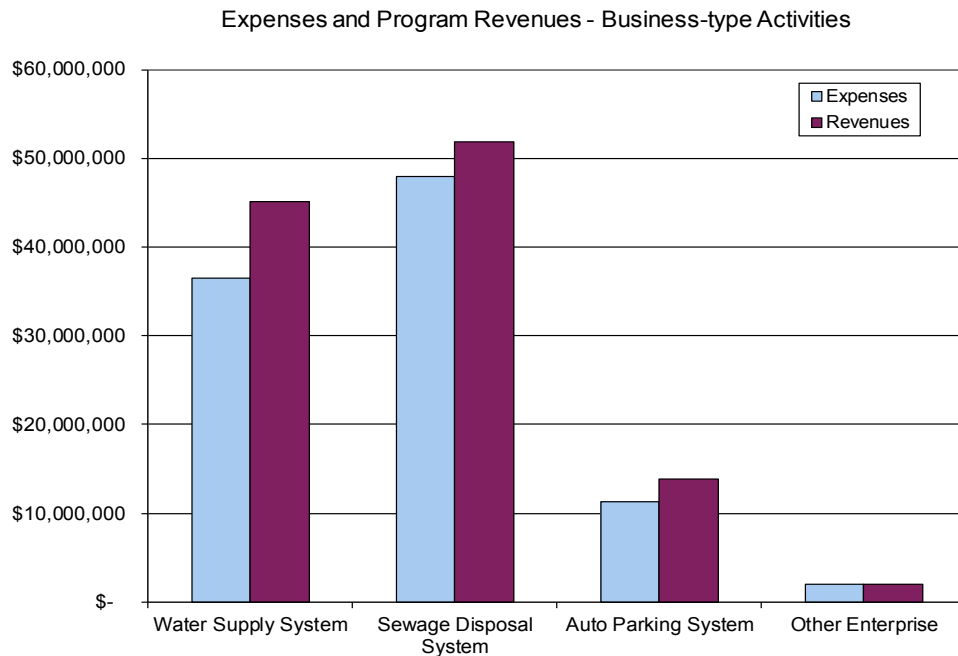
- Depreciation on existing assets of \$29.1 million, substantially in excess of the \$7.2 million cost of newly capitalized assets, reduced net position by \$21.9 million.
- Repayments of existing debt totalled \$8.8 million, while new debt issuance of only \$0.5 million, caused net position to increase by \$8.3 million.
- Tax revenues increased \$6.4 million without a corresponding increase in expenditures. The City's largest tax revenue, the local income tax, increased \$7.3 million, or 10.7%. The increase was a result of both increasing incomes and lower than expected year-end refunds. Local property tax revenue decreased 5.1% because of a continued decline in property values that began in 2008. State shared taxes increased 3.0%, mostly as a result of increases in retail sales that increased the sales and use tax dollars in the revenue sharing formula.

Expenses and Program Revenues - Governmental Activities



Business-type activities: Business-type activities increased the City's net position by \$9,424,942. The key elements of this increase are as follows:

- The Water System benefited from an increase in volume of 8.77% because of drought conditions in 2012, partially offset by a mid-year rate decrease of 4.41%. The Sewer System was negatively affected by both a volume decrease of 2.61% and a mid-year rate decrease of 2.46% leading to a total decline in revenue of 6.1% from the prior fiscal year. The revenue decline coupled with increased expenses dropped the Sewer System's debt coverage ratio to 122%.
- The Parking System realized \$476,490 of increased revenue outside the normal work day from the growing popularity of downtown as an entertainment destination. The twelve local post-season games of the local AHL hockey team, the Grand Rapids Griffins, on their run to the league championship helped create that result. The Parking System expected to be negatively affected by the cancelation of two long-term leases of parking spaces by building owners, but growing downtown employment and a rate increase mitigated most of the lost revenue.
- The three major funds were able to generate an operating margin sufficient to fund their current operating expenses, all required debt service payments, and increase their net position.



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, 2013, the City's governmental funds reported combined ending fund balances of \$91,274,720. Of this total, all but \$12,436,321 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 17.

The General Fund is the primary operating fund of the City. At June 30, 2013, the fund had an unassigned fund balance of \$12,677,755. 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 10.9% and 28.2% respectively of total fiscal year 2013 General Fund expenditures, compared to the unassigned and total fund balance representing 7.1% and 22.0% of fund expenditures a year earlier. The fund's fund balance increased \$6,305,313 during fiscal year 2013. As originally adopted, the budget anticipated a deficit of \$199,864. As detailed on the following page, the key factor in the increase was higher than expected income tax revenues.

The fund balance of the Library Fund decreased \$618,924. A decrease of \$336,478 was budgeted to allow the Library to complete a major project to add Radio Frequency Identification tags to their entire collection. Most of the additional decrease was from missing the goal of reducing payroll costs by \$378,000.

The fund balance of the Refuse Fund decreased by \$3,484,559, which resulted in a fund deficit of \$241,434. The decrease was largely the result of lower than anticipated revenues from the new "pay-as-you-throw" service model started in fiscal year 2013 and the transfer out of \$535,000 to begin repaying a transfer in of \$2,400,000 from the Transformation Fund to finance the start-up costs of this new service model.

The budget process anticipated the Major and Local Street Funds would decrease fund balance by \$3,338,076 and \$1,015,544 respectively. Actual results saw smaller decreases in fund balance of \$1,587,042 in the Major Street Fund and \$691,845 in the Local Street Fund. The differences were largely the result of a mild winter that required less plowing and salting to clear streets of ice and snow, as well as a late start and reduction in total effort resurfacing and restriping streets.

The fund balances of the Street Capital Construction Fund and the General Capital Construction Fund increased by \$374,372 and \$1,302,446 respectively. In both cases that was the result of more new projects being approved and funded than the amount that was spent on previously approved projects.

The fund balances of the City's nonmajor governmental funds increased by \$8.5 million. There were three major components of that increase. The completion of spending on two temporary federal programs allowed the return of the Grants Fund from the Major Fund category, bringing with it a \$2.1 million fund balance. The fund balance of the Transformation Fund increased by \$5.8 million. This was the third year of what the five-year fiscal plan anticipates will be a four year period of resource accumulation. Beginning in the fifth, and final, year of the temporary income tax increase, the fund balance is expected to decrease as rapidly as it grew as the funding source disappears and the sustainability projects planned in the earlier years are implemented. The Building Inspection Fund budgeted for a continued decline in fund balance after including an expected an 18% increase in permit revenue from the continuing economic recovery, but actual permit revenues increased 66% over the prior fiscal year leading to a million dollar increase in fund balance.

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

Unrestricted net position of the Water Supply System, Sewage Disposal System, Auto Parking System and nonmajor enterprise funds at the end of the year amounted to \$79,218,278. The total growth in net position for enterprise funds was \$9,174,092. 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 \$3,304 in appropriations net of budgeted appropriation lapse, between the original and final amended budget. Within that apparent lack of change there were three significant changes.

- \$1,171,297 of appropriations for police department payroll costs were transferred from the general fund to the grant fund to cover the difference between actual costs and the amounts allowed by grant contracts, and to clearly account for maintenance of effort requirements after grant completion.
- \$400,000 was appropriated to cover the unanticipated costs associated with the spring flooding along the Grand River.
- The expected appropriation lapse was reduced by \$500,000 to more closely match the projected savings for the year.

Actual departmental expenditures in the General Fund were \$4,574,847 below amended departmental appropriations. After considering the remaining appropriation lapse of \$2,500,000 budgeted at the fund level, expenditures were \$2,074,847 below expectations. Three departments were responsible for the majority of the savings. In total payroll costs in police, fire, and treasury were \$2,193,314 below the final budget.

Revenues for the year ended June 30, 2013 were \$6,411,482 higher than originally budgeted. The primary driver of this increase was revenue from the local income tax that was up \$5,460,822 from the original budget. In addition charges for services were \$818,515 higher than the original budget.

Economic Factors and Next Year's Budgets and Rates

City Commission, top management, and fiscal staff considered many factors when preparing the fiscal year 2014 budget. Positive financial impacts from the City Commission's 2011 adoption of the Five-Year Transformation Investment Plan are reflected in the budget. Anticipated deficits have largely been eliminated through achieving an 8.2% reduction in labor costs, investments in technology and energy efficiency, and focusing efforts on the activities that community finds most valuable. Some activities require more time and effort to reach their sustainability goals, but the savings made in most areas, coupled with the five-year, 15.4% increase in local income tax rates approved by the voters in 2010 is allowing thoughtful and effective progress toward the ultimate goal without the need to slash current service levels just to survive. The revenues from that temporary tax increase are placed in a separate fund to make visible what activities are receiving support and need to develop a plan for future survival.

The initial FY 2014 budget projected a 2.0% increase in the local income tax base. Based on projections from the State of Michigan, the amount of tax revenues returned to the City are expected to increase 2.1% from the prior year, but property tax revenue is expected to decline 1.1%.

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 27% of the cost of operating the District Court, over 23% of the cost of operations and debt service in the Cemetery Fund, over 64% of the cost of operating the Parks and Recreation Fund until the new recreation millage begins in fiscal year 2015, over 51% of the cost of operating the multijurisdictional Dispatch Fund, as well as continuing to provide any required local match dollars to the Grants Fund. Planned sustainability projects using the resources of the Transformation Fund should reduce some of these costs, but the potential effects cannot be estimated at this early stage in the implementation process.

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. FY2014 is the eighth 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. Three years ago the five year plan showed rising deficits each year within governmental activities. The latest five-year plan shows progress has been made in bringing expenditures in line with anticipated revenue sources. The fiscal diet the organization has been on the past few years, coupled with the more recent economic recovery, is finally allowing the rebuilding of reserves to cope with the unexpected and 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.



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City of Grand Rapids, Michigan
Statement of Net Position
Government Wide
June 30, 2013

	Primary Government			Total Component Units
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Equity in pooled cash and investments (Note 2)	\$ 126,139,761	\$ 80,243,022	\$ 206,382,783	\$ 20,056,260
Investments held by trustee	-	-	-	5,398,923
Receivables, net	9,979,482	17,678,379	27,657,861	1,102,676
Internal balances	2,680,741	(2,680,741)	-	-
Due from other governmental units	7,357,315	-	7,357,315	55,977
Due from component unit	46,577	-	46,577	-
Inventories	2,941,728	2,755,797	5,697,525	-
Prepaid expenses and other assets	257,054	-	257,054	315,502
Restricted assets (Notes 2 and 4)	2,763,766	53,504,947	56,268,713	-
Investment in joint venture (Note 1)	-	2,472,900	2,472,900	-
Other assets	-	207,335	207,335	-
Capital Assets (Note 5):				
Non-depreciable	20,590,320	31,985,107	52,575,427	15,141,482
Depreciable, net	317,199,174	735,719,864	1,052,919,038	34,739,372
Total assets	<u>489,955,918</u>	<u>921,886,610</u>	<u>1,411,842,528</u>	<u>76,810,192</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred on refunding of bonds	<u>1,392,567</u>	<u>7,919,535</u>	<u>9,312,102</u>	<u>1,489,130</u>
LIABILITIES				
Accounts payable and accrued expenses	17,095,096	4,104,694	21,199,790	7,860,950
Accrued interest payable	1,121,479	9,210,189	10,331,668	253,061
Due to other governmental units	2,099,224	-	2,099,224	-
Due to primary government	-	-	-	46,577
Unearned revenues	724,838	280,054	1,004,892	100,000
Customer deposits	945,391	-	945,391	-
Payable from restricted assets (Note 6):				
Bonds and contracts payable	-	20,677,776	20,677,776	-
Accrued interest and other	-	1,314,230	1,314,230	-
Noncurrent liabilities (Note 6):				
Due within 1 year:	20,949,448	2,455,999	23,405,447	4,237,748
Due in more than 1 year:	91,370,418	424,646,076	516,016,494	44,598,252
Total liabilities	<u>134,305,894</u>	<u>462,689,018</u>	<u>596,994,912</u>	<u>57,096,588</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-special assessments	<u>52,470</u>	<u>-</u>	<u>52,470</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	252,300,951	351,473,228	603,774,179	22,874,880
Restricted for:				
Expendable:				
Public Safety	2,185,672	-	2,185,672	-
Cultural and recreation	504,361	-	504,361	-
Public Works	5,872,636	-	5,872,636	-
Debt service	-	30,948,240	30,948,240	-
Authorized projects	-	-	-	5,052,276
Urban and community development	2,609,110	-	2,609,110	-
Nonexpendable:				
Perpetual care	2,841,403	-	2,841,403	-
Cultural and recreation	39,270	-	39,270	-
Unrestricted	<u>90,636,718</u>	<u>84,695,659</u>	<u>175,332,377</u>	<u>(6,724,422)</u>
Total net position	<u>\$ 356,990,121</u>	<u>\$ 467,117,127</u>	<u>\$ 824,107,248</u>	<u>\$ 21,202,734</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
<i>Governmental activities:</i>								
General government	\$ 25,763,302	\$ 8,840,382	\$ 9,158	\$ -	\$ (16,913,762)	\$ -	\$ (16,913,762)	\$ -
Public safety	83,883,605	2,432,020	2,825,236	-	(78,626,349)	-	(78,626,349)	-
Public works	50,403,933	10,176,136	605,603	1,307,488	(38,314,706)	-	(38,314,706)	-
Culture and recreation	18,560,598	1,198,277	670,332	-	(16,691,989)	-	(16,691,989)	-
Urban and community development	20,544,534	8,282,923	16,066,618	-	3,805,007	-	3,805,007	-
Interest on long-term debt	4,338,102	-	-	-	(4,338,102)	-	(4,338,102)	-
Total governmental activities	<u>203,494,074</u>	<u>30,929,738</u>	<u>20,176,947</u>	<u>1,307,488</u>	<u>(151,079,901)</u>	<u>-</u>	<u>(151,079,901)</u>	<u>-</u>
<i>Business-type activities:</i>								
Water Supply System	36,459,316	44,228,303	-	921,365	-	8,690,352	8,690,352	-
Sewage Disposal System	48,008,068	49,251,979	478,533	2,144,384	-	3,866,828	3,866,828	-
Auto Parking System	11,262,622	13,504,506	152,630	200,000	-	2,594,514	2,594,514	-
Other Enterprise	1,990,459	1,985,327	-	-	-	(5,132)	(5,132)	-
Total business-type activities	<u>97,720,465</u>	<u>108,970,115</u>	<u>631,163</u>	<u>3,265,749</u>	<u>-</u>	<u>15,146,562</u>	<u>15,146,562</u>	<u>-</u>
Total primary government	<u>\$ 301,214,539</u>	<u>\$ 139,899,853</u>	<u>\$ 20,808,110</u>	<u>\$ 4,573,237</u>	<u>(151,079,901)</u>	<u>15,146,562</u>	<u>(135,933,339)</u>	<u>-</u>
Component Units:								
Downtown Development Authority	\$ 10,626,940	\$ 903,316	\$ -	\$ -	-	-	-	(9,723,624)
Tax Increment Financing Authority	553,503	-	-	-	-	-	-	(553,503)
SmartZone Development Authority	1,263,001	12	150,000	-	-	-	-	(1,112,989)
Brownfield Redevelopment Authority	3,864,508	130,105	-	-	-	-	-	(3,734,403)
Corridor Improvement Districts	8,988	-	-	-	-	-	-	(8,988)
61st District Court	13,487,491	7,459,365	5,418,171	-	-	-	-	(609,955)
Total component units	<u>\$ 29,804,431</u>	<u>\$ 8,492,798</u>	<u>\$ 5,568,171</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,743,462)</u>
General revenues:								
Property taxes					34,131,326	-	34,131,326	13,744,046
City income taxes					75,471,493	-	75,471,493	-
Intergovernmental, unrestricted					32,627,467	-	32,627,467	-
Unrestricted investment earnings					1,541,377	593,408	2,134,785	220,581
Miscellaneous					374,239	617,730	991,969	-
Gain on sale of capital assets					106,960	-	106,960	-
Transfers (Note 9)					2,064,144	(2,064,144)	-	-
Special Item-Refund Water Bonds (Note 10)					-	(4,868,614)	(4,868,614)	4,682,555
Total general revenues, special items and transfers					<u>146,317,006</u>	<u>(5,721,620)</u>	<u>140,595,386</u>	<u>18,647,182</u>
Change in net position					(4,762,895)	9,424,942	4,662,047	2,903,720
Net position - beginning, as restated (Note 12)					<u>361,753,016</u>	<u>457,692,185</u>	<u>819,445,201</u>	<u>18,299,014</u>
Net position - ending					<u>\$ 356,990,121</u>	<u>\$ 467,117,127</u>	<u>\$ 824,107,248</u>	<u>\$ 21,202,734</u>

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

City of Grand Rapids, Michigan
Balance Sheet
Governmental Funds
June 30, 2013

	Major Governmental Funds								Total Governmental Funds
	General	Library	Refuse	Major Streets	Local Streets	Streets Capital Construction	General Capital Construction	Nonmajor Governmental Funds	
ASSETS									
Equity in pooled cash & investments (Note 2)	\$ 28,225,209	\$ 3,996,527	\$ 752,947	\$ 3,429,833	\$ 54,454	\$ 9,691,232	\$ 8,090,414	\$ 28,287,759	\$ 82,528,375
Receivables, net	6,910,567	22,225	4,371	319,670	1,677	39,519	295,197	1,445,514	9,038,740
Due from other funds (Note 9)	43,248	-	141,966	4,709	14,127	-	-	188,872	392,922
Due from other governmental units	2,366,758	46,981	-	1,845,316	459,693	-	-	2,638,567	7,357,315
Inventories	665,247	-	-	1,333,236	-	-	-	18,134	2,016,617
Long-term advance	8,420,000	-	-	-	-	-	-	-	8,420,000
Total assets	\$ 46,631,029	\$ 4,065,733	\$ 899,284	\$ 6,932,764	\$ 529,951	\$ 9,730,751	\$ 8,385,611	\$ 32,578,846	\$ 109,753,969
LIABILITIES									
Accounts payable and accruals	\$ 12,230,889	\$ 248,526	\$ 505,092	\$ 175,444	\$ 50,649	\$ 267,556	\$ 530,105	\$ 1,024,474	\$ 15,032,735
Due to other governmental units	1,725,428	-	-	-	-	-	-	125	1,725,553
Unearned revenues	9,683	402	-	-	-	-	-	713,015	723,100
Customer deposits	-	-	635,626	30,750	-	-	219,139	59,876	945,391
Total liabilities	13,966,000	248,928	1,140,718	206,194	50,649	267,556	749,244	1,797,490	18,426,779
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues - special assessments	-	-	-	-	-	19,691	32,779	-	52,470
FUND BALANCES									
Nonspendable:									
Long-term advance	8,420,000	-	-	-	-	-	-	-	8,420,000
Inventories	665,247	-	-	1,333,236	-	-	-	18,134	2,016,617
Nonexpendable Trust principal	-	14,270	-	-	-	-	-	2,866,403	2,880,673
Restricted:									
Public safety	-	-	-	-	-	-	-	2,185,672	2,185,672
Urban and community development	-	-	-	-	-	-	-	2,609,110	2,609,110
Culture and recreation	-	381,149	-	-	-	-	-	123,212	504,361
Public works	-	-	-	5,393,334	479,302	-	-	-	5,872,636
Authorized projects	-	-	-	-	-	1,003,039	296,597	-	1,299,636
Committed:									
Authorized projects	-	-	-	-	-	8,440,465	7,306,991	14,215,678	29,963,134
Other purposes	3,683,466	-	-	-	-	-	-	899,754	4,583,220
Assigned:									
Culture and recreation	-	2,233,093	-	-	-	-	-	161,663	2,394,756
Public safety	-	-	-	-	-	-	-	367,899	367,899
Urban and community development	-	-	-	-	-	-	-	3,901,045	3,901,045
Public works	-	-	-	-	-	-	-	657,137	657,137
Ensuing year budget	-	709,774	-	-	-	-	-	664,708	1,374,482
Compensated absences	6,992,685	478,519	-	-	-	-	-	623,173	8,094,377
Other purposes	225,876	-	-	-	-	-	-	1,487,768	1,713,644
Unassigned	12,677,755	-	(241,434)	-	-	-	-	-	12,436,321
Total fund balance	32,665,029	3,816,805	(241,434)	6,726,570	479,302	9,443,504	7,603,588	30,781,356	91,274,720
Total liabilities, deferred inflows of resources and fund balances	\$ 46,631,029	\$ 4,065,733	\$ 899,284	\$ 6,932,764	\$ 529,951	\$ 9,730,751	\$ 8,385,611	\$ 32,578,846	\$ 109,753,969

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

City of Grand Rapids, Michigan
Reconciliation of the Fund Balances of Governmental Funds to the
Net Assets of Governmental Activities on the Statement of Net Assets
June 30, 2013

Total governmental funds, fund balances	\$ 91,274,720
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	852,113,774
Accumulated depreciation	<u>(514,324,280)</u>
Net capital assets	337,789,494
Other long-term assets are not available to pay for current period expenditures and therefore are prepaid in the funds.	
Prepaid Expenses	257,054
Deferred Outflows of Resources:	
Deferred on refunding of bonds	1,392,567
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.	
	39,671,054
Long-term liabilities, including interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
Due to component units	46,577
Bonds and contracts payable	(86,173,698)
Premium on bonds	(1,038,642)
Compensated absences	(9,720,704)
Net OPEB Obligation	(8,220,503)
Insurance claims	(7,166,319)
Accrued interest on bonds	<u>(1,121,479)</u>
Net position of governmental activities	<u>\$ 356,990,121</u>

City of Grand Rapids, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the year ended June 30, 2013

	Major Governmental Funds							Nonmajor Governmental Funds	Total Governmental Funds
	General	Library	Refuse	Major Streets	Local Streets	Street Capital Construction	General Capital Construction		
Revenues:									
Property taxes	\$ 13,109,877	\$ 9,747,767	\$ 6,330,718	\$ -	\$ -	\$ -	\$ 4,966,850	\$ -	\$ 34,155,212
City income taxes	62,791,752	-	-	-	-	-	2,616,084	10,063,657	75,471,493
State shared taxes	14,328,287	136,023	-	10,434,131	2,776,362	-	-	4,952,664	32,627,467
Licenses and permits	455,221	-	-	-	-	-	-	3,852,617	4,307,838
Fines and forfeitures	2,192,690	210,920	-	-	-	-	-	-	2,403,610
Federal grants	-	-	-	409,675	-	73,074	-	14,822,900	15,305,649
State grants	234,890	-	-	-	-	-	-	860,708	1,095,598
Other grants & contributions	49,158	449,057	-	500	-	35,921	1,198,493	3,350,059	5,083,188
Charges for services	12,586,546	124,308	4,039,776	2,025,828	1,590	155,718	37,076	4,997,448	23,968,290
Investment earnings	332,402	50,030	36,258	21,203	19,011	1,870	1,170	231,100	693,044
Miscellaneous	128,690	2,983	-	60,729	11,471	-	70,922	161,717	436,512
Total revenues	<u>106,209,513</u>	<u>10,721,088</u>	<u>10,406,752</u>	<u>12,952,066</u>	<u>2,808,434</u>	<u>266,583</u>	<u>8,890,595</u>	<u>43,292,870</u>	<u>195,547,901</u>
Expenditures:									
Current:									
General government	21,423,452	-	-	-	-	-	1,620,009	430,995	23,474,456
Public safety	71,048,979	-	-	-	-	-	-	10,151,569	81,200,548
Public works	4,956,089	-	12,968,453	8,669,209	3,363,789	-	-	1,278,879	31,236,419
Culture and recreation	-	9,328,477	-	-	-	-	-	4,612,096	13,940,573
Urban and community development	3,945,013	-	-	-	-	-	-	16,565,221	20,510,234
Debt service:									
Principal	281,348	-	-	400,000	-	-	1,357,742	5,517,161	7,556,251
Interest, fees, and bond issue costs	62,993	513	-	423,145	-	-	408,669	3,234,716	4,130,036
Capital outlay	-	-	-	32,064	6,179	3,391,282	3,005,418	168,275	6,603,218
Total expenditures	<u>101,717,874</u>	<u>9,328,990</u>	<u>12,968,453</u>	<u>9,524,418</u>	<u>3,369,968</u>	<u>3,391,282</u>	<u>6,391,838</u>	<u>41,958,912</u>	<u>188,651,735</u>
Excess (deficit) of revenues over expenditures	<u>4,491,639</u>	<u>1,392,098</u>	<u>(2,561,701)</u>	<u>3,427,648</u>	<u>(561,534)</u>	<u>(3,124,699)</u>	<u>2,498,757</u>	<u>1,333,958</u>	<u>6,896,166</u>
Other financing sources (uses):									
Transfers in (Note 9)	16,116,739	-	-	35,500	19,500	3,544,000	717,889	19,727,564	40,161,192
Transfers out (Note 9)	(14,245,219)	(2,011,022)	(922,858)	(5,037,551)	(149,811)	(44,929)	(2,441,000)	(12,550,788)	(37,403,178)
Face value of bonds and contracts issued	-	-	-	-	-	-	526,800	-	526,800
Total other financing sources (uses)	<u>1,871,520</u>	<u>(2,011,022)</u>	<u>(922,858)</u>	<u>(5,002,051)</u>	<u>(130,311)</u>	<u>3,499,071</u>	<u>(1,196,311)</u>	<u>7,176,776</u>	<u>3,284,814</u>
Net change in fund balances	<u>6,363,159</u>	<u>(618,924)</u>	<u>(3,484,559)</u>	<u>(1,574,403)</u>	<u>(691,845)</u>	<u>374,372</u>	<u>1,302,446</u>	<u>8,510,734</u>	<u>10,180,980</u>
Fund balances - beginning	26,359,716	4,435,729	3,243,125	8,313,612	1,171,147	9,069,132	6,301,142	22,270,622	81,164,225
Current year change in inventory levels	(57,846)	-	-	(12,639)	-	-	-	-	(70,485)
Fund balances - ending	<u>\$ 32,665,029</u>	<u>\$ 3,816,805</u>	<u>\$ (241,434)</u>	<u>\$ 6,726,570</u>	<u>\$ 479,302</u>	<u>\$ 9,443,504</u>	<u>\$ 7,603,588</u>	<u>\$ 30,781,356</u>	<u>\$ 91,274,720</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, 2013

Net change in fund balances - total governmental funds \$ 10,180,980

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 (\$26,044,878) exceeded capital outlays (\$3,538,732). (22,506,146)

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 (526,800)
Repayments 7,556,251

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 80,286
Compensated absences (90,410)
Net OPEB obligation (1,533,565)
Other 87,035

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.

