

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF GRAND RAPIDS, MICHIGAN 

YEAR ENDED JUNE 30, 2017



## Cover Art:

This year's cover features a digital rendering of 250 Monroe - The Calder Plaza Building.

A Class A office building located in the core business district with connected, underground and above-ground parking. Onsite restaurants. Excellent co-tenancy. Underground access to the City and County buildings and the Fifth Third Bank building. Steps from the Skywalk system for covered passage to many downtown restaurants and establishments like DeVos Place, Amway Grand Plaza Hotel, JW Marriott, PNC Bank, and the Van Andel Arena. The Calder Plaza Building also offers underground access to Chase bank on Ottawa Street.

250 Monroe has a birds-eye view of the exciting redevelopments planned for the Calder Plaza and will play a vital role in the revitalization of our city. Future retail, restaurant, and public plaza developments make this building a must-see for the forward thinking office user.

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

**Year Ended June 30, 2017**

**Prepared by:**

**Comptroller's Office**  
**Sara VanderWerff**  
**Comptroller**

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**Elected Officials**

Mayor	Rosalynn Bliss
Commissioners	Dave Shaffer Jon O'Connor Joseph D. Jones Ruth E. Kelly David Allen Senita Lenear
Comptroller	Sara VanderWerff

**Appointed Officials**

City Manager	Gregory A. Sundstrom
City Attorney	Anita Hitchcock
City Treasurer	John M. Globensky
City Clerk	Darlene O'Neal

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Government Finance Officers Association

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

Presented to

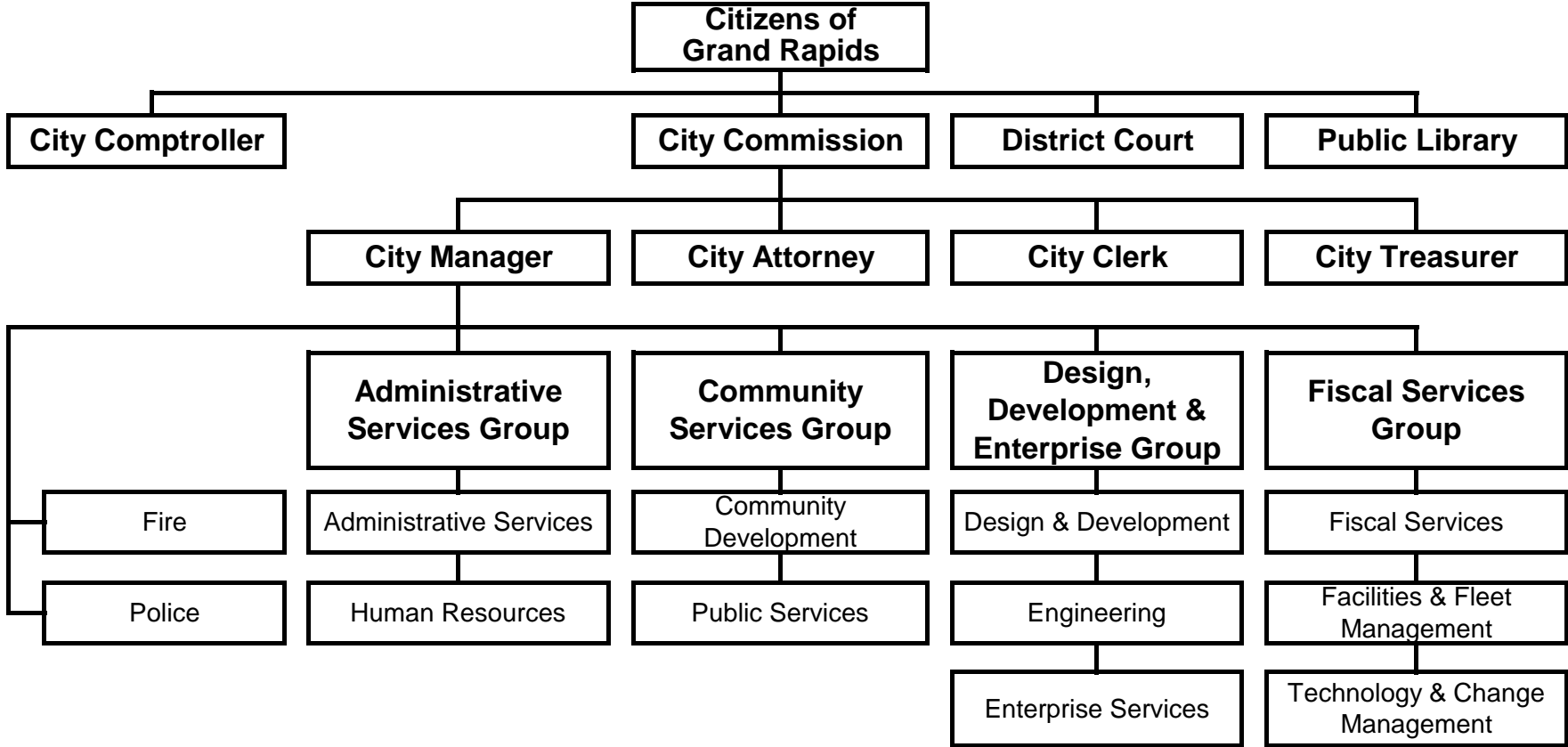
**City of Grand Rapids  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

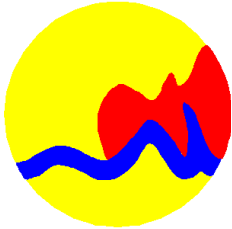
**June 30, 2016**

Executive Director/CEO

**City of Grand Rapids  
Organizational Chart  
FY 2017**







# CITY OF GRAND RAPIDS

December 8, 2017

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Grand Rapids (the City), Michigan for the fiscal year ended June 30, 2017 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 auditors, has issued an unmodified, "clean" opinion on the City's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

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

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

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

The City also provides business-type activities which include the water and sewer systems, parking services, cemeteries, Belknap Ice Arena, and Indian Trails Golf Course. The water and sewer systems provide retail service to over 82,000 retail customers in the City and suburban communities, as well as wholesale service to communities that operate their own municipal water and sewer systems. The Parking System operates over 7,900 off-street and 2,200 on-street parking spaces. These services are similar to a business enterprise and are intended to be funded solely by charges and fees. The revenues from these services can only be used to provide these services.

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

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

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

The City is a significant economic presence in the region. Each year the City raises and spends approximately \$300 million on governmental and proprietary services. The City is a service organization, so its single largest expense is payroll costs, but as is true most years, about a quarter of the total outlay went into improvements and additions to the City's capital assets, primarily street, water and sewer infrastructure. This organization continues to recognize that the short-term savings from deferring maintenance is small compared to the future costs created by failing to maintain infrastructure assets.

Over 60 percent of the City's governmental revenues are derived from the City income tax and local property taxes. A temporary income tax increase approved by the voters on May 4, 2010, expired on June 30, 2015. On May 6, 2014 the voters extended that increase for 15 years with the resulting revenue restricted to the repair and rebuilding of the City's streets and sidewalks. As a result of this temporary increase the income tax rate for residents and businesses is 1.5 percent and the income tax rate for non-residents is 0.75 percent. Income tax revenue for fiscal year 2017 increased 6.6 percent from fiscal year 2016 to over \$94 million; and revenue from property taxes increased 1.4 percent to over \$39 million.

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

## **CITY'S FINANCIAL POSITION**

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

### *Local Economy*

The City is the economic 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 192,416, making it the second most populous city in the state of Michigan and the 121st most populated in the United States. The City is the county seat of Kent, which has a population of 642,173. The four-county Metropolitan Statistical Area (MSA) has a population of over one million while the Combined Statistical Area includes 1.4 million people (US Census Bureau, 2016). 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, Mercy Health, Grand Valley State University, Amway, Gentex, Herman Miller, Steelcase, and Magna International.

The local economy has continued its recovery during the past year. The Grand Rapids unemployment rate has remained steady at an average annual rate of 4.3 percent for fiscal year 2017. Income tax withholding payments during the first half of 2017 indicate continued growth in incomes. Construction activity remains at a high level. Although the current assessed value of real property remains below the levels of five and ten years ago, it is again increasing faster than the consumer price index which improves the balance sheets of property owners.

The core city that Grand Rapids has been redeveloping over many years continues to change as can be seen from the cranes in the sky and construction areas on the ground. The City, having made a significant commitment to the environment, celebrated the completion of a 30-year \$400 million construction project separating the sanitary and storm sewer systems to eliminate combined sewer overflows into the Grand River. To enhance residents' ability to interact with the natural environment a new stretch of riverfront trail known as the "Coldbrook Edge" project was opened, a renovation and reopening of the City's historic Indian Trails Golf Course was completed, and the ongoing plan to renovate the many neighborhood parks continued.

Grand Rapids and the surrounding region continue to appear on many top-ten lists including: (1) Fastest Growing US Metro Economy, HeadlightData.com; (2) 2nd best place to be an Millennial, Trulia.com; (3) Big Cities with the Healthiest Housing Markets, SmartAsset.com; (4) 4<sup>th</sup> Hottest Real Estate Market To Watch In 2017, Trulia.com; (5) 5<sup>th</sup> Best Place to Start a Business, WalletHub.com. The secret may be out that relative to other areas, this community enjoys a quality, affordable life including access to good schools, cultural activities and nature.

### *The City within the Larger Economy*

West Michigan, as well as the entire state of Michigan, has a long tradition as a manufacturing driven economy, exporting products, particularly furniture, across the country and around the globe. Michigan's economy was hit particularly hard in the late twentieth century as manufacturers were lured away from their historic roots by a combination of lower labor costs, investment incentives and access to previously closed markets. The local economy is adapting to the global economic shifts by increased focus on the service sectors, particularly design, education, healthcare, and hospitality. An entrepreneurial ecosystem is being built, led in part by the City of Grand Rapids SmartZone Local Development Finance Authority, to leverage those first three sectors into new enterprises in the same way nineteenth century entrepreneurs were able to build on the area's forests and accumulated talent pool to create Furniture City in what had been a wilderness a few decades before. Further, Grand Rapids seeks to rebrand itself as "River City" as it collaborates with other entities in the metropolitan area restoring the rapids for which it was named.

### *Long-Term Financial Planning*

The City established a separate accounting fund -- the Transformation Fund -- in fiscal year 2011 to isolate and track the new income tax monies from a temporary five-year City Income Tax increase. These monies, plus some additional revenue sources, funded the Transformation Investment Plan which has been a great success, allowing the City to maintain public safety services while also investing in new methods of service delivery designed to reduce ongoing operating costs. This fund was expected to close in 2017 as the projects underwritten with these temporary revenues were completed, however funds allocated to three major projects remain unspent at year end: the local match for the final year of a public safety staffing grant, support for the final year of library debt payments, and support for plans to make the Grand River more accessible to the public. Assisted by both the cost reductions created by the transformation plan and the increased revenues from an unusually long economic recovery, the fund balance of the general fund has been rebuilt modestly above the levels suggested by government finance best practice recommendations.

The City continues to adopt annual budgets within a framework of a five-year budget projection that alerts the organization to potential future financial problems that may be created by decisions made currently.

### *Relevant Financial Policies*

In June 2011, the City Commission adopted a new fund balance policy that complies with GASB 54 requirements. This policy established five new classifications (non-spendable, restricted, committed, assigned, and unassigned) of fund balances for the general fund and all special revenue funds. The classifications comprise a hierarchy based on the extent to which the City is bound to honor constraints on specific purposes for which amounts in those funds can be spent. The five classifications are further categorized into two groups, restricted (non-spendable and restricted) and unrestricted (committed, assigned, and unassigned). This policy states specifically that the General Operating Fund will maintain an unassigned balance equal to 15 percent of its expenditures. The Budget Stabilization Fund, as allowed by Public Act 30 of 1978, was reopened in fiscal year 2013 with a goal of holding an additional 10 percent of General Fund Expenditures in preparation for the next economic downturn. For financial reporting, this fund is consolidated with the General Fund as required by GASB 54. The combined funds achieved the desired total fund balance of 25 percent of expenditures during the prior fiscal year. The unassigned fund balance of the General Fund ended the current year at 17.4 percent and the Budget Stabilization Fund ended at 9.8 percent of fiscal year 2017 General Fund expenditures.

### *Major Initiatives*

Under the umbrella of the Michigan Municipal Services Authority, the City of Grand Rapids has finished the implementation of new accounting, budgeting, cash receipting, grants management, human resource, payroll, and procurement software modules. This solution replaces legacy computer systems with a common cloud-hosted software-as-a-service solution. Kent and Genesee Counties are also implementers, and other municipalities are expected to follow in future years. Our hope is that this new system will prove adequate for at least the next decade. I applaud and thank all the city staff that continue to put in the long hours necessary while we fine-tune the organization's new financial management system.

The City continues a major effort to repair and reconstruct street infrastructure that had deteriorated over many years because state gas and weight tax receipts had failed to maintain their purchasing power over many years. The goal is that over the fifteen year life of the voter approved income tax increase the condition of at least 70% of the streets will be improved to a Good or Fair rating. Achieving the goal relies in part on adequate additional support from the State in future years. The repair efforts were jump-started using financing from three bond issues that will be repaid beginning in October 2017 by future income tax receipts. To date the City has improved 232 miles of roadway. Using the Pavement Surface Evaluation and Rating (PASER) system, approximately 60% of the streets are at Good or Fair condition. The 2017 construction season marked the beginning of the transition of effort from repairs to save existing streets to the slower and more expensive work of reconstructing streets in the worse condition.

### **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, 2016; 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, 2016. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan and as a communications medium.

### **ACKNOWLEDGEMENTS**

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

Respectfully submitted,

A handwritten signature in black ink that reads "Sara Vander Werff". The signature is written in a cursive, flowing style.

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, 2017, 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 did not audit the financial statements of the City of Grand Rapids General Retirement System as of and for the year ended June 30, 2017, nor did we audit the financial statements of the City of Grand Rapids Police and Fire Retirement System, as of and for the year ended December 31, 2016, which represent 94% of the total assets, 93% of the net position, and 82% of the total revenues of the fiduciary funds; and 88% of the total assets and net position, and 57% of the total revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinions*

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Rapids, Michigan, as of June 30, 2017 (December 31, 2016 for the Police and Fire Retirement System), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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, schedules of changes in the City's net pension and OPEB liabilities and related ratios, schedules of contributions and actuarial assumptions, schedule of investment returns and the schedule of funding progress, on pages 3 through 14 and 93 through 104, respectively, 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 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 *Governmental Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of the City of Grand Rapids' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 7, 2017



## 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, 2017. We encourage readers to consider the information presented here in conjunction with the information contained in the letter of transmittal, which is found in the introductory section of this report.

### **Financial Highlights**

- The net position for the City is the amount by which the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. At June 30, 2017, net position totalled \$784,397,340. The unrestricted portion of this amount, \$140,710,160, may be used to meet the government's on-going obligations to citizens and creditors, consistent with the purpose in which the funds were accumulated.
- The City's total net position decreased by \$21,639,234. Business-type activities increased net position by \$17,746,295 driven by positive operating results in all three major enterprise funds. This increase only partially offset the decrease in net position from governmental activities of \$39,385,529. The largest factors causing the decline within governmental activities were the increase in recorded pension liabilities described in note 7 and a large amount of street maintenance and repair spending that did not extend the original expected life of the streets.
- At June 30, 2017, the City's governmental funds reported combined fund balances of \$138,151,412, a decrease of \$1,327,757 from the previous year. A total of \$6,982,653 of the fund balance for governmental funds is *nonspendable*, and the spending of \$28,234,961 is *restricted* as to purpose by an outside party, which means \$102,933,798 is available for spending at the City's discretion, but only within the purpose of the individual funds where the fund balance is located. Only the *unassigned* fund balance of the General Fund, a total of \$27,289,147 at June 30, 2017, 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 \$27,289,147 at year-end; an increase of \$4,900,945 from the previous year. At June 30, 2017, the unassigned balance stands at 20.64% of 2017 general fund expenditures, compared with 17.4% a year earlier. The unassigned fund balance at the end of the year was \$7.4 million above the fund balance policy. In addition the General Fund, the Commission has created a Budget Stabilization Fund with a policy goal that it hold 10% of current General Fund expenditures. That goal was achieved in fiscal year 2016 when this committed balance reached \$12,948,835. State law requires this be held in a separate fund to better control its use, but accounting standards dictate its presentation be blended as part of the general fund. The current balance of 9.8% of current general fund expenditures is slightly below the policy goal as a result of increased expenditures.
- The City's total debt increased by \$1,730,154 during the current fiscal year. Payments reducing debt totalled \$27,285,461. New debt issued included \$36,740,000 of refunding bonds and \$17,349,530 of new debt. A schedule of the City's long-term obligations can be found in Note 6 of the notes to financial statements.
- This is the third year these financial statements include a long-term liability related to the City's two defined benefit pension plans. The net pension liability of \$171,367,150 a year earlier increased by \$47,519,439 to \$218,886,589 primarily because the general employee plan only had \$289,104 of investment returns during the measurement period to offset the \$35,127,721 interest on the total pension liability. Because of the different measurement dates of the City's two pension plans, the police and fire pension was impacted the prior year. The impact on pension expense recognition is muted in any one year because differences, positive and negative, between expected and actual changes in the components used to calculate net pension liability are deferred and recognized over the following two, three, or four years as shown on the schedule on page 74.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This comprehensive annual financial report also contains other supplementary information in addition to the basic financial statements.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that resulted from cash flows in prior years or will result in cash flows in future fiscal periods (e.g., depreciation and amortization, changes in pension liabilities, and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also eight 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, four 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.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial

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

The City maintains six major and nineteen non-major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and all major special revenue and capital project funds. Data from the non-major governmental funds are combined in a single column presentation on the governmental funds statements. Individual fund data for each of these non-major governmental funds is provided in the *combining statements* section of this report on pages 106-109.

The City adopts an annual appropriated budget for most of its governmental funds. Throughout the year, the budget is amended based on changing conditions (e.g. the award of a grant). Budgetary comparison statements have been provided in the required supplementary information section of this report for the major funds to demonstrate compliance with this budget. The budgetary comparison schedule on page 105 shows the general fund budget at the department level, which is where it is legally adopted. Budget comparison statements have also been provided for the non-major special revenue funds on page 110.

*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.

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

Individual fund data for the non-major enterprise funds and internal service funds are provided in the *combining statements* section of this report, pages 111-117.

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

The basic fiduciary fund financial statements can be found on pages 26-27 of this report with important additional detail on pages 118-120.

**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 30-92 of this report.

**Other information:** In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* regarding the budgetary comparisons of the City's general fund and the major and local street special revenue funds as well as multi-year schedules of funding for the City's defined benefit retirement and OPEB programs. This supplementary information is found on pages 93-104 following the notes to financial statements.

At the end of the report, on pages 124-143 are various statistical tables containing information presented to assist the reader in further evaluating the financial information and the overall financial position of the City by showing current information in a multi-year context.

**Government-wide Financial Analysis**

	<b>City of Grand Rapids' Net Position</b>					
	<b>Governmental Activities 2017</b>	<b>Governmental Activities 2016</b>	<b>Business-Type Activities 2017</b>	<b>Business-Type Activities 2016</b>	<b>Total Primary Government 2017</b>	<b>Total Primary Government 2016</b>
Current and other assets	\$ 209,664,471	\$ 211,488,624	\$ 169,456,499	\$ 152,977,591	\$ 379,120,970	\$ 364,466,215
Capital assets, net of accumulated depreciation	292,859,725	300,276,625	795,551,434	786,874,873	1,088,411,159	1,087,151,498
<b>Total Assets</b>	<b>502,524,196</b>	<b>511,765,249</b>	<b>965,007,933</b>	<b>939,852,464</b>	<b>1,467,532,129</b>	<b>1,451,617,713</b>
Deferred outflows of resources	103,725,604	112,306,275	35,019,795	26,373,654	138,745,399	138,679,929
Current liabilities	26,658,393	27,088,704	33,799,363	34,391,893	60,457,756	61,480,597
Non-current liabilities	309,505,698	280,448,153	437,546,084	419,599,409	747,051,782	700,047,562
<b>Total Liabilities</b>	<b>336,164,091</b>	<b>307,536,857</b>	<b>471,345,447</b>	<b>453,991,302</b>	<b>807,509,538</b>	<b>761,528,159</b>
Deferred inflows of resources	9,459,820	16,523,249	4,910,830	6,209,660	14,370,650	22,732,909
Net investment in capital assets	178,448,878	202,004,329	400,784,184	392,979,402	579,233,062	594,983,731
Restricted net position	31,118,311	28,568,423	33,335,807	32,359,186	64,454,118	60,927,609
Unrestricted net position	51,058,700	69,438,666	89,651,460	80,686,568	140,710,160	150,125,234
<b>Total Net Position</b>	<b>\$ 260,625,889</b>	<b>\$ 300,011,418</b>	<b>\$ 523,771,451</b>	<b>\$ 506,025,156</b>	<b>\$ 784,397,340</b>	<b>\$ 806,036,574</b>

Total net position at June 30, 2017 was \$784,397,340, a decrease of 21,639,234 from the net position at June 30, 2016 of \$806,036,574.

The City's current and other assets increased by \$14,654,755 or 4.0%. Governmental activities saw a \$1,824,153 decrease in current and other assets and Business type activities saw a \$16,478,908 increase in current and other assets primarily attributable to the unspent proceeds of the 2016 water bond issue.

Total deferred outflows of resources were little changed during the year, although the allocation between governmental and business-type activities shifted because the police and fire pension only effects governmental activities. Deferred inflow of resources continue to decline as the higher than expected investment returns that occurred during the pension measurement periods ending in 2014 are recognized by reducing annual pension expense.

The total liabilities of the primary government increased 6.0% or \$45,981,379. Current liabilities decreased \$1,022,841 or 1.7%. Non-current liabilities increased \$47,004,220; 89.5% of which was from the reasons described on page 3 related to pension plans.

By far, the largest portion of the City's net position (73.8%) 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* (\$140,710,160), may be used to

meet government's on-going obligations to citizens and creditors consistent with the purpose of the fund containing the assets. Only the \$27.3 million of the General Fund's *unassigned* fund balance shown on page 17 is freely available or transferable to support the operations of the General Fund or of any other fund. As noted on page 3, the ending fund balance is \$7.4 million more than the target goal in the fund balance policy.

At June 30, 2017, the City is able to report positive balances in all three categories of net position.

**Capital Asset and Debt Administration**

<b>City of Grand Rapids' Capital Assets</b>						
<b>(net of depreciation)</b>						
	<b>Governmental</b>	<b>Governmental</b>	<b>Business-Type</b>	<b>Business-Type</b>	<b>Total</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>2017</b>	<b>2015</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>		
Land	\$ 15,938,611	\$ 15,957,568	\$ 15,048,228	\$ 15,048,228	\$ 30,986,839	\$ 31,005,796
Easements/Right of Way	762,049	753,382	1,757,973	1,375,089	2,520,022	2,128,471
Land improvements	14,304,815	15,069,954	8,712,972	6,887,520	23,017,787	21,957,474
Buildings and structures	72,523,629	77,307,316	98,978,599	100,776,766	171,502,228	178,084,082
Leasehold improvements	-	-	-	-	-	-
Storage tanks	-	-	8,098,389	8,576,138	8,098,389	8,576,138
Machinery and equipment	5,419,042	5,358,293	81,899,565	82,333,999	87,318,607	87,692,292
Motor vehicles	25,217,049	23,414,704	2,407,546	442,428	27,624,595	23,857,132
Furniture	140,802	186,118	30,091	39,449	170,893	225,567
Software	185,274	351,262	133,932	172,071	319,206	523,333
Water and sewer mains	-	-	562,072,974	554,143,832	562,072,974	554,143,832
Infrastructure	141,681,480	155,099,455	-	-	141,681,480	155,099,455
Construction in progress	16,686,974	6,778,573	16,411,165	17,079,353	33,098,139	23,857,926
Total	<u>\$ 292,859,725</u>	<u>\$ 300,276,625</u>	<u>\$ 795,551,434</u>	<u>\$ 786,874,873</u>	<u>\$ 1,088,411,159</u>	<u>\$ 1,087,151,498</u>

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$1,088,411,159 (net of accumulated depreciation). This investment in capital assets is summarized above. The City's new investments in capital assets for the current fiscal year (before disposals or depreciation allowances) totalled \$55.3 million. Most of the expenditures on street infrastructure fell into the categories of maintenance and repairs and were therefore not capital additions. Future street spending is expected to feature more reconstruction activity that will be capitalized. 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 \$18,506,723. Construction in progress on additional projects as of June 30, 2017 totalled \$14,510,958.
- Various additions and improvements were completed in the Sewage Disposal System at a total cost of \$11,228,561. Construction in progress in on-going projects at the close of the fiscal year increased to a total of \$12,165,057.
- New motor vehicles were purchased by the Motor Equipment and the Parking System Funds for \$7,754,836.

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 2017</b>	<b>Governmental Activities 2016</b>	<b>Business-Type Activities 2017</b>	<b>Business-Type Activities 2016</b>	<b>Total 2017</b>	<b>Total 2016</b>
Limited tax pledge bonds	\$ 73,924,800	\$ 74,322,800	\$ 28,910,000	\$ 30,170,000	\$ 102,834,800	\$ 104,492,800
Revenue bonds	24,445,000	25,860,000	345,262,407	346,416,792	369,707,407	372,276,792
Long-term contracts	<u>17,287,544</u>	<u>11,053,967</u>	<u>1,604,296</u>	<u>1,880,334</u>	<u>18,891,840</u>	<u>12,934,301</u>
Total	<u>\$ 115,657,344</u>	<u>\$ 111,236,767</u>	<u>\$ 375,776,703</u>	<u>\$ 378,467,126</u>	<u>\$ 491,434,047</u>	<u>\$ 489,703,893</u>

**Long-term debt:** At June 30, 2017 the City had total long-term debt outstanding of \$491,434,047. Of this amount, \$102,834,800 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, 2017 balance of the City of Grand Rapids and County of Kent Building Authority bonds of \$40,744,917 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 2017. Additional information on the City's long-term debt can be found in note 6 of the notes to the financial statements.

