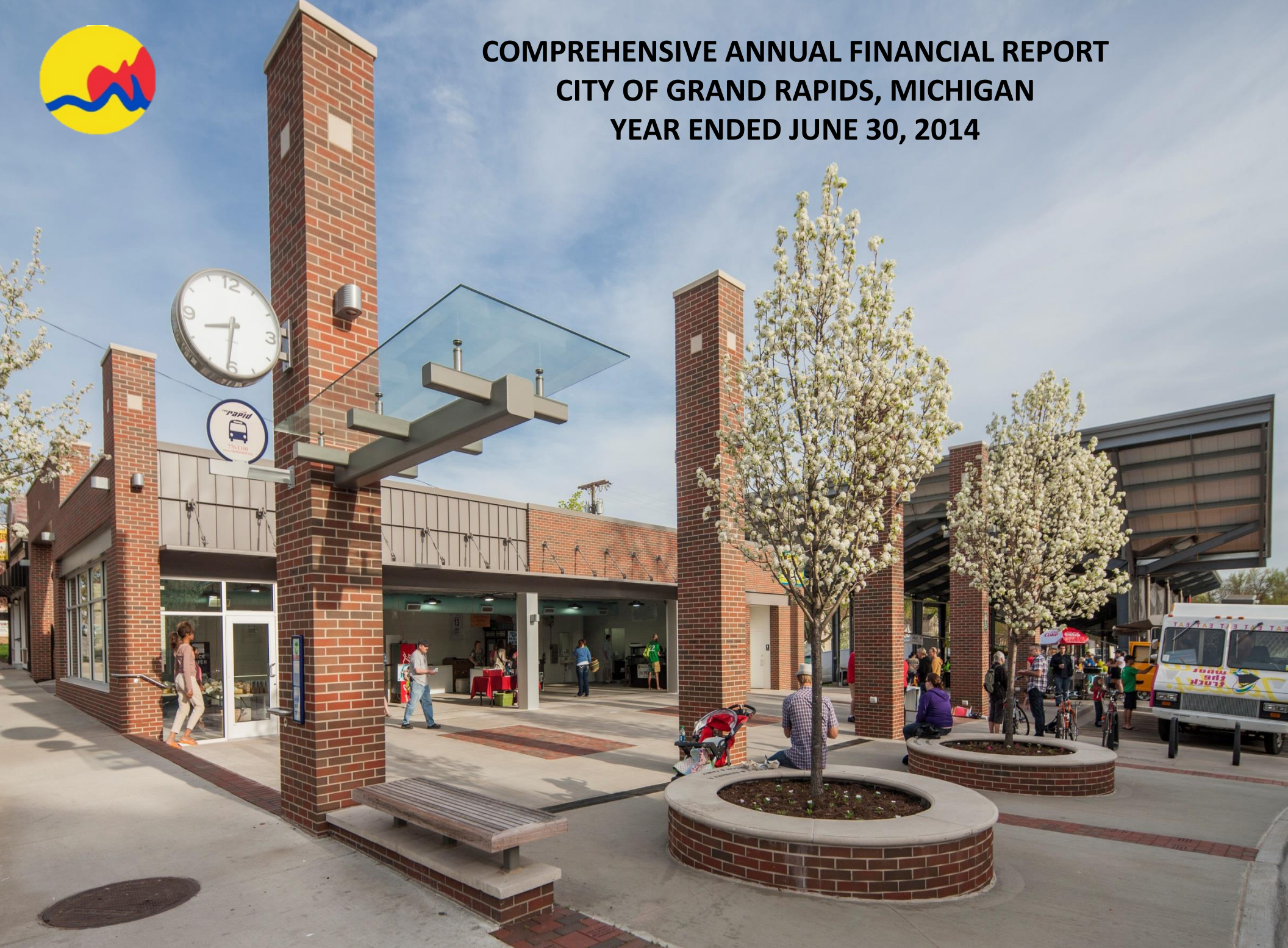




# COMPREHENSIVE ANNUAL FINANCIAL REPORT CITY OF GRAND RAPIDS, MICHIGAN YEAR ENDED JUNE 30, 2014



## Cover Art Courtesy of B. Lindhout Photography

This year's cover features the new entrance plaza to the Fulton Street Market. Originally established in 1922 as the East Side Market, this location in the 1100 block of Fulton Street has been connecting local farmers and city residents for several generations. In the spring of 2014 after a multi-million dollar rebuilding project, spearheaded by the Midtown Neighborhood Association and funded by a variety of public and private sources, the market reopened to continue its important role in the community.

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

**Year Ended June 30, 2014**

**Prepared by:**

**Comptroller's Office  
Sara VanderWerff  
Comptroller**

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**Elected Officials**

Mayor	George Heartwell
Commissioners	Rosalynn Bliss Walt Gutowski Dave Shaffer Ruth E. Kelly Elias Lumpkins, Jr. Senita Lenear
Comptroller	Sara VanderWerff

**Appointed Officials**

City Manager	Gregory A. Sundstrom
City Attorney	Catherine Mish
City Treasurer	Albert C. Mooney
City Clerk	Darlene O'Neal

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Comprehensive Annual Financial Report  
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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

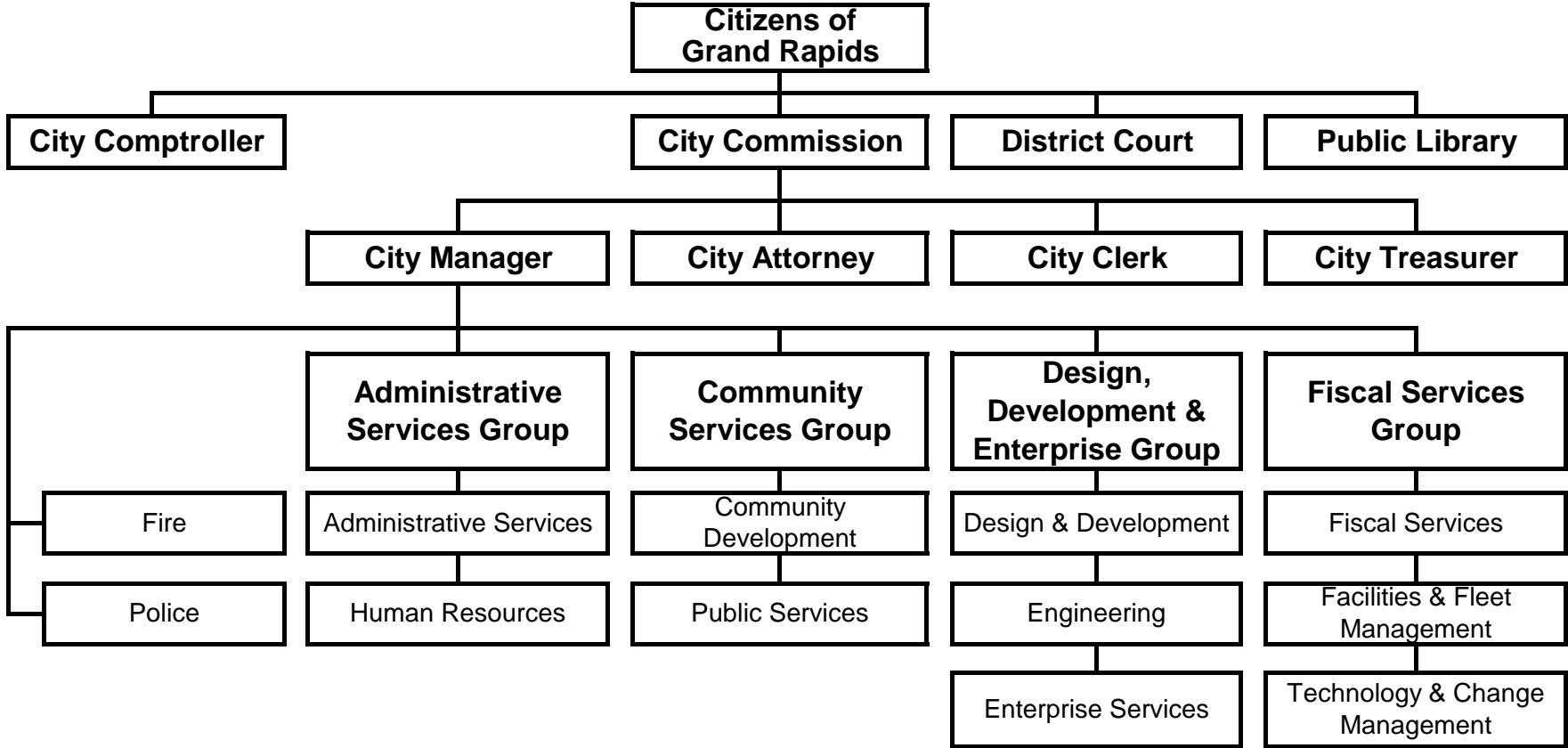
**City of Grand Rapids  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

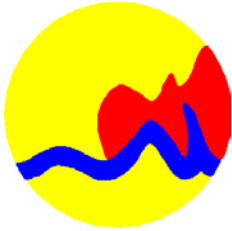
**June 30, 2013**

Executive Director/CEO

**City of Grand Rapids  
Organizational Chart  
FY 2014**







# CITY OF GRAND RAPIDS

December 11, 2014

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, 2014 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, 2014. 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 and component unit boards, 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, cemeteries, Belknap Ice Arena, 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
- Corridor Improvement Districts (CIDs)
- Grand Rapids Brownfield Redevelopment Authority (Brownfield)
- Grand Rapids Downtown Development Authority (DDA)
- Grand Rapids SmartZone Development Authority (SmartZone)
- Grand Rapids Tax Increment Financing Authority (TIFA)
- State of Michigan 61<sup>st</sup> District Court

Blended component units, although legally separate entities, are part of the primary government's operations and are included as part of the primary government. Accordingly, the activities of the GRBA have been blended within the primary government's activities included in the 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.

Fiduciary funds are used to track resources that are held by the City in a trustee or agency capacity for others and which therefore cannot be used to support the City's own programs.

In fiscal year 2014, the City spent \$289 million on all the governmental and business-type services including interest payments on the City's debt. Governmental activities expended \$191 million, a 6.3 percent decrease from 2013 and business-type activities spent \$98 million in fiscal year 2014, which is unchanged from the previous year. In addition to the City's own expenditures, its component units spent \$31 million, a 5.3 percent increase from the prior fiscal year, and the City's two pension funds paid \$48 million in benefits to retirees 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. On May 6, 2014 the voters extended that increase for 15 years with the resulting revenue restricted to the repair and rebuilding of the City's streets and sidewalks. Income tax revenue for fiscal year 2014 increased 2.8 percent from fiscal year 2013 to \$77 million; however, revenue from property taxes decreased 0.7 percent to \$33 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). Each operating fund's budget is developed and presented within the context of a seven year time frame beginning with the actual results in the most recently completed fiscal year and ending with the projected requirements five years in the future. This multi-year presentation is designed to aid planning and understanding by revealing trends in revenues and expenditures. Department heads may transfer resources within the activities they manage. Transfers between departments, between funds, and above administrative amounts set by the City Commission need specific approval from the governing body. The City 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, substantial staff reductions, and changes to the City's health insurance and pension programs, the City's financial position appears to have stabilized, although many of the newly available resources are restricted to support specific activities. 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 192,285 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 621,700. The four-county Metropolitan Statistical Area (MSA) has a population of 1,016,603 and the Combined Statistical Area includes 1.4 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 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 fourth year in a row, dropping 0.6 percentage points to an

average annual rate of 8.1 percent in fiscal year 2014, only one tenth of a percent above the level of unemployment before the 2008 recession began. Income tax returns filed with the income tax department during calendar year 2013 showed an increase in taxable income of 6% over calendar year 2012. Withholding payments during the first half of 2014 indicate continued growth in incomes. With a time lag, this income growth should support a rebound in property values.

Local residents demonstrated their civic mindedness and commitment to the community twice during the fiscal year by approving a millage dedicated to parks and recreation programming in November and again in May by extending the five-year temporary income tax increase for an additional fifteen years to provide financing support for the repair and reconstruction of deteriorating street infrastructure. In recent years, funding by the gas and weight tax dollars from the State of Michigan has not been sufficient to keep up with the needed repair and reconstruction.

Over the entire past ten years, the property tax base in the City has increased over 6.2%, slightly more than the constitutional cap on annual increases, however that entire increase has come from a narrowing of the gap between the estimated actual value of property and its taxable value. As illustrated in Table 7 of the statistical tables, over the same period the assessor's estimate of the property values supporting the property tax have decreased by over 6.5%. The lack of growth in property values has resulted in an increased reliance on the income tax and fee for service charges to support public services.

During the year, Grand Rapids received many positive recognitions in the national and international media underscoring the local quality of life. Forbes magazine listed the city as the third best mid-size city for jobs in 2014 and included the city in its 2013 list of top fifteen emerging downtowns. The web-site Global Yodel included Grand Rapids in its list of the 18 Most Underrated Cities in the USA while the Lonely Planet called Grand Rapids and Lake Michigan's Gold Coast the No. 1 Top U.S. Destination in 2014! Experience Grand Rapids estimates that tourism has a local economic impact of \$1.2 billion each year.

### *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 rebound in American manufacturing is expected to have a positive impact on the local area.

### *Long-Term Financial Planning*

The City established a separate accounting fund -- the Transformation Fund -- to isolate and track the new income tax monies from a 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.

One result of the sustainability analysis was the identification of the need for an asset replacement mechanism that is not reliant on current year resources or new debt issuance. As a result, several departments have segregated their on-going operating and their capital funding to allow them to accumulate resources to consistently fund capital acquisitions that occur at irregular intervals without distorting their annual appropriations.

### *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% of its expenditures. The Budget Stabilization Fund, as allowed by Act 30, PA 1978, was reopened in fiscal year 2013 with a goal of holding an additional 10% of General Fund Expenditures for the next economic downturn. For financial reporting, this fund is consolidated with the General Fund as required by GASB 54. The combined funds have not yet achieved the desired total fund balance of 25% of expenditures but progress toward the goal was made during the year. Projections in the most recent five year fiscal plan anticipate that progress toward meeting these related goals will end with fund balances at approximately 12.5% and 5.5% of General Fund expenditures after the 2016 fiscal year. The plateau is largely due to modest revenue growth offset by commitments made to the voters to allocate General Fund resources in support of park operations and street repair during the life of the new park's millage and the supplemental income tax increase.

### *Major Initiatives*

Inspired by a desire to implement best practices and reduce duplicative costs, the cities of Grand Rapids and Livonia signed an Inter-local Agreement in July of 2012 that created the Michigan Municipal Services Authority. During fiscal years 2013 and 2014, using start-up funding provided by the Michigan Department of Treasury, these founding members, along with other municipal governments, including the Counties of Kent and Genesee, have been working to define requirements for a common solution that can be implemented individually or collectively 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.

The condition of Michigan's streets and roads has been visibly deteriorating since the start of this century. Roughly a third of Michigan counties have supplemented declining gas and weight tax revenue with locally approved millages. In the City, the Sustainable Streets Task Force proposed a vital street framework to improve the condition of 70% of the City's streets to a Good or Fair condition rating over a fifteen year timeframe. The voters approved dedicating a portion of the income tax to improvement and reconstruction of the City's streets. The new funds, supplementing existing revenue sources, should combine to provide over \$10 million a year for fifteen years to go into improvements of the City's street infrastructure.

### **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, 2013; an award the City has received annually since 1985. In order to be awarded a Certificate of Achievement, a governmental unit must publish a user-friendly and efficiently organized

Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to the GFOA for consideration.

The City also received the GFOA's award for Distinguished Budget Presentation for its budget document for the fiscal year beginning July 1, 2013. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan and as a communications medium.

### **ACKNOWLEDGEMENTS**

The timely, orderly preparation and completion of this report is made possible by the hard work and dedication of the staff in the Office of the City Comptroller. I appreciate the time and talent of everyone who contributed to this document. The people who live or work in, or receive services from the City of Grand Rapids might also appreciate the 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 efforts 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, prominent initial "S".

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, 2014 (December 31, 2013 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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, 2014 (December 31, 2013 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.



***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules and the funding progress schedules, on pages 3-14 and 77-82, 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 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, 2014

## 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, 2014. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. At June 30, 2014, net position totalled \$845,494,493. The unrestricted portion of this amount, \$184,037,670, 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 \$21,387,245 as both governmental and business-type activities increased net position by \$9,321,934 and \$12,065,311 respectively. In both cases the increase in net position is mirrored by a reduction in non-current liabilities as current cash-flows were used to reduce long-term liabilities.
- At June 30, 2014, the City's governmental funds reported combined fund balances of \$105,024,652; an increase of \$13,749,932 from the previous year. A total of \$11,501,649 of the fund balance for governmental funds is *nonspendable*, and the spending of \$13,723,322 is *restricted* as to purpose by an outside party, which means \$79,799,681 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 \$13,278,486 at June 30, 2014, 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 \$13,840,518 at year-end; an increase of \$1,162,763 from the previous year. At June 30, 2014, the unassigned balance stands at 11.9% of 2014 general fund expenditures, compared with 10.9% in 2013. At year end the unassigned fund balance was \$3,618,974 below the fund balance policy. In addition to the increase in unassigned fund balance, the Commission added an additional \$2,257,335, for a total commitment of \$5,940,801 of fund balance for future budget stabilization. Current policy states that this committed portion of fund balance should be 10% of current general fund expenditures. State law requires this be held in a separate fund which it is, but accounting standards dictate its presentation be blended as part of the general fund.
- The City's total debt decreased by \$30,045,933 during the current fiscal year. Payments reducing debt totalled \$37,627,640. New debt issued included \$7,176,732 of refunding bonds and \$404,975 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 are 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 and a court system, for which the City is financially accountable. They are a Downtown Development Authority, a Tax Increment Finance Authority, a SmartZone Authority, a Brownfield Redevelopment Authority, three Corridor Improvement Districts, and the 61<sup>st</sup> District Court. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government wide statements can be found on pages 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. Throughout the year, the budget is amended based on changing conditions (e.g. the award of a grant). Budgetary comparison statements have been provided in the required supplementary information section of this report for the major funds to demonstrate compliance with this budget. The budgetary comparison schedule on 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, 311 Call Center, Engineering, and Insurance Payment Funds. These internal service funds have been allocated to both *business activities* and to *governmental activities* in the government-wide Statement of Activities.

These funds use the full accrual basis of accounting which includes capital assets with depreciation and long term liabilities. The focus is on the full cost of funding services. The proprietary fund financial statements provide separate information for the major enterprise funds of the City. The 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**

<b>City of Grand Rapids' Net Position</b>						
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Business-Type Activities 2014</b>	<b>Business-Type Activities 2013</b>	<b>Total Primary Government 2014</b>	<b>Total Primary Government 2013</b>
Current and other assets	\$ 163,211,970	\$ 152,166,424	\$ 145,085,852	\$ 154,181,639	\$ 308,297,822	\$ 306,348,063
Capital assets, net of accumulated depreciation	<u>327,496,855</u>	<u>337,789,494</u>	<u>768,519,954</u>	<u>767,704,971</u>	<u>1,096,016,809</u>	<u>1,105,494,465</u>
Total Assets	<u>\$ 490,708,825</u>	<u>\$ 489,955,918</u>	<u>\$ 913,605,806</u>	<u>\$ 921,886,610</u>	<u>\$ 1,404,314,631</u>	<u>\$ 1,411,842,528</u>
Deferred outflows of resources	<u>\$ 1,273,577</u>	<u>\$ 1,392,567</u>	<u>\$ 7,019,073</u>	<u>\$ 7,919,535</u>	<u>\$ 8,292,650</u>	<u>\$ 9,312,102</u>
Current liabilities	\$ 22,926,445	\$ 21,986,028	\$ 34,120,280	\$ 35,586,943	\$ 57,046,725	\$ 57,572,971
Non-current liabilities	<u>102,566,183</u>	<u>112,319,866</u>	<u>407,322,161</u>	<u>427,102,075</u>	<u>509,888,344</u>	<u>539,421,941</u>
Total Liabilities	<u>\$ 125,492,628</u>	<u>\$ 134,305,894</u>	<u>\$ 441,442,441</u>	<u>\$ 462,689,018</u>	<u>\$ 566,935,069</u>	<u>\$ 596,994,912</u>
Deferred inflows of resources	<u>\$ 177,719</u>	<u>\$ 52,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,719</u>	<u>\$ 52,470</u>
Net investment in capital assets	\$ 250,757,965	\$ 252,300,951	\$ 358,944,390	\$ 351,473,228	\$ 609,702,355	\$ 603,774,179
Restricted net position	15,868,799	14,052,452	35,885,669	30,948,240	51,754,468	45,000,692
Unrestricted net position	<u>99,685,291</u>	<u>90,636,718</u>	<u>84,352,379</u>	<u>84,695,659</u>	<u>184,037,670</u>	<u>175,332,377</u>
Total Net Position	<u>\$ 366,312,055</u>	<u>\$ 356,990,121</u>	<u>\$ 479,182,438</u>	<u>\$ 467,117,127</u>	<u>\$ 845,494,493</u>	<u>\$ 824,107,248</u>

Assets exceeded liabilities by \$845,494,493 at June 30, 2014 and by \$824,107,248 at June 30, 2013.

The City's current and other assets increased by \$1,949,760 or 0.6%. Business type activities saw a \$9,095,786 decline in current and other assets primarily as a result of spending on water and sewer capital projects described on the following page.

The total liabilities decreased 5.0% or \$30,059,843, primarily as the result of the limited amount of new debt issued during the year.

By far, the largest portion of the City's net position (72.1%) is its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The City's restricted net position is primarily restricted for debt service and authorized capital projects. The remaining balance, *unrestricted net position* (\$184,037,670), may be used to meet government's on-going obligations to citizens and creditors consistent with the purpose of the fund. Only the \$13.8 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, compared to the fund balance policy, the ending fund balance is \$3.6 million less than the desired balance.

At June 30, 2014, 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 2014	Governmental Activities 2013	Business-Type Activities 2014	Business-Type Activities 2013	Total 2014	Total 2013
Land	\$ 18,344,973	\$ 18,288,973	\$ 14,925,201	\$ 14,936,185	\$ 33,270,174	\$ 33,225,158
Easements/Right of Way	646,686	610,810	1,000,139	730,192	1,646,825	1,341,002
Land improvements	14,845,682	14,016,566	7,762,283	8,452,197	22,607,965	22,468,763
Buildings and structures	86,596,903	92,287,531	106,956,721	108,976,036	193,553,624	201,263,567
Storage tanks	-	-	9,528,649	6,790,824	9,528,649	6,790,824
Machinery and equipment	4,727,924	5,996,890	81,077,501	81,214,011	85,805,425	87,210,901
Motor vehicles	16,456,518	10,212,352	802,752	1,269,570	17,259,270	11,481,922
Furniture	363,666	431,948	58,217	74,455	421,883	506,403
Software	462,206	667,473	-	-	462,206	667,473
Water and sewer mains	-	-	527,244,169	528,942,771	527,244,169	528,942,771
Infrastructure	180,711,121	193,586,414	-	-	180,711,121	193,586,414
Construction in progress	4,341,176	1,690,537	19,164,322	16,318,730	23,505,498	18,009,267
Total	<u>\$ 327,496,855</u>	<u>\$ 337,789,494</u>	<u>\$ 768,519,954</u>	<u>\$ 767,704,971</u>	<u>\$ 1,096,016,809</u>	<u>\$ 1,105,494,465</u>

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$1,096,016,809 (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 \$44.5 million, a 20% increase from 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 \$11,738,415. Construction in progress on additional projects as of June 30, 2014 declined to \$4,931,460.
- Various additions and improvements were completed in the Sewage Disposal System at a cost of \$11,371,317. Construction in progress in on-going projects at the close of the fiscal year was \$14,232,862.
- New motor vehicles were purchased by the Motor Equipment Fund and the Fire Department for \$8,892,298 to update an aging fleet with newer, more reliable and more fuel efficient vehicles.

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

**City of Grand Rapids' Outstanding Debt**

**Limited Tax Bonds, Revenue Bonds and Long-term Contracts**

	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Business-Type Activities 2014</b>	<b>Business-Type Activities 2013</b>	<b>Total 2014</b>	<b>Total 2013</b>
Limited tax pledge bonds	\$ 43,788,800	\$ 50,026,800	\$ 32,665,000	\$ 33,660,000	\$ 76,453,800	\$ 83,686,800
Revenue bonds	28,500,000	29,725,000	376,975,905	395,813,778	405,475,905	425,538,778
Long-term contracts	5,117,838	6,421,898	451,500	532,500	5,569,338	6,954,398
Total	<u>\$ 77,406,638</u>	<u>\$ 86,173,698</u>	<u>\$ 410,092,405</u>	<u>\$ 430,006,278</u>	<u>\$ 487,499,043</u>	<u>\$ 516,179,976</u>

**Long-term debt:** At June 30, 2014, the City had total long-term debt outstanding of \$487,499,043. Of this amount, \$76,453,800 comprises limited tax full faith and credit general obligations. Limited tax full faith and credit general obligation bonds generally require the City to provide sufficient moneys from its general fund as a first budget obligation for principal and interest, including the collection of ad valorem taxes which the City is authorized to levy on all taxable property within its boundaries. Such tax levies, however, are subject to applicable statutory, constitutional, and charter tax limitations. As a practical matter the City pledges its limited full faith and credit on various debt issues to lower debt service costs paid by funds other than the general fund; e.g. the building authority, library, streets, etc. The remainder of the City's debt represents bonds secured solely by specified revenue sources and long-term contracts. These long-term contracts are general obligations of the City.

The City's total bonded debt does not include the June 30, 2014 balance of the City of Grand Rapids and County of Kent Building Authority bonds of \$53,788,904 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 2014.