1,989,474

Change in net position of governmental activities \$ (4,762,895)

City of Grand Rapids, Michigan
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
ASSETS						
Current assets:						
Equity in pooled cash and investments (Note 2)	\$ 33,385,051	\$ 29,045,921	\$ 17,313,434	\$ 498,616	\$ 80,243,022	\$ 43,611,386
Receivables, net	7,469,471	9,735,667	253,216	220,025	17,678,379	897,493
Due from other funds (Note 9)	261,878	-	-	-	261,878	-
Due from component units	-	-	-	-	-	46,577
Investment in joint venture (Note 1)	-	2,472,900	-	-	2,472,900	-
Inventory	1,652,564	1,091,900	-	11,333	2,755,797	925,111
Restricted Assets (Note 4)	10,406,000	11,586,006	-	-	21,992,006	2,763,766
Prepaid expenses and other assets	-	-	-	-	-	257,054
Total current assets	<u>53,174,964</u>	<u>53,932,394</u>	<u>17,566,650</u>	<u>729,974</u>	<u>125,403,982</u>	<u>48,501,387</u>
Noncurrent assets:						
Restricted assets (Note 4)	2,095,952	29,416,989	-	-	31,512,941	-
Other assets	-	-	-	207,335	207,335	-
Capital assets: (Note 5)						
Non-depreciable	11,198,740	13,936,453	6,844,659	5,255	31,985,107	-
Depreciable	444,621,289	654,000,286	87,522,093	5,682,847	1,191,826,515	53,140,341
Less accumulated depreciation	<u>(167,997,146)</u>	<u>(245,734,257)</u>	<u>(38,393,988)</u>	<u>(3,981,260)</u>	<u>(456,106,651)</u>	<u>(43,405,826)</u>
Total noncurrent assets	<u>289,918,835</u>	<u>451,619,471</u>	<u>55,972,764</u>	<u>1,914,177</u>	<u>799,425,247</u>	<u>9,734,515</u>
Total assets	<u>343,093,799</u>	<u>505,551,865</u>	<u>73,539,414</u>	<u>2,644,151</u>	<u>924,829,229</u>	<u>58,235,902</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred on refunding of bonds	<u>2,749,215</u>	<u>4,319,670</u>	<u>850,650</u>	<u>-</u>	<u>7,919,535</u>	<u>-</u>

City of Grand Rapids, Michigan
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
LIABILITIES						
Current liabilities:						
Vouchers and accounts payable	\$ 2,130,226	\$ 1,207,517	\$ 526,168	\$ 240,783	\$ 4,104,694	\$ 2,062,360
Accrued interest payable	2,654,664	6,188,144	367,381	-	9,210,189	28,206
Due to other governmental units	-	-	-	-	-	373,671
Due to other funds (Note 9)	-	-	-	-	-	611,552
Unearned revenues	90,070	189,984	-	-	280,054	1,738
Current portion of claims payable	-	-	-	-	-	5,546,037
Current maturities of bonds, notes and contracts payable (Note 6)	-	81,000	995,000	-	1,076,000	1,011,335
Current portion of compensated absences and workers' compensator	744,112	517,917	92,247	25,723	1,379,999	624,717
Current portion of long-term advance	-	-	1,365,000	-	1,365,000	-
Liabilities payable from restricted assets (Note 6):						
Current maturities of bonds, notes and contracts payable	10,406,000	10,271,776	-	-	20,677,776	-
Other	-	1,314,230	-	-	1,314,230	-
Total current liabilities	<u>16,025,072</u>	<u>19,770,568</u>	<u>3,345,796</u>	<u>266,506</u>	<u>39,407,942</u>	<u>10,259,616</u>
Noncurrent liabilities (net of current portion) (Note 6):						
Bonds payable	116,231,742	274,225,501	32,982,005	-	423,439,248	2,032,415
Contracts and notes payable	-	451,500	-	-	451,500	325,099
Long-term advance	-	-	7,055,000	-	7,055,000	-
General claims payable	-	-	-	-	-	321,512
Compensated absences and workers' compensation	456,069	317,433	56,538	15,766	845,806	1,399,535
Net OPEB Obligation (Note 8)	(14,260)	(94,128)	9,150	8,760	(90,478)	80,968
Total noncurrent liabilities	<u>116,673,551</u>	<u>274,900,306</u>	<u>40,102,693</u>	<u>24,526</u>	<u>431,701,076</u>	<u>4,159,529</u>
Total liabilities	<u>132,698,623</u>	<u>294,670,874</u>	<u>43,448,489</u>	<u>291,032</u>	<u>471,109,018</u>	<u>14,419,145</u>
NET POSITION						
Net investment in capital assets	167,404,076	160,366,551	21,995,759	1,706,842	351,473,228	6,507,267
Restricted:						
Debt service	8,877,110	22,071,130	-	-	30,948,240	275,002
Unrestricted	36,863,205	32,762,980	8,945,816	646,277	79,218,278	37,034,488
Total net position	<u>\$ 213,144,391</u>	<u>\$ 215,200,661</u>	<u>\$ 30,941,575</u>	<u>\$ 2,353,119</u>	<u>461,639,746</u>	<u>\$ 43,816,757</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time					<u>5,477,381</u>	
Net position of business-type activities					<u>\$ 467,117,127</u>	

City of Grand Rapids, Michigan
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
for the year ended June 30, 2013

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
Operating revenues:						
Charges for services	\$ 1,663,506	\$ 48,444,028	\$ 13,503,343	\$ 1,682,787	\$ 65,293,664	\$ 49,540,986
Sales	42,466,172	38,966	-	302,540	42,807,678	9,354
Miscellaneous	98,625	768,985	1,163	-	868,773	793,945
Total operating revenues	44,228,303	49,251,979	13,504,506	1,985,327	108,970,115	50,344,285
Operating expenses:						
Personal services	12,079,584	8,997,556	1,874,778	778,162	23,730,080	7,085,515
Supplies and materials	1,324,931	1,866,739	118,845	331,589	3,642,104	4,139,392
Utilities	3,793,728	2,691,226	498,686	205,074	7,188,714	1,419,932
Contractual services	1,230,135	6,124,021	1,993,470	395,655	9,743,281	3,443,854
Other services and charges	5,123,385	2,906,720	2,072,005	138,056	10,240,166	28,935,506
Depreciation	7,732,587	13,300,710	3,078,838	148,279	24,260,414	3,059,153
Total operating expenses	31,284,350	35,886,972	9,636,622	1,996,815	78,804,759	48,083,352
Operating income (loss)	12,943,953	13,365,007	3,867,884	(11,488)	30,165,356	2,260,933
Nonoperating revenues (expenses):						
Other federal revenue	-	478,533	152,630	-	631,163	19,405
Interest revenue	218,210	247,291	124,918	2,989	593,408	663,699
Miscellaneous revenue	581,765	25,934	10,031	-	617,730	136
Gain on sale of capital assets	-	-	-	-	-	106,960
Interest expense and paying agent fees	(5,274,550)	(12,235,331)	(1,656,675)	-	(19,166,556)	(116,939)
Total nonoperating revenues (expenses)	(4,474,575)	(11,483,573)	(1,369,096)	2,989	(17,324,255)	673,261
Income (loss) before capital contributions and transfers	8,469,378	1,881,434	2,498,788	(8,499)	12,841,101	2,934,194
Capital contributions	921,365	2,144,384	200,000	-	3,265,749	-
Transfers in (Note 9)	2,034,682	-	-	824,673	2,859,355	1,329,412
Transfers out (Note 9)	(1,379,102)	(2,197,774)	(989,457)	(357,166)	(4,923,499)	(2,023,282)
Special Items:						
Smart Zone refunding bond with Water (Note 10)	(4,868,614)	-	-	-	(4,868,614)	-
Change in net position	5,177,709	1,828,044	1,709,331	459,008	9,174,092	2,240,324
Total net position - beginning, as restated (Note 12)	207,966,682	213,372,617	29,232,244	1,894,111		41,576,433
Total net position - ending	\$ 213,144,391	\$ 215,200,661	\$ 30,941,575	\$ 2,353,119		\$ 43,816,757
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					250,850	
Change in net position of business-type activities					\$ 9,424,942	

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

for the year ended June 30, 2013

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
Cash flows from operating activities:						
Receipts from customers	\$ 48,126,412	\$ 51,990,246	\$ 13,572,339	\$ 1,980,293	\$ 115,669,290	\$ 49,237,888
Payments to suppliers	(10,866,504)	(23,096,578)	(4,550,071)	(1,418,227)	(39,931,380)	(35,640,176)
Payments to employees	(7,503,743)	(5,570,995)	(1,239,028)	(609,213)	(14,922,979)	(4,463,895)
Payments for payroll taxes and benefits	(4,551,157)	(3,309,232)	(616,458)	(168,886)	(8,645,733)	(2,574,862)
Other operating revenues (expenses)	581,765	25,934	11,194	-	618,893	794,081
Net cash provided (used) by operating activities	<u>25,786,773</u>	<u>20,039,375</u>	<u>7,177,976</u>	<u>(216,033)</u>	<u>52,788,091</u>	<u>7,353,036</u>
Cash flows from noncapital financing activities:						
Other federal revenue	-	478,533	152,630	-	631,163	19,405
Transfers from other funds	2,034,682	-	-	824,673	2,859,355	1,329,412
Transfers to other funds	(1,379,102)	(2,197,774)	(989,457)	(357,166)	(4,923,499)	(2,023,282)
Special Item	(4,868,614)	-	-	-	(4,868,614)	-
Net cash provided (used) by noncapital financing activities	<u>(4,213,034)</u>	<u>(1,719,241)</u>	<u>(836,827)</u>	<u>467,507</u>	<u>(6,301,595)</u>	<u>(674,465)</u>
Cash flows from capital and related financing activities:						
Proceeds from capital debt	8,328,054	77,475,838	-	-	85,803,892	-
Proceeds from capital grant	138,272	1,223,921	-	-	1,362,193	-
Purchase of capital assets	(9,550,976)	(18,103,639)	(129,891)	(198,632)	(27,983,138)	(3,624,670)
Sale of capital assets	-	-	-	-	-	112,242
Principal paid on capital debt	(9,591,675)	(44,242,129)	(2,482,839)	-	(56,316,643)	(988,652)
Interest paid on capital debt	(5,499,501)	(14,915,217)	(1,765,783)	-	(22,180,501)	(128,466)
Net cash provided (used) by capital and related financing activities	<u>(16,175,826)</u>	<u>1,438,774</u>	<u>(4,378,513)</u>	<u>(198,632)</u>	<u>(19,314,197)</u>	<u>(4,629,546)</u>
Cash flows from investing activities:						
Interest received	218,210	247,291	124,918	2,989	593,408	663,699
Net increase in equity in pooled cash and investments	5,616,123	20,006,199	2,087,554	55,831	27,765,707	2,712,724
Equity in pooled cash and investments - beginning of year	31,238,648	27,913,898	15,225,880	442,785	74,821,211	43,662,428
Equity in pooled cash and investments - end of year						
(including \$3,469,720, \$18,874,176 and \$2,763,766 for the Water System, Sewage System and Internal Service, respectively, reported in restricted accounts)	<u>\$ 36,854,771</u>	<u>\$ 47,920,097</u>	<u>\$ 17,313,434</u>	<u>\$ 498,616</u>	<u>\$ 102,586,918</u>	<u>\$ 46,375,152</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, 2013

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 12,943,953	\$ 13,365,007	\$ 3,867,884	\$ (11,488)	\$ 30,165,356	\$ 2,260,933
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	7,732,587	13,300,710	3,078,838	148,279	24,260,414	3,059,153
Miscellaneous cash received	581,765	25,934	10,031	-	617,730	136
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	2,519,236	2,460,105	68,996	(7,066)	5,041,271	(114,985)
(Increase) decrease in due from other intergovernmental units	1,165,517	-	-	-	1,165,517	(46,577)
(Increase) decrease in inventory	360,517	60,166	-	2,032	422,715	(131,737)
Decrease in prepaid expenses	-	-	-	-	-	176,197
Increase (decrease) in vouchers and accounts payable	1,042,626	196,502	165,327	(24,676)	1,379,779	881,263
Decrease in due to other intergovernmental units	-	-	-	-	-	(73,457)
Increase (decrease) in due to other funds	(261,878)	-	-	(323,177)	(585,055)	611,552
Increase (decrease) in unearned revenues	90,070	189,984	-	-	280,054	(19,153)
Increase in restricted assets	(412,304)	(9,676,362)	(32,392)	-	(10,121,058)	-
Increase (decrease) in compensated absences	(61,096)	49,660	5,322	(2,316)	(8,430)	(10,980)
Increase in Net OPEB Obligation	85,780	67,669	13,970	2,379	169,798	57,738
Increase in general claims payable	-	-	-	-	-	702,953
	<u>12,842,820</u>	<u>6,674,368</u>	<u>3,310,092</u>	<u>(204,545)</u>	<u>22,622,735</u>	<u>5,092,103</u>
Net cash provided (used) by operating activities	<u>\$ 25,786,773</u>	<u>\$ 20,039,375</u>	<u>\$ 7,177,976</u>	<u>\$ (216,033)</u>	<u>\$ 52,788,091</u>	<u>\$ 7,353,036</u>
Noncash capital activities						
Contributions of capital assets	\$ 783,093	\$ 920,463	\$ 200,000	\$ -	\$ 1,903,556	\$ -

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

City of Grand Rapids, Michigan
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Total Employee Benefit Trust Funds	Agency Tax Fund
	<hr/>	<hr/>
ASSETS		
Equity in pooled cash and investments (Note 2)	\$ 1,937,072	\$ 351,049
Investments held by trustee (Note 2):		
Cash and money market funds	10,718,842	-
United States Government Securities	51,378,808	-
State and municipal bonds	972,519	-
Corporate bonds and fixed income comingled funds	127,201,812	-
Common stocks and equity mutual funds	449,939,873	-
Real Estate	37,556,154	-
Asset-backed securities	19,956,769	-
Commodities	15,375,749	-
Other	5,106,040	-
Comingled multi-asset portfolio	25,085,787	-
Collateral held by broker under securities lending		
Short-term fixed income	35,610,966	-
Receivables, net:		
Investment securities sold	525,000	-
Property taxes	-	703,207
Other accounts	1,540,382	-
Accrued interest and dividends	<u>1,040,292</u>	<u>-</u>
Total assets	<u>783,946,065</u>	<u>1,054,256</u>
LIABILITIES		
Compensated absences	32,963	-
Investment securities purchased	759,366	-
Vouchers and accounts payable	922,550	-
Due to other funds (Note 9)	23,870	-
Due to other governmental units	-	1,054,256
Liabilities under securities lending program	<u>35,610,966</u>	<u>-</u>
Total liabilities	<u>37,349,715</u>	<u>\$ 1,054,256</u>
NET POSITION		
Held in trust for pension and OPEB benefits	<u>\$ 746,596,350</u>	

City of Grand Rapids, Michigan
Statement of Changes in Net Position
Fiduciary Funds

for the year ended June 30, 2013

	Total Employee Benefit Trust Funds
	<hr/>
ADDITIONS	
Plan Contributions:	
Employer	\$ 31,050,404
Plan members	<u>7,222,009</u>
Total contributions	38,272,413
Investment earnings (loss):	
Interest and dividends	8,824,523
Net appreciation in fair value of investments	<u>84,420,800</u>
Total investment earnings	93,245,323
Investment management expense	<u>(1,782,063)</u>
Net investment earnings	<u>91,463,260</u>
Securities lending earnings	84,830
Securities lending expenses	<u>(29,668)</u>
Net earnings from securities lending activities	<u>55,162</u>
Total net investment earnings	<u>91,518,422</u>
Total additions	<u>129,790,835</u>
DEDUCTIONS	
Benefits paid	55,896,363
Administration expenses	<u>1,191,080</u>
Total deductions	<u>57,087,443</u>
Change in net position	72,703,392
Total net position - beginning	<u>673,892,958</u>
Total net position - ending	<u>\$ 746,596,350</u>

City of Grand Rapids, Michigan
Statement of Net Position
Component Units
June 30, 2013

	Downtown Development Authority	Tax Increment Financing Authority	SmartZone Local Development Financing Authority	Brownfield Redevelopment Authority	Corridor Improvement Districts	61st District Court	Totals
ASSETS							
Equity in pooled cash and investments (Note 2)	\$ 10,950,157	\$ 1,514,290	\$ 3,961,346	\$ 1,774,834	\$ 5,593	\$ 1,850,040	\$ 20,056,260
Investments held by trustee (Note 2)	5,398,923	-	-	-	-	-	5,398,923
Receivables, net	1,086,819	2,453	8,328	3,128	-	1,948	1,102,676
Due from other governmental units	-	-	-	-	-	55,977	55,977
Prepaid expenses and other assets	315,502	-	-	-	-	-	315,502
Capital Assets (Note 5):							
Non-depreciable	13,861,482	1,280,000	-	-	-	-	15,141,482
Depreciable	76,525,396	4,027,124	-	-	-	20,212	80,572,732
Less: accumulated depreciation	<u>(43,196,698)</u>	<u>(2,620,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,362)</u>	<u>(45,833,360)</u>
Total assets	<u>64,941,581</u>	<u>4,203,567</u>	<u>3,969,674</u>	<u>1,777,962</u>	<u>5,593</u>	<u>1,911,815</u>	<u>76,810,192</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred gain on refunding of debt	<u>1,466,485</u>	<u>22,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,489,130</u>
LIABILITIES							
Vouchers payable and accruals	5,567,353	16,671	406,590	959,376	1,219	184,017	7,135,226
Accrued Interest	249,080	3,981	-	-	-	-	253,061
Unearned revenue	100,000	-	-	-	-	-	100,000
Due to primary government	19,002	-	-	27,575	-	-	46,577
Due to participants	47,216	-	-	502,026	-	176,482	725,724
Non-current liabilities (Note 6):							
Due within 1 year	3,759,759	98,265	7,495	14,876	-	357,353	4,237,748
Due in more than 1 year	<u>41,588,159</u>	<u>542,452</u>	<u>2,061</u>	<u>2,324,923</u>	<u>-</u>	<u>140,657</u>	<u>44,598,252</u>
Total liabilities	<u>51,330,569</u>	<u>661,369</u>	<u>416,146</u>	<u>3,828,776</u>	<u>1,219</u>	<u>858,509</u>	<u>57,096,588</u>
NET POSITION							
Net investment in capital assets	20,800,561	2,070,469	-	-	-	3,850	22,874,880
Restricted for authorized projects	-	1,494,374	3,553,528	-	4,374	-	5,052,276
Unrestricted	<u>(5,723,064)</u>	<u>-</u>	<u>-</u>	<u>(2,050,814)</u>	<u>-</u>	<u>1,049,456</u>	<u>(6,724,422)</u>
Total net position (deficit)	<u>\$ 15,077,497</u>	<u>\$ 3,564,843</u>	<u>\$ 3,553,528</u>	<u>\$ (2,050,814)</u>	<u>\$ 4,374</u>	<u>\$ 1,053,306</u>	<u>\$ 21,202,734</u>

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

City of Grand Rapids, Michigan
Statement of Activities
Component Units
for the year ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Tax Increment Financing Authority	SmartZone			61st District Court	
						Local Development Financing Authority	Brownfield Redevelopment Authority	Corridor Improvement Districts		
Urban & community development:										
Downtown Development Authority	\$ 10,626,940	\$ 903,316	\$ -	\$ (9,723,624)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,723,624)
Tax Increment Financing Authority	553,503	-	-	-	(553,503)	-	-	-	-	(553,503)
SmartZone Development Authority	1,263,001	12	150,000	-	-	(1,112,989)	-	-	-	(1,112,989)
Brownfield Redevelopment Authority	3,864,508	130,105	-	-	-	-	(3,734,403)	-	-	(3,734,403)
Corridor Improvement Districts	8,988	-	-	-	-	-	-	(8,988)	-	(8,988)
Public safety:										
61st District Court	13,487,491	7,459,365	5,418,171	-	-	-	-	-	(609,955)	(609,955)
	<u>\$ 29,804,431</u>	<u>\$ 8,492,798</u>	<u>\$ 5,568,171</u>	<u>(9,723,624)</u>	<u>(553,503)</u>	<u>(1,112,989)</u>	<u>(3,734,403)</u>	<u>(8,988)</u>	<u>(609,955)</u>	<u>(15,743,462)</u>
General revenues:										
Investment earnings				181,714	7,045	20,081	9,693	-	2,048	220,581
Property taxes				9,037,177	448,477	1,861,511	2,389,467	7,414	-	13,744,046
Special Item				-	-	4,682,555	-	-	-	4,682,555
Total general revenues and special items				<u>9,218,891</u>	<u>455,522</u>	<u>6,564,147</u>	<u>2,399,160</u>	<u>7,414</u>	<u>2,048</u>	<u>18,647,182</u>
Change in net position				<u>(504,733)</u>	<u>(97,981)</u>	<u>5,451,158</u>	<u>(1,335,243)</u>	<u>(1,574)</u>	<u>(607,907)</u>	<u>2,903,720</u>
Net position (deficit) - beginning, as restated (Note 12)				<u>15,582,230</u>	<u>3,662,824</u>	<u>(1,897,630)</u>	<u>(715,571)</u>	<u>5,948</u>	<u>1,661,213</u>	<u>18,299,014</u>
Net position (deficit) - ending				<u>\$ 15,077,497</u>	<u>\$ 3,564,843</u>	<u>\$ 3,553,528</u>	<u>\$ (2,050,814)</u>	<u>\$ 4,374</u>	<u>\$ 1,053,306</u>	<u>\$ 21,202,734</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 31st during the 2004 fiscal year. Additional details of the Police and Fire Retirement System are included in Note 7. Separate audited financial statements are issued. The Police and Fire Retirement System is included in these statements as a fiduciary fund.

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 under the provisions of Act 450, Public Acts of 1980 of the State of Michigan, to provide for the development of the Monroe North Development Area through tax increment revenues. The TIFA is under the supervision and control of an eleven member Board appointed by the Mayor and confirmed by the City Commission.