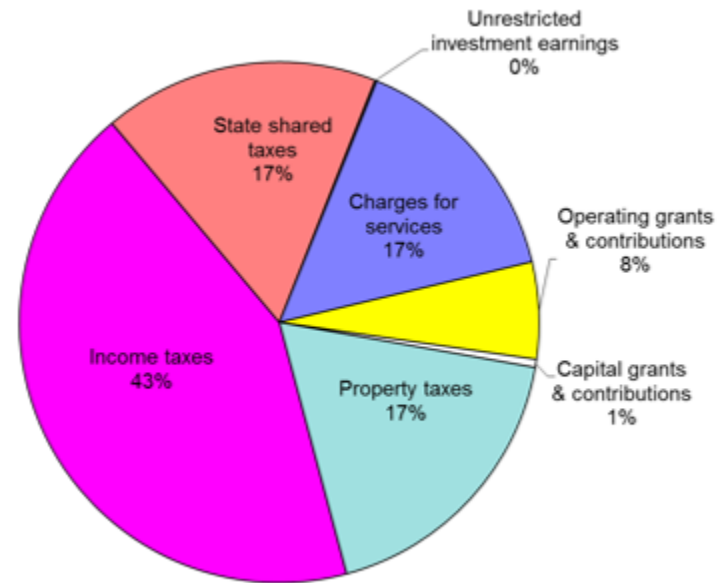
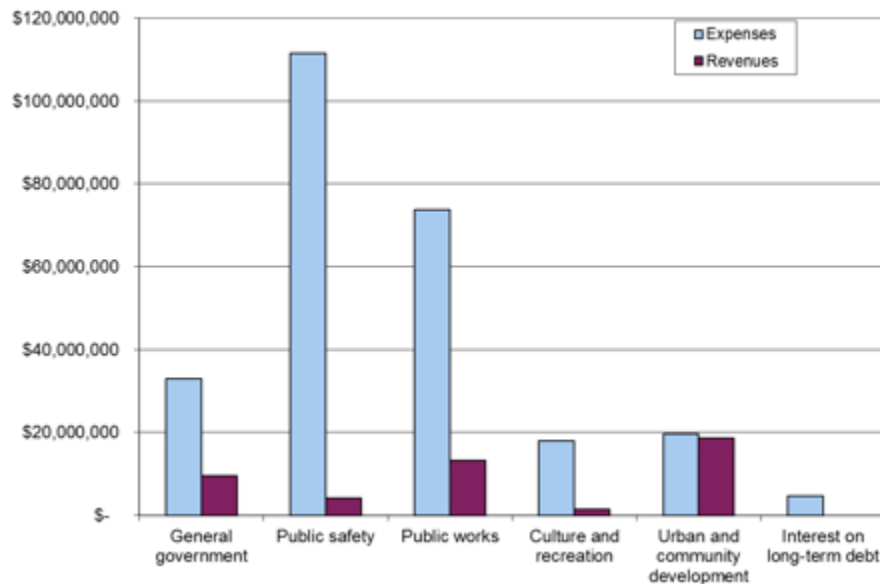
**Changes in Net Position:**

<b>City of Grand Rapids' Changes in Net Position</b>						
	<b>Governmental Activities 2017</b>	<b>Governmental Activities 2016</b>	<b>Business-Type Activities 2017</b>	<b>Business-Type Activities 2016</b>	<b>Total Primary Government 2017</b>	<b>Total Primary Government 2016</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 33,081,367	\$ 33,890,168	\$ 120,348,914	\$ 113,389,258	\$ 153,430,281	\$ 147,279,426
Operating grants and contributions	13,056,796	15,432,226	653,864	623,218	13,710,660	16,055,444
Capital grants and contributions	992,780	1,376,082	5,274,555	6,216,877	6,267,335	7,592,959
General Revenues:						
Property taxes	39,505,377	38,976,376	-	-	39,505,377	38,976,376
City Income taxes	94,038,914	88,174,251	-	-	94,038,914	88,174,251
Intergovernmental, unrestricted	37,443,494	34,437,232	-	-	37,443,494	34,437,232
Unrestricted investment earnings	217,143	3,592,965	10,638	1,107,815	227,781	4,700,780
Miscellaneous	<u>1,070,668</u>	<u>626,056</u>	<u>1,128,510</u>	<u>159,504</u>	<u>2,199,178</u>	<u>785,560</u>
Total Revenues	<u>219,406,539</u>	<u>216,505,356</u>	<u>127,420,075</u>	<u>121,496,672</u>	<u>346,826,614</u>	<u>338,002,028</u>
Expenses:						
General government	32,918,016	31,370,052	-	-	32,918,016	31,370,052
Public safety	111,566,878	101,714,766	-	-	111,566,878	101,714,766
Public works	73,773,068	72,032,052	-	-	73,773,068	72,032,052
Culture and Recreation	18,038,363	17,714,262	-	-	18,038,363	17,714,262
Urban & Community Development	19,611,904	17,361,430	-	-	19,611,904	17,361,430
Interest on long-term debt	4,600,305	3,892,373	-	-	4,600,305	3,892,373
Water Supply System	-	-	39,206,129	36,197,215	39,206,129	36,197,215
Sewage Disposal System	-	-	50,334,631	47,691,862	50,334,631	47,691,862
Parking System	-	-	15,902,942	14,249,852	15,902,942	14,249,852
Other Enterprises	-	-	<u>2,513,612</u>	<u>1,950,213</u>	<u>2,513,612</u>	<u>1,950,213</u>
Total Expenses	<u>260,508,534</u>	<u>244,084,935</u>	<u>107,957,314</u>	<u>100,089,142</u>	<u>368,465,848</u>	<u>344,174,077</u>
Change in Net Position before Transfers	(41,101,995)	(27,579,579)	19,462,761	21,407,530	(21,639,234)	(6,172,049)
Transfers	<u>1,716,466</u>	<u>(819,936)</u>	<u>(1,716,466)</u>	<u>819,936</u>	<u>-</u>	<u>-</u>
Change in Net Position	(39,385,529)	(28,399,515)	17,746,295	22,227,466	(21,639,234)	(6,172,049)
Net Position - beginning	<u>300,011,418</u>	<u>328,410,933</u>	<u>506,025,156</u>	<u>483,797,690</u>	<u>806,036,574</u>	<u>812,208,623</u>
Net Position - ending	<u>\$ 260,625,889</u>	<u>\$ 300,011,418</u>	<u>\$ 523,771,451</u>	<u>\$ 506,025,156</u>	<u>\$ 784,397,340</u>	<u>\$ 806,036,574</u>

Governmental activities: Governmental activities decreased the City's net position by \$39,385,529. Key elements within this change are as follows:

- Tax revenues increased \$9.4 million. Over 62% of the increase was in the City's largest tax revenue, the local income tax, which increased \$5.8 million, or 6.6% from the prior year. The increase was a result of both more returns filed and higher income shown on the returns. State shared taxes increased by \$3.0 million, or 8.7% from the prior year as a result of the state finalizing the distribution formula to reimburse communities for the exemption of certain personal property from taxation.
- The gap between the height of the revenue and expense bars on the below chart shows the spending that was financed by tax revenues.
- Public safety expenses increased \$9.8 million compared to the prior year. The majority of the increase was due to pension expense for the police and fire departments, the rest was additional spending in the police department for community policing and additional training.
- Urban and Community Development expenses increased by \$2.2 million. There was increased spending in the Community Development Block Grants and HOME Investment Partnership programs for home repairs and costs to administer the grants.
- Unrestricted investment earnings in 2016 were \$3.3 million below the prior year. Implementation of a new investment policy transitioned the City's cash portfolio from being invested mostly in bank deposits to having over 80% invested in marketable securities that fluctuate in value. A rise in interest rates near the end of the fiscal year caused a drop in the portfolio's value, almost equal to the interest earned during the year. The booked losses are temporary and should not be realized because the City holds the vast majority of securities to maturity. These unrealized losses will increase and decrease as market interest rates change before the securities mature but accepting these fluctuations is expected to increase the portfolio's returns compared to those available from bank deposits.

Expenses and Program Revenues - Governmental Activities

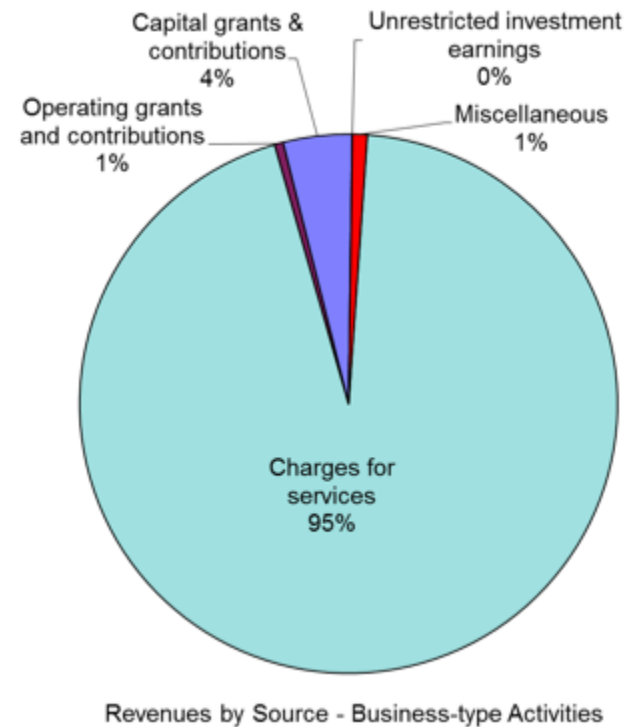
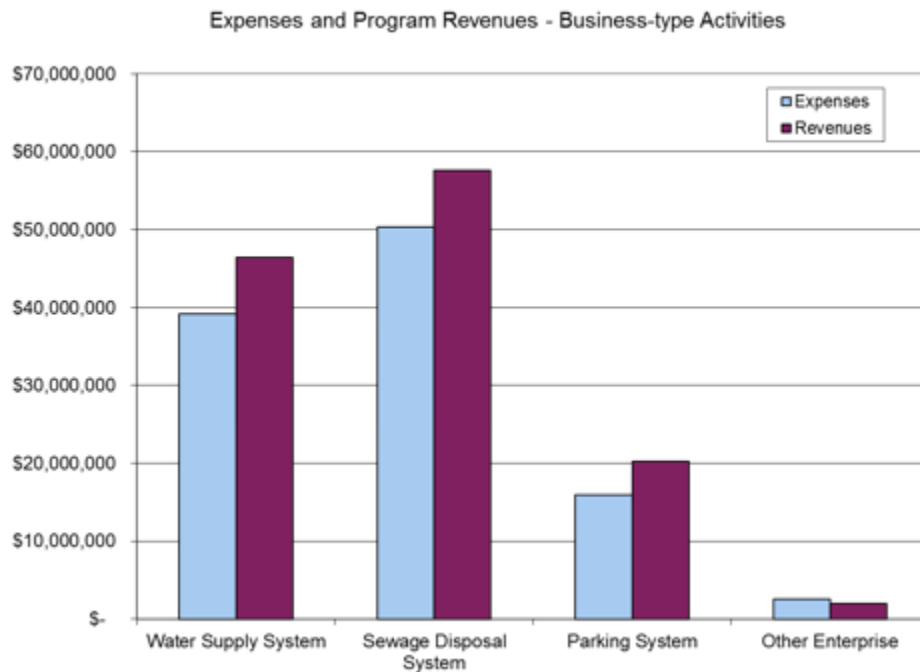


Revenues by Source - Governmental Activities



Business-type activities: Business-type activities increased the City's net position by \$17,746,295. The key elements of this increase are as follows:

- The Water System's retail water sales increased by over \$1.8 million as a result of a 4.6% increase in billed volume as well as a mid-year rate increase of 3.6%. The \$36,740,000 issuance of revenue improvement and refunding bonds in September, 2016 provided interest cost savings. Even with increased reinvestment, the Water System improved its net position.
- The Sewer System had wholesale and retail revenue growth of \$1.3 million from a billed volume increase of 1.8% and a 0.4% mid-year rate increase.
- The Parking System experienced a \$4.7 million increase in parking fees from a combination of increases in both rates and usage. Most of the benefit of the increased revenue was retained by the Parking System as operating expenses increased by less than \$1.5 million.
- The three major funds were able to generate an operating margin sufficient to fund their current operating expenses, all required debt service payments, and increase their net position.



## **Financial Analysis of the City's Funds**

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

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. The change in total fund balance, less any non-spendable portion, indicates whether the City is accumulating or using resources that were available to support future activities.

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$138,151,412. Of this total, all but \$27,289,147 of unassigned fund balance has been spoken for in the sense that it is either non-spendable, restricted by an outside party, committed to identified projects by the City Commission, assigned to a specific fund or purpose prior to year-end, or a deficit in a governmental fund. A summary of restrictions by fund appears on page 17.

The General Fund is the primary operating fund of the City. At June 30, 2017, the fund had an unassigned fund balance of \$27,289,147. 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 20.6% and 38.4% respectively of total fiscal year 2017 General Fund expenditures, compared to the unassigned and total fund balance representing 17.4% and 37.8% of fund expenditures a year earlier. The fund's fund balance increased \$2,316,915 during fiscal year 2017. As originally adopted, the budget anticipated a surplus of only \$101,451. Three things explain most of the \$2.2 million difference. Income tax receipts were almost \$3.0 million over initial expectations and the Transformation Fund provided \$1.3 million designed to bring the fund balance committed to budget stabilization and the unassigned fund balance close to the amounts set by policy. Offsetting these increases were the additional appropriations detailed on the next page.

The Major Street Fund saw an increase of \$2,014,760 to fund balance. This is mainly due to receipts from the fifteen year income tax rate increase dedicated to the street maintenance, rehabilitation, and reconstruction (Vital Streets) as guided by the Vital Streets Oversight Committee. Originally the City's plan was to segregate the activity associated with this initiative into a Vital Streets Fund, however since a component of the Vital Streets plan includes spending Gas and Weight tax funds, which per the State of Michigan, can only be spent from the Major or Local Street Funds, the decision was made to blend the Vital Street Fund with the Major Street Fund as of the end of fiscal year 2015. All Vital Street activity occurring in fiscal year 2017 was allocated appropriately to either the Major Street Fund, Local Street Fund, or Vital Street Capital Fund. The Local Street Fund saw an increase in fund balance of \$191,744, the budgeted change in fund balance was a decrease of \$113,059. Both revenues and expenditures fell short of their budgeted amounts.

The Vital Street Capital Construction Fund saw a decrease in fund balance of \$12,246,577 due to the spending of all remaining bond proceeds for projects related to improving street conditions. The Vital Streets Oversight Committee estimated it will require \$22 million per year for 70% of the streets to reach a good or fair rating by the end of the fifteen year tax. This fund spent over \$18.5 million on street maintenance, rehabilitation, and reconstruction. Across the four street funds: Major, Local, Vital, and Construction, over \$25 million was spent on street infrastructure, thereby exceeding the required spending level.

The fund balance of the Street Capital Construction Fund decreased by \$371,728 to \$1,838,865 as spending on previously funded projects was completed. New street construction projects are being managed in the Vital Street Capital Construction Fund.

The fund balance of the General Capital Construction Fund increased by \$3.85 million, primarily as a result of unspent proceeds of bonds issued to make improvements at city cemeteries.

The fund balances of the City's non-major governmental funds increased by \$5.4 million net of a \$2.5 million decrease in the fund balance of the Transformation Fund as that fund completes disbursing its committed programming prior to the expected closure of the fund, now delayed until fiscal year 2019. Four funds accounted for most of the increase. The Refuse Fund saw a \$1.9 million increase as both property tax and fee revenue increased modestly while efficiencies from the deficit reduction plan continued to reduce costs. The Parks and Recreation Fund saw a \$1.4 million increase in fund balance as a result of transfers from the General Fund while the fund also reduced operational costs. The fund balance of the Building Inspection Fund

was up \$1.0 million as new construction continues to outpace expectations. The Sidewalk Repair Fund saw the fund balance increase more than \$500,000, largely as a result of increased transfers from the Vital Street Fund. The transfers were required by the increasing income tax receipts. These transfers will be appropriated to support future sidewalk construction activity.

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 non-major enterprise funds at the end of the year amounted to \$79,902,251. The total net position for enterprise funds is \$514,022,242. 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. The strong results of operations were little impacted by the inclusion of a \$15,580,923 increase in the pension liabilities allocated to the enterprise. Most of the recognition of the increase in pension liabilities is being deferred and amortized over the next two to four years while the current year continued to benefit from the recognition of strong investment returns in prior measurement periods.

### **General Fund Budgetary Highlights**

During the year the general fund budget increased by \$1,267,806 and the \$1,178,482 contingency budget in the original appropriation was allocated to specific projects. The primary changes were:

- \$576,576 was appropriated to allow the fire department to purchase new uniforms, supplies, and equipment.
- \$531,000 was appropriated to allow the award of contracts to increase street lighting services.
- \$269,194 was appropriated to allow the award of a public service contract for a city-wide operational competitive assessment related to the compensation study performed during the fiscal year.
- \$209,890 was appropriated to support various Community Engagement and Neighborhood Planning projects.

Actual departmental and other expenditures and transfers-out in the General Fund were \$1,221,398 below amended appropriations, achieving the expected appropriation lapse of \$3,500,000.

Revenues for the year ended June 30, 2017 were \$3,603,185 higher than originally budgeted. For the third consecutive year the primary driver of this increase was revenue from the local income tax that was up \$2,949,392 or 3.9% above the original budget.

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

City Commission, top management, and fiscal staff considered many factors when preparing the fiscal year 2018 (FY18) budget. The FY18 budget builds on the success of the City's Transformation Plan by continuing to seek opportunities for improvement as measured by the quadruple bottom line that considers social equity, environmental integrity, economic performance and governance. Without losing the focus of Phase III of the Plan on maintaining financial reserves, pursuing best practices for service delivery, and continuing the long-term asset management strategies developed in Phase II; the past success of the Plan is permitting the organization to put effort into increasing community engagement in the City's service delivery, supporting neighborhood efforts to undertake projects developed by residents, developing a succession plan to allow a smooth transition as over 35% of the current City workforce reaches retirement age in the next five years. One focus of the new budget is continued support to "grow our own" qualified employees. New positions have been created to on-board local residents as entry level employees so they will be trained and prepared to step in to replace retiring employees. The City's most recent police recruit class is a prime example of these efforts as the Police Department sponsored a recruit class consisting largely of local residents, rather than recruiting experienced applicants from other agencies.

The adopted budget for FY18 projected an 8.1% increase in the local income tax collections above the FY17 estimated revenue, which is 4.0% above the actual FY17 results. Total local property tax revenues are expected to show little change from the final revenues in FY17 which were positively impacted by a substantial drop in the number of open property tax appeals.

Future budget forecasts reflect the maintenance of effort support from the General Fund that were promised to the voters as a part of the successful campaigns to create dedicated tax revenues to support parks and street improvements. The Parks Fund will receive \$5.9 million and the Vital Streets Fund will receive \$900,000

of General Fund support in fiscal 2018. In addition, forecasts anticipate continuing General Fund subsidies providing over 35% of the cost of operating the District Court, as well as continuing to provide any required local match dollars required by the District Court or the Grants Fund.

The City's capital plans have been prepared within the context of five years for many years. Phase II of the City's Transformation Plan aligned resources to meet the forecasted needs of the capital plans. FY18 is the twelfth year that five-year operating budgets have been prepared. The five-year forecast reflects positive operations over the forecasted period. While the future is inherently unknowable creating a multi-year plan that is not dependent on a string of either good or bad years and includes the maintenance of financial reserves that will be necessary to cope with the unexpected and inevitable shocks the future will bring, enhances the likelihood that the organization will be able to achieve plan goals.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller Department, 300 Monroe NW, Grand Rapids, MI 49503. Contact telephone number (616) 456-3189.



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**City of Grand Rapids, Michigan**  
**Statement of Net Position**  
**Government Wide**  
June 30, 2017

	<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)	\$ 190,646,316	\$ 99,436,401	\$ 290,082,717	\$ 18,683,866
Investments held by trustee	-	-	-	4,849,267
Receivables, net	12,631,441	17,468,584	30,100,025	845,307
Internal balances	(7,176,585)	7,176,585	-	-
Due from other governmental units	7,619,954	-	7,619,954	49,594
Inventories	2,222,835	2,233,864	4,456,699	-
Prepaid expenses and other assets	-	90,000	90,000	157,754
Restricted assets (Notes 2 and 4)	3,700,933	40,314,259	44,015,192	-
Investment in joint venture (Note 1)	-	2,472,900	2,472,900	-
Net OPEB asset (Note 8)	19,577	26,751	46,328	47,255
Other assets	-	237,155	237,155	-
Capital Assets (Note 5):				
Non-depreciable	33,387,634	33,217,366	66,605,000	14,538,882
Depreciable, net	259,472,091	762,334,068	1,021,806,159	24,246,275
Total assets	<u>502,524,196</u>	<u>965,007,933</u>	<u>1,467,532,129</u>	<u>63,418,200</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions (Note 7)	102,176,310	21,144,588	123,320,898	7,071,023
Deferred on refunding of bonds	1,549,294	13,875,207	15,424,501	3,105,077
Total deferred outflows of resources	<u>103,725,604</u>	<u>35,019,795</u>	<u>138,745,399</u>	<u>10,176,100</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	21,876,913	3,936,715	25,813,628	3,208,094
Accrued interest payable	1,136,898	8,451,662	9,588,560	231,373
Due to other governmental units	581,760	-	581,760	-
Unearned revenues	845,481	664,220	1,509,701	-
Customer deposits	2,217,341	-	2,217,341	66,727
Payable from restricted assets (Note 6):				
Bonds and contracts payable	-	18,965,750	18,965,750	-
Accrued interest and other	-	1,781,018	1,781,018	-
Noncurrent liabilities (Note 6):				
Due within 1 year:	37,698,460	2,769,512	40,467,972	8,627,726
Due in more than 1 year:	102,933,994	397,296,907	500,230,901	30,121,481
Net pension liability (Note 7)	168,873,244	37,479,663	206,352,907	12,533,682
Total liabilities	<u>336,164,091</u>	<u>471,345,447</u>	<u>807,509,538</u>	<u>54,789,083</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions (Note 7)	9,459,820	4,910,830	14,370,650	1,642,245
Total deferred inflows of resources	<u>9,459,820</u>	<u>4,910,830</u>	<u>14,370,650</u>	<u>1,642,245</u>
<b>NET POSITION</b>				
Net investment in capital assets	178,448,878	400,784,184	579,233,062	14,198,327
Restricted for:				
Expendable:				
Public Safety	1,559,110	-	1,559,110	-
Cultural and recreation	510,231	-	510,231	-
Public Works	22,934,095	-	22,934,095	-
Debt service	-	33,335,807	33,335,807	-
Authorized projects	-	-	-	10,877,390
Urban and community development	3,130,602	-	3,130,602	-
Nonexpendable:				
Perpetual care	2,945,003	-	2,945,003	-
Cultural and recreation	39,270	-	39,270	-
Unrestricted (deficit)	51,058,700	89,651,460	140,710,160	(7,912,745)
Total net position	<u>\$ 260,625,889</u>	<u>\$ 523,771,451</u>	<u>\$ 784,397,340</u>	<u>\$ 17,162,972</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, 2017*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
<i>Governmental activities:</i>								
General government	\$ 32,918,016	\$ 9,099,565	\$ 453,066	\$ -	\$ (23,365,385)	\$ -	\$ (23,365,385)	\$ -
Public safety	111,566,878	1,764,425	2,442,615	-	(107,359,838)	-	(107,359,838)	-
Public works	73,773,068	11,372,907	863,561	992,780	(60,543,820)	-	(60,543,820)	-
Culture and recreation	18,038,363	882,614	539,303	-	(16,616,446)	-	(16,616,446)	-
Urban and community development	19,611,904	9,961,856	8,758,251	-	(891,797)	-	(891,797)	-
Interest on long-term debt	4,600,305	-	-	-	(4,600,305)	-	(4,600,305)	-
Total governmental activities	<u>260,508,534</u>	<u>33,081,367</u>	<u>13,056,796</u>	<u>992,780</u>	<u>(213,377,591)</u>	<u>-</u>	<u>(213,377,591)</u>	<u>-</u>
<i>Business-type activities:</i>								
Water Supply System	39,206,129	43,536,557	54,657	2,864,735	-	7,249,820	7,249,820	-
Sewage Disposal System	50,334,631	54,751,997	465,775	2,409,820	-	7,292,961	7,292,961	-
Parking System	15,902,942	20,120,530	133,432	-	-	4,351,020	4,351,020	-
Other Enterprise	2,513,612	1,939,830	-	-	-	(573,782)	(573,782)	-
Total business-type activities	<u>107,957,314</u>	<u>120,348,914</u>	<u>653,864</u>	<u>5,274,555</u>	<u>-</u>	<u>18,320,019</u>	<u>18,320,019</u>	<u>-</u>
Total primary government	<u>\$ 368,465,848</u>	<u>\$ 153,430,281</u>	<u>\$ 13,710,660</u>	<u>\$ 6,267,335</u>	<u>(213,377,591)</u>	<u>18,320,019</u>	<u>(195,057,572)</u>	<u>-</u>
<b>Component Units:</b>								
Downtown Development Authority	11,048,151	661,880	-	-	-	-	-	(10,386,271)
Tax Increment Financing Authority	511,066	-	108,171	-	-	-	-	(402,895)
SmartZone Development Authority	1,398,225	71,190	159,222	-	-	-	-	(1,167,813)
Brownfield Redevelopment Authority	3,341,357	232,107	289,757	-	-	-	-	(2,819,493)
Corridor Improvement Districts	39,721	-	13,073	-	-	-	-	(26,648)
61st District Court	16,700,419	6,156,789	7,679,501	-	-	-	-	(2,864,129)
Total component units	<u>\$ 33,038,939</u>	<u>\$ 7,121,966</u>	<u>\$ 8,249,724</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,667,249)</u>
<b>General revenues:</b>								
Property taxes					39,505,377	-	39,505,377	15,925,234
City income taxes					94,038,914	-	94,038,914	-
Intergovernmental, unrestricted					37,443,494	-	37,443,494	-
Unrestricted investment earnings					217,143	10,638	227,781	(90,807)
Miscellaneous					1,070,668	1,128,510	2,199,178	-
Gain on sale of capital assets					-	3,594	3,594	-
Transfers (Note 9)					1,716,466	(1,716,466)	-	-
Total general revenues and transfers					<u>173,992,062</u>	<u>(573,724)</u>	<u>173,418,338</u>	<u>15,834,427</u>
Change in net position					(39,385,529)	17,746,295	(21,639,234)	(1,832,822)
Net position - beginning					300,011,418	506,025,156	806,036,574	18,995,794
Net position - ending					<u>\$ 260,625,889</u>	<u>\$ 523,771,451</u>	<u>\$ 784,397,340</u>	<u>\$ 17,162,972</u>