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



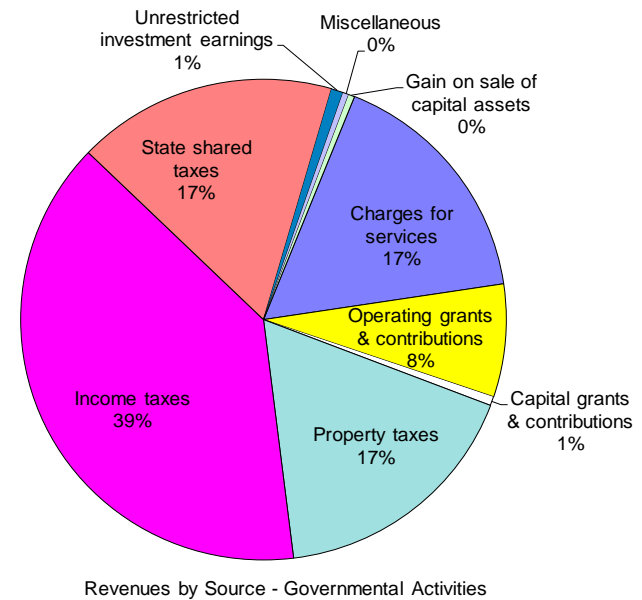
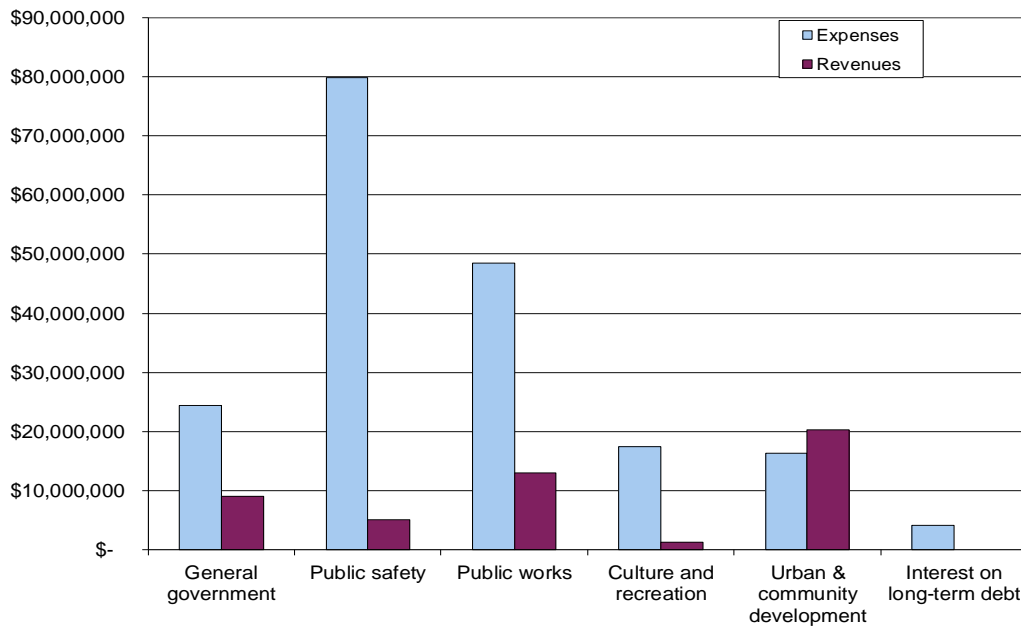
**Changes in Net Position:**

<b>City of Grand Rapids' Changes in Net Position</b>						
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Business-Type Activities 2014</b>	<b>Business-Type Activities 2013</b>	<b>Total Primary Government 2014</b>	<b>Total Primary Government 2013</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 32,647,733	\$ 30,929,738	\$ 106,741,006	\$ 108,970,115	\$ 139,388,739	\$ 139,899,853
Operating grants and contributions	15,059,686	20,176,947	603,191	631,163	15,662,877	20,808,110
Capital grants and contributions	1,091,417	1,307,488	3,347,880	3,265,749	4,439,297	4,573,237
General Revenues:						
Property taxes	33,909,334	34,131,326	-	-	33,909,334	34,131,326
City Income taxes	77,574,337	75,471,493	-	-	77,574,337	75,471,493
Intergovernmental, unrestricted	34,246,742	32,627,467	-	-	34,246,742	32,627,467
Unrestricted investment earnings	1,657,605	1,541,377	711,272	593,408	2,368,877	2,134,785
Miscellaneous	707,264	374,239	775,377	617,730	1,482,641	991,969
Gain on sale of capital assets	789,570	106,960	-	-	789,570	106,960
<b>Total Revenues</b>	<b>197,683,688</b>	<b>196,667,035</b>	<b>112,178,726</b>	<b>114,078,165</b>	<b>309,862,414</b>	<b>310,745,200</b>
Expenses:						
General government	24,317,558	25,763,302	-	-	24,317,558	25,763,302
Public safety	79,901,439	83,883,605	-	-	79,901,439	83,883,605
Public works	48,477,155	50,403,933	-	-	48,477,155	50,403,933
Culture and Recreation	17,453,598	18,560,598	-	-	17,453,598	18,560,598
Urban & Community Development	16,321,393	20,544,534	-	-	16,321,393	20,544,534
Interest on long-term debt	4,058,044	4,338,102	-	-	4,058,044	4,338,102
Water Supply System	-	-	37,285,497	36,459,316	37,285,497	36,459,316
Sewage Disposal System	-	-	46,561,350	48,008,068	46,561,350	48,008,068
Auto Parking System	-	-	11,798,952	11,262,622	11,798,952	11,262,622
Other Enterprises	-	-	2,300,183	1,990,459	2,300,183	1,990,459
<b>Total Expenses</b>	<b>190,529,187</b>	<b>203,494,074</b>	<b>97,945,982</b>	<b>97,720,465</b>	<b>288,475,169</b>	<b>301,214,539</b>
Change in Net Position before Transfers	7,154,501	(6,827,039)	14,232,744	16,357,700	21,387,245	9,530,661
Transfers	2,167,433	2,064,144	(2,167,433)	(2,064,144)	-	-
Special item	-	-	-	(4,868,614)	-	(4,868,614)
Change in Net Position	9,321,934	(4,762,895)	12,065,311	9,424,942	21,387,245	4,662,047
Net Position - beginning	356,990,121	361,753,016	467,117,127	457,692,185	824,107,248	819,445,201
<b>Net Position - ending</b>	<b>\$ 366,312,055</b>	<b>\$ 356,990,121</b>	<b>\$ 479,182,438</b>	<b>\$ 467,117,127</b>	<b>\$ 845,494,493</b>	<b>\$ 824,107,248</b>

Governmental activities: Governmental activities increased the City's net position by \$9,321,934. Key elements of this increase are as follows:

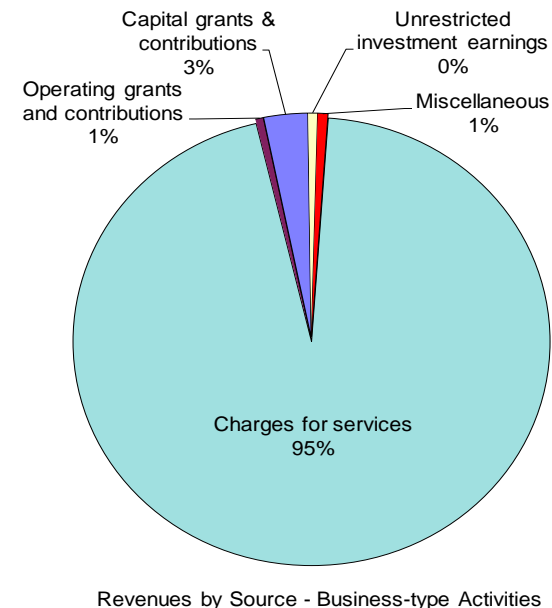
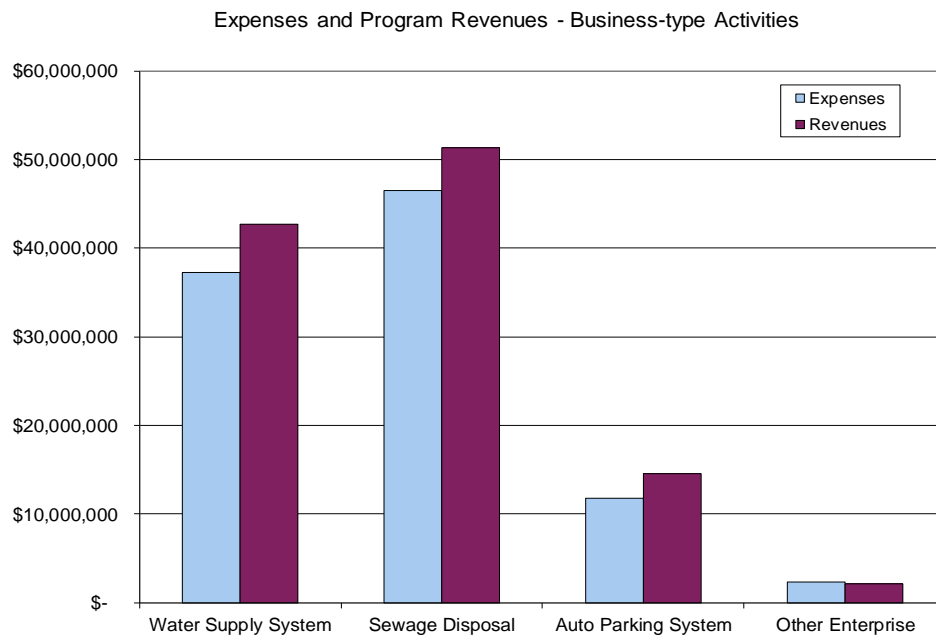
- Tax revenues increased \$3.5 million without a corresponding increase in expenses. The City's largest tax revenue, the local income tax, increased \$2.1 million, or 2.8%. The increase was a result of increasing employment and increasing local income. Local property tax revenue slowed its rate of decline to 0.7% as the decline in property values that began in 2008 appeared to reach a bottom. State shared taxes increased 5.0%, mostly as a result of a \$1.2 million increase in gas and weight taxes received by the street funds.
- The net change in fund balances of governmental funds was responsible for an increase in net position of \$14.2 million, before adjusting the modified accrual presentation of fund balance to the Government Wide Statement of Activities.
- Reductions of existing debt totalled \$13.5 million, while new debt issuance of only \$4.8 million, caused net position to increase by \$8.7 million.
- Depreciation on existing assets of \$28.4 million exceeded the \$18.1 million cost of newly capitalized assets. This difference reduced net position by \$10.3 million.

Expenses and Program Revenues - Governmental Activities



**Business-type activities:** Business-type activities increased the City's net position by \$12,065,311. The key elements of this increase are as follows:

- The Water System experienced a \$3.8 million decline in revenue from water sales. This reflected a mid-year rate decrease of 4.30% and an 8.32% decline in volume due to extremely dry conditions during the prior year. The Sewer System was negatively affected by a volume decrease of 1.68% that was fully offset by a mid-year rate increase of 2.46%. Sewer System operating expenses declined compared to the prior year when flooding of the Grand River created an emergency need to protect the wastewater treatment plant from the flood waters.
- The Parking System had increased revenue in every category of off-street parking (monthly, daily, and event) as a result of increasing demand for downtown parking. A small increase in on-street parking fees also contributed to higher revenues. Two factors primarily increased costs compared to the prior year. The winter saw unprecedented amounts of snowfall that had to be cleared from parking lots and ramp tops and moved out of downtown. In addition, the Parking System reimburses the police department for a portion of overtime for event related traffic control. The increase in the number of downtown events, both increased revenues and these related costs.
- The three major funds were able to generate an operating margin sufficient to fund their current operating expenses, all required debt service payments, and increase their net position.
- The \$4.8 million special item in fiscal year 2013 was the SmartZone bond refunding with the Water System.



## **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, 2014, the City's governmental funds reported combined ending fund balances of \$105,024,652. Of this total, all but \$13,278,486 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, 2014, the fund had an unassigned fund balance of \$13,840,518. 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 11.9% and 30.5% respectively of total fiscal year 2014 General Fund expenditures, compared to the unassigned and total fund balance representing 10.9% and 28.2% of fund expenditures a year earlier. The fund's fund balance increased \$2,865,438 during fiscal year 2014. As originally adopted, the budget anticipated a surplus of \$2,162,478, most of which was committed to increase the budget stabilization fund. 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 \$753,331. A decrease of \$946,074 was planned for as the Library implemented a long-term restructuring plan designed to reduce annual operating costs by \$920,000 in future years. The Library is facing a structural deficit through fiscal year 2018 related to required debt service payments on the 1998 bond issue for expansion and renovation of library facilities. At the time of issuance it was expected that the debt millage would generate property tax revenues that would increase annually and cover payments that also increased each year. Actual property tax revenues have declined for five years, following the 2008-09 recession.

The Refuse Fund had a current fiscal year deficit of \$320,598, which increased the deficit fund balance to \$562,032. This was a large improvement compared to the loss of almost \$3.5 million the prior fiscal year related to a change to a new "pay-as-you-throw" service model started in fiscal year 2013. A deficit elimination plan has been created that is expected to eliminate the deficit by the end of fiscal year 2016 through a combination of fee increases and cost reductions.

The budget process anticipated the Major and Local Street Funds would decrease fund balance by \$746,846 and \$89,156 respectively. Actual results instead saw increases in fund balance of \$1,474,313 in the Major Street Fund and \$203,941 in the Local Street Fund. The differences were largely the result of increases in state gas and weight taxes sent to the City along with an increase in service requests from other agencies for installation and repair of traffic signals.

The fund balance of the Street Capital Construction Fund decreased by \$2,122,646 as spending on previously funded projects was completed. The fund balance of the General Capital Construction Fund increased by \$3,494,238, largely as a result of more new projects being approved and funded than the amount that was spent on the completion of previously approved projects.

The fund balances of the City's nonmajor governmental funds increased by \$9.3 million. There were two major components of that increase. The fund balance of the Transformation Fund increased by \$7.3 million. This was the fourth year of what the five-year fiscal plan anticipated would 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 anticipated expenditure increases as staffing increased, but they also expected a drop in permit revenue from the 66% increase the prior year. Instead there was an additional 3% increase in permit revenue as the robust recovery in multi-family residential construction continued on top of the institutional construction that had sustained the local construction industry after the economic downturn in 2008.

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 \$78,007,749. The total growth in net position for enterprise funds was \$11,198,062. 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**

The original budget included \$404,280 of reappropriations to allow the completion of previously approved projects. During the year there was an increase of \$766,825 in appropriations and a decrease to the transfer-out budget of \$455,780, or a net difference of \$311,045 between the original and final amended budget. The primary elements within those changes were:

- \$296,190 was appropriated to allow the refunding of bonds. This expenditure was reimbursed by the proceeds of the newly issued bonds.
- \$400,000 that was originally expected to be transferred to support the operation of other funds was reallocated to support the cost of storage of the collection of the Public Museum of Grand Rapids.

Actual departmental expenditures in the General Fund were \$2,747,060 below amended departmental appropriations, falling \$252,940 short of the expected appropriation lapse of \$3,000,000.

Revenues for the year ended June 30, 2014 were \$2,657,223 higher than originally budgeted. For the second consecutive year the primary driver of this increase was revenue from the local income tax that was up \$2,377,586 from the original budget, which had anticipated an increase 9.6% above the prior year's revenue.

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

City Commission, top management, and fiscal staff considered many factors when preparing the FY15 budget. Positive financial impacts from various parts of Phase I of the Five-Year Transformation Investment Plan adopted by the City Commission in 2011 have been realized. It was clear that it was time to move to Phase II, where the focus shifted from operations to asset management. The FY15 budget and the five year forecast anticipate investments to improve parks, streets, sidewalks, street lighting, storm water management and other public assets with the dual goals of improving the quality of life for current residents and visitors and sustainably managing those resources for the benefit of future generations.

The FY15 and future budgets reflect expanded operation of the swimming pools and a \$2.5 million increase in the annual maintenance and capital improvement budget for City Parks made possible by the voter approval of a parks millage beginning in 2014. The voters also approved a 15-year extension of the temporary income tax increase previously scheduled to end in FY16. These future revenues are dedicated to street maintenance, rehabilitation, and reconstruction. The FY15 budget anticipates borrowing funds to begin street maintenance projects in FY15 and repaying that debt with the future proceeds from the income tax continuation.

The adopted budget for FY15 projected a 0.6% increase in the local income tax base above the FY14 actual revenue. Based on projections from the State of Michigan, the amount of tax revenues returned to the City are expected to increase by 1% from the prior year, but total property tax revenues are expected to remain flat with FY14 after considering the effects of a .98 mil increase in real property tax rates and anticipated new statewide exemptions of industrial personal property.

In spite of continuing efforts to reduce the impact of other funds on the General Fund, future budget forecasts reflect the maintenance of effort support of parks and streets that were promised to voters as part of the successful campaigns to create dedicated tax revenues to support those functions. In addition, forecasts anticipate continuing General Fund subsidies providing over 35% of the cost of operating the District Court, over 10% of the cost of operations and debt service in the Cemetery Fund, over 55% of the cost of operating the multijurisdictional Dispatch Fund, as well as continuing to provide any required local match dollars to the Grants Fund.

Overall, the City's current and most recent budgets emphasize cost containment and, when feasible, maintenance of existing service levels. The City's capital plans have been prepared within the context of five years for many years. FY14 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. Four 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 that will be necessary 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.



CITY OF  
GRAND  
RAPIDS

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**City of Grand Rapids, Michigan**  
**Statement of Net Position**  
**Government Wide**  
*June 30, 2014*

	<b>Primary Government</b>			<b>Total Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>	
<b>ASSETS</b>				
Equity in pooled cash and investments (Note 2)	\$ 137,988,415	\$ 79,169,202	\$ 217,157,617	\$ 20,256,041
Investments held by trustee	-	-	-	5,400,767
Receivables, net	10,967,607	16,401,666	27,369,273	1,421,730
Internal balances	500,868	(500,868)	-	-
Due from other governmental units	8,189,024	-	8,189,024	74,716
Inventories	2,460,237	2,613,614	5,073,851	-
Prepaid expenses and other assets	93,156	-	93,156	276,065
Restricted assets (Notes 2 and 4)	3,012,663	44,726,923	47,739,586	-
Investment in joint venture (Note 1)	-	2,472,900	2,472,900	-
Net OPEB asset (Note 8)	-	-	-	46,959
Other assets	-	202,415	202,415	-
Capital Assets (Note 5):				
Non-depreciable	23,332,835	35,089,662	58,422,497	14,538,882
Depreciable, net	304,164,020	733,430,292	1,037,594,312	31,906,013
Total assets	<u>490,708,825</u>	<u>913,605,806</u>	<u>1,404,314,631</u>	<u>73,921,173</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred on refunding of bonds	<u>1,273,577</u>	<u>7,019,073</u>	<u>8,292,650</u>	<u>1,352,088</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	18,083,392	2,763,420	20,846,812	6,926,948
Accrued interest payable	1,043,134	9,547,413	10,590,547	252,314
Due to other governmental units	2,223,806	-	2,223,806	-
Due to primary government	-	-	-	40,277
Unearned revenues	512,974	299,972	812,946	-
Customer deposits	1,063,139	-	1,063,139	-
Payable from restricted assets (Note 6):				
Bonds and contracts payable	-	19,450,570	19,450,570	-
Accrued interest and other	-	2,058,905	2,058,905	-
Noncurrent liabilities (Note 6):				
Due within 1 year:	20,452,453	2,507,522	22,959,975	4,591,454
Due in more than 1 year:	82,113,730	404,814,639	486,928,369	41,637,232
Total liabilities	<u>125,492,628</u>	<u>441,442,441</u>	<u>566,935,069</u>	<u>53,448,225</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues-special assessments	<u>177,719</u>	<u>-</u>	<u>177,719</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	250,757,965	358,944,390	609,702,355	20,387,040
Restricted for:				
Expendable:				
Public Safety	1,949,159	-	1,949,159	-
Cultural and recreation	493,734	-	493,734	-
Public Works	7,550,890	-	7,550,890	-
Debt service	-	35,885,669	35,885,669	-
Authorized projects	-	-	-	5,746,472
Urban and community development	2,974,447	-	2,974,447	-
Nonexpendable:				
Perpetual care	2,861,299	-	2,861,299	-
Cultural and recreation	39,270	-	39,270	-
Unrestricted	<u>99,685,291</u>	<u>84,352,379</u>	<u>184,037,670</u>	<u>(4,308,476)</u>
Total net position	<u>\$ 366,312,055</u>	<u>\$ 479,182,438</u>	<u>\$ 845,494,493</u>	<u>\$ 21,825,036</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating	Capital	Primary Government			
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
<i>Governmental activities:</i>								
General government	\$ 24,317,558	\$ 9,087,640	\$ 6,613	\$ -	\$ (15,223,305)	\$ -	\$ (15,223,305)	\$ -
Public safety	79,901,439	2,508,324	2,619,019	-	(74,774,096)	-	(74,774,096)	-
Public works	48,477,155	11,345,612	559,218	1,091,417	(35,480,908)	-	(35,480,908)	-
Culture and recreation	17,453,598	782,280	506,226	-	(16,165,092)	-	(16,165,092)	-
Urban and community development	16,321,393	8,923,877	11,368,610	-	3,971,094	-	3,971,094	-
Interest on long-term debt	4,058,044	-	-	-	(4,058,044)	-	(4,058,044)	-
Total governmental activities	190,529,187	32,647,733	15,059,686	1,091,417	(141,730,351)	-	(141,730,351)	-
<i>Business-type activities:</i>								
Water Supply System	37,285,497	40,548,424	-	2,133,203	-	5,396,130	5,396,130	-
Sewage Disposal System	46,561,350	49,732,439	464,274	1,144,035	-	4,779,398	4,779,398	-
Auto Parking System	11,798,952	14,402,322	138,917	-	-	2,742,287	2,742,287	-
Other Enterprise	2,300,183	2,057,821	-	70,642	-	(171,720)	(171,720)	-
Total business-type activities	97,945,982	106,741,006	603,191	3,347,880	-	12,746,095	12,746,095	-
Total primary government	\$ 288,475,169	\$ 139,388,739	\$ 15,662,877	\$ 4,439,297	(141,730,351)	12,746,095	(128,984,256)	-
<b>Component Units:</b>								
Downtown Development Authority	\$ 12,139,933	\$ 544,198	\$ 533,055	\$ -	-	-	-	(11,062,680)
Tax Increment Financing Authority	788,676	-	-	-	-	-	-	(788,676)
SmartZone Development Authority	1,406,314	75,018	413,000	-	-	-	-	(918,296)
Brownfield Redevelopment Authority	3,299,211	133,546	-	-	-	-	-	(3,165,665)
Corridor Improvement Districts	6,000	-	-	-	-	-	-	(6,000)
61st District Court	13,749,888	7,262,463	6,046,487	-	-	-	-	(440,938)
Total component units	\$ 31,390,022	\$ 8,015,225	\$ 6,992,542	\$ -	-	-	-	(16,382,255)
<b>General revenues:</b>								
Property taxes					33,909,334	-	33,909,334	15,337,572
City income taxes					77,574,337	-	77,574,337	-
Intergovernmental, unrestricted					34,246,742	-	34,246,742	-
Unrestricted investment earnings					1,657,605	711,272	2,368,877	218,134
Miscellaneous					707,264	775,377	1,482,641	-
Gain on sale of capital assets					789,570	-	789,570	1,448,851
Transfers (Note 9)					2,167,433	(2,167,433)	-	-
Total general revenues, special items and transfers					151,052,285	(680,784)	150,371,501	17,004,557
Change in net position					9,321,934	12,065,311	21,387,245	622,302
Net position - beginning					356,990,121	467,117,127	824,107,248	21,202,734
Net position - ending					\$ 366,312,055	\$ 479,182,438	\$ 845,494,493	\$ 21,825,036

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

**City of Grand Rapids, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
*June 30, 2014*

	Major Governmental Funds								
	General	Library	Refuse	Major Streets	Local Streets	Streets Capital Construction	General Capital Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Equity in pooled cash & investments (Note 2)	\$ 33,074,646	\$ 3,111,375	\$ 297,791	\$ 4,946,690	\$ 228,813	\$ 7,615,305	\$ 11,728,009	\$ 37,460,172	\$ 98,462,801
Receivables, net	7,107,314	44,367	14,199	332,903	3,736	29,699	497,504	1,175,923	9,205,645
Due from other funds (Note 9)	28,565	-	113,573	3,767	11,302	-	-	151,097	308,304
Due from other governmental units	2,477,458	55,917	3,114	1,879,853	471,511	84,831	-	3,216,340	8,189,024
Inventories	595,268	-	-	933,133	-	-	-	17,679	1,546,080
Long-term advance	7,055,000	-	-	-	-	-	-	-	7,055,000
<b>Total assets</b>	<b>\$ 50,338,251</b>	<b>\$ 3,211,659</b>	<b>\$ 428,677</b>	<b>\$ 8,096,346</b>	<b>\$ 715,362</b>	<b>\$ 7,729,835</b>	<b>\$ 12,225,513</b>	<b>\$ 42,021,211</b>	<b>\$ 124,766,854</b>
<b>LIABILITIES</b>									
Accounts payable and accruals	\$ 12,784,404	\$ 148,185	\$ 201,143	\$ 295,566	\$ 32,119	\$ 390,638	\$ 802,233	\$ 1,327,222	\$ 15,981,510
Due to other governmental units	2,008,702	-	-	-	-	-	-	425	2,009,127
Unearned revenues	14,678	-	-	-	-	-	-	496,558	511,236
Customer deposits	-	-	789,566	-	-	-	166,603	106,970	1,063,139
<b>Total liabilities</b>	<b>14,807,784</b>	<b>148,185</b>	<b>990,709</b>	<b>295,566</b>	<b>32,119</b>	<b>390,638</b>	<b>968,836</b>	<b>1,931,175</b>	<b>19,565,012</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenues - special assessments	-	-	-	-	-	18,339	158,851	-	177,190
<b>FUND BALANCES</b>									
Nonspendable:									
Long-term advance	7,055,000	-	-	-	-	-	-	-	7,055,000
Inventories	595,268	-	-	933,133	-	-	-	17,679	1,546,080
Nonexpendable Trust principal	-	14,270	-	-	-	-	-	2,886,299	2,900,569
Restricted:									
Public safety	-	-	-	-	-	-	-	1,949,159	1,949,159
Urban and community development	-	-	-	-	-	-	-	2,974,447	2,974,447
Culture and recreation	-	383,532	-	-	-	-	-	110,202	493,734
Public works	-	-	-	6,867,647	683,243	-	-	-	7,550,890
Authorized projects	-	-	-	-	-	595,333	159,759	-	755,092
Committed:									
Authorized projects	-	-	-	-	-	6,725,525	10,938,067	21,478,448	39,142,040
Other purposes	5,940,801	-	-	-	-	-	-	840,961	6,781,762
Assigned:									
Culture and recreation	-	1,816,324	-	-	-	-	-	665,837	2,482,161
Public safety	-	-	-	-	-	-	-	811,266	811,266
Urban and community development	-	-	-	-	-	-	-	4,682,414	4,682,414
Public works	-	-	-	-	-	-	-	723,067	723,067
Ensuuing year budget	-	425,536	-	-	-	-	-	788,889	1,214,425
Compensated absences	7,119,402	423,812	-	-	-	-	-	636,777	8,179,991
Other purposes	979,478	-	-	-	-	-	-	1,524,591	2,504,069
Unassigned	13,840,518	-	(562,032)	-	-	-	-	-	13,278,486
<b>Total fund balance</b>	<b>35,530,467</b>	<b>3,063,474</b>	<b>(562,032)</b>	<b>7,800,780</b>	<b>683,243</b>	<b>7,320,858</b>	<b>11,097,826</b>	<b>40,090,036</b>	<b>105,024,652</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 50,338,251</b>	<b>\$ 3,211,659</b>	<b>\$ 428,677</b>	<b>\$ 8,096,346</b>	<b>\$ 715,362</b>	<b>\$ 7,729,835</b>	<b>\$ 12,225,513</b>	<b>\$ 42,021,211</b>	<b>\$ 124,766,854</b>

**City of Grand Rapids, Michigan**  
**Reconciliation of the Fund Balances of Governmental Funds to the**  
**Net Position of Governmental Activities on the Statement of Net Position**  
*June 30, 2014*

Total governmental funds, fund balances	\$ 105,024,652
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	864,713,313
Accumulated depreciation	<u>(537,216,458)</u>
Net capital assets	327,496,855
Other long-term assets are not available to pay for current period expenditures and therefore are prepaid in the funds.	
Prepaid Expenses	93,156
Deferred Outflows of Resources:	
Deferred on refunding of bonds	1,273,577
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.	
	36,033,132
Long-term liabilities, including interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and contracts payable	(77,406,638)
Premium on bonds	(935,259)
Compensated absences	(9,701,652)
Net OPEB Obligation	(7,756,545)
Insurance claims	(6,766,089)
Accrued interest on bonds	<u>(1,043,134)</u>
Net position of governmental activities	<u>\$ 366,312,055</u>

**City of Grand Rapids, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
*for the year ended June 30, 2014*

	<b>Major Governmental Funds</b>								<b>Total Governmental Funds</b>
	<b>General</b>	<b>Library</b>	<b>Refuse</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Street Capital Construction</b>	<b>General Capital Construction</b>	<b>Nonmajor Governmental Funds</b>	
Revenues:									
Property taxes	\$ 12,979,448	\$ 9,718,550	\$ 6,296,846	\$ -	\$ -	\$ -	\$ 4,914,490	\$ -	\$ 33,909,334
City income taxes	64,612,270	-	-	-	-	-	2,691,199	10,270,868	77,574,337
State shared taxes	14,496,658	110,828	-	11,377,535	3,073,106	-	-	5,188,615	34,246,742
Licenses and permits	490,207	-	-	-	-	-	-	4,056,371	4,546,578
Fines and forfeitures	2,255,950	205,227	-	-	-	-	-	-	2,461,177
Federal grants	11,897	-	-	339,544	-	303,592	110,613	10,104,913	10,870,559
State grants	219,295	-	-	-	-	-	-	375,976	595,271
Other grants & contributions	6,613	445,716	-	31,390	-	91,171	586,041	3,524,342	4,685,273
Charges for services	12,709,684	124,104	4,757,438	2,690,200	12,110	103,967	78,429	4,811,752	25,287,684
Investment earnings	450,154	33,675	10,259	22,359	1,727	-	14,262	275,059	807,495
Miscellaneous	129,680	4,685	-	69,162	2,450	-	85,500	386,026	677,503
<b>Total revenues</b>	<b>108,361,856</b>	<b>10,642,785</b>	<b>11,064,543</b>	<b>14,530,190</b>	<b>3,089,393</b>	<b>498,730</b>	<b>8,480,534</b>	<b>38,993,922</b>	<b>195,661,953</b>
Expenditures:									
Current:									
General government	22,924,381	-	-	-	-	-	1,621,360	258,504	24,804,245
Public safety	70,333,167	-	-	-	-	-	-	10,521,922	80,855,089
Public works	4,849,519	-	11,082,329	9,798,033	3,132,676	-	-	1,381,549	30,244,106
Culture and recreation	-	9,133,097	-	-	-	-	-	4,993,965	14,127,062
Urban and community development	4,293,665	-	-	-	-	-	-	12,246,393	16,540,058
Debt service:									
Principal	283,665	-	-	420,000	-	-	1,512,035	5,755,000	7,970,700
Interest, fees, and bond issue costs	53,668	750	-	406,783	-	-	383,834	2,997,782	3,842,817
Capital outlay	-	44,022	-	44,506	8,879	3,161,707	4,410,870	65,065	7,735,049
<b>Total expenditures</b>	<b>102,738,065</b>	<b>9,177,869</b>	<b>11,082,329</b>	<b>10,669,322</b>	<b>3,141,555</b>	<b>3,161,707</b>	<b>7,928,099</b>	<b>38,220,180</b>	<b>186,119,126</b>
Excess (deficit) of revenues over expenditures	5,623,791	1,464,916	(17,786)	3,860,868	(52,162)	(2,662,977)	552,435	773,742	9,542,827
Other financing sources (uses):									
Transfers in (Note 9)	10,967,484	-	-	121,348	350,000	586,362	5,249,977	19,530,552	36,805,723
Transfers out (Note 9)	(13,658,549)	(2,218,247)	(302,812)	(2,507,903)	(93,897)	(46,031)	(2,718,241)	(10,997,281)	(32,542,961)
Sale of capital assets	1,119	-	-	-	-	-	-	-	1,119
Face value of bonds and contracts issued	296,190	-	-	-	-	-	1,849,223	561,440	2,706,853
Payment to refunded bond escrow agent	(294,618)	-	-	-	-	-	(1,439,156)	(559,773)	(2,293,547)
<b>Total other financing sources (uses)</b>	<b>(2,688,374)</b>	<b>(2,218,247)</b>	<b>(302,812)</b>	<b>(2,386,555)</b>	<b>256,103</b>	<b>540,331</b>	<b>2,941,803</b>	<b>8,534,938</b>	<b>4,677,187</b>
<b>Net change in fund balances</b>	<b>2,935,417</b>	<b>(753,331)</b>	<b>(320,598)</b>	<b>1,474,313</b>	<b>203,941</b>	<b>(2,122,646)</b>	<b>3,494,238</b>	<b>9,308,680</b>	<b>14,220,014</b>
Fund balances - beginning	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
Current year change in inventory levels	(69,979)	-	-	(400,103)	-	-	-	-	(470,082)
<b>Fund balances - ending</b>	<b>\$ 35,530,467</b>	<b>\$ 3,063,474</b>	<b>\$ (562,032)</b>	<b>\$ 7,800,780</b>	<b>\$ 683,243</b>	<b>\$ 7,320,858</b>	<b>\$ 11,097,826</b>	<b>\$ 40,090,036</b>	<b>\$ 105,024,652</b>

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, 2014*

Net change in fund balances - total governmental funds \$ 14,220,014

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 (\$25,183,871) exceeded capital outlays (\$9,155,831). (16,028,040)

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

Debt issued	(2,706,853)
Repayments	7,970,700
Defeasance of bonds	2,255,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest	76,717
Compensated absences	88,342
Net OPEB obligation	522,006
Other	(228,696)

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.