The City of Grand Rapids SmartZone Local Development Financing Authority (“SmartZone”) was created under the provisions of the Local Development Financing Act, Act 281 of the Public Acts of 1986 of the State of Michigan, as amended by Act 248 of the Public Acts of 2000 of the State of Michigan, to promote economic development within an area, or areas, of specified boundaries. The SmartZone is under the supervision and control of an eleven member Board. Seven members are appointed by the Mayor, one by the Kent County Commission, one by the President of Grand Rapids Community College, and two by the Superintendent of the Grand Rapids Public Schools. Tax increment revenue from 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 61st District Court is one of 104 districts in the State of Michigan District Court system, which in turn is part of the one Court of Justice, established by Article 6 of the Michigan Constitution. The City is the Local Funding Unit (LFU) for the 61st District Court, in accordance with the Revised Judicature Act of 1961, Public Acts 374 and 388 of 1996 and Supreme Court Administrative Order No. 1998-5. In most instances providing funding gives control, in this case it does not. Rather, the 61st District Court is subject to control by the Michigan Supreme Court. The 61st District Court accounts for the 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 61st District Court and is required to fund its operations. The 61st 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, 2013</u>		<u>Year ended June 30, 2013</u>
Total Assets	\$ 192,116,653		
Total Liabilities	\$ 97,748,143		
Total Deferred Inflows of Resources	156,343	Revenues	\$ 6,750,716
Total Net Position	<u>94,212,167</u>	Expenses	<u>(9,814,093)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 192,116,653</u>	Change in Net Position	<u>\$ (3,063,377)</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, 2013</u>		<u>Year ended June 30, 2013</u>
Total Assets	\$ 29,533,684		
Total Liabilities	\$ 4,929,498	Revenues	\$ 12,660,276
Total Net Position	<u>24,604,186</u>	Expenses	<u>(11,877,451)</u>
Total Liabilities and Net Position	<u>\$ 29,533,684</u>	Change in Net Position	<u>\$ 782,825</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, 2013</u>		<u>Year ended June 30, 2013</u>
Total Assets	\$ 35,041,212		
Total Liabilities	\$ 28,813,681	Revenues	\$ 7,133,207
Total Net Position	<u>6,227,531</u>	Expenses	<u>(6,628,862)</u>
Total Liabilities and Net Position	<u>\$ 35,041,212</u>	Change in Net Position	<u>\$ 504,345</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 on the City's web site, www.grcity.us, within the Comptroller's Department and Retirement System sections under <http://grcity.us/Pages/Departments.aspx>.

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

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

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

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, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the Fund-based financial statements to the governmental column of the Government-wide presentation.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's ongoing operations. The principal operating revenues of the City's Enterprise and Internal Service Funds are charges to customers for sales and services. The City also recognizes as operating revenue fees intended for the costs of connecting new customers to the system. Operating expenses for Enterprise and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds of the City government (which provide services primarily to the various funds of the government) are presented, in summary form, as part of the Proprietary Fund financial statements. Since the principal user of the internal services are the City's governmental activities these services are allocated and included in the governmental column when presented at the Government-wide level. 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, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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

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

The 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.

1. Summary of Significant Accounting Policies, continued:

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.

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 nonspendable, restricted, committed, assigned, or unassigned.

The City reports the following classifications:

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

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

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 inflows. 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.

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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. Uncollected real property taxes as of March 1 are turned over to Kent County for collection. The City Treasurer remains responsible for collecting delinquent personal property taxes.

At July 2012, the total assessed value of all real and personal property in the City subject to *ad valorem* taxation was \$4,685,216,700 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 \$214,492,751 by this limitation, reducing City tax revenues by approximately \$1,752,700 for fiscal year 2013.

1. Summary of Significant Accounting Policies, continued:

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 2013, the \$92,285,000 reduction of the *ad valorem* roll total for property located in the Renaissance Zones reduced City property tax revenues by approximately \$754,100 the fiscal year.

The City's portion of the property tax levy per \$1,000 of taxable value for fiscal year 2013 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	0.0113	\$50,000 maximum	\$50,000 maximum
Refuse collection	1.6000	3.0000	2.7711
Library operating	2.0728	2.1500	2.0728
Library capital	0.3805	0.3950	0.3805

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 2013.

COMPENSATED ABSENCES

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

1. Summary of Significant Accounting Policies, continued:

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>2013</u>	<u>2012</u>
Unpaid claims - beginning of year	\$ 6,463,366	\$ 6,872,491
Incurred claims, net of changes in estimates	25,367,700	23,683,368
Claim payments	<u>(24,664,747)</u>	<u>(24,092,493)</u>
Unpaid claims - end of year	<u>\$ 7,166,319</u>	<u>\$ 6,463,366</u>

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

2. Equity in Pooled Cash and Investments

The City maintains an investment pool for most City funds. Each fund's portion of the investment pool is displayed on the balance sheet as "Equity in pooled cash and investments". The City Treasurer is responsible for most investments, with the exception of the resources of the Retirement Systems' trust funds which are managed by their own Boards of Trustees and the assets of the retiree health care trusts which are managed by the Board of the Municipal Employees Retirement System of Michigan.

The 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.

2. Equity in Pooled Cash and Investments, continued:

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 \$228,022,700 and the associated bank balances totaled \$226,868,382. Of the bank balances, \$2,939,722 was covered by federal deposit insurance. Accordingly, the remaining deposits of \$223,928,661 were uninsured and exposed to custodial credit risk. The City has no policy regarding custodial credit risk.

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.

2. Equity in Pooled Cash and Investments, continued:

At June 30, 2013, the City had the following deposits:

Financial Institution	Certificates of Deposit	Money Market Accounts	Other Deposit Accounts	Totals	
				Dollars	Percentages
AAC Credit Union	\$ 1,002,794	\$ -	\$ -	\$ 1,002,794	0.44 %
Bank of New York Mellon	-	13,665,510	-	13,665,510	5.99
Choice One Bank	2,000,000	-	-	2,000,000	0.88
Community West Credit Union	1,500,738	-	-	1,500,738	0.66
Fifth Third Bank	30,000,000	2,763,745	-	32,763,745	14.37
Flagstar Bank	-	4,066,209	-	4,066,209	1.78
Huntington National Bank	-	38,952,409	-	38,952,409	17.08
JPMorgan Chase Bank	-	51,679	86,364	138,043	0.06
Lake Michigan Credit Union	22,035,992	17,029,070	-	39,065,062	17.13
Mercantile Bank of Michigan	41,000,000	281,807	-	41,281,807	18.10
The Bank of Holland	-	351,804	-	351,804	0.15
The Private Bank	35,000,000	15,256,129	-	50,256,129	22.04
Other deposits, various banks	-	10,279	2,968,171	2,978,450	1.31
Total	<u>\$ 132,539,524</u>	<u>\$ 92,428,641</u>	<u>\$ 3,054,535</u>	<u>\$ 228,022,700</u>	<u>100.00 %</u>
Percentage	<u>58.13 %</u>	<u>40.53 %</u>	<u>1.34 %</u>	<u>100.00 %</u>	

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, 2013, all investments were held by the City's agents in the City's name.

2. Equity in Pooled Cash and Investments, continued:

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, 2013 more than 5% of the City's investments were in the commercial paper of two issuers. These investments were 42.03% from ING (US) Funding LLC and 16.81% from Deutsche Bank Financial LLC, 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. Both commercial paper issues were rated A-1/P-1 by Standard & Poor's and Moody's at time of purchase. 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, 2013 the City's investments had the following maturities:

	<u>Fair Value</u>	<u>Maturity (Days)</u>
U. S. Treasury Bills	\$ 116,979	25
U. S. Treasury Notes	5,619,200	1
U. S. Treasury Notes	16,772,106	31
Commercial Paper	24,974,625	124
Commercial Paper	9,982,583	163
Money Market Mutual Funds	1,917,441	<90

2. Equity in Pooled Cash and Investments, continued:

RETIREMENT SYSTEMS—DEPOSITS

The systems do not maintain any checking or other demand or time deposit accounts. Accounts reported as cash in the statement of plan net 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 on the preceding pages that are used to fund general city functions.

Custodial Credit Risk

Custodial Credit Risk for investments is the risk that in the event of the failure of the counter-party to a transaction, the system will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Custodial Credit Risk is minimized by having most investments either in the form of open end mutual funds, or held by the system's agent, Northern Trust Co., in the name of the system. As of December 31, 2012, no cash equivalents of the Police and Fire Retirement System (P&F) were exposed to custodial credit risk. As of June 30, 2013, 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, 2012, 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	D	AGY/TSY	Not Rated
Asset-backed securities	\$ 496,251	\$ 165,500	\$ 160,969	\$ 254,531	\$ -	\$ -	\$ 692,851	\$ 118,440	\$ -	\$ -	\$ 500,545
Commercial mortgage backed	2,339,311	-	-	-	-	-	-	-	-	-	1,419,354
Corporate bonds	-	1,440,192	4,626,632	3,120,608	532,145	510,216	-	-	-	-	704,568
Fixed Income Commingled Fund	-	-	51,172,680	-	-	-	-	-	-	-	-
Government agencies	-	407,315	-	-	-	-	-	-	-	-	-
Government bonds	-	-	-	108,000	-	-	-	-	-	10,661,327	-
Government mortgage backed	-	-	-	-	-	-	-	-	-	13,343,237	-
Gov't. issued commercial MBS	-	-	-	-	-	-	-	-	-	473,681	-
Municipal/Provincial bonds	-	-	-	-	82,289	-	-	-	-	-	-
Non-government backed CMOs	37,997	96,297	129,060	-	-	-	671,265	128,852	127,400	-	1,872,156
Funds -Short Term Investment	-	-	6,437,995	-	-	-	-	-	-	-	-
	<u>\$ 2,873,559</u>	<u>\$ 2,109,304</u>	<u>\$ 62,527,336</u>	<u>\$ 3,483,139</u>	<u>\$ 614,434</u>	<u>\$ 510,216</u>	<u>\$ 1,364,116</u>	<u>\$ 247,292</u>	<u>\$ 127,400</u>	<u>\$ 24,478,245</u>	<u>\$ 4,496,623</u>

As of June 30, 2013, 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	\$ 1,512,417	\$ 597,258	\$ 168,068	\$ 199,162	\$ -	\$ 144,519	\$ 702,095	\$ 101,049	\$ -	\$ -	\$ -
Commercial Mortgage Bkd	2,400,349	-	-	-	-	-	-	-	-	-	2,387,300
Corporate bonds	-	1,751,823	4,464,219	3,100,000	655,220	243,760	-	-	-	-	500,627
Fixed Income Commingled	-	-	54,379,123	-	-	-	-	-	-	-	-
Government agencies	-	498,264	-	-	-	-	-	-	-	-	-
Government bonds	-	-	-	88,500	-	-	-	-	-	11,711,835	-
Gov't Mortgage Backed	-	-	-	-	-	-	-	-	-	13,580,925	-
Gov't. issued CMB	-	-	-	-	-	-	-	-	-	505,744	-
Municipal/Provincial bonds	-	-	-	-	74,861	-	-	-	-	-	815,368
Non-Gov't Backed. – CMOs	-	79,084	155,752	-	-	-	553,753	-	240,952	-	1,504,231
Short-term Investment Funds	-	-	4,227,700	-	-	-	-	-	-	-	-
	<u>\$ 3,912,766</u>	<u>\$ 2,926,429</u>	<u>\$ 63,394,862</u>	<u>\$ 3,387,662</u>	<u>\$ 730,081</u>	<u>\$ 388,279</u>	<u>\$ 1,255,848</u>	<u>\$ 101,049</u>	<u>\$ 240,952</u>	<u>\$ 25,798,504</u>	<u>\$ 5,207,526</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:

P&F at December 31, 2012:		Investment Maturities in Years			
<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	\$ 2,389,087	\$ -	\$ 500,545	\$ -	\$ 1,888,542
Commercial mortgage backed	3,758,665	-	459,564	-	3,299,101
Corporate bonds	10,934,361	2,497,977	3,272,472	1,396,594	3,767,318
Fixed income commingled funds*	51,172,680	-	51,172,680	-	-
Government agencies	407,315	-	407,315	-	-
Government bonds	10,769,327	-	1,401,867	3,045,234	6,322,226
Government mortgage backed	13,343,237	-	249,200	852,563	12,241,474
Government issued commercial mortgage-backed	473,661	-	473,661	-	-
Municipal/Provincial bonds	82,289	-	-	-	82,289
Non-government backed CMOs	3,063,027	-	225,073	1,030,799	1,807,155
Short-term investment funds*	6,437,995	6,437,995	-	-	-
	<u>\$ 102,831,644</u>	<u>\$ 8,935,972</u>	<u>\$58,162,377</u>	<u>\$ 6,325,190</u>	<u>\$ 29,408,105</u>

GRS at June 30, 2013:		Investment Maturities in Years			
<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	\$ 3,424,569	\$ -	\$ 1,512,417	\$ -	\$ 1,912,152
Commercial mortgage backed	4,787,648	-	494,940	-	4,292,708
Corporate bonds	10,715,649	1,257,772	4,292,372	1,587,060	3,578,445
Fixed income commingled funds*	54,379,123	-	54,379,123	-	-
Government agencies	498,264	-	498,264	-	-
Government bonds	11,800,335	-	4,944,662	-	6,855,673
Government mortgage backed	13,580,925	-	193,639	847,647	12,539,639
Government issued commercial mortgage-backed	505,744	-	505,744	-	-
Municipal/Provincial bonds	890,229	-	-	74,861	815,368
Non-government backed CMOs	2,533,772	-	79,085	839,955	1,614,732
Short-term investment funds *	4,227,700	4,227,700	-	-	-
	<u>\$ 107,343,958</u>	<u>\$ 5,485,472</u>	<u>\$66,900,246</u>	<u>\$ 3,349,523</u>	<u>\$ 31,608,717</u>

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

2. Equity in Pooled Cash and Investments, 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. The principal investment vehicle used for international investing is a U.S. based institutional mutual fund whose shares are priced in the U.S. dollar. As of the indicated fiscal year-ends, the systems had the following U.S. dollar value of investments in foreign securities denominated in the indicated currencies:

	<u>Total Fair Value</u>	<u>Preferred and Common Stock</u>	<u>Government Bonds</u>	<u>Corporate Bonds</u>
P&F at December 31, 2012:				
U.S. Dollars	\$ 53,840,411	\$ 49,622,311	\$ 108,000	\$ 4,110,100
GRS at June 30, 2013:				
U.S. Dollar	\$ 61,317,698	\$ 56,649,969	\$ 88,500	\$ 4,579,229

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.

2. Equity in Pooled Cash and Investments, continued:

As of December 31, 2012, the P&F had the following balances related to securities lending transactions:

<u>Investment Type</u>	Fair Value of Loaned Securities Collateralized		Fair Value of Loaned Securities Collateralized by Non-	
	by Cash Collateral	Cash Collateral	Cash Collateral	Non-Cash Collateral
U.S. Agencies	\$ 408,152	\$ 417,991	\$ -	\$ -
U.S. Corporate Fixed Income	2,121,059	2,165,133	-	-
U.S. Equities	4,966,624	5,009,694	475,733	479,456
U.S. Govt. Fixed Income	4,616,162	4,708,566	-	-
	<u>\$ 12,111,997</u>	<u>\$ 12,301,384</u>	<u>\$ 475,733</u>	<u>\$ 479,456</u>

As of June 30, 2013, the GRS had the following balances related to securities lending transactions:

<u>Investment Type</u>	Fair Value of Loaned Securities Collateralized	
	by Cash Collateral	Cash Collateral
U.S. Agencies	\$ 299,236	\$ 306,634
U.S. Corporate Fixed Income	940,301	962,725
U.S. Equities	11,624,674	11,935,163
U.S. Govt. Fixed Income	9,913,991	10,105,060
	<u>\$ 22,778,202</u>	<u>\$ 23,309,582</u>

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

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, 2013, expenditures exceeded appropriations by \$202,934 in the Library Fund.

The Refuse Fund, one of the City's major governmental funds, ended the year with a deficit of \$241,434. In 2012 the City introduced a new "Pay-As-You-Throw" Smart Cart Refuse Program. Because the actual experience of this new program differed from many of the pro forma targets, financial adjustments combining cost savings and operational efficiencies with enhanced revenues are now being made to ensure the sustainability of the Refuse Fund. Once all the recommendations are implemented, the fund is projected to return to positive operating conditions by the end of FY14.

The Brownfield Redevelopment Authority, a discretely presented component unit, had a fund deficit of \$2,050,814 at June 30, 2013. 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 Position as of June 30, 2013 consist of the following:

	Proprietary Funds			
	<u>Water Supply System</u>	<u>Sewage Disposal System</u>	<u>Internal Service</u>	<u>Total</u>
Equity in pooled cash and investments	\$ 3,469,720	\$ 18,874,176	\$ -	\$ 22,343,896
Funds held by trustee	8,877,110	22,071,130	2,763,766	33,712,006
Loans receivable	<u>155,122</u>	<u>57,689</u>	<u>-</u>	<u>212,811</u>
Total restricted assets	<u><u>\$ 12,501,952</u></u>	<u><u>\$ 41,002,995</u></u>	<u><u>\$ 2,763,766</u></u>	<u><u>\$ 56,268,713</u></u>

5. Capital Assets

Capital assets at June 30, 2013 are summarized as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 18,288,973	\$ -	\$ -	\$ 18,288,973
Easement/Right of Way	594,620	16,190	-	610,810
Construction in progress	<u>2,580,090</u>	<u>1,690,539</u>	<u>2,580,092</u>	<u>1,690,537</u>
Total capital assets, not being depreciated	<u>21,463,683</u>	<u>1,706,729</u>	<u>2,580,092</u>	<u>20,590,320</u>
Capital assets, being depreciated:				
Land improvements	39,709,175	499,450	-	40,208,625
Buildings and structures	174,181,477	1,661,537	-	175,843,014
Leasehold improvements	254,766	-	-	254,766
Machinery and equipment	32,867,687	2,266,457	-	35,134,144
Motor vehicles	44,743,499	3,322,519	1,094,386	46,971,632
Furniture	5,468,551	-	-	5,468,551
Software	1,095,209	-	-	1,095,209
Infrastructure	<u>526,260,710</u>	<u>286,803</u>	<u>-</u>	<u>526,547,513</u>
Total capital assets, being depreciated	<u>824,581,074</u>	<u>8,036,766</u>	<u>1,094,386</u>	<u>831,523,454</u>
Less accumulated depreciation for:				
Land improvements	24,562,850	1,629,209	-	26,192,059
Buildings and structures	77,868,495	5,686,988	-	83,555,483
Leasehold improvements	254,766	-	-	254,766
Machinery and equipment	26,902,063	2,235,191	-	29,137,254
Motor vehicles	35,677,544	2,170,841	1,089,105	36,759,280
Furniture	4,779,792	256,811	-	5,036,603
Software	222,469	205,267	-	427,736
Infrastructure	<u>316,041,375</u>	<u>16,919,724</u>	<u>-</u>	<u>332,961,099</u>
Total accumulated depreciation	<u>486,309,354</u>	<u>29,104,031</u>	<u>1,089,105</u>	<u>514,324,280</u>
Total capital assets, being depreciated, net	<u>338,271,720</u>	<u>(21,067,265)</u>	<u>5,281</u>	<u>317,199,174</u>
Governmental activities capital assets, net	<u>\$ 359,735,403</u>	<u>\$ (19,360,536)</u>	<u>\$ 2,585,373</u>	<u>\$ 337,789,494</u>

5. Capital Assets, continued:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 14,936,185	\$ -	\$ -	\$ 14,936,185
Easement/Right of Way	381,404	348,788	-	730,192
Construction in progress	14,393,509	2,197,715	272,494	16,318,730
Total capital assets, not being depreciated	<u>29,711,098</u>	<u>2,546,503</u>	<u>272,494</u>	<u>31,985,107</u>
Capital assets, being depreciated:				
Land improvements	26,971,392	155,090	-	27,126,482
Buildings and structures	199,428,433	398,632	23,230	199,803,835
Storage tanks	17,046,751	-	-	17,046,751
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	204,655,833	2,814,615	381	207,470,067
Motor vehicles	2,910,770	76,500	-	2,987,270
Furniture	1,856,988	-	-	1,856,988
Sewer service mains	440,579,257	18,305,243	-	458,884,500
Water mains	263,388,925	5,886,217	-	269,275,142
Total capital assets, being depreciated	<u>1,164,213,830</u>	<u>27,636,297</u>	<u>23,611</u>	<u>1,191,826,516</u>
Less accumulated depreciation for:				
Land improvements	17,958,547	715,738	-	18,674,285
Buildings and structures	86,128,763	4,699,036	-	90,827,799
Storage tanks	9,834,645	421,282	-	10,255,927
Water meters	7,242,282	-	-	7,242,282
Machinery and equipment	120,733,503	5,655,752	-	126,389,255
Motor vehicles	1,254,850	462,850	-	1,717,700
Furniture	1,757,889	24,644	-	1,782,533
Sewer service mains	122,017,127	8,767,713	-	130,784,840
Water mains	64,918,632	3,513,399	-	68,432,031
Total accumulated depreciation	<u>431,846,238</u>	<u>24,260,414</u>	<u>-</u>	<u>456,106,652</u>
Total capital assets, being depreciated, net	<u>732,367,592</u>	<u>3,375,883</u>	<u>23,611</u>	<u>735,719,864</u>
Business-type activities capital assets, net	<u>\$ 762,078,690</u>	<u>\$ 5,922,386</u>	<u>\$ 296,105</u>	<u>\$ 767,704,971</u>

5. Capital Assets, continued:

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

Governmental activities	
General government	\$ 1,640,928
Public safety	1,741,419
Public works	18,223,227
Culture and recreation	4,439,304
Capital assets held by the government's internal service funds	<u>3,059,153</u>
Total depreciation expense - governmental activities	<u>\$ 29,104,031</u>
Business-type activities	
Water	\$ 7,732,587
Sewer	13,300,710
Auto parking	3,078,838
Other	<u>148,279</u>
Total depreciation expense - business-type activities	<u>\$ 24,260,414</u>

DISCRETELY PRESENTED COMPONENT UNITS

Activity for the 61st District Court for the year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</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	13,475	2,887	-	16,362
Total accumulated depreciation	<u>13,475</u>	<u>2,887</u>	<u>-</u>	<u>16,362</u>
Total capital assets, being depreciated, net	<u>6,737</u>	<u>(2,887)</u>	<u>-</u>	<u>3,850</u>
61st District Court capital assets, net	<u>\$ 6,737</u>	<u>\$ (2,887)</u>	<u>\$ -</u>	<u>\$ 3,850</u>

5. Capital Assets, continued:

Activity for the Downtown Development Authority for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 13,861,482	\$ -	\$ -	\$ 13,861,482
Total capital assets, not being depreciated	<u>13,861,482</u>	<u>-</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	50,429	-	5,850,684
Furniture	<u>2,827,540</u>	<u>-</u>	<u>-</u>	<u>2,827,540</u>
Total capital assets, being depreciated	<u>76,474,967</u>	<u>50,429</u>	<u>-</u>	<u>76,525,396</u>
Less accumulated depreciation for:				
Land improvements	4,716,402	335,682	-	5,052,084
Buildings and structures	30,958,248	1,998,974	-	32,957,222
Machinery and equipment	3,417,719	190,963	-	3,608,682
Furniture	<u>1,484,458</u>	<u>94,252</u>	<u>-</u>	<u>1,578,710</u>
Total accumulated depreciation	<u>40,576,827</u>	<u>2,619,871</u>	<u>-</u>	<u>43,196,698</u>
Total capital assets, being depreciated, net	<u>35,898,140</u>	<u>(2,569,442)</u>	<u>-</u>	<u>33,328,698</u>
Downtown Development Authority capital assets, net	<u>\$ 49,759,622</u>	<u>\$ (2,569,442)</u>	<u>\$ -</u>	<u>\$ 47,190,180</u>

5. Capital Assets, continued:

Activity for the Tax Increment Financing Authority for the year ended June 30, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Total capital assets, not being depreciated	<u>1,280,000</u>	<u>-</u>	<u>-</u>	<u>1,280,000</u>
Capital assets, being depreciated:				
Land improvements	3,853,469			3,853,469
Buildings and structures	<u>173,655</u>	<u>-</u>	<u>-</u>	<u>173,655</u>
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	2,305,343	192,674		2,498,017
Buildings and structures	<u>113,600</u>	<u>8,683</u>	<u>-</u>	<u>122,283</u>
Total accumulated depreciation	<u>2,418,943</u>	<u>201,357</u>	<u>-</u>	<u>2,620,300</u>
Total capital assets, being depreciated, net	<u>1,608,181</u>	<u>(201,357)</u>	<u>-</u>	<u>1,406,824</u>
Tax Increment Financing Authority capital assets, net	<u>\$ 2,888,181</u>	<u>\$ (201,357)</u>	<u>\$ -</u>	<u>\$ 2,686,824</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, 2013. The major projects include various Water Supply System, Sewage Disposal System and Street Construction Projects. At year-end, the City's major commitments with contractors are as follows:

<u>Fund</u>	<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water	Various water mains and system construction projects	\$ 6,103,532	\$ 5,390,604
Sewer	Various sewer mains and system construction projects	7,671,440	9,798,326
General Capital	Various street construction projects	<u>1,353,730</u>	<u>1,527,003</u>
	Total	<u>\$ 15,128,702</u>	<u>\$ 16,715,933</u>

6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 63,536,801	\$ 526,800	\$ (7,614,903)	\$ 56,448,698	\$ 7,976,652
Revenue bonds	30,905,000	-	(1,180,000)	29,725,000	1,225,000
Premium on bonds	1,203,629	-	(109,027)	1,094,602	-
Discount on bonds	(61,800)	-	5,840	(55,960)	-
Total bonds & contracts payable	95,583,630	526,800	(8,898,090)	87,212,340	9,201,652
Insurance Claims	6,463,366	25,367,700	(24,664,747)	7,166,319	5,720,955
Compensated absences	9,641,275	9,213,374	(9,133,945)	9,720,704	6,026,841
Net OPEB Obligation	6,629,200	1,591,303	-	8,220,503	-
Total Long-term Liabilities- Governmental Activities	<u>\$ 118,317,471</u>	<u>\$ 36,699,177</u>	<u>\$ (42,696,782)</u>	<u>\$ 112,319,866</u>	<u>\$ 20,949,448</u>
Business-Type Activities					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 35,572,839	\$ -	\$ (1,380,339)	\$ 34,192,500	\$ 1,076,000
Revenue bonds	371,792,963	78,131,126	(54,110,311)	395,813,778	20,677,776
Premium on bonds	10,059,580	8,026,773	(1,411,203)	16,675,150	-
Discount on bonds	(1,106,434)	-	69,530	(1,036,904)	-
Total bonds & contracts payable	416,318,948	86,157,899	(56,832,323)	445,644,524	21,753,776
Compensated absences	2,234,235	1,967,862	(1,976,292)	2,225,805	1,379,999
Net OPEB Obligation	(260,276)	169,798	-	(90,478)	-
Total Long-term Liabilities- Business-Type Activities	<u>\$ 418,292,907</u>	<u>\$ 88,295,559</u>	<u>\$ (58,808,615)</u>	<u>\$ 447,779,851</u>	<u>\$ 23,133,775</u>
Component Units					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 35,112,000	\$ -	\$ (3,451,750)	\$ 31,660,250	\$ 137,700
Revenue bonds	5,375,476	-	(998,969)	4,376,507	929,047
Accrued interest	13,416,519	1,396,425	(2,721,031)	12,091,913	2,785,953
Premium on bonds	246,556	-	(64,286)	182,270	-
Total bonds & contracts payable	54,150,551	1,396,425	(7,236,036)	48,310,940	3,852,700
Satellite SmartZone, long-term advance-Water System	1,165,517	-	(1,165,517)	-	-
Compensated absences	582,102	489,780	(450,837)	621,045	385,048
Net OPEB Obligation	(148,775)	52,790	-	(95,985)	-
Total Long-term Liabilities- Component Units	<u>\$ 55,749,395</u>	<u>\$ 1,938,995</u>	<u>\$ (8,852,390)</u>	<u>\$ 48,836,000</u>	<u>\$ 4,237,748</u>

6. Long-Term Obligations, continued:

Governmental Activities	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Bonds and Contracts:			
2011 Grand Rapids Building Authority Refunding Bonds (Arch. Ctr. Ph II)	10-13 to 10-21	3 - 5%	\$ 2,105,000
2010A Grand Rapids Building Authority Bonds (736 Madison-1120 Monroe)	10-33 to 10-39	6.50%	1,770,000
2010B Grand Rapids Building Authority Bonds (736 Madison-1120 Monroe-taxable)	10-13 to 10-32	2.5-6.33%	2,655,000
2009 Grand Rapids Building Authority Refunding (Archive Center Ph I)	8-13 to 8-18	3 - 3.75%	775,000
2009 Grand Rapids Building Authority Refunding (Police Facilities)	8-13 to 8-20	3 - 4.811%	13,505,000
2004A Grand Rapids Building Authority (Condo II-sublease)	10-13 to 10-28	4.7 - 5.75%	14,650,000
2002A Grand Rapids Building Authority (Condo II)	10-13 to 10-28	4 - 5.5%	15,075,000
1998 Grand Rapids Building Authority (Library)	4-14 to 4-18	5%	8,715,000
1993 Grand Rapids and County of Kent Joint Building Authority Contract	1-14	5%	265,000
2012 Grand Rapids Brownfield Redevelopment Authority Purchase Agreement	6-14 to 6-23	2.1%	526,800
2009 Capital Improvement Bonds	8-13 to 8-29	2.65 - 6.05%	5,090,000
2007 Capital Improvement Bonds	9-13 to 9-27	4 - 5%	11,755,000
2003 Michigan Transportation Fund Bonds (Act 175 Bonds)	10-13 to 10-16	4%	870,000
1999 Michigan Transportation Fund Bonds (Act 175 Bonds)	10-13 to 10-14	5.4 - 5.5%	1,995,000
Kent County Drain Commission Contract payable (2003)	11-13 to 11-15	3.7 - 4.25%	1,054,648
Kent County Drain Commission Contract payable (2008 Floodwalls)	11-13 to 11-20	3.25 - 4.25%	3,887,250
Other 2008 installment purchase agreements	6-14 to 6-16	4.57%	590,000
Other 2002A installment purchase agreements	6-14 to 6-17	4 - 4.4%	208,566
Motor Equipment System - 2006A Installment Purchase agreements	12-13 to 12-14	4%	275,000
Motor Equipment System - 2006 Installment Purchase agreements	6-14	4%	165,000
Motor Equipment System - 2002A Installment Purchase agreements	6-14 to 6-17	4 - 4.4%	241,434
			<u>86,173,698</u>
Other:			
Insurance Claims			7,166,319
Compensated Absences			9,720,704
Net OPEB Obligation			8,220,503
Unamortized Bond Premium			1,094,602
Unamortized Bond Discount			<u>(55,960)</u>
			112,319,866
Less amounts due within one year:			
Bonds & Contracts Payable			(9,201,652)
Insurance Claims			(5,720,955)
Compensated Absences			<u>(6,026,841)</u>
			<u>(20,949,448)</u>
Total Long-Term Portion Governmental Activities			<u>\$ 91,370,418</u>

City of Grand Rapids, Michigan
Notes to Financial Statements

6. Long-Term Obligations, continued:

Business-Type Activities	Maturity Dates	Interest Rates	Outstanding Balance
Bonds and Contracts:			
2013 Water Supply System Revenue Refunding Bonds	1-14 to 1-25	2 - 4%	\$ 3,385,000
2010 Water Supply System Revenue Refunding Bonds	1-14 to 1-18	4 - 5%	31,825,000
2009 Water Supply System Revenue Bonds	1-14 to 1-39	3.5 - 5%	28,310,000
2005 Water Supply System Revenue Bonds	1-14 to 1-35	4 - 5%	30,185,000
1993 Water Supply System Revenue Bonds	1-14 to 1-20	3.55 - 4.45%	21,900,000
2012 Water Supply System Junior Lien Revenue Bonds	10-14 to 10-33	2.5%	2,393,980
2012A Water Supply System Junior Lien Revenue Bonds	4-14 to 4-33	2%	585,013
2011A Water Supply System Junior Lien Revenue Bonds	10-13 to 10-31	2.5%	1,080,000
2011B Water Supply System Junior Lien Revenue Bonds	4-14 to 4-32	2.5%	785,000
2011C Water Supply System Junior Lien Revenue Bonds	4-14 to 4-33	2.5%	2,581,801
2013 Sanitary Sewer System Revenue Refunding Bonds	1-14 to 1-34	2 - 5%	37,830,000
2012 Sanitary Sewer System Revenue Bonds	1-14 to 1-42	3 - 5%	30,000,000
2010A Sanitary Sewer System Revenue Bonds (BAB's)	1-26 to 1-41	6.62 - 6.72%	21,330,000
2010B Sanitary Sewer System Revenue Bonds	1-14 to 1-25	2 - 4%	3,090,000
2010 Sanitary Sewer System Revenue Refunding Bonds	1-23 to 1-28	5%	29,625,000
2008 Sanitary Sewer System Revenue Bonds	1-14 to 1-38	3.5 - 5%	62,240,000
2005 Sanitary Sewer System Revenue Bonds	1-14 to 1-35	4 - 5.125%	46,700,000
2004 Sanitary Sewer System Revenue Bonds	1-14	4%	215,000
1998 Sanitary Sewer System Refunding and Improvement Revenue Bonds	1-14 to 1-28	5.375 - 5.5%	30,575,000
2011A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-14 to 4-32	2.5%	4,570,000
2011B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-14 to 4-33	2.5%	887,904
1995A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-14 to 4-16	2.25%	520,080
1995B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-13 to 10-16	2.25%	820,000
1994A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-13 to 10-14	2%	1,220,000
1994B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-14 to 4-15	2%	600,000
1993A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-13	2%	625,000
1993B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-13 to 10-14	2%	905,000
1992A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-13	2%	855,000
1992B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-13	2%	105,000
1991 Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-13	2%	70,000
2011 Grand Rapids Building Authority Refunding Bonds (Ottawa/Fulton)	10-13 to 10-20	3 - 4.669%	3,170,000
2011 Grand Rapids Building Authority Refunding Bonds (Monroe Center)	10-13 to 10-31	3 - 5%	8,755,000
2010C Grand Rapids Building Authority Bonds (Gallery)	10-13 to 10-35	1.85 - 5.9%	6,875,000
2008 Grand Rapids Building Authority Bonds (Weston/Commerce)	10-13 to 10-29	3.75 - 6.25%	8,335,000
2006 Grand Rapids Building Authority Bonds (Cherry/Commerce)	10-13 to 10-36	4 - 4.5%	6,525,000
Kent County Drain Commission Contract Payable (2008 Floodwall Refunding)	11-13 to 11-20	3.25 - 4.25%	<u>532,500</u>
			430,006,278
Other:			
Bond Premium			16,675,150
Bond Discount			(1,036,904)
Compensated Absences			2,225,805
Net OPEB Obligation			<u>(90,478)</u>
Less amounts due within one year:			
Bonds & Contracts Payable			447,779,851
Compensated Absences			(21,753,776)
			<u>(1,379,999)</u>
			<u>(23,133,775)</u>
Total Long-Term Portion Business-Type Activities			<u>\$ 424,646,076</u>

6. Long-Term Obligations, continued:

Governmental Funds Component Units	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
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	6-14 to 6-19	7.25 - 7.35%	4,376,507
Kent County Drain Commission Contracts Payable (2008 Floodwall Refunding)	11-13 to 11-20	3.25 - 4.25%	905,250
Brownfield Redevelopment Authority (2012)	6-15 to 6-32	2 - 4%	<u>2,325,000</u>
Other:			36,036,757
Accrued interest on Capital appreciation portion of 1994 issue			12,091,913
Compensated absences			621,045
Net OPEB Obligation			(95,985)
Unamortized Bond Premium			<u>182,270</u>
			48,836,000
Less amounts due within one year:			
Bonds & Contracts Payable			(3,852,700)
Compensated absences			<u>(385,048)</u>
			<u>(4,237,748)</u>
Total Long-Term Portion Governmental Component Units			<u>\$ 44,598,252</u>

On August 22, 2012, the City of Grand Rapids entered into a \$526,800 Installment Purchase Agreement for resurfacing and restriping Front Avenue N.W., within the Grand Rapids Brownfield Redevelopment Authority's area. The IPA was issued with an interest rate of 2.1% with maturities at varying amounts from June 2014 to 2023. The debt service is to be paid by the City and Brownfield plans to reimburse the City for the debt service through tax increment revenues.

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% to 5% with maturities at varying amounts from January 2014 to 2042. The net proceeds of \$32,848,320 (including a premium of \$3,049,867 less original underwriter's discount of \$201,547) were used for issue costs of the bonds, a debt service reserve fund, and for paying the cost of certain improvements to the City's Sanitary Sewer System.

On March 13, 2013, the City of Grand Rapids issued Water Supply System Revenue Refunding Bonds in the amount of \$3,385,000 with interest rates ranging from 2% to 4% with maturities at varying amounts from January 2014 to 2028. The net proceeds of \$3,429,420 (including a premium of \$69,807 less underwriter's discount of \$25,387) were used for issue costs of the bonds and deposited with an escrow agent to advance refund the Grand Rapids SmartZone Local Redevelopment Authority Local Development Bonds, Series 2004. The refunded bonds were used to pay for a portion of the cost of acquisition, construction and equipping of a new water service facility for the Water Supply System. The net present value savings is \$348,911, actual savings is \$441,392.

6. Long-Term Obligations, continued:

On May 16, 2013 the City of Grand Rapids issued Sanitary Sewer System Revenue Refunding Bonds in the amount of \$37,830,000 with interest rates ranging from 2% to 5% with maturities at varying amounts from January 2014 to 2034. The net proceeds of \$42,530,332 (including a premium of \$4,943,597 less original issue discount of \$36,498 and underwriter's discount of \$206,767) were used for issue costs of the bonds, a debt service reserve fund, and deposited with an escrow agent to advance refund a portion of the series 2004 Sanitary Sewer System Revenue Bonds which will be called July 1, 2014. The net present value savings is \$4,543,678, actual savings is \$5,798,714.

On April 8, 2011, June 24, 2011, and on March 14, 2013 the City of Grand Rapids committed to the issuance of a maximum of \$6,000,000, \$3,160,000, and \$2,235,000 of Sanitary Sewer System Junior Lien Revenue Bonds, series 2011A, 2011B and 2013, 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 2011 series is 2.5% on the 2013 series the interest rate is 2.0%. 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 commenced April 2013. Principal payments commence April 2014 on the series 2011B bonds. There is a possible principal forgiveness of \$964,200 on series 2013, for a total principal owed of \$ 1,270,800. At June 30, 2013, \$4,969,235 was received for Series 2011A and \$887,904 was received for Series 2011B. There were no funds received for Series 2013, and therefore no debt liability recorded as of June 30, 2013.

On April 8, 2011, June 24, 2011, September 23, 2011, September 7, 2012 and on December 3, 2012 the City of Grand Rapids committed to the issuance of a maximum of \$1,500,000, \$960,000, \$3,460,000, \$4,380,000, and \$770,000 of Water Supply System Junior Lien Revenue Bonds, series 2011A , 2011B, 2011C, 2012, and 2012A 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%, except series 2012A is 2%. 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 commenced October 2012. Possible principal forgiveness on series 2011B is \$144,000, for a total principal owed of \$816,000. Principal payments commenced 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. Possible principal forgiveness on series 2012 is \$832,200 for a total principal owed of \$3,547,800 with principal payments commencing on October 1, 2014. Principal payments commence on April 1, 2014 for series 2012A. At June 30, 2013, \$1,194,681 was received for Series 2011A, \$885,266 was received for Series 2011B, \$2,581,801 was received for Series 2011C, \$2,393,980 was received for Series 2012, and \$585,013 was received for Series 2012A.

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 and a majority of the series 2011 refunding bond for which the obligations and related assets are recorded in the Auto Parking System Enterprise Fund. The City pays the current debt service requirements on these bonds in the form of lease payments to the GRBA. The City has pledged its limited full faith and credit on these bonds.

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.

6. Long-Term Obligations, continued:

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.

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 \$53,433,904 or the 2013 JBA bonds of \$5,470,000. These bonds were issued to finance a substantial portion of the new DeVos Place Convention Center Facility. The bonds are payable from the proceeds of semi-annual rental payments in amounts sufficient to pay principal and interest on the bonds. The County has the sole responsibility for the repayment of this debt through its Hotel/Motel tax receipts and general assets. The Downtown Development Authority has pledged to reimburse the county for half of the debt service payments on the 2013 bonds. The City is not liable for the payment of principal or interest and therefore has excluded them from the financial statements.

The annual requirements for debt service payments on long term bonds and contracts payable at June 30, 2013 are:

Fiscal Year	Governmental Activities		Business Type Activities		Component Units		Totals	
	Principal	Interest	Principal	Interest	Governmental		Principal	Interest
					Principal	Interest		
2014	\$ 9,201,652	\$ 3,842,162	\$ 21,753,776	\$ 18,972,960	\$ 1,066,747	\$ 4,378,640	\$ 32,022,175	\$ 27,193,762
2015	9,006,240	3,470,882	20,495,339	18,879,031	1,164,047	4,661,703	30,665,626	27,011,616
2016	8,061,305	3,128,358	20,034,644	18,107,349	1,107,937	4,718,331	29,203,886	25,954,038
2017	7,401,901	2,804,365	20,820,102	17,252,484	1,382,672	4,778,451	29,604,675	24,835,300
2018	7,616,100	2,474,979	21,397,476	16,328,269	1,349,500	4,811,662	30,363,076	23,614,910
2019-2023	21,861,500	8,359,846	71,551,814	69,779,062	23,970,854	6,122,506	117,384,168	84,261,414
2024-2028	17,325,000	3,766,997	88,521,305	51,495,022	5,345,000	451,938	111,191,305	55,713,957
2029-2033	3,930,000	559,185	79,969,998	31,367,986	650,000	61,681	84,549,998	31,988,852
2034-2038	1,220,000	210,568	64,111,824	12,556,835	-	-	65,331,824	12,767,403
2039-2043	550,000	19,841	21,350,000	1,926,455	-	-	21,900,000	1,946,296
	<u>\$ 86,173,698</u>	<u>\$ 28,637,183</u>	<u>\$ 430,006,278</u>	<u>\$ 256,665,453</u>	<u>\$ 36,036,757</u>	<u>\$ 29,984,912</u>	<u>\$ 552,216,733</u>	<u>\$ 315,287,548</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, 2013</u>
2003	Michigan Transportation Bonds	\$ 865,000
2004	SmartZone Local Development Authority Bonds	3,105,000
2004	Sanitary Sewer System Revenue Bonds	35,545,000

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. The liability is liquidated primarily from the General Fund as it contains the most significant compensated absence balance of the governmental funds.

7. Retirement Plans

The City has two single-employer defined benefit pension plans which provide retirement and disability benefits to plan members and beneficiaries. 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 61st 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. Each systems financial report 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.

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

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)	19.07%	20.64%
Plan Members	9.86 - 14.9%	3.22% - 11.54%
Actuarial valuation date	December 31, 2012	June 30, 2012
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	26 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</u>	<u>Percentage of APC</u>	<u>Net Pension</u>
		<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
Police and Fire Retirement System	June 30, 2011	\$ 5,780,419	100%	\$ -
	June 30, 2012	7,996,035	100	-
	June 30, 2013	8,264,824	100	-
General Retirement System	June 30, 2011	6,162,363	100	-
	June 30, 2012	8,949,239	100	-
	June 30, 2013	8,135,843	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.

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)
Police and Fire Retirement System						
December 31, 2012	\$ 321,323,888	\$ 375,797,800	\$ 54,473,912	86%	\$ 33,970,131	160%
General Retirement System						
June 30, 2012	349,486,629	448,864,237	99,377,608	78%	46,167,958	215%

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. Current employees not covered by one of the DB OPEB plans and 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, 2013.

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, 2013, the number of retirees currently receiving benefits under the four City DB plans was 401. 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 removed existing departmental retirees and a small number of active employees from 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.

Statement of Fiduciary Net Position <i>for the year ended June 30, 2013</i>	Retiree Health Care Trust Funds			Total Retiree Health Care Trust
	General Retiree	Police Retiree	Fire Retiree	
ASSETS				
Equity in pooled cash and investments	\$ 846,684	\$ 598,905	\$ 491,483	\$ 1,937,072
Investments held by trustee:				
Diversified investment pool	7,814,965	9,683,842	7,586,980	25,085,787
Receivables, net:				
Other accounts	60,218	13	-	60,231
Accrued interest	1,930	1,908	145	3,983
Receivables, net	62,148	1,921	145	64,214
Total assets	8,723,797	10,284,668	8,078,608	27,087,073
LIABILITIES				
Vouchers and accounts payable	197,459	88,598	75,290	361,347
Total liabilities	197,459	88,598	75,290	361,347
NET POSITION				
Held in trust for health care benefits	8,526,338	10,196,070	8,003,318	26,725,726
Total net position	\$ 8,526,338	\$ 10,196,070	\$ 8,003,318	\$ 26,725,726

8. Postemployment Benefits Other Than Pensions, continued:

Statement of Changes in Net Position
for the year ended June 30, 2013

	Retiree Health Care Trust Funds			Total Retiree Health Care Trust Funds
	General Employee	Police Retiree	Fire Retiree	
ADDITIONS				
Employer	\$ 6,286,900	\$ 4,920,360	\$ 3,513,074	\$ 14,720,334
Plan members	246,485	62,603	32,259	341,347
Total contributions	<u>6,533,385</u>	<u>4,982,963</u>	<u>3,545,333</u>	<u>15,061,681</u>
Investment income (loss):				
Interest and dividends	9,476	7,426	12,457	29,359
Net appreciation (depreciation) in fair value of investments	811,197	780,555	713,955	2,305,707
Net gains (losses) from investment activities	820,673	787,981	726,412	2,335,066
Total additions	<u>7,354,058</u>	<u>5,770,944</u>	<u>4,271,745</u>	<u>17,396,747</u>
DEDUCTIONS				
Benefits paid	5,780,801	1,338,680	2,416,662	9,536,143
Administration expenses	149,255	37,037	42,565	228,857
Total deductions	<u>5,930,056</u>	<u>1,375,717</u>	<u>2,459,227</u>	<u>9,765,000</u>
Change in net assets	1,424,002	4,395,227	1,812,518	7,631,747
Total net position - beginning	<u>7,102,336</u>	<u>5,800,843</u>	<u>6,190,800</u>	<u>19,093,979</u>
Total net position - ending	<u>\$ 8,526,338</u>	<u>\$ 10,196,070</u>	<u>\$ 8,003,318</u>	<u>\$ 26,725,726</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 (ARC) calculated by the Plans' Actuary, 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 2013, the City contributed \$14,848,200 to the four plans and retiree premium sharing added \$342,096 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, as adjusted for prior years' over/under funding, and actual current year employer contributions to the plans.

8. Postemployment Benefits Other Than Pensions, continued:

Details for each separate plan can be found below.

	<u>General Retiree Health Care Plan</u>	<u>Police Retiree Health Care Plan</u>	<u>Fire Retiree Health Care Plan</u>	<u>Library Retiree Health Care Plan</u>
Contribution rates:	Legislatively determined	Legislatively determined	Legislatively determined	Pay-as-you-go
City	24.32%	32.27%	25.84%	41.20%
Plan members	n/a	n/a	n/a	n/a
Annual required contribution (ARC)	\$ 7,155,236	\$ 5,527,932	\$ 3,921,500	\$ 137,333
Interest on net OPEB obligation	(51,332)	180,167	181,095	755
Adjustment to ARC	78,137	(232,226)	(233,422)	(3,084)
Annual OPEB cost	7,182,041	5,475,873	3,869,173	135,004
Contributions made	6,286,900	4,920,360	3,513,074	127,866
Increase (decrease) in net OPEB obligation	895,141	555,513	356,099	7,138
Net OPEB obligation (asset) - beginning of year	(1,026,647)	3,603,331	3,621,899	21,566
Net OPEB obligation (asset) - end of year	<u>\$ (131,506)</u>	<u>\$ 4,158,844</u>	<u>\$ 3,977,998</u>	<u>\$ 28,704</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, as shown on the following page for each Plan. 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.