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

**City of Grand Rapids, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2017

	Major Governmental Funds						Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Streets	Local Streets	Vital Streets Capital Construction	Streets Capital Construction	General Capital Construction		
<b>ASSETS</b>								
Equity in pooled cash & investments (Note 2)	\$ 50,661,341	\$ 18,726,361	\$ 484,584	\$ 3,024,054	\$ 1,895,678	\$ 19,003,944	\$ 45,123,383	\$ 138,919,345
Receivables, net	8,586,012	1,602,747	5,665	14,519	67,103	662,941	675,625	11,614,612
Due from other funds (Note 9)	37,366	941	2,825	-	-	-	66,168	107,300
Due from other governmental units	3,076,636	2,568,109	685,633	-	18,889	440,757	829,930	7,619,954
Inventories	747,266	608,584	-	-	-	-	17,530	1,373,380
Long-term advance	2,625,000	-	-	-	-	-	-	2,625,000
<b>Total assets</b>	<b>\$ 65,733,621</b>	<b>\$ 23,506,742</b>	<b>\$ 1,178,707</b>	<b>\$ 3,038,573</b>	<b>\$ 1,981,670</b>	<b>\$ 20,107,642</b>	<b>\$ 46,712,636</b>	<b>\$ 162,259,591</b>
<b>LIABILITIES</b>								
Accounts payable and accruals	\$ 14,006,939	\$ 1,022,042	\$ 118,014	\$ 2,504,703	\$ 139,384	\$ 1,144,507	\$ 1,922,398	\$ 20,857,987
Due to other governmental units	187,958	-	-	-	-	-	825	188,783
Unearned revenues	-	-	-	-	-	-	789,603	789,603
Customer deposits	559,458	2,714	-	-	-	518,773	1,136,396	2,217,341
<b>Total liabilities</b>	<b>14,754,355</b>	<b>1,024,756</b>	<b>118,014</b>	<b>2,504,703</b>	<b>139,384</b>	<b>1,663,280</b>	<b>3,849,222</b>	<b>24,053,714</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenues - special assessments	-	-	-	-	3,421	51,044	-	54,465
Total deferred inflows of resources	-	-	-	-	3,421	51,044	-	54,465
<b>FUND BALANCES</b>								
Nonspendable:								
Long-term advance	2,625,000	-	-	-	-	-	-	2,625,000
Inventories	747,266	608,584	-	-	-	-	17,530	1,373,380
Nonexpendable trust principal	-	-	-	-	-	-	2,984,273	2,984,273
Restricted: (Note 1)								
Public safety	-	-	-	-	-	-	1,559,110	1,559,110
Urban and community development	-	-	-	-	-	-	3,130,602	3,130,602
Culture and recreation	-	-	-	-	-	-	510,231	510,231
Public works	-	21,873,402	1,060,693	-	-	-	-	22,934,095
Authorized projects	-	-	-	-	-	100,923	-	100,923
Committed: (Note 1)								
Authorized projects	-	-	-	533,870	1,838,865	18,292,395	7,945,711	28,610,841
Other purposes	12,948,835	-	-	-	-	-	1,070,465	14,019,300
Assigned: (Note 1)								
Culture and recreation	-	-	-	-	-	-	5,726,265	5,726,265
Public safety	-	-	-	-	-	-	2,308,428	2,308,428
Urban and community development	-	-	-	-	-	-	7,527,763	7,527,763
Public works	-	-	-	-	-	-	6,373,379	6,373,379
Ensuuing year budget	-	-	-	-	-	-	589,614	589,614
Compensated absences	6,716,057	-	-	-	-	-	1,492,422	8,208,479
Other purposes	652,961	-	-	-	-	-	1,627,621	2,280,582
Unassigned	27,289,147	-	-	-	-	-	-	27,289,147
<b>Total fund balance</b>	<b>50,979,266</b>	<b>22,481,986</b>	<b>1,060,693</b>	<b>533,870</b>	<b>1,838,865</b>	<b>18,393,318</b>	<b>42,863,414</b>	<b>138,151,412</b>
Total liabilities, deferred inflows of resources and fund balances	\$ 65,733,621	\$ 23,506,742	\$ 1,178,707	\$ 3,038,573	\$ 1,981,670	\$ 20,107,642	\$ 46,712,636	\$ 162,259,591

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

**City of Grand Rapids, Michigan**  
**Reconciliation of the Fund Balances of Governmental Funds to the**  
**Net Position of Governmental Activities on the Statement of Net Position**  
*June 30, 2017*

Total governmental funds, fund balances	\$ 138,151,412
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital assets, at cost	869,445,467
Accumulated depreciation	<u>(576,585,742)</u>
Net capital assets	292,859,725
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the fund statements	
Net OPEB asset	19,577
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. These consist of:	
Deferred on pensions	102,176,310
Deferred on refunding of bonds	1,549,294
Deferred inflows of resources related to pensions yet to be recognized in relation to the pension actuarial calculation	(9,459,820)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	45,971,987
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	(115,657,344)
Premium on bonds	(3,960,046)
Compensated absences	(9,709,043)
Net OPEB obligation	(5,688,569)
Net pension liability	(168,873,244)
Insurance claims	(5,617,452)
Accrued interest on bonds	<u>(1,136,898)</u>
Net position of governmental activities	<u>\$ 260,625,889</u>



**City of Grand Rapids, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
*for the year ended June 30, 2017*

	Major Governmental Funds						Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Streets	Local Streets	Vital Street Capital Construction	Street Capital Construction	General Capital Construction		
Revenues:								
Property taxes	\$ 13,956,041	\$ -	\$ -	\$ -	\$ -	\$ 5,070,808	\$ 20,516,530	\$ 39,543,379
City income taxes	77,409,503	12,538,331	-	-	-	4,073,828	-	94,021,662
State shared taxes	17,742,537	13,282,589	3,544,424	-	-	2,644,539	208,655	37,422,744
Licenses and permits	2,813,046	-	-	-	-	-	4,547,244	7,360,290
Fines and forfeitures	2,349,199	-	-	-	-	-	-	2,349,199
Federal grants	-	468,990	-	241,702	226,830	-	7,780,900	8,718,422
State grants	717,276	-	-	-	-	53,098	129,808	900,182
Other grants & contributions	1,038,600	-	-	-	-	712,852	2,679,520	4,430,972
Charges for services	10,020,785	2,327,838	53,625	10,551	5,240	99,133	10,854,706	23,371,878
Investment earnings (losses)	80,184	(101,288)	(13,231)	41,342	-	(99,310)	(189,967)	(282,270)
Miscellaneous	-	367,749	10,541	-	-	309,664	378,577	1,066,531
<b>Total revenues</b>	<b>126,127,171</b>	<b>28,884,209</b>	<b>3,595,359</b>	<b>293,595</b>	<b>232,070</b>	<b>12,864,612</b>	<b>46,905,973</b>	<b>218,902,989</b>
Expenditures:								
Current:								
General government	28,490,984	-	-	-	-	1,617,534	21,764	30,130,282
Public safety	77,389,116	-	-	-	-	-	8,030,735	85,419,851
Public works	5,641,676	10,713,665	3,731,978	-	10,817	-	12,117,773	32,215,909
Culture and recreation	-	-	-	-	-	-	17,775,381	17,775,381
Urban and community development	5,049,770	-	-	-	-	-	12,842,743	17,892,513
Debt service:								
Principal	101,802	470,000	-	-	-	1,392,186	5,385,658	7,349,646
Interest, fees, and bond issue costs	12,640	1,513,495	-	-	-	583,667	2,253,647	4,363,449
Capital outlay	-	4,990,468	1,395,966	18,516,147	592,981	14,291,483	112,111	39,899,156
<b>Total expenditures</b>	<b>116,685,988</b>	<b>17,687,628</b>	<b>5,127,944</b>	<b>18,516,147</b>	<b>603,798</b>	<b>17,884,870</b>	<b>58,539,812</b>	<b>235,046,187</b>
Excess (deficit) of revenues over expenditures	9,441,183	11,196,581	(1,532,585)	(18,222,552)	(371,728)	(5,020,258)	(11,633,839)	(16,143,198)
Other financing sources (uses):								
Transfers in (Note 9)	8,908,800	1,225,758	2,378,158	7,669,202	-	544,840	22,612,199	43,338,957
Transfers out (Note 9)	(15,919,161)	(10,122,098)	(653,829)	(1,693,227)	-	(3,719,001)	(8,365,891)	(40,473,207)
Sale of capital assets	-	-	-	-	-	-	304,079	304,079
Face value of bonds and contracts issued	-	-	-	-	-	12,045,000	-	12,045,000
<b>Total other financing sources (uses)</b>	<b>(7,010,361)</b>	<b>(8,896,340)</b>	<b>1,724,329</b>	<b>5,975,975</b>	<b>-</b>	<b>8,870,839</b>	<b>14,550,387</b>	<b>15,214,829</b>
<b>Net change in fund balances</b>	<b>2,430,822</b>	<b>2,300,241</b>	<b>191,744</b>	<b>(12,246,577)</b>	<b>(371,728)</b>	<b>3,850,581</b>	<b>2,916,548</b>	<b>(928,369)</b>
Fund balances - beginning	48,662,351	20,467,226	868,949	12,780,447	2,210,593	14,542,737	39,946,866	139,479,169
Current year change in inventory levels	(113,907)	(285,481)	-	-	-	-	-	(399,388)
<b>Fund balances - ending</b>	<b>\$ 50,979,266</b>	<b>\$ 22,481,986</b>	<b>\$ 1,060,693</b>	<b>\$ 533,870</b>	<b>\$ 1,838,865</b>	<b>\$ 18,393,318</b>	<b>\$ 42,863,414</b>	<b>\$ 138,151,412</b>

**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, 2017*

Net change in fund balances - total governmental funds	\$ (928,369)
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 (\$22,653,283) exceeded capital outlays (\$13,622,961).	(9,030,322)
In the statement of activities only the gain on the sale of property and equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the property sold.	(1,217,124)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(12,045,000)
Repayments	7,349,646
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	6
Compensated absences	928,293
Net OPEB obligation	395,101
Net pension liability including deferred inflows and outflows for pension	(24,023,643)
Other	(354,398)
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The governmental share of the net expense of the internal service fund is reported in governmental activities.	<u>(459,719)</u>
Change in net position of governmental activities	<u><u>\$ (39,385,529)</u></u>

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

June 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Major Funds</b>			<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>
	<b>Water Supply System</b>	<b>Sewage Disposal System</b>	<b>Parking System</b>			
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments (Note 2)	\$ 28,283,359	\$ 44,954,644	\$ 24,961,100	\$ 1,237,298	\$ 99,436,401	\$ 51,726,971
Receivables, net	7,173,129	9,883,180	321,857	90,418	17,468,584	979,460
Due from other funds (Note 9)	52,376	-	-	-	52,376	-
Inventory	1,257,204	974,108	-	2,552	2,233,864	849,455
Restricted assets (Note 4)	13,016,768	7,730,000	-	-	20,746,768	3,700,933
Prepaid expenses and other assets	90,000	-	-	-	90,000	-
Total current assets	<u>49,872,836</u>	<u>63,541,932</u>	<u>25,282,957</u>	<u>1,330,268</u>	<u>140,027,993</u>	<u>57,256,819</u>
Noncurrent assets:						
Restricted assets (Note 4)	5,499,235	14,068,256	-	-	19,567,491	-
Other assets	-	-	-	237,155	237,155	-
Net OPEB asset (Note 8)	-	26,751	-	-	26,751	19,577
Investment in joint venture (Note 1)	-	2,472,900	-	-	2,472,900	-
Capital assets: (Note 5)						
Non-depreciable	14,480,398	11,616,074	7,115,639	5,255	33,217,366	840,449
Depreciable	501,569,054	715,143,924	89,073,560	8,699,347	1,314,485,885	48,277,882
Less accumulated depreciation	<u>(200,753,261)</u>	<u>(300,071,529)</u>	<u>(46,946,238)</u>	<u>(4,380,789)</u>	<u>(552,151,817)</u>	<u>(25,133,340)</u>
Total noncurrent assets	<u>320,795,426</u>	<u>443,256,376</u>	<u>49,242,961</u>	<u>4,560,968</u>	<u>817,855,731</u>	<u>24,004,568</u>
Total assets	<u>370,668,262</u>	<u>506,798,308</u>	<u>74,525,918</u>	<u>5,891,236</u>	<u>957,883,724</u>	<u>81,261,387</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions (Note 7)	\$ 9,954,874	\$ 8,412,809	\$ 2,431,908	\$ 344,997	\$ 21,144,588	\$ 9,888,687
Deferred on refunding of bonds	3,954,259	8,469,506	1,451,442	-	13,875,207	1,260
Total deferred outflows of resources	<u>13,909,133</u>	<u>16,882,315</u>	<u>3,883,350</u>	<u>344,997</u>	<u>35,019,795</u>	<u>9,889,947</u>

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

June 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Major Funds</b>			<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>
	<b>Water Supply System</b>	<b>Sewage Disposal System</b>	<b>Parking System</b>			
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers and accounts payable	\$ 940,659	\$ 1,689,684	\$ 1,079,156	\$ 227,216	\$ 3,936,715	\$ 1,018,925
Accrued interest payable	2,095,629	6,028,011	328,022	-	8,451,662	7,374
Due to other governmental units	-	-	-	-	-	392,977
Due to other funds (Note 9)	-	-	-	-	-	122,310
Unearned revenues	662,909	-	-	1,311	664,220	1,413
Current portion of claims payable	-	-	-	-	-	5,179,571
Current maturities of bonds, notes and contracts payable (Note 6)	187,687	97,000	1,330,000	-	1,614,687	210,526
Current portion of compensated absences (Note 6)	539,385	482,028	110,925	22,487	1,154,825	509,617
Current portion of long-term advance	-	-	1,595,000	-	1,595,000	-
Liabilities payable from restricted assets (Note 6):						
Current maturities of bonds, notes and contracts payable	11,235,750	7,730,000	-	-	18,965,750	-
Other	1,781,018	-	-	-	1,781,018	-
Total current liabilities	<u>17,443,037</u>	<u>16,026,723</u>	<u>4,443,103</u>	<u>251,014</u>	<u>38,163,877</u>	<u>7,442,713</u>
Noncurrent liabilities (net of current portion) (Note 6):						
Bonds payable	103,161,926	262,717,580	29,139,329	-	395,018,835	383,391
Contracts and notes payable	1,230,610	89,000	-	-	1,319,610	-
Long-term advance	-	-	1,030,000	-	1,030,000	-
General claims payable	-	-	-	-	-	437,881
Compensated absences	406,904	363,636	83,681	16,964	871,185	384,449
Net pension liability (Note 7)	17,645,429	14,912,054	4,310,658	611,522	37,479,663	17,528,109
Net OPEB obligation (Note 8)	52,843	-	22,604	11,830	87,277	147,500
Total noncurrent liabilities	<u>122,497,712</u>	<u>278,082,270</u>	<u>34,586,272</u>	<u>640,316</u>	<u>435,806,570</u>	<u>18,881,330</u>
Total liabilities	<u>139,940,749</u>	<u>294,108,993</u>	<u>39,029,375</u>	<u>891,330</u>	<u>473,970,447</u>	<u>26,324,043</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions (Note 7)	<u>2,312,019</u>	<u>1,953,874</u>	<u>564,811</u>	<u>80,126</u>	<u>4,910,830</u>	<u>2,296,647</u>
<b>NET POSITION</b>						
Net investment in capital assets	211,710,902	164,524,395	20,225,074	4,323,813	400,784,184	23,392,334
Restricted - Debt Service	11,557,054	21,778,753	-	-	33,335,807	-
Unrestricted	<u>19,056,671</u>	<u>41,314,608</u>	<u>18,590,008</u>	<u>940,964</u>	<u>79,902,251</u>	<u>39,138,310</u>
Total net position	<u>\$ 242,324,627</u>	<u>\$ 227,617,756</u>	<u>\$ 38,815,082</u>	<u>\$ 5,264,777</u>	<u>514,022,242</u>	<u>\$ 62,530,644</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time					<u>9,749,209</u>	
Net position of business-type activities					<u>\$ 523,771,451</u>	

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

for the year ended June 30, 2017

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System			
Operating revenues:						
Charges for services	\$ 1,704,776	\$ 53,886,955	\$ 20,120,530	\$ 1,651,157	\$ 77,363,418	\$ 57,680,414
Sales	41,696,396	84,548	-	288,673	42,069,617	7,747
Miscellaneous	135,385	780,494	-	-	915,879	256,926
Total operating revenues	<u>43,536,557</u>	<u>54,751,997</u>	<u>20,120,530</u>	<u>1,939,830</u>	<u>120,348,914</u>	<u>57,945,087</u>
Operating expenses:						
Personal services	13,683,517	11,285,196	3,637,757	932,667	29,539,137	13,775,936
Supplies and materials	2,110,157	2,263,765	260,281	141,978	4,776,181	2,751,607
Utilities	3,436,777	2,400,821	506,160	176,662	6,520,420	2,650,270
Contractual services	3,028,832	7,534,584	3,263,795	776,769	14,603,980	4,069,284
Other services and charges	5,244,661	2,761,902	4,117,434	242,023	12,366,020	32,015,689
Depreciation	8,887,670	14,734,268	2,520,992	224,243	26,367,173	3,515,721
Total operating expenses	<u>36,391,614</u>	<u>40,980,536</u>	<u>14,306,419</u>	<u>2,494,342</u>	<u>94,172,911</u>	<u>58,778,507</u>
Operating income (loss)	<u>7,144,943</u>	<u>13,771,461</u>	<u>5,814,111</u>	<u>(554,512)</u>	<u>26,176,003</u>	<u>(833,420)</u>
Nonoperating revenues (expenses):						
Other federal revenue	54,657	465,775	133,432	-	653,864	-
State grants	-	-	-	-	-	300,006
Investment earnings (loss)	10,638	(152,532)	(114,957)	(14,095)	(270,946)	239,213
Miscellaneous revenue (expense)	1,116,999	2,234	9,277	-	1,128,510	4,137
Gain on sale of capital assets	-	-	-	3,594	3,594	366,333
Interest expense and paying agent fees	(2,739,010)	(9,116,537)	(1,451,883)	-	(13,307,430)	(21,652)
Total nonoperating revenues (expenses)	<u>(1,556,716)</u>	<u>(8,801,060)</u>	<u>(1,424,131)</u>	<u>(10,501)</u>	<u>(11,792,408)</u>	<u>888,037</u>
Income (loss) before capital contributions and transfers	5,588,227	4,970,401	4,389,980	(565,013)	14,383,595	54,617
Capital contributions	2,864,735	2,409,820	-	-	5,274,555	439,556
Transfers in (Note 9)	2,199,181	-	-	605,310	2,804,491	625,000
Transfers out (Note 9)	(780,639)	(2,782,338)	(644,921)	(313,059)	(4,520,957)	(1,774,284)
Change in net position	9,871,504	4,597,883	3,745,059	(272,762)	17,941,684	(655,111)
Net position - beginning	<u>232,453,123</u>	<u>223,019,873</u>	<u>35,070,023</u>	<u>5,537,539</u>		<u>63,185,755</u>
Net position - ending	<u>\$ 242,324,627</u>	<u>\$ 227,617,756</u>	<u>\$ 38,815,082</u>	<u>\$ 5,264,777</u>		<u>\$ 62,530,644</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					(195,389)	
Change in net position of business-type activities					<u>\$ 17,746,295</u>	

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

for the year ended June 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Major Funds</b>			<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>
	<b>Water Supply System</b>	<b>Sewage Disposal System</b>	<b>Parking System</b>			
Cash flows from operating activities:						
Receipts from customers	\$ 43,182,420	\$ 54,165,468	\$ 20,136,769	\$ 1,951,759	\$ 119,436,416	\$ 58,009,103
Payments to suppliers	(14,818,034)	(15,738,131)	(7,958,131)	(1,934,382)	(40,448,678)	(42,479,349)
Payments to employees	(6,634,660)	(5,381,308)	(2,628,598)	(749,761)	(15,394,327)	(7,215,316)
Payments for payroll taxes and benefits	(3,953,054)	(3,276,888)	64,376	(3,288)	(7,168,854)	(2,680,282)
Other operating receipts	1,116,999	2,234	9,277	-	1,128,510	304,143
Net cash provided (used) by operating activities	<u>18,893,671</u>	<u>29,771,375</u>	<u>9,623,693</u>	<u>(735,672)</u>	<u>57,553,067</u>	<u>5,938,299</u>
Cash flows from noncapital financing activities:						
Other federal receipts	54,657	465,775	133,432	-	653,864	-
Transfers from other funds	2,199,181	-	-	605,310	2,804,491	625,000
Transfers to other funds	(780,639)	(2,782,338)	(644,921)	(313,059)	(4,520,957)	(1,774,284)
Payment of advance	-	-	(1,535,000)	-	(1,535,000)	-
Net cash provided (used) by noncapital financing activities	<u>1,473,199</u>	<u>(2,316,563)</u>	<u>(2,046,489)</u>	<u>292,251</u>	<u>(2,597,602)</u>	<u>(1,149,284)</u>
Cash flows from capital and related financing activities:						
Proceeds from capital debt	50,140,251	126,197	-	-	50,266,448	-
Purchase of capital assets	(14,560,803)	(12,320,006)	(3,184,650)	(379,040)	(30,444,499)	(6,175,789)
Sale of capital assets	-	-	-	-	-	635,410
Principal paid on capital debt	(35,098,038)	(7,698,000)	(1,260,000)	-	(44,056,038)	(274,777)
Interest paid on capital debt	(6,284,480)	(9,607,816)	(1,423,351)	-	(17,315,647)	(24,321)
Net cash used by capital and related financing activities	<u>(5,803,070)</u>	<u>(29,499,625)</u>	<u>(5,868,001)</u>	<u>(379,040)</u>	<u>(41,549,736)</u>	<u>(5,839,477)</u>
Cash flows from investing activities:						
Interest received	166,958	144,554	69,048	(14,095)	366,465	611,787
Net increase (decrease) in equity in pooled cash and investments	14,730,758	(1,900,259)	1,778,251	(836,556)	13,772,194	(438,675)
Equity in pooled cash and investments - beginning of year	20,410,729	46,854,903	23,182,849	2,073,854	92,522,335	55,866,579
Equity in pooled cash and investments - end of year (including \$6,858,128 and \$3,700,933 for the Water System and Internal Service, respectively, reported in restricted accounts)	<u>\$ 35,141,487</u>	<u>\$ 44,954,644</u>	<u>\$ 24,961,100</u>	<u>\$ 1,237,298</u>	<u>\$ 106,294,529</u>	<u>\$ 55,427,904</u>

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

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

for the year ended June 30, 2017

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System			
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 7,144,943	\$ 13,771,461	\$ 5,814,111	\$ (554,512)	\$ 26,176,003	\$ (833,420)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	8,887,670	14,734,268	2,520,992	224,243	26,367,173	3,515,721
Miscellaneous cash received	1,116,999	2,234	9,277	-	1,128,510	304,143
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(554,059)	(515,211)	16,239	7,593	(1,045,438)	(325,735)
Increase in due from other intergovernmental units	-	-	-	-	-	340,870
(Increase) decrease in inventory	177,150	(70,676)	-	4,336	110,810	48,881
Increase in prepaid expenses	(90,000)	-	-	-	(90,000)	470,046
Increase in vouchers and accounts payable	(2,893,662)	450,322	189,539	(598,261)	(2,852,062)	(990,831)
Increase (decrease) in due to other funds	-	-	-	-	-	(171,686)
Increase (decrease) in unearned revenues	115,316	-	-	-	115,316	-
(Increase) decrease in restricted assets	1,893,511	(1,228,021)	-	-	665,490	-
Increase in other liabilities	-	-	-	1,311	1,311	-
Increase in deferred outflows related to pensions	(3,297,174)	(2,729,406)	(1,078,716)	(182,614)	(7,287,910)	(3,988,774)
Decrease in deferred inflows related to pensions	(671,529)	(593,057)	(41,601)	7,357	(1,298,830)	(347,308)
Increase (decrease) in compensated absences	(59,182)	19,388	21,761	(18)	(18,051)	13,683
Increase (decrease) in net pension liability	7,123,769	5,930,149	2,172,109	354,896	15,580,923	8,204,038
Decrease in net OPEB obligation	(81)	(76)	(20)	(3)	(180)	(1,301)
Increase in general claims payable	-	-	-	-	-	(300,028)
	<u>11,748,728</u>	<u>15,999,914</u>	<u>3,809,580</u>	<u>(181,160)</u>	<u>31,377,062</u>	<u>6,771,719</u>
Net cash provided (used) by operating activities	<u>\$ 18,893,671</u>	<u>\$ 29,771,375</u>	<u>\$ 9,623,691</u>	<u>\$ (735,672)</u>	<u>\$ 57,553,065</u>	<u>\$ 5,938,299</u>
Noncash capital activities						
Contributions of capital assets	<u>\$ 2,864,735</u>	<u>\$ 2,132,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,997,483</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, 2017*

	<b>Total Employee Benefit Trust Funds</b>	<b>Agency Tax Fund</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Equity in pooled cash and investments (Note 2)	\$ 1,591,674	\$ 257,945
Investments held by trustee (Note 2):		
Cash and money market funds	9,534,488	-
United States Government Securities	42,669,879	-
State and municipal bonds	892,558	-
Corporate bonds and fixed income comingled funds	132,817,055	-
Common stocks and equity mutual funds	499,058,406	-
Real estate	37,201,768	-
Asset-backed securities	12,908,696	-
Commodities	28,702,817	-
Other	24,526,276	-
Comingled multi-asset portfolio	54,802,723	-
Collateral held by broker under securities lending		
Short-term fixed income	34,544,037	-
Receivables, net:		
Investment securities sold	3,873,109	-
Property taxes	-	351,706
Other accounts	1,515,905	-
Accrued interest and dividends	796,369	-
Total assets	<u>885,435,760</u>	<u>609,651</u>
<b>LIABILITIES</b>		
Compensated absences	41,773	-
Investment securities purchased	1,499,726	-
Vouchers and accounts payable	684,226	-
Due to other funds (Note 9)	28,067	-
Due to other governmental units	-	609,651
Liabilities under securities lending program	34,544,037	-
Total liabilities	<u>36,797,829</u>	<u>\$ 609,651</u>
<b>NET POSITION</b>		
Restricted for pension and OPEB benefits	<u>\$ 848,637,931</u>	



**City of Grand Rapids, Michigan**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
*for the year ended June 30, 2017*

	<b>Total Employee Benefit Trust Funds</b>
<b>ADDITIONS</b>	
Plan Contributions:	
Employer	\$ 29,935,570
Plan members	8,865,167
Total contributions	<u>38,800,737</u>
Investment earnings:	
Interest and dividends	9,669,120
Net appreciation in fair value of investments	<u>62,037,508</u>
Total investment earnings	71,706,628
Investment management expense	<u>(1,962,808)</u>
Net investment earnings	<u>69,743,820</u>
Securities lending earnings	<u>209,978</u>
Total net investment earnings	<u>69,953,798</u>
Total additions	<u>108,754,535</u>
<b>DEDUCTIONS</b>	
Benefits paid	72,008,617
Administration expenses	<u>1,495,978</u>
Total deductions	<u>73,504,595</u>
Change in net position	35,249,940
Net position - beginning	<u>813,387,991</u>
Net position - ending	<u>\$ 848,637,931</u>