3,152,744

Change in net position of governmental activities \$ 9,321,934

City of Grand Rapids, Michigan  
Statement of Net Position  
Proprietary Funds  
June 30, 2014

	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			
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments (Note 2)	\$ 28,413,684	\$ 30,770,991	\$ 19,367,583	\$ 616,944	\$ 79,169,202	\$ 39,525,614
Receivables, net	6,543,582	9,199,659	469,025	189,400	16,401,666	1,733,396
Due from other funds (Note 9)	209,502	-	-	-	209,502	-
Investment in joint venture (Note 1)	-	2,472,900	-	-	2,472,900	-
Inventory	1,578,056	1,031,190	-	4,368	2,613,614	914,157
Restricted Assets (Note 4)	11,308,174	10,201,301	-	-	21,509,475	3,012,663
Prepaid expenses and other assets	-	-	-	-	-	93,156
Total current assets	<u>48,052,998</u>	<u>53,676,041</u>	<u>19,836,608</u>	<u>810,712</u>	<u>122,376,359</u>	<u>45,278,986</u>
Noncurrent assets:						
Restricted assets (Note 4)	2,785,739	20,431,709	-	-	23,217,448	-
Other assets	-	-	-	202,415	202,415	-
Net OPEB asset (Note 8)	-	32,120	-	-	32,120	-
Capital assets: (Note 5)						
Non-depreciable	9,315,742	18,977,397	6,791,268	5,255	35,089,662	-
Depreciable	456,220,504	664,957,834	87,697,580	5,777,305	1,214,653,223	56,605,968
Less accumulated depreciation	(176,373,695)	(259,378,383)	(41,367,384)	(4,103,469)	(481,222,931)	(41,136,052)
Total noncurrent assets	<u>291,948,290</u>	<u>445,020,677</u>	<u>53,121,464</u>	<u>1,881,506</u>	<u>791,971,937</u>	<u>15,469,916</u>
Total assets	<u>340,001,288</u>	<u>498,696,718</u>	<u>72,958,072</u>	<u>2,692,218</u>	<u>914,348,296</u>	<u>60,748,902</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred on refunding of bonds	<u>2,199,372</u>	<u>4,040,481</u>	<u>779,220</u>	<u>-</u>	<u>7,019,073</u>	<u>1,800</u>

City of Grand Rapids, Michigan  
Statement of Net Position  
Proprietary Funds  
June 30, 2014

	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			
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers and accounts payable	\$ 709,766	\$ 1,365,048	\$ 445,499	\$ 243,107	\$ 2,763,420	\$ 2,101,882
Accrued interest payable	2,497,574	6,652,048	397,791	-	9,547,413	26,578
Due to other governmental units	-	-	-	-	-	214,679
Due to other funds (Note 9)	-	-	-	-	-	489,242
Unearned revenues	299,972	-	-	-	299,972	1,738
Current portion of claims payable	-	-	-	-	-	5,050,870
Current maturities of bonds, notes and contracts payable (Note 6)	-	84,000	1,025,000	-	1,109,000	879,017
Current portion of compensated absences and workers' compensation	741,907	528,075	109,665	18,875	1,398,522	738,109
Current portion of long-term advance	-	-	1,420,000	-	1,420,000	-
Liabilities payable from restricted assets (Note 6):						
Current maturities of bonds, notes and contracts payable	10,979,243	8,471,327	-	-	19,450,570	-
Other	328,931	1,729,974	-	-	2,058,905	-
Total current liabilities	<u>15,557,393</u>	<u>18,830,472</u>	<u>3,397,955</u>	<u>261,982</u>	<u>38,047,802</u>	<u>9,502,115</u>
Noncurrent liabilities (net of current portion) (Note 6):						
Bonds payable	105,602,249	266,043,160	31,927,865	-	403,573,274	1,374,329
Contracts and notes payable	-	367,500	-	-	367,500	126,082
Long-term advance	-	-	5,635,000	-	5,635,000	-
General claims payable	-	-	-	-	-	924,369
Compensated absences and workers' compensation	435,723	310,139	64,406	11,086	821,354	847,513
Net OPEB Obligation (Note 8)	50,362	-	22,617	11,652	84,631	139,016
Total noncurrent liabilities	<u>106,088,334</u>	<u>266,720,799</u>	<u>37,649,888</u>	<u>22,738</u>	<u>410,481,759</u>	<u>3,411,309</u>
Total liabilities	<u>121,645,727</u>	<u>285,551,271</u>	<u>41,047,843</u>	<u>284,720</u>	<u>448,529,561</u>	<u>12,913,424</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred on refunding of bonds	-	-	-	-	-	529
<b>NET POSITION</b>						
Net investment in capital assets	175,424,405	161,872,295	20,168,599	1,679,091	358,944,390	13,163,788
Restricted:						
Debt service	13,327,176	22,558,493	-	-	35,885,669	167,140
Unrestricted	31,803,352	32,955,140	12,520,850	728,407	78,007,749	34,505,821
Total net position	<u>\$ 220,554,933</u>	<u>\$ 217,185,928</u>	<u>\$ 32,689,449</u>	<u>\$ 2,407,498</u>	<u>472,837,808</u>	<u>\$ 47,836,749</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					6,344,630	
Net position of business-type activities					<u>\$ 479,182,438</u>	

City of Grand Rapids, Michigan  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
for the year ended June 30, 2014

	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	\$ 1,677,779	\$ 48,765,342	\$ 14,402,053	\$ 1,687,672	\$ 66,532,846	\$ 53,626,609
Sales	38,825,867	36,050	-	370,149	39,232,066	7,385
Miscellaneous	44,778	931,047	269	-	976,094	455,369
Total operating revenues	40,548,424	49,732,439	14,402,322	2,057,821	106,741,006	54,089,363
Operating expenses:						
Personal services	11,402,596	8,924,118	2,263,888	819,223	23,409,825	7,969,796
Supplies and materials	810,940	1,438,667	165,386	384,848	2,799,841	5,187,912
Utilities	3,565,564	2,595,022	470,157	195,662	6,826,405	1,457,762
Contractual services	1,574,041	5,699,959	2,336,280	639,347	10,249,627	3,675,269
Other services and charges	6,553,741	2,853,371	1,961,563	164,102	11,532,777	28,019,417
Depreciation	8,376,548	13,644,126	3,042,237	122,209	25,185,120	3,189,718
Total operating expenses	32,283,430	35,155,263	10,239,511	2,325,391	80,003,595	49,499,874
Operating income (loss)	8,264,994	14,577,176	4,162,811	(267,570)	26,737,411	4,589,489
Nonoperating revenues (expenses):						
Other federal revenue	-	464,274	138,917	-	603,191	22,433
Interest revenue	242,645	295,414	171,692	1,521	711,272	836,053
Miscellaneous revenue (expense)	787,378	7,564	(19,565)	-	775,377	5,858
Gain on sale of capital assets	-	-	-	-	-	788,451
Interest expense and paying agent fees	(5,352,023)	(11,787,174)	(1,670,439)	-	(18,809,636)	(126,963)
Total nonoperating revenues (expenses)	(4,322,000)	(11,019,922)	(1,379,395)	1,521	(16,719,796)	1,525,832
Income (loss) before capital contributions and transfers	3,942,994	3,557,254	2,783,416	(266,049)	10,017,615	6,115,321
Capital contributions	2,133,203	1,144,035	-	70,642	3,347,880	-
Transfers in (Note 9)	2,357,302	-	-	650,918	3,008,220	112,283
Transfers out (Note 9)	(1,022,957)	(2,716,022)	(1,035,542)	(401,132)	(5,175,653)	(2,207,612)
Change in net position	7,410,542	1,985,267	1,747,874	54,379	11,198,062	4,019,992
Net position - beginning	213,144,391	215,200,661	30,941,575	2,353,119		43,816,757
Net position - ending	\$ 220,554,933	\$ 217,185,928	\$ 32,689,449	\$ 2,407,498		\$ 47,836,749
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					867,249	
Change in net position of business-type activities					\$ 12,065,311	

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, 2014

	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	\$ 41,843,458	\$ 50,163,298	\$ 14,186,244	\$ 2,100,331	\$ 108,293,331	\$ 52,855,623
Payments to suppliers	(18,045,881)	(12,501,107)	(5,014,055)	(1,381,636)	(36,942,679)	(38,818,472)
Payments to employees	(7,004,005)	(5,483,829)	(1,452,453)	(640,368)	(14,580,655)	(4,928,223)
Payments for payroll taxes and benefits	(4,356,520)	(3,375,417)	(772,682)	(187,490)	(8,692,109)	(2,914,235)
Other operating revenues (expenses)	787,378	7,564	8,144	-	803,086	461,227
Net cash provided (used) by operating activities	13,224,430	28,810,509	6,955,198	(109,163)	48,880,974	6,655,920
Cash flows from noncapital financing activities:						
Other federal revenue	-	464,274	138,917	-	603,191	22,433
Transfers from other funds	2,357,302	-	-	650,918	3,008,220	112,283
Transfers to other funds	(1,022,957)	(2,716,022)	(1,035,542)	(401,132)	(5,175,653)	(2,207,612)
Payment of Advance	-	-	(1,365,000)	-	(1,365,000)	-
Net cash provided (used) by noncapital financing activities	1,334,345	(2,251,748)	(2,261,625)	249,786	(2,929,242)	(2,072,896)
Cash flows from capital and related financing activities:						
Proceeds from capital debt	1,529,318	1,297,414	-	-	2,826,732	2,048,122
Proceeds from capital grant	841,148	653,123	-	-	1,494,271	-
Capital contributions	-	-	-	70,642	70,642	-
Purchase of capital assets	(8,424,162)	(15,507,580)	(218,377)	(94,458)	(24,244,577)	(8,964,914)
Sale of capital assets	-	-	-	-	-	828,245
Principal paid on capital debt	(10,946,532)	(10,799,073)	(995,000)	-	(22,740,605)	(3,031,335)
Interest paid on capital debt	(5,598,307)	(11,606,212)	(1,597,739)	-	(18,802,258)	(136,070)
Net cash provided (used) by capital and related financing activities	(22,598,535)	(35,962,328)	(2,811,116)	(23,816)	(61,395,795)	(9,255,952)
Cash flows from investing activities:						
Interest received	242,645	295,414	171,692	1,521	711,272	836,053
Net increase in equity in pooled cash and investments	(7,797,115)	(9,108,153)	2,054,149	118,328	(14,732,791)	(3,836,875)
Equity in pooled cash and investments - beginning of year	36,854,771	47,920,097	17,313,434	498,616	102,586,918	46,375,152
Equity in pooled cash and investments - end of year (including \$643,974, \$8,040,953 and \$3,012,663 for the Water System, Sewage System and Internal Service, respectively, reported in restricted accounts)	\$ 29,057,656	\$ 38,811,944	\$ 19,367,583	\$ 616,944	\$ 87,854,127	\$ 42,538,277

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, 2014

	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			
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 8,264,994	\$ 14,577,176	\$ 4,162,811	\$ (267,570)	\$ 26,737,411	\$ 4,589,489
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	8,376,548	13,644,126	3,042,237	122,209	25,185,120	3,189,718
Miscellaneous cash received	787,378	7,564	7,875	-	802,817	5,858
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	925,889	536,008	(215,809)	30,625	1,276,713	(835,902)
Decrease in due from other intergovernmental units	-	-	-	-	-	46,577
Decrease in inventory	74,508	60,710	-	11,885	147,103	10,954
Decrease in prepaid expenses	-	-	-	-	-	163,898
Increase (decrease) in vouchers and accounts payable	(1,108,731)	157,531	(80,669)	2,323	(1,029,546)	39,522
Decrease in due to other intergovernmental units	-	-	-	-	-	(158,992)
Increase (decrease) in due to other funds	52,376	-	-	-	52,376	(122,310)
Increase (decrease) in unearned revenues	209,902	(189,984)	-	-	19,918	-
Increase in restricted assets	(4,400,505)	(47,494)	-	-	(4,447,999)	-
Increase (decrease) in compensated absences	(22,551)	2,864	25,286	(11,527)	(5,928)	69,290
Increase in Net OPEB Obligation	64,622	62,008	13,467	2,892	142,989	58,048
	-	-	-	-	-	(400,230)
	<u>4,959,436</u>	<u>14,233,333</u>	<u>2,792,387</u>	<u>158,407</u>	<u>22,143,563</u>	<u>2,066,431</u>
Net cash provided (used) by operating activities	<u>\$ 13,224,430</u>	<u>\$ 28,810,509</u>	<u>\$ 6,955,198</u>	<u>\$ (109,163)</u>	<u>\$ 48,880,974</u>	<u>\$ 6,655,920</u>
<b>Noncash capital activities</b>						
Contributions of capital assets	<u>\$ 1,292,055</u>	<u>\$ 490,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,782,967</u>	<u>\$ -</u>

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

**City of Grand Rapids, Michigan**  
**Statement of Net Position**  
**Fiduciary Funds**  
*June 30, 2014*

	<u>Total Employee Benefit Trust Funds</u>	<u>Agency Tax Fund</u>
<b>ASSETS</b>		
Equity in pooled cash and investments (Note 2)	\$ 1,874,515	\$ 427,324
Investments held by trustee (Note 2):		
Cash and money market funds	9,107,832	-
United States Government Securities	52,191,159	-
State and municipal bonds	1,440,443	-
Corporate bonds and fixed income comingled funds	144,214,838	-
Common stocks and equity mutual funds	503,170,887	-
Real Estate	41,214,130	-
Asset-backed securities	20,131,276	-
Commodities	36,445,023	-
Other	8,108,290	-
Comingled multi-asset portfolio	33,353,171	-
Collateral held by broker under securities lending		
Short-term fixed income	38,318,420	-
Receivables, net:		
Investment securities sold	1,600,000	-
Property taxes	-	636,521
Other accounts	1,564,376	-
Accrued interest and dividends	972,286	-
Total assets	<u>893,706,646</u>	<u>1,063,845</u>
<b>LIABILITIES</b>		
Compensated absences	39,003	-
Investment securities purchased	2,490,734	-
Vouchers and accounts payable	791,757	-
Due to other funds (Note 9)	21,160	-
Due to other governmental units	-	1,063,845
Liabilities under securities lending program	38,318,420	-
Total liabilities	<u>41,661,074</u>	<u>\$ 1,063,845</u>
<b>NET POSITION</b>		
Held in trust for pension and OPEB benefits	<u>\$ 852,045,572</u>	

**City of Grand Rapids, Michigan**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
*for the year ended June 30, 2014*

	<u>Total Employee Benefit Trust Funds</u>
<b>ADDITIONS</b>	
Plan Contributions:	
Employer	\$ 29,939,375
Plan members	<u>8,091,191</u>
Total contributions	38,030,566
Investment earnings (loss):	
Interest and dividends	9,273,668
Net appreciation in fair value of investments	<u>119,018,272</u>
Total investment earnings	128,291,940
Investment management expense	<u>(2,059,241)</u>
Net investment earnings	<u>126,232,699</u>
Securities lending earnings	134,183
Securities lending expenses	<u>(40,023)</u>
Net earnings from securities lending activities	<u>94,160</u>
Total net investment earnings	<u>126,326,859</u>
Total additions	<u>164,357,425</u>
<b>DEDUCTIONS</b>	
Benefits paid	57,650,247
Administration expenses	<u>1,257,956</u>
Total deductions	<u>58,908,203</u>
Change in net position	105,449,222
Net position - beginning	<u>746,596,350</u>
Net position - ending	<u>\$ 852,045,572</u>

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

City of Grand Rapids, Michigan  
Statement of Net Position  
Component Units  
June 30, 2014

	Downtown Development Authority	Tax Increment Financing Authority	SmartZone Local Development Financing Authority	Brownfield Redevelopment Authority	Corridor Improvement Districts	61st District Court	Totals
<b>ASSETS</b>							
Equity in pooled cash and investments (Note 2)	\$ 11,020,068	\$ 1,197,611	\$ 5,001,877	\$ 1,499,497	\$ 4,539	\$ 1,532,449	\$ 20,256,041
Investments held by trustee (Note 2)	5,400,767	-	-	-	-	-	5,400,767
Receivables, net	1,060,541	8,746	211,054	133,996	344	7,049	1,421,730
Due from other governmental units	-	-	-	-	-	74,716	74,716
Net OPEB asset (Note 8)	5,667	-	2,577	6,620	-	32,095	46,959
Prepaid expenses and other assets	276,065	-	-	-	-	-	276,065
Capital Assets (Note 5):							
Non-depreciable	13,258,882	1,280,000	-	-	-	-	14,538,882
Depreciable	76,252,697	4,027,124	-	-	-	20,212	80,300,033
Less: accumulated depreciation	(45,553,114)	(2,821,656)	-	-	-	(19,250)	(48,394,020)
Total assets	<u>61,721,573</u>	<u>3,691,825</u>	<u>5,215,508</u>	<u>1,640,113</u>	<u>4,883</u>	<u>1,647,271</u>	<u>73,921,173</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred gain on refunding of debt	<u>1,332,678</u>	<u>19,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,352,088</u>
<b>LIABILITIES</b>							
Vouchers payable and accruals	4,167,566	43,708	619,536	771,641	-	259,232	5,861,683
Accrued Interest	248,860	3,454	-	-	-	-	252,314
Due to primary government	40,277	-	-	-	-	-	40,277
Due to participants	124,803	-	-	695,516	-	244,946	1,065,265
Non-current liabilities (Note 6):							
Due within 1 year	4,041,345	101,886	7,468	110,573	-	330,182	4,591,454
Due in more than 1 year	<u>38,766,082</u>	<u>441,638</u>	<u>4,386</u>	<u>2,231,210</u>	<u>-</u>	<u>193,916</u>	<u>41,637,232</u>
Total liabilities	<u>47,388,933</u>	<u>590,686</u>	<u>631,390</u>	<u>3,808,940</u>	<u>-</u>	<u>1,028,276</u>	<u>53,448,225</u>
<b>NET POSITION</b>							
Net investment in capital assets	18,423,000	1,963,078	-	-	-	962	20,387,040
Restricted for authorized projects	-	1,157,471	4,584,118	-	4,883	-	5,746,472
Unrestricted	(2,757,682)	-	-	(2,168,827)	-	618,033	(4,308,476)
Total net position (deficit)	<u>\$ 15,665,318</u>	<u>\$ 3,120,549</u>	<u>\$ 4,584,118</u>	<u>\$ (2,168,827)</u>	<u>\$ 4,883</u>	<u>\$ 618,995</u>	<u>\$ 21,825,036</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, 2014

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 Local Development Financing Authority	Brownfield Redevelopment Authority	Corridor Improvement Districts	61st District Court	
Urban & community development:										
Downtown Development Authority	\$ 12,139,933	\$ 544,198	\$ 533,055	\$ (11,062,680)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,062,680)
Tax Increment Financing Authority	788,676	-	-	-	(788,676)	-	-	-	-	(788,676)
SmartZone Development Authority	1,406,314	75,018	413,000	-	-	(918,296)	-	-	-	(918,296)
Brownfield Redevelopment Authority	3,299,211	133,546	-	-	-	-	(3,165,665)	-	-	(3,165,665)
Corridor Improvement Districts	6,000	-	-	-	-	-	-	(6,000)	-	(6,000)
Public safety:										
61st District Court	13,749,888	7,262,463	6,046,487	-	-	-	-	-	(440,938)	(440,938)
	<u>\$ 31,390,022</u>	<u>\$ 8,015,225</u>	<u>\$ 6,992,542</u>	<u>(11,062,680)</u>	<u>(788,676)</u>	<u>(918,296)</u>	<u>(3,165,665)</u>	<u>(6,000)</u>	<u>(440,938)</u>	<u>(16,382,255)</u>
General revenues:										
Investment earnings				162,885	9,332	29,120	10,005	165	6,627	218,134
Property taxes				10,038,765	335,050	1,919,766	3,037,647	6,344	-	15,337,572
Gain on disposal of capital assets				1,448,851	-	-	-	-	-	1,448,851
Total general revenues and special items				<u>11,650,501</u>	<u>344,382</u>	<u>1,948,886</u>	<u>3,047,652</u>	<u>6,509</u>	<u>6,627</u>	<u>17,004,557</u>
Change in net position				<u>587,821</u>	<u>(444,294)</u>	<u>1,030,590</u>	<u>(118,013)</u>	<u>509</u>	<u>(434,311)</u>	<u>622,302</u>
Net position (deficit) - beginning				<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>
Net position (deficit) - ending				<u>\$ 15,665,318</u>	<u>\$ 3,120,549</u>	<u>\$ 4,584,118</u>	<u>\$ (2,168,827)</u>	<u>\$ 4,883</u>	<u>\$ 618,995</u>	<u>\$ 21,825,036</u>

The accompanying notes are an integral part of the financial statements

## 1. Summary of Significant Accounting Policies

### THE REPORTING ENTITY

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

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

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

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

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

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

***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.

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

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

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

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

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

The City 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. Madison had no activity during the fiscal year.

The City of Grand Rapids North Quarter Corridor Improvement Authority (“NQCID”) 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 corridor. The Authority consists of a nine member board appointed by the Mayor with the approval of the City Commission. NQCID does not issue separate financial statements.

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

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



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

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

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

	<u>At June 30, 2014</u>		<u>Year ended June 30, 2014</u>
Total Assets	\$ 187,353,753		
Total Liabilities	\$ 96,586,970		
Total Deferred Inflows of Resources	142,130	Revenues	\$ 5,698,133
Total Net Position	<u>90,624,653</u>	Expenses	<u>(9,285,647)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 187,353,753</u>	Change in Net Position	<u>\$ (3,587,514)</u>

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

	<u>At June 30, 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 1955, as amended, (MCL 124.281), for the development, construction and operation of a regional bio-solids management project. The City and Wyoming will share equally the initial costs, ongoing administrative costs and planning and design of the project. Articles of incorporation were adopted April 2004. Summary financial information is as follows:

	<u>At June 30, 2014</u>		<u>Year ended June 30, 2014</u>
Total Assets	\$ 33,471,589		
Total Liabilities	\$ 27,135,988	Revenues	\$ 6,903,496
Total Net Position	<u>6,335,601</u>	Expenses	<u>(6,795,426)</u>
Total Liabilities and Net Position	<u>\$ 33,471,589</u>	Change in Net Position	<u>\$ 108,070</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](http://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. Property taxes are levied on the first day of the fiscal year to finance activities of the year and accordingly are not considered available in the prior year. Expenditures are recorded when the related fund liability is incurred, except for debt service and expenditures related to certain compensated absences; claims and judgments are recognized when the amount is reasonably estimateable.

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

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

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

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

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

The 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, debris, and recyclable items. Financing is provided by a special tax millage and customer charges.

## 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 to other governmental entities.

## 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. As permitted by Public Act 30 of 1978, the City Commission has established a Budget Stabilization Fund which is limited to 15% of the General Fund budget and under state law is primarily limited to being used to offset declining revenues or in the event of a natural disaster where state and federal funds do not offset the increased cost. City Commission Policy 700-06 states that a majority vote of the City Commission is required to approve a commitment and a two-thirds majority vote of the City Commission to remove a commitment. As required by current accounting standards, the balance of the Budget Stabilization Fund is presented as committed fund balance within the General Fund.

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

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

### **USE OF RESOURCES**

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

## 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 unearned revenues. Capital grants for capital asset additions to the Proprietary Funds are recorded as receivables and a corresponding increase to revenues when reimbursable project costs are incurred.

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

### INVENTORIES

Inventories recorded in the Proprietary Funds, 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 funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 at June 30 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. Taxes levied by Kent County are primarily billed on July 1 and due on July 31. The remainder are billed on December 1 and due without penalty on or before February 14. Taxes collected on behalf of other governmental units are accounted for in agency funds. Uncollected real property taxes as of March 1 are turned over to Kent County for collection. The City Treasurer remains responsible for collecting delinquent personal property taxes.

At July 2013, the total assessed value of all real and personal property in the City subject to *ad valorem* taxation was \$4,357,727,544 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 \$97,490,269 by this limitation, reducing City tax revenues by approximately \$796,700 for fiscal year 2014.

**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 in most zones, but for fiscal year 2014, the \$94,841,000 reduction of the *ad valorem* roll total for property located in the Renaissance Zones reduced City property tax revenues by approximately \$713,300 in the fiscal year. The taxes lost to these two exemptions have been steadily declining over the past decade because of stable or falling property values most years.

The City's portion of the property tax levy per \$1,000 of taxable value for fiscal year 2014 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	0.0116	\$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 2014.

**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>2014</u>	<u>2013</u>
Unpaid claims - beginning of year	\$ 7,166,319	\$ 6,463,366
Incurred claims, net of changes in estimates	23,097,413	25,367,700
Claim payments	<u>(23,497,643)</u>	<u>(24,664,747)</u>
Unpaid claims - end of year	<u>\$ 6,766,089</u>	<u>\$ 7,166,319</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 \$277,412,831 and the associated bank balances totaled \$278,457,435. Of the bank balances, \$2,674,910 was covered by federal deposit insurance. Accordingly, the remaining deposits of \$275,782,525 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, 2014, the City had the following deposits:

Financial Institution	Certificates of Deposit	Money Market Accounts	Other Deposit Accounts	Totals	
				Dollars	Percentages
Bank of New York Mellon	\$ -	\$ -	\$ 36,025,691	\$ 36,025,691	12.99 %
Community West Credit Union	1,500,000	-	-	1,500,000	0.54
Fifth Third Bank	55,000,000	317,127	-	55,317,127	19.94
First National Bank of Michigan	2,500,000	-	-	2,500,000	0.90
Flagstar Bank	-	19,231,927	-	19,231,927	6.93
Huntington National Bank	22,500,000	18,470,578	-	40,970,578	14.77
Lake Michigan Credit Union	12,500,000	7,154,799	-	19,654,799	7.09
Mercantile Bank of Michigan	41,000,000	-	-	41,000,000	14.78
The Bank of Holland	10,000,000	-	-	10,000,000	3.60
The Private Bank	32,500,000	15,334,494	-	47,834,494	17.24
Other deposits, various banks	-	69,096	3,309,119	3,378,215	1.22
Total	<u>\$ 177,500,000</u>	<u>\$ 60,578,021</u>	<u>\$ 39,334,810</u>	<u>\$ 277,412,831</u>	<u>100.00 %</u>
Percentage	<u>63.98 %</u>	<u>21.84%</u>	<u>14.18 %</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, 2014, 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, 2014 more than 5% of the City's investments were in the debt securities issued by two federal agencies. These investments were 20.7% at the Federal Home Loan Mortgage Corp. and 20.6% at the Federal Home Loan Banks.

### ***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. The agency securities were rated AAA by Moodys and AA by S&P at time of purchase. The municipal securities were rated AA by S&P. 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, 2014 the City's investments had the following maturities:

	<b>Fair Value</b>	<b>Maturity (Days)</b>
U. S. Treasury Notes	\$ 5,331,669	31
Federal Agency Bond	2,510,408	1001
Federal Agency Bond	2,499,675	1096
Municipal Bonds	201,252	93
Money Market Mutual Funds	1,585,696	<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 systems. Currently both retirement systems are utilizing the same managers with the same investment mandates, although the individual securities in each portfolio may differ. Each Retirement System has a different fiscal year end which also contributes to differences in the reported portfolio composition. The assets accumulated by a pension system are used to fund liabilities that mature over many future decades. Because of this long-term orientation, they are allowed to invest in assets that have substantially greater risk of decline in value over short time periods than would be prudent for the investments described on the preceding pages that are used to fund general city functions.