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
General Retiree Health Care Plan	June 30, 2011	\$ 7,240,682	100 %	\$ 2,926,305
	June 30, 2012	7,106,398	156	(1,026,647)
	June 30, 2013	7,182,041	88	(131,506)
Police Retiree Health Care Plan	June 30, 2011	4,681,323	75	3,481,252
	June 30, 2012	5,508,780	98	3,603,331
	June 30, 2013	5,475,873	90	4,158,844
Fire Retiree Health Care Plan	June 30, 2011	3,592,147	107	5,039,316
	June 30, 2012	3,867,214	137	3,621,899
	June 30, 2013	3,869,173	91	3,977,998
Library Retiree Health Care Plan	June 30, 2011	137,896	85	21,020
	June 30, 2012	135,534	100	21,566
	June 30, 2013	135,004	95	28,704

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:

	General Retiree Health Care Plan	Police Retiree Health Care Plan	Fire Retiree Health Care Plan	Library Retiree Health Care Plan
Actuarial valuation date	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2013
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	21 years for unfunded actuarial liabilities	29 years for unfunded actuarial liabilities	29 years for unfunded actuarial liabilities	6 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% - 12.0%
Inflation rate	3.0%	3.0%	3.0%	3.0%
Healthcare inflation rate	9.0% grading to 3.5% over eleven years	9.0% grading to 3.5% over eleven years	9.0% grading to 3.5% over eleven years	9.0% grading to 3.5% over eleven 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)
General Retiree Plan						
June 30, 2012	\$ 7,102,336	\$ 66,882,845	\$ 59,780,509	10.6%	\$ 28,893,310	207%
Police Retiree Plan						
June 30, 2012	5,800,843	50,604,054	44,803,211	11.5%	15,788,102	284%
Fire Retiree Plan						
June 30, 2012	6,190,800	32,755,074	26,564,274	18.9%	14,372,773	185%
Library Retiree Plan						
June 30, 2013	-	807,530	807,530	0.0%	310,351	260%

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, 2013 represent temporary cash flow assistance from the General Fund and startup assistance for the new consolidated call center (311 program) that will handle phone calls for several departments across the organization.

<u>Fund</u>	<u>Primary Reason for Receivable/Payable</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	Unreimbursed payroll for fiduciary fund employees	\$ 43,248	\$ -
Fiduciary	Accrued payroll	-	759,366
Fiduciary	Timing difference due to different year end	-	(716,118)
IT - 311 Fund	Start-up funding for the 311 call center operations	-	611,552
Parks & Recreation	Support for start up of consolidated call center	25,588	-
Local Street	"	14,127	-
Major Street	"	4,709	-
Refuse	"	141,966	-
Transformation	"	163,284	-
Water Supply System	"	261,878	-
		<u>\$ 654,800</u>	<u>\$ 654,800</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, 2013, 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	\$ 7,069,417	\$ -	
		Transfer from Transformation Fund	9,047,322	-	
		Debt service, support of Streets, Parks, Dispatch & others	-	14,245,219	
	Library	Debt service & Internal cost allocation program	-	2,011,022	
	Refuse	Transfer to Transformation Fund / internal cost allocation	-	922,858	
	Major Streets	Debt service & Internal cost allocation program	35,500	5,037,551	
	Local Streets	Internal cost allocation program	19,500	149,811	
	Streets Capital	Support from Major Streets Fund	3,544,000	44,929	
	General Capital	Project support from other funds	717,889	-	
		Debt service and General Fund support	-	2,441,000	
	Non-major Governmental		Transfers to pay debt service by various funds	8,640,318	-
			Support from General Fund / internal cost allocation	11,087,246	-
			Support of General Fund	-	12,550,788
Enterprise Funds:	Water Supply System	From Sewage Disposal Fund for customer service	2,034,682	-	
		Internal cost allocation program	-	1,379,102	
	Sewage Disposal System	Allocated cost of customer service and internal costs	-	2,197,774	
	Auto Parking System	Debt service & Internal cost allocation program	-	989,457	
	Non-Major Proprietary	General Fund support of cemetery operations	824,673	357,166	
Internal Service Funds:	Information Technology	Internal cost allocation program	673,420	272,189	
	Motor Equipment	Internal cost allocation program	-	260,984	
	Facilities Management	Internal cost allocation program	455,992	834,554	
	Engineering	Internal cost allocation program	200,000	304,764	
	Insurance Payment	Internal cost allocation program	-	350,791	
			<u>\$ 44,349,959</u>	<u>\$ 44,349,959</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. Commitments -- The cities of Grand Rapids and Wyoming operate the Grand Valley Regional Biosolids Authority. Its facilities were constructed with initial financing in the amounts of \$16,430,000, at an interest rate of 1.625%, and \$17,675,000, at an interest rate of 2.5%, provided by the State of Michigan Water Pollution Control Revolving Fund. At June 30, 2013 the outstanding liability was \$28,365,000. Principal and interest payments are split between the two cities based on their usage of the facility. For fiscal year 2013, Grand Rapids' portion of the liability was 62.84%. For fiscal year 2014, it is budgeted at 61.85%.
5. Conduit debt – The City sometimes issues certain limited-obligation revenue bonds for the express purpose of providing capital financing for specific third parties. These debt issues are not an obligation of the City and therefore are not reported as such. The outstanding amount of conduit debt at June 30, 2013 was \$166,310,000.
6. Operating Leases—The City entered into a lease agreement with Kent County in October 1998, whereby the City leases part of the new courthouse facility from the County. The lease is scheduled to expire in fiscal year 2026, and includes operation and maintenance fees. Lease payments to the County for fiscal year 2013 were \$2,734,016. Total future lease payments are as follows:

<u>Year ending June 30,</u>	<u>Outstanding Lease Due</u>
2014	\$ 2,678,023
2015	2,622,418
2016	2,624,948
2017	2,626,597
2018	2,627,470
2019-2023	13,120,882
2024-2026	7,729,705

7. Lease Receivable – The City entered into a lease agreement with the Public Museum of West Michigan and the Public Museum of Grand Rapids Friends Foundation in July 2007. The Museum leases the Museum building from the City for \$1 per year for a period of 99 years, with an option to renew for an additional 50 year term to be exercised by the mutual consent of the City and the Public Museum of Grand Rapids Friends Foundation. The City retains title to the buildings and all improvements, fixtures or other types of fixed property appurtenant to the buildings and property located thereon, as well as the collection on display at the Public Museum. In accordance with the lease agreement, the City also retains a reversionary interest in the Museum's inventory and petty cash, valued at \$43,370 and \$17,700, respectively, at June 30, 2013. 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.

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

8. Lease Receivable – 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 was \$234,271. The City leases parts of the building to various tenants with terms extending into FY2016. The total lease revenue for FY2013 was \$171,473. The aggregate amount of future minimum lease payments receivable for each of the succeeding fiscal years is as follows:

<u>Year ending June 30,</u>	<u>Outstanding Lease Receipts</u>
2014	\$ 171,140
2015	170,166
2016	<u>75,281</u>
Total	<u>\$ 416,587</u>

9. Related Party Transaction – In 2004, the Water Supply System (the System) received \$3,605,000 in proceeds from general obligation limited tax local development bonds issued by the City of Grand Rapids’ SmartZone Local Development Finance Authority - Satellite District (the Authority). The bonds were issued to finance, in part, the relocation of the System’s facility from the tax increment district to allow for the proposed expansion of the adjacent Siemens Dematic Corporation manufacturing and design facilities.

Because the exact timing of the planned capital investments was uncertain at the time the bonds were issued, an agreement between the Authority and the System required the System to provide the Authority funds for any shortfall between the pledged tax increment revenues and the amount of debt service. In August 2006, Siemens Dematic Corporation sold its operations in the district to another investor that decided not to proceed with the expansion. Other recent changes in property ownership and land use in the satellite district have reduced taxable values to below the point where the Authority could capture any tax increment revenue.

Early in 2013, favorable interest rates offered an opportunity to refund the Bonds at a reduced interest cost. Therefore, in March, 2013 the System issued its Series 2013 Revenue Refunding Bonds to refund the Authority’s Series 2004 bonds. The System also wrote off advances to the Authority as uncollectable. The System recorded the transaction as special items in the amount of \$1,532,821 for the forgiveness of advances to the System and \$3,335,793 for the refunding of the outstanding bonds.

10. Subsequent Event – On Oct 4, 2013, the City of Grand Rapids issued a \$4,350,000 Capital Improvement Bond titled Series 2013 with an interest rate of 2.98%. The proceeds of the bond were used to pay the costs of issuance of the new bond and deposited with an escrow agent to advance refund Series 2009 Capital Improvement, Build America Bonds which are callable in November 2013. The City determined that it was in its best interest to refund the bonds due to the sequester of federal appropriations and the reduction of the federal interest refundable credit on the series 2009 bonds.
11. Subsequent Event – In April of 2013 the Grand River flooded portions of the City of Grand Rapids. Unexpected and unplanned costs to the City for flood control during the event, as well as the uninsured costs for repair and recovery after the event exceeded \$1 million. In November, 2013, a grant agreement was approved between the City and the Federal Emergency Management Agency that will permit the City to recover a portion of these costs in fiscal year 2014.

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, 2013 employee contributions were \$78,805 and the employer contributions were \$78,805 to this Plan. At June 30, 2013, the fair market value of plan assets was \$191,857.

The City also maintains the Officer's Option Plan, a defined contribution contributory savings plan created in accordance with IRC Section 401(a) and offered to executive and appointed employees hired prior to the establishment of the CGRDC. The plan was established and may be amended by city ordinance. Participants with the 401(a) plan may not participate in the City's defined benefit pension plans. Participants are immediately vested in required employee contributions of 6%, optional contributions of 1 - 3%, and employer contributions of 12% of employees' current salaries. Plan contributions are maintained with earnings in a deferred account for each participant. At June 30, 2013, the total fair market value of plan assets for both active and retired participants was approximately \$8,667,437. Contributions made by employees and the City totaled \$101,356 and \$178,668 respectively, for the fiscal year ended June 30, 2013. This plan was closed to new hires in 2012.

The City offers its employees deferred compensation plans created in accordance with IRC Section 457. The plans, available to all City employees, permit deferral of a portion of current salary until future years. The deferred compensation is not available to the employee until termination, retirement, death or listed emergency. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights are solely the property and rights of each individual participant. At June 30, 2013, the total market value of plan assets was approximately \$73,922,634. Net of the effect of employee contributions, withdrawals and earnings, the fair market value of plan assets increased \$6,321,503 for the year ended June 30, 2013. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent administrator.

All permanent, full-time employees that are not covered by one of the City's defined benefit retiree health care plans described in Note 8 are enrolled in 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, 2013, 212 employees were participating in this defined contribution retiree health care plan. For the fiscal year ended June 30, 2013, regular contributions made by employees and the employer totaled \$469,981 and \$832,425 respectively. As the current participants in the defined benefit retiree health care plans described elsewhere reach age 65, this defined contribution savings program will become the primary, and eventually the City's only retiree health care plan.

12. Implementation of New Pronouncements

In 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. One of the effects of Statement No. 65 was to change the reporting of amounts deferred on refunding of bonds. In prior years, these amounts were reflected in the financial statements as part of noncurrent liabilities. GASB Statement No. 65 requires these amounts to be presented as deferred outflows of resources in the statement of net position. Also in prior years, costs of bond issuance were amortized over the term of the bonds. GASB Statement 65 eliminated those amortizations by requiring the costs of bond issuance to be recorded as an expense in the fiscal year during which the bonds were issued. This change resulted in a restatement of Net Position as reported at June 30, 2012.

The adjustment is reflected in the proprietary fund financial statements as follows:

	Enterprise Funds			Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System	
Net Position as reported at June 30, 2012	\$ 212,053,894	\$ 214,971,675	\$ 29,685,097	\$ 41,667,270
Adjustment for bond issue costs	(4,087,212)	(1,599,058)	(452,853)	(90,837)
Net Position, as restated	<u>\$ 207,966,682</u>	<u>\$ 213,372,617</u>	<u>\$ 29,232,244</u>	<u>\$ 41,576,433</u>

The adjustment is reflected in the Government-wide statements as follows:

	Governmental Activities	Business-Type Activities	Component Units
Net Position as reported at June 30, 2012	\$ 363,078,150	\$ 463,831,308	\$ 18,688,264
Adjustment for bond issue costs	(1,325,134)	(6,139,123)	(389,250)
Net Position, as restated	<u>\$ 361,753,016</u>	<u>\$ 457,692,185</u>	<u>\$ 18,299,014</u>

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 13,335,610	\$ 13,335,610	\$ 13,109,877	\$ (225,733)
City income taxes	57,330,930	61,865,760	62,791,752	925,992
State shared taxes	13,870,318	13,870,318	14,328,287	457,969
Licenses and permits	416,498	416,498	455,221	38,723
Fines and forfeitures	2,156,500	2,156,500	2,192,690	36,190
State grants	227,629	227,629	234,890	7,261
Other grants and contributions	50,000	50,000	49,158	(842)
Charges for services	11,768,031	11,834,031	12,586,546	752,515
Investment earnings	575,000	575,000	332,402	(242,598)
Miscellaneous	67,515	67,515	128,690	61,175
Total revenues	<u>99,798,031</u>	<u>104,398,861</u>	<u>106,209,513</u>	<u>1,810,652</u>
Expenditures:				
Current:				
General government	23,194,527	23,750,776	21,423,452	2,327,324
Public safety	73,944,320	72,911,375	71,048,979	1,862,396
Public works	5,191,160	5,191,160	4,956,089	235,071
Urban and community development	4,118,514	4,098,514	3,945,013	153,501
Debt service:				
Principal	281,348	281,348	281,348	-
Interest and paying agent fees	59,548	59,548	62,993	(3,445)
Total expenditures	<u>106,789,417</u>	<u>106,292,721</u>	<u>101,717,874</u>	<u>4,574,847</u>
Excess (deficit) of revenues over expenditures	<u>(6,991,386)</u>	<u>(1,893,860)</u>	<u>4,491,639</u>	<u>6,385,499</u>
Other financing sources (uses):				
Budgeted appropriation lapse for the fund	3,000,000	2,500,000	-	(2,500,000)
Transfers in	16,699,727	17,213,897	16,116,739	(1,097,158)
Transfers out	<u>(13,653,412)</u>	<u>(14,464,073)</u>	<u>(14,245,219)</u>	<u>218,854</u>
Total other financing sources (uses)	<u>6,046,315</u>	<u>5,249,824</u>	<u>1,871,520</u>	<u>(3,378,304)</u>
Net change in fund balances	(945,071)	3,355,964	6,363,159	3,007,195
Fund balances - beginning	26,359,716	26,359,716	26,359,716	-
Current year change in inventory levels	-	-	(57,846)	(57,846)
Fund balances - ending	<u>\$ 25,414,645</u>	<u>\$ 29,715,680</u>	<u>\$ 32,665,029</u>	<u>\$ 2,949,349</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, 2013

	<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	\$ 9,953,600	\$ 9,953,600	\$ 9,747,767	\$ (205,833)
Intergovernmental	74,000	74,000	136,023	62,023
Fines and forfeitures	225,000	225,000	210,920	(14,080)
Other agencies grants	350,000	350,000	449,057	99,057
Charges for services	134,000	134,000	124,308	(9,692)
Investment earnings	64,300	64,300	50,030	(14,270)
Miscellaneous	-	-	2,983	2,983
Total revenues	<u>10,800,900</u>	<u>10,800,900</u>	<u>10,721,088</u>	<u>(79,812)</u>
Expenditures:				
Current:				
Culture and recreation	9,159,933	9,126,056	9,328,477	(202,421)
Debt service:				
Interest and paying agent fees	-	-	513	(513)
Total expenditures	<u>9,159,933</u>	<u>9,126,056</u>	<u>9,328,990</u>	<u>(202,934)</u>
Excess of revenues over expenditures	<u>1,640,967</u>	<u>1,674,844</u>	<u>1,392,098</u>	<u>(282,746)</u>
Other financing sources (uses):				
Transfers out	<u>(2,011,322)</u>	<u>(2,011,322)</u>	<u>(2,011,022)</u>	<u>300</u>
Total other financing sources (uses)	<u>(2,011,322)</u>	<u>(2,011,322)</u>	<u>(2,011,022)</u>	<u>300</u>
Net change in fund balances	(370,355)	(336,478)	(618,924)	(282,446)
Fund balances - beginning	<u>4,435,729</u>	<u>4,435,729</u>	<u>4,435,729</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,065,374</u>	<u>\$ 4,099,251</u>	<u>\$ 3,816,805</u>	<u>\$ (282,446)</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, 2013

	<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	\$ 6,461,500	\$ 6,461,500	\$ 6,330,718	\$ (130,782)
Charges for services	7,157,793	7,157,793	4,039,776	(3,118,017)
Investment earnings	<u>37,000</u>	<u>37,000</u>	<u>36,258</u>	<u>(742)</u>
Total revenues	<u>13,656,293</u>	<u>13,656,293</u>	<u>10,406,752</u>	<u>(3,249,541)</u>
Expenditures:				
Current:				
Public works	13,796,551	13,654,585	12,968,453	686,132
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total expenditures	<u>13,921,551</u>	<u>13,779,585</u>	<u>12,968,453</u>	<u>811,132</u>
Excess (deficit) of revenues over expenditures	<u>(265,258)</u>	<u>(123,292)</u>	<u>(2,561,701)</u>	<u>(2,438,409)</u>
Other financing sources (uses):				
Transfers out	<u>(764,475)</u>	<u>(1,064,824)</u>	<u>(922,858)</u>	<u>141,966</u>
Total other financing sources (uses)	<u>(764,475)</u>	<u>(1,064,824)</u>	<u>(922,858)</u>	<u>141,966</u>
Net change in fund balances	(1,029,733)	(1,188,116)	(3,484,559)	(2,296,443)
Fund balances - beginning	<u>3,243,125</u>	<u>3,243,125</u>	<u>3,243,125</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,213,392</u>	<u>\$ 2,055,009</u>	<u>\$ (241,434)</u>	<u>\$ (2,296,443)</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, 2013

	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	\$ 9,953,966	\$ 9,953,966	\$ 10,434,131	\$ 480,165	\$ 2,973,261	\$ 2,973,261	2,776,362	\$ (196,899)
Federal grants	-	-	409,675	409,675	-	-	-	-
Other grants & contributions	-	-	500	500	-	-	-	-
Charges for services	1,878,500	1,878,500	2,025,828	147,328	9,600	9,600	1,590	(8,010)
Investment earnings	-	-	21,203	21,203	20,000	20,000	19,011	(989)
Miscellaneous	31,000	31,000	60,729	29,729	-	-	11,471	11,471
Total revenues	<u>11,863,466</u>	<u>11,863,466</u>	<u>12,952,066</u>	<u>1,088,600</u>	<u>3,002,861</u>	<u>3,002,861</u>	<u>2,808,434</u>	<u>(194,427)</u>
Expenditures:								
Current:								
Public works	9,846,572	9,877,363	8,669,209	1,208,154	4,105,980	4,111,353	3,363,789	747,564
Debt service:								
Principal	400,000	400,000	400,000	-	-	-	-	-
Interest and paying agent fees	422,670	422,670	423,145	(475)	-	-	-	-
Capital outlay:	-	-	32,064	(32,064)	28,367	28,367	6,179	22,188
Total expenditures	<u>10,669,242</u>	<u>10,700,033</u>	<u>9,524,418</u>	<u>1,175,615</u>	<u>4,134,347</u>	<u>4,139,720</u>	<u>3,369,968</u>	<u>769,752</u>
Excess (deficit) of revenues over expenditures	<u>1,194,224</u>	<u>1,163,433</u>	<u>3,427,648</u>	<u>2,264,215</u>	<u>(1,131,486)</u>	<u>(1,136,859)</u>	<u>(561,534)</u>	<u>575,325</u>
Other financing sources (uses):								
Budgeted appropriation lapse for the fund	500,000	500,000	-	(500,000)	250,000	250,000	-	(250,000)
Transfers in	-	35,500	35,500	-	-	19,500	19,500	-
Transfers out	(5,032,300)	(5,042,260)	(5,037,551)	4,709	(134,058)	(163,938)	(149,811)	14,127
Total other financing sources (uses)	<u>(4,532,300)</u>	<u>(4,506,760)</u>	<u>(5,002,051)</u>	<u>(495,291)</u>	<u>115,942</u>	<u>105,562</u>	<u>(130,311)</u>	<u>(235,873)</u>
Net change in fund balances	(3,338,076)	(3,343,327)	(1,574,403)	1,768,924	(1,015,544)	(1,031,297)	(691,845)	339,452
Fund balances - beginning	8,313,612	8,313,612	8,313,612	-	1,171,147	1,171,147	1,171,147	-
Current year change in inventory levels	-	-	(12,639)	(12,639)	-	-	-	-
Fund balances - ending	<u>\$ 4,975,536</u>	<u>\$ 4,970,285</u>	<u>\$ 6,726,570</u>	<u>\$ 1,756,285</u>	<u>\$ 155,603</u>	<u>\$ 139,850</u>	<u>\$ 479,302</u>	<u>\$ 339,452</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, 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%
December 31, 2012	321,323,888	375,797,800	54,473,912	86%	33,970,131	160%

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, 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%
June 30, 2012	349,486,629	448,864,237	99,377,608	78%	46,167,958	215%

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)
General Retiree Plan						
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%
June 30, 2012	7,102,336	66,882,845	59,780,509	11%	28,893,310	207%
Police Retiree Plan						
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%
June 30, 2012	5,800,843	50,604,054	44,803,211	11%	15,788,102	284%
Fire Retiree Plan						
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%
June 30, 2012	6,190,800	32,755,074	26,564,274	19%	14,372,773	185%
Library Retiree Plan						
June 30, 2010	\$ -	\$ 1,042,078	\$ 1,042,078	0%	\$ 387,393	269%
June 30, 2013	-	807,530	807,530	0%	310,351	260%

These funding schedules are copied from the actuarial studies which are prepared annually or biennially using the individual entry-age cost method. The Library plan with 19 initial 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, 2013

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government - Fiscal and Administrative:				
Executive Office:				
Personal services	\$ 860,996	\$ 860,996	\$ 896,202	\$ (35,206)
Supplies	6,500	6,500	5,593	907
Services and charges	266,186	286,186	251,073	35,113
Minor Capital Outlay	2,500	2,500	1,780	720
	<u>1,136,182</u>	<u>1,156,182</u>	<u>1,154,648</u>	<u>1,534</u>
Clerk:				
Personal services	1,190,168	1,190,168	1,124,152	66,016
Supplies	98,000	98,000	66,477	31,523
Services and charges	412,715	412,715	405,481	7,234
Minor Capital Outlay	10,000	10,000	9,900	100
	<u>1,710,883</u>	<u>1,710,883</u>	<u>1,606,010</u>	<u>104,873</u>
Human Resources:				
Personal services	1,065,710	1,065,710	950,870	114,840
Supplies	33,000	33,000	36,388	(3,388)
Services and charges	707,512	707,512	550,980	156,532
	<u>1,806,222</u>	<u>1,806,222</u>	<u>1,538,238</u>	<u>267,984</u>
Administrative Services:				
Personal services	536,247	536,247	498,226	38,021
Supplies	13,100	13,100	11,066	2,034
Services and charges	108,585	108,585	91,640	16,945
	<u>657,932</u>	<u>657,932</u>	<u>600,932</u>	<u>57,000</u>
Attorney:				
Personal services	1,817,370	1,817,370	1,780,354	37,016
Supplies	47,766	47,766	40,641	7,125
Services and charges	360,381	360,381	343,149	17,232
Minor Capital Outlay	6,000	6,000	4,006	1,994
	<u>2,231,517</u>	<u>2,231,517</u>	<u>2,168,150</u>	<u>63,367</u>
Fiscal services:				
Personal services	962,267	932,267	946,977	(14,710)
Supplies	21,500	21,500	13,599	7,901
Services and charges	426,376	476,376	489,708	(13,332)
	<u>1,410,143</u>	<u>1,430,143</u>	<u>1,450,284</u>	<u>(20,141)</u>
Technology and Change Management:				
Personal services	129,321	129,321	129,330	(9)
Supplies	-	-	60	(60)
Services and charges	84,188	84,188	42,151	42,037
Minor Capital Outlay	10,000	10,000	159	9,841
	<u>\$ 223,509</u>	<u>\$ 223,509</u>	<u>\$ 171,700</u>	<u>\$ 51,809</u>

continued

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

for the year ended June 30, 2013

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Treasury:				
Personal services	\$ 4,379,769	\$ 4,379,769	\$ 3,802,645	\$ 577,124
Supplies	318,094	318,094	228,963	89,131
Services and charges	1,719,676	1,829,676	1,585,449	244,227
Minor Capital Outlay	70,500	70,500	20,117	50,383
	<u>6,488,039</u>	<u>6,598,039</u>	<u>5,637,174</u>	<u>960,865</u>
Comptroller:				
Personal services	1,643,661	1,643,660	1,441,251	202,409
Supplies	49,875	49,875	24,562	25,313
Services and charges	569,168	569,168	423,488	145,680
	<u>2,262,704</u>	<u>2,262,703</u>	<u>1,889,301</u>	<u>373,402</u>
Total general government - fiscal and administrative	<u>17,927,131</u>	<u>18,077,130</u>	<u>16,216,437</u>	<u>1,860,693</u>
General purpose:				
General administration:				
Personal services	-	-	8,557	(8,557)
Supplies	10,590	10,590	9,232	1,358
Services and charges	5,256,806	5,663,056	5,189,226	473,830
Total general purpose	<u>5,267,396</u>	<u>5,673,646</u>	<u>5,207,015</u>	<u>466,631</u>
Total General Government	<u>23,194,527</u>	<u>23,750,776</u>	<u>21,423,452</u>	<u>2,327,324</u>
Public safety:				
Police:				
Personal services	39,103,873	37,910,467	37,070,143	840,324
Supplies	450,108	550,108	506,095	44,013
Services and charges	6,159,513	6,172,622	6,202,844	(30,222)
Minor Capital Outlay	22,550	13,646	21,312	(7,666)
	<u>45,736,044</u>	<u>44,646,843</u>	<u>43,800,394</u>	<u>846,449</u>
Fire:				
Personal services	25,506,490	25,477,694	24,702,828	774,866
Supplies	266,300	266,300	252,922	13,378
Services and charges	2,061,736	2,091,807	2,022,964	68,843
Minor Capital Outlay	373,750	428,731	269,871	158,860
	<u>28,208,276</u>	<u>28,264,532</u>	<u>27,248,585</u>	<u>1,015,947</u>
Total public safety	<u>\$ 73,944,320</u>	<u>\$ 72,911,375</u>	<u>\$ 71,048,979</u>	<u>\$ 1,862,396</u>

continued

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

for the year ended June 30, 2013

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Public works:				
Enterprise services:				
Personal services	\$ 1,984,323	\$ 1,984,323	\$ 1,975,972	\$ 8,351
Supplies	415,750	415,750	327,685	88,065
Services and charges	2,763,587	2,763,587	2,644,325	119,262
Minor Capital Outlay	27,500	27,500	8,107	19,393
Total public works	5,191,160	5,191,160	4,956,089	235,071 *
Urban development:				
Design and Development:				
Personal services	1,034,615	1,009,615	999,015	10,600
Supplies	31,018	31,018	31,245	(227)
Services and charges	412,447	417,447	317,259	100,188
Minor Capital Outlay	-	-	216	(216)
	<u>1,478,080</u>	<u>1,458,080</u>	<u>1,347,735</u>	<u>110,345</u>
Community Development:				
Personal services	2,074,372	2,074,372	2,086,082	(11,710)
Supplies	40,800	40,800	36,616	4,184
Services and charges	500,922	500,922	470,016	30,906
Minor Capital Outlay	24,340	24,340	4,564	19,776
	<u>2,640,434</u>	<u>2,640,434</u>	<u>2,597,278</u>	<u>43,156</u>
Total urban development	4,118,514	4,098,514	3,945,013	153,501
Debt Service				
Principal	\$ 281,348	\$ 281,348	\$ 281,348	\$ -
Interest	59,548	59,548	62,993	(3,445)
Total debt service	\$ 340,896	\$ 340,896	\$ 344,341	\$ (3,445)
Budgeted Appropriation Lapse within Fund	<u>(3,000,000)</u>	<u>(2,500,000)</u>	<u>-</u>	<u>(2,500,000)</u>
Total expenditures	\$ 103,789,417	\$ 103,792,721	\$ 101,717,874	\$ 2,074,847