**City of Grand Rapids, Michigan**  
**Statement of Net Position**  
**Component Units**  
*June 30, 2017*

	<b>Downtown Development Authority</b>	<b>Tax Increment Financing Authority</b>	<b>SmartZone Local Development Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Corridor Improvement Districts</b>	<b>61st District Court</b>	<b>Totals</b>
<b>ASSETS</b>							
Equity in pooled cash and investments (Note 2)	\$ 9,158,234	\$ 1,486,864	\$ 4,679,038	\$ 2,557,203	\$ 49,188	\$ 753,339	\$ 18,683,866
Investments held by trustee (Note 2)	4,849,267	-	-	-	-	-	4,849,267
Receivables, net	789,550	5,222	16,205	22,496	212	11,622	845,307
Due from other governmental units	-	-	-	-	-	49,594	49,594
Net OPEB asset (Note 8)	5,720	-	2,798	6,509	-	32,228	47,255
Prepaid expenses and other assets	157,754	-	-	-	-	-	157,754
Capital Assets (Note 5):							
Non-depreciable	13,258,882	1,280,000	-	-	-	-	14,538,882
Depreciable	76,792,854	4,027,124	-	-	-	197,884	81,017,862
Less: accumulated depreciation	(53,295,149)	(3,420,503)	-	-	-	(55,935)	(56,771,587)
Total assets	<u>51,717,112</u>	<u>3,378,707</u>	<u>4,698,041</u>	<u>2,586,208</u>	<u>49,400</u>	<u>988,732</u>	<u>63,418,200</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows related to pensions (Note 7)	-	-	-	-	-	7,071,023	7,071,023
Deferred gain on refunding of debt	3,095,372	9,705	-	-	-	-	3,105,077
Total deferred outflows of resources	<u>3,095,372</u>	<u>9,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,071,023</u>	<u>10,176,100</u>
<b>LIABILITIES</b>							
Vouchers payable and accruals	1,419,472	14,839	122,248	715,932	13,216	262,073	2,547,780
Accrued Interest	229,870	1,503	-	-	-	-	231,373
Unearned revenue	66,727	-	-	-	-	-	66,727
Due to participants	7,373	-	-	429,457	-	223,484	660,314
Non-current liabilities :							
Due within 1 year (Note 6)	8,057,941	117,510	11,040	115,536	-	325,699	8,627,726
Due in more than 1 year (Note 6)	27,836,864	107,638	8,328	1,922,949	-	245,702	30,121,481
Net pension liability (Note 7)	-	-	-	-	-	12,533,682	12,533,682
Total liabilities	<u>37,618,247</u>	<u>241,490</u>	<u>141,616</u>	<u>3,183,874</u>	<u>13,216</u>	<u>13,590,640</u>	<u>54,789,083</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows related to pensions (Note 7)	-	-	-	-	-	1,642,245	1,642,245
<b>NET POSITION</b>							
Net investment in capital assets	12,383,252	1,673,126	-	-	-	141,949	14,198,327
Restricted for authorized projects	4,810,985	1,473,796	4,556,425	-	36,184	-	10,877,390
Unrestricted (deficit)	-	-	-	(597,666)	-	(7,315,079)	(7,912,745)
Total net position (deficit)	<u>\$ 17,194,237</u>	<u>\$ 3,146,922</u>	<u>\$ 4,556,425</u>	<u>\$ (597,666)</u>	<u>\$ 36,184</u>	<u>\$ (7,173,130)</u>	<u>\$ 17,162,972</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, 2017

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position						Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	SmartZone			Brownfield Redevelopment Authority	Corridor Improvement Districts		61st District Court
					Tax Increment Financing Authority	Local Development Financing Authority	Corridor Improvement Districts				
Urban & community development:											
Downtown Development Authority	\$ 11,048,151	\$ 661,880	\$ -	\$ (10,386,271)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,386,271)	
Tax Increment Financing Authority	511,066	-	108,171	-	(402,895)	-	-	-	-	(402,895)	
SmartZone Development Authority	1,398,225	71,190	159,222	-	-	(1,167,813)	-	-	-	(1,167,813)	
Brownfield Redevelopment Authority	3,341,357	232,107	289,757	-	-	-	(2,819,493)	-	-	(2,819,493)	
Corridor Improvement Districts	39,721	-	13,073	-	-	-	-	(26,648)	-	(26,648)	
Public safety:											
61st District Court	16,700,419	6,156,789	7,679,501	-	-	-	-	-	(2,864,129)	(2,864,129)	
	<u>\$ 33,038,939</u>	<u>\$ 7,121,966</u>	<u>\$ 8,249,724</u>	<u>(10,386,271)</u>	<u>(402,895)</u>	<u>(1,167,813)</u>	<u>(2,819,493)</u>	<u>(26,648)</u>	<u>(2,864,129)</u>	<u>(17,667,249)</u>	
General revenues:											
Investment earnings (losses)				(40,997)	(9,248)	(24,769)	(8,998)	(117)	(6,678)	(90,807)	
Property taxes				10,573,006	374,957	1,305,464	3,623,307	39,500	-	15,925,234	
Total general revenues				<u>10,532,009</u>	<u>365,709</u>	<u>1,280,695</u>	<u>3,623,309</u>	<u>39,383</u>	<u>(6,678)</u>	<u>15,834,427</u>	
Change in net position				<u>145,738</u>	<u>(37,186)</u>	<u>112,882</u>	<u>803,816</u>	<u>12,735</u>	<u>(2,870,807)</u>	<u>(1,832,822)</u>	
Net position (deficit) - beginning				<u>17,048,499</u>	<u>3,184,108</u>	<u>4,443,543</u>	<u>(1,401,482)</u>	<u>23,449</u>	<u>(4,302,323)</u>	<u>18,995,794</u>	
Net position (deficit) - ending				<u>\$ 17,194,237</u>	<u>\$ 3,146,922</u>	<u>\$ 4,556,425</u>	<u>\$ (597,666)</u>	<u>\$ 36,184</u>	<u>\$ (7,173,130)</u>	<u>\$ 17,162,972</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 on all of the listed authorities as it must annually approve their budgets and their development and tax increment financing plans.

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

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

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

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

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

The City 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 trust money held by the Court are also accounted for as liabilities in the 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, 2017</u>		<u>Year ended June 30, 2017</u>
Total Assets	\$ 174,026,322		
Total Liabilities	\$ 90,717,594		
Total Deferred Inflows of Resources	99,491	Revenues	\$ 7,002,100
Total Net Position	<u>83,209,237</u>	Expenses	<u>(9,120,780)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 174,026,322</u>	Change in Net Position	<u>\$ (2,118,680)</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, 2016</u>		<u>Year ended June 30, 2016</u>
Total Assets	\$ 34,744,858		
Total Liabilities	\$ 10,829,897	Revenues	\$ 14,620,074
Total Net Position	<u>23,914,961</u>	Expenses	<u>(13,903,595)</u>
Total Liabilities and Net Position	<u>\$ 34,744,858</u>	Change in Net Position	<u>\$ 716,479</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, 2017</u>		<u>Year ended June 30, 2017</u>
Total Assets	\$ 30,736,803		
Total Liabilities	\$ 22,601,413	Revenues	\$ (7,968,023)
Total Net Position	<u>8,135,390</u>	Expenses	<u>7,172,930</u>
Total Liabilities and Net Position	<u>\$ 30,736,803</u>	Change in Net Position	<u>\$ (795,093)</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 section and for the Retirement System at [www.grpensions.org](http://www.grpensions.org).

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

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

### 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, pensions, and expenditures related to certain compensated absences. Claims and judgments are recognized when the amount can be reasonably estimated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

The City reports the following classifications:

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

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

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

<u>Function:</u>		<u>Total</u>
<b>Public Safety</b>		
Law Enforcement	\$ 1,559,110	\$ 1,559,110
<b>Urban &amp; community development</b>		
Community development grants	1,937,880	
Home ownership income diversity	358,233	
Special assessments	834,489	3,130,602
<b>Culture and recreation</b>		
Library programs	439,296	
Statue maintenance	70,935	510,231
<b>Public Works</b>		
Major and Local Street work	22,934,095	22,934,095
<b>Authorized projects</b>		
Capital projects-bond proceeds	100,923	100,923
		<u>\$ 28,234,961</u>

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

<u>Function:</u>		<u>Total</u>
<b>Authorized projects</b>		
Transformation projects	\$ 7,945,711	
Streets capital projects	2,372,735	
General capital projects	18,292,395	\$ 28,610,841
<b>Other purposes</b>		
Budget stabilization	12,948,835	
Perpetual care-cemetery	1,070,465	14,019,300
		<u>\$ 42,630,141</u>

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

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

<u>Function:</u>		<u>Total</u>
<b>Culture and recreation</b>		
Library programs	\$ 3,032,548	
Parks & recreation programs	2,693,717	\$ 5,726,265
<b>Public safety</b>		
Community Dispatch	2,308,428	2,308,428
<b>Urban &amp; community development</b>		
Property Management programs	956,932	
Building inspections	5,683,174	
Economic development programs	856,602	
DNR properties	31,055	7,527,763
<b>Public works</b>		
Refuse	4,469,418	
Sidewalk repair	1,479,811	
Vehicle storage	424,150	6,373,379
<b>Ensuing budget year</b>		
Vehicle storage	21,739	
Building Inspections	567,875	589,614
<b>Compensated absences</b>	8,208,479	8,208,479
<b>Other purposes</b>		
Debt service	1,627,621	
Encumbrances-general fund	652,961	2,280,582
		<u>\$ 33,014,510</u>

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

**USE OF RESOURCES**

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

## 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 either in an internal investment pool or through delegation of a portion of the pool to an external investment manager trading an assigned portion of the pool. Each fund's equity in this pool is deemed to be a cash equivalent for financial reporting purposes because cash may be withdrawn at any time without prior notice or penalty.

Bank deposits are stated at cost plus 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.

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

**CAPITAL ASSETS**

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

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

## 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 reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two relate to the City's defined benefit pension plans. Contributions to the City's pension plans subsequent to the measurement date of the net pension liability and before the end of the City's fiscal year are deferred and will reduce the pension liability in the next fiscal year. Differences between projected and actual experience are deferred and amortized according to the schedules in Note 7.

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

### **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 2016, the total assessed value of all real and personal property in the City subject to *ad valorem* taxation was \$4,453,697,782 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 \$643,401,218 by this limitation, reducing City tax revenues by approximately \$5,865,600 for fiscal year 2017.

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

The City's portion of the property tax levy per \$1,000 of taxable value for fiscal year 2017 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	4.0881	4.2600	4.0881
Promotional and advertising	0.0112	\$50,000 maximum	\$50,000 maximum
Refuse collection	1.6000	3.0000	2.7583
Library operating	2.0632	2.1500	2.0632
Library capital	0.3787	0.3950	0.3787
Parks	0.9754	0.9800	0.9754

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 2017.

**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.

**PENSIONS**

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



**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>2017</u>	<u>2016</u>
Unpaid claims - beginning of year	\$ 5,917,480	\$ 5,618,181
Incurred claims, net of changes in estimates	26,192,853	23,210,724
Claim payments	<u>(26,492,881)</u>	<u>(22,911,425)</u>
Unpaid claims - end of year	<u>\$ 5,617,452</u>	<u>\$ 5,917,480</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.

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## 2. Equity in Pooled Cash and Investments

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

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

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

## 2. Equity in Pooled Cash and Investments

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

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

### GENERAL CITY—DEPOSITS

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

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be returned to the City. The City's investment policy seeks to minimize custodial credit risk by limiting the amount of deposits at each bank, savings and loan, or credit union to the amount of federal deposit insurance unless the institution has a bank credit rating of 30 or above by SNL Financial. Most deposits are uninsured and uncollateralized. At year-end, the carrying value of the City's deposits (included in "Equity in Pooled Cash and Investments") was \$74,934,383 and the associated bank balances totaled \$79,800,543. Of the bank balances, \$2,380,157 was covered by federal deposit insurance. Accordingly, the remaining deposits of \$77,420,386 were uninsured and exposed to custodial credit risk.

### GENERAL CITY—INVESTMENTS

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

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk by pre-qualifying broker/dealers, intermediaries and advisors with which the City executes investment transactions by a review of references and the net worth of each investment company and by utilizing a third-party custodial bank for safekeeping of purchased securities. At June 30, 2017, all investments were held by the City's agents in the City's name.

## 2. Equity in Pooled Cash and Investments

### *Concentration of Credit Risk*

The City's Investment Policy aggregates both deposits and investments to calculate the concentration limitation percentage relative to the entire portfolio. Generally accepted accounting principles require disclosure of any investments that exceed 5 percent of total investments. Excluded from this reporting requirement are securities issued by, or explicitly guaranteed by, the U.S. government, and investments in an investment pool or other fund that is itself a pool of other investments, At June 30, 2017 more than 5% of the City's investments were in securities of the following issuers:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	\$ 39,465,123	14.0 %
Federal National Mortgage Association	34,037,914	12.1
Federal Home Loan Mortgage Corp.	20,458,946	7.3
Federal Farm Credit Bank	16,193,970	5.7

### *Credit Risk*

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

<u>Fair value by Investment Type</u>	<u>S&amp;P Rating or Equivalent</u>				Not subject to credit risk
	Total	AAA / A-1	AA / A-2	A / A-3	
U.S. Treasury Obligations	\$ 91,084,553	\$ -	\$ -	\$ -	\$ 91,084,553
U.S. Government Agencies	110,155,953	27,175,305	82,980,648	-	-
Michigan municipal securities	52,503,030	6,702,107	43,617,878	2,183,045	-
Commercial Paper	16,369,745	16,369,745	-	-	-
Money Market Mutual Funds	8,108,810	8,108,810	-	-	-
	<u>\$278,222,091</u>	<u>\$ 58,355,967</u>	<u>\$126,598,526</u>	<u>\$ 2,183,045</u>	<u>\$ 91,084,553</u>

### *Interest Rate Risk*

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

## 2. Equity in Pooled Cash and Investments

At June 30, 2017 the City's investments had the following maturities:

<u>Investment Type</u>	<u>Weighted average maturity (yrs)</u>
U. S. Treasury bills	0.05
U. S. Treasury notes	1.80
U. S. Agency bonds	2.19
Michigan municipal bonds	1.27
Commercial paper	0.15
Money market mutual funds	<0.25

### ***Fair value measurement***

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

The value of the City's investment portfolio at June 30, 2017 was developed using the following inputs:

		<u>Fair Value Measurements Using</u>		
		Quoted prices for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments measured at fair value</b>	<u>Reported value at June 30, 2017</u>			
U.S. Treasury	\$ 91,084,553	\$ 91,084,553	\$ -	\$ -
U.S. government agency	110,155,953	70,227,660	39,928,293	-
Michigan municipal securities	52,503,030	-	52,503,030	-
Commercial Paper	16,369,745	-	16,369,745	-
Total measured at fair value level	<u>270,113,281</u>	<u>\$ 161,312,213</u>	<u>\$ 108,801,068</u>	<u>\$ -</u>
<b>Investments measured at net asset value</b>				
Money Market Mutual Funds	<u>8,108,810</u>			
Total measured at net asset value	<u>8,108,810</u>			
<b>Total investments at fair value</b>	<u>\$ 278,222,091</u>			

## 2. Equity in Pooled Cash and Investments

### **RETIREMENT SYSTEMS—DEPOSITS**

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

### **RETIREMENT SYSTEMS—INVESTMENTS**

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

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

Custodial Credit Risk for investments is the risk that in the event of the failure of the counter-party to a transaction, the system will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Custodial Credit Risk is minimized by having most investments either in the form of open end mutual funds, or held by the system's agent, Northern Trust Co., in the name of the system. As of December 31, 2016, no cash equivalents of the Police and Fire Retirement System (P&F) were exposed to custodial credit risk. As of June 30, 2017, no General Retirement System (GRS) cash equivalents were exposed to custodial credit risk.

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

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

## 2. Equity in Pooled Cash and Investments

### *Credit Risk*

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

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

	<u>P&amp;F at December 31, 2016</u>	<u>GRS at June 30, 2017</u>
S&P AAA	\$ 3,196,955	\$ 2,525,172
S&P AA	2,752,265	2,677,568
S&P A	54,812,993	58,195,542
S&P BBB	6,522,482	7,275,104
S&P BB	467,010	499,050
S&P B	211,750	213,490
S&P CCC	433,230	426,513
S&P CC	18,746	14,901
S&P D	35,755	28,261
U.S. Gov't obligations - not subject to credit risk	10,906,659	22,218,918
Unrated securities and funds	<u>12,390,051</u>	<u>3,465,772</u>
Total Portfolio	<u>\$ 91,747,896</u>	<u>\$ 97,540,291</u>

## 2. Equity in Pooled Cash and Investments

### Interest Rate Risk

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

<b>P&amp;F at December 31, 2016:</b>	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
<b><u>Fixed Income</u></b>					
United State government obligations	\$ 20,355,354	\$ -	\$ 4,522,746	\$ 2,474,535	\$ 13,358,073
State and municipal bonds	431,880	-	-	55,401	376,479
Corporate bonds and fixed income commingled funds	64,346,783	525,292	8,894,167	49,735,270	5,192,054
Asset backed securities	6,613,879	11,060	1,740,133	957,105	3,905,581
<b>Total</b>	<b>91,747,896</b>	<b>536,352</b>	<b>15,157,046</b>	<b>53,222,311</b>	<b>22,832,187</b>
<b><u>Other</u></b>					
Cash and money market mutual funds	5,401,356	5,401,356	-	-	-
Investments held as collateral for securities lending	18,937,498	18,937,498	-	-	-
<b>Total</b>	<b>24,338,854</b>	<b>24,338,854</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>\$ 116,086,750</b>	<b>\$ 24,875,206</b>	<b>\$ 15,157,046</b>	<b>\$ 53,222,311</b>	<b>\$ 22,832,187</b>

At June 30, 2017, the GRS investments had the following maturities:

<b>GRS at June 30, 2017:</b>	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
<b><u>Equities</u></b>					
<b><u>Fixed Income</u></b>					
United State government obligations	\$ 22,314,525	\$ -	\$ 4,873,983	\$ 2,703,706	\$ 14,736,836
State and municipal bonds	460,678	-	44,996	-	415,682
Corporate bonds and fixed income commingled funds	68,470,271	837,266	8,269,001	54,348,891	5,015,113
Asset backed securities	6,294,817	-	1,435,187	705,378	4,154,252
<b>Total</b>	<b>97,540,291</b>	<b>837,266</b>	<b>14,623,167</b>	<b>57,757,975</b>	<b>24,321,883</b>
<b><u>Other</u></b>					
Cash and money market funds	4,133,132	4,133,132	-	-	-
Investments held as collateral for securities lending	15,606,539	15,606,539	-	-	-
<b>Total</b>	<b>19,739,671</b>	<b>19,739,671</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>\$ 117,279,962</b>	<b>\$ 20,576,937</b>	<b>\$ 14,623,167</b>	<b>\$ 57,757,975</b>	<b>\$ 24,321,883</b>

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



## 2. Equity in Pooled Cash and Investments

### Foreign Currency Risk

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

	<u>Total Fair Value</u>	<u>Equities</u>	<u>Private Equity Partnerships</u>	<u>Government Obligations</u>	<u>Corporate Bonds and Comingled Funds</u>
<b>P&amp;F at December 31, 2016:</b>					
U.S. Dollars	\$ 94,319,353	\$ 81,960,902	\$ 3,639,340	\$ 88,875	\$ 8,630,236
<b>GRS at June 30, 2017:</b>					
U.S. Dollars	\$ 107,918,088	\$ 94,123,961	\$ 4,990,161	\$ 95,608	\$ 8,708,358

### Securities Lending Risk

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

As of December 31, 2016, the P&F had the following balances related to securities lending transactions:

<u>Investment Type</u>	<u>Fair Value of Loaned</u>	
	<u>Securities Collateralized by Cash Collateral</u>	<u>Cash Collateral Received</u>
U.S. Corporate Fixed Income	\$ 2,475,694	\$ 2,541,742
U.S. Equities	11,484,894	11,791,226
U.S. Govt. Fixed Income	4,506,175	4,604,530
	<u>\$ 18,466,763</u>	<u>\$ 18,937,498</u>

## 2. Equity in Pooled Cash and Investments

As of June 30, 2017, the GRS had the following balances related to securities lending transactions:

<u>Investment Type</u>	<u>Fair Value of Loaned Securities Collateralized by Cash Collateral</u>	<u>Cash Collateral Received</u>
U.S. Corporate Fixed Income	\$ 1,912,049	\$ 1,958,189
U.S. Equities	10,705,943	10,900,540
U.S. Govt. Fixed Income	2,688,956	2,747,810
	<u>\$ 15,306,948</u>	<u>\$ 15,606,539</u>

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

### ***Fair Value Measurement***

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

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

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

## 2. Equity in Pooled Cash and Investments

<b><u>Police &amp; Fire Retirement System</u></b>	Reported value at December 31, 2016	<b>Fair Value Measurements Using</b>		
		Quoted prices for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by Fair Value Level</b>				
United States government obligations	\$ 20,355,354	\$ 20,355,354	\$ -	\$ -
State and municipal bonds	431,880	431,880	-	-
Corporate bonds and fixed income commingled funds	64,346,783	18,191,224	46,155,559	-
Common stocks and equity mutual funds	240,487,092	103,489,029	136,998,063	-
Real estate security fund	17,961,142	-	17,961,142	-
Asset backed securities	6,613,879	6,613,879	-	-
Commodities	14,331,487	-	14,331,487	-
Private equity partnerships	11,278,926	-	-	11,278,926
Securities lending collateral pool	18,937,498	18,937,498	-	-
	<u>\$ 394,744,041</u>	<u>\$ 168,018,864</u>	<u>\$ 215,446,251</u>	<u>\$ 11,278,926</u>
<b>Investments measured at amortized cost</b>				
Cash and money market funds	5,401,356			
<b>Total investments</b>	<u>\$ 400,145,397</u>			

<b><u>General Retirement System</u></b>	Reported value at June 30, 2017	<b>Fair Value Measurements Using</b>		
		Quoted prices for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by Fair Value Level</b>				
United States government obligations	\$ 22,314,525	\$22,314,525	\$ -	\$ -
State and municipal bonds	460,678	460,678	-	-
Corporate bonds and fixed income commingled funds	68,470,272	18,511,853	49,958,419	-
Common stocks and equity mutual funds	258,571,314	114,319,037	144,252,277	-
Real estate security fund	19,240,626	-	19,240,626	-
Asset backed securities	6,294,817	6,294,817	-	-
Commodities	14,371,330	-	14,371,330	-
Private equity partnerships	13,247,350	-	-	13,247,350
Securities lending collateral pool	15,606,539	15,606,539	-	-
	<u>\$ 418,577,451</u>	<u>\$ 177,507,449</u>	<u>\$ 227,822,652</u>	<u>\$ 13,247,350</u>
<b>Investments measured at amortized cost</b>				
Cash and money market funds	4,133,132			
<b>Total investments</b>	<u>\$ 422,710,583</u>			

### 3. Stewardship, Compliance and Accountability

The legal level of budgetary control is the department level within each fund. With the exception of the General Fund, Major and Local Street Funds and various Capital Project and Grant Funds where authorized appropriations span multiple years, funds contain the operations of a single department. For the year ended June 30, 2017, expenditures did not exceeded appropriations in any of the annually budgeted governmental funds.

The 311 Program Fund, an internal service funds that provides centralized customer services to other City funds, ended the year with a deficit of \$631,548. The deficit is solely the result of the adoption of a new accounting standard requiring the inclusion of net pension liability, a non-current liability, in the financial statements of full accrual funds. Cash required to pay current operating and capital costs of the fund are provided on an ongoing basis by charges to other funds. Funding will be available from those funds in the future when non-current liabilities mature.

The 61<sup>st</sup> District Court Fund, a discretely presented component unit, had a fund deficit of \$7,173,130 at June 30, 2017. The deficit is solely the result of the adoption of a new accounting standard requiring the inclusion of net pension liability, a non-current liability, in the financial statements of full accrual funds. The General Fund is required to provide funding for the District Court, so future funding will be available when needed to fund these liabilities.