#### ***Custodial Credit Risk***

Custodial Credit Risk for investments is the risk that in the event of the failure of the counter-party to a transaction, the system will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Custodial Credit Risk is minimized by having most investments either in the form of open end mutual funds, or held by the system's agent, Northern Trust Co., in the name of the system. As of December 31, 2013, no cash equivalents of the Police and Fire Retirement System (P&F) were exposed to custodial credit risk. As of June 30, 2014, 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, 2013, 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	\$ 906,747	\$ 459,241	\$ 130,516	\$ 162,347	\$ -	\$ -	\$ 631,053	\$ 74,794	\$ -	\$ -	\$ -
Commercial mortgage bkd	2,004,870	-	-	-	-	-	-	-	-	-	2,224,133
Corporate bonds	-	2,152,078	5,232,209	3,386,236	916,176	21,240	-	-	-	-	495,077
Fixed Income Commingled	-	-	50,897,883	-	-	-	-	-	-	-	-
Government agencies	-	401,556	-	-	-	-	-	-	-	-	-
Government bonds	-	-	-	88,500	-	-	-	-	-	9,901,129	-
Gov't mortgage backed	-	-	-	-	-	-	-	-	-	11,338,133	-
Gov't. issued CMBS	-	-	-	-	-	-	-	-	-	454,832	-
Municipal/Provincial bonds	-	199,652	232,171	-	72,816	-	-	-	-	-	194,509
Non-Gov't Backed. – CMOs	-	67,361	135,844	-	-	-	536,437	-	97,537	-	1,600,780
Securities lending collateral pool	-	-	-	-	-	-	-	-	-	-	21,797,271
Short-term Investment Funds	-	-	3,625,438	-	-	-	-	-	-	-	-
	<u>\$ 2,911,617</u>	<u>\$ 3,279,888</u>	<u>\$ 60,254,061</u>	<u>\$ 3,637,083</u>	<u>\$ 988,992</u>	<u>\$ 21,240</u>	<u>\$ 1,167,490</u>	<u>\$ 74,794</u>	<u>\$ 97,537</u>	<u>\$ 21,694,094</u>	<u>\$ 26,311,770</u>

As of June 30, 2014, 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	\$ 1,506,003	\$ 421,643	\$ 79,943	\$ 131,980	\$ -	\$ 31,949	\$ 621,211	\$ 61,570	\$ -	\$ -	\$ 426,467
Commercial Mortgage Bkd	2,569,174	-	-	-	-	-	-	-	-	-	3,107,048
Corporate bonds	-	3,062,904	9,694,056	5,053,412	1,026,840	21,375	-	-	-	-	477,900
Fixed Income Commingled	-	-	61,777,451	-	-	-	-	-	-	-	-
Government agencies	-	-	-	-	-	-	-	-	-	-	-
Government bonds	-	-	-	97,125	-	-	-	-	-	14,092,485	-
Gov't Mortgage Backed	-	-	-	-	-	-	-	-	-	15,304,818	-
Gov't. issued CMB	-	-	-	-	-	-	-	-	-	512,582	-
Municipal/Provincial bonds	-	196,523	258,660	-	68,699	-	-	-	-	-	217,414
Non-Gov't Backed. – CMOs	-	56,345	27,420	-	83,171	-	535,510	-	87,261	-	1,352,921
Securities lending collateral pool	-	-	-	-	-	-	-	-	-	-	16,521,149
Short-term Investment Funds	-	-	5,482,394	-	-	-	-	-	-	-	-
	<u>\$ 4,075,177</u>	<u>\$ 3,737,415</u>	<u>\$ 77,319,924</u>	<u>\$ 5,282,517</u>	<u>\$ 1,178,710</u>	<u>\$ 53,324</u>	<u>\$ 1,156,721</u>	<u>\$ 61,570</u>	<u>\$ 87,261</u>	<u>\$ 29,909,885</u>	<u>\$ 22,102,899</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, 2013:

Investment Type	Fair value	Investment Maturities in Years			
		Less than 1	1 - 6	6 - 10	More than 10
Asset-backed securities	\$ 2,364,698	\$ -	\$ 906,747	\$ -	\$ 1,457,951
Commercial mortgage backed	4,229,003	-	446,891	-	3,782,112
Corporate bonds	12,203,016	453,782	6,192,424	1,852,179	3,704,631
Fixed income commingled funds*	50,897,883	-	-	50,897,883	-
Government agencies	401,556	-	401,556	-	-
Government bonds	9,989,629	-	3,972,195	2,119,476	3,897,958
Government mortgage backed	11,338,132	301	155,692	885,030	10,297,109
Government issued commercial mortgage-backed	454,832	-	454,832	-	-
Municipal/Provincial bonds	699,147	-	431,823	72,816	194,508
Non-government backed CMOs	2,437,959	-	229,332	714,830	1,493,797
Securities lending collateral pool	21,797,271	21,797,271	-	-	-
Short-term investment funds	3,625,438	3,625,438	-	-	-
	<u>\$ 120,438,564</u>	<u>\$ 25,876,792</u>	<u>\$ 13,191,492</u>	<u>\$ 56,542,214</u>	<u>\$ 24,828,066</u>

#### GRS at June 30, 2014:

Investment Type	Fair value	Investment Maturities in Years			
		Less than 1	1 - 6	6 - 10	More than 10
Asset-backed securities	\$ 3,280,766	\$ -	\$ 1,001,520	\$ 408,655	\$ 1,870,591
Commercial mortgage backed	5,676,222	-	503,195	-	5,173,027
Corporate bonds	19,336,487	131,608	10,759,078	4,082,051	4,363,750
Fixed income commingled funds*	61,777,451	-	61,777,451	-	-
Government bonds	14,189,610	-	5,713,000	2,374,312	6,102,298
Government mortgage backed	15,304,818	10	44,202	1,236,441	14,024,165
Government issued commercial mortgage-backed	512,582	-	512,582	-	-
Municipal/Provincial bonds	741,296	-	455,183	68,699	217,414
Non-government backed CMOs	2,142,628	-	366,818	321,702	1,454,108
Securities lending collateral pool	16,521,149	16,521,149	-	-	-
Short-term investment funds *	5,482,394	5,482,394	-	-	-
	<u>\$ 144,965,403</u>	<u>\$ 22,135,161</u>	<u>\$ 81,133,029</u>	<u>\$ 8,491,860</u>	<u>\$ 33,205,353</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 by the investment managers. This exposes the portfolio to foreign currency risk, which is not expected to harm or help the performance of the fund in a significant way over the long term. The principal investment 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>Other Equities</u>	<u>Partnership Interests</u>	<u>Government Bonds</u>	<u>Corporate Bonds</u>
<b>P&amp;F at December 31, 2013:</b>						
U.S. Dollars	\$ 65,254,433	\$ 58,608,055	\$ 961,229	\$ 346,145	\$ 88,500	\$ 5,250,504
<b>GRS at June 30, 2014:</b>						
U.S. Dollar	\$ 75,737,561	\$ 65,176,449	\$ -	\$ 627,529	\$ 97,125	\$ 9,836,458

***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, 2013, the P&F had the following balances related to securities lending transactions:

<u>Investment Type</u>	<u>Fair Value of Loaned Securities Collateralized by Cash Collateral</u>	<u>Cash Collateral</u>
U.S. Corporate Fixed Income	\$ 1,301,873	\$ 1,330,537
U.S. Equities	10,646,099	10,876,267
U.S. Govt. Fixed Income	9,377,446	9,590,467
	<u>\$ 21,325,418</u>	<u>\$ 21,797,271</u>

As of June 30, 2014, the GRS had the following balances related to securities lending transactions:

<u>Investment Type</u>	<u>Fair Value of Loaned Securities Collateralized by Cash Collateral</u>	<u>Cash Collateral</u>
U.S. Corporate Fixed Income	\$ 3,170,662	\$ 3,241,061
U.S. Govt. Fixed Income	13,022,112	13,280,088
	<u>\$ 16,192,774</u>	<u>\$ 16,521,149</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, 2014, expenditures exceeded appropriations in the following annually budgeted governmental fund: Downtown Improvement District – excess of \$73,755.

The Refuse Fund, one of the City’s major governmental funds, ended the year with a deficit of \$562,032. The \$320,598 loss during the year was a substantial improvement over the prior year when the fund incurred a loss of \$3,484,559 as a result of radical overhaul of the service delivery and revenue models. Adjustments have been made to both costs and revenues as part of a plan to achieve a positive fund balance by the end of fiscal year 2016 and grow it in future years by approximately \$400,000 each year.

The Brownfield Redevelopment Authority, a discretely presented component unit, had a fund deficit of \$2,168,827 at June 30, 2014. 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, 2014 consist of the following:

	<b>Proprietary Funds</b>			
	<u><b>Water Supply System</b></u>	<u><b>Sewage Disposal System</b></u>	<u><b>Internal Service</b></u>	<u><b>Total</b></u>
Equity in pooled cash and investments	\$ 643,974	\$ 8,040,953	\$ -	\$ 8,684,927
Funds held by trustee	13,327,176	22,558,493	3,012,663	38,898,332
Loans receivable	<u>122,763</u>	<u>33,564</u>	<u>-</u>	<u>156,327</u>
Total restricted assets	<u>\$ 14,093,913</u>	<u>\$ 30,633,010</u>	<u>\$ 3,012,663</u>	<u>\$ 47,739,586</u>

## 5. Capital Assets

Capital assets at June 30, 2014 are summarized as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 18,288,973	\$ 56,000	\$ -	\$ 18,344,973
Easement/Right of Way	610,810	35,876	-	646,686
Construction in progress	1,690,537	4,309,666	1,659,027	4,341,176
Total capital assets, not being depreciated	<u>20,590,320</u>	<u>4,401,542</u>	<u>1,659,027</u>	<u>23,332,835</u>
Capital assets, being depreciated:				
Land improvements	40,208,625	2,424,239	-	42,632,864
Buildings and structures	175,843,014	-	-	175,843,014
Leasehold improvements	254,766	-	-	254,766
Machinery and equipment	35,134,144	346,682	187,900	35,292,926
Motor vehicles	46,971,632	8,892,298	5,333,306	50,530,624
Furniture	5,468,551	-	-	5,468,551
Software	1,095,209	-	-	1,095,209
Infrastructure	526,547,513	3,715,011	-	530,262,524
Total capital assets, being depreciated	<u>831,523,454</u>	<u>15,378,230</u>	<u>5,521,206</u>	<u>841,380,478</u>
Less accumulated depreciation for:				
Land improvements	26,192,059	1,595,123	-	27,787,182
Buildings and structures	83,555,483	5,690,628	-	89,246,111
Leasehold improvements	254,766	-	-	254,766
Machinery and equipment	29,137,254	1,615,648	187,900	30,565,002
Motor vehicles	36,759,280	2,608,337	5,293,511	34,074,106
Furniture	5,036,603	68,282	-	5,104,885
Software	427,736	205,267	-	633,003
Infrastructure	332,961,099	16,590,304	-	349,551,403
Total accumulated depreciation	<u>514,324,280</u>	<u>28,373,589</u>	<u>5,481,411</u>	<u>537,216,458</u>
Total capital assets, being depreciated, net	<u>317,199,174</u>	<u>(12,995,359)</u>	<u>39,795</u>	<u>304,164,020</u>
Governmental activities capital assets, net	<u>\$ 337,789,494</u>	<u>\$ (8,593,817)</u>	<u>\$ 1,698,822</u>	<u>\$ 327,496,855</u>

5. Capital Assets, continued:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 14,925,201	\$ -	\$ -	\$ 14,925,201
Easement/Right of Way	741,176	258,963	-	1,000,139
Construction in progress	16,318,730	4,921,181	2,075,589	19,164,322
Total capital assets, not being depreciated	<u>31,985,107</u>	<u>5,180,144</u>	<u>2,075,589</u>	<u>35,089,662</u>
Capital assets, being depreciated:				
Land improvements	27,126,482	-	-	27,126,482
Buildings and structures	199,803,835	2,733,596	-	202,537,431
Storage tanks	17,046,752	3,204,888	-	20,251,640
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	207,470,067	6,121,020	96,281	213,494,806
Motor vehicles	2,987,270	-	-	2,987,270
Furniture	1,856,987	-	-	1,856,987
Sewer service mains	458,884,501	6,505,095	-	465,389,596
Water mains	269,275,141	4,358,389	-	273,633,530
Total capital assets, being depreciated	<u>1,191,826,516</u>	<u>22,922,988</u>	<u>96,281</u>	<u>1,214,653,223</u>
Less accumulated depreciation for:				
Land improvements	18,674,285	689,914	-	19,364,199
Buildings and structures	90,827,798	4,752,912	-	95,580,710
Storage tanks	10,255,927	467,064	-	10,722,991
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	126,256,056	6,230,090	68,841	132,417,305
Motor vehicles	1,717,700	466,818	-	2,184,518
Furniture	1,782,533	16,237	-	1,798,770
Sewer service mains	130,784,840	9,000,780	-	139,785,620
Water mains	68,432,032	3,561,305	-	71,993,337
Total accumulated depreciation	<u>456,106,652</u>	<u>25,185,120</u>	<u>68,841</u>	<u>481,222,931</u>
Total capital assets, being depreciated, net	<u>735,719,864</u>	<u>(2,262,132)</u>	<u>27,440</u>	<u>733,430,292</u>
Business-type activities capital assets, net	<u>\$ 767,704,971</u>	<u>\$ 2,918,012</u>	<u>\$ 2,103,029</u>	<u>\$ 768,519,954</u>

**5. Capital Assets, continued:**

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

<b>Governmental activities</b>	
General government	\$ 1,649,418
Public safety	1,448,316
Public works	17,881,940
Culture and recreation	4,204,197
Capital assets held by the government's internal service funds	<u>3,189,718</u>
Total depreciation expense - governmental activities	<u>\$ 28,373,589</u>
<b>Business-type activities</b>	
Water	\$ 8,376,548
Sewer	13,644,126
Auto parking	3,042,237
Other	<u>122,209</u>
Total depreciation expense - business-type activities	<u>\$ 25,185,120</u>

**DISCRETELY PRESENTED COMPONENT UNITS**

Activity for the 61st District Court for the year ended June 30, 2014 was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</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	<u>16,362</u>	<u>2,888</u>	<u>-</u>	<u>19,250</u>
Total accumulated depreciation	<u>16,362</u>	<u>2,888</u>	<u>-</u>	<u>19,250</u>
Total capital assets, being depreciated, net	<u>3,850</u>	<u>(2,888)</u>	<u>-</u>	<u>962</u>
61st District Court capital assets, net	<u>\$ 3,850</u>	<u>\$ (2,888)</u>	<u>\$ -</u>	<u>\$ 962</u>

**5. Capital Assets, continued:**

Activity for the Downtown Development Authority for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 13,861,482	\$ -	\$ 602,600	\$ 13,258,882
Total capital assets, not being depreciated	<u>13,861,482</u>	<u>-</u>	<u>602,600</u>	<u>13,258,882</u>
Capital assets, being depreciated:				
Land improvements	7,899,072	-	272,699	7,626,373
Buildings and structures	59,948,100	-	-	59,948,100
Machinery and equipment	5,850,684	-	-	5,850,684
Furniture	2,827,540	-	-	2,827,540
Total capital assets, being depreciated	<u>76,525,396</u>	<u>-</u>	<u>272,699</u>	<u>76,252,697</u>
Less accumulated depreciation for:				
Land improvements	5,052,084	335,682	272,699	5,115,067
Buildings and structures	32,957,222	1,998,973	-	34,956,195
Machinery and equipment	3,608,682	200,209	-	3,808,891
Furniture	1,578,710	94,251	-	1,672,961
Total accumulated depreciation	<u>43,196,698</u>	<u>2,629,115</u>	<u>272,699</u>	<u>45,553,114</u>
Total capital assets, being depreciated, net	<u>33,328,698</u>	<u>(2,629,115)</u>	<u>-</u>	<u>30,699,583</u>
Downtown Development Authority capital assets, net	<u>\$ 47,190,180</u>	<u>\$ (2,629,115)</u>	<u>\$ 602,600</u>	<u>\$ 43,958,465</u>



**5. Capital Assets, continued:**

Activity for the Tax Increment Financing Authority for the year ended June 30, 2014 was as follows:

	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2014</b>
Capital assets, not being depreciated:				
Land	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Total capital assets, not being depreciated	<u>1,280,000</u>	<u>-</u>	<u>-</u>	<u>1,280,000</u>
Capital assets, being depreciated:				
Land improvements	3,853,469	-	-	3,853,469
Buildings and structures	173,655	-	-	173,655
Total capital assets, being depreciated	<u>4,027,124</u>	<u>-</u>	<u>-</u>	<u>4,027,124</u>
Less accumulated depreciation for:				
Land improvements	2,498,017	192,673	-	2,690,690
Buildings and structures	122,283	8,683	-	130,966
Total accumulated depreciation	<u>2,620,300</u>	<u>201,356</u>	<u>-</u>	<u>2,821,656</u>
Total capital assets, being depreciated, net	<u>1,406,824</u>	<u>(201,356)</u>	<u>-</u>	<u>1,205,468</u>
Tax Increment Financing Authority capital assets, net	<u>\$ 2,686,824</u>	<u>\$ (201,356)</u>	<u>\$ -</u>	<u>\$ 2,485,468</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, 2014. The major projects include various Water Supply System, Sewage Disposal System and Street Construction Projects. At year-end, the City's major commitments with contractors are as follows:

<b>Fund</b>	<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Water	Various water mains and system construction projects	\$ 9,289,258	\$ 5,868,901
Sewer	Various sewer mains and system construction projects	18,714,064	12,488,322
General Capital	Various street construction projects	<u>2,210,505</u>	<u>2,794,743</u>
	Total	<u>\$ 30,213,827</u>	<u>\$ 21,151,966</u>

## 6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 56,448,698	\$ 4,754,975	\$ (12,297,035)	\$ 48,906,638	\$ 7,757,140
Revenue bonds	29,725,000	-	(1,225,000)	28,500,000	1,295,000
Premium on bonds	1,094,602	-	(109,028)	985,574	-
Discount on bonds	(55,960)	-	5,645	(50,315)	-
Total bonds & contracts payable	87,212,340	4,754,975	(13,625,418)	78,341,897	9,052,140
Insurance Claims	7,166,319	23,097,413	(23,497,643)	6,766,089	5,288,272
Compensated absences	9,720,704	9,014,528	(9,033,580)	9,701,652	6,112,041
Net OPEB Obligation	8,220,503	51,228	(515,186)	7,756,545	-
Total Long-term Liabilities- Governmental Activities	<u>\$ 112,319,866</u>	<u>\$ 36,918,144</u>	<u>\$ (46,671,827)</u>	<u>\$ 102,566,183</u>	<u>\$ 20,452,453</u>
<b>Business-Type Activities</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 34,192,500	\$ -	\$ (1,076,000)	\$ 33,116,500	\$ 1,109,000
Revenue bonds	395,813,778	2,826,732	(21,664,605)	376,975,905	19,450,570
Premium on bonds	16,675,150	-	(1,297,510)	15,377,640	-
Discount on bonds	(1,036,904)	-	67,203	(969,701)	-
Total bonds & contracts payable	445,644,524	2,826,732	(23,970,912)	424,500,344	20,559,570
Compensated absences	2,225,805	1,909,324	(1,915,253)	2,219,876	1,398,522
Net OPEB Obligation	-	52,511	-	52,511	-
Total Long-term Liabilities- Business-Type Activities	<u>\$ 447,870,329</u>	<u>\$ 4,788,567</u>	<u>\$ (25,886,165)</u>	<u>\$ 426,772,731</u>	<u>\$ 21,958,092</u>
<b>Component Units</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 31,660,250	\$ -	\$ (137,700)	\$ 31,522,550	\$ 242,800
Revenue bonds	4,376,507	-	(929,047)	3,447,460	921,247
Accrued interest	12,091,913	1,225,660	(2,785,953)	10,531,620	3,073,753
Premium on bonds	182,270	-	(16,570)	165,700	-
Total bonds & contracts payable	48,310,940	1,225,660	(3,869,270)	45,667,330	4,237,800
Compensated absences	621,045	431,172	(490,861)	561,356	353,654
Total Long-term Liabilities- Component Units	<u>\$ 48,931,985</u>	<u>\$ 1,656,832</u>	<u>\$ (4,360,131)</u>	<u>\$ 46,228,686</u>	<u>\$ 4,591,454</u>

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

<b>Governmental Activities</b>	<b><u>Maturity Dates</u></b>	<b><u>Interest Rates</u></b>	<b><u>Outstanding Balance</u></b>
Bonds and Contracts:			
2011 Grand Rapids Building Authority Refunding Bonds (Arch. Ctr. Ph II)	10-14 to 10-21	3 - 5%	\$ 1,955,000
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)	10-14 to 10-32	3.1-6.33%	2,570,000
2009 Grand Rapids Building Authority Refunding (Archive Center Ph I)	8-14 to 8-18	3 - 3.75%	655,000
2009 Grand Rapids Building Authority Refunding (Police Facilities)	8-14 to 8-20	3 - 4.811%	12,020,000
2004A Grand Rapids Building Authority (Condo II-sublease)	10-14 to 10-28	4.9 - 5.75%	14,050,000
2002A Grand Rapids Building Authority (Condo II)	10-14 to 10-28	4 - 5.5%	14,450,000
1998 Grand Rapids Building Authority (Library)	4-15 to 4-18	5%	7,275,000
2012 Grand Rapids Brownfield Redevelopment Authority Purchase Agreement	6-15 to 6-23	2.1%	473,800
2013 Capital Improvement Bond	8-14 to 8-29	2.98%	4,350,000
2007 Capital Improvement Bonds	9-14 to 9-27	4 - 5%	11,080,000
2003 Michigan Transportation Fund Bonds (Act 175 Bonds)	10-14 to 10-16	4%	615,000
1999 Michigan Transportation Fund Bonds (Act 175 Bonds)	10-14	6%	1,025,000
Kent County Drain Commission Contract payable (2003)	11-14 to 11-15	4 - 4.25%	582,296
Kent County Drain Commission Contract payable (2008 Floodwalls)	11-14 to 11-20	3.5 - 4.25%	3,295,950
Kent County Dran commission Contract payable (2013A Shawmut Drain)	4-15 to 4-18	1.14%	359,592
Other 2008 installment purchase agreements	6-15 to 6-16	4.57%	395,000
Other 2002A installment purchase agreements	6-15 to 6-17	4%	159,901
Motor Equipment System - 2006A Installment Purchase agreements	12-14	4%	140,000
Motor Equipment System - 2002A Installment Purchase agreements	6-15 to 6-17	4.4%	185,099
			<u>77,406,638</u>
Other:			
Insurance Claims			6,766,089
Compensated Absences			9,701,652
Net OPEB Obligation			7,756,545
Unamortized Bond Premium			985,574
Unamortized Bond Discount			<u>(50,315)</u>
			102,566,183
Less amounts due within one year:			
Bonds & Contracts Payable			(9,052,140)
Insurance Claims			(5,288,272)
Compensated Absences			<u>(6,112,041)</u>
			<u>(20,452,453)</u>
Total Long-Term Portion Governmental Activities			<u><u>\$ 82,113,730</u></u>

City of Grand Rapids, Michigan  
Notes to Financial Statements

6. Long-Term Obligations continued:

Business-Type Activities	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Bonds and Contracts:			
2013 Water Supply System Revenue Refunding Bonds	1-15 to 1-28	2 - 4%	\$ 3,085,000
2010 Water Supply System Revenue Refunding Bonds	1-15 to 1-18	4 - 5%	25,960,000
2009 Water Supply System Revenue Bonds	1-15 to 1-39	3.5 - 5%	27,710,000
2005 Water Supply System Revenue Bonds	1-15 to 1-35	4 - 5%	29,370,000
1993 Water Supply System Revenue Bonds	1-15 to 1-20	3.7 - 4.45%	19,300,000
2012 Water Supply System Junior Lien Revenue Bonds	10-14 to 10-33	2.5%	3,198,765
2012A Water Supply System Junior Lien Revenue Bonds	4-15 to 4-33	2%	643,514
2011A Water Supply System Junior Lien Revenue Bonds	10-14 to 10-31	2.5%	804,752
2011B Water Supply System Junior Lien Revenue Bonds	4-15 to 4-32	2.5%	716,549
2011C Water Supply System Junior Lien Revenue Bonds	4-15 to 4-33	2.5%	2,825,000
2013 Sanitary Sewer System Revenue Refunding Bonds	1-15 to 1-34	2 - 5%	37,310,000
2012 Sanitary Sewer System Revenue Bonds	1-15 to 1-42	3 - 5%	29,160,000
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	1-15 to 1-25	3 - 4%	2,875,000
2010 Sanitary Sewer System Revenue Refunding Bonds	1-23 to 1-28	5%	29,625,000
2008 Sanitary Sewer System Revenue Bonds	1-15 to 1-38	4 - 5%	60,870,000
2005 Sanitary Sewer System Revenue Bonds	1-15 to 1-35	4 - 5.125%	46,045,000
1998 Sanitary Sewer System Refunding and Improvement Revenue Bonds	1-15 to 1-22	5.375 - 5.5%	27,840,000
2013 Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-15 to 4-34	2%	199,994
2011A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-15 to 4-32	2.5%	4,380,000
2011B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-15 to 4-33	2.5%	1,414,027
1995A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-15 to 4-16	2.25%	333,304
1995B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-14 to 10-16	2.25%	620,000
1994A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-14	2%	610,000
1994B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-15	2%	300,000
1993B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-14	2%	450,000
2011 Grand Rapids Building Authority Refunding Bonds (Ottawa/Fulton)	10-14 to 10-20	3 - 4.669%	2,810,000
2011 Grand Rapids Building Authority Refunding Bonds (Monroe Center)	10-14 to 10-31	3 - 5%	8,700,000
2010C Grand Rapids Building Authority Bonds (Gallery)	10-14 to 10-35	1.85 - 5.9%	6,645,000
2008 Grand Rapids Building Authority Bonds (Weston/Commerce)	10-14 to 10-29	4 - 6.25%	8,150,000
2006 Grand Rapids Building Authority Bonds (Cherry/Commerce)	10-14 to 10-36	4 - 4.5%	6,360,000
Kent County Drain Commission Contract Payable (2008 Floodwall Refunding)	11-14 to 11-20	3.5 - 4.25%	451,500
			<u>410,092,405</u>
Other:			
Bond Premium			15,377,640
Bond Discount			(969,701)
Compensated Absences			2,219,876
Net OPEB Obligation			<u>52,511</u>
Less amounts due within one year:			426,772,731
Bonds & Contracts Payable			(20,559,570)
Compensated Absences			<u>(1,398,522)</u>
			<u>(21,958,092)</u>
Total Long-Term Portion Business-Type Activities			<u>\$ 404,814,639</u>

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

<b>Governmental Funds Component Units</b>	<u><b>Maturity Dates</b></u>	<u><b>Interest Rates</b></u>	<u><b>Outstanding Balance</b></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	6-15 to 6-19	7.3 - 7.35%	3,447,460
Kent County Drain Commission Contracts Payable (2008 Floodwall Refunding)	11-14 to 11-20	3.5 - 4.25%	767,550
Brownfield Redevelopment Authority (2012)	6-15 to 6-32	2 - 4%	<u>2,325,000</u>
Other:			34,970,010
Accrued interest on Capital appreciation portion of 1994 issue			10,531,620
Compensated absences			561,356
Unamortized Bond Premium			<u>165,700</u>
			46,228,686
Less amounts due within one year:			
Bonds & Contracts Payable			(4,237,800)
Compensated absences			<u>(353,654)</u>
			<u>(4,591,454)</u>
 Total Long-Term Portion Governmental Component Units			 <u>\$ 41,637,232</u>

On April 17, 2013 the City of Grand Rapids entered into an agreement with the County of Kent, Office of the Drain Commissioner to finance the Shawmut Hills Drainage District. The County issued notes in the amount of \$404,975 with an interest rate of 1.14%. Principal and interest payments are due April 1, 2014 through April 1, 2019.

On September 26, 2013, the City of Grand Rapids issued a Capital Improvement Refunding Bond in the amount of \$4,350,000 with an interest rate of 2.98% with maturities at varying amounts from August 2014 to 2029. The proceeds were used for issue costs of the bonds and deposited with an escrow agent to refund the Grand Rapids Capital Improvement Bonds, Series 2009. The refunded bonds were paid in full on November 12, 2013. The Capital Improvement bonds, Series 2009 were Build America Bonds and qualified for a refundable credit of 35% of interest costs. However due to the federal sequester and reduction of refundable interest credit, it was in the City's best interest to refund the bonds. The net present value savings is only \$196, actual savings is \$5,011 however if the sequester continues the savings to the City could be substantially higher.