City of Grand Rapids, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

Special Revenue Funds										
	Grants	Michigan Justice Training	Vehicle Storage Facility	Parks & Recreation	Neighborhood Business Improvement	Building Inspections	DNR Properties	Sidewalk Repair	Community Dispatch	Trans- formation
ASSETS										
Equity in pooled cash and investments	\$ 2,143,430	\$ 152,979	\$ 253,455	\$ 260,869	\$ 1,101,037	2,487,395	\$ 166,448	\$ 686,919	\$ 329,385	\$ 12,258,033
Receivables, net	228	175	350	219,136	1,441	3,983	175	773	224,763	978,279
Due from other funds	-	-	-	25,588	-	-	-	-	-	163,284
Inventories	-	-	-	-	-	-	-	-	-	-
Due from other governmental units	1,086,360	-	-	-	-	-	-	-	736,125	816,082
Total assets	\$ 3,230,018	\$ 153,154	\$ 253,805	\$ 505,593	\$ 1,102,478	\$ 2,491,378	\$ 166,623	\$ 687,692	\$ 1,290,273	\$ 14,215,678
LIABILITIES										
Vouchers and accounts payable	\$ 420,689	\$ 282	\$ 20,203	\$ 204,952	\$ 820	8,167	\$ -	\$ 198,313	\$ 1,019	\$ -
Due to other governmental units	-	-	125	-	-	-	-	-	-	-
Unearned revenues	713,015	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	55,340	-	-	-	-	-	-
Total liabilities	1,133,704	282	20,328	260,292	820	8,167	-	198,313	1,019	-
FUND BALANCES										
Nonspendable:										
Inventories	-	-	-	-	-	-	-	-	-	-
Nonexpendable Trust principal	-	-	-	-	-	-	-	-	-	-
Restricted:										
Public safety	304,114	152,872	-	-	-	-	-	-	-	-
Urban and community development	1,792,200	-	-	-	358,233	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Committed:										
Authorized projects	-	-	-	-	-	-	-	-	-	14,215,678
Other purposes	-	-	-	-	-	-	-	-	-	-
Assigned:										
Culture and recreation	-	-	-	132,003	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	367,899	-
Urban and community development	-	-	-	-	740,879	2,300,378	166,623	-	-	-
Public works	-	-	202,987	-	-	-	-	454,150	-	-
Ensuing budget year	-	-	19,708	-	-	-	-	-	645,000	-
Compensated absences	-	-	10,782	113,298	2,546	182,833	-	35,229	276,355	-
Other purposes	-	-	-	-	-	-	-	-	-	-
Total fund balance	2,096,314	152,872	233,477	245,301	1,101,658	2,483,211	166,623	489,379	1,289,254	14,215,678
Total liabilities and fund balances	\$ 3,230,018	\$ 153,154	\$ 253,805	\$ 505,593	\$ 1,102,478	\$ 2,491,378	\$ 166,623	\$ 687,692	\$ 1,290,273	\$ 14,215,678

City of Grand Rapids, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds				Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug Law Enforcement	General Special Revenue	Economic Development	Downtown Improvement District	Grand Rapids Building Authority	Cemeteries Perpetual Care	
ASSETS							
Equity in pooled cash and investments	\$ 1,732,544	\$ 228,186	\$ 693,426	\$ 574,710	\$ 1,487,768	\$ 3,731,175	\$ 28,287,759
Receivables, net	3,413	143	1,869	804	-	9,982	1,445,514
Due from other funds	-	-	-	-	-	-	188,872
Inventories	-	-	-	-	-	18,134	18,134
Due from other governmental units	-	-	-	-	-	-	2,638,567
Total assets	\$ 1,735,957	\$ 228,329	\$ 695,295	\$ 575,514	\$ 1,487,768	\$ 3,759,291	\$ 32,578,846
LIABILITIES							
Vouchers and accounts payable	\$ 29,347	\$ 23,845	\$ -	\$ 116,837	\$ -	\$ -	\$ 1,024,474
Due to other governmental units	-	-	-	-	-	-	125
Unearned revenues	-	-	-	-	-	-	713,015
Customer deposits	-	4,536	-	-	-	-	59,876
Total liabilities	29,347	28,381	-	116,837	-	-	1,797,490
FUND BALANCES							
Nonspendable:							
Inventories	-	-	-	-	-	18,134	18,134
Nonexpendable Trust principal	-	25,000	-	-	-	2,841,403	2,866,403
Restricted:							
Public safety	1,706,610	22,076	-	-	-	-	2,185,672
Urban and community development	-	-	-	458,677	-	-	2,609,110
Culture and recreation	-	123,212	-	-	-	-	123,212
Committed:							
Authorized projects	-	-	-	-	-	-	14,215,678
Other purposes	-	-	-	-	-	899,754	899,754
Assigned:							
Culture and recreation	-	29,660	-	-	-	-	161,663
Public safety	-	-	-	-	-	-	367,899
Urban and community development	-	-	693,165	-	-	-	3,901,045
Public works	-	-	-	-	-	-	657,137
Ensuing budget year	-	-	-	-	-	-	664,708
Compensated absences	-	-	2,130	-	-	-	623,173
Other purposes	-	-	-	-	1,487,768	-	1,487,768
Total fund balance	1,706,610	199,948	695,295	458,677	1,487,768	3,759,291	30,781,356
Total liabilities and fund balances	\$ 1,735,957	\$ 228,329	\$ 695,295	\$ 575,514	\$ 1,487,768	\$ 3,759,291	\$ 32,578,846

City of Grand Rapids, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
for the year ended June 30, 2013

Special Revenue Funds

	Michigan	Vehicle	Neighborhood			Building	DNR	Sidewalk	Community	Trans-
	Justice	Storage	Parks &	Business	Building	DNR	Sidewalk	Community	Trans-	
	Grants	Training	Recreation	Improvement	Inspections	Properties	Repair	Dispatch	formation	
Revenues:										
City income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,063,657
State shared taxes	56,175	-	-	-	-	-	-	-	-	4,896,489
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Federal grants	14,797,074	-	-	-	-	-	-	-	-	-
State grants	804,805	54,603	-	-	-	-	-	-	1,300	-
Other grants and contributions	424,739	-	-	163,550	-	-	-	-	2,704,045	-
Charges for services	1,560,269	-	477,267	860,814	6,406	185,701	-	616,315	-	-
Investment earnings	22,591	1,012	1,573	-	14,823	16,555	630	2,959	2,116	106,075
Miscellaneous	8,821	14,177	550	12,002	-	628	5,341	-	-	-
Total revenues	17,674,474	69,792	479,390	1,036,366	21,229	3,538,088	5,971	1,136,687	2,707,461	15,066,221
Expenditures:										
Current:										
General government	430,995	-	-	-	-	-	-	-	-	-
Public safety	3,495,089	60,122	-	-	-	-	-	-	5,818,765	-
Public works	-	-	454,709	-	-	-	-	824,170	-	-
Culture and recreation	242,108	-	-	4,306,615	-	-	-	-	-	-
Urban and community development	13,184,015	-	-	-	103,671	2,532,533	25,356	-	-	-
Debt service:										
Principal	-	-	-	-	20,000	-	-	-	-	-
Interest and paying agent fees	-	-	-	-	25,304	-	-	-	-	-
Capital outlay	-	-	-	53,376	-	-	-	-	-	-
Total expenditures	17,352,207	60,122	454,709	4,359,991	148,975	2,532,533	25,356	824,170	5,818,765	-
Excess (deficiency) or revenues over expenditures	322,267	9,670	24,681	(3,323,625)	(127,746)	1,005,555	(19,385)	312,517	(3,111,304)	15,066,221
Other financing sources (uses):										
Transfers in	2,468,166	-	-	3,797,162	-	254,890	18,096	-	3,828,253	540,000
Transfers out	(1,508,809)	-	(24,677)	(462,908)	(10,461)	(217,371)	-	(43,871)	(254,320)	(9,787,121)
Total other financing sources (uses)	959,357	-	(24,677)	3,334,254	(10,461)	37,519	18,096	(43,871)	3,573,933	(9,247,121)
Net change in fund balances	1,281,624	9,670	4	10,629	(138,207)	1,043,074	(1,289)	268,646	462,629	5,819,100
Fund balances - beginning	814,690	143,202	233,473	234,672	1,239,865	1,440,137	167,912	220,733	826,625	8,396,578
Fund balances - ending	\$ 2,096,314	\$ 152,872	\$ 233,477	\$ 245,301	\$ 1,101,658	\$ 2,483,211	\$ 166,623	\$ 489,379	\$ 1,289,254	\$ 14,215,678

City of Grand Rapids, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
for the year ended June 30, 2013

	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		Cemeteries Perpetual Care	
					Building Authority	Public Act 175			
Revenues:									
City income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,063,657
State shared taxes	-	-	-	-	-	-	-	-	4,952,664
Licenses and permits	-	-	-	-	-	-	-	-	3,852,617
Federal grants	25,826	-	-	-	-	-	-	-	14,822,900
State grants	-	-	-	-	-	-	-	-	860,708
Other grants and contributions	-	57,725	-	-	-	-	-	-	3,350,059
Charges for services	482,888	2,235	11,376	759,331	-	-	-	34,846	4,997,448
Investment earnings	16,064	934	5,080	3,952	1,670	5,386	-	29,680	231,100
Miscellaneous	28,761	-	4,237	-	-	87,200	-	-	161,717
Total revenues	553,539	60,894	20,693	763,283	1,670	92,586	-	64,526	43,292,870
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	-	430,995
Public safety	777,593	-	-	-	-	-	-	-	10,151,569
Public works	-	-	-	-	-	-	-	-	1,278,879
Culture and recreation	-	63,373	-	-	-	-	-	-	4,612,096
Urban and community development	-	-	41,134	678,512	-	-	-	-	16,565,221
Debt service:									
Principal	-	-	-	-	-	4,327,161	1,170,000	-	5,517,161
Interest and paying agent fees	-	-	-	-	-	3,036,633	172,779	-	3,234,716
Capital outlay	-	-	-	-	114,899	-	-	-	168,275
Total expenditures	777,593	63,373	41,134	678,512	114,899	7,363,794	1,342,779	-	41,958,912
Excess (deficiency) of revenues over expenditures	(224,054)	(2,479)	(20,441)	84,771	(113,229)	(7,271,208)	(1,342,779)	64,526	1,333,958
Other financing sources (uses):									
Transfers in	-	-	75,000	-	-	7,297,539	1,342,779	105,679	19,727,564
Transfers out	-	-	(4,953)	(5,632)	(55,992)	-	-	(174,673)	(12,550,788)
Total other financing sources (uses)	-	-	70,047	(5,632)	(55,992)	7,297,539	1,342,779	(68,994)	7,176,776
Net change in fund balances	(224,054)	(2,479)	49,606	79,139	(169,221)	26,331	-	(4,468)	8,510,734
Fund balances - beginning	1,930,664	202,427	645,689	379,538	169,221	1,461,437	-	3,763,759	22,270,622
Fund balances - ending	\$ 1,706,610	\$ 199,948	\$ 695,295	\$ 458,677	\$ -	\$ 1,487,768	\$ -	\$ 3,759,291	\$ 30,781,356

City of Grand Rapids
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget to Actual
Nonmajor Governmental Funds
for the year ended June 30, 2013

	Budget				Actual				Net Variance
	Revenues	Expenditures	Other Financing Sources (uses)	Net	Revenues	Expenditures	Other Financing Sources (uses)	Net	
Grants	\$ 34,522,902	\$ 32,005,556	\$ 1,673,252	\$ 4,190,598	\$ 17,674,474	\$ 17,352,207	\$ 959,357	\$ 1,281,624	\$ (2,908,974)
Michigan Justice Training	58,800	75,000	-	(16,200)	69,792	60,122	-	9,670	25,870
Vehicle Storage Facility	498,197	487,522	(24,677)	(14,002)	479,390	454,709	(24,677)	4	14,006
Parks & Recreation	1,354,732	4,839,378	3,298,542	(186,104)	1,036,366	4,359,991	3,334,254	10,629	196,733
Neighborhood Business Improvement	136,650	205,465	(10,461)	(79,276)	21,229	148,975	(10,461)	(138,207)	(58,931)
Building Inspections	2,365,108	2,679,488	33,919	(280,461)	3,538,088	2,532,533	37,519	1,043,074	1,323,535
DNR Properties	14,709	36,050	-	(21,341)	5,971	25,356	18,096	(1,289)	20,052
Sidewalk Repair	1,293,950	1,225,255	(43,871)	24,824	1,136,687	824,170	(43,871)	268,646	243,822
Community Dispatch	2,709,280	6,283,213	3,573,933	-	2,707,461	5,818,765	3,573,933	462,629	462,629
Transformation	14,597,824	-	(9,410,405)	5,187,419	15,066,221	-	(9,247,121)	5,819,100	631,681
Drug Law Enforcement	637,200	901,264	-	(264,064)	553,539	777,593	-	(224,054)	40,010
General Special Revenue	65,250	76,024	-	(10,774)	60,894	63,373	-	(2,479)	8,295
Economic Development	23,279	205,452	70,047	(112,126)	20,693	41,134	70,047	49,606	161,732
Downtown Improvement District	802,500	813,868	(5,632)	(17,000)	763,283	678,512	(5,632)	79,139	96,139
Total	\$ 59,080,381	\$ 49,833,535	\$ (845,353)	\$ 8,401,493	\$ 43,134,088	\$ 33,137,440	\$ (1,338,556)	\$ 8,658,092	\$ 256,599

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

City of Grand Rapids, Michigan
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2013

	Cemeteries Operating	Belknap Ice Arena	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Equity in pooled cash and investments	\$ 43,838	\$ 454,778	\$ 498,616
Receivables, net	180,818	39,207	220,025
Inventory	11,333	-	11,333
Total current assets	<u>235,989</u>	<u>493,985</u>	<u>729,974</u>
Noncurrent assets:			
Other assets	207,335	-	207,335
Capital assets:			
Non-depreciable	5,255	-	5,255
Depreciable	1,397,305	4,285,542	5,682,847
Less accumulated depreciation	<u>(1,211,762)</u>	<u>(2,769,498)</u>	<u>(3,981,260)</u>
Total noncurrent assets	<u>398,133</u>	<u>1,516,044</u>	<u>1,914,177</u>
Total assets	<u>634,122</u>	<u>2,010,029</u>	<u>2,644,151</u>
LIABILITIES			
Current liabilities:			
Vouchers and accounts payable	74,860	165,923	240,783
Current portion of compensated absences	<u>25,723</u>	<u>-</u>	<u>25,723</u>
Total current liabilities	<u>100,583</u>	<u>165,923</u>	<u>266,506</u>
Noncurrent liabilities (net of portion due within 1 year):			
Compensated absences	15,766	-	15,766
Net OPEB Obligation	<u>8,760</u>	<u>-</u>	<u>8,760</u>
Total noncurrent liabilities	<u>24,526</u>	<u>-</u>	<u>24,526</u>
Total liabilities	<u>125,109</u>	<u>165,923</u>	<u>291,032</u>
NET POSITION			
Investment in capital assets	190,798	1,516,044	1,706,842
Unrestricted	<u>318,215</u>	<u>328,062</u>	<u>646,277</u>
Total net position	<u>\$ 509,013</u>	<u>\$ 1,844,106</u>	<u>\$ 2,353,119</u>

City of Grand Rapids, Michigan
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
for the year ended June 30, 2013

	<u>Cemeteries Operating</u>	<u>Belknap Ice Arena</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 911,717	\$ 771,070	\$ 1,682,787
Sales	246,330	56,210	302,540
Total operating revenues	<u>1,158,047</u>	<u>827,280</u>	<u>1,985,327</u>
Operating expenses:			
Personal services	535,621	242,541	778,162
Supplies and materials	304,579	27,010	331,589
Utilities	80,672	124,402	205,074
Contractual services	271,809	123,846	395,655
Other services and charges	43,965	94,091	138,056
Depreciation	20,099	128,180	148,279
Total operating expenses	<u>1,256,745</u>	<u>740,070</u>	<u>1,996,815</u>
Operating Loss	<u>(98,698)</u>	<u>87,210</u>	<u>(11,488)</u>
Nonoperating revenues:			
Interest revenue	23	2,966	2,989
Total nonoperating revenues	<u>23</u>	<u>2,966</u>	<u>2,989</u>
Loss before transfers	(98,675)	90,176	(8,499)
Transfers in	824,673	-	824,673
Transfers out	(357,166)	-	(357,166)
Change in net position	368,832	90,176	459,008
Total net position - beginning	<u>140,181</u>	<u>1,753,930</u>	<u>1,894,111</u>
Total net position - ending	<u>\$ 509,013</u>	<u>\$ 1,844,106</u>	<u>\$ 2,353,119</u>

City of Grand Rapids, Michigan
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
for the year ended June 30, 2013

	Cemeteries	Belknap	Total Nonmajor
	Operating	Ice Arena	Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,146,637	\$ 833,656	\$ 1,980,293
Payments to suppliers	(1,035,821)	(382,406)	(1,418,227)
Payments to employees	(390,857)	(218,356)	(609,213)
Payments for payroll taxes and benefits	(144,701)	(24,185)	(168,886)
Net cash provided (used) by operating activities	<u>(424,742)</u>	<u>208,709</u>	<u>(216,033)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	824,673	-	824,673
Transfers to other funds	(357,166)	-	(357,166)
Net cash provided by noncapital financing activities	<u>467,507</u>	<u>-</u>	<u>467,507</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	(198,632)	(198,632)
Net cash used by capital and related financing activities	<u>-</u>	<u>(198,632)</u>	<u>(198,632)</u>
Cash flows from investing activities:			
Interest received	23	2,966	2,989
Net increase in equity in pooled cash and investments	42,788	13,043	55,831
Equity in pooled cash and investments, beginning	1,050	441,735	442,785
Equity in pooled cash and investments, ending	<u>\$ 43,838</u>	<u>\$ 454,778</u>	<u>\$ 498,616</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (98,698)	\$ 87,210	\$ (11,488)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	20,099	128,180	148,279
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(13,442)	6,376	(7,066)
Decrease in inventory	2,032	-	2,032
Decrease in vouchers and accounts payable	(11,619)	(13,057)	(24,676)
Decrease in due to other funds	(323,177)	-	(323,177)
Decrease in compensated absences	(2,316)	-	(2,316)
Increase in Net OPEB Obligation	2,379	-	2,379
Total adjustments	<u>(326,044)</u>	<u>121,499</u>	<u>(204,545)</u>
Net cash provided (used) by operating activities	<u>\$ (424,742)</u>	<u>\$ 208,709</u>	<u>\$ (216,033)</u>

City of Grand Rapids, Michigan
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Information		Facilities			Total Internal Service
	Technology	Motor Equipment	Management	Insurance Payment	Engineering	Funds
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 5,520,837	\$ 12,505,305	\$ 3,252,725	\$ 20,691,132	\$ 1,641,387	\$ 43,611,386
Receivables, net	7,336	13,231	73,845	710,701	92,380	897,493
Due from component units	-	-	-	-	46,577	46,577
Inventory	-	925,111	-	-	-	925,111
Restricted assets	-	275,002	-	2,488,764	-	2,763,766
Prepaid expenses and other assets	257,054	-	-	-	-	257,054
Total current assets	<u>5,785,227</u>	<u>13,718,649</u>	<u>3,326,570</u>	<u>23,890,597</u>	<u>1,780,344</u>	<u>48,501,387</u>
Noncurrent assets:						
Capital assets:						
Depreciable	14,187,457	37,534,144	1,418,740	-	-	53,140,341
Less accumulated depreciation	(11,165,744)	(32,144,778)	(95,304)	-	-	(43,405,826)
Total noncurrent assets	<u>3,021,713</u>	<u>5,389,366</u>	<u>1,323,436</u>	<u>-</u>	<u>-</u>	<u>9,734,515</u>
Total assets	<u>8,806,940</u>	<u>19,108,015</u>	<u>4,650,006</u>	<u>23,890,597</u>	<u>1,780,344</u>	<u>58,235,902</u>
LIABILITIES						
Current liabilities:						
Vouchers and accounts payable	292,061	531,413	280,762	935,359	22,765	2,062,360
Accrued interest payable	1,102	27,104	-	-	-	28,206
Due to other governmental units	-	-	-	373,671	-	373,671
Due to other funds	611,552	-	-	-	-	611,552
Unearned revenues	-	-	1,738	-	-	1,738
Health insurance claims payable	-	-	-	2,421,200	-	2,421,200
Current portion of general claims payable	-	-	-	3,124,837	-	3,124,837
Current maturities of bonds & contracts payable	65,000	946,335	-	-	-	1,011,335
Current workers' compensation liability	-	-	-	174,918	-	174,918
Compensated absences	56,854	134,596	71,882	26,229	160,238	449,799
Total current liabilities	<u>1,026,569</u>	<u>1,639,448</u>	<u>354,382</u>	<u>7,056,214</u>	<u>183,003</u>	<u>10,259,616</u>
Noncurrent liabilities (net of current portion):						
Bonds payable	76,601	1,955,814	-	-	-	2,032,415
Contracts and notes payable	-	325,099	-	-	-	325,099
General claims payable	-	-	-	321,512	-	321,512
Workers compensation liability	-	-	-	1,123,852	-	1,123,852
Compensated absences	34,846	82,494	44,056	16,076	98,211	275,683
Net OPEB obligation	(3,708)	(28,341)	(12,717)	96,460	29,274	80,968
Total noncurrent liabilities	<u>107,739</u>	<u>2,335,066</u>	<u>31,339</u>	<u>1,557,900</u>	<u>127,485</u>	<u>4,159,529</u>
Total liabilities	<u>1,134,308</u>	<u>3,974,514</u>	<u>385,721</u>	<u>8,614,114</u>	<u>310,488</u>	<u>14,419,145</u>
NET POSITION						
Net investment in capital assets	3,021,713	2,162,118	1,323,436	-	-	6,507,267
Restricted:						
Debt service	-	275,002	-	-	-	275,002
Unrestricted	4,650,919	12,696,381	2,940,849	15,276,483	1,469,856	37,034,488
Total net position	<u>\$ 7,672,632</u>	<u>\$ 15,133,501</u>	<u>\$ 4,264,285</u>	<u>\$ 15,276,483</u>	<u>\$ 1,469,856</u>	<u>\$ 43,816,757</u>