The Brownfield Redevelopment Authority, a discretely presented component unit, had a fund deficit of \$597,666 at June 30, 2017. 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, 2017 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	\$ 6,858,128	\$ -	\$ -	\$ 6,858,128
Funds held by trustee	11,557,054	21,778,753	3,700,933	37,036,740
Loans receivable	<u>100,821</u>	<u>19,503</u>	<u>-</u>	<u>120,324</u>
Total restricted assets	<u><u>\$ 18,516,003</u></u>	<u><u>\$ 21,798,256</u></u>	<u><u>\$ 3,700,933</u></u>	<u><u>\$ 44,015,192</u></u>

## 5. Capital Assets

Capital assets at June 30, 2017 are summarized as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 15,957,568	\$ -	\$ 18,957	\$ 15,938,611
Easement/Right of Way	753,382	8,667	-	762,049
Construction in progress	<u>6,778,573</u>	<u>11,449,049</u>	<u>1,540,648</u>	<u>16,686,974</u>
Total capital assets, not being depreciated	<u>23,489,523</u>	<u>11,457,716</u>	<u>1,559,605</u>	<u>33,387,634</u>
Capital assets, being depreciated:				
Land improvements	44,675,474	1,624,188	2,947,568	43,352,094
Buildings and structures	176,838,799	669,810	710,141	176,798,468
Machinery and equipment	26,968,598	1,242,514	4,315,811	23,895,301
Motor vehicles	50,906,615	5,411,536	3,759,518	52,558,633
Furniture	2,713,163	-	74,131	2,639,032
Software	1,177,209	139,312	1,095,209	221,312
Infrastructure	<u>535,424,043</u>	<u>1,168,950</u>	<u>-</u>	<u>536,592,993</u>
Total capital assets, being depreciated	<u>838,703,901</u>	<u>10,256,310</u>	<u>12,902,378</u>	<u>836,057,833</u>
Less accumulated depreciation for:				
Land improvements	29,605,520	1,628,939	2,187,180	29,047,279
Buildings and structures	99,531,483	5,213,899	470,543	104,274,839
Machinery and equipment	21,610,305	1,048,511	4,182,557	18,476,259
Motor vehicles	27,491,911	3,609,191	3,759,518	27,341,584
Furniture	2,527,045	45,316	74,131	2,498,230
Software	825,947	36,223	826,132	36,038
Infrastructure	<u>380,324,588</u>	<u>14,586,925</u>	<u>-</u>	<u>394,911,513</u>
Total accumulated depreciation	<u>561,916,799</u>	<u>26,169,004</u>	<u>11,500,061</u>	<u>576,585,742</u>
Total capital assets, being depreciated, net	<u>276,787,102</u>	<u>(15,912,694)</u>	<u>1,402,317</u>	<u>259,472,091</u>
Governmental activities capital assets, net	<u>\$ 300,276,625</u>	<u>\$ (4,454,978)</u>	<u>\$ 2,961,922</u>	<u>\$ 292,859,725</u>

5. Capital Assets, continued:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 15,048,228	\$ -	\$ -	\$ 15,048,228
Easement/Right of Way	1,375,089	395,420	12,536	1,757,973
Construction in progress	<u>17,079,353</u>	<u>27,012,613</u>	<u>27,680,801</u>	<u>16,411,165</u>
Total capital assets, not being depreciated	<u>33,502,670</u>	<u>27,408,033</u>	<u>27,693,337</u>	<u>33,217,366</u>
Capital assets, being depreciated:				
Land improvements	27,079,357	2,635,471	83,927	29,630,901
Buildings and structures	204,895,983	3,255,801	22,168	208,129,616
Storage tanks	20,291,868	-	-	20,291,868
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	224,310,040	5,422,023	422,788	229,309,275
Motor vehicles	2,461,609	2,377,282	579,657	4,259,234
Furniture	1,721,954	-	-	1,721,954
Sewer service mains	494,575,878	10,305,076	-	504,880,954
Water mains	297,318,101	11,377,543	-	308,695,644
Intangibles & Software	<u>190,958</u>	<u>-</u>	<u>-</u>	<u>190,958</u>
Total capital assets, being depreciated	<u>1,280,221,229</u>	<u>35,373,196</u>	<u>1,108,540</u>	<u>1,314,485,885</u>
Less accumulated depreciation for:				
Land improvements	20,191,837	767,767	41,675	20,917,929
Buildings and structures	104,119,217	5,052,062	20,262	109,151,017
Storage tanks	11,715,730	477,749	-	12,193,479
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	141,976,041	6,247,177	813,508	147,409,710
Motor vehicles	2,019,181	21,444	188,937	1,851,688
Furniture	1,682,505	9,358	-	1,691,863
Sewer service mains	158,321,503	9,733,630	-	168,055,133
Water mains	79,428,644	4,019,847	-	83,448,491
Intangibles & Software	<u>18,887</u>	<u>38,139</u>	<u>-</u>	<u>57,026</u>
Total accumulated depreciation	<u>526,849,026</u>	<u>26,367,173</u>	<u>1,064,382</u>	<u>552,151,817</u>
Total capital assets, being depreciated, net	<u>753,372,203</u>	<u>9,006,023</u>	<u>44,158</u>	<u>762,334,068</u>
Business-type activities capital assets, net	<u>\$ 786,874,873</u>	<u>\$ 36,414,056</u>	<u>\$ 27,737,495</u>	<u>\$ 795,551,434</u>

**5. Capital Assets, continued:**

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

<b>Governmental activities</b>	
General government	\$ 1,893,247
Public safety	1,643,736
Public works	15,133,249
Culture and recreation	2,164,780
Community and economic development	1,818,271
Capital assets held by the government's internal service funds	<u>3,515,721</u>
Total depreciation expense - governmental activities	<u>\$ 26,169,004</u>
<b>Business-type activities</b>	
Water	\$ 8,887,670
Sewer	14,734,267
Auto parking	2,520,992
Other	<u>224,244</u>
Total depreciation expense - business-type activities	<u>\$ 26,367,173</u>

**DISCRETELY PRESENTED COMPONENT UNITS**

Activity for the 61st District Court for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated:				
Motor vehicles	47,104	-	-	47,104
Intangibles/Software	150,780	-	-	150,780
Total capital assets, being depreciated	<u>197,884</u>	<u>-</u>	<u>-</u>	<u>197,884</u>
Less accumulated depreciation for:				
Motor vehicles	23,132	2,689	-	25,821
Intangibles/Software	-	30,114	-	30,114
Total accumulated depreciation	<u>23,132</u>	<u>32,803</u>	<u>-</u>	<u>55,935</u>
Total capital assets, being depreciated, net	<u>174,752</u>	<u>(32,803)</u>	<u>-</u>	<u>141,949</u>
61st District Court capital assets, net	<u>\$ 174,752</u>	<u>\$ (32,803)</u>	<u>\$ -</u>	<u>\$ 141,949</u>

**5. Capital Assets, continued:**

Activity for the Downtown Development Authority for the year ended June 30, 2017 was as follows:

	<b>Balance</b> <b>July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b> <b>June 30, 2017</b>
Capital assets, not being depreciated:				
Land	13,258,882	-	-	13,258,882
Total capital assets, not being depreciated	<u>13,258,882</u>	<u>-</u>	<u>-</u>	<u>13,258,882</u>
Capital assets, being depreciated:				
Land improvements	7,626,373	-	-	7,626,373
Buildings and structures	59,948,100	-	-	59,948,100
Machinery and equipment	6,123,062	-	-	6,123,062
Furniture	2,827,540	-	-	2,827,540
Infrastructure	267,779	-	-	267,779
Total capital assets, being depreciated	<u>76,792,854</u>	<u>-</u>	<u>-</u>	<u>76,792,854</u>
Less accumulated depreciation for:				
Land improvements	5,785,719	285,409	-	6,071,128
Buildings and structures	38,955,916	1,995,244	-	40,951,160
Machinery and equipment	3,896,958	241,763	-	4,138,721
Furniture	1,861,547	94,076	-	1,955,623
Infrastructure	172,576	5,941	-	178,517
Total accumulated depreciation	<u>50,672,716</u>	<u>2,622,433</u>	<u>-</u>	<u>53,295,149</u>
Total capital assets, being depreciated, net	<u>26,120,138</u>	<u>(2,622,433)</u>	<u>-</u>	<u>23,497,705</u>
Downtown Development Authority capital assets, net	<u>\$ 39,379,020</u>	<u>\$ (2,622,433)</u>	<u>\$ -</u>	<u>\$ 36,756,587</u>



**5. Capital Assets, continued:**

Activity for the Tax Increment Financing Authority for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Total capital assets, not being depreciated	<u>1,280,000</u>	<u>-</u>	<u>-</u>	<u>1,280,000</u>
Capital assets, being depreciated:				
Land improvements	3,853,469	-	-	3,853,469
Buildings and structures	<u>173,655</u>	<u>-</u>	<u>-</u>	<u>173,655</u>
Total capital assets, being depreciated	<u>4,027,124</u>	<u>-</u>	<u>-</u>	<u>4,027,124</u>
Less accumulated depreciation for:				
Land improvements	3,073,870	189,982	-	3,263,852
Buildings and structures	<u>148,161</u>	<u>8,490</u>	<u>-</u>	<u>156,651</u>
Total accumulated depreciation	<u>3,222,031</u>	<u>198,472</u>	<u>-</u>	<u>3,420,503</u>
Total capital assets, being depreciated, net	<u>805,093</u>	<u>(198,472)</u>	<u>-</u>	<u>606,621</u>
Tax Increment Financing Authority capital assets, net	<u>\$ 2,085,093</u>	<u>\$ (198,472)</u>	<u>\$ -</u>	<u>\$ 1,886,621</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, 2017. The major projects include various Water Supply System, Sewage Disposal System and Street Construction Projects. At year-end, the City's major commitments with contractors are as follows:

<u>Fund</u>	<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water	Various water mains and system construction projects	\$ 13,180,891	\$ 1,689,404
Sewer	Various sewer mains and system construction projects	9,702,944	3,172,645
Streets Capital	Various street construction projects	592,981	92,749
Vital Streets Capital	Various vital street construction projects	<u>20,209,374</u>	<u>109,880</u>
	Total	<u>\$ 43,686,190</u>	<u>\$ 5,064,678</u>

## 6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	<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	\$ 85,376,767	\$ 12,045,000	\$ (6,209,423)	\$ 91,212,344	\$ 25,489,735
Revenue bonds	25,860,000	-	(1,415,000)	24,445,000	1,495,000
Premium on bonds	4,260,498	-	(260,200)	4,000,298	-
Discount on bonds	(43,606)	-	3,354	(40,252)	-
Total bonds & contracts payable	115,453,659	12,045,000	(7,881,269)	119,617,390	26,984,735
Insurance Claims	5,917,480	26,192,853	(26,492,881)	5,617,452	5,179,571
Compensated absences	10,623,654	9,177,860	(10,092,471)	9,709,043	5,534,154
Net OPEB Obligation	6,084,932	-	(396,363)	5,688,569	-
Total Long-term Liabilities-					
Governmental Activities	<u>\$ 138,079,725</u>	<u>\$ 47,415,713</u>	<u>\$ (44,862,984)</u>	<u>\$ 140,632,454</u>	<u>\$ 37,698,460</u>
<b>Business-Type Activities</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 32,050,334	\$ -	\$ (1,536,037)	\$ 30,514,297	\$ 1,614,687
Revenue bonds	346,416,792	42,044,530	(43,198,915)	345,262,407	18,965,750
Premium on bonds	35,622,739	8,221,918	(2,558,512)	41,286,145	-
Discount on bonds	(385,934)	-	241,967	(143,967)	-
Total bonds & contracts payable	413,703,931	50,266,448	(47,051,497)	416,918,882	20,580,437
Compensated absences	2,044,061	1,923,807	(1,941,858)	2,026,010	1,154,825
Net OPEB Obligation	87,381	-	(104)	87,277	-
Total Long-term Liabilities-					
Business-Type Activities	<u>\$ 415,835,373</u>	<u>\$ 52,190,255</u>	<u>\$ (48,993,459)</u>	<u>\$ 419,032,169</u>	<u>\$ 21,735,262</u>
<b>Component Units</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 31,029,300	\$ 25,280,000	\$ (25,263,100)	\$ 31,046,200	\$ 4,279,900
Revenue bonds	1,668,726	-	(789,572)	879,154	734,601
Accrued interest	6,186,484	587,984	(3,205,428)	3,569,040	3,260,399
Premium on bonds	132,560	2,776,194	(272,934)	2,635,820	-
Total bonds & contracts payable	39,017,070	28,644,178	(29,531,034)	38,130,214	8,274,900
Compensated absences	581,142	530,938	(493,087)	618,993	352,826
Total Long-term Liabilities-					
Component Units	<u>\$ 39,598,212</u>	<u>\$ 29,175,116</u>	<u>\$ (30,024,121)</u>	<u>\$ 38,749,207</u>	<u>\$ 8,627,726</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)	10-17 to 10-21	4 - 5%	\$ 1,470,000
2010A Grand Rapids Building Authority Bonds (736 Madison-1120 Monroe)	10-33 to 10-39	6.5%	1,770,000
2010B Grand Rapids Building Authority Bonds (736 Madison-1120 Monroe-taxable)	10-17 to 10-32	4.6-6.33%	2,310,000
2009 Grand Rapids Building Authority Refunding (Archive Center Ph I)	8-17 to 8-18	3.75%	275,000
2009 Grand Rapids Building Authority Refunding (Police Facilities)	8-17 to 8-20	3.75 - 4.811%	7,265,000
2004A Grand Rapids Building Authority (Condo II-sublease)	10-17 to 10-28	5.2 - 5.75%	12,065,000
2002A Grand Rapids Building Authority (Condo II)	10-17 to 10-28	4.875 - 5.5%	12,380,000
1998 Grand Rapids Building Authority (Library)	4-18	5%	2,080,000
2016 LTGO Refunding Bonds	10-18 to 10-27	3 - 5%	7,595,000
2012 Grand Rapids Brownfield Redevelopment Authority Purchase Agreement	6-18 to 6-23	2.1%	314,800
2017 Capital Improvement Bonds Cemeteries	2-18 - 2-27	.90-2.65%	3,600,000
2016 Capital Improvement Bonds Vital Streets	4-18 to 4-26	2 - 5%	15,245,000
2015 Capital Improvement Bonds Vital Streets	8-20	1.79%	15,000,000
2014 Capital Improvement Bonds Vital Streets	10-17	1.33%	17,000,000
2013 Capital Improvement Bonds	8-17 to 8-29	2.98%	2,370,000
2007 Capital Improvement Bonds	9-17	5%	795,000
Kent County Drain Commission Contract payable (2016)	11-17 to 11-36	2 - 5%	8,445,000
Kent County Drain Commission Contract payable (2014)	11-17 to 11-34	3 - 4%	4,200,000
Kent County Drain Commission Contract payable (2008 Floodwalls)	11-17 to 11-20	4 - 4.25%	1,357,800
Kent County Dran commission Contract payable (2013A Shawmut Drain)	4-18 to 4-19	1.14%	119,744
			<u>115,657,344</u>
Other:			
Insurance claims			5,617,452
Compensated absences			9,709,043
Net OPEB obligation			5,688,569
Unamortized bond premium			4,000,298
Unamortized bond discount			<u>(40,252)</u>
			140,632,454
Less amounts due within one year:			
Bonds & contracts payable			(26,984,735)
Insurance claims			(5,179,571)
Compensated absences			<u>(5,534,154)</u>
			<u>(37,698,460)</u>
Total Long-Term Portion Governmental Activities			<u>\$ 102,933,994</u>

6. Long-Term Obligations continued:

<u>Business-Type Activities</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Bonds and Contracts:			
2016 Water Supply System Revenue Refunding Bonds	1-19 to 1-46	3 - 5%	\$ 36,740,000
2015 Water Supply System Revenue Refunding Bonds	1-19 to 1-35	5%	25,370,000
2013 Water Supply System Revenue Refunding Bonds	1-18 to 1-28	2 - 4%	2,175,000
2010 Water Supply System Revenue Refunding Bonds	1-18	5%	6,930,000
2009 Water Supply System Revenue Bonds	1-19	5%	715,000
1993 Water Supply System Revenue Bonds	1-17 to 1-20	4.05 - 4.45%	10,500,000
2015 Water Supply System Junior Lien Revenue Bonds	10-17 to 10-36	2.5%	8,946,838
2014 Water Supply System Junior Lien Revenue Bonds	10-16 to 10-34	2.5%	2,665,000
2012 Water Supply System Junior Lien Revenue Bonds	10-16 to 10-33	2.5%	2,865,930
2012A Water Supply System Junior Lien Revenue Bonds	4-17 to 4-33	2%	563,514
2011A Water Supply System Junior Lien Revenue Bonds	10-16 to 10-31	2.5%	694,752
2011B Water Supply System Junior Lien Revenue Bonds	4-17 to 4-32	2.5%	616,549
2011C Water Supply System Junior Lien Revenue Bonds	4-17 to 4-33	2.5%	2,306,024
2016 Sanitary Sewer System Revenue Refunding Bonds	1-19 to 1-38	4 - 5%	48,410,000
2014 Sanitary Sewer System Revenue Refunding Bonds	1-17 to 1-44	4 - 5%	53,755,000
2013 Sanitary Sewer System Revenue Refunding Bonds	1-17 to 1-34	3 - 5%	36,035,000
2012 Sanitary Sewer System Revenue Bonds	1-17 to 1-42	4 - 5%	26,485,000
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	1-17 to 1-25	3 - 4%	2,195,000
2010 Sanitary Sewer System Revenue Refunding Bonds	1-23 to 1-28	5%	29,625,000
2008 Sanitary Sewer System Revenue Bonds	1-17 to 1-18	4 - 5%	1,595,000
1998 Sanitary Sewer System Refunding and Improvement Revenue Bonds	1-17 to 1-22	5.5%	18,730,000
2013 Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-17 to 4-34	2%	969,125
2011A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-17 to 4-32	2.5%	3,679,305
2011B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-17 to 4-33	2.5%	1,365,370
2016 Limited Tax General Obligation Refunding Bonds	10-17 to 10-36	2 - 5%	11,985,000
2011 Grand Rapids Building Authority Refunding Bonds (Ottawa/Fulton)	10-16 to 10-20	3 - 4.669%	1,700,000
2011 Grand Rapids Building Authority Refunding Bonds (Monroe Center)	10-16 to 10-31	3 - 5%	8,480,000
2010C Grand Rapids Building Authority Bonds (Gallery)	10-16 to 10-35	2.95 - 5.9%	5,935,000
2008 Grand Rapids Building Authority Bonds (Weston/Commerce)	10-16 to 10-18	4.5 - 5%	810,000
2014 Water Supply System QECB/IPA	1-17 to 1-24	0.0254	1,418,297
Kent County Drain Commission Contract Payable (2008 Floodwall Refunding)	11-16 to 11-20	4 - 4.25%	186,000
			375,776,704

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

**Business-Type Activities, continued**

Other:

Bond premium	41,286,145
Bond discount	(143,967)
Compensated absences	2,026,010
Net OPEB obligation	<u>87,277</u>
Less amounts due within one year:	419,032,169
Bonds & contracts payable	(20,580,437)
Compensated absences	<u>(1,154,825)</u>
	<u>(21,735,262)</u>
Total Long-Term Portion Business-Type Activities	<u>\$ 397,296,907</u>

**Governmental Funds Component Units**

Bonds and Contracts:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2017 Downtown Development Authority TIF Refunding Bonds	5-18 to 5-22	4 - 5%	\$ 24,855,000
2009 Downtown Development Authority MMBA Refunding Bonds	5-18 to 5-19	4 - 5%	3,855,000
1994 Downtown Development Authority Tax Increment Revenue Bonds	6-18 to 6-19	7.35%	879,154
Kent County Drain Commission Contracts Payable (2008 Floodwall Refunding)	11-17 to 11-20	4 - 4.25%	316,200
2012 Brownfield Redevelopment Authority Bonds	6-18 to 6-32	2 - 4%	<u>2,020,000</u>
Other:			31,925,354
Accrued interest on Capital appreciation portion of 1994 issue			3,569,040
Compensated absences			618,993
Unamortized bond premium			<u>2,635,820</u>
			38,749,207
Less amounts due within one year:			(8,274,900)
Bonds & contracts payable			(352,826)
Compensated absences			<u>(8,627,726)</u>
Total Long-Term Portion Governmental Component Units			<u>\$ 30,121,481</u>

## 6. Long-Term Obligations, continued:

On September 22, 2016 the City of Grand Rapids issued Water Supply System Revenue Improvement and Refunding Bonds, Series 2016 in the amount of \$36,740,000 with interest rates ranging from 3% to 5% with maturities at varying amounts from January 2019 to 2046. The net proceeds of \$44,739,376 (including a premium of \$8,221,918 less underwriter's discount of \$222,542) were used for issue costs of the bonds, paying for certain improvements to the City's Water Supply System, and deposited into an escrow fund for the redemption of \$24,395,000 of Series 2009 Water bonds. The net present value savings is \$3,586,808, actual savings is \$4,726,856. The bonds are self-liquidating bonds and are not a general obligation of the City. Debt service will be funded solely from the net revenues derived from operation of the Water System.

On November 15, 2016 the City of Grand Rapids entered into an agreement with the County of Kent, Office of the Drain Commissioner to finance the Grand River Floodwalls and Embankments Drain Bonds, Series 2016. The County issued the bonds in the amount of \$8,445,000 with interest rates ranging from 2% to 5% with maturities at varying amounts from November 2017 to 2036. The proceeds were used for issue costs of the bonds and costs of improvements to existing flood control facilities.

On March 8, 2017, the Downtown Development Authority issued Limited Tax General Obligation Refunding and Improvement Bonds in the amount of \$25,280,000. Interest rates range from 4% to 5% with maturities at varying amounts from May 2017 to 2022. The net proceeds of \$27,931,204 (including a reoffering premium of \$2,776,194 less underwriter's discount of \$124,990) were used for issue costs of the bonds, the refunding of a portion of the Downtown Development Authority Refunding Bonds series 2009, and \$1,125,818 deposited into a project fund for streetscape and river walk capital improvements. The net present value savings is \$1,024,228, actual savings is \$1,750,376.

On April 5, 2017, the City of Grand Rapids Issued General Obligation Limited Tax Capital Improvement Bonds Series 2017 in the amount of \$3,600,000 with interest rates ranging from 0.9% to 2.65% with maturities at varying amounts from February 2018 to 2027. The proceeds were used for repair and rehabilitation of various cemeteries.

On June 24, 2011, the City of Grand Rapids committed to the issuance of a maximum of \$3,160,000 of Sanitary Sewer System Junior Lien Revenue Bonds, series 2011B. The bonds were issued in draws required to meet project expenditures related to improvements to the City's Sanitary Sewer System. The interest rate is 2.5%. The City borrowed a total of \$1,815,370 has paid \$450,000 of principal payments resulting in a total owed at June 30, 2017 of \$1,365,370. Principal payments commenced April 2014.

On March 14, 2013, the City of Grand Rapids committed to the issuance of a maximum of \$2,235,000 with possible principal forgiveness of \$964,200 of Sanitary Sewer System Junior Lien Revenue Bonds, series 2013. The bonds were issued in draws required to meet project expenditures related to improvements to the City's Sanitary Sewer System. The interest rate is 2.0%. The City borrowed a total of \$2,084,125 has paid \$150,800 of principal payments and was given \$964,200 of principal forgiven resulting in a total owed at June 30, 2017 of \$969,125. Principal payments commenced April 2015.

On September 7, 2012, the City of Grand Rapids committed to the issuance of a maximum of \$4,380,000 with possible principal forgiveness of \$832,200 of Water Supply System Junior Lien Revenue Bonds, series 2012. The bonds were issued in draws required to meet project expenditures related to improvements to the City's Water Supply System. The interest rate is 2.5%. The City borrowed a total of \$4,086,141 has paid \$422,800 of principal payments and was given \$797,411 of principal forgiven resulting in a total owed at June 30, 2017 of \$2,865,930. Principal payments commenced October 2014.

## 6. Long-Term Obligations, continued:

On September 5, 2014, March 13, 2015, and March 14, 2016 the City of Grand Rapids committed to the issuance of a maximum of \$3,545,000, \$10,000,000 and \$2,830,000 of Water Supply System Junior Lien Revenue Bonds, Series 2014, 2015 and 2016 respectively. The bonds will be issued in draws required to meet project expenditures related to improvements to the City's Water Supply System. The interest rate on all series is 2.5%. Assuming the City borrows the full amount of the bonds, there is possible principal forgiveness through the state revolving fund loan program of \$654,407 on Series 2014, for a total principal owed of \$2,890,593, principal payments commenced October 2015. Possible principal forgiveness on Series 2015 is \$259,250 for a total principal owed of \$9,740,750, with principal payments commencing October 2017. Possible principal forgiveness on series 2016 is \$500,000 for a total principal owed of \$2,330,000 with principal payments commencing on April 1, 2018. At June 30, 2017, \$3,412,926 was received for Series 2014, \$8,946,838 for Series 2015 and no reimbursements have been requested for Series 2016.

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 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.

The City's total bonded debt does not include the 2001 JBA bonds of \$36,794,917 or the 2013 JBA bonds of \$3,950,000. 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.

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

The annual requirements for debt service payments on long term bonds and contracts payable at June 30, 2017 are:

Fiscal Year	Governmental Activities		Business Type Activities		Component Units		Totals	
	Principal	Interest	Principal	Interest	Governmental		Principal	Interest
					Principal	Interest		
2018	\$ 26,984,735	\$ 3,601,645	\$ 20,580,437	\$ 17,224,481	\$ 5,014,500	\$ 3,530,500	\$ 52,579,672	\$ 24,356,626
2019	7,347,159	3,122,190	16,020,954	16,296,627	5,893,004	949,517	29,261,117	20,368,334
2020	7,593,350	2,819,004	16,651,842	15,595,881	6,435,150	68,236	30,680,342	18,483,121
2021	22,669,300	2,486,048	13,508,355	14,835,802	6,512,700	62,816	42,690,355	17,384,666
2022	5,753,000	1,924,767	15,507,495	14,223,912	6,610,000	58,313	27,870,495	16,206,992
2023-2027	28,539,800	5,839,364	88,710,964	59,429,767	665,000	219,738	117,915,764	65,488,869
2028-2032	11,004,999	1,118,391	87,655,606	38,887,795	795,000	91,118	99,455,605	40,097,304
2033-2037	4,955,000	303,241	74,691,050	19,167,757	-	-	79,646,050	19,470,998
2038-2042	810,000	44,151	37,260,000	5,631,238	-	-	38,070,000	5,675,389
2043-2047	-	-	5,190,000	578,000	-	-	5,190,000	578,000
	<u>\$ 115,657,344</u>	<u>\$ 21,258,802</u>	<u>\$ 375,776,703</u>	<u>\$ 201,871,260</u>	<u>\$ 31,925,354</u>	<u>\$ 4,980,238</u>	<u>\$ 523,359,401</u>	<u>\$ 228,110,300</u>

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

**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, 2017</u>
2007	Capital Improvement Bonds	\$ 8,110,000
2008	Grand Rapids Building Authority Bonds	6,405,000
2008	Sanitary Sewer System Revenue Bonds	54,845,000
2009	Water Supply System Revenue Bonds	25,080,000

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 2007 Capital Improvement Bonds were called on September 1, 2017.



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

**WORKERS COMPENSATION**

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

**COMPENSATED ABSENCES**

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

## 7. Retirement Plans

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

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

An eligible employee becomes a participant in the System as of his or her date of permanent employment. The System provides for 100% vesting in System benefits with ten years of credited service. Fire members may elect to retire after attaining age 55 and completing 10 years of service, or upon attainment of their credited service cap. Police members may elect to retire after attaining age 50 and completing 10 years of service. The benefit payable after retirement ranges between 2.0% and 2.8% of a member's final average salary (FAS) based on the three consecutive years of highest pay-rate, up to a maximum percentage of FAS based on a number of factors, including hire date and contributions into the system. At retirement an FAS adjustment factor is applied to adjust the retiree's FAS based on a factor representing the group average compensation in excess of the regular pay-rate (mostly over-time pay). In fiscal year 2017 those adjustments were 12.1% for police members and 9.2% for firefighter members. All plan members are eligible for a duty disability benefit of between 72 and 90% of their salary at the time of disability less certain offsets. Plan members are also eligible for a non-duty disability allowance that varies based on bargaining unit, years of service and age. The surviving spouse of a member that dies prior to retiring is eligible to receive benefits of at least 20% of the member's salary. Dependents are eligible for a separate allowance of up to 15% of the member's salary until age 18 (age 23 if they are full time students).

At December 31, 2016, the Police and Fire System's membership consisted of the following:

Retirees and beneficiaries receiving pension benefits	673
Terminated plan members entitled to but not yet receiving benefits	32
Active plan members	485
<b>Total</b>	<b>1,190</b>

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

## 7. Retirement Plans, continued:

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

For members of the Crime Scene Technicians group and for members of the ECO I, II and III group, FAS is adjusted each year by a factor that accounts for the average holiday, overtime, shift adjustment, and other forms of compensation that the group earned as a percentage of their pay-rate during the previous five-year period. Those adjustments to the pensions of group members retiring during the year ending June 30, 2017 were 9.5% and 51.1% respectively. For purposes of benefit calculations, the FAS is based on the member's three highest compensated calendar years of credited service, before the end of the calendar year in which the employee attains 40 years of credited service or reaches his or her credited service cap. All plan members are eligible for non-duty disability benefits after completing ten or more years of credited service and before attaining minimum service retirement age. All plan members are eligible for duty disability retirement benefits prior to attaining minimum service retirement age. Disability retirement benefits are determined in the same manner as retirement benefits and are not subject to an actuarial reduction. Duty disability allowances shall not be less than 50% of the member's final average salary; unless the member is a part of the Crime Scene Technician or ECO I, II and III groups, then the allowance shall not be less than 62% of the member's final average salary. Benefits are available to a beneficiary if a member dies while in employer service, before retiring, but after becoming eligible to retire with an immediate allowance.