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, 2014, \$5,415,532 was received for Series 2011A, \$1,539,027 was received for Series 2011B and \$199,994 for Series 2013.

## 6. Long-Term Obligations, continued:

On April 8, 2011, June 24, 2011, and on December 3, 2012 the City of Grand Rapids committed to the issuance of a maximum of \$1,500,000 with possible principal forgiveness of \$374,325, \$960,000 with possible principal forgiveness of \$144,000, and \$770,000 of Water Supply System Junior Lien Revenue Bonds, series 2011A, 2011B, and 2012A respectively. The bonds were issued in draws required to meet project expenditures related to improvements to the City's Water Supply System. The interest rate on series 2011A and 2011B is 2.5%, series 2012A has an interest rate of 2%. The City borrowed a total of \$1,191,519 has paid \$90,675 of principal payments and given \$296,092 of principal forgiven resulting in a total owed at June 30, 2014 of \$804,752 for series 2011A. Principal payments commenced October 2012. On the series 2011B, the City borrowed a total of \$914,764 has paid \$61,000 of principal payments and given \$137,215 of principal forgiven resulting in a total owed of \$716,549. Principal payments commenced April 2013. The City borrowed a total of \$668,514 for series 2012A after a \$25,000 principal payment the amount owed is \$643,514. Principal payments commenced April 2014.

On September 23, 2011 and September 7, 2012 the City of Grand Rapids committed to the issuance of a maximum of \$3,460,000 and \$4,380,000 of Water Supply System Junior Lien Revenue Bonds, series 2011C and 2012 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 both series is 2.5%. Assuming the City borrows the full amount of the bonds, there is possible principal forgiveness through the state revolving fund loan program of \$519,000 on series 2011C, 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. At June 30, 2014, \$3,196,497 was received for Series 2011C and \$3,198,765 was received for Series 2012.

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.

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 Increment Revenues on taxable properties in the Development area. The debt service requirements are financed from property tax revenues collected in the DDA.

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

The City's total bonded debt does not include the 2001 JBA bonds of \$48,318,904 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, 2014 are:

Fiscal Year	Governmental Activities		Business Type Activities		Component Units		Totals	
	Principal	Interest	Principal	Interest	Governmental		Principal	Interest
					Principal	Interest		
2015	\$ 9,052,142	\$ 3,476,360	\$ 20,559,570	\$ 18,920,965	\$ 1,164,047	\$ 4,661,703	\$ 30,775,759	\$ 27,059,028
2016	8,162,730	3,127,717	20,102,161	18,147,729	1,107,937	4,718,331	29,372,828	25,993,777
2017	7,509,422	2,799,628	20,895,288	17,291,211	1,382,672	4,778,451	29,787,382	24,869,290
2018	7,734,735	2,467,609	21,473,796	16,365,178	1,349,500	4,811,662	30,558,031	23,644,449
2019	5,097,160	2,128,277	15,232,134	15,360,794	3,813,004	2,230,679	24,142,298	19,719,750
2020-2024	19,935,450	7,286,095	72,863,309	66,524,426	24,947,850	4,196,615	117,746,609	78,007,136
2025-2029	17,210,000	2,837,056	88,221,263	47,387,597	710,000	171,331	106,141,263	50,395,984
2030-2034	1,159,999	418,339	83,539,884	27,630,983	495,000	37,500	85,194,883	28,086,822
2035-2039	1,265,000	166,148	53,285,000	9,516,857	-	-	54,550,000	9,683,005
2040-2044	280,000	5,005	13,920,000	1,009,032	-	-	14,200,000	1,014,037
	<u>\$ 77,406,638</u>	<u>\$ 24,712,234</u>	<u>\$ 410,092,405</u>	<u>\$ 238,154,772</u>	<u>\$ 34,970,010</u>	<u>\$ 25,606,272</u>	<u>\$ 522,469,053</u>	<u>\$ 288,473,278</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, 2014</u>
2004	Sanitary Sewer System Revenue Bonds	\$ 35,545,000
2009	Capital Improvement Bonds	4,275,000

The funds are held by escrow agents in irrevocable trust funds segregated for the benefit of the holders of the outstanding bonds, and accordingly the trust funds' assets and the liability for the defeased bonds are not included in the City's financial statements. The 2004 Sanitary Sewer System Revenue Bonds were called on July 1, 2014.

**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 most other eligible employees regularly employed by the City, including the 61<sup>st</sup> District Court. The General Retirement System was closed to new entrants on June 30, 2014. 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 system's financial reports for recent years can be found on the City web-site, [www.grcity.us](http://www.grcity.us), under the heading Retirement System and also on the Michigan Department of Treasury web-site, <http://www.michigan.gov/treasury>, by searching Kent County governments within the Local Audit and Finance Division – Document Search page.

### **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 2014 and related actuarial information as of the most recent actuarial valuation for each plan is as follows:

	<b><u>Police and Fire Retirement System</u></b>	<b><u>General Retirement System</u></b>
Contribution Rates:		
City (employer)	19.07%	20.64%
Plan Members	9.86 - 10.89%	2.00% - 11.54%
Actuarial valuation date	December 31, 2013	June 30, 2013
Actuarial cost method	Individual entry age	Individual entry age
Amortization method	Level percent, open	Level dollar, closed
Remaining amortization period	25 years for unfunded actuarial liabilities	25 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%	3.5% - 8.5%
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:	Year Ended	Annual Pension Cost	Percentage of APC	Net Pension
		(APC)	Contributed	Obligation
Police and Fire Retirement System	June 30, 2012	\$ 7,996,035	100%	\$ -
	June 30, 2013	8,264,824	100	-
	June 30, 2014	6,831,550	100	-
General Retirement System	June 30, 2012	8,949,239	100	-
	June 30, 2013	8,135,843	100	-
	June 30, 2014	8,771,032	100	-

## 7. Retirement Plans, continued:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	( a )	( b )	( b - a )	( a / b )	( c )	( ( b - a ) / c )
<b>Police and Fire Retirement System</b>						
December 31, 2013	\$ 354,769,666	\$ 385,860,392	\$ 31,090,726	92%	\$ 33,110,530	94%
<b>General Retirement System</b>						
June 30, 2013	\$ 353,299,470	\$ 455,914,323	\$ 102,614,853	77%	\$ 43,783,450	234%

## 8. Postemployment Benefits Other than Pensions

The City has 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. Three of the plans are agent plans administered by the Municipal Employees' Retirement System of Michigan (MERS). The fourth plan is an unfunded plan administered by the Grand Rapids Public Library for its retirees. 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 MERS. 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, 2014.

### **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, 2014, the number of retirees currently receiving benefits under the four City DB plans was 396. 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.

<b>Statement of Fiduciary Net Position</b> <i>for the year ended June 30, 2014</i>	<b>Retiree Health Care Trust Funds</b>			<b>Total Retiree Health Care Trust</b>
	<b>General Retiree</b>	<b>Police Retiree</b>	<b>Fire Retiree</b>	
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 682,786	\$ 687,723	\$ 504,006	\$ 1,874,515
Investments held by trustee:				
Diversified investment pool	8,986,610	14,547,057	9,819,504	33,353,171
Receivables, net:				
Other accounts	1,600	315	82	1,997
Accrued interest	3,779	4,652	483	8,914
Due from other governmental units	-	-	-	-
Receivables, net	5,379	4,967	565	10,911
Total assets	9,674,775	15,239,747	10,324,075	35,238,597
<b>LIABILITIES</b>				
Vouchers and accounts payable	111,646	21,887	47,506	181,039
Total liabilities	111,646	21,887	47,506	181,039
<b>NET POSITION</b>				
Held in trust for health care benefits	9,563,129	15,217,860	10,276,569	35,057,558
Total net position	\$ 9,563,129	\$ 15,217,860	\$ 10,276,569	\$ 35,057,558

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

**Statement of Changes in Net Position**  
*for the year ended June 30, 2014*

	<u>Retiree Health Care Trust Funds</u>			<b>Total Retiree Health Care Trust Funds</b>
	<u>General Employee</u>	<u>Police Retiree</u>	<u>Fire Retiree</u>	
<b>ADDITIONS</b>				
Employer	\$ 5,531,868	\$ 4,877,304	\$ 3,227,605	\$ 13,636,777
Plan members	310,515	85,903	63,842	460,260
Total contributions	<u>5,842,383</u>	<u>4,963,207</u>	<u>3,291,447</u>	<u>14,097,037</u>
Investment income (loss):				
Interest and dividends	3,929	3,860	1,381	9,170
Net appreciation (depreciation) in fair value of investments	1,121,645	1,613,215	1,182,524	3,917,384
Total additions	<u>6,967,957</u>	<u>6,580,282</u>	<u>4,475,352</u>	<u>18,023,591</u>
<b>DEDUCTIONS</b>				
Benefits paid	5,788,686	1,515,512	2,163,832	9,468,030
Administration expenses	142,480	42,980	38,269	223,729
Total deductions	<u>5,931,166</u>	<u>1,558,492</u>	<u>2,202,101</u>	<u>9,691,759</u>
Change in net assets	1,036,791	5,021,790	2,273,251	8,331,832
Total net position - beginning	<u>8,526,338</u>	<u>10,196,070</u>	<u>8,003,318</u>	<u>26,725,726</u>
Total net position - ending	<u>\$ 9,563,129</u>	<u>\$ 15,217,860</u>	<u>\$ 10,276,569</u>	<u>\$ 35,057,558</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 2014, the City contributed \$13,759,999 to the four plans and retiree premium sharing added \$462,431 to the plans. Retiree Health Care costs are charged to individual funds as a percentage of pensionable wages at rates of 22.14% for firefighters, 23.34% for police officers, and 13.98% for other employees not in the library plan. The DB plans receive all revenue not required to be contributed to the DC OPEB plan. The schedule below expresses the employer's contribution to the four DB OPEB plans as a percentage of the wages of the current employees eligible to receive the benefit after retirement. 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	21.40%	31.99%	23.74%	39.70%
Plan members	n/a	n/a	n/a	n/a
Annual required contribution (ARC)	\$ 5,735,863	\$ 4,558,360	\$ 3,157,470	\$ 163,038
Interest on net OPEB obligation	(6,575)	207,942	198,900	1,005
Adjustment to ARC	<u>10,297</u>	<u>(272,397)</u>	<u>(260,552)</u>	<u>(5,295)</u>
Annual OPEB cost	5,739,585	4,493,905	3,095,818	158,748
Contributions made	<u>5,531,868</u>	<u>4,877,304</u>	<u>3,227,605</u>	<u>123,222</u>
Increase (decrease) in net OPEB obligation	207,717	(383,399)	(131,787)	35,526
Net OPEB obligation (asset) - beginning of year	<u>(131,506)</u>	<u>4,158,844</u>	<u>3,977,998</u>	<u>28,704</u>
Net OPEB obligation - end of year	<u>\$ 76,211</u>	<u>\$ 3,775,445</u>	<u>\$ 3,846,211</u>	<u>\$ 64,230</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, 2012	\$ 7,106,398	156	\$ (1,026,647)
	June 30, 2013	7,182,041	88	(131,506)
	June 30, 2014	5,739,585	96	76,211
Police Retiree Health Care Plan	June 30, 2012	5,508,780	98	3,603,331
	June 30, 2013	5,475,873	90	4,158,844
	June 30, 2014	4,493,905	109	3,775,445
Fire Retiree Health Care Plan	June 30, 2012	3,867,214	137	3,621,899
	June 30, 2013	3,869,173	91	3,977,998
	June 30, 2014	3,095,818	104	3,846,211
Library Retiree Health Care Plan	June 30, 2012	135,534	100	21,566
	June 30, 2013	135,004	95	28,704
	June 30, 2014	158,748	78	64,230

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

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

	<b>General Retiree Health Care Plan</b>	<b>Police Retiree Health Care Plan</b>	<b>Fire Retiree Health Care Plan</b>	<b>Library Retiree Health Care Plan</b>
Actuarial valuation date	June 30, 2013	June 30, 2013	June 30, 2013	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	19 years for unfunded actuarial liabilities	25 years for unfunded actuarial liabilities	27 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	8.0% grading to 3.5% in 2024	8.0% grading to 3.5% in 2024	8.0% grading to 3.5% in 2024	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, the plan benefits, and plan assets 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. The actuarial value of plan assets is the market value of the assets at each valuation date.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
<b>General Retiree Plan</b>						
June 30, 2013	\$ 8,526,338	\$ 64,235,682	\$ 55,709,344	13.3%	\$ 25,849,738	216%
<b>Police Retiree Plan</b>						
June 30, 2013	10,196,070	58,270,058	48,073,988	17.5%	15,246,366	315%
<b>Fire Retiree Plan</b>						
June 30, 2013	8,003,318	38,953,456	30,950,138	20.5%	13,594,261	228%
<b>Library Retiree Plan</b>						
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, 2014 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	\$ 28,565	\$ -
Fiduciary	Accrued payroll	-	21,160
Fiduciary	Timing difference due to different year end	-	7,404
311 Program	Start-up funding for the 311 call center operations	-	489,242
Parks & Recreation	Support for start up of consolidated call center	20,470	-
Local Street	"	11,302	-
Major Street	"	3,767	-
Refuse	"	113,573	-
Transformation	"	130,627	-
Water Supply System	"	209,502	-
		<u>\$ 517,806</u>	<u>\$ 517,806</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, 2014, 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	\$ 7,468,943	\$ -	
		Transfer from Transformation Fund	3,498,541	-	
		Debt service, support of Streets, Parks, Dispatch & others	-	13,658,549	
	Library	Debt service & Internal cost allocation program	-	2,218,247	
	Refuse	Transfer to Transformation Fund / Internal cost allocation	-	302,812	
	Major Streets	Debt service & Internal cost allocation program	121,348	2,507,903	
	Local Streets	Internal cost allocation program	350,000	93,897	
	Streets Capital	Support from Major Streets Fund	586,362	46,031	
	General Capital	Project support from other funds	5,249,977	-	
		Debt service and General Fund support	-	2,718,241	
	Non-major Governmental		Transfers to pay debt service by various funds	8,689,798	-
			Support from General Fund / Internal cost allocation	10,840,754	-
			Support of General Fund	-	10,997,281
Enterprise Funds:	Water Supply System	From Sewage Disposal Fund for customer service	2,357,302	-	
		Internal cost allocation program	-	1,022,957	
	Sewage Disposal System	Allocated cost of customer service and internal costs	-	2,716,022	
	Auto Parking System	Debt service & Internal cost allocation program	-	1,035,542	
	Non-Major Proprietary	General Fund & other funds support of cemetery operations	650,918	401,132	
Internal Service Funds:	Information Technology	Internal cost allocation program	-	760,043	
	Motor Equipment	Internal cost allocation program	-	376,108	
	Facilities Management	Internal cost allocation program	112,283	409,751	
	Engineering	Internal cost allocation program	-	349,906	
	Insurance Payment	Internal cost allocation program	-	311,804	
			<u>\$ 39,926,226</u>	<u>\$ 39,926,226</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, 2014 the outstanding liability was \$26,850,000. Principal and interest payments are split between the two cities based on their usage of the facility. For fiscal year 2014, Grand Rapids' portion of the liability was 61.85%. For fiscal year 2015, it is budgeted at 67.19%.
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, 2014 was \$153,115,000.
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 2014 were \$2,623,568. Total future lease payments are as follows:

<u>Year ending June 30,</u>	<u>Outstanding Lease Due</u>
2015	\$ 2,668,070
2016	2,831,961
2017	2,832,552
2018	2,833,482
2019	2,833,388
2020-2024	14,130,115
2025-2026	5,546,505

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 \$55,607 and \$15,500, respectively, at June 30, 2014. 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 \$306,354. The City leases parts of the building to various tenants with terms extending into FY2016. The total lease revenue for FY2014 was \$176,662. 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>
2015	182,222
2016	81,659
Total	<u>\$ 263,881</u>

9. Subsequent Event – On September 25, 2014 the City of Grand Rapids Issued General Obligation Limited Tax Capital Improvement Bonds Series 2014 in the amount of \$17,000,000 at an interest rate of 1.33%. The bond proceeds were used for construction, reconstruction, repair and rehabilitation of various public streets and sidewalks. The bonds mature on October 1, 2017.
10. Subsequent Event – On October 8, 2014 the City of Grand Rapids issued Sanitary Sewer System Revenue Improvement and Refunding bonds in the amount of \$55,230,000 with interest rates ranging from 4% to 5% with maturities at varying amounts from January 2016 to 2044. The net proceeds of \$64,204,576 (including a premium of \$9,262,835 less underwriter’s discount of \$288,259) were used for issue costs of the bonds, a deposit with an escrow agent to advance refund a portion of the series 2005 Sanitary Sewer System Revenue Bonds, and improvements to the City’s Sanitary Sewer System.
11. Subsequent Event – On November 14, 2014 the City of Grand Rapids issued a \$1,994,962 Qualified Energy Conservation Bond (QECCB) at an interest rate of 2.54% to finance certain energy improvements at its Lake Michigan Water Filtration Plant. The QECCB program is a federal tool to enable local units of government to borrow money with interest rate subsidies provided by the federal government if the project achieves a predetermined reduction in energy usage. The bond is a ten year installment purchase agreement with the first payment due January1, 2015.
12. Subsequent Event – On December 3, 2014, at the request of the City of Grand Rapids, the Kent County Drain Commission issued a \$4,725,000 series Grand River Floodwalls and Embankments Drain Bonds. The bonds are backed by the full faith and credit of the County of Kent to obtain a lower interest rate, but will be repaid by a special assessment against the City for the payment on all interest and principal on the bonds.

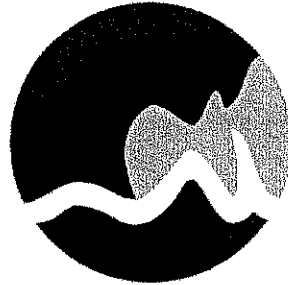
## 11. Deferred Compensation Plans

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, 2014 employee contributions were \$150,982 and the employer contributions were \$150,982 to this Plan. At June 30, 2014, the plan had 65 active and 3 terminated participants. The fair market value of plan assets was \$547,848.

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, 2014, there were 11 active and 25 terminated plan participants with a total fair market value of plan assets for both active and retired participants of approximately \$9,654,453. Contributions made by employees and the City totaled \$98,627 and \$195,602 respectively, for the fiscal year ended June 30, 2014. 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 the voluntary deferral of a portion of current salary until future years. The deferred compensation is not available to the employee until termination, retirement, death or listed emergency. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights are solely the property and rights of each individual participant. At June 30, 2014, the total market value of plan assets was approximately \$83,355,290. Net of the effect of employee contributions, withdrawals and earnings, the fair market value of plan assets increased \$9,432,656 for the year ended June 30, 2014. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent administrator.

All permanent, full-time employees that are not covered by one of the City's defined benefit retiree health care plans described in Note 8 are enrolled in an agent multi-employer defined contribution post-employment health care program which is administered by the Municipal Employees' Retirement System of Michigan. This program is defined in the Internal Revenue Code Section 115 as a Governmental Integral Part Trust. After six months of employment, bi-weekly deposits are made into each employee's individual account in amounts determined by labor agreements or personnel policies. Following a 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, 2014, 510 employees were participating in this defined contribution retiree health care plan. For the fiscal year ended June 30, 2014, regular contributions made by employees and the employer totaled \$495,437 and \$874,782 respectively. As the current participants in the defined benefit retiree health care plans described in Note 8 reach age 65, this defined contribution savings program will become the primary, and eventually the City's only retiree health care plan.



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## 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, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 13,004,672	\$ 13,004,672	\$ 12,979,448	\$ (25,224)
City income taxes	62,234,684	62,234,684	64,612,270	2,377,586
State shared taxes	14,463,908	14,463,908	14,496,658	32,750
Licenses and permits	499,045	499,045	490,207	(8,838)
Fines and forfeitures	2,057,000	2,057,000	2,255,950	198,950
Federal grants	-	-	11,897	11,897
State grants	230,000	230,000	219,295	(10,705)
Other grants and contributions	10,000	10,000	6,613	(3,387)
Charges for services	12,651,154	12,651,154	12,709,684	58,530
Investment earnings	451,500	451,500	450,154	(1,346)
Miscellaneous	102,670	102,670	129,680	27,010
Total revenues	<u>105,704,633</u>	<u>105,704,633</u>	<u>108,361,856</u>	<u>2,657,223</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	23,789,335	24,455,387	22,924,381	1,531,006
Public safety	70,816,284	71,041,674	70,333,167	708,507
Public works	5,297,577	5,275,567	4,849,519	426,048
Urban and community development	4,483,309	4,380,702	4,293,665	87,037
<b>Debt service:</b>				
Principal	283,666	283,666	283,665	1
Interest and paying agent fees	48,129	48,129	53,668	(5,539)
Total expenditures	<u>104,718,300</u>	<u>105,485,125</u>	<u>102,738,065</u>	<u>2,747,060</u>
Excess (deficit) of revenues over expenditures	<u>986,333</u>	<u>219,508</u>	<u>5,623,791</u>	<u>5,404,283</u>
<b>Other financing sources (uses):</b>				
Budgeted appropriation lapse for the fund	3,000,000	3,000,000	-	(3,000,000)
Transfers in	12,634,416	12,700,501	10,967,484	(1,733,017)
Transfers out	(14,458,271)	(14,002,491)	(13,658,549)	343,942
Gain on sale of capital assets	-	-	1,119	(1,119)
Bonds and contracts issued	-	296,190	296,190	-
Payment to refunded bond escrow agent	-	(294,618)	(294,618)	-
Total other financing sources (uses)	<u>1,176,145</u>	<u>1,699,582</u>	<u>(2,688,374)</u>	<u>(4,390,194)</u>
Net change in fund balances	2,162,478	1,919,090	2,935,417	1,014,089
Fund balances - beginning	32,665,029	32,665,029	32,665,029	-
Current year change in inventory levels	-	-	(69,979)	(69,979)
Fund balances - ending	<u>\$ 34,827,507</u>	<u>\$ 34,584,119</u>	<u>\$ 35,530,467</u>	<u>\$ 944,110</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, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 9,799,806	\$ 9,799,806	\$ 9,718,550	\$ (81,256)
Intergovernmental	93,000	93,000	110,828	17,828
Fines and forfeitures	225,000	225,000	205,227	(19,773)
Other agencies grants	345,000	345,000	445,716	100,716
Charges for services	134,000	134,000	124,104	(9,896)
Investment earnings	28,200	28,200	33,675	5,475
Miscellaneous	-	-	4,685	4,685
Total revenues	<u>10,625,006</u>	<u>10,625,006</u>	<u>10,642,785</u>	<u>17,779</u>
Expenditures:				
Current:				
Culture and recreation	9,072,911	9,272,911	9,133,097	139,814
Interest and paying agent fees	-	-	750	(750)
Capital outlay	<u>60,922</u>	<u>60,922</u>	<u>44,022</u>	<u>16,900</u>
Total expenditures	<u>9,133,833</u>	<u>9,333,833</u>	<u>9,177,869</u>	<u>155,964</u>
Excess of revenues over expenditures	<u>1,491,173</u>	<u>1,291,173</u>	<u>1,464,916</u>	<u>173,743</u>
Other financing sources (uses):				
Budgeted appropriation lapse for the fund	(19,000)	(19,000)	-	19,000
Transfers out	<u>(2,218,247)</u>	<u>(2,218,247)</u>	<u>(2,218,247)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,237,247)</u>	<u>(2,237,247)</u>	<u>(2,218,247)</u>	<u>19,000</u>
Net change in fund balances	(746,074)	(946,074)	(753,331)	192,743
Fund balances - beginning	<u>3,816,805</u>	<u>3,816,805</u>	<u>3,816,805</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,070,731</u>	<u>\$ 2,870,731</u>	<u>\$ 3,063,474</u>	<u>\$ 192,743</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 6,267,360	\$ 6,267,360	\$ 6,296,846	\$ 29,486
Charges for services	5,831,595	5,831,595	4,757,438	(1,074,157)
Investment earnings	<u>21,000</u>	<u>21,000</u>	<u>10,259</u>	<u>(10,741)</u>
Total revenues	<u>12,119,955</u>	<u>12,119,955</u>	<u>11,064,543</u>	<u>(1,055,412)</u>
Expenditures:				
Current:				
Public works	<u>11,249,989</u>	<u>11,249,989</u>	<u>11,082,329</u>	<u>167,660</u>
Total expenditures	<u>11,249,989</u>	<u>11,249,989</u>	<u>11,082,329</u>	<u>167,660</u>
Excess (deficit) of revenues over expenditures	<u>869,966</u>	<u>869,966</u>	<u>(17,786)</u>	<u>(887,752)</u>
Other financing sources (uses):				
Transfers out	<u>(780,212)</u>	<u>(302,812)</u>	<u>(302,812)</u>	<u>-</u>
Total other financing sources (uses)	<u>(780,212)</u>	<u>(302,812)</u>	<u>(302,812)</u>	<u>-</u>
Net change in fund balances	89,754	567,154	(320,598)	(887,752)
Fund balances (deficit) - beginning	<u>(241,434)</u>	<u>(241,434)</u>	<u>(241,434)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (151,680)</u>	<u>\$ 325,720</u>	<u>\$ (562,032)</u>	<u>\$ (887,752)</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, 2014*

	Major Streets				Local Streets			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
Revenues:								
State shared taxes	\$ 10,238,663	\$ 10,238,663	\$ 11,377,535	\$ 1,138,872	\$ 2,755,545	\$ 2,755,545	3,073,106	\$ 317,561
Federal grants	320,000	320,000	339,544	19,544	-	-	-	-
Other grants & contributions	-	-	31,390	31,390	-	-	-	-
Charges for services	2,025,523	2,025,523	2,690,200	664,677	5,200	5,200	12,110	6,910
Investment earnings	-	-	22,359	22,359	9,000	9,000	1,727	(7,273)
Miscellaneous	30,000	30,000	69,162	39,162	-	-	2,450	2,450
Total revenues	<u>12,614,186</u>	<u>12,614,186</u>	<u>14,530,190</u>	<u>1,916,004</u>	<u>2,769,745</u>	<u>2,769,745</u>	<u>3,089,393</u>	<u>319,648</u>
Expenditures:								
Current:								
Public works	10,300,026	10,331,860	9,798,033	533,827	3,205,004	3,205,004	3,132,676	72,328
Debt service:								
Principal	420,000	420,000	420,000	-	-	-	-	-
Interest and paying agent fees	406,270	406,270	406,783	(513)	-	-	-	-
Capital outlay:	-	-	44,506	(44,506)	10,000	10,000	8,879	1,121
Total expenditures	<u>11,126,296</u>	<u>11,158,130</u>	<u>10,669,322</u>	<u>488,808</u>	<u>3,215,004</u>	<u>3,215,004</u>	<u>3,141,555</u>	<u>73,449</u>
Excess (deficit) of revenues over expenditures	<u>1,487,890</u>	<u>1,456,056</u>	<u>3,860,868</u>	<u>2,404,812</u>	<u>(445,259)</u>	<u>(445,259)</u>	<u>(52,162)</u>	<u>393,097</u>
Other financing sources (uses):								
Budgeted appropriation lapse for the fund	250,000	250,000	-	(250,000)	100,000	100,000	-	(100,000)
Transfers in	-	121,348	121,348	-	350,000	350,000	350,000	-
Transfers out	(2,484,736)	(2,507,902)	(2,507,903)	(1)	(93,897)	(93,897)	(93,897)	-
Total other financing sources (uses)	<u>(2,234,736)</u>	<u>(2,136,554)</u>	<u>(2,386,555)</u>	<u>(250,001)</u>	<u>356,103</u>	<u>356,103</u>	<u>256,103</u>	<u>(100,000)</u>
Net change in fund balances	(746,846)	(680,498)	1,474,313	2,154,811	(89,156)	(89,156)	203,941	293,097
Fund balances - beginning	6,726,570	6,726,570	6,726,570	-	479,302	479,302	479,302	-
Current year change in inventory levels	-	-	(400,103)	(400,103)	-	-	-	-
Fund balances - ending	<u>\$ 5,979,724</u>	<u>\$ 6,046,072</u>	<u>\$ 7,800,780</u>	<u>\$ 1,754,708</u>	<u>\$ 390,146</u>	<u>\$ 390,146</u>	<u>\$ 683,243</u>	<u>\$ 293,097</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, 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%
December 31, 2013	354,769,666	385,860,392	31,090,726	92%	33,110,530	94%

#### 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, 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%
June 30, 2013	353,299,470	455,914,323	102,614,853	77%	43,783,450	234%

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

The actuarial value of plan assets recognizes differences between the assumed rate of return and actual investment returns over a closed 5-year period.

The current market value of plan assets can be found on page 98.