City of Grand Rapids, Michigan
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
for the year ended June 30, 2013

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	Total Internal Service Funds
Operating revenues:						
Charges for services	\$ 5,430,057	\$ 11,497,664	\$ 5,005,198	\$ 24,507,005	\$ 3,101,062	\$ 49,540,986
Sales	-	9,354	-	-	-	9,354
Miscellaneous	172,000	45,733	427,209	-	149,003	793,945
Total operating revenues	<u>5,602,057</u>	<u>11,552,751</u>	<u>5,432,407</u>	<u>24,507,005</u>	<u>3,250,065</u>	<u>50,344,285</u>
Operating expenses:						
Personal services	659,160	2,691,984	1,034,339	652,870	2,047,162	7,085,515
Supplies and materials	165,667	3,442,367	466,747	-	64,611	4,139,392
Utilities	-	65,061	1,353,641	1,230	-	1,419,932
Contractual services	2,396,353	69,512	19,807	847,880	110,302	3,443,854
Other services and charges	1,876,262	602,400	1,251,773	24,651,705	553,366	28,935,506
Depreciation	1,315,689	1,653,084	90,380	-	-	3,059,153
Total operating expenses	<u>6,413,131</u>	<u>8,524,408</u>	<u>4,216,687</u>	<u>26,153,685</u>	<u>2,775,441</u>	<u>48,083,352</u>
Operating income	<u>(811,074)</u>	<u>3,028,343</u>	<u>1,215,720</u>	<u>(1,646,680)</u>	<u>474,624</u>	<u>2,260,933</u>
Nonoperating revenues (expenses):						
Other federal revenue	985	18,420	-	-	-	19,405
Interest revenue	33,457	67,165	14,639	537,157	11,281	663,699
Miscellaneous revenue	-	110	26	-	-	136
Gain on sale of capital assets	-	106,960	-	-	-	106,960
Interest expense and paying agent fees	(962)	(115,977)	-	-	-	(116,939)
Total nonoperating revenues (expenses)	<u>33,480</u>	<u>76,678</u>	<u>14,665</u>	<u>537,157</u>	<u>11,281</u>	<u>673,261</u>
Income (loss) before transfers	(777,594)	3,105,021	1,230,385	(1,109,523)	485,905	2,934,194
Transfers in	673,420	-	455,992	-	200,000	1,329,412
Transfers out	(272,189)	(260,984)	(834,554)	(350,791)	(304,764)	(2,023,282)
Change in net position	(376,363)	2,844,037	851,823	(1,460,314)	381,141	2,240,324
Total net position - beginning, as restated	<u>8,048,995</u>	<u>12,289,464</u>	<u>3,412,462</u>	<u>16,736,797</u>	<u>1,088,715</u>	<u>41,576,433</u>
Total net position - ending	<u>\$ 7,672,632</u>	<u>\$ 15,133,501</u>	<u>\$ 4,264,285</u>	<u>\$ 15,276,483</u>	<u>\$ 1,469,856</u>	<u>\$ 43,816,757</u>

City of Grand Rapids, Michigan
Combining Statement of Cash Flows
Internal Service Funds
for the year ended June 30, 2013

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	Total Internal Service Funds
Cash flows from operating activities:						
Receipts from customers	\$ 5,431,585	\$ 11,374,628	\$ 5,022,392	\$ 24,317,703	\$ 3,091,580	\$ 49,237,888
Payments to suppliers	(3,535,861)	(3,751,682)	(3,086,768)	(24,544,738)	(721,127)	(35,640,176)
Payments to employees	(410,324)	(1,681,418)	(648,208)	(402,506)	(1,321,439)	(4,463,895)
Payments for payroll taxes and benefits	(207,062)	(998,643)	(381,655)	(240,258)	(747,244)	(2,574,862)
Other operating revenues	172,000	45,843	427,235	-	149,003	794,081
Net cash provided (used) by operating activities	<u>1,450,338</u>	<u>4,988,728</u>	<u>1,332,996</u>	<u>(869,799)</u>	<u>450,773</u>	<u>7,353,036</u>
Cash flows from noncapital financing activities:						
Other federal revenue	985	18,420	-	-	-	19,405
Transfers from other funds	673,420	-	455,992	-	200,000	1,329,412
Transfers to other funds	(272,189)	(260,984)	(834,554)	(350,791)	(304,764)	(2,023,282)
Net cash provided (used) by noncapital financing activities	<u>402,216</u>	<u>(242,564)</u>	<u>(378,562)</u>	<u>(350,791)</u>	<u>(104,764)</u>	<u>(674,465)</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	(967,797)	(2,467,636)	(189,237)	-	-	(3,624,670)
Sale of capital assets	-	112,242	-	-	-	112,242
Principal paid on capital debt	(65,000)	(923,652)	-	-	-	(988,652)
Interest paid on capital debt	(4,684)	(123,782)	-	-	-	(128,466)
Net cash used by capital and related financing activities	<u>(1,037,481)</u>	<u>(3,402,828)</u>	<u>(189,237)</u>	<u>-</u>	<u>-</u>	<u>(4,629,546)</u>
Cash flows from investing activities:						
Interest received	33,457	67,165	14,639	537,157	11,281	663,699
Net increase (decrease) in equity in pooled cash and investments	848,530	1,410,501	779,836	(683,433)	357,290	2,712,724
Equity in pooled cash and investments - beginning of year	4,672,307	11,369,806	2,472,889	23,863,329	1,284,097	43,662,428
Equity in pooled cash and investments - end of year (including restricted cash held by trustee: \$275,002 in Motor Equipment and \$2,488,764 in Insurance Payment fund)	<u>\$ 5,520,837</u>	<u>\$ 12,780,307</u>	<u>\$ 3,252,725</u>	<u>\$ 23,179,896</u>	<u>\$ 1,641,387</u>	<u>\$ 46,375,152</u>

City of Grand Rapids, Michigan
Combining Statement of Cash Flows
Internal Service Funds
for the year ended June 30, 2013

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (811,074)	\$ 3,028,343	\$ 1,215,720	\$ (1,646,680)	\$ 474,624	\$ 2,260,933
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	1,315,689	1,653,084	90,380	-	-	3,059,153
Miscellaneous cash received	-	110	26	-	-	136
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	1,528	(653)	36,347	(189,302)	37,095	(114,985)
Increase in due from intergovernmental units	-	-	-	-	(46,577)	(46,577)
Increase in inventory	-	(131,737)	-	-	-	(131,737)
Decrease in prepaid expenses	176,197	-	-	-	-	176,197
Increase in vouchers and accounts payable	114,672	427,658	5,200	326,581	7,152	881,263
Decrease in due to intergovernmental units	-	-	-	(73,457)	-	(73,457)
Increase in due to other funds	611,552	-	-	-	-	611,552
Decrease in unearned revenues	-	-	(19,153)	-	-	(19,153)
Increase (decrease) in compensated absences	34,439	(6,294)	(4,271)	3,686	(38,540)	(10,980)
Increase in Net OPEB Obligation	7,335	18,217	8,747	6,420	17,019	57,738
Increase in general claims payable	-	-	-	702,953	-	702,953
Total adjustments	<u>2,261,412</u>	<u>1,960,385</u>	<u>117,276</u>	<u>776,881</u>	<u>(23,851)</u>	<u>5,092,103</u>
Net cash provided (used) by operating activities	<u>\$ 1,450,338</u>	<u>\$ 4,988,728</u>	<u>\$ 1,332,996</u>	<u>\$ (869,799)</u>	<u>\$ 450,773</u>	<u>\$ 7,353,036</u>

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

	<u>Pension Trust Funds</u>		<u>Retiree Health Care Trust Funds</u>			<u>Total Employee Benefit Trust Funds</u>
	<u>Police and Fire</u>	<u>General</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>	
<i>as of :</i>	<i>December 31, 2012</i>	<i>June 30, 2013</i>	<i>June 30, 2013</i>	<i>June 30, 2013</i>	<i>June 30, 2013</i>	
ASSETS						
Equity in pooled cash and investments	\$ -	\$ -	\$ 846,684	\$ 598,905	\$ 491,483	\$ 1,937,072
Investments held by trustee:						
Cash and money market funds	6,470,445	4,248,397	-	-	-	10,718,842
United States Government Securities	24,993,539	26,385,269	-	-	-	51,378,808
State and municipal bonds	82,289	890,230	-	-	-	972,519
Corporate bonds and fixed income comingled funds	62,107,041	65,094,771	-	-	-	127,201,812
Common stocks and equity mutual funds	215,485,440	234,454,433	-	-	-	449,939,873
Real Estate	18,520,806	19,035,348	-	-	-	37,556,154
Asset-backed securities	9,210,780	10,745,989	-	-	-	19,956,769
Commodities	-	15,375,749	-	-	-	15,375,749
Other	2,407,577	2,698,463	-	-	-	5,106,040
Comingled multi-asset portfolio	-	-	7,814,965	9,683,842	7,586,980	25,085,787
Collateral held by broker under securities lending						
Short-term fixed income	12,301,384	23,309,582	-	-	-	35,610,966
Receivables, net:						
Investment securities sold	525,000	-	-	-	-	525,000
Other accounts	790,018	690,133	60,218	13	-	1,540,382
Accrued interest and dividends	539,359	496,950	1,930	1,908	145	1,040,292
Total assets	<u>353,433,678</u>	<u>403,425,314</u>	<u>8,723,797</u>	<u>10,284,668</u>	<u>8,078,608</u>	<u>783,946,065</u>
LIABILITIES						
Compensated absences	12,960	20,003	-	-	-	32,963
Investment securities purchased	690,335	69,031	-	-	-	759,366
Vouchers and accounts payable	251,484	309,719	197,459	88,598	75,290	922,550
Due to other funds	18,927	4,943	-	-	-	23,870
Liabilities under security lending program	<u>12,301,384</u>	<u>23,309,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,610,966</u>
Total liabilities	<u>13,275,090</u>	<u>23,713,278</u>	<u>197,459</u>	<u>88,598</u>	<u>75,290</u>	<u>37,349,715</u>
NET POSITION						
Held in trust for pension and OPEB benefits	<u>\$ 340,158,588</u>	<u>\$ 379,712,036</u>	<u>\$ 8,526,338</u>	<u>\$ 10,196,070</u>	<u>\$ 8,003,318</u>	<u>\$ 746,596,350</u>

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

	<u>Pension Trust Funds</u>		<u>Retiree Health Care Trust Funds</u>			<u>Total Employee Benefit Trust Funds</u>
	<u>Police and Fire</u>	<u>General</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>	
	<i>December 31, 2012</i>	<i>June 30, 2013</i>	<i>June 30, 2013</i>	<i>June 30, 2013</i>	<i>June 30, 2013</i>	
<i>for the year ended:</i>						
ADDITIONS						
Plan Contributions:						
Employer	\$ 8,194,227	\$ 8,135,843	\$ 6,286,900	\$ 4,920,360	\$ 3,513,074	\$ 31,050,404
Plan members	<u>2,947,320</u>	<u>3,933,342</u>	<u>246,485</u>	<u>62,603</u>	<u>32,259</u>	<u>7,222,009</u>
Total contributions	<u>11,141,547</u>	<u>12,069,185</u>	<u>6,533,385</u>	<u>4,982,963</u>	<u>3,545,333</u>	<u>38,272,413</u>
Investment earnings:						
Interest and dividends	4,234,753	4,560,411	9,476	7,426	12,457	8,824,523
Net appreciation in fair value of investments	<u>41,702,718</u>	<u>40,412,375</u>	<u>811,197</u>	<u>780,555</u>	<u>713,955</u>	<u>84,420,800</u>
Total investment earnings	45,937,471	44,972,786	820,673	787,981	726,412	93,245,323
Investment management expense	<u>(822,708)</u>	<u>(959,355)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,782,063)</u>
Net investment earnings	<u>45,114,763</u>	<u>44,013,431</u>	<u>820,673</u>	<u>787,981</u>	<u>726,412</u>	<u>91,463,260</u>
Securities lending earnings	39,443	45,387	-	-	-	84,830
Securities lending expenses	<u>(13,795)</u>	<u>(15,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,668)</u>
Net earnings from securities lending activities	<u>25,648</u>	<u>29,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,162</u>
Total net investment earnings	<u>45,140,411</u>	<u>44,042,945</u>	<u>820,673</u>	<u>787,981</u>	<u>726,412</u>	<u>91,518,422</u>
Total additions	<u>56,281,958</u>	<u>56,112,130</u>	<u>7,354,058</u>	<u>5,770,944</u>	<u>4,271,745</u>	<u>129,790,835</u>
DEDUCTIONS						
Benefits paid	19,207,788	27,152,432	5,780,801	1,338,680	2,416,662	55,896,363
Administration expenses	<u>486,164</u>	<u>476,059</u>	<u>149,255</u>	<u>37,037</u>	<u>42,565</u>	<u>1,191,080</u>
Total deductions	<u>19,693,952</u>	<u>27,628,491</u>	<u>5,930,056</u>	<u>1,375,717</u>	<u>2,459,227</u>	<u>57,087,443</u>
Change in net position	36,588,006	28,483,639	1,424,002	4,395,227	1,812,518	72,703,392
Total net position - beginning	<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 net position - ending	<u>\$ 340,158,588</u>	<u>\$ 379,712,036</u>	<u>\$ 8,526,338</u>	<u>\$ 10,196,070</u>	<u>\$ 8,003,318</u>	<u>\$ 746,596,350</u>

City of Grand Rapids, Michigan
Statement of Changes in Assets and Liabilities
Agency Tax Fund
for the year ended June 30, 2013

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
Assets:				
Equity in pooled cash and investments	\$ 203,118	\$ 147,931	\$ -	\$ 351,049
Taxes receivable	<u>770,335</u>	<u>118,917,577</u>	<u>118,984,705</u>	<u>\$ 703,207</u>
Total assets	<u>\$ 973,453</u>	<u>\$ 119,065,508</u>	<u>\$ 118,984,705</u>	<u>\$ 1,054,256</u>
Liabilities:				
Due to other governmental units	<u>\$ 973,453</u>	<u>\$ 119,065,508</u>	<u>\$ 118,984,705</u>	<u>\$ 1,054,256</u>
Total liabilities	<u>\$ 973,453</u>	<u>\$ 119,065,508</u>	<u>\$ 118,984,705</u>	<u>\$ 1,054,256</u>

City of Grand Rapids, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2013

Governmental funds capital assets:

Land	\$	18,288,973
Easement/Right of Way		610,810
Land improvements		40,208,624
Buildings and structures		174,525,783
Machinery and equipment		22,792,161
Motor vehicles		11,267,636
Office furniture and equipment		3,041,396
Infrastructure		526,547,513
Construction in progress		<u>1,690,537</u>
Total governmental funds capital assets	\$	<u>798,973,433</u>

Investments in governmental funds capital assets by source:

Capital Projects Funds	\$	91,541,254
General Fund		3,573,288
Special Revenue Funds		543,730,512
Grand Rapids Building Authority		138,276,717
Federal grants		4,015,039
State grants		909,962
Gifts and donations		16,764,735
Enterprise Funds		<u>161,926</u>
Total governmental funds capital assets	\$	<u>798,973,433</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 position.

City of Grand Rapids, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2013

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	\$ 43,669,141	\$ 3,739,198	\$ 10,950	\$ 142,280	\$ 7,650	\$ 31,509	\$ 53,037,135
Public safety:										
Police	1,382,456	-	-	23,791,193	11,067,257	1,010,689	278,474	-	-	37,530,069
Fire	453,690	-	-	6,622,702	2,359,624	10,092,706	29,741	-	-	19,558,463
	<u>1,836,146</u>	<u>-</u>	<u>-</u>	<u>30,413,895</u>	<u>13,426,881</u>	<u>11,103,395</u>	<u>308,215</u>	<u>-</u>	<u>-</u>	<u>57,088,532</u>
Public works:										
Public works	2,591,983	590,781	9,339,607	7,932,493	1,637,373	-	41,575	505,268,579	1,659,028	529,061,419
Street lighting	-	-	-	-	-	-	-	11,609,955	-	11,609,955
Traffic	42,400	-	16,965	3,710,930	2,021,386	-	-	9,661,329	-	15,453,010
City/County parking facility	3,505,326	-	149,099	-	129,478	-	-	-	-	3,783,903
	<u>6,139,709</u>	<u>590,781</u>	<u>9,505,671</u>	<u>11,643,423</u>	<u>3,788,237</u>	<u>-</u>	<u>41,575</u>	<u>526,539,863</u>	<u>1,659,028</u>	<u>559,908,287</u>
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	27,045,171	9,088,064	297,096	128,067	-	-	-	38,440,266
Art museum	530,000	-	-	420,000	-	-	-	-	-	950,000
	<u>7,749,812</u>	<u>20,029</u>	<u>27,254,062</u>	<u>88,799,324</u>	<u>1,837,845</u>	<u>153,291</u>	<u>2,549,326</u>	<u>-</u>	<u>-</u>	<u>128,363,689</u>
Urban and community development:										
Urban Development	540,397	-	-	-	-	-	-	-	-	540,397
Neighborhood Business Improvements	35,393	-	-	-	-	-	-	-	-	35,393
Total urban and community development	<u>575,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,790</u>
Total governmental funds capital assets	\$ 18,288,973	\$ 610,810	\$ 40,208,624	\$ 174,525,783	\$ 22,792,161	\$ 11,267,636	\$ 3,041,396	\$ 526,547,513	\$ 1,690,537	\$ 798,973,433

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

City of Grand Rapids, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
for the year ended June 30, 2013

<u>Function and Activity</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
General government	\$ 52,887,962	\$ 149,173	\$ -	\$ 53,037,135
Public safety:				
Police	37,380,158	149,911	-	37,530,069
Fire	18,703,579	854,884	-	19,558,463
Total public safety	56,083,737	1,004,795	-	57,088,532
Public works:				
Public works	526,749,599	2,311,820	-	529,061,419
Street lighting	11,609,955	-	-	11,609,955
Traffic safety	15,386,017	66,993	-	15,453,010
City/County parking facility	3,783,903	-	-	3,783,903
Total public works	557,529,474	2,378,813	-	559,908,287
Culture and recreation:				
Libraries	41,914,043	-	-	41,914,043
Museum	47,059,380	-	-	47,059,380
Parks	38,434,314	5,952	-	38,440,266
Art museum	950,000	-	-	950,000
Total culture and recreation	128,357,737	5,952	-	128,363,689
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	\$ 795,434,700	\$ 3,538,733	\$ -	\$ 798,973,433

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



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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.

<u>Contents</u>	<u>Tables</u>
<p>Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</p>	1-5
<p>Revenue Capacity These schedules contain information to help the reader assess two locally levied taxes, the property tax collected by the City Treasurer which is the largest locally levied tax and the income tax collected by the City's Income Tax Department which is the city's most significant revenue source.</p>	6-10
<p>Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</p>	11-14
<p>Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</p>	15, 16
<p>Operating Information These schedules contain service data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.</p>	17-19

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

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in capital assets	\$ 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	\$ 252,300,951
Restricted	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	14,052,452
Unrestricted	<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>	<u>90,636,718</u>
Total governmental activities net position	<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>	<u>\$ 356,990,121</u>
Business-type Activities										
Net Investment in capital assets	\$ 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	\$ 351,473,228
Restricted	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	30,948,240
Unrestricted	<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>	<u>84,695,659</u>
Total business-type activities net position	<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>	<u>\$ 467,117,127</u>
Primary Government										
Net Investment in capital assets	\$ 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	\$ 603,774,179
Restricted	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	45,000,692
Unrestricted	<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>	<u>175,332,377</u>
Total primary government net position	<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>	<u>\$ 824,107,248</u>

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

	Fiscal Year Ended June 30,									
	<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>	<u>2013</u>
Expenses:										
Governmental activities:										
General government	\$ 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	\$ 25,763,302
Public safety	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	83,883,605
Public works	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	50,403,933
Culture and Recreation	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	18,560,598
Urban & Community Development	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	20,544,534
Interest on long-term debt	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	4,338,102
Total governmental activities expenses	188,339,654	195,616,202	204,028,025	193,394,046	207,056,587	201,461,284	193,236,352	205,004,429	216,143,667	203,494,074
Business-type activities:										
Water Supply System	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	36,459,316
Sewage Disposal System	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	48,008,068
Auto Parking System	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	11,262,622
Other Enterprises	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	1,990,459
Total business-type activities expenses	78,657,709	78,485,738	80,873,053	90,387,092	88,531,430	97,965,871	94,514,043	96,240,068	96,492,851	97,720,465
Total primary government expenses	\$ 266,997,363	\$ 274,101,940	\$ 284,901,078	\$ 283,781,138	\$ 295,588,017	\$ 299,427,155	\$ 287,750,395	\$ 301,244,497	\$ 312,636,518	\$ 301,214,539
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 8,840,382
Public safety	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	2,432,020
Public works	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	10,176,136
Culture and recreation	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	1,198,277
Urban & community development	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	8,282,923
Total Charges for services:	36,510,113	33,629,418	33,130,826	31,262,245	32,050,281	31,400,761	33,179,001	29,406,322	29,288,364	30,929,738
Operating grants and contributions:	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	20,176,947
Capital grants and contributions	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	1,307,488
Total governmental activities program revenues	53,412,713	50,867,338	48,677,726	43,808,835	43,294,260	44,995,272	50,502,457	51,549,631	63,919,537	52,414,173
Business-type activities:										
Charges for services:										
Water Supply System	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	44,228,303
Sewage Disposal System	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	49,251,979
Auto Parking System	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	13,504,506
Other Enterprise	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	1,985,327
Total Charges for services:	80,830,792	82,589,876	90,107,477	91,620,368	95,591,004	95,809,500	102,162,255	105,230,818	109,331,718	108,970,115
Operating grants and contributions:	7,513,430	64,832	5,709,177	481,086	245,032	-	131,096	208,000	676,381	631,163
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	3,265,749
Total business-type activities program revenues	96,087,104	89,924,026	102,107,168	94,808,678	98,006,382	97,646,108	103,328,106	106,537,281	111,152,881	112,867,027
Total primary government program revenues	\$ 149,499,817	\$ 140,791,364	\$ 150,784,894	\$ 138,617,513	\$ 141,300,642	\$ 142,641,380	\$ 153,830,563	\$ 158,086,912	\$ 175,072,418	\$ 165,281,200
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (151,079,901)
Business-type activities	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	15,146,562
Total primary government net expense	\$ (117,497,546)	\$ (133,310,576)	\$ (134,116,184)	\$ (145,163,625)	\$ (154,287,375)	\$ (156,785,775)	\$ (133,919,832)	\$ (143,157,585)	\$ (137,564,100)	\$ (135,933,339)

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

	Fiscal Year Ended June 30,									
	<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>	<u>2013</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 34,131,326
Income taxes	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	75,471,493
State shared taxes	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	32,627,467
Unrestricted investment earnings	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	1,541,377
Miscellaneous	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	374,239
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	106,960
Transfers	<u>1,965,577</u>	<u>3,247,121</u>	<u>3,320,778</u>	<u>2,839,531</u>	<u>1,846,821</u>	<u>1,632,809</u>	<u>11,411,230</u>	<u>2,633,781</u>	<u>2,466,570</u>	<u>2,064,144</u>
Total governmental activities:	<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>	<u>146,317,006</u>
Business-type activities:										
Unrestricted investment earnings	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	593,408
Miscellaneous	703,740	464,588	580,841	524,004	1,339,685	2,816,747	2,755,680	1,378,750	1,592,148	617,730
Transfers	(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)	(2,064,144)
Special Item-Refund Water Bonds	-	-	-	-	-	-	-	-	-	(4,868,614)
Total business-type activities	<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>	<u>(5,721,620)</u>
Total primary government	<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>	<u>\$ 140,595,386</u>
Change in Net Position										
Governmental activities	\$ (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)	\$ (4,762,895)
Business-type activities	<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>	<u>9,424,942</u>
Total primary government	<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>	<u>\$ 4,662,047</u>