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

At June 30, 2016, the General System's membership consisted of the following:

Retirees and beneficiaries receiving pension benefits	1,159
Terminated plan members entitled to but not yet receiving benefits	102
Active plan members	586
<b>Total</b>	<b>1,847</b>

### **BASIS OF ACCOUNTING**

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

The Police and Fire System has adopted a December 31 year-end. The General Retirement System shares a June 30 year-end with the primary government. The measurement dates of the City's net pension liability were December 31, 2016 for the Police and Fire System and June 30, 2016 for the General System. These financial statements are prepared using the pension liability of each plan as of those dates adjusted for subsequent contributions.

## 7. Retirement Plans, continued:

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

	<u>Police and Fire Retirement System</u>	<u>General Retirement System</u>
Actuarial measurement date	December 31, 2016	June 30, 2016
Projected salary increases	3.25% - 20.25%	3.5% - 7.7%
Inflation assumptions	3.25% - wage, 2.5% - price.	2.75% - wage, no explicit price inflation.
Investment rate of return	7.25%	7.25%
Discount rate	7.25%	7.25%
Mortality assumptions	RP-2014 healthy annuitant mortality tables, projected to 2019 using the MP-2014 mortality improvement scale.	RP-2014 healthy annuitant mortality tables, projected to 2019 using the MP-2014 mortality improvement scale.

### CONTRIBUTIONS

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

	<u>Police and Fire Retirement System</u>	<u>General Retirement System</u>
Contribution rates for fiscal year 2017:		
City (employer)	23.27%	29.15%
Plan Members	9.86 - 10.89%	3.00% - 11.54%

### INVESTMENTS

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

## 7. Retirement Plans, continued:

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

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

### LONG-TERM EXPECTED RATE OF RETURN AND ASSET ALLOCATION

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

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

Both Systems have the same asset allocation policies. The current asset allocation policy and the expected arithmetic real rate of return (net of 2.5% projected inflation) of each asset class as of December 31, 2016 and June 30, 2017 is shown below.

<i>Asset Class</i>	<b>Target Allocation</b>	<b>Expected real return</b>
U.S. equity	22.5 %	6.00 %
Non-U.S. equity	22.5	6.51
Fixed income	25.0	1.83
Treasury Inflation Protected Securities	10.0	1.18
Real estate securities	5.0	4.90
Private equity	5.0	11.23
Commodities	5.0	2.68
Master Limited Partnerships	5.0	8.50
Total	100.0 %	

**7. Retirement Plans, continued:**

**DISCOUNT RATE**

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

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

The following table presents each System's net pension liability as of the most recent measurement date, calculated using a single discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<b>Police and Fire Retirement System</b>			<b>General Retirement System</b>		
	Current Single Discount			Current Single Discount	
1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase
6.25%	7.25%	8.25%	6.25%	7.25%	8.25%
\$155,133,009	\$98,752,084	\$52,164,688	\$176,410,235	\$120,134,505	\$72,566,884

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**7. Retirement Plans, continued:**

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at December 31, 2015</b>	\$461,091,743	\$ 375,266,542	\$ 85,825,201
<b>Changes for the year:</b>			
Service cost	8,588,314	-	8,588,314
Interest on the total pension liability	32,676,161	-	32,676,161
Changes in benefit terms	114,084	-	114,084
Difference between actual and expected experience	7,264,098	-	7,264,098
Changes in assumptions	1,551,086	-	1,551,086
Contributions - employer	-	7,166,351	(7,166,351)
Contributions - employee	-	4,929,842	(4,929,842)
Net investment income	-	25,712,944	(25,712,944)
Benefit payments, including refund of employee contributions	(29,360,463)	(29,360,463)	-
Administrative expense	-	(542,277)	542,277
Other changes	-	-	-
<b>Net changes</b>	<u>20,833,280</u>	<u>7,906,397</u>	<u>12,926,883</u>
<b>Balances at December 31, 2016</b>	<u>\$481,925,023</u>	<u>\$ 383,172,939</u>	<u>\$ 98,752,084</u>

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at June 30, 2015</b>	\$500,205,954	\$ 414,664,005	\$ 85,541,949
<b>Changes for the year:</b>			
Service cost	5,546,388	-	5,546,388
Interest on the total pension liability	35,127,721	-	35,127,721
Changes in benefit terms	-	-	-
Difference between actual and expected experience	6,361,929	-	6,361,929
Changes in assumptions	-	-	-
Contributions - employer	-	9,295,104	(9,295,104)
Contributions - employee	-	3,428,169	(3,428,169)
Net investment income	-	289,104	(289,104)
Benefit payments, including refund of employee contributions	(36,917,726)	(36,917,726)	-
Administrative expense	-	(568,895)	568,895
Other changes	-	-	-
<b>Net changes</b>	<u>10,118,312</u>	<u>(24,474,244)</u>	<u>34,592,556</u>
<b>Balances at June 30, 2016</b>	<u>\$510,324,266</u>	<u>\$ 390,189,761</u>	<u>\$ 120,134,505</u>

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

**Schedule of Aggregate Amounts Related to Defined Benefit Pension Plans**

	Amounts allocated to						
	June 30, 2016		June 30, 2017		Primary Government		Component Unit
	Balance	Net Change	Balance	Governmental	Business-Type		
Deferred outflows of resources:							
Contributions after the measurement date	\$ 11,946,039	\$ 2,637,857	\$ 14,583,896	\$ 10,321,893	\$ 3,193,916	\$ 1,068,087	
Other differences	116,948,179	(1,140,154)	115,808,025	91,854,417	17,950,672	6,002,936	
Net pension liability	171,367,150	47,519,439	218,886,589	168,873,244	37,479,663	12,533,682	
Deferred inflow of resources	24,664,620	(8,651,725)	16,012,895	9,459,820	4,910,830	1,642,245	
Pension expense			\$ 56,469,326	\$ 42,728,911	\$ 10,188,099	\$ 3,552,316	

**7. Retirement Plans, continued:**

For the year ended June 30, 2017, the City recognized pension expense of \$33,802,544 for the Police and Fire System and pension expense of \$22,666,782 for the General Retirement System, of which \$3,552,316 related to the 61<sup>st</sup> District Court, a discretely presented component unit. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police and Fire Retirement System</u>		<u>General Retirement System</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 14,881,035	\$ -	\$ 8,942,722	\$ 753,299
Change in assumptions	19,458,832	-	13,661,338	-
Net difference between projected and actual earnings on pension plan investments	23,930,419	272,090	34,933,679	14,987,506
Contributions subsequent to the measurement date	4,346,358	-	10,237,538	-
Total	<u>\$ 62,616,644</u>	<u>\$ 272,090</u>	<u>\$ 67,775,277</u>	<u>\$ 15,740,805</u>

Deferred outflows of resources and deferred inflows of resources that are the result of differences in expected and actual experience with regard to economic and demographic factors, or from changes in assumptions regarding those factors are amortized over a closed period equal to the average of the expected remaining period of service all system members. Those time periods are 4.2 years for the Police and Fire System and 3.1 years for the General Retirement System. The differences between projected and actual investment earnings are amortized over five years. The \$14,583,896 reported as deferred outflows of resources for contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense according to the following schedule:

<b>Year ended June 30,</b>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>
from the Police and Fire System	\$ 23,372,886	\$ 22,740,007	\$ 11,295,853	\$ 589,450	\$ -	\$ -
from the General System	14,286,044	11,810,923	9,924,694	5,775,273	-	-
Total effect on future pension expense	<u>\$ 37,658,930</u>	<u>\$ 34,550,930</u>	<u>\$ 21,220,547</u>	<u>\$ 6,364,723</u>	<u>\$ -</u>	<u>\$ -</u>



## 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 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, 2017. This is the first fiscal year that the Retiree Health Care Plan's statements and footnotes are prepared in accordance with Statement No. 74 of the Governmental Accounting Standards Board (GASB).

This is the last year that the City of Grand Rapids' basic fund financial statements are prepared in accordance with GASB Statement No. 45. Next fiscal year the City's fund statements will be prepared in accordance with GASB 75 and will report the Net OPEB liability within the fund statements similarly to the current presentation of pension liability. Because these Plans do not issue separate statements, both GASB 74 and GASB 45 requirements are presented in this footnote.

### Statement of Fiduciary Net Position

June 30, 2017

	<u>Retiree Health Care Trust Funds</u>			<u>Total Retiree Health Care Trust</u>
	<u>General Retiree</u>	<u>Police Retiree</u>	<u>Fire Retiree</u>	
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 725,727	\$ 484,048	\$ 381,899	\$ 1,591,674
Investments held by trustee:				
Diversified investment pool	9,152,251	28,821,618	16,828,854	54,802,723
Receivables, net:				
Other accounts	4,812	290	191	5,293
Accrued interest	<u>1,541</u>	<u>1,162</u>	<u>797</u>	<u>3,500</u>
Receivables, net	<u>6,353</u>	<u>1,452</u>	<u>988</u>	<u>8,793</u>
Total assets	<u>9,884,331</u>	<u>29,307,118</u>	<u>17,211,741</u>	<u>56,403,190</u>
<b>LIABILITIES</b>				
Vouchers and accounts payable	<u>53,548</u>	<u>39,419</u>	<u>14,035</u>	<u>107,002</u>
Total liabilities	<u>53,548</u>	<u>39,419</u>	<u>14,035</u>	<u>107,002</u>
<b>NET POSITION</b>				
Restricted for health care benefits	<u>9,830,783</u>	<u>29,267,699</u>	<u>17,197,706</u>	<u>56,296,188</u>
Total net position	<u>\$ 9,830,783</u>	<u>\$ 29,267,699</u>	<u>\$ 17,197,706</u>	<u>\$ 56,296,188</u>

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

Statement of Changes in Net Position <i>for the year ended June 30, 2017</i>	Retiree Health Care Trust Funds			Total Retiree Health Care Trust Funds
	General Employee	Police Retiree	Fire Retiree	
<b>ADDITIONS</b>				
Employer	\$ 5,068,952	\$ 4,319,030	\$ 3,143,699	\$ 12,531,681
Plan members	<u>479,082</u>	<u>256,022</u>	<u>187,749</u>	<u>922,853</u>
Total contributions	<u>5,548,034</u>	<u>4,575,052</u>	<u>3,331,448</u>	<u>13,454,534</u>
Investment income (loss):				
Interest and dividends	3,405	1,367	1,164	5,936
Net appreciation (depreciation) in fair value of investments	<u>903,962</u>	<u>3,171,881</u>	<u>1,862,960</u>	<u>5,938,803</u>
Total additions	<u>6,455,401</u>	<u>7,748,300</u>	<u>5,195,572</u>	<u>19,399,273</u>
<b>DEDUCTIONS</b>				
Benefits paid	5,866,434	2,451,085	2,321,577	10,639,096
Administration expenses	<u>172,119</u>	<u>123,462</u>	<u>100,096</u>	<u>395,677</u>
Total deductions	<u>6,038,553</u>	<u>2,574,547</u>	<u>2,421,673</u>	<u>11,034,773</u>
Change in net position	416,848	5,173,753	2,773,899	8,364,500
Total net position - beginning	<u>9,413,935</u>	<u>24,093,946</u>	<u>14,423,807</u>	<u>47,931,688</u>
Total net position - ending	<u>\$ 9,830,783</u>	<u>\$ 29,267,699</u>	<u>\$ 17,197,706</u>	<u>\$ 56,296,188</u>

At June 30, 2016, membership consisted of the following:

	General	Police	Fire	Library
Retirees and beneficiaries receiving benefit payments	335	106	97	5
Inactive plan members entitled to but not yet receiving benefit payments	0	27	6	0
Active plan members	<u>815</u>	<u>290</u>	<u>200</u>	<u>1</u>
<b>Total</b>	<u>1,150</u>	<u>423</u>	<u>303</u>	<u>6</u>

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

**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.

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 Library has determined that they will fund their benefits on a pay-as-you-go basis.

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

	<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, 2016	June 30, 2016	June 30, 2016	June 30, 2016
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	16 years for unfunded actuarial liabilities	22 years for unfunded actuarial liabilities	24 years for unfunded actuarial liabilities	3 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%	3.0%
Projected salary increases	3.5% - 7.7%	4.5% - 20.5%	4.5% - 20.5%	n/a
Inflation rate	3.0%	3.0%	3.0%	3.0%
Healthcare inflation rate -				
Medical and drug	8.0% grading to 3.5% in 2026	8.0% grading to 3.5% in 2026	8.0% grading to 3.5% in 2026	7.0%
Dental and vision	3.5% in all years	3.5% in all years	3.5% in all years	7.0%

**CONTRIBUTIONS**

Contribution levels are determined annually by the City Commission during the annual budget process after considering the expected pay-as-you-go cash outlay from each plan for the benefit, the 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 2017, the City contributed \$12,624,901 to the four plans and retiree premium sharing added \$932,442 to the plans. Retiree Health Care costs are charged to individual funds as a percentage of pensionable wages at rates of 20.77% for firefighters, 18.43% for police officers, and 12.17% for other employees not in the library plan. The DB plans receive all revenue not required to be contributed to the DC OPEB plan.

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

**INVESTMENTS**

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

The MERS Retiree Health Funding Vehicle is available to all municipalities in Michigan. Participating municipalities can contribute monies to the trust as desired and no contribution method is imposed. The Retiree Health Funding Vehicle has 13 investment portfolio choices. After careful review, city staff has allocated assets between two of these portfolios based on the actuarial projections of the cost of health care benefits for the next two years and the annual required contributions over that same time period.

At June 30, 2017 both the Police and the Fire Retiree Health Care plans had 100% of assets invested in the MERS Total Market Portfolio, which is the most diversified of the available portfolio options. The General Retiree Health Care plan had 84.3% of assets invested in the MERS Total Market Portfolio and 15.7% invested in Short term income.

**LONG-TERM EXPECTED RATE OF RETURN AND ASSET ALLOCATION**

MERS calculates the long-term expected rate of return on the OPEB plan investments using a forward looking estimate of capital market returns model for each major investment asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and investment expenses. The target allocation and estimated arithmetic real rates of return for each asset class within each portfolio are as follows:

<b>MERS Total Market Portfolio</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected real return</b>
Global Equity	55.5 %	4.80 %
Global Fixed Income	18.5	0.70
Real Assets	13.5	1.31
Diversifying Strategies	12.5	0.9
Total	100.0 %	

<b>MERS Short-Term Income</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected real return</b>
U.S. Bonds	100.0 %	(1.5) %

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.99% for the Total Market Portfolio and 0.67% for the Short-Term Income Fund. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**NET OPEB LIABILITY OF THE CITY**

The components of the net OPEB liability of the City of Grand Rapids at June 30, 2017, were as follows:

	<b>General</b>	<b>Police</b>	<b>Fire</b>	<b>Library</b>
Total OPEB liability	\$ 56,654,406	\$ 63,995,786	\$ 39,614,708	\$ 218,870
Plan fiduciary net position	9,830,783	29,267,699	17,197,706	-
City's net OPEB liability	<u>\$ 46,823,623</u>	<u>\$ 34,728,087</u>	<u>\$ 22,417,002</u>	<u>\$ 218,870</u>
Plan fiduciary net position as a percent of the total OPEB liability	17.35%	45.73%	43.41%	0.00%

**DISCOUNT RATE**

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

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

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

<b>General Other Post Employment Benefits Plan</b>			<b>Police Other Post Employment Benefits Plan</b>		
Current Single Discount			Current Single Discount		
1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase
4.00%	5.00%	6.00%	4.00%	5.00%	6.00%
\$50,290,045	\$46,823,623	\$43,626,011	\$39,896,470	\$34,728,087	\$30,007,479
<b>Fire Other Post Employment Benefits Plan</b>			<b>Library Other Post Employment Benefits Plan</b>		
Current Single Discount			Current Single Discount		
1% Decrease	Rate Assumption	1% Increase	1% Decrease	Rate Assumption	1% Increase
4.00%	5.00%	6.00%	2.00%	3.00%	4.00%
\$24,949,959	\$22,417,002	\$20,060,351	\$222,696	\$218,870	\$215,202

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

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

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

<b>General Other Post Employment Benefits Plan</b>			<b>Police Other Post Employment Benefits Plan</b>		
Current Healthcare Cost			Current Healthcare Cost		
1% Decrease	Trend Rate Assumption	1% Increase	1% Decrease	Trend Rate Assumption	1% Increase
\$42,665,883	\$46,823,623	\$51,474,308	\$28,840,732	\$34,728,087	\$41,322,814

<b>Fire Other Post Employment Benefits Plan</b>			<b>Library Other Post Employment Benefits Plan</b>		
Current Healthcare Cost			Current Healthcare Cost		
1% Decrease	Trend Rate Assumption	1% Increase	1% Decrease	Trend Rate Assumption	1% Increase
\$19,128,816	\$22,417,002	\$26,118,430	\$216,311	\$218,870	\$221,454

**NET OPEB OBLIGATION OF THE CITY**

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.

	<b>General Retiree Health Care Plan</b>	<b>Police Retiree Health Care Plan</b>	<b>Fire Retiree Health Care Plan</b>	<b>Library Retiree Health Care Plan</b>
Contribution rates:	Legislatively determined	Legislatively determined	Legislatively determined	Pay-as-you-go
City	22.30%	30.32%	24.39%	48.07%
Plan members	n/a	n/a	n/a	n/a
Annual required contribution (ARC)	\$ 5,071,594	\$ 4,192,648	\$ 3,036,781	\$ 72,957
Interest on net OPEB obligation	4,590	127,003	169,124	1,937
Adjustment to ARC	(7,945)	(183,756)	(234,189)	(22,494)
Annual OPEB cost	5,068,239	4,135,895	2,971,716	52,400
Contributions made	5,068,952	4,319,030	3,143,699	93,220
Increase (decrease) in net OPEB obligation	(713)	(183,135)	(171,983)	(40,820)
Net OPEB obligation (asset) - beginning of year	91,794	2,540,057	3,382,486	64,577
Net OPEB obligation - end of year	<u>\$ 91,081</u>	<u>\$ 2,356,922</u>	<u>\$ 3,210,503</u>	<u>\$ 23,757</u>

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

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 changes 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, 2015	\$ 5,581,386	89	\$ 678,321
	June 30, 2016	5,236,160	111	91,794
	June 30, 2017	5,068,239	100	91,081
Police Retiree Health Care Plan	June 30, 2015	5,039,758	109	3,343,184
	June 30, 2016	5,034,039	116	2,540,057
	June 30, 2017	4,135,895	104	2,356,922
Fire Retiree Health Care Plan	June 30, 2015	3,558,950	104	3,687,443
	June 30, 2016	3,395,946	109	3,382,486
	June 30, 2017	2,971,716	106	3,210,503
Library Retiree Health Care Plan	June 30, 2015	149,890	94	73,029
	June 30, 2016	143,738	106	64,577
	June 30, 2017	52,400	178	23,757

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 actuarial 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, 2016	\$ 9,411,146	\$ 58,696,918	\$ 49,285,772	16.0%	\$ 22,728,357	217%
<b>Police Retiree Plan</b>						
June 30, 2016	24,090,346	61,553,466	37,463,120	39.1%	14,244,392	263%
<b>Fire Retiree Plan</b>						
June 30, 2016	14,421,497	38,620,175	24,198,678	37.3%	12,889,952	188%
<b>Library Retiree Plan</b>						
June 30, 2016	-	218,870	218,870	0.0%	43,300	505%

The City of Grand Rapids has contracted with the Municipal Employees' Retirement System of Lansing Michigan to administer a DC OPEB plan for certain City employees. The MERS Health Care Savings Program is an Internal Revenue Code Section 115 Governmental Integral Part Trust. Participation is mandatory for permanent, full-time employees not covered by one of the DB retiree health care plans described above. Contributions are made every pay period by both the employee and the employer. See Note 11 for more details.

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

Inter-fund receivables and payables at June 30, 2017 represent temporary cash flow assistance from the General Fund and startup assistance for the new consolidated call center (311 program) that 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	\$ 37,366	\$ -
Fiduciary	Accrued payroll	-	28,067
Fiduciary	Timing difference due to different year end	-	9,299
Internal Service	Start-up funding for the 311 call center operations	-	122,310
Major Street	Support for start up of consolidated call center	941	-
Local Street	"	2,825	-
Non-major Governmental	"	66,168	-
Water Supply System	"	52,376	-
		<u>\$ 159,676</u>	<u>\$ 159,676</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, 2017, 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	\$ 8,908,800	\$ -
		Debt service, support of Parks, Dispatch, & other funds	-	15,919,161
	Major Streets	Debt service & Internal cost allocation program	1,225,758	10,122,098
	Local Streets	Internal cost allocation program	2,378,158	653,829
	Vital Streets Capital	Project support from major and local street funds	7,669,202	-
		Sidewalk & Major Street Fund support	-	1,693,227
	General Capital	Project support from other funds	544,840	-
		Debt service and General Fund support	-	3,719,001
	Non-major Governmental	Transfers to pay debt service by various funds	7,591,055	-
		Support from General and Other Funds	15,021,144	-
		Debt service and General and other funds support	-	8,365,891
Enterprise Funds:	Water Supply System	From Sewage Disposal Fund for customer service	2,199,181	-
		Internal cost allocation program	-	780,639
	Sewage Disposal System	Allocated cost of customer service and internal costs	-	2,782,338
	Auto Parking System	Debt service & Internal cost allocation program	-	644,921
	Non-Major Proprietary	General Fund & other funds support of cemetery operations	605,310	313,059
	Facilities Management	Internal cost allocation program	-	181,323
	311 Program	Internal cost allocation program and support for web design	625,000	69,232
	Motor Equipment	Internal cost allocation program	-	232,501
	Information Technology	Internal cost allocation program	-	724,966
	Engineering	Internal cost allocation program	-	214,594
Insurance Payment	Internal cost allocation program	-	351,668	
			<u>\$ 46,768,448</u>	<u>\$ 46,768,448</u>

## 10. Tax Abatements

As of June 30, 2017, the City of Grand Rapids provided the following tax abatements in accordance with Statement No. 77, as required by the Governmental Accounting Standards Board:

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

10. Tax Abatements, continued:

	Industrial Facilities Exemption - continued	Obsolete Property Rehabilitation Exemption - continued	New Personal Property Exemption - continued	Neighborhood Enterprise Zone Exemption - continued
6) How amount of abatement is determined	<p><u>New Facilities</u>: the amount of the abatement is equal to the qualifying taxable value applied to the reduction in the total millage rate levied on the Industrial Facilities Tax roll.</p> <p><u>Replacement Facilities</u>: the amount of the abatement is equal to the delta between the taxes levied on the taxable value in the year immediately preceding the effective date of the exemption, and the taxes that would have been levied on the current taxable value in any given year.</p>	<p>The amount of the abatement is equal to the exempted mills applied to the amount of the taxable value created by investment in the project.</p>	<p>As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement.</p>	<p><u>New Facility</u>: the amount of the abatement is equal to the taxable value of the qualifying property applied to the millage rate that is the difference between the NEZ millage rate and the ad valorem millage rate.</p> <p><u>Rehabilitation Facility</u>: the amount of the abatement is the difference between the taxes that would be levied on the current taxable value and the NEZ taxes levied on the value of the qualifying property in the year immediately preceding the effective date of the exemption certificate.</p>
7) Provisions for recapturing abated taxes	<p>The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application.</p>	<p>The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application.</p>	<p>The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application.</p>	N/A
8) Types of commitments made by the City other than to reduce taxes	N/A	N/A	N/A	N/A
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	2016: \$151,643	2016: \$93,310	2016: \$230,273	2016: \$60,788

10. Tax Abatements, continued:

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

10. Tax Abatements, continued:

	Brownfield Redevelopment Program - continued	Renaissance Zones - continued	Tool and Die Recovery Renaissance Zones - continued	Agricultural Processing Renaissance Zones - continued
6) How amount of abatement is determined	In this case, the taxes are not reduced, but are used to reimburse for certain eligible activity costs. The amount of taxes not collected by local taxing authorities is generally any amount of taxes in excess of those taxes paid in the year immediately preceding approval of a Brownfield Plan Amendment.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement. Local income taxes are abated in the same manner. Property owners are still required to pay the taxes necessary for local school district bond obligations.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement. Local income taxes are abated in the same manner. Property owners are still required to pay the taxes necessary for local school district bond obligations.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement. Local income taxes are abated in the same manner. Property owners are still required to pay the taxes necessary for local school district bond obligations.
7) Provisions for recapturing abated taxes	Reimbursement is made pursuant to the terms and conditions of a Development and Reimbursement Agreement between the applicant and the Brownfield Redevelopment Authority. If taxes are captured and the terms and conditions of the Development and Reimbursement Agreement for the project are violated, the taxes may be returned to the taxing authorities that would otherwise have received the taxes.	N/A	N/A	N/A
8) Types of commitments made by the City other than to reduce taxes	From time to time, the City and/or the Brownfield Redevelopment Authority participate in a project by making investments in public infrastructure surrounding a project.	N/A	N/A	N/A
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	2016: \$696,922	2016: \$43,979	2016: \$25,734	2016: \$97,262

10. Tax Abatements, continued:

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

10. Tax Abatements, continued:

	Payment in Lieu of Taxes - continued	Air & Water Pollution Control - continued
6) How amount of abatement is determined	The housing project is exempt from ad valorem property taxes. The service fee charged is equal to 4% of annual shelter rent. Emergency shelters and transitional housing for the homeless are not assessed a service charge in lieu of property taxes.	As the eligible property is exempt from taxes, the full amount of taxes that would have been paid is the amount of the abatement.
7) Provisions for recapturing abated taxes	Ad valorem property taxes may be assessed if the property owner is not current with all taxes and assessments on the subject property, and/or does not submit to the City Assessor an audited financial statement for each calendar year.	N/A
8) Types of commitments made by the City other than to reduce taxes	N/A	N/A (City of Grand Rapids does not approve this abatement; rather, it is approved directly by the State Tax Commission and an exemption certificate is forwarded to the City)
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	2016: 839,202	2016: 11,901

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

1. Federal and State Grants—The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although no amounts have been claimed, such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes such disallowance, if any, will be immaterial.
2. Remediation Sites—The City has reached remediation agreements with the appropriate regulatory bodies, and continues to perform maintenance and monitoring activities. There are no current legal issues at this time.
3. Litigation—In the normal course of its activities, the City becomes a party in various legal actions. In the opinion of the City attorney, adequate reserves have been established for the potential liability for all claims.
4. Commitments—The cities of Grand Rapids and Wyoming operate the Grand Valley Regional Biosolids Authority. Its facilities were constructed with initial financing in the amounts of \$16,430,000, at an interest rate of 1.625%, and \$17,675,000, at an interest rate of 2.5%, provided by the State of Michigan Water Pollution Control Revolving Fund. At June 30, 2017 the outstanding liability was \$22,130,000. Principal and interest payments are split between the two cities based on their usage of the facility. For fiscal year 2017, Grand Rapids' portion of the liability was 65.85%. For fiscal year 2018, it is budgeted at 65.65%.
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, 2017 was \$131,125,295.
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 2017 were \$2,827,932. Total future lease payments are as follows:

<u>Year ending June 30,</u>	<u>Outstanding Lease Due</u>
2018	\$ 2,821,728
2019	2,807,648
2020	2,810,182
2021	2,811,103
2022	2,812,460
2023-2026	11,062,695

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 \$66,544 and \$15,500, respectively, at June 30, 2017. In the event that Museum operations should ever revert to the City, these items would be returned to the City at their value on the day of reversion.