## Required Supplementary Information

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

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
<b>General Retiree Plan</b>						
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%
June 30, 2013	8,526,338	64,235,682	55,709,344	13%	25,849,738	216%
<b>Police Retiree Plan</b>						
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%
June 30, 2013	10,196,070	58,270,058	48,073,988	17%	15,246,366	315%
<b>Fire Retiree Plan</b>						
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%
June 30, 2013	8,003,318	38,953,456	30,950,138	21%	13,594,261	228%
<b>Library Retiree Plan</b>						
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 triennially 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**  
**General Operating Fund Expenditures**

for the year ended June 30, 2014

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General Government - Fiscal and Administrative:</b>				
Executive Office:				
Personal services	\$ 880,477	\$ 880,477	\$ 925,648	\$ (45,171)
Supplies	5,900	5,900	4,621	1,279
Services and charges	265,135	318,235	273,491	44,744
Minor Capital Outlay	3,000	3,000	584	2,416
	<u>1,154,512</u>	<u>1,207,612</u>	<u>1,204,344</u>	<u>3,268</u>
Clerk:				
Personal services	1,274,040	1,279,040	1,134,339	144,701
Supplies	97,824	115,824	115,653	171
Services and charges	402,027	402,027	406,135	(4,108)
Minor Capital Outlay	-	-	5,657	(5,657)
	<u>1,773,891</u>	<u>1,796,891</u>	<u>1,661,784</u>	<u>135,107</u>
Human Resources:				
Personal services	960,897	960,897	947,563	13,334
Supplies	35,000	35,000	32,256	2,744
Services and charges	900,101	900,101	751,805	148,296
Minor Capital Outlay	15,000	15,000	12,815	2,185
	<u>1,910,998</u>	<u>1,910,998</u>	<u>1,744,439</u>	<u>166,559</u>
Administrative Services:				
Personal services	462,339	413,190	430,790	(17,600)
Supplies	10,600	10,600	5,117	5,483
Services and charges	233,210	281,710	222,439	59,271
	<u>706,149</u>	<u>705,500</u>	<u>658,346</u>	<u>47,154</u>
Attorney:				
Personal services	1,817,277	1,817,277	1,850,880	(33,603)
Supplies	55,830	55,830	43,260	12,570
Services and charges	350,255	350,255	348,430	1,825
Minor Capital Outlay	2,000	2,000	1,968	32
	<u>2,225,362</u>	<u>2,225,362</u>	<u>2,244,538</u>	<u>(19,176)</u>
Fiscal services:				
Personal services	952,783	952,783	926,525	26,258
Supplies	21,500	28,561	21,705	6,856
Services and charges	468,077	461,016	496,245	(35,229)
	<u>1,442,360</u>	<u>1,442,360</u>	<u>1,444,475</u>	<u>(2,115)</u>
Technology and Change Management:				
Personal services	131,581	131,581	132,982	(1,401)
Services and charges	61,852	61,852	46,012	15,840
	<u>\$ 193,433</u>	<u>\$ 193,433</u>	<u>\$ 178,994</u>	<u>\$ 14,439</u>

continued

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

for the year ended June 30, 2014

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Treasury:</b>				
Personal services	\$ 4,279,268	\$ 4,277,666	\$ 3,877,806	\$ 399,860
Supplies	331,731	330,642	179,306	151,336
Services and charges	1,809,835	1,965,835	1,595,233	370,602
Minor Capital Outlay	20,000	22,689	1,878	20,811
	<u>6,440,834</u>	<u>6,596,832</u>	<u>5,654,223</u>	<u>942,609</u>
<b>Comptroller:</b>				
Personal services	1,662,245	1,662,245	1,503,990	158,255
Supplies	47,745	47,745	21,377	26,368
Services and charges	681,098	681,098	549,804	131,294
	<u>2,391,088</u>	<u>2,391,088</u>	<u>2,075,171</u>	<u>315,917</u>
<b>Total general government - fiscal and administrative</b>	<u>18,238,627</u>	<u>18,470,076</u>	<u>16,866,314</u>	<u>1,603,762</u>
<b>General purpose:</b>				
<b>General administration:</b>				
Personal services	10,000	10,000	6,913	3,087
Supplies	10,000	10,000	8,995	1,005
Services and charges	5,530,708	5,965,311	6,042,159	(76,848)
<b>Total general purpose</b>	<u>5,550,708</u>	<u>5,985,311</u>	<u>6,058,067</u>	<u>(72,756)</u>
<b>Total General Government</b>	<u>23,789,335</u>	<u>24,455,387</u>	<u>22,924,381</u>	<u>1,531,006</u>
<b>Public safety:</b>				
<b>Police:</b>				
Personal services	36,018,250	35,705,944	36,170,754	(464,810)
Supplies	684,815	762,815	717,606	45,209
Services and charges	6,398,472	6,667,248	6,746,969	(79,721)
Minor Capital Outlay	59,820	34,820	33,864	956
	<u>43,161,357</u>	<u>43,170,827</u>	<u>43,669,193</u>	<u>(498,366)</u>
<b>Fire:</b>				
Personal services	24,783,495	24,783,495	24,168,082	615,413
Supplies	274,877	274,877	254,513	20,364
Services and charges	2,353,355	2,409,355	2,118,483	290,872
Minor Capital Outlay	243,200	403,120	122,896	280,224
	<u>27,654,927</u>	<u>27,870,847</u>	<u>26,663,974</u>	<u>1,206,873</u>
<b>Total public safety</b>	<u>\$ 70,816,284</u>	<u>\$ 71,041,674</u>	<u>\$ 70,333,167</u>	<u>\$ 708,507</u>

continued

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

for the year ended June 30, 2014

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public works:</b>				
Enterprise services:				
Personal services	\$ 2,147,906	\$ 2,147,906	\$ 1,884,122	\$ 263,784
Supplies	336,350	336,350	273,170	63,180
Services and charges	2,785,821	2,763,811	2,678,776	85,035
Minor Capital Outlay	27,500	27,500	13,451	14,049
	<u>5,297,577</u>	<u>5,275,567</u>	<u>4,849,519</u>	<u>426,048</u> *
<b>Total public works</b>	<u>5,297,577</u>	<u>5,275,567</u>	<u>4,849,519</u>	<u>426,048</u> *
<b>Urban development:</b>				
Design and Development:				
Personal services	1,181,726	1,081,726	980,305	101,421
Supplies	34,850	34,850	36,127	(1,277)
Services and charges	458,292	431,579	462,398	(30,819)
Minor Capital Outlay	-	-	294	(294)
	<u>1,674,868</u>	<u>1,548,155</u>	<u>1,479,124</u>	<u>69,031</u>
Community Development:				
Personal services	2,080,004	2,080,004	2,158,655	(78,651)
Supplies	46,600	46,600	46,562	38
Services and charges	670,573	694,679	602,899	91,780
Minor Capital Outlay	11,264	11,264	6,425	4,839
	<u>2,808,441</u>	<u>2,832,547</u>	<u>2,814,541</u>	<u>18,006</u>
<b>Total urban development</b>	<u>4,483,309</u>	<u>4,380,702</u>	<u>4,293,665</u>	<u>87,037</u>
<b>Debt Service</b>				
Principal	\$ 283,666	\$ 283,666	\$ 283,665	\$ 1
Interest	48,129	48,129	53,668	(5,539)
<b>Total debt service</b>	<u>\$ 331,795</u>	<u>\$ 331,795</u>	<u>\$ 337,333</u>	<u>\$ (5,538)</u>
Budgeted Appropriation Lapse within Fund	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>-</u>	<u>(3,000,000)</u>
<b>Total expenditures</b>	<u>\$ 101,718,300</u>	<u>\$ 102,485,125</u>	<u>\$ 102,738,065</u>	<u>\$ (252,940)</u>

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

City of Grand Rapids, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

Special Revenue Funds

	Grants	Michigan Justice Training	Vehicle Storage Facility	Parks & Recreation	Property Management	Building Inspections	DNR Properties	Sidewalk Repair	Community Dispatch	Trans- formation
<b>ASSETS</b>										
Equity in pooled cash and investments	\$ 2,208,790	\$ 168,906	\$ 329,094	\$ 1,012,866	\$ 1,129,132	3,491,916	\$ 187,057	\$ 495,868	\$ 814,951	\$ 19,477,009
Receivables, net	57,973	283	679	13,691	2,898	14,269	319	14,206	2,699	1,015,413
Due from other funds	-	-	-	20,470	-	-	-	-	-	130,627
Inventories	-	-	-	-	-	-	-	-	-	-
Due from other governmental units	1,492,888	-	-	-	-	-	-	-	868,053	855,399
<b>Total assets</b>	<b>\$ 3,759,651</b>	<b>\$ 169,189</b>	<b>\$ 329,773</b>	<b>\$ 1,047,047</b>	<b>\$ 1,132,030</b>	<b>\$ 3,506,185</b>	<b>\$ 187,376</b>	<b>\$ 510,074</b>	<b>\$ 1,685,703</b>	<b>\$ 21,478,448</b>
<b>LIABILITIES</b>										
Vouchers and accounts payable	\$ 959,906	-	\$ 23,862	\$ 208,468	\$ 37,479	17,715	\$ 750	\$ 6,834	-	\$ -
Due to other governmental units	-	-	425	-	-	-	-	-	-	-
Unearned revenues	496,558	-	-	53,502	50,000	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,456,464</b>	<b>-</b>	<b>24,287</b>	<b>261,970</b>	<b>87,479</b>	<b>17,715</b>	<b>750</b>	<b>6,834</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>										
Nonspendable:										
Inventories	-	-	-	-	-	-	-	-	-	-
Nonexpendable Trust principal	-	-	-	-	-	-	-	-	-	-
Restricted:										
Public safety	237,226	169,189	-	-	-	-	-	-	-	-
Urban and community development	2,065,961	-	-	-	358,233	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Committed:										
Authorized projects	-	-	-	-	-	-	-	-	-	21,478,448
Other purposes	-	-	-	-	-	-	-	-	-	-
Assigned:										
Culture and recreation	-	-	-	633,253	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	811,266	-
Urban and community development	-	-	-	-	684,871	3,287,074	186,626	-	-	-
Public works	-	-	254,529	-	-	-	-	468,538	-	-
Ensuing budget year	-	-	36,204	-	-	-	-	-	645,000	-
Compensated absences	-	-	14,753	151,824	1,447	201,396	-	34,702	229,437	-
Other purposes	-	-	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>2,303,187</b>	<b>169,189</b>	<b>305,486</b>	<b>785,077</b>	<b>1,044,551</b>	<b>3,488,470</b>	<b>186,626</b>	<b>503,240</b>	<b>1,685,703</b>	<b>21,478,448</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,759,651</b>	<b>\$ 169,189</b>	<b>\$ 329,773</b>	<b>\$ 1,047,047</b>	<b>\$ 1,132,030</b>	<b>\$ 3,506,185</b>	<b>\$ 187,376</b>	<b>\$ 510,074</b>	<b>\$ 1,685,703</b>	<b>\$ 21,478,448</b>

City of Grand Rapids, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue Funds					Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug Law Enforcement	General Special Revenue	Economic Development	Downtown Improvement District	Business Improvement District	Grand Rapids Building Authority	Cemeteries Perpetual Care	
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ 1,547,067	\$ 193,420	\$ 629,057	\$ 540,612	\$ 35,188	\$ 1,524,591	\$ 3,674,628	\$ 37,460,172
Receivables, net	13,456	160	6,699	2,081	-	-	31,097	1,175,923
Due from other funds	-	-	-	-	-	-	-	151,097
Inventories	-	-	-	-	-	-	17,679	17,679
Due from other governmental units	-	-	-	-	-	-	-	3,216,340
Total assets	<u>\$ 1,560,523</u>	<u>\$ 193,580</u>	<u>\$ 635,756</u>	<u>\$ 542,693</u>	<u>\$ 35,188</u>	<u>\$ 1,524,591</u>	<u>\$ 3,723,404</u>	<u>\$ 42,021,211</u>
<b>LIABILITIES</b>								
Vouchers and accounts payable	\$ 40,105	\$ -	\$ 1,010	\$ 23,121	\$ 4,507	\$ -	\$ 3,465	\$ 1,327,222
Due to other governmental units	-	-	-	-	-	-	-	425
Unearned revenues	-	-	-	-	-	-	-	496,558
Customer deposits	-	3,468	-	-	-	-	-	106,970
Total liabilities	<u>40,105</u>	<u>3,468</u>	<u>1,010</u>	<u>23,121</u>	<u>4,507</u>	<u>-</u>	<u>3,465</u>	<u>1,931,175</u>
<b>FUND BALANCES</b>								
Nonspendable:								
Inventories	-	-	-	-	-	-	17,679	17,679
Nonexpendable Trust principal	-	25,000	-	-	-	-	2,861,299	2,886,299
Restricted:								
Public safety	1,520,418	22,326	-	-	-	-	-	1,949,159
Urban and community development	-	-	-	519,572	30,681	-	-	2,974,447
Culture and recreation	-	110,202	-	-	-	-	-	110,202
Committed:								
Authorized projects	-	-	-	-	-	-	-	21,478,448
Other purposes	-	-	-	-	-	-	840,961	840,961
Assigned:								
Culture and recreation	-	32,584	-	-	-	-	-	665,837
Public safety	-	-	-	-	-	-	-	811,266
Urban and community development	-	-	523,843	-	-	-	-	4,682,414
Public works	-	-	-	-	-	-	-	723,067
Ensuuing budget year	-	-	107,685	-	-	-	-	788,889
Compensated absences	-	-	3,218	-	-	-	-	636,777
Other purposes	-	-	-	-	-	1,524,591	-	1,524,591
Total fund balance	<u>1,520,418</u>	<u>190,112</u>	<u>634,746</u>	<u>519,572</u>	<u>30,681</u>	<u>1,524,591</u>	<u>3,719,939</u>	<u>40,090,036</u>
Total liabilities and fund balances	<u>\$ 1,560,523</u>	<u>\$ 193,580</u>	<u>\$ 635,756</u>	<u>\$ 542,693</u>	<u>\$ 35,188</u>	<u>\$ 1,524,591</u>	<u>\$ 3,723,404</u>	<u>\$ 42,021,211</u>



**City of Grand Rapids, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
*for the year ended June 30, 2014*

**Special Revenue Funds**

	Grants	Michigan Justice Training	Vehicle Storage Facility	Parks & Recreation	Property Management	Building Inspections	DNR Properties	Sidewalk Repair	Community Dispatch	Trans- formation
<b>Revenues:</b>										
City income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,270,868
State shared taxes	56,224	-	-	-	-	-	-	-	-	5,132,391
Licenses and permits	-	-	-	-	800	3,453,165	-	602,406	-	-
Federal grants	10,079,160	-	-	12,691	-	-	-	-	-	-
State grants	320,985	54,991	-	-	-	-	-	-	-	-
Other grants and contributions	939,515	-	-	46,744	-	-	-	-	2,508,058	-
Charges for services	614,936	-	601,190	452,118	93,756	188,273	-	437,296	-	-
Property Sales	-	-	-	-	1,169,346	-	-	-	-	-
Investment earnings	22,791	808	1,470	-	6,041	17,968	814	2,922	1,551	81,759
Miscellaneous	11,384	28,620	-	38,909	7,456	906	39,413	-	13,912	-
<b>Total revenues</b>	<b>12,044,995</b>	<b>84,419</b>	<b>602,660</b>	<b>550,462</b>	<b>1,277,399</b>	<b>3,660,312</b>	<b>40,227</b>	<b>1,042,624</b>	<b>2,523,521</b>	<b>15,485,018</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	258,504	-	-	-	-	-	-	-	-	-
Public safety	4,703,566	68,102	-	-	-	-	-	-	5,120,257	-
Public works	-	-	430,951	-	-	-	-	950,598	-	-
Culture and recreation	24,536	-	-	4,956,728	-	-	-	-	-	-
Urban and community development	7,013,026	-	-	-	1,282,748	2,756,849	20,224	-	-	-
<b>Debt service:</b>										
Principal	-	-	-	-	25,000	-	-	-	-	-
Interest and paying agent fees	-	-	-	-	27,033	-	-	-	-	-
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>11,999,632</b>	<b>68,102</b>	<b>430,951</b>	<b>5,021,793</b>	<b>1,334,781</b>	<b>2,756,849</b>	<b>20,224</b>	<b>950,598</b>	<b>5,120,257</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	45,363	16,317	171,709	(4,471,331)	(57,382)	903,463	20,003	92,026	(2,596,736)	15,485,018
<b>Other financing sources (uses):</b>										
Transfers in	1,675,793	-	-	5,274,353	-	241,297	-	-	3,291,458	173,518
Transfers out	(1,514,283)	-	(99,700)	(263,246)	(1,392)	(139,501)	-	(78,165)	(298,273)	(8,395,766)
Face value of bonds and contracts issued	-	-	-	-	561,440	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(559,773)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>161,510</b>	<b>-</b>	<b>(99,700)</b>	<b>5,011,107</b>	<b>275</b>	<b>101,796</b>	<b>-</b>	<b>(78,165)</b>	<b>2,993,185</b>	<b>(8,222,248)</b>
<b>Net change in fund balances</b>	<b>206,873</b>	<b>16,317</b>	<b>72,009</b>	<b>539,776</b>	<b>(57,107)</b>	<b>1,005,259</b>	<b>20,003</b>	<b>13,861</b>	<b>396,449</b>	<b>7,262,770</b>
<b>Fund balances - beginning</b>	<b>2,096,314</b>	<b>152,872</b>	<b>233,477</b>	<b>245,301</b>	<b>1,101,658</b>	<b>2,483,211</b>	<b>166,623</b>	<b>489,379</b>	<b>1,289,254</b>	<b>14,215,678</b>
<b>Fund balances - ending</b>	<b>\$ 2,303,187</b>	<b>\$ 169,189</b>	<b>\$ 305,486</b>	<b>\$ 785,077</b>	<b>\$ 1,044,551</b>	<b>\$ 3,488,470</b>	<b>\$ 186,626</b>	<b>\$ 503,240</b>	<b>\$ 1,685,703</b>	<b>\$ 21,478,448</b>

City of Grand Rapids, Michigan  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
for the year ended June 30, 2014

	Special Revenue Funds					Debt Service Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Drug Law Enforcement	General Special Revenue	Economic Development	Downtown Improvement District	Business Improvement District	Grand Rapids Building Authority	Public Act 175	Cemeteries Perpetual Care	
Revenues:									
City income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,270,868
State shared taxes	-	-	-	-	-	-	-	-	5,188,615
Licenses and permits	-	-	-	-	-	-	-	-	4,056,371
Federal grants	13,062	-	-	-	-	-	-	-	10,104,913
State grants	-	-	-	-	-	-	-	-	375,976
Other grants and contributions	-	1,075	-	28,950	-	-	-	-	3,524,342
Charges for services	401,715	831	65,572	763,813	-	-	-	22,906	3,642,406
Property Sales	-	-	-	-	-	-	-	-	1,169,346
Investment earnings	14,712	959	4,706	3,238	87,294	117	-	27,909	275,059
Miscellaneous	14,316	-	7,416	176,037	-	47,657	-	-	386,026
Total revenues	443,805	2,865	77,694	972,038	87,294	47,774	-	50,815	38,993,922
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	-	258,504
Public safety	629,997	-	-	-	-	-	-	-	10,521,922
Public works	-	-	-	-	-	-	-	-	1,381,549
Culture and recreation	-	12,701	-	-	-	-	-	-	4,993,965
Urban and community development	-	-	212,678	904,255	56,613	-	-	-	12,246,393
Debt service:									
Principal	-	-	-	-	-	4,505,000	1,225,000	-	5,755,000
Interest and paying agent fees	-	-	-	-	-	2,858,484	112,265	-	2,997,782
Capital outlay	-	-	-	-	-	-	-	-	65,065
Total expenditures	629,997	12,701	212,678	904,255	56,613	7,363,484	1,337,265	-	38,220,180
Excess (deficiency) of revenues over expenditures	(186,192)	(9,836)	(134,984)	67,783	30,681	(7,315,710)	(1,337,265)	50,815	773,742
Other financing sources (uses):									
Transfers in	-	-	75,000	-	-	7,352,533	1,337,265	109,335	19,530,552
Transfers out	-	-	(565)	(6,888)	-	-	-	(199,502)	(10,997,281)
Face value of bonds and contracts issued	-	-	-	-	-	-	-	-	561,440
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(559,773)
Total other financing sources (uses)	-	-	74,435	(6,888)	-	7,352,533	1,337,265	(90,167)	8,534,938
Net change in fund balances	(186,192)	(9,836)	(60,549)	60,895	30,681	36,823	-	(39,352)	9,308,680
Fund balances - beginning	1,706,610	199,948	695,295	458,677	-	1,487,768	-	3,759,291	30,781,356
Fund balances - ending	\$ 1,520,418	\$ 190,112	\$ 634,746	\$ 519,572	\$ 30,681	\$ 1,524,591	\$ -	\$ 3,719,939	\$ 40,090,036

**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, 2014*

	Budget				Actual				Net Variance
	Revenues	Expenditures	Other Financing Sources (uses)	Net	Revenues	Expenditures	Other Financing Sources (uses)	Net	
Grants	\$ 23,641,440	\$ 21,195,775	\$ 224,408	\$ 2,670,073	\$ 12,044,995	\$ 11,999,632	\$ 161,510	\$ 206,873	\$ (2,463,200)
Michigan Justice Training	67,500	75,000	-	(7,500)	84,419	68,102	-	16,317	23,817
Vehicle Storage Facility	542,859	557,083	(5,484)	(19,708)	602,660	430,951	(99,700)	72,009	91,717
Parks & Recreation	672,512	5,635,012	5,011,107	48,607	550,462	5,021,793	5,011,107	539,776	491,169
Property Management	1,899,449	1,883,900	(1,392)	14,157	1,277,399	1,334,781	275	(57,107)	(71,264)
Building Inspections	3,023,437	2,929,569	101,795	195,663	3,660,312	2,756,849	101,796	1,005,259	809,596
DNR Properties	30,712	25,050	-	5,662	40,227	20,224	-	20,003	14,341
Sidewalk Repair	1,260,200	1,195,592	(78,165)	(13,557)	1,042,624	950,598	(78,165)	13,861	27,418
Community Dispatch	2,508,341	5,517,026	2,993,185	(15,500)	2,523,521	5,120,257	2,993,185	396,449	411,949
Transformation	14,824,477	-	(16,204,356)	(1,379,879)	15,485,018	-	(8,222,248)	7,262,770	8,642,649
Drug Law Enforcement	119,350	824,004	-	(704,654)	443,805	629,997	-	(186,192)	518,462
General Special Revenue	8,400	15,000	-	(6,600)	2,865	12,701	-	(9,836)	(3,236)
Economic Development	88,500	360,639	149,435	(122,704)	77,694	212,678	74,435	(60,549)	62,155
Downtown Improvement District	815,500	830,500	(10,776)	(25,776)	972,038	904,255	(6,888)	60,895	86,671
Business Improvement District	91,333	91,333	-	-	87,294	56,613	-	30,681	30,681
<b>Total</b>	<b>\$ 49,594,010</b>	<b>\$ 41,135,483</b>	<b>\$ (7,820,243)</b>	<b>\$ 638,284</b>	<b>\$ 38,895,333</b>	<b>\$ 29,519,431</b>	<b>\$ (64,693)</b>	<b>\$ 9,311,209</b>	<b>\$ 8,672,925</b>

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

**City of Grand Rapids, Michigan**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
*June 30, 2014*

	<u>Cemeteries Operating</u>	<u>Belknap Ice Arena</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 196,221	\$ 420,723	\$ 616,944
Receivables, net	155,102	34,298	189,400
Inventory	4,368	-	4,368
Total current assets	<u>355,691</u>	<u>455,021</u>	<u>810,712</u>
Noncurrent assets:			
Other assets	202,415	-	202,415
Capital assets:			
Non-depreciable	5,255	-	5,255
Depreciable	1,397,305	4,380,000	5,777,305
Less accumulated depreciation	<u>(1,227,274)</u>	<u>(2,876,195)</u>	<u>(4,103,469)</u>
Total noncurrent assets	<u>377,701</u>	<u>1,503,805</u>	<u>1,881,506</u>
Total assets	<u>733,392</u>	<u>1,958,826</u>	<u>2,692,218</u>
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers and accounts payable	105,919	137,188	243,107
Current portion of compensated absences	<u>18,875</u>	<u>-</u>	<u>18,875</u>
Total current liabilities	<u>124,794</u>	<u>137,188</u>	<u>261,982</u>
Noncurrent liabilities (net of portion due within 1 year):			
Compensated absences	11,086	-	11,086
Net OPEB Obligation	<u>11,652</u>	<u>-</u>	<u>11,652</u>
Total noncurrent liabilities	<u>22,738</u>	<u>-</u>	<u>22,738</u>
Total liabilities	<u>147,532</u>	<u>137,188</u>	<u>284,720</u>
<b>NET POSITION</b>			
Net investment in capital assets	175,286	1,503,805	1,679,091
Unrestricted	<u>410,574</u>	<u>317,833</u>	<u>728,407</u>
Total net position	<u>\$ 585,860</u>	<u>\$ 1,821,638</u>	<u>\$ 2,407,498</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, 2014*

	Cemeteries Operating	Belknap Ice Arena	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 910,143	\$ 777,529	\$ 1,687,672
Sales	317,073	53,076	370,149
Total operating revenues	<u>1,227,216</u>	<u>830,605</u>	<u>2,057,821</u>
Operating expenses:			
Personal services	574,395	244,828	819,223
Supplies and materials	356,282	28,566	384,848
Utilities	67,267	128,395	195,662
Contractual services	330,875	308,472	639,347
Other services and charges	55,925	108,177	164,102
Depreciation	15,512	106,697	122,209
Total operating expenses	<u>1,400,256</u>	<u>925,135</u>	<u>2,325,391</u>
Operating Loss	<u>(173,040)</u>	<u>(94,530)</u>	<u>(267,570)</u>
Nonoperating revenues:			
Interest revenue	101	1,420	1,521
Total nonoperating revenues	<u>101</u>	<u>1,420</u>	<u>1,521</u>
Loss before capital contributions and transfers	(172,939)	(93,110)	(266,049)
Capital contributions	-	70,642	70,642
Transfers in	650,918	-	650,918
Transfers out	(401,132)	-	(401,132)
Change in net position	76,847	(22,468)	54,379
Total net position - beginning	<u>509,013</u>	<u>1,844,106</u>	<u>2,353,119</u>
Total net position - ending	<u>\$ 585,860</u>	<u>\$ 1,821,638</u>	<u>\$ 2,407,498</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
*for the year ended June 30, 2014*

	Cemeteries Operating	Belknap Ice Arena	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,284,817	\$ 835,514	\$ 2,100,331
Payments to suppliers	(779,291)	(602,345)	(1,381,636)
Payments to employees	(421,276)	(219,092)	(640,368)
Payments for payroll taxes and benefits	(161,754)	(25,736)	(187,490)
Net cash provided (used) by operating activities	<u>(97,504)</u>	<u>(11,659)</u>	<u>(109,163)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	650,918	-	650,918
Transfers to other funds	(401,132)	-	(401,132)
Net cash provided by noncapital financing activities	<u>249,786</u>	<u>-</u>	<u>249,786</u>
Cash flows from capital and related financing activities:			
Capital contributions	-	70,642	70,642
Purchase of capital assets	-	(94,458)	(94,458)
Net cash used by capital and related financing activities	<u>-</u>	<u>(23,816)</u>	<u>(23,816)</u>
Cash flows from investing activities:			
Interest received	101	1,420	1,521
Net increase in equity in pooled cash and investments	152,383	(34,055)	118,328
Equity in pooled cash and investments, beginning	43,838	454,778	498,616
Equity in pooled cash and investments, ending	<u>\$ 196,221</u>	<u>\$ 420,723</u>	<u>\$ 616,944</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (173,040)	\$ (94,530)	\$ (267,570)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	15,512	106,697	122,209
Change in assets and liabilities:			
Decrease in accounts receivable	25,716	4,909	30,625
Decrease in inventory	11,885	-	11,885
Increase (decrease) in vouchers and accounts payable	31,058	(28,735)	2,323
Decrease in compensated absences	(11,527)	-	(11,527)
Increase in Net OPEB Obligation	2,892	-	2,892
Total adjustments	<u>75,536</u>	<u>82,871</u>	<u>158,407</u>
Net cash provided (used) by operating activities	<u>\$ (97,504)</u>	<u>\$ (11,659)</u>	<u>\$ (109,163)</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
*June 30, 2014*