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

	Fiscal Year Ended June 30,									
	<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>	<u>2013</u>
General Fund										
Reserved	\$ 1,804,703	\$ 1,389,912	\$ 1,208,882	\$ 1,987,359	\$ 1,448,920	\$ 1,616,452	\$ 13,220,866	\$ -	\$ -	\$ -
Unreserved	<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	9,085,247
Committed								-	-	3,683,466
Assigned								12,357,965	7,537,106	7,218,561
Unassigned								<u>7,886,595</u>	<u>8,499,517</u>	<u>12,677,755</u>
Total general fund	<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>	<u>\$ 32,665,029</u>
All other governmental funds										
Reserved	\$ 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	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>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	4,232,043
Restricted								14,770,028	13,917,489	12,471,415
Committed								18,978,088	23,248,555	30,862,888
Assigned								12,423,570	13,428,629	11,284,779
Unassigned								<u>(301,784)</u>	<u>-</u>	<u>(241,434)</u>
Total all other governmental funds	<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>	<u>\$ 58,609,691</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 June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property taxes	\$ 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	\$ 34,155,212
City income taxes	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	75,471,493
State shared taxes	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	32,627,467
Licenses and permits	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	4,307,838
Fines and forfeitures	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	2,403,610
Federal grants	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	15,305,649
State grants	1,139,675	1,381,728	817,447	1,020,516	1,000,072	970,050	590,074	506,781	1,359,652	1,095,598
Other grants & contributions	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	5,083,188
Charges for services	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	23,968,290
Investment earnings	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	693,044
Miscellaneous	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	436,512
Total revenues	\$ 174,778,947	\$ 175,977,040	\$ 184,568,691	\$ 180,833,177	\$ 185,192,962	\$ 175,943,739	\$ 176,862,245	\$ 188,395,347	\$ 200,848,319	\$ 195,547,901
Expenditures:										
Current:										
General government	\$ 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	\$ 23,474,456
Public safety	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	81,200,548
Public works	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	31,236,419
Culture and recreation	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	13,940,573
Urban and community development	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	20,510,234
Debt service:										
Principal	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	7,556,251
Interest, fees, and bond issue costs	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	4,130,036
Capital outlay	17,333,821	18,189,746	10,963,908	10,365,952	15,424,881	12,920,345	12,652,862	4,023,338	8,296,242	6,603,218
Total expenditures	191,693,564	191,116,162	180,146,249	184,273,685	192,973,653	186,665,758	189,561,994	189,254,571	205,609,349	188,651,735
Excess (deficit) of revenues over expenditures	\$ (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)	\$ 6,896,166
Other financing sources (uses):										
Transfers in	\$ 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	\$ 40,161,192
Transfers out	(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)	(37,403,178)
Sale of capital assets	-	2,544,000	-	2,268,309	945,075	-	4,241,992	-	-	-
Face value of bonds and contracts issued	1,348,640	18,225,000	-	14,740,000	427,560	24,755,100	7,445,000	1,592,500	2,255,000	526,800
Premium on bonds issued	-	(81,063)	-	642,623	-	503,856	-	-	175,389	-
Payment to refunded bond escrow agent	-	(13,030,000)	-	-	(945,075)	(23,908,566)	-	-	(2,438,269)	-
Total other financing sources (uses)	1,895,983	11,189,666	856,633	19,558,621	3,226,836	4,001,812	25,148,252	5,046,871	4,180,872	3,284,814
Net change in fund balances	(15,018,634)	(3,949,456)	5,279,075	16,118,113	(4,553,855)	(6,720,207)	12,448,503	4,187,647	(580,158)	10,180,980
Fund balances, beginning	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	81,164,225
Current year change in inventory levels	-	-	-	1,605,383	168,610	118,626	260,604	(4,201)	(80,054)	(70,485)
Fund balances, ending	\$ 65,948,564	\$ 52,916,139	\$ 58,195,214	\$ 75,918,710	\$ 71,533,465	\$ 64,931,884	\$ 77,640,991	\$ 81,824,437	\$ 81,164,225	\$ 91,274,720
Debt Service as a percentage of non-capital expenditures	5.36%	5.89%	5.83%	6.43%	6.42%	6.92%	6.64%	7.12%	5.87%	6.31%

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 ²	Total Tax Revenues, All Funds
	Local Income Tax	Property Tax, All Funds ¹	Sales Tax	Gas and Weight Tax	Library Aid	Fire Protection, State-Owned Facilities	Alcoholic Beverages Tax		
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
2013	75,471,493	34,155,212	13,745,657	13,210,493	136,023	428,427	154,203	4,952,664	142,254,172
									% Increase (Decrease) Over Prior Year
	Percent to Total Tax Sources								
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
2013	53.1	24.0	9.7	9.3	0.1	0.3	0.1	3.5	4.73

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 2012					Calendar Year 2003				
	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars
Individual and Joint Returns										
Resident Taxpayers:										
\$37 or less	3,850	3 %	\$ -	\$ -	0 %	4,044	3 %	\$ -	\$ -	0 %
38 - 12,500	14,041	12	80,700,000	1,210,000	2	19,609	14	109,600,000	1,420,000	3
12,501 - 25,000	10,118	8	187,200,000	2,810,000	5	13,898	10	258,700,000	3,360,000	7
25,001 - 50,000	13,550	11	488,900,000	7,330,000	13	17,634	13	632,600,000	8,220,000	18
50,001 - 100,000	9,980	8	689,300,000	10,340,000	18	10,967	8	740,200,000	9,620,000	21
More than \$100,000	3,312	3	582,900,000	8,740,000	16	2,350	2	413,900,000	5,380,000	12
Subtotal	54,851	46 %	\$ 2,029,000,000	\$ 30,430,000	54 %	68,502	49 %	\$ 2,155,000,000	\$ 28,000,000	62 %
Non-Resident Taxpayers:										
\$75 or less	6,659	6 %	\$ -	\$ -	0 %	9,156	6 %	\$ -	\$ -	0 %
76 - 12,500	15,696	13	80,100,000	600,000	1	16,357	12	85,400,000	550,000	1
12,501 - 25,000	8,994	7	167,900,000	1,260,000	2	11,321	8	214,200,000	1,390,000	3
25,001 - 50,000	15,049	13	550,600,000	4,130,000	7	18,835	13	677,200,000	4,400,000	10
50,001 - 100,000	10,687	9	724,200,000	5,430,000	10	8,777	6	586,200,000	3,810,000	8
More than \$100,000	4,025	3	846,800,000	6,350,000	11	2,618	2	527,900,000	3,430,000	8
Subtotal	61,110	51 %	\$ 2,369,600,000	\$ 17,770,000	32 %	67,064	48 %	2,090,900,000	13,580,000	30 %
All Other Returns										
Subtotal	4,111	3 %	\$ 438,800,000	\$ 7,840,000	14 %	5,311	4 %	\$ 242,400,000	\$ 3,690,000	8 %
Total	120,072	100.00 %	\$ 4,837,400,000	\$ 56,040,000	100 %	140,877	100 %	\$ 4,488,300,000	\$ 45,270,000	100 %

Source: City Income Tax Department

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

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		
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)
2013	2,592,621,697	1,222,199,744	201,200,508	454,702,000	4,470,723,949	(92,284,733)	8.1716	9,370,433,400	48	(4.79)

Note: State statute requires all property subject to *ad vaorem* 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 vaorem* 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
2004	2003	28,727,962	28,484,072	99.15	52,218	28,536,289	99.33
2005	2004	30,520,491	30,229,415	99.05	69,465	30,298,880	99.27
2006	2005	31,489,290	31,189,355	99.05	(13,142)	31,176,213	99.01
2007	2006	33,103,919	33,003,553	99.70	(29,517)	32,974,036	99.61
2008	2007	34,822,801	34,724,866	99.72	(56,814)	34,668,052	99.56
2009	2008	35,403,361	35,341,720	99.83	(81,240)	35,260,480	99.60
2010	2009	35,607,847	35,562,537	99.87	(268,397)	35,294,140	99.12
2011	2010	34,856,007	34,743,948	99.68	(421,104)	34,322,844	98.47
2012	2011	34,133,129	33,993,003	99.59	(265,406)	33,727,597	98.81
2013	2012	32,464,748	32,073,324	98.79	-	32,073,324	98.79

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

<u>City of Grand Rapids Direct Tax Rates ¹</u>											
Fiscal		General	Promotional and		Refuse			Total State	Total		Combined
Year	Tax Year	Operating	Advertising	Library ²	Collection	Total City	Total School ³	Education	Intermodal	Total County	Total
Tax Rates: ⁴											
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
2013	2012	4.1070	0.0113	2.4533	1.6000	8.1716	28.0768	6.0000	1.4100	5.3940	49.0524

- Note:**
- (1) All rates are Ad Valorem rates. City taxes, includes amounts payable to discretely presented Component Units: Due-July 1; Past Due-August 1; Penalties-1 percent per month until paid, after February 14, a total of 4 percent (3 percent penalty and 1 percent collection fee) is added.
 - (2) Library includes Library Capital Improvement of 0.3805 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 2013			Fiscal Year 2004		
		Taxable Valuation	Rank	Percentage of Total Taxable Valuation	Taxable Valuation	Rank	Percentage of Total Taxable Valuation
Consumers Energy	Electric utility	\$ 58,629,514	1	1.30 %	\$ 40,545,883	2	1.01 %
Kellogg/Keebler Company*	Bakery products	42,218,600	2	0.94 %	23,322,319	7	0.58 %
Amway Hotel Corp.	Hotel / real estate	37,238,941	3	0.83 %	30,989,048	4	0.78 %
HP3 LLC	J W Marriott Hotel	24,480,300	4	0.54 %			
Fifth Third Bank, Michigan	Banking / real estate	22,653,595	5	0.50 %	18,937,635	10	0.47 %
Steelcase, Inc.	Furniture manufacturing	22,545,650	6	0.50 %	103,470,169	1	2.59 %
Michigan Street Development	Medical office building development	21,610,268	7	0.48 %			
DTE Energy Co.	Gas utility	20,659,955	8	0.46 %	29,302,136	5	0.73 %
Centerpointe Partners LLC	Shopping center / real estate	20,557,698	9	0.46 %	22,859,540	8	0.57 %
GMAC 2001-C1 Bridgewater Industrial	Bridgewater Place / real estate	18,940,600	10	0.42 %	23,735,896	6	0.59 %
Waters Corporation	Real estate				31,178,380	3	0.78 %
Siemens Dematic Corp.	Manufacturer				21,666,443	9	0.54 %
		<u>\$ 289,535,121</u>		<u>6.43 %</u>	<u>\$ 346,007,449</u>		<u>8.66 %</u>

Note: The principal Taxpayers and Taxable Values were determined from the July 1, 2012 and July 1, 2003 tax bills and includes qualified real and personal properties exempted from ad valorem property taxes but subject to a specific Industrial Facilities Tax under Public Act 198 of 1974. *Keebler property is eligible through 2017 for property exemption under the Michigan Renaissance Zone Act, Public Act 376 of 1996.

The percentage calculation is based on the Total Taxable Values of \$4,504,552,551 in December 2011 and \$3,996,893,936 in 2002 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, 2013

Name of Governmental Unit	Total Debt	Balances	Net Debt	Self	Debt Supported by
	Outstanding	On Hand	Outstanding	Supporting	General Revenues of the City
Direct debt:					
City of Grand Rapids:					
Grand Rapids Building Authority	92,910,000	-	92,910,000	63,385,000	29,525,000
Grand Rapids and Kent County Joint Building Authority	265,000	-	265,000	265,000	-
Act 175 Motor Vehicle Highway	2,865,000	-	2,865,000	2,865,000	-
Capital Improvement Bonds	16,845,000	-	16,845,000	-	16,845,000
Downtown Development Authority	32,806,507	929,047	31,877,460	31,877,460	-
Kent County Drain Commission contracts	6,379,648	-	6,379,648	-	6,379,648
Installment Purchase Agreements	1,325,366	-	1,325,366	526,800	798,566
Internal Service Installment Purchase Agreements	681,434	-	681,434	-	681,434
Brownfield Redevelopment Authority	2,325,000	-	2,325,000	2,325,000	-
Total City direct debt	<u>\$ 156,402,955</u>	<u>\$ 929,047</u>	<u>\$ 155,473,908</u>	<u>\$ 101,244,260</u>	<u>\$ 54,229,648</u>
City Share as					
Gross Percent of Gross Net					
Overlapping debt:					
Grand Rapids Public Schools			\$ 141,885,000	100.00%	\$ 141,885,000
Caledonia Community Schools			120,374,965	0.10%	120,375
Forest Hills Public Schools			189,315,000	1.95%	3,691,643
Godwin Heights Public Schools			8,695,000	6.56%	570,392
Kenowa Hills Public Schools			37,225,000	0.11%	40,948
Kentwood Public Schools			67,565,000	8.50%	5,743,025
Kent County			177,190,000	22.01%	38,999,519
Grand Rapids Community College			<u>71,580,000</u>	21.37%	<u>15,296,646</u>
Total overlapping debt			<u>\$ 813,829,965</u>		<u>206,347,548</u>
Total City direct and overlapping debt					<u>\$ 260,577,196</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

Governmental Activities						
Fiscal Year	General Bonded Debt			Other Debt		Total Governmental Activities
	General Obligation Limited Tax Bonds	Percentage of Personal Income	Per Capita ¹	Revenue Bonds	State Loans	
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
2013	56,448,698	1.51	296	29,725,000	-	86,173,698

Business-Type Activities						
Fiscal Year	General Obligation Limited Tax Bonds	Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita ¹
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
2013	34,192,500	395,813,778	430,006,278	516,179,976	13.77	2,711

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

¹ Population Source:

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

2005-2010: The Right Place, Inc.

2011-2013: 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>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>	<u>2013</u>
Debt Limit	\$ 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	\$ 475,013,950
Total net debt applicable to limit	<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>	<u>149,161,448</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>\$ 325,852,502</u>
Total net debt applicable to the limit (as a percentage of debt limit)	27.48%	26.10%	25.06%	27.10%	24.70%	24.97%	27.78%	28.71%	34.19%	31.40%

<u>Legal Debt Margin Calculation for Fiscal Year 2013</u>	
Assessed Value	\$ 4,685,216,700
Add back: exempt property	<u>64,922,800</u>
Total Assessed Value	4,750,139,500
Debt limit (10% of total AV)	475,013,950
Debt applicable to limit:	
Total debt outstanding	552,216,733
Less: exempt debt	<u>403,055,285</u>
Total net debt applicable to limit	<u>149,161,448</u>
Legal debt margin	<u>\$ 325,852,502</u>

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

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

Fiscal Year	Gross	Operating	Available for Debt Service	Debt Service Requirements			Coverage
	Revenue ¹	Expenses ²		Principal	Interest	Total	
<u>Water Supply System Fund:</u>							
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
2013	47,062,960	23,551,763	23,511,197	9,577,838	5,620,135	15,197,973	1.55
<u>Sewage Disposal System Fund:</u>							
2004	33,598,127	18,868,793	14,729,334	4,841,888	7,129,146	11,971,034	1.23
2005	34,165,655	20,009,713	14,155,942	5,211,812	5,520,353	10,732,165	1.32
2006	38,207,316	20,168,449	18,038,867	5,296,736	6,568,594	11,865,330	1.52
2007	41,209,166	23,378,294	17,830,872	5,926,660	8,873,755	14,800,415	1.20
2008	43,266,185	22,307,978	20,958,207	6,051,585	8,690,230	14,741,815	1.42
2009	45,221,517	25,126,021	20,095,496	6,231,433	9,786,083	16,017,516	1.25
2010	51,560,665	23,981,480	27,579,185	7,636,433	11,497,769	19,134,202	1.44
2011	51,112,288	23,287,934	27,824,354	7,881,357	11,086,778	18,968,135	1.47
2012	52,720,174	23,396,338	29,323,836	8,216,281	12,010,113	20,226,394	1.45
2013	49,525,204	24,620,944	24,904,260	8,574,061	11,779,929	20,353,990	1.22

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

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

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

City of Grand Rapids, Michigan
Demographic Statistics (unaudited)

Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income	Per Capita Income ²	Median Age ²	School Enrollment ³	Unemployment ⁴
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
2013	190,426	3,749,297,514	19,689	30.6	16,498	8.7

Notes:

¹ 2004: CACI FILE 581: Population Demographics - per 2000 Census
2005-2010: The Right Place, Inc.
2011-2013: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

² 2004: CACI FILE 581: Population Demographics - per 2000 Census
2005-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)
2012-2013: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

³ 2004-2009: Grand Rapids Public Schools - School Matters 2002-2009;
2010: Director of Communications & External Affairs Grand Rapids Public Schools
2011-2013: State of Michigan Center for Educational Performance and Information, Public Student Headcount Data

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

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

Employer	Type of Business	2013			2004		
		West Michigan Employees	Rank	Total City Employment	West Michigan Employees	Rank	Total City Employment
Spectrum Health	Hospital and medical services	19,100	1	16.2 %	14,000	1	11.9
Axios Incorporated	Human resources and employment service	8,000	2	6.8			
Meijer Inc	Retailer	7,725	3	6.6	9,785	2	8.3
Amway Corp.	Consumer products manufacturer & Hotels	5,233	4	4.4	4,000	5	3.4
Grand Valley State University	Education	3,991	5	3.4			
Johnson Controls	Automotive components	3,900	6	3.3			
Spartan Stores Inc	Food distributor and retailer	3,608	7	3.1	4,368	4	3.7
Steelcase Inc.	Furniture manufacturing	3,227	8	2.7	5,400	3	4.6
Grand Rapids Public Schools	Education	2,907	9	2.5	3,490	7	3.0
Fifth Third Bank	Banking / Real estate	2,729	10	2.3	2,700	8	2.3
Farmers Group / Foremost	Insurance				3,500	6	3.0
U.S. Postal Service	Postal delivery				2,500	9	2.1
General Motors Corporation	Automotive components				2,400	10	2.0
		<u>60,420</u>		<u>51.4 %</u>	<u>52,143</u>		<u>44.3 %</u>

Note: The above listed employers are selected from a list compiled by The Right Place, Inc. of the largest employers in the West Michigan area. The complete list of employers is available at [www.rightplace.org/ Data Center - Top West Michigan Employers](http://www.rightplace.org/Data Center - Top West Michigan Employers). Employers selected for inclusion here are those with a significant presence in Kent County.

According to the US Census data for 2011, while 22% of employed city residents work in the city, 75% of employed city residents work in Kent County. Non-city residents fill 78% of the employment in the city. Percentages are based on the total employment in the city, 117,633, for 2011. 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

Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessor	20	19	19	18	19	19	16	16	16	16
Attorney	19	18	18	18	18	17	16	16	16	15
City Clerk	11	11	11	10	10	10	9	9	9	9
Community Development	30	29	27	19	18	20	24	23	25	20
Comptroller	19	17	15	17	17	17	15	15	15	16
Dispatch	-	-	-	-	-	-	-	51	51	51
61st District Court*	96	91	91	91	89	91	91.3	90.3	90.3	88.1
Economic Development	4	4	5	5	5	5	4	4	4	4
Engineering	51	51	51	51	51	48.0	51	50	42	24
Environmental Protection	124	124	126	126	129	128.5	122	116	113	98
Equal Opportunity (Admin Services)	-	-	7	7	7	6	6	5	5	5
Executive	14	14	14	12	13	12.0	11	11	11	11
Facilities Management	20	15	15	15	15	15	13	13	12	12
Fire	262	253	241	239	238	238	221	235	235	235
Fiscal Services	18	14	12	12	14	13.0	10	9	10	10
General Administration	1	1	1	-	-	-	-	-	-	-
Human Resources	29	28	18	17	17	17	16	15	15	15
Income Tax	16	15	16	16	17	18	16	16	17	14
Information Technology	8	8	8	8	5	6	6	5	4	4
Management Services	3	3	5	6	6	4	-	-	-	-
Motor Equipment	39	37	34	34	34	32	32	32	33	33
Neighborhood Improvement (Building Inspections)	58	57	53	52	53	51.5	37	37	37	42
Parking Services	37	37	37	37	36	35	31	29	31	31
Parks and Recreation	59	63	43	41	42	40	28	23	34	31
Planning	18	18	14	12	12	11	9	9	9	10
Police	445	411	412	411	411	404	378	346	338	328
Public Library*	71	66	67	63	63	118	117.5	116.5	116.5	113.3
Public Museum	21	17	17	-	-	-	-	-	-	-
Streets & Sanitation	111	113	112	107	106	107	101	96	82	79
Traffic Safety	44	40	41	41	42	42	34	33	33	35
Treasurer	21	21	20	20	20	20	20	19	19	19
Water	186	186	186	186	186	186	176	161	157	156
Seasonal and Other FTE's*	-	368	337	263	246	190	233	151	181	138
	<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>	<u>1,662</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cemeteries										
Burials	639	636	561	552	537	491	467	494	492	469
Clerk										
Voters in November election	15,005	83,369	15,070	66,264	10,840	86,499	12,821	50,939	18,042	81,616
Environmental Protection/Sewage										
Billions of gallons treated *	16.99	18.64	17.96	18.73	16.66	17.97	17.18	14.94	16.10	13.87
Fire										
Total calls *	18,874	18,861	19,000	19,079	19,642	20,057	18,709	19,634	21,453	22,372
Civilian fire deaths *	9	4	-	2	2	2	3	-	5	2
Neighborhood Improvement										
Building permits issued	1,723	1,945	1,964	1,813	1,905	1,719	1,747	1,841	2,074	2,314
Parks and Recreation										
Open swim participants	32,573	26,829	41,586	70,650	77,130	45,235	47,924	24,320	31,986	23,315
Swimming lesson participants	7,322	668	601	670	882	835	-	840	623	292
Softball league participants	35,102	24,788	174 teams	131 teams	135 teams	159 teams	175 teams	192 teams	183 teams	156 teams
Police										
Major crimes *	11,956	11,625	12,427	12,544	12,792	11,241	10,502	7,872	7,846	8,483
Physical Arrests *	13,813	14,304	13,373	16,902	14,487	16,211	12,959	15,227	16,550	16,823
Public Library										
Library card holders	144,600	154,259	110,145	106,558	115,352	124,519	133,311	66,453	66,631	65,873
Total user count	908,786	910,513	954,027	985,011	1,037,686	1,017,075	1,030,585	1,061,188	1,024,530	983,299
Local history collection users	33,409	30,073	23,826	32,363	33,410	46,723	42,105	39,323	42,560	38,744
Total circulation of materials	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	1,666,349
Public Works										
Tons of refuse picked up	37,937	34,086	32,668	31,098	30,520	29,032	29,013	27,469	26,458	23,071
Tons of recycling removed	6,600	5,685	5,823	5,955	5,840	5,739	5,867	8,279	9,579	9,905
Water										
Number of retail customers	77,483	78,284	79,852	77,629	77,820	77,793	78,084	78,053	78,370	78,063
New connections	-	-	-	488	355	209	263	174	317	269
Billions of gallons produced	14.07	14.71	14.81	14.71	14.42	13.17	12.48	12.49	13.18	13.44
Peak daily flow (millions of gal.)	71.90	79.20	82.35	83.66	87.85	74.30	61.86	62.78	70.24	80.24

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Fire stations	11	11	11	11	11	11	11	11	11	11
Parking Services										
Parking Ramps	6	5	5	5	6	6	7	8	8	8
Parks and Recreation										
Number of major parks	67	67	67	63	67	67	71	71	71	71
Number of swimming pools	9	9	9	6	9	9	9	9	9	9
Number of ball diamonds	70	70	70	40	70	70	74	74	74	74
Supervised playgrounds		19	19	19	32	32	25	22	10	0
Public Library										
Number of Libraries	8	8	8	8	8	8	8	8	8	8
Public Works										
Environmental Protection										
Miles of sanitary sewers	864	870	882	890	893	897	898	904	904	905
Streets										
Miles of paved streets-major	170	205	205	205	205	205	205	206	206	206
Miles of paved streets-local	395	390	390	390	390	390	389	388	388	388
Streetlights	19,026	19,026	19,026	19,026	20,191	20,202	20,178	20,178	20,178	20,178
Water										
Miles of water mains	1,112	1,122	1,134	1,143	1,147	1,152	1,157	1,160	1,161	1,163



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