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

8. Lease Receivable – On March 30, 2010, the City acquired a building located at 1120 Monroe Avenue, NW. The building and improvements as of June 30, 2017 total \$4,255,170. The accumulated depreciation at year end is \$716,266. The City leases parts of the building to various tenants with terms extending into FY2020. The total lease revenue for FY2017 was \$195,174. 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>
2018	\$ 192,301
2019	135,270
2020	101,652
2021	<u>51,639</u>
Total	<u>\$ 480,862</u>

**12. Deferred Compensation Plans**

In 2011, the City created the City of Grand Rapids Deferred Compensation (CGRDC) Plan for most newly hired full-time, non-uniformed employees. This retirement arrangement is mandatory for new employees under most labor contracts and replaces the formerly required participation in the City of Grand Rapids General Retirement System defined benefit pension plan described in Note 7. This plan is administered by the ICMA Retirement Corporation (ICMA-RC) in accordance with Section 401(a) of the Internal Revenue Code (IRC), a Trust Document with the Vantage Trust Company, and an Administrative Services Agreement approved by the City Commission. Participation in the CGRDC Plan begins six months after date of hire and requires an employee contribution of 6% of pay with a 100% match by the employer. Contribution requirements are specified in labor agreements covering each employee group and may be changed during the collective bargaining process. Five year cliff-vesting applies to the employer contributions. During the fiscal year ended June 30, 2017 employee contributions were \$798,334 and the employer contributions were \$798,329 to this Plan. At June 30, 2017, the plan had 275 active and 21 terminated participants. The fair market value of plan assets was \$4,205,204.

The City also maintains the Officer's Option Plan, a defined contribution contributory savings plan created in accordance with IRC Section 401(a) and is offered to executive and appointed employees. The plan was established and may be amended by city ordinance. Participants with the 401(a) plan may not participate in the City's defined benefit pension plans. Participants are immediately vested in required employee contributions of 6%, optional contributions of 1 - 3%, and employer contributions of 12% of employees' current salaries. Plan contributions are maintained with earnings in a deferred account for each participant. At June 30, 2017, there were 12 active and 24 terminated plan participants with a total fair market value of plan assets for both active and retired participants of approximately \$10,299,575. Contributions made by employees and the City totaled \$107,866 and \$163,780 respectively, for the fiscal year ended June 30, 2017.

## 12. Deferred Compensation Plans, continued:

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, 2017, the total market value of plan assets was approximately \$88,953,971. Net of the effect of employee contributions, withdrawals and earnings, the fair market value of plan assets increased \$8,902,704 for the year ended June 30, 2017. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent administrator.

All permanent, full-time employees that are not covered by one of the City's defined benefit retiree health care plans described in Note 8 are enrolled in an agent multi-employer defined contribution post-employment health care program which is administered by the Municipal Employees' Retirement System of Michigan. This program is defined in the Internal Revenue Code Section 115 as a Governmental Integral Part Trust. After six months of employment, bi-weekly deposits are made into each employee's individual account in amounts determined by labor agreements or personnel policies. Following a 24 month phase-in period after initial employment, an employee's mandatory bi-weekly contribution will be between \$38.46 and \$42.31, depending on labor agreement. The employee's contribution vests immediately. The employer's contribution steps up over the same time period until it reaches \$67.30 to \$76.93 bi-weekly, which will vest after an eight or ten year period as specified in each labor agreement. Withdrawals from each employee's account are permitted at any time after separation from employment, but only for medical expense reimbursement to the former employee or legal dependents. At June 30, 2017, 765 employees were participating in this defined contribution retiree health care plan. For the fiscal year ended June 30, 2017, regular contributions made by employees and the employer totaled \$632,859 and \$1,134,845 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.

## 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 13,735,028	\$ 13,735,028	\$ 13,956,041	\$ 221,013
City income taxes	74,460,111	74,460,111	77,409,503	2,949,392
State shared taxes	17,519,755	17,519,755	17,742,537	222,782
Licenses and permits	3,328,105	3,328,105	2,813,046	(515,059)
Fines and forfeitures	2,047,000	2,047,000	2,349,199	302,199
Federal grants	-	-	-	-
State grants	689,914	689,914	717,276	27,362
Other grants and contributions	783,653	793,653	1,038,600	244,947
Charges for services	9,477,183	9,444,183	10,020,785	576,602
Investment earnings	464,397	464,397	80,184	(384,213)
Miscellaneous	18,840	18,840	-	(18,840)
Total revenues	<u>122,523,986</u>	<u>122,500,986</u>	<u>126,127,171</u>	<u>3,626,185</u>
Expenditures:				
Current:				
General government	30,009,645	31,142,890	28,490,984	2,651,906
Public safety	77,745,313	78,312,432	77,389,116	923,316
Public works	5,867,498	6,398,498	5,641,676	756,822
Urban and community development	5,329,831	5,280,831	5,049,770	231,061
Debt service:				
Principal	100,618	100,618	101,802	(1,184)
Interest and paying agent fees	12,044	12,044	12,640	(596)
Total expenditures	<u>119,064,949</u>	<u>121,247,313</u>	<u>116,685,988</u>	<u>4,561,325</u>
Excess of revenues over expenditures	<u>3,459,037</u>	<u>1,253,673</u>	<u>9,441,183</u>	<u>8,187,510</u>
Other financing sources (uses):				
Budgeted appropriation lapse for the fund	3,500,000	3,500,000	-	(3,500,000)
Contingencies	(1,178,482)	-	-	-
Transfers in	9,620,700	10,385,230	8,908,800	(1,476,430)
Transfers out	(15,815,310)	(16,079,234)	(15,919,161)	160,073
Total other financing sources (uses)	<u>(3,873,092)</u>	<u>(2,194,004)</u>	<u>(7,010,361)</u>	<u>(4,816,357)</u>
Net change in fund balances	(414,055)	(940,331)	2,430,822	3,371,153
Fund balances - beginning	48,662,351	48,662,351	48,662,351	-
Current year change in inventory levels	-	-	(113,907)	(113,907)
Fund balances - ending	<u>\$ 48,248,296</u>	<u>\$ 47,722,020</u>	<u>\$ 50,979,266</u>	<u>\$ 3,257,246</u>

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

## Required Supplementary Information

**City of Grand Rapids, Michigan**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**Streets**  
*for the year ended June 30, 2017*

	Major Streets				Local Streets			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
Revenues:								
City income taxes	\$ 12,105,520	\$ 12,105,520	\$ 12,538,331	\$ 432,811	\$ -	\$ -	\$ -	\$ -
State shared taxes	11,512,323	11,512,323	13,282,589	1,770,266	3,066,749	3,486,331	3,544,424	58,093
Federal grants	1,010,000	1,070,900	468,990	(601,910)	-	-	-	-
State grants	3,022,875	3,022,875	-	(3,022,875)	-	-	-	-
Other grants & contributions	1,619,202	1,619,202	-	(1,619,202)	-	-	-	-
Charges for services	2,245,060	2,245,060	2,327,838	82,778	1,000	1,000	53,625	52,625
Investment earnings	71,741	71,741	(101,288)	(173,029)	9,888	9,888	(13,231)	(23,119)
Miscellaneous	30,000	30,000	367,749	337,749	-	-	10,541	10,541
Total revenues	<u>31,616,721</u>	<u>31,677,621</u>	<u>28,884,209</u>	<u>(2,793,412)</u>	<u>3,077,637</u>	<u>3,497,219</u>	<u>3,595,359</u>	<u>98,140</u>
Expenditures:								
Current:								
Public works	11,671,035	11,689,535	10,713,665	975,870	3,963,865	4,240,865	3,731,978	508,887
Debt service:								
Principal	470,000	470,000	470,000	-	-	-	-	-
Interest and paying agent fees	1,510,469	1,510,469	1,513,495	(3,026)	-	-	-	-
Capital outlay:	5,861,398	5,925,390	4,990,468	934,922	1,004,043	1,423,625	1,395,966	27,659
Total expenditures	<u>19,512,902</u>	<u>19,595,394</u>	<u>17,687,628</u>	<u>1,907,766</u>	<u>4,967,908</u>	<u>5,664,490</u>	<u>5,127,944</u>	<u>536,546</u>
Excess (deficit) of revenues over expenditures	<u>12,103,819</u>	<u>12,082,227</u>	<u>11,196,581</u>	<u>(885,646)</u>	<u>(1,890,271)</u>	<u>(2,167,271)</u>	<u>(1,532,585)</u>	<u>634,686</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	1,469,147	1,507,647	1,225,758	(281,889)	2,331,041	2,481,041	2,378,158	(102,883)
Transfers out	(4,870,098)	(9,162,098)	(10,122,098)	(960,000)	(653,829)	(653,829)	(653,829)	-
Total other financing sources (uses)	<u>(3,150,951)</u>	<u>(7,404,451)</u>	<u>(8,896,340)</u>	<u>(1,491,889)</u>	<u>1,777,212</u>	<u>1,927,212</u>	<u>1,724,329</u>	<u>(202,883)</u>
Net change in fund balances	8,952,868	4,677,776	2,300,241	(2,377,535)	(113,059)	(240,059)	191,744	431,803
Fund balances - beginning, as restated	20,467,226	20,467,226	20,467,226	-	868,949	868,949	868,949	-
Current year change in inventory levels	-	-	(285,481)	(285,481)	-	-	-	-
Fund balances - ending	<u>\$ 29,420,094</u>	<u>\$ 25,145,002</u>	<u>\$ 22,481,986</u>	<u>\$ (2,663,016)</u>	<u>\$ 755,890</u>	<u>\$ 628,890</u>	<u>\$ 1,060,693</u>	<u>\$ 431,803</u>

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

## Required Supplementary Information

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

<i>for the fiscal year ended June 30,</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>			
Service cost	\$ 8,588,314	\$ 7,482,069	\$ 7,794,219
Interest on the total pension liability	32,676,161	29,375,231	28,440,421
Changes of benefit terms	114,084	-	-
Difference between expected and actual experience	7,264,098	16,663,107	2,978,624
Changes of assumptions	1,551,086	35,683,769	-
Benefit payments	(29,338,857)	(32,070,933)	(21,079,038)
Refunds of contributions	(21,606)	(11,369)	(24,749)
	<u>20,833,280</u>	<u>57,121,874</u>	<u>18,109,477</u>
<b>Net change in total pension liability</b>	20,833,280	57,121,874	18,109,477
<b>Total pension liability - beginning</b>	<u>461,091,743</u>	<u>403,969,869</u>	<u>385,860,392</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 481,925,023</u>	<u>\$ 461,091,743</u>	<u>\$ 403,969,869</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 7,166,351	\$ 5,630,297	\$ 6,331,848
Contributions - employee	4,929,842	4,557,165	4,563,692
Net investment income	25,712,944	(9,083,712)	29,390,902
Benefit payments	(29,338,857)	(32,070,933)	(21,079,038)
Refunds of contributions	(21,606)	(11,369)	(24,749)
Administrative expenses	(542,277)	(581,364)	(523,607)
Other	-	-	(15,065)
	<u>7,906,397</u>	<u>(31,559,916)</u>	<u>18,643,983</u>
<b>Net change in plan fiduciary net position</b>	7,906,397	(31,559,916)	18,643,983
 <b>Plan fiduciary net position - beginning</b>	<u>375,266,542</u>	<u>406,826,458</u>	<u>388,182,475</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 383,172,939</u>	<u>\$ 375,266,542</u>	<u>\$ 406,826,458</u>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 98,752,084</u>	<u>\$ 85,825,201</u>	<u>\$ (2,856,589)</u>
 <b>Plan fiduciary net position as a percentage of the total pension asset</b>	79.5%	81.4%	100.7%
 <b>Covered-employee payroll</b>	\$ 38,129,771	\$ 36,827,593	\$ 35,710,964
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	259.0%	233.0%	-8.0%

**Notes to schedule:**

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

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

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

## Required Supplementary Information

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

<i>for the City's fiscal year ending June 30,</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 8,861,774	\$ 5,364,049	\$ 5,807,941	\$ 6,831,550
Actual contribution	8,861,774	5,364,049	5,807,941	6,831,550
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 37,012,523	\$ 36,402,336	\$ 35,561,982	\$ 35,690,502
Actual Contribution as a Percentage of	23.9%	14.7%	16.3%	19.1%

### Notes to Schedules

**Valuation date:**

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

**Methods and assumptions used to determine contributions rates for fiscal year 2017:**

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

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

## Required Supplementary Information

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

for the fiscal year ended June 30,

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

**Notes to schedule:**

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

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

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

## Required Supplementary Information

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

<i>for the City's fiscal year ending June 30,</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 10,237,538	\$ 9,295,104	\$ 11,327,704	\$ 8,771,032	\$ 8,135,843
Actual contribution	<u>10,237,538</u>	<u>9,295,104</u>	<u>11,327,704</u>	<u>8,771,032</u>	<u>8,135,843</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 35,144,938	\$ 35,760,078	\$ 40,200,201	\$ 40,510,955	\$ 43,783,450
Actual Contribution as a Percentage of	29.1%	26.0%	28.2%	21.7%	18.6%

### Notes to Schedules

Valuation date:

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

Methods and assumptions used to determine contributions rates for fiscal year 2017:

Actuarial cost method	Individual entry age, normal.
Amortization method	Level dollar, closed.
Remaining amortization period	Reset by the City Commission to 30 years at June 30, 2015. Each future year's change will be separately amortized over a new period of 30 years.
Asset valuation method	5-year smoothed market.
Projected salary increases	3.25% - 7.45% including inflation.
Inflation assumptions	2.5% - No explicit price inflation assumption is used in this valuation.
Cost of living adjustments after retirement	Ad hoc "13th check" tied to plan investment returns for benefit recipients who do not have an automatic benefit increase. Eligible retirees receive a 1.0% simple escalator beginning 4 to 6 years after retirement.
Investment rate of return	7.25% compounded annually. (7.5% for contribution periods prior to fiscal year 2017)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the years 2010 through 2014.
Mortality	RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 Mortality Improvement Scale. (Prior valuations used the 1983 Group Annuity Male and Female mortality tables with modifications.)
Significant changes to the plan	In 2014 the plan was closed to all new entrants. Current members continue to accrue future benefits.

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



## Required Supplementary Information

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

for the fiscal year ended June 30,

	<b>2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 1,081,550
Interest on the total OPEB liability	2,815,223
Changes of benefit terms	-
Difference between expected and actual experience	(72,851)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(5,866,434)
<b>Net change in total OPEB liability</b>	(2,042,512)
<b>Total OPEB liability - beginning</b>	58,696,918
<b>Total OPEB liability - ending (a)</b>	\$ 56,654,406
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 5,068,952
Contributions - employee	479,082
OPEB plan net investment income	907,367
Benefit payments, including refunds of employee contributions	(5,866,434)
OPEB plan administrative expenses	(172,119)
<b>Net change in plan fiduciary net position</b>	416,848
<b>Plan fiduciary net position - beginning</b>	9,413,935
<b>Plan fiduciary net position - ending (b)</b>	\$ 9,830,783
<b>Net OPEB liability - ending (a) - (b)</b>	\$ 46,823,623
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	17.4%
<b>Covered-employee payroll</b>	\$ 48,397,770
<b>Net pension liability as a percentage of covered-employee payroll</b>	96.7%

**Notes to schedule:**

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

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

## Required Supplementary Information

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

for the fiscal year ended June 30,

	<b>2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 1,590,303
Interest on the total OPEB liability	3,056,154
Changes of benefit terms	-
Difference between expected and actual experience	246,949
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(2,451,085)</u>
<b>Net change in total OPEB liability</b>	2,442,321
<b>Total OPEB liability - beginning</b>	<u>61,553,465</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 63,995,786</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 4,319,030
Contributions - employee	256,022
OPEB plan net investment income	3,173,248
Benefit payments, including refunds of employee contributions	(2,451,085)
OPEB plan administrative expenses	<u>(123,462)</u>
<b>Net change in plan fiduciary net position</b>	5,173,753
<b>Plan fiduciary net position - beginning</b>	<u>24,093,946</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 29,267,699</u></u>
<b>Net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 34,728,087</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	45.7%
<b>Covered-employee payroll</b>	\$ 24,371,065
<b>Net pension liability as a percentage of covered-employee payroll</b>	142.5%

**Notes to schedule:**

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

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

## Required Supplementary Information

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

for the fiscal year ended June 30,

	<b>2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 1,282,061
Interest on the total OPEB liability	1,905,021
Changes of benefit terms	-
Difference between expected and actual experience	129,028
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(2,321,577)</u>
<b>Net change in total OPEB liability</b>	994,533
<b>Total OPEB liability - beginning</b>	<u>38,620,175</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 39,614,708</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 3,143,699
Contributions - employee	187,749
OPEB plan net investment income	1,864,124
Benefit payments, including refunds of employee contributions	(2,321,577)
OPEB plan administrative expenses	<u>(100,096)</u>
<b>Net change in plan fiduciary net position</b>	2,773,899
<b>Plan fiduciary net position - beginning</b>	<u>14,423,807</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 17,197,706</u></u>
<b>Net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 22,417,002</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	43.4%
<b>Covered-employee payroll</b>	\$ 15,410,482
<b>Net pension liability as a percentage of covered-employee payroll</b>	145.5%

**Notes to schedule:**

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

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

# Required Supplementary Information

## City of Grand Rapids, Michigan Schedules of City Contributions \*

### General OPEB plan

for the City's fiscal year ending June 30,

	<u>2017</u>
Actuarially Determined Contribution	\$ 5,071,594
Actual contribution	<u>5,068,952</u>
Contribution Deficiency (Excess)	<u>\$ 2,642</u>
Covered Payroll	\$ 48,397,770
Actual Contribution as a Percentage of Covered Payroll	10.5%

Valuation date:

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

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal.
Amortization method	Level dollar, closed.
Remaining amortization period	16 years
Asset valuation method	Market value of assets
Inflation	No explicit price inflation
Health care trend rates	8.0% trend for the first three years, then gradually decreasing to 3.5% in year 10
Projected salary increases	3.5% - 7.7% including inflation
Investment rate of return	5.0% net of OPEB plan investment expense, including infalation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Non-disabled retirees: RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale Disabled retirees: RP-2014 Disabled Retirees Mortality Table projected to 2019 using the MP-2014 mortality improvement scale

### Police OPEB plan

for the City's fiscal year ending June 30,

	<u>2017</u>
Actuarially Determined Contribution	\$ 4,192,648
Actual contribution	<u>4,319,030</u>
Contribution Deficiency (Excess)	<u>\$ (126,382)</u>
Covered Payroll	\$ 24,371,065
Actual Contribution as a Percentage of Covered Payroll	17.7%

Valuation date:

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

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal.
Amortization method	Level dollar, closed.
Remaining amortization period	22 years
Asset valuation method	Market value of assets
Inflation	No explicit price inflation
Health care trend rates	8.0% trend for the first three years, then gradually decreasing to 3.5% in year 10
Projected salary increases	4.5% - 20.5%, including inflation
Investment rate of return	5.0% net of OPEB plan investment expense, including infalation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Non-disabled retirees: RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale Disabled retirees: RP-2014 Disabled Retirees Mortality Table projected to 2019 using the MP-2014 mortality improvement scale

### Fire OPEB plan

for the City's fiscal year ending June 30,

	<u>2017</u>
Actuarially Determined Contribution	\$ 3,036,781
Actual contribution	<u>3,143,699</u>
Contribution Deficiency (Excess)	<u>\$ (106,918)</u>
Covered Payroll	\$ 15,410,482
Actual Contribution as a Percentage of Covered Payroll	20.4%

Valuation date:

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

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal.
Amortization method	Level dollar, closed.
Remaining amortization period	24 years
Asset valuation method	Market value of assets
Inflation	No explicit price inflation
Health care trend rates	8.0% trend for the first three years, then gradually decreasing to 3.5% in year 10
Projected salary increases	4.5% - 20.5%, including inflation
Investment rate of return	5.0% net of OPEB plan investment expense, including infalation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Non-disabled retirees: RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale Disabled retirees: RP-2014 Disabled Retirees Mortality Table projected to 2019 using the MP-2014 mortality improvement scale

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

## Required Supplementary Information

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

<i>for the City's fiscal year ending June 30,</i>	<u>2017</u>
Annual Money-weighted rate of return, net of investment expenses for the following plans:	
General OPEB plan - Total Market Portfolio	12.99%
General OPEB plan - MERS Short-Term Income	0.67%
Police OPEB plan - Total Market Portfolio	12.99%
Fire OPEB plan - Total Market Portfolio	12.99%

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

## 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, 2014	\$ 9,563,129	\$ 60,370,567	\$ 50,807,438	16%	\$ 24,609,381	206%
June 30, 2015	9,036,095	56,720,399	47,684,304	16%	24,850,908	192%
June 30, 2016	9,411,146	58,696,918	49,285,772	16%	22,728,357	217%
<b>Police Retiree Plan</b>						
June 30, 2014	\$ 15,217,860	\$ 63,443,368	\$ 48,225,508	24%	\$ 14,708,631	328%
June 30, 2015	19,770,732	57,552,601	37,781,869	34%	14,679,722	257%
June 30, 2016	24,090,346	61,553,466	37,463,120	39%	14,244,392	263%
<b>Fire Retiree Plan</b>						
June 30, 2014	\$ 10,276,569	\$ 39,586,693	\$ 29,310,124	26%	\$ 13,160,507	223%
June 30, 2015	12,289,119	38,287,273	25,998,154	32%	12,655,872	205%
June 30, 2016	14,421,497	38,620,175	24,198,678	37%	12,889,952	188%
<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%
June 30, 2016	-	218,870	218,870	0%	43,300	505%

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, and 9 current 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, 2017

<u>Department</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>General Government - Fiscal and Administrative:</b>				
Executive Office and City Commission	\$ 1,633,501	\$ 1,976,835	\$ 1,877,826	\$ 99,009
Comptroller's Office	2,928,863	2,928,863	2,717,325	211,538
Fiscal Services	7,011,782	7,068,167	6,075,758	992,409
Clerk's Office	2,106,675	2,106,675	2,117,632	(10,957) *
Technology and Change Management	260,463	260,463	208,851	51,612
Treasury	2,269,582	2,269,582	2,108,123	161,459
Attorney's Office	2,577,102	2,577,102	2,522,369	54,733
Human Resources	2,723,281	3,186,557	2,924,325	262,232
Administrative Services Support	840,865	847,865	630,079	217,786
Other general government	7,657,531	7,920,781	7,308,696	612,085
Total General Government	30,009,645	31,142,890	28,490,984	2,651,906
<b>Public safety:</b>				
Police	49,386,808	49,386,808	48,730,804	656,004
Fire	28,358,505	28,925,624	28,658,312	267,312
Total Public Safety	77,745,313	78,312,432	77,389,116	923,316
<b>Public Works:</b>				
Enterprise Services	5,867,498	6,398,498	5,641,676	756,822
Total Public Works	5,867,498	6,398,498	5,641,676	756,822
<b>Urban development:</b>				
Community Development	3,245,076	3,245,076	3,140,112	104,964
Design, Development and Comm. Engagement	2,084,755	2,035,755	1,909,658	126,097
Total Urban Development	5,329,831	5,280,831	5,049,770	231,061
<b>Non-departmental:</b>				
Budgeted appropriation lapse	(3,500,000)	(3,500,000)	-	(3,500,000)
Contingencies	1,178,482	-	-	-
Debt service	112,662	112,662	114,442	(1,780)
Transfers to other funds	15,815,310	16,079,234	15,919,161	160,073
Total non-departmental	13,606,454	12,691,896	16,033,603	(3,341,707)
Total charges to appropriations	\$ 132,558,741	\$ 133,826,547	\$ 132,605,149	\$ 1,221,398

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

City of Grand Rapids, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

Special Revenue Funds

	Library	Refuse	Parks & Recreation	Trans-formation	Grants	Michigan Justice Training	Vehicle Storage Facility	Property Management	Building Inspections	DNR Properties
<b>ASSETS</b>										
Equity in pooled cash and investments	\$ 4,082,047	\$ 6,012,948	\$ 3,178,373	\$ 7,882,996	\$ 2,672,304	\$ 196,079	\$ 496,268	\$ 1,323,895	\$ 6,511,189	\$ 30,874
Receivables, net	28,256	29,959	32,116	30,058	-	617	1,634	4,293	20,511	181
Due from other funds	-	28,393	5,118	32,657	-	-	-	-	-	-
Due from other governmental units	61,923	-	-	-	768,007	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 4,172,226</u>	<u>\$ 6,071,300</u>	<u>\$ 3,215,607</u>	<u>\$ 7,945,711</u>	<u>\$ 3,440,311</u>	<u>\$ 196,696</u>	<u>\$ 497,902</u>	<u>\$ 1,328,188</u>	<u>\$ 6,531,700</u>	<u>\$ 31,055</u>
<b>LIABILITIES</b>										
Vouchers and accounts payable	\$ 335,754	\$ 241,691	\$ 279,645	\$ -	\$ 725,713	\$ 1,599	\$ 45,058	\$ 12,275	\$ 14,493	\$ -
Due to other governmental units	-	-	-	-	-	-	825	-	-	-
Unearned revenues	10,000	-	-	-	776,718	-	-	-	-	-
Customer deposits	-	1,114,234	21,594	-	-	-	-	-	-	-
Total liabilities	<u>345,754</u>	<u>1,355,925</u>	<u>301,239</u>	<u>-</u>	<u>1,502,431</u>	<u>1,599</u>	<u>45,883</u>	<u>12,275</u>	<u>14,493</u>	<u>-</u>
<b>FUND BALANCES</b>										
Nonspendable:										
Inventories	-	-	-	-	-	-	-	-	-	-
Nonexpendable Trust principal	14,270	-	-	-	-	-	-	-	-	-
Restricted:										
Public safety	-	-	-	-	-	195,097	-	-	-	-
Urban and community development	-	-	-	-	1,937,880	-	-	358,233	-	-
Culture and recreation	389,971	-	-	-	-	-	-	-	-	-
Committed:										
Authorized projects	-	-	-	7,945,711	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-	-
Assigned:										
Culture and recreation	3,032,548	-	2,660,603	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Urban and community development	-	-	-	-	-	-	-	956,932	5,683,174	31,055
Public works	-	4,469,418	-	-	-	-	424,150	-	-	-
Ensuuing budget year	-	-	-	-	-	-	21,739	-	567,875	-
Compensated absences	389,683	245,957	253,765	-	-	-	6,130	748	266,158	-
Other purposes	-	-	-	-	-	-	-	-	-	-
Total fund balance	<u>3,826,472</u>	<u>4,715,375</u>	<u>2,914,368</u>	<u>7,945,711</u>	<u>1,937,880</u>	<u>195,097</u>	<u>452,019</u>	<u>1,315,913</u>	<u>6,517,207</u>	<u>31,055</u>
Total liabilities and fund balances	<u>\$ 4,172,226</u>	<u>\$ 6,071,300</u>	<u>\$ 3,215,607</u>	<u>\$ 7,945,711</u>	<u>\$ 3,440,311</u>	<u>\$ 196,696</u>	<u>\$ 497,902</u>	<u>\$ 1,328,188</u>	<u>\$ 6,531,700</u>	<u>\$ 31,055</u>



City of Grand Rapids, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue Funds						Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Sidewalk Repair	Community Dispatch	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	\$ 1,737,105	\$ 2,081,582	\$ 1,380,211	\$ 180,626	\$ 884,286	\$ 821,904	\$ 20,391	\$ 1,627,621	\$ 4,002,684	\$ 45,123,383
Receivables, net	6,665	496,701	4,792	633	3,064	3,195	166	-	12,784	675,625
Due from other funds	-	-	-	-	-	-	-	-	-	66,168
Due from other governmental units	-	-	-	-	-	-	-	-	-	829,930
Inventories	-	-	-	-	-	-	-	-	17,530	17,530
Total assets	<u>\$ 1,743,770</u>	<u>\$ 2,578,283</u>	<u>\$ 1,385,003</u>	<u>\$ 181,259</u>	<u>\$ 887,350</u>	<u>\$ 825,099</u>	<u>\$ 20,557</u>	<u>\$ 1,627,621</u>	<u>\$ 4,032,998</u>	<u>\$ 46,712,636</u>
<b>LIABILITIES</b>										
Vouchers and accounts payable	\$ 220,660	\$ 1,743	\$ 20,990	\$ -	\$ 11,610	\$ 7,523	\$ 3,644	\$ -	\$ -	\$ 1,922,398
Due to other governmental units	-	-	-	-	-	-	-	-	-	825
Unearned revenues	-	-	-	2,885	-	-	-	-	-	789,603
Customer deposits	568	-	-	-	-	-	-	-	-	1,136,396
Total liabilities	<u>221,228</u>	<u>1,743</u>	<u>20,990</u>	<u>2,885</u>	<u>11,610</u>	<u>7,523</u>	<u>3,644</u>	<u>-</u>	<u>-</u>	<u>3,849,222</u>
<b>FUND BALANCES</b>										
Nonspendable:										
Inventories	-	-	-	-	-	-	-	-	17,530	17,530
Nonexpendable Trust principal	-	-	-	25,000	-	-	-	-	2,945,003	2,984,273
Restricted:										
Public safety	-	-	1,364,013	-	-	-	-	-	-	1,559,110
Urban and community development	-	-	-	-	-	817,576	16,913	-	-	3,130,602
Culture and recreation	-	-	-	120,260	-	-	-	-	-	510,231
Committed:										
Authorized projects	-	-	-	-	-	-	-	-	-	7,945,711
Other purposes	-	-	-	-	-	-	-	-	1,070,465	1,070,465
Assigned:										
Culture and recreation	-	-	-	33,114	-	-	-	-	-	5,726,265
Public safety	-	2,308,428	-	-	-	-	-	-	-	2,308,428
Urban and community development	-	-	-	-	856,602	-	-	-	-	7,527,763
Public works	1,479,811	-	-	-	-	-	-	-	-	6,373,379
Ensuing budget year	-	-	-	-	-	-	-	-	-	589,614
Compensated absences	42,731	268,112	-	-	19,138	-	-	-	-	1,492,422
Other purposes	-	-	-	-	-	-	-	1,627,621	-	1,627,621
Total fund balance	<u>1,522,542</u>	<u>2,576,540</u>	<u>1,364,013</u>	<u>178,374</u>	<u>875,740</u>	<u>817,576</u>	<u>16,913</u>	<u>1,627,621</u>	<u>4,032,998</u>	<u>42,863,414</u>
Total liabilities and fund balances	<u>\$ 1,743,770</u>	<u>\$ 2,578,283</u>	<u>\$ 1,385,003</u>	<u>\$ 181,259</u>	<u>\$ 887,350</u>	<u>\$ 825,099</u>	<u>\$ 20,557</u>	<u>\$ 1,627,621</u>	<u>\$ 4,032,998</u>	<u>\$ 46,712,636</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, 2017*

**Special Revenue Funds**

	<u>Library</u>	<u>Refuse</u>	<u>Parks &amp; Recreation</u>	<u>Trans- formation</u>	<u>Grants</u>	<u>Michigan Justice Training</u>	<u>Vehicle Storage Facility</u>	<u>Property Management</u>	<u>Building Inspections</u>	<u>DNR Properties</u>
<b>Revenues:</b>										
Property taxes	\$ 10,009,049	\$ 6,557,602	\$ 3,949,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	163,142	-	-	-	45,513	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	4,510,701	-
Federal grants	-	-	-	-	7,774,258	-	-	-	-	-
State grants	-	-	-	-	77,561	52,247	-	-	-	-
Other grants and contributions	509,286	-	30,017	-	894,623	-	-	-	-	-
Charges for services	310,534	5,889,439	572,080	-	604,706	-	696,260	22,533	327,999	-
Property sales	-	-	-	-	-	-	-	412,266	-	-
Investment earnings (losses)	(19,101)	(16,905)	(3,982)	(84,515)	13,150	(1,115)	(321)	(6,952)	(29,132)	(1,120)
Miscellaneous	-	-	219,066	-	2,325	-	-	12,590	-	-
<b>Total revenues</b>	<b>10,972,910</b>	<b>12,430,136</b>	<b>4,767,060</b>	<b>(84,515)</b>	<b>9,412,136</b>	<b>51,132</b>	<b>695,939</b>	<b>440,437</b>	<b>4,809,568</b>	<b>(1,120)</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	-	-	-	-	21,764	-	-	-	-	-
Public safety	-	-	-	-	2,413,930	54,659	-	-	-	-
Public works	-	10,146,615	-	-	-	-	516,336	-	-	-
Culture and recreation	9,035,912	-	8,643,880	-	89,588	-	-	-	-	-
Urban and community development	-	-	-	-	7,188,254	-	-	754,840	3,559,647	112,636
<b>Debt service:</b>										
Principal	-	-	-	-	-	-	-	25,658	-	-
Interest and paying agent fees	750	-	-	-	-	-	-	14,853	-	-
<b>Capital outlay</b>	<b>73,246</b>	<b>-</b>	<b>38,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>9,109,908</b>	<b>10,146,615</b>	<b>8,682,745</b>	<b>-</b>	<b>9,713,536</b>	<b>54,659</b>	<b>516,336</b>	<b>795,351</b>	<b>3,559,647</b>	<b>112,636</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,863,002</b>	<b>2,283,521</b>	<b>(3,915,685)</b>	<b>(84,515)</b>	<b>(301,400)</b>	<b>(3,527)</b>	<b>179,603</b>	<b>(354,914)</b>	<b>1,249,921</b>	<b>(113,756)</b>
<b>Other financing sources (uses):</b>										
Transfers in	592,823	30,000	5,925,399	66,550	1,681,148	-	-	-	61,434	-
Transfers out	(2,376,968)	(434,463)	(640,692)	(2,476,645)	(1,433,620)	-	(155,852)	(12,172)	(314,544)	(685)
Sale of capital assets	-	-	-	-	-	-	-	304,079	-	-
<b>Total other financing sources (uses)</b>	<b>(1,784,145)</b>	<b>(404,463)</b>	<b>5,284,707</b>	<b>(2,410,095)</b>	<b>247,528</b>	<b>-</b>	<b>(155,852)</b>	<b>291,907</b>	<b>(253,110)</b>	<b>(685)</b>
<b>Net change in fund balances</b>	<b>78,857</b>	<b>1,879,058</b>	<b>1,369,022</b>	<b>(2,494,610)</b>	<b>(53,872)</b>	<b>(3,527)</b>	<b>23,751</b>	<b>(63,007)</b>	<b>996,811</b>	<b>(114,441)</b>
<b>Fund balances - beginning</b>	<b>3,747,615</b>	<b>2,836,317</b>	<b>1,545,346</b>	<b>10,440,321</b>	<b>1,991,752</b>	<b>198,624</b>	<b>428,268</b>	<b>1,378,920</b>	<b>5,520,396</b>	<b>145,496</b>
<b>Fund balances - ending</b>	<b>\$ 3,826,472</b>	<b>\$ 4,715,375</b>	<b>\$ 2,914,368</b>	<b>\$ 7,945,711</b>	<b>\$ 1,937,880</b>	<b>\$ 195,097</b>	<b>\$ 452,019</b>	<b>\$ 1,315,913</b>	<b>\$ 6,517,207</b>	<b>\$ 31,055</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, 2017

	Special Revenue Funds						Debt Service Fund	Permanent Fund	Total	
	Sidewalk Repair	Community Dispatch	Drug Law Enforcement	General	Economic Development	Downtown	Business	Grand Rapids Building Authority	Cemeteries Perpetual Care	Nonmajor
				Special Revenue		Improvement District	Improvement District			Governmental Funds
Revenues:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,516,530
State shared taxes	-	-	-	-	-	-	-	-	-	208,655
Licenses and permits	36,543	-	-	-	-	-	-	-	-	4,547,244
Federal grants	-	-	6,642	-	-	-	-	-	-	7,780,900
State grants	-	-	-	-	-	-	-	-	-	129,808
Other grants and contributions	-	1,236,594	-	-	-	9,000	-	-	-	2,679,520
Charges for services	114,691	-	621,437	-	94,586	1,073,206	91,995	-	22,974	10,442,440
Property sales	-	-	-	-	-	-	-	-	-	412,266
Investment earnings (losses)	(533)	(5,856)	(8,068)	(1,212)	(3,702)	(2,818)	(97)	-	(17,688)	(189,967)
Miscellaneous	-	-	78,547	9,546	5,089	-	-	51,414	-	378,577
Total revenues	150,701	1,230,738	698,558	8,334	95,973	1,079,388	91,898	51,414	5,286	46,905,973
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	21,764
Public safety	-	4,754,418	783,925	23,803	-	-	-	-	-	8,030,735
Public works	1,454,822	-	-	-	-	-	-	-	-	12,117,773
Culture and recreation	-	-	-	6,001	-	-	-	-	-	17,775,381
Urban and community development	-	-	-	-	286,681	848,448	92,237	-	-	12,842,743
Debt service:										
Principal	-	-	-	-	-	-	-	5,360,000	-	5,385,658
Interest and paying agent fees	-	-	-	-	-	-	-	2,238,044	-	2,253,647
Capital outlay	-	-	-	-	-	-	-	-	-	112,111
Total expenditures	1,454,822	4,754,418	783,925	29,804	286,681	848,448	92,237	7,598,044	-	58,539,812
Excess (deficiency) of revenues over expenditures	(1,304,121)	(3,523,680)	(85,367)	(21,470)	(190,708)	230,940	(339)	(7,546,630)	5,286	(11,633,839)
Other financing sources (uses):										
Transfers in	1,936,883	4,299,400	-	-	303,744	-	-	7,591,057	123,761	22,612,199
Transfers out	(29,089)	(380,236)	-	-	(13,748)	(34,242)	-	-	(62,935)	(8,365,891)
Sale of capital assets	-	-	-	-	-	-	-	-	-	304,079
Total other financing sources (uses)	1,907,794	3,919,164	-	-	289,996	(34,242)	-	7,591,057	60,826	14,550,387
Net change in fund balances	603,673	395,484	(85,367)	(21,470)	99,288	196,698	(339)	44,427	66,112	2,916,548
Fund balances - beginning	918,869	2,181,056	1,449,380	199,844	776,452	620,878	17,252	1,583,194	3,966,886	39,946,866
Fund balances - ending	\$ 1,522,542	\$ 2,576,540	\$ 1,364,013	\$ 178,374	\$ 875,740	\$ 817,576	\$ 16,913	\$ 1,627,621	\$ 4,032,998	\$ 42,863,414

**City of Grand Rapids**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget to Actual**  
**Nonmajor Governmental Funds-Special Revenue**  
*for the year ended June 30, 2017*

	Budget				Actual				Net Variance
	Revenues	Expenditures	Other Financing Sources (uses)	Net	Revenues	Expenditures	Other Financing Sources (uses)	Net	
Library	\$ 10,999,929	\$ 9,212,642	\$ (1,747,313)	\$ 39,974	\$ 10,972,910	\$ 9,109,908	\$ (1,784,145)	\$ 78,857	\$ 38,883
Refuse	12,359,970	10,964,576	(404,463)	990,931	12,430,136	10,146,615	(404,463)	1,879,058	888,127
Grants	18,593,860	20,216,640	416,290	(1,206,490)	9,412,136	9,713,536	247,528	(53,872)	1,152,618
Michigan Justice Training	53,489	55,000	-	(1,511)	51,132	54,659	-	(3,527)	(2,016)
Vehicle Storage Facility	753,753	526,477	(167,065)	60,211	695,939	516,336	(155,852)	23,751	(36,460)
Parks & Recreation	4,733,438	10,813,854	5,534,707	(545,709)	4,767,060	8,682,745	5,284,707	1,369,022	1,914,731
Property Management	924,879	1,320,874	(12,172)	(408,167)	440,437	795,351	291,907	(63,007)	345,160
Building Inspections	4,067,338	3,700,347	(267,660)	99,331	4,809,568	3,559,647	(253,110)	996,811	897,480
DNR Properties	49,045	115,000	(685)	(66,640)	(1,120)	112,636	(685)	(114,441)	(47,801)
Sidewalk Repair	100,219	1,796,161	1,907,794	211,852	150,701	1,454,822	1,907,794	603,673	391,821
Community Dispatch	1,428,187	5,339,664	3,919,164	7,687	1,230,738	4,754,418	3,919,164	395,484	387,797
Transformation	194,488	-	(2,410,095)	(2,215,607)	(84,515)	-	(2,410,095)	(2,494,610)	(279,003)
Drug Law Enforcement	656,281	1,039,559	-	(383,278)	698,558	783,925	-	(85,367)	297,911
General Special Revenue	75,006	75,900	-	(894)	8,334	29,804	-	(21,470)	(20,576)
Economic Development	118,093	578,791	289,996	(170,702)	95,973	286,681	289,996	99,288	269,990
Downtown Improvement District	1,058,817	1,041,575	(34,242)	(17,000)	1,079,388	848,448	(34,242)	196,698	213,698
Business Improvement District	97,227	105,227	-	(8,000)	91,898	92,237	-	(339)	7,661
<b>Total</b>	<b>\$ 56,264,019</b>	<b>\$ 66,902,287</b>	<b>\$ 7,024,256</b>	<b>\$ (3,614,012)</b>	<b>\$ 46,849,273</b>	<b>\$ 50,941,768</b>	<b>\$ 6,898,504</b>	<b>\$ 2,806,009</b>	<b>\$ 6,420,021</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, 2017*

	<b>Cemeteries Operating</b>	<b>Belknap Ice Arena</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 607,948	\$ 629,350	\$ 1,237,298
Receivables, net	43,712	46,706	90,418
Inventory	2,552	-	2,552
Total current assets	<u>654,212</u>	<u>676,056</u>	<u>1,330,268</u>
Noncurrent assets:			
Other assets	237,155	-	237,155
Capital assets:			
Non-depreciable	5,255	-	5,255
Depreciable	4,383,659	4,315,688	8,699,347
Less accumulated depreciation	(1,285,225)	(3,095,564)	(4,380,789)
Total noncurrent assets	<u>3,340,844</u>	<u>1,220,124</u>	<u>4,560,968</u>
Total assets	<u>3,995,056</u>	<u>1,896,180</u>	<u>5,891,236</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>344,997</u>	<u>-</u>	<u>344,997</u>
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers and accounts payable	90,918	136,298	227,216
Unearned revenues	1,311	-	1,311
Current portion of compensated absences	22,487	-	22,487
Total current liabilities	<u>114,716</u>	<u>136,298</u>	<u>251,014</u>
Noncurrent liabilities (net of portion due within 1 year):			
Compensated absences	16,964	-	16,964
Net pension liability	611,522	-	611,522
Net OPEB obligation	11,830	-	11,830
Total noncurrent liabilities	<u>640,316</u>	<u>-</u>	<u>640,316</u>
Total liabilities	<u>755,032</u>	<u>136,298</u>	<u>891,330</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>80,126</u>	<u>-</u>	<u>80,126</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,103,689	1,220,124	4,323,813
Unrestricted	401,206	539,758	940,964
Total net position	<u>\$ 3,504,895</u>	<u>\$ 1,759,882</u>	<u>\$ 5,264,777</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, 2017*

	<u>Cemeteries Operating</u>	<u>Belknap Ice Arena</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 934,393	\$ 716,764	\$ 1,651,157
Sales	<u>237,264</u>	<u>51,409</u>	<u>288,673</u>
Total operating revenues	<u>1,171,657</u>	<u>768,173</u>	<u>1,939,830</u>
Operating expenses:			
Personal services	685,779	246,888	932,667
Supplies and materials	116,253	25,725	141,978
Utilities	49,638	127,024	176,662
Contractual services	535,778	240,991	776,769
Other services and charges	215,053	26,970	242,023
Depreciation	<u>113,221</u>	<u>111,022</u>	<u>224,243</u>
Total operating expenses	<u>1,715,722</u>	<u>778,620</u>	<u>2,494,342</u>
Operating Loss	<u>(544,065)</u>	<u>(10,447)</u>	<u>(554,512)</u>
Nonoperating revenues:			
Interest earnings	(12,400)	(1,695)	(14,095)
Gain on sale of capital assets	<u>-</u>	<u>3,594</u>	<u>3,594</u>
Total nonoperating revenues	<u>(12,400)</u>	<u>1,899</u>	<u>(10,501)</u>
Loss before transfers	(556,465)	(8,548)	(565,013)
Transfers in	605,310	-	605,310
Transfers out	<u>(313,059)</u>	<u>-</u>	<u>(313,059)</u>
Change in net position	(264,214)	(8,548)	(272,762)
Total net position, restated - beginning	<u>3,769,109</u>	<u>1,768,430</u>	<u>5,537,539</u>
Total net position - ending	<u>\$ 3,504,895</u>	<u>\$ 1,759,882</u>	<u>\$ 5,264,777</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
*for the year ended June 30, 2017*

	<b>Cemeteries Operating</b>	<b>Belknap Ice Arena</b>	<b>Total Nonmajor Enterprise Funds</b>
Cash flows from operating activities:			
Receipts from customers	\$ 1,195,934	\$ 755,825	\$ 1,951,759
Payments to suppliers	(1,524,128)	(410,254)	(1,934,382)
Payments to employees	(531,200)	(218,561)	(749,761)
Payments for payroll taxes and benefits	25,039	(28,327)	(3,288)
Net cash provided (used) by operating activities	<u>(834,355)</u>	<u>98,683</u>	<u>(735,672)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	605,310	-	605,310
Transfers to other funds	(313,059)	-	(313,059)
Net cash provided by noncapital financing activities	<u>292,251</u>	<u>-</u>	<u>292,251</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(350,558)	(28,482)	(379,040)
Net cash used by capital and related financing activities	<u>(350,558)</u>	<u>(28,482)</u>	<u>(379,040)</u>
Cash flows from investing activities:			
Interest received (loss)	(12,400)	(1,695)	(14,095)
Net increase in equity in pooled cash and investments	(905,062)	68,506	(836,556)
Equity in pooled cash and investments, beginning	1,513,010	560,844	2,073,854
Equity in pooled cash and investments, ending	<u>\$ 607,948</u>	<u>\$ 629,350</u>	<u>\$ 1,237,298</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (544,065)	\$ (10,447)	\$ (554,512)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	113,221	111,022	224,243
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	19,941	(12,348)	7,593
Decrease in inventory	4,336	-	4,336
Increase (decrease) in vouchers and accounts payable	(608,717)	10,456	(598,261)
Increase in other liabilities	1,311	-	1,311
Increase in deferred outflows related to pensions	(182,614)	-	(182,614)
Increase in deferred inflows related to pensions	7,357	-	7,357
Decrease in compensated absences	(18)	-	(18)
Increase in pension liability	354,896	-	354,896
Decrease in net OPEB obligation	(3)	-	(3)
Total adjustments	<u>(290,290)</u>	<u>109,130</u>	<u>(181,160)</u>
Net cash provided (used) by operating activities	<u>\$ (834,355)</u>	<u>\$ 98,683</u>	<u>\$ (735,672)</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
*June 30, 2017*

	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	\$ 6,738,665	\$ 7,223,414	\$ 6,887,354	\$ 25,238,461	\$ 5,021,697	\$ 617,380	\$ 51,726,971
Receivables, net	21,613	25,162	160,713	695,578	74,287	2,107	979,460
Inventory	-	849,455	-	-	-	-	849,455
Restricted assets	-	-	-	3,700,933	-	-	3,700,933
Total current assets	<u>6,760,278</u>	<u>8,098,031</u>	<u>7,048,067</u>	<u>29,634,972</u>	<u>5,095,984</u>	<u>619,487</u>	<u>57,256,819</u>
Noncurrent assets:							
Net OPEB asset	4,212	10,678	4,687	-	-	-	19,577
Capital assets:							
Non-depreciable	840,449	-	-	-	-	-	840,449
Depreciable	3,475,544	43,157,871	1,610,793	-	33,674	-	48,277,882
Less accumulated depreciation	<u>(2,705,327)</u>	<u>(21,947,968)</u>	<u>(473,467)</u>	<u>-</u>	<u>(6,578)</u>	<u>-</u>	<u>(25,133,340)</u>
Total noncurrent assets	<u>1,614,878</u>	<u>21,220,581</u>	<u>1,142,013</u>	<u>-</u>	<u>27,096</u>	<u>-</u>	<u>24,004,568</u>
Total assets	<u>8,375,156</u>	<u>29,318,612</u>	<u>8,190,080</u>	<u>29,634,972</u>	<u>5,123,080</u>	<u>619,487</u>	<u>81,261,387</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows related to pensions	371,035	2,886,543	1,322,133	1,019,451	3,282,550	1,006,975	9,888,687
Deferred on refunding of bonds	-	1,260	-	-	-	-	1,260
Total deferred outflows of resources	<u>371,035</u>	<u>2,887,803</u>	<u>1,322,133</u>	<u>1,019,451</u>	<u>3,282,550</u>	<u>1,006,975</u>	<u>9,889,947</u>
<b>LIABILITIES</b>							
Current liabilities:							
Vouchers and accounts payable	188,913	248,550	-	494,778	26,557	60,127	1,018,925
Accrued interest payable	-	7,374	-	-	-	-	7,374
Due to other governmental units	-	-	293,295	99,682	-	-	392,977
Due to other funds (Note 9)	-	-	-	-	-	122,310	122,310
Unearned revenues	-	-	1,413	-	-	-	1,413
Current portion of claims payable	-	-	-	5,179,571	-	-	5,179,571
Current maturities of bonds, notes and contracts payable	-	210,526	-	-	-	-	210,526
Current portion of compensated absences	20,140	142,398	97,955	33,800	186,522	28,802	509,617
Total current liabilities	<u>209,053</u>	<u>608,848</u>	<u>392,663</u>	<u>5,807,831</u>	<u>213,079</u>	<u>211,239</u>	<u>7,442,713</u>
Noncurrent liabilities (net of current portion):							
Bonds payable	-	383,391	-	-	-	-	383,391
Claims payable	-	-	-	437,881	-	-	437,881
Compensated absences	15,194	107,423	73,896	25,499	140,710	21,727	384,449
Net pension liability	657,676	5,116,517	2,343,535	1,807,020	5,818,457	1,784,904	17,528,109
Net OPEB obligation	-	-	-	91,583	49,737	6,180	147,500
Total noncurrent liabilities	<u>672,870</u>	<u>5,607,331</u>	<u>2,417,431</u>	<u>2,361,983</u>	<u>6,008,904</u>	<u>1,812,811</u>	<u>18,881,330</u>
Total liabilities	<u>881,923</u>	<u>6,216,179</u>	<u>2,810,094</u>	<u>8,169,814</u>	<u>6,221,983</u>	<u>2,024,050</u>	<u>26,324,043</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows related to pensions (Note 7)	86,173	670,399	307,065	236,768	762,372	233,870	2,296,647
Total deferred inflows of resources	<u>86,173</u>	<u>670,399</u>	<u>307,065</u>	<u>236,768</u>	<u>762,372</u>	<u>233,870</u>	<u>2,296,647</u>
<b>NET POSITION</b>							
Net investment in capital assets	1,610,666	20,617,246	1,137,326	-	27,096	-	23,392,334
Unrestricted	6,167,429	4,702,591	5,257,728	22,247,841	1,394,179	(631,458)	39,138,310
Total net position	<u>\$ 7,778,095</u>	<u>\$ 25,319,837</u>	<u>\$ 6,395,054</u>	<u>\$ 22,247,841</u>	<u>\$ 1,421,275</u>	<u>\$ (631,458)</u>	<u>\$ 62,530,644</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, 2017*

	Information Technology	Motor Equipment	Facilities Management	Insurance Payment	Engineering	311 Program	Total Internal Service Funds
Operating revenues:							
Charges for services	\$ 6,854,840	\$ 12,051,740	\$ 6,630,657	\$ 26,087,041	\$ 4,614,421	\$ 1,441,715	\$ 57,680,414
Sales	-	5,239	2,508	-	-	-	7,747
Miscellaneous	-	150,977	3,340	100,409	2,200	-	256,926
Total operating revenues	<u>6,854,840</u>	<u>12,207,956</u>	<u>6,636,505</u>	<u>26,187,450</u>	<u>4,616,621</u>	<u>1,441,715</u>	<u>57,945,087</u>
Operating expenses:							
Personal services	311,772	4,060,331	1,859,224	1,471,449	4,641,408	1,431,752	13,775,936
Supplies and materials	11,872	2,474,938	224,299	-	31,163	9,335	2,751,607
Utilities	-	21,524	2,628,746	-	-	-	2,650,270
Contractual services	3,134,794	33,377	4,507	154,459	302,605	439,542	4,069,284
Other services and charges	2,799,997	756,542	1,099,633	26,457,831	713,454	188,232	32,015,689
Depreciation	438,515	2,974,013	99,830	-	3,363	-	3,515,721
Total operating expenses	<u>6,696,950</u>	<u>10,320,725</u>	<u>5,916,239</u>	<u>28,083,739</u>	<u>5,691,993</u>	<u>2,068,861</u>	<u>58,778,507</u>
Operating income (loss)	<u>157,890</u>	<u>1,887,231</u>	<u>720,266</u>	<u>(1,896,289)</u>	<u>(1,075,372)</u>	<u>(627,146)</u>	<u>(833,420)</u>
Nonoperating revenues (expenses):							
State grants	300,006	-	-	-	-	-	300,006
Investment earnings (loss)	(53,135)	(27,058)	(29,701)	367,347	(17,684)	(556)	239,213
Miscellaneous revenue (expense)	(21,251)	25,388	-	-	-	-	4,137
Gain on