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	311 Program	Total Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Equity in pooled cash and investments	\$ 4,720,411	\$ 7,203,923	\$ 3,969,102	\$ 20,748,421	\$ 2,222,580	\$ 661,177	\$ 39,525,614
Receivables, net	24,700	326,705	230,695	1,090,935	60,361	-	1,733,396
Inventory	-	914,157	-	-	-	-	914,157
Restricted assets	927	166,213	-	2,845,523	-	-	3,012,663
Prepaid expenses and other assets	74,406	-	-	18,750	-	-	93,156
Total current assets	<u>4,820,444</u>	<u>8,610,998</u>	<u>4,199,797</u>	<u>24,703,629</u>	<u>2,282,941</u>	<u>661,177</u>	<u>45,278,986</u>
Noncurrent assets:							
Capital assets:							
Depreciable	14,032,241	41,154,987	1,418,740	-	-	-	56,605,968
Less accumulated depreciation	(12,026,659)	(28,922,016)	(187,377)	-	-	-	(41,136,052)
Total noncurrent assets	<u>2,005,582</u>	<u>12,232,971</u>	<u>1,231,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,469,916</u>
Total assets	<u>6,826,026</u>	<u>20,843,969</u>	<u>5,431,160</u>	<u>24,703,629</u>	<u>2,282,941</u>	<u>661,177</u>	<u>60,748,902</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred on refunding of bonds	-	1,800	-	-	-	-	1,800
<b>LIABILITIES</b>							
Current liabilities:							
Vouchers and accounts payable	498,501	519,126	329,010	716,496	7,165	31,584	2,101,882
Accrued interest payable	869	25,709	-	-	-	-	26,578
Due to other governmental units	-	-	-	214,679	-	-	214,679
Due to other funds	-	-	-	-	-	489,242	489,242
Unearned revenues	-	-	1,738	-	-	-	1,738
Health insurance claims payable	-	-	-	2,169,700	-	-	2,169,700
Current portion of general claims payable	-	-	-	2,881,170	-	-	2,881,170
Current maturities of bonds & contracts payable	70,000	809,017	-	-	-	-	879,017
Current workers' compensation liability	-	-	-	237,402	-	-	237,402
Compensated absences	34,349	147,142	91,281	30,845	176,134	20,956	500,707
Total current liabilities	<u>603,719</u>	<u>1,500,994</u>	<u>422,029</u>	<u>6,250,292</u>	<u>183,299</u>	<u>541,782</u>	<u>9,502,115</u>
Noncurrent liabilities (net of current portion):							
Bonds payable	3,300	1,371,029	-	-	-	-	1,374,329
Contracts and notes payable	-	126,082	-	-	-	-	126,082
General claims payable	-	-	-	924,369	-	-	924,369
Workers compensation liability	-	-	-	553,448	-	-	553,448
Compensated absences	20,173	86,417	53,609	18,115	103,443	12,308	294,065
Net OPEB obligation	(6,381)	(9,785)	(4,180)	101,997	52,337	5,028	139,016
Total noncurrent liabilities	<u>17,092</u>	<u>1,573,743</u>	<u>49,429</u>	<u>1,597,929</u>	<u>155,780</u>	<u>17,336</u>	<u>3,411,309</u>
Total liabilities	<u>620,811</u>	<u>3,074,737</u>	<u>471,458</u>	<u>7,848,221</u>	<u>339,079</u>	<u>559,118</u>	<u>12,913,424</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred on refunding of bonds	529	-	-	-	-	-	529
<b>NET POSITION</b>							
Net investment in capital assets	2,005,582	9,926,843	1,231,363	-	-	-	13,163,788
Restricted:							
Debt service	927	166,213	-	-	-	-	167,140
Unrestricted	4,198,177	7,677,976	3,728,339	16,855,408	1,943,862	102,059	34,505,821
Total net position	<u>\$ 6,204,686</u>	<u>\$ 17,771,032</u>	<u>\$ 4,959,702</u>	<u>\$ 16,855,408</u>	<u>\$ 1,943,862</u>	<u>\$ 102,059</u>	<u>\$ 47,836,749</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, 2014*

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	311 Program	Total Internal Service Funds
Operating revenues:							
Charges for services	\$ 5,800,138	\$ 11,209,594	\$ 5,785,734	\$ 26,107,306	\$ 3,573,581	\$ 1,150,256	\$ 53,626,609
Sales	-	7,385	-	-	-	-	7,385
Miscellaneous	279,814	287	47,967	-	127,301	-	455,369
Total operating revenues	<u>6,079,952</u>	<u>11,217,266</u>	<u>5,833,701</u>	<u>26,107,306</u>	<u>3,700,882</u>	<u>1,150,256</u>	<u>54,089,363</u>
Operating expenses:							
Personal services	480,988	2,628,471	1,100,304	750,013	2,295,572	714,448	7,969,796
Supplies and materials	675,461	3,486,015	871,462	230	44,417	110,327	5,187,912
Utilities	-	-	1,456,904	858	-	-	1,457,762
Contractual services	2,472,989	38,382	1,103	844,765	91,376	226,654	3,675,269
Other services and charges	1,889,509	756,546	1,335,903	23,327,977	453,197	256,285	28,019,417
Depreciation	1,048,814	2,048,831	92,073	-	-	-	3,189,718
Total operating expenses	<u>6,567,761</u>	<u>8,958,245</u>	<u>4,857,749</u>	<u>24,923,843</u>	<u>2,884,562</u>	<u>1,307,714</u>	<u>49,499,874</u>
Operating income	<u>(487,809)</u>	<u>2,259,021</u>	<u>975,952</u>	<u>1,183,463</u>	<u>816,320</u>	<u>(157,458)</u>	<u>4,589,489</u>
Nonoperating revenues (expenses):							
Other federal revenue	866	21,567	-	-	-	-	22,433
Interest revenue	34,444	66,927	18,783	707,266	7,592	1,041	836,053
Miscellaneous revenue	-	5,858	-	-	-	-	5,858
Gain on sale of capital assets	3,650	784,801	-	-	-	-	788,451
Interest expense and paying agent fees	(578)	(124,535)	(1,850)	-	-	-	(126,963)
Total nonoperating revenues (expenses)	<u>38,382</u>	<u>754,618</u>	<u>16,933</u>	<u>707,266</u>	<u>7,592</u>	<u>1,041</u>	<u>1,525,832</u>
Income (loss) before transfers	<u>(449,427)</u>	<u>3,013,639</u>	<u>992,885</u>	<u>1,890,729</u>	<u>823,912</u>	<u>(156,417)</u>	<u>6,115,321</u>
Transfers in	-	-	112,283	-	-	-	112,283
Transfers out	<u>(760,043)</u>	<u>(376,108)</u>	<u>(409,751)</u>	<u>(311,804)</u>	<u>(349,906)</u>	<u>-</u>	<u>(2,207,612)</u>
Change in net position	<u>(1,209,470)</u>	<u>2,637,531</u>	<u>695,417</u>	<u>1,578,925</u>	<u>474,006</u>	<u>(156,417)</u>	<u>4,019,992</u>
Total net position - beginning	<u>7,414,156</u>	<u>15,133,501</u>	<u>4,264,285</u>	<u>15,276,483</u>	<u>1,469,856</u>	<u>258,476</u>	<u>43,816,757</u>
Total net position - ending	<u>\$ 6,204,686</u>	<u>\$ 17,771,032</u>	<u>\$ 4,959,702</u>	<u>\$ 16,855,408</u>	<u>\$ 1,943,862</u>	<u>\$ 102,059</u>	<u>\$ 47,836,749</u>



**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2014*

	<b>Information Technology</b>	<b>Motor Equipment</b>	<b>Facilities Management</b>	<b>Insurance Payment</b>	<b>Engineering</b>	<b>311 Program</b>	<b>Total Internal Service Funds</b>
<b>Cash flows from operating activities:</b>							
Receipts from customers	\$ 5,782,775	\$ 10,914,459	\$ 5,628,884	\$ 25,727,072	\$ 3,652,177	\$ 1,150,256	\$ 52,855,623
Payments to suppliers	(4,617,900)	(4,293,230)	(3,617,124)	(24,970,665)	(604,590)	(714,963)	(38,818,472)
Payments to employees	(311,265)	(1,637,395)	(663,384)	(454,835)	(1,414,758)	(446,586)	(4,928,223)
Payments for payroll taxes and benefits	(166,176)	(956,051)	(399,431)	(282,986)	(836,623)	(272,968)	(2,914,235)
Other operating revenues	279,814	6,145	47,967	-	127,301	-	461,227
Net cash provided (used) by operating activities	<u>967,248</u>	<u>4,033,928</u>	<u>996,912</u>	<u>18,586</u>	<u>923,507</u>	<u>(284,261)</u>	<u>6,655,920</u>
<b>Cash flows from noncapital financing activities:</b>							
Other federal revenue	866	21,567	-	-	-	-	22,433
Transfers from other funds	-	-	112,283	-	-	-	112,283
Transfers to other funds	(760,043)	(376,108)	(409,751)	(311,804)	(349,906)	-	(2,207,612)
Net cash provided (used) by noncapital financing activities	<u>(759,177)</u>	<u>(354,541)</u>	<u>(297,468)</u>	<u>(311,804)</u>	<u>(349,906)</u>	<u>-</u>	<u>(2,072,896)</u>
<b>Cash flows from capital and related financing activities:</b>							
Proceeds from capital debt	70,000	1,978,122	-	-	-	-	2,048,122
Purchase of capital assets	(32,684)	(8,932,230)	-	-	-	-	(8,964,914)
Sale of capital assets	3,650	824,595	-	-	-	-	828,245
Principal paid on capital debt	(135,000)	(2,896,335)	-	-	-	-	(3,031,335)
Interest paid on capital debt	(3,583)	(130,637)	(1,850)	-	-	-	(136,070)
Net cash used by capital and related financing activities	<u>(97,617)</u>	<u>(9,156,485)</u>	<u>(1,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,255,952)</u>
<b>Cash flows from investing activities:</b>							
interest received	34,444	66,927	18,783	707,266	7,592	1,041	836,053
Net increase (decrease) in equity in pooled cash and investments	144,898	(5,410,171)	716,377	414,048	581,193	(283,220)	(3,836,875)
Equity in pooled cash and investments - beginning of year	4,576,440	12,780,307	3,252,725	23,179,896	1,641,387	944,397	46,375,152
Equity in pooled cash and investments - end of year (including restricted cash held by trustee: \$927 in IT, \$166,213 in Motor Equipment and \$2,845,523 in Insurance Payment fund)	<u>\$ 4,721,338</u>	<u>\$ 7,370,136</u>	<u>\$ 3,969,102</u>	<u>\$ 23,593,944</u>	<u>\$ 2,222,580</u>	<u>\$ 661,177</u>	<u>\$ 42,538,277</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2014*

	<b>Information Technology</b>	<b>Motor Equipment</b>	<b>Facilities Management</b>	<b>Insurance Payment</b>	<b>Engineering</b>	<b>311 Program</b>	<b>Total Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ (487,809)	\$ 2,259,021	\$ 975,952	\$ 1,183,463	\$ 816,320	\$ (157,458)	\$ 4,589,489
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation expense	1,048,814	2,048,831	92,073	-	-	-	3,189,718
Miscellaneous cash received	-	5,858	-	-	-	-	5,858
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(17,363)	(313,474)	(156,850)	(380,234)	32,019	-	(835,902)
Decrease in due from intergovernmental units	-	-	-	-	46,577	-	46,577
Decrease in inventory	-	10,954	-	-	-	-	10,954
(Increase) decrease in prepaid expenses	182,648	-	-	(18,750)	-	-	163,898
Increase (decrease) in vouchers and accounts payable	237,411	(12,287)	48,248	(218,863)	(15,600)	613	39,522
Decrease in due to intergovernmental units	-	-	-	(158,992)	-	-	(158,992)
Decrease in due to other funds	-	-	-	-	-	(122,310)	(122,310)
Increase (decrease) in compensated absences	2,913	16,469	28,952	6,655	21,128	(6,827)	69,290
Increase in Net OPEB Obligation	634	18,556	8,537	5,537	23,063	1,721	58,048
Decrease in general claims payable	-	-	-	(400,230)	-	-	(400,230)
Total adjustments	<u>1,455,057</u>	<u>1,774,907</u>	<u>20,960</u>	<u>(1,164,877)</u>	<u>107,187</u>	<u>(126,803)</u>	<u>2,066,431</u>
Net cash provided (used) by operating activities	<u>\$ 967,248</u>	<u>\$ 4,033,928</u>	<u>\$ 996,912</u>	<u>\$ 18,586</u>	<u>\$ 923,507</u>	<u>\$ (284,261)</u>	<u>\$ 6,655,920</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 : December 31, 2013</i>	<i>June 30, 2014</i>	<i>June 30, 2014</i>	<i>June 30, 2014</i>	<i>June 30, 2014</i>	
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ -	\$ -	\$ 682,786	\$ 687,723	\$ 504,006	\$ 1,874,515
Investments held by trustee:						
Cash and money market funds	3,625,438	5,482,394	-	-	-	9,107,832
United States Government Securities	22,184,149	30,007,010	-	-	-	52,191,159
State and municipal bonds	699,147	741,296	-	-	-	1,440,443
Corporate bonds and fixed income comingled funds	63,100,899	81,113,939	-	-	-	144,214,838
Common stocks and equity mutual funds	250,852,595	252,318,292	-	-	-	503,170,887
Real estate securities	19,316,749	21,897,381	-	-	-	41,214,130
Asset-backed securities	9,031,660	11,099,616	-	-	-	20,131,276
Commodities	14,493,080	21,951,943	-	-	-	36,445,023
Other	3,351,759	4,756,531	-	-	-	8,108,290
Comingled multi-asset portfolio	-	-	8,986,610	14,547,057	9,819,504	33,353,171
Collateral held by broker under securities lending						
Short-term fixed income	21,797,271	16,521,149	-	-	-	38,318,420
Receivables, net:						
Investment securities sold	1,600,000	-	-	-	-	1,600,000
Other accounts	818,292	744,087	1,600	315	82	1,564,376
Accrued interest and dividends	453,017	510,355	3,779	4,652	483	972,286
Total assets	<u>411,324,056</u>	<u>447,143,993</u>	<u>9,674,775</u>	<u>15,239,747</u>	<u>10,324,075</u>	<u>893,706,646</u>
<b>LIABILITIES</b>						
Compensated absences	18,166	20,837	-	-	-	39,003
Investment securities purchased	1,022,856	1,467,878	-	-	-	2,490,734
Vouchers and accounts payable	296,777	313,941	111,646	21,887	47,506	791,757
Due to other funds	6,510	14,650	-	-	-	21,160
Liabilities under security lending program	<u>21,797,271</u>	<u>16,521,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,318,420</u>
Total liabilities	<u>23,141,580</u>	<u>18,338,455</u>	<u>111,646</u>	<u>21,887</u>	<u>47,506</u>	<u>41,661,074</u>
<b>NET POSITION</b>						
Held in trust for pension and OPEB benefits	<u>\$ 388,182,476</u>	<u>\$ 428,805,538</u>	<u>\$ 9,563,129</u>	<u>\$ 15,217,860</u>	<u>\$ 10,276,569</u>	<u>\$ 852,045,572</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, 2013</i>	<i>June 30, 2014</i>	<i>June 30, 2014</i>	<i>June 30, 2014</i>	<i>June 30, 2014</i>	
<i>for the year ended:</i>						
<b>ADDITIONS</b>						
Plan Contributions:						
Employer	\$ 7,531,566	\$ 8,771,032	\$ 5,531,868	\$ 4,877,304	\$ 3,227,605	\$ 29,939,375
Plan members	<u>3,893,917</u>	<u>3,737,014</u>	<u>310,515</u>	<u>85,903</u>	<u>63,842</u>	<u>8,091,191</u>
Total contributions	<u>11,425,483</u>	<u>12,508,046</u>	<u>5,842,383</u>	<u>4,963,207</u>	<u>3,291,447</u>	<u>38,030,566</u>
Investment earnings:						
Interest and dividends	4,368,122	4,896,376	3,929	3,860	1,381	9,273,668
Net appreciation in fair value of investments	<u>53,663,408</u>	<u>61,437,480</u>	<u>1,121,645</u>	<u>1,613,215</u>	<u>1,182,524</u>	<u>119,018,272</u>
Total investment earnings	58,031,530	66,333,856	1,125,574	1,617,075	1,183,905	128,291,940
Investment management expense	<u>(981,476)</u>	<u>(1,077,765)</u>	-	-	-	<u>(2,059,241)</u>
Net investment earnings	<u>57,050,054</u>	<u>65,256,091</u>	<u>1,125,574</u>	<u>1,617,075</u>	<u>1,183,905</u>	<u>126,232,699</u>
Securities lending earnings	52,279	81,904	-	-	-	134,183
Securities lending expenses	<u>(18,282)</u>	<u>(21,741)</u>	-	-	-	<u>(40,023)</u>
Net earnings from securities lending activities	<u>33,997</u>	<u>60,163</u>	-	-	-	<u>94,160</u>
Total net investment earnings	<u>57,084,051</u>	<u>65,316,254</u>	<u>1,125,574</u>	<u>1,617,075</u>	<u>1,183,905</u>	<u>126,326,859</u>
Total additions	<u>68,509,534</u>	<u>77,824,300</u>	<u>6,967,957</u>	<u>6,580,282</u>	<u>4,475,352</u>	<u>164,357,425</u>
<b>DEDUCTIONS</b>						
Benefits paid	19,974,505	28,207,712	5,788,686	1,515,512	2,163,832	57,650,247
Administration expenses	511,141	523,086	142,480	42,980	38,269	1,257,956
Total deductions	<u>20,485,646</u>	<u>28,730,798</u>	<u>5,931,166</u>	<u>1,558,492</u>	<u>2,202,101</u>	<u>58,908,203</u>
Change in net position	48,023,888	49,093,502	1,036,791	5,021,790	2,273,251	105,449,222
Total net position - beginning	<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>
Total net position - ending	<u>\$ 388,182,476</u>	<u>\$ 428,805,538</u>	<u>\$ 9,563,129</u>	<u>\$ 15,217,860</u>	<u>\$ 10,276,569</u>	<u>\$ 852,045,572</u>

**City of Grand Rapids, Michigan**  
**Statement of Changes in Assets and Liabilities**  
**Agency Tax Fund**  
*for the year ended June 30, 2014*

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 351,049	\$ 76,275	\$ -	\$ 427,324
Taxes receivable	<u>703,207</u>	<u>117,081,713</u>	<u>117,148,399</u>	<u>\$ 636,521</u>
Total assets	<u>\$ 1,054,256</u>	<u>\$ 117,157,988</u>	<u>\$ 117,148,399</u>	<u>\$ 1,063,845</u>
<b>Liabilities:</b>				
Due to other governmental units	<u>\$ 1,054,256</u>	<u>\$ 117,157,988</u>	<u>\$ 117,148,399</u>	<u>\$ 1,063,845</u>
Total liabilities	<u>\$ 1,054,256</u>	<u>\$ 117,157,988</u>	<u>\$ 117,148,399</u>	<u>\$ 1,063,845</u>

**City of Grand Rapids, Michigan**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Source**  
*June 30, 2014*

Governmental funds capital assets:	
Land	\$ 18,344,973
Easement/Right of Way	646,685
Land improvements	42,632,863
Buildings and structures	174,525,783
Machinery and equipment	23,022,706
Motor vehicles	11,289,237
Office furniture and equipment	3,041,396
Infrastructure	530,262,526
Construction in progress	4,341,176
Total governmental funds capital assets	<u>\$ 808,107,345</u>

Investments in governmental funds capital assets by source:	
Capital Projects Funds	\$ 97,042,213
General Fund	3,573,288
Special Revenue Funds	543,814,926
Grand Rapids Building Authority	138,276,718
Federal grants	4,911,141
State grants	928,583
Gifts and donations	19,398,550
Enterprise Funds	161,926
Total governmental funds capital assets	<u>\$ 808,107,345</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, 2014*

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	\$ -	\$ 5,873,130	\$ 43,669,141	\$ 3,739,198	\$ 10,950	\$ 142,280	\$ 7,650	\$ 773,049	\$ 56,202,914
Public safety:										
Police	1,382,456	-	-	23,791,193	11,067,257	1,032,290	278,474	-	-	37,551,670
Fire	453,690	-	-	6,622,702	2,359,624	10,092,706	29,741	-	2,070,475	21,628,938
	1,836,146	-	-	30,413,895	13,426,881	11,124,996	308,215	-	2,070,475	59,180,608
Public works:										
Public works	2,591,983	626,656	9,339,607	7,932,493	1,672,889	-	41,575	508,983,592	1,031,763	532,220,558
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
	6,139,709	626,656	9,505,671	11,643,423	3,823,753	-	41,575	530,254,876	1,031,763	563,067,426
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	1,460,483	-	530,787	-	-	47,208,493
Parks	1,917,839	20,029	27,045,171	9,088,064	343,012	128,067	-	-	465,889	39,008,071
Art museum	530,000	-	-	420,000	-	-	-	-	-	950,000
	7,805,812	20,029	27,254,062	88,799,324	2,032,874	153,291	2,549,326	-	465,889	129,080,607
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
<b>Total governmental funds capital assets</b>	<b>\$ 18,344,973</b>	<b>\$ 646,685</b>	<b>\$ 42,632,863</b>	<b>\$ 174,525,783</b>	<b>\$ 23,022,706</b>	<b>\$ 11,289,237</b>	<b>\$ 3,041,396</b>	<b>\$ 530,262,526</b>	<b>\$ 4,341,176</b>	<b>\$ 808,107,345</b>

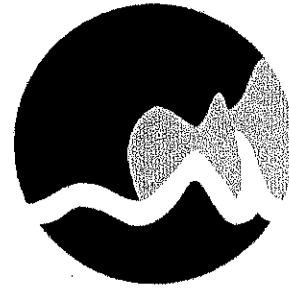
This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement 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, 2014*

<u>Function and Activity</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
General government	\$ 53,037,135	\$ 3,165,779	\$ -	\$ 56,202,914
Public safety:				
Police	37,530,069	43,520	21,919	37,551,670
Fire	19,558,463	2,070,475	-	21,628,938
Total public safety	57,088,532	2,113,995	21,919	59,180,608
Public works:				
Public works	529,061,419	3,159,139	-	532,220,558
Street lighting	11,609,955	-	-	11,609,955
Traffic safety	15,453,010	-	-	15,453,010
City/County parking facility	3,783,903	-	-	3,783,903
Total public works	559,908,287	3,159,139	-	563,067,426
Culture and recreation:				
Libraries	41,914,043	-	-	41,914,043
Museum	47,059,380	149,113	-	47,208,493
Parks	38,440,266	567,805	-	39,008,071
Art museum	950,000	-	-	950,000
Total culture and recreation	128,363,689	716,918	-	129,080,607
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	\$ 798,973,433	\$ 9,155,831	\$ 21,919	\$ 808,107,345

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.

**Contents**

**Tables**

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

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

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net Investment in capital assets	\$ 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	\$ 250,757,965
Restricted	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	15,868,799
Unrestricted	<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>	<u>99,685,291</u>
Total governmental activities net position	<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>	<u>\$ 366,312,055</u>
<b>Business-type Activities</b>										
Net Investment in capital assets	\$ 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	\$ 358,944,390
Restricted	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	35,885,669
Unrestricted	<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>	<u>84,352,379</u>
Total business-type activities net position	<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>	<u>\$ 479,182,438</u>
<b>Primary Government</b>										
Net Investment in capital assets	\$ 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	\$ 609,702,355
Restricted	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	51,754,468
Unrestricted	<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>	<u>184,037,670</u>
Total primary government net position	<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>	<u>\$ 845,494,493</u>

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 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	\$ 24,317,558
Public safety	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	79,901,439
Public works	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	48,477,155
Culture and Recreation	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	17,453,598
Urban & Community Development	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	16,321,393
Interest on long-term debt	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	4,058,044
<b>Total governmental activities expenses</b>	<b>195,616,202</b>	<b>204,028,025</b>	<b>193,394,046</b>	<b>207,056,587</b>	<b>201,461,284</b>	<b>193,236,352</b>	<b>205,004,429</b>	<b>216,143,667</b>	<b>203,494,074</b>	<b>190,529,187</b>
<b>Business-type activities:</b>										
Water Supply System	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	37,285,497
Sewage Disposal System	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	46,561,350
Auto Parking System	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	11,798,952
Other Enterprises	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	2,300,183
<b>Total business-type activities expenses</b>	<b>78,485,738</b>	<b>80,873,053</b>	<b>90,387,092</b>	<b>88,531,430</b>	<b>97,965,871</b>	<b>94,514,043</b>	<b>96,240,068</b>	<b>96,492,851</b>	<b>97,720,465</b>	<b>97,945,982</b>
<b>Total primary government expenses</b>	<b>\$ 274,101,940</b>	<b>\$ 284,901,078</b>	<b>\$ 283,781,138</b>	<b>\$ 295,588,017</b>	<b>\$ 299,427,155</b>	<b>\$ 287,750,395</b>	<b>\$ 301,244,497</b>	<b>\$ 312,636,518</b>	<b>\$ 301,214,539</b>	<b>\$ 288,475,169</b>
<b>Program Revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 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	\$ 9,087,640
Public safety	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	2,508,324
Public works	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	11,345,612
Culture and recreation	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	782,280
Urban & community development	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	8,923,877
<b>Total Charges for services:</b>	<b>33,629,418</b>	<b>33,130,826</b>	<b>31,262,245</b>	<b>32,050,281</b>	<b>31,400,761</b>	<b>33,179,001</b>	<b>29,406,322</b>	<b>29,288,364</b>	<b>30,929,738</b>	<b>32,647,733</b>
Operating grants and contributions:	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	15,059,686
Capital grants and contributions	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	1,091,417
<b>Total governmental activities program revenues</b>	<b>50,867,338</b>	<b>48,677,726</b>	<b>43,808,835</b>	<b>43,294,260</b>	<b>44,995,272</b>	<b>50,502,457</b>	<b>51,549,631</b>	<b>63,919,537</b>	<b>52,414,173</b>	<b>48,798,836</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water Supply System	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	40,548,424
Sewage Disposal System	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	49,732,439
Auto Parking System	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	14,402,322
Other Enterprise	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	2,057,821
<b>Total Charges for services:</b>	<b>82,589,876</b>	<b>90,107,477</b>	<b>91,620,368</b>	<b>95,591,004</b>	<b>95,809,500</b>	<b>102,162,255</b>	<b>105,230,818</b>	<b>109,331,718</b>	<b>108,970,115</b>	<b>106,741,006</b>
Operating grants and contributions:	64,832	5,709,177	481,086	245,032	-	131,096	208,000	676,381	631,163	603,191
Capital grants and contributions:	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	3,347,880
<b>Total business-type activities program revenues</b>	<b>89,924,026</b>	<b>102,107,168</b>	<b>94,808,678</b>	<b>98,006,382</b>	<b>97,646,108</b>	<b>103,328,106</b>	<b>106,537,281</b>	<b>111,152,881</b>	<b>112,867,027</b>	<b>110,692,077</b>
<b>Total primary government program revenues</b>	<b>\$ 140,791,364</b>	<b>\$ 150,784,894</b>	<b>\$ 138,617,513</b>	<b>\$ 141,300,642</b>	<b>\$ 142,641,380</b>	<b>\$ 153,830,563</b>	<b>\$ 158,086,912</b>	<b>\$ 175,072,418</b>	<b>\$ 165,281,200</b>	<b>\$ 159,490,913</b>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (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)	\$ (141,730,351)
Business-type activities	11,438,288	21,234,115	4,421,586	9,474,952	(319,783)	8,814,063	10,297,213	14,660,030	15,146,562	12,746,095
<b>Total primary government net expense</b>	<b>\$ (133,310,576)</b>	<b>\$ (134,116,184)</b>	<b>\$ (145,163,625)</b>	<b>\$ (154,287,375)</b>	<b>\$ (156,785,775)</b>	<b>\$ (133,919,832)</b>	<b>\$ (143,157,585)</b>	<b>\$ (137,564,100)</b>	<b>\$ (135,933,339)</b>	<b>\$ (128,984,256)</b>

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 33,909,334
Income taxes	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	77,574,337
State shared taxes	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	34,246,742
Unrestricted investment earnings	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	1,657,605
Miscellaneous	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	707,264
Gain on sale of capital assets	2,275,880	302,205	1,959,697	36,998	96,376	1,759,429	292,191	103,401	106,960	789,570
Transfers	3,247,121	3,320,778	2,839,531	1,846,821	1,632,809	11,411,230	2,633,781	2,466,570	2,064,144	2,167,433
<b>Total governmental activities:</b>	<b>131,541,760</b>	<b>140,534,477</b>	<b>144,001,129</b>	<b>145,007,888</b>	<b>133,839,823</b>	<b>140,487,733</b>	<b>140,717,972</b>	<b>140,643,701</b>	<b>146,317,006</b>	<b>151,052,285</b>
Business-type activities:										
Unrestricted investment earnings	2,005,844	2,939,706	6,878,811	4,435,828	2,677,764	2,030,100	975,845	432,126	593,408	711,272
Miscellaneous	464,588	580,841	524,004	1,339,685	2,816,747	2,755,680	1,378,750	1,592,148	617,730	775,377
Transfers	(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)	(2,167,433)
Special Item-Refund Water Bonds	-	-	-	-	-	-	-	-	(4,868,614)	-
<b>Total business-type activities</b>	<b>(776,689)</b>	<b>199,769</b>	<b>4,563,284</b>	<b>3,928,692</b>	<b>3,861,702</b>	<b>(6,625,450)</b>	<b>(279,185)</b>	<b>(442,296)</b>	<b>(5,721,620)</b>	<b>(680,784)</b>
<b>Total primary government</b>	<b>\$ 130,765,071</b>	<b>\$ 140,734,246</b>	<b>\$ 148,564,413</b>	<b>\$ 148,936,580</b>	<b>\$ 137,701,525</b>	<b>\$ 133,862,283</b>	<b>\$ 140,438,787</b>	<b>\$ 140,201,405</b>	<b>\$ 140,595,386</b>	<b>\$ 150,371,501</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (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)	\$ 9,321,934
Business-type activities	10,661,599	21,433,884	8,984,870	13,403,644	3,541,939	2,188,613	10,018,028	14,217,734	9,424,942	12,065,311
<b>Total primary government</b>	<b>\$ (2,545,505)</b>	<b>\$ 6,618,062</b>	<b>\$ 3,400,788</b>	<b>\$ (5,350,795)</b>	<b>\$ (19,084,250)</b>	<b>\$ (57,549)</b>	<b>\$ (2,718,798)</b>	<b>\$ 2,637,305</b>	<b>\$ 4,662,047</b>	<b>\$ 21,387,245</b>

**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>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>	<u>2014</u>
General Fund										
Reserved	\$ 1,389,912	\$ 1,208,882	\$ 1,987,359	\$ 1,448,920	\$ 1,616,452	\$ 13,220,866	\$ -	\$ -	\$ -	\$ -
Unreserved	17,611,164	23,993,189	21,264,507	17,724,256	18,116,197	19,023,491	-	-	-	-
Nonspendable							11,467,913	10,323,093	9,085,247	7,650,268
Committed							-	-	3,683,466	5,940,801
Assigned							12,357,965	7,537,106	7,218,561	8,098,880
Unassigned							7,886,595	8,499,517	12,677,755	13,840,518
Total general fund	<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>	<u>\$ 35,530,467</u>
All other governmental funds										
Reserved	\$ 21,014,731	\$ 18,265,336	\$ 33,567,839	\$ 27,602,015	\$ 21,059,988	\$ 20,349,818	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	12,260,289	13,635,293	18,035,117	23,643,189	22,922,676	23,748,668	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt Service funds	640,043	1,092,513	1,063,888	1,115,085	1,216,571	1,298,148	-	-	-	-
Nonspendable							4,242,062	4,209,836	4,232,043	3,851,381
Restricted							14,770,028	13,917,489	12,471,415	13,723,322
Committed							18,978,088	23,248,555	30,862,888	39,983,001
Assigned							12,423,570	13,428,629	11,284,779	12,498,513
Unassigned							(301,784)	-	(241,434)	(562,032)
Total all other governmental funds	<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>	<u>\$ 69,494,185</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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Property taxes	\$ 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	\$ 33,909,334
City income taxes	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	77,574,337
State shared taxes	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	34,246,742
Licenses and permits	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	4,546,578
Fines and forfeitures	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	2,461,177
Federal grants	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	10,870,559
State grants	1,381,728	817,447	1,020,516	1,000,072	970,050	590,074	506,781	1,359,652	1,095,598	595,271
Other grants & contributions	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	4,685,273
Charges for services	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	25,287,684
Investment earnings	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	807,495
Miscellaneous	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	677,503
<b>Total revenues</b>	<b>\$ 175,977,040</b>	<b>\$ 184,568,691</b>	<b>\$ 180,833,177</b>	<b>\$ 185,192,962</b>	<b>\$ 175,943,739</b>	<b>\$ 176,862,245</b>	<b>\$ 188,395,347</b>	<b>\$ 200,848,319</b>	<b>\$ 195,547,901</b>	<b>\$ 195,661,953</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	\$ 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	\$ 24,804,245
Public safety	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	80,855,089
Public works	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	30,244,106
Culture and recreation	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	14,127,062
Urban and community development	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	16,540,058
<b>Debt service:</b>										
Principal	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	7,970,700
Interest, fees, and bond issue costs	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	3,842,817
<b>Capital outlay</b>	<b>18,189,746</b>	<b>10,963,908</b>	<b>10,365,952</b>	<b>15,424,881</b>	<b>12,920,345</b>	<b>12,652,862</b>	<b>4,023,338</b>	<b>8,296,242</b>	<b>6,603,218</b>	<b>7,735,049</b>
<b>Total expenditures</b>	<b>191,116,182</b>	<b>180,146,249</b>	<b>184,273,685</b>	<b>192,973,653</b>	<b>186,665,758</b>	<b>189,561,994</b>	<b>189,254,571</b>	<b>205,609,349</b>	<b>188,651,735</b>	<b>186,119,126</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>\$ (15,139,122)</b>	<b>\$ 4,422,442</b>	<b>\$ (3,440,508)</b>	<b>\$ (7,780,691)</b>	<b>\$ (10,722,019)</b>	<b>\$ (12,699,749)</b>	<b>\$ (859,224)</b>	<b>\$ (4,761,030)</b>	<b>\$ 6,896,166</b>	<b>\$ 9,542,827</b>
<b>Other financing sources (uses):</b>										
Transfers in	\$ 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	\$ 36,805,723
Transfers out	(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)	(32,542,961)
Sale of capital assets	2,544,000	-	2,268,309	945,075	-	4,241,992	-	-	-	1,119
Face value of bonds and contracts issued	18,225,000	-	14,740,000	427,560	24,755,100	7,445,000	1,592,500	2,255,000	526,800	2,706,853
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)	-	(2,293,547)
<b>Total other financing sources (uses)</b>	<b>11,189,666</b>	<b>856,633</b>	<b>19,558,621</b>	<b>3,226,836</b>	<b>4,001,812</b>	<b>25,148,252</b>	<b>5,046,871</b>	<b>4,180,872</b>	<b>3,284,814</b>	<b>4,677,187</b>
<b>Net change in fund balances</b>	<b>(3,949,456)</b>	<b>5,279,075</b>	<b>16,118,113</b>	<b>(4,553,855)</b>	<b>(6,720,207)</b>	<b>12,448,503</b>	<b>4,187,647</b>	<b>(580,158)</b>	<b>10,180,980</b>	<b>14,220,014</b>
Fund balances, beginning	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	91,274,720
Current year change in inventory levels	-	-	1,605,383	168,810	118,626	260,604	(4,201)	(80,054)	(70,485)	(470,082)
<b>Fund balances, ending</b>	<b>\$ 52,916,139</b>	<b>\$ 58,195,214</b>	<b>\$ 75,918,710</b>	<b>\$ 71,533,465</b>	<b>\$ 64,931,884</b>	<b>\$ 77,640,991</b>	<b>\$ 81,824,437</b>	<b>\$ 81,164,225</b>	<b>\$ 91,274,720</b>	<b>\$ 105,024,652</b>
<b>Debt Service as a percentage of non-capital expenditures</b>	<b>5.89%</b>	<b>5.83%</b>	<b>6.43%</b>	<b>6.42%</b>	<b>6.92%</b>	<b>6.64%</b>	<b>7.12%</b>	<b>5.87%</b>	<b>6.31%</b>	<b>6.68%</b>

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

Fiscal Year	City Taxes		Proportionally Shared State Taxes					EVIP & Other <sup>2</sup>	Total Tax Revenues, All Funds
	Local Income Tax	Property Tax, All Funds <sup>1</sup>	Sales Tax	Gas and Weight Tax	Library Aid	Fire Protection, State-Owned Facilities	Alcoholic Beverages Tax		
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
2014	77,574,337	33,909,334	14,068,013	14,450,641	110,828	250,580	178,065	5,188,615	145,730,413
									<b>% Increase (Decrease) Over Prior Year</b>
<b>Percent to Total Tax Sources</b>									
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
2014	53.1	23.3	9.7	9.9	0.1	0.2	0.1	3.6	2.44

**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 2013					Calendar Year 2004				
	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars
<b>Individual and Joint Returns</b>										
<b>Resident Taxpayers:</b>										
\$37 or less	3,745	3 %	\$ -	\$ -	0 %	4,003	3 %	\$ -	\$ -	0 %
38 - 12,500	13,458	11	77,500,000	1,160,000	2	17,455	13	97,700,000	1,270,000	3
12,501 - 25,000	10,012	8	185,000,000	2,780,000	5	12,773	10	238,300,000	3,100,000	7
25,001 - 50,000	13,691	11	495,900,000	7,440,000	12	16,359	12	588,000,000	7,640,000	17
50,001 - 100,000	10,391	8	719,700,000	10,790,000	18	10,241	8	694,000,000	9,020,000	20
More than \$100,000	3,718	3	716,100,000	10,740,000	18	2,398	2	425,000,000	5,530,000	12
Subtotal	55,015	44 %	\$ 2,194,200,000	\$ 32,910,000	54 %	63,229	47 %	\$ 2,043,000,000	\$ 26,560,000	59 %
<b>Non-Resident Taxpayers:</b>										
\$75 or less	6,889	6 %	\$ -	\$ -	0 %	8,807	7 %	\$ -	\$ -	0 %
76 - 12,500	15,886	13	81,500,000	610,000	1	15,723	12	82,700,000	540,000	1
12,501 - 25,000	9,314	8	173,400,000	1,300,000	2	11,071	8	209,400,000	1,360,000	3
25,001 - 50,000	15,315	12	560,400,000	4,200,000	7	17,951	13	648,700,000	4,220,000	9
50,001 - 100,000	11,444	9	776,300,000	5,820,000	10	8,960	7	596,000,000	3,870,000	9
More than \$100,000	4,298	3	928,900,000	6,970,000	12	2,661	2	533,800,000	3,470,000	8
Subtotal	63,146	51 %	\$ 2,520,500,000	\$ 18,900,000	31 %	65,173	49 %	2,070,600,000	13,460,000	30 %
<b>All Other Returns</b>										
Subtotal	5,901	5 %	\$ 433,400,000	\$ 8,600,000	14 %	5,606	4 %	\$ 334,900,000	\$ 4,840,000	11 %
<b>Total</b>	<b>124,062</b>	<b>100.00 %</b>	<b>\$ 5,148,100,000</b>	<b>\$ 60,410,000</b>	<b>100 %</b>	<b>134,008</b>	<b>100 %</b>	<b>\$ 4,448,500,000</b>	<b>\$ 44,860,000</b>	<b>100 %</b>

**Source:** City Income Tax Department

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

The 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*

Fiscal Year	Taxable Values								Ratio of Total	Percent
	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Value	Renaissance Zone Property	Total Direct Tax Rate	Estimated Actual Value	Taxable to Estimated Actual Value	Increase / (Decrease) in Estimated Actual Value Over Prior Year
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)
2014	2,538,239,112	1,184,138,966	173,772,566	461,576,900	4,357,727,544	(87,293,944)	8.1719	9,068,073,600	48	(3.23)

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

City of Grand Rapids, Michigan  
Property Tax Levies and Collections (unaudited)  
Last Ten Fiscal Years

Fiscal Year Ended		Collected within the Fiscal Year of the Levy			Total Collections to Date		
June 30	Tax Year	Original Tax Levy	Amount	Percentage of Levy	Collections in Subsequent Years (net of adjustments)	Amount	Percentage of Original Levy
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	(13,107)	31,176,248	99.01
2007	2006	33,103,919	33,003,553	99.70	(29,485)	32,974,068	99.61
2008	2007	34,822,801	34,724,866	99.72	(56,209)	34,668,657	99.56
2009	2008	35,403,361	35,341,720	99.83	(76,710)	35,265,010	99.61
2010	2009	35,607,847	35,562,537	99.87	(259,922)	35,302,616	99.14
2011	2010	34,856,007	34,743,948	99.68	(409,609)	34,334,339	98.50
2012	2011	34,133,129	33,993,003	99.59	(323,131)	33,669,872	98.64
2013	2012	32,464,748	32,073,324	98.79	(147,347)	31,925,977	98.34
2014	2013	31,640,801	31,561,732	99.75	-	31,561,732	99.75

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

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

**City of Grand Rapids Direct Tax Rates <sup>1</sup>**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>General Operating</b>	<b>Promotional and Advertising</b>	<b>Library <sup>2</sup></b>	<b>Refuse Collection</b>	<b>Total City</b>	<b>Total School <sup>3</sup></b>	<b>Total State Education</b>	<b>Total Intermodal Transit</b>	<b>Total County</b>	<b>Combined Total</b>
Tax Rates: <sup>4</sup>											
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
2014	2013	4.1070	0.0116	2.4533	1.6000	8.1719	28.0768	6.0000	1.4700	5.3940	49.1127

- 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 2014			Fiscal Year 2005		
		Taxable Valuation	Rank	Percentage of Total Taxable Valuation	Taxable Valuation	Rank	Percentage of Total Taxable Valuation
Consumers Energy	Electric utility	\$ 62,619,018	1	1.42 %	\$ 45,129,710	2	1.09 %
Kellogg/Keebler Company*	Bakery products	39,929,300	2	0.91 %	18,433,050	8	0.44 %
Amway Hotel Corp.	Hotel / real estate	36,873,411	3	0.84 %	31,272,918	4	0.75 %
HP3 LLC	J W Marriott Hotel	24,103,500	4	0.55 %			
Fifth Third Bank, Michigan	Banking / real estate	23,453,456	5	0.53 %	19,120,011	7	0.46 %
Centerpointe Partners LLC	Shopping center / real estate	22,164,300	6	0.50 %	22,934,132	6	0.55 %
Michigan Street Development	Medical office building development	22,052,404	7	0.50 %			
DTE Energy Co.	Gas utility	20,221,249	8	0.46 %	38,845,537	3	0.94 %
Spectrum Health Hospitals	Medical Facility	18,883,839	9	0.43 %			
Steelcase, Inc.	Furniture manufacturing	18,115,047	10	0.41 %	94,103,119	1	2.27 %
GMAC 2001-C1 Bridgewater Industrial	Bridgewater Place / real estate				24,281,821	5	0.58 %
Waters Corporation	Real estate				15,752,102	9	0.38 %
Belfry Development Corp.	Real Estate				13,617,903	10	0.33 %
		<u>\$ 288,415,524</u>		<u>6.55 %</u>	<u>\$ 323,490,303</u>		<u>7.79 %</u>

**Note:** The principal Taxpayers and Taxable Values were determined from the July 1, 2013 and July 1, 2004 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 \$4,395,181,894 in December 2012 and \$4,153,881,425 in 2003 on the ad valorem tax roll and property granted tax abatements. Some taxpayers operated under a different name in the earlier reporting period, but the business and major assets were essentially the same.

**City of Grand Rapids, Michigan**

**Computation of Direct and Overlapping Governmental Activities Debt (unaudited)**

June 30, 2014

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	55,251,870	-	55,251,870	28,500,000	26,751,870
Act 175 Motor Vehicle Highway	1,640,000	-	1,640,000	1,640,000	-
Capital Improvement Bonds	15,852,182	-	15,852,182	-	15,852,182
Kent County Drain Commission contracts	4,237,838	-	4,237,838	-	4,237,838
Installment Purchase Agreements	1,028,701	-	1,028,701	-	1,028,701
Internal Service Installment Purchase Agreements	331,306	-	331,306	-	331,306
Total City direct debt	<u>\$ 78,341,897</u>	<u>\$ -</u>	<u>\$ 78,341,897</u>	<u>\$ 30,140,000</u>	<u>\$ 48,201,897</u>
Overlapping debt:					
				<b>City Share as</b>	
				<b>Gross</b>	<b>Net</b>
Grand Rapids Public Schools			\$ 130,785,000	100.00%	\$ 130,785,000
Caledonia Community Schools			134,783,436	0.08%	107,827
Forest Hills Public Schools			183,485,000	1.94%	3,559,609
Godwin Heights Public Schools			5,805,000	6.42%	372,681
Kenowa Hills Public Schools			32,675,000	0.11%	35,943
Kentwood Public Schools			54,485,000	8.17%	4,451,425
Kent County			123,225,000	21.47%	26,456,408
Grand Rapids Community College			61,295,000	20.82%	12,761,619
Total overlapping debt			<u>\$ 726,538,436</u>		<u>178,530,512</u>
Total City direct and overlapping debt					<u>\$ 226,732,409</u>

**Note:** The City of Grand Rapids does not carry debt supported by special assessment billing and collections.

The following statistical schedules are not relevant to the City of Grand Rapids and therefore have not been included in the statistical presentation:

Special assessments billings and collections

Computation of legal debt margin for special improvements

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

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

<b>Governmental Activities</b>						
Fiscal Year	General Bonded Debt			Other Debt		Total Governmental Activities
	General Obligation Limited Tax Bonds	Percentage of Personal Income <sup>2</sup>	Per Capita <sup>1</sup>	Revenue Bonds	State Loans	
2005	82,401,339	1.86	422	36,710,931	1,383,951	120,496,221
2006	80,827,668	1.78	414	36,485,129	1,206,894	118,519,692
2007	92,301,366	1.89	475	35,759,328	1,022,755	129,083,448
2008	83,720,509	1.82	435	34,963,526	831,250	119,515,285
2009	77,709,937	1.76	402	34,092,724	632,085	112,434,746
2010	80,895,073	1.80	420	33,146,922	424,953	114,466,948
2011	72,545,983	1.71	386	32,111,120	209,536	104,866,639
2012	64,492,376	1.72	340	30,985,319	-	95,477,695
2013	57,412,823	1.53	301	29,799,517	-	87,212,340
2014	49,773,182	1.23	259	28,568,715	-	78,341,897

<b>Business-Type Activities</b>						
Fiscal Year	General Obligation Limited Tax Bonds	Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Per Capita <sup>1</sup>
2005	20,281,778	266,170,084	286,451,861	406,948,082	9.19	2,084
2006	18,926,145	341,944,372	360,870,516	479,390,208	10.58	2,457
2007	25,169,991	329,170,353	354,340,344	483,423,792	9.90	2,486
2008	23,655,062	315,886,409	339,541,472	459,056,757	9.97	2,383
2009	31,469,455	399,021,488	430,490,942	542,925,688	12.28	2,811
2010	30,579,043	383,634,962	414,214,005	528,680,953	11.78	2,747
2011	36,881,758	392,163,510	429,045,268	533,911,907	12.62	2,839
2012	35,916,658	380,402,290	416,318,948	511,796,643	13.68	2,696
2013	34,509,504	411,135,020	445,644,524	532,856,864	14.21	2,798
2014	33,404,366	391,095,979	424,500,344	502,842,241	12.46	2,615

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

<sup>1</sup> Population Source:

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

2005-2010: The Right Place, Inc.

2011-2014: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>2</sup> Income Source

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

2005-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)

2012-2014: 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>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>	<u>2014</u>
Debt Limit	\$ 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	\$ 460,590,000
Total net debt applicable to limit	<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>	<u>140,405,688</u>
Legal debt margin	\$ <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>	\$ <u>320,184,312</u>
Total net debt applicable to the limit (as a percentage of debt limit)	26.10%	25.06%	27.10%	24.70%	24.97%	27.78%	28.71%	34.19%	31.40%	30.48%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed Value	\$ 4,534,036,800
Add back: exempt property	<u>71,863,200</u>
Total Assessed Value	4,605,900,000
Debt limit (10% of total AV)	460,590,000
Debt applicable to limit:	
Total debt outstanding	522,469,053
Less: exempt debt	<u>382,063,365</u>
Total net debt applicable to limit	<u>140,405,688</u>
Legal debt margin	<u>\$ 320,184,312</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 Revenue <sup>1</sup>	Operating Expenses <sup>2</sup>	Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
<u>Water Supply System Fund:</u>							
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
2014	43,659,098	23,906,882	19,752,216	10,406,000	5,409,250	15,815,250	1.25
<u>Sewage Disposal System Fund:</u>							
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
2014	50,035,417	23,591,788	26,443,629	10,271,776	12,089,764	22,361,540	1.18

**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*

<u>Fiscal Year</u>	<u>Population</u> <sup>1</sup>	<u>Personal Income</u>	<u>Per Capita Income</u> <sup>2</sup>	<u>Median Age</u> <sup>2</sup>	<u>School Enrollment</u> <sup>3</sup>	<u>Unemployment</u> <sup>4</sup>
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
2014	192,285	4,034,908,440	20,984	31.6	15,983	8.1

**Notes:**

<sup>1</sup> 2004: CACI FILE 581: Population Demographics - per 2000 Census  
 2005-2010: The Right Place, Inc.  
 2011-2014: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>2</sup> 2004: CACI FILE 581: Population Demographics - per 2000 Census  
 2005-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)  
 2012-2014: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>3</sup> 2004-2009: Grand Rapids Public Schools - School Matters 2002-2009;  
 2010: Director of Communications & External Affairs Grand Rapids Public Schools  
 2011-2014: State of Michigan Center for Educational Performance and Information, Public Student Headcount Data

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

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

Employer	Type of Business	2014			2005		
		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			0.0
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	4	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			
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	6	3.0
Fifth Third Bank	Banking / Real estate	2,729	10	2.3			
Farmers Group / Foremost	Insurance				3,500	5	3.0
St. Mary's Mercy Medical Center	Hospital and Medical Services				2,500	7	2.1
General Motors Corporation	Automotive components				2,262	8	1.9
Siemens Dematic	Material handling system manufacturing				2,262	9	1.9
County of Kent	Government				2,141	10	1.8
		<u>60,420</u>		<u>51.4 %</u>	<u>49,340</u>		<u>41.9 %</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. Since principal local employer information was not available for 2014 from the Right Place Program, that above figures for 2014 reflect 2013 data.

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2,014.00
Assessor	19	19	18	19	19	16	16	16	16	15
Attorney	18	18	18	18	17	16	16	16	15	15
City Clerk	11	11	10	10	10	9	9	9	9	10
Community Development	29	27	19	18	20	24	23	25	20	17
Comptroller	17	15	17	17	17	15	15	15	16	16
311 Customer Service										10
Dispatch	-	-	-	-	-	-	51	51	51	51
61st District Court*	91	91	91	89	91	91.3	90.3	90.3	88.1	87.5
Economic Development	4	5	5	5	5	4	4	4	4	1.5
Engineering	51	51	51	51	48.0	51	50	42	24	26
Environmental Protection	124	126	126	129	128.5	122	116	113	98	97.7
Equal Opportunity (Admin Services)	-	7	7	7	6	6	5	5	5	4.3
Executive	14	14	12	13	12.0	11	11	11	11	11
Facilities Management	15	15	15	15	15	13	13	12	12	11.8
Fire	253	241	239	238	238	221	235	235	235	189.5
Fiscal Services	14	12	12	14	13.0	10	9	10	10	10
General Administration	1	1	-	-	-	-	-	-	-	-
Human Resources	28	18	17	17	17	16	15	15	15	14.3
Income Tax	15	16	16	17	18	16	16	17	14	14
Information Technology	8	8	8	5	6	6	5	4	4	4
Management Services	3	5	6	6	4	-	-	-	-	-
Motor Equipment	37	34	34	34	32	32	32	33	33	32.7
Neighborhood Improvement (Building Inspections)	57	53	52	53	51.5	37	37	37	42	43
Parking Services	37	37	37	36	35	31	29	31	31	32.9
Parks and Recreation	63	43	41	42	40	28	23	34	31	26
Planning	18	14	12	12	11	9	9	9	10	11
Police	411	412	411	411	404	378	346	338	328	304
Public Library*	66	67	63	63	118	117.5	116.5	116.5	113.3	106.6
Public Museum	17	17	-	-	-	-	-	-	-	-
Streets & Sanitation	113	112	107	106	107	101	96	82	79	74.3
Traffic Safety	40	41	41	42	42	34	33	33	35	34.5
Treasurer	21	20	20	20	20	20	19	19	19	18
Water	186	186	186	186	186	176	161	157	156	140
Seasonal and Other FTE's*	368	337	263	246	190	233	151	181	138	168
	<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>	<u>1,596.6</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cemeteries										
Burials	636	561	552	537	491	467	494	492	469	408
Clerk										
Voters in November election	83,369	15,070	66,264	10,840	86,499	12,821	50,939	18,042	81,616	16,114
Environmental Protection/Sewage										
Number of retail customers	72,728	73,170	73,465	73,712	73,843	74,012	74,117	73,960	73,956	74,146
New connections	n/a	297	516	358	215	277	181	165	275	288
Billions of gallons treated **	17.805	17.525	18.729	16.641	17.970	15.642	15.322	14.921	15.100	15.062
Peak daily flow (millions of gal.)	76.90	90.50	86.10	87.30	90.50	88.40	85.10	84.60	82.10	71.80
Average daily flow (millions of gal.)	48.80	48.00	51.30	45.60	49.20	42.90	42.00	40.90	41.40	41.40
Fire										
Total calls *	18,861	19,000	19,079	19,642	20,057	18,709	19,634	21,453	22,372	21,422
Civilian fire deaths *	4	-	2	2	2	3	-	5	2	1
Neighborhood Improvement										
Building permits issued	1,945	1,964	1,813	1,905	1,719	1,747	1,841	2,074	2,314	2,281
Parks and Recreation										
Open swim participants	26,829	41,586	70,650	77,130	45,235	47,924	24,320	31,986	23,315	28,609
Swimming lesson participants	668	601	670	882	835	-	840	623	292	442
Softball league participants	24,788	174 teams	131 teams	135 teams	159 teams	175 teams	192 teams	183 teams	156 teams	129 teams
Police										
Major crimes *	11,625	12,427	12,544	12,792	11,241	10,502	7,872	7,846	8,483	8,482
Physical Arrests *	14,304	13,373	16,902	14,487	16,211	12,959	15,227	16,550	16,823	13,235
Public Library										
Library card holders	154,259	110,145	106,558	115,352	124,519	133,311	66,453	66,631	65,873	75,490
Total user count	910,513	954,027	985,011	1,037,686	1,017,075	1,030,585	1,061,188	1,024,530	983,299	945,977
Local history collection users	30,073	23,826	32,363	33,410	46,723	42,105	39,323	42,560	38,744	35,349
Total circulation of materials	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	1,629,037
Public Works										
Tons of refuse picked up	34,086	32,668	31,098	30,520	29,032	29,013	27,469	26,458	23,071	23,590
Tons of recycling removed	5,685	5,823	5,955	5,840	5,739	5,867	8,279	9,579	9,905	10,669
Water										
Number of retail customers***	78,539	79,194	79,556	79,880	80,129	80,358	80,477	78,616	79,794	80,813
New connections	-	-	488	355	209	263	174	317	277	287
Billions of gallons produced	14.667	14.827	14.697	14.419	13.172	12.480	12.488	13.176	13.438	12.997
Peak daily flow (millions of gal.)	79.20	82.35	83.66	87.85	74.30	61.86	62.78	70.24	80.24	63.70
Average daily flow (millions of gal.)	40.30	40.60	40.30	39.40	36.00	34.20	34.20	36.00	36.70	35.60

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

\*\* Effective FY14, number of gallons treated changed to fiscal year; 2005-2013 revised accordingly.

\*\*\* FY14, number of customers for 2005-2013 adjusted per final water rate study

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Fire stations	11	11	11	11	11	11	11	11	11	11
Parking Services										
Parking Ramps	5	5	5	6	6	7	8	8	8	8
Parks and Recreation										
Number of major parks	67	67	63	67	67	71	71	71	71	71
Number of swimming pools	9	9	6	9	9	9	9	9	9	9
Number of ball diamonds	70	70	40	70	70	74	74	74	74	74
Supervised playgrounds	19	19	19	32	32	25	22	10	0	0
Public Library										
Number of Libraries	8	8	8	8	8	8	8	8	8	8
Public Works										
Environmental Protection										
Miles of sanitary sewers	870	882	890	893	897	898	904	904	905	907
Streets										
Miles of paved streets-major	205	205	205	205	205	205	206	206	206	206
Miles of paved streets-local	390	390	390	390	390	389	388	388	388	287
Streetlights	19,026	19,026	19,026	20,191	20,202	20,178	20,178	20,178	20,178	20,178
Water										
Miles of water mains	1,122	1,134	1,143	1,147	1,152	1,157	1,160	1,161	1,163	1165

**City of Grand Rapids, Michigan**  
**State of MI - Act 86, Sec. 14 (2) d Required Disclosure**

	<u>Fiscal Year 2012</u>	<u>Expenditures as a percentage of:</u>			
		<u>Total General Revenues</u>	<u>Property and Income Taxes</u>	<u>General Fund Revenues, Property, Income and State Shared taxes</u>	<u>General Fund Property and income tax</u>
General Revenues, including Property, Income and State Shared Taxes	135,827,877				
General Revenues-Property and Income Taxes	104,160,700				
General Fund - Property, Income and State Shared taxes	84,065,284				
General Fund- Property and Income Taxes	70,210,698				
Police Department (including jail per diem) Expenditures	47,143,334	34.71%	45.26%	56.08%	67.15%
Fire Department (including MFR) Expenditures	29,063,760	21.40%	27.90%	34.57%	41.40%
<b>Total Police and Fire Department Expenditures including grants</b>	<b>76,207,094</b>	<b>56.11%</b>	<b>73.16%</b>	<b>90.65%</b>	<b>108.54%</b>
Dispatch Center Expenditures	6,134,183	4.52%	5.89%	7.30%	8.74%
Primary Government Support of District Court	5,600,607	4.12%	5.38%	6.66%	7.98%
<b>Essential Services (P&amp;F, Dispatch and District Court) Expenditures</b>	<b>87,941,884</b>	<b>64.75%</b>	<b>84.43%</b>	<b>104.61%</b>	<b>125.25%</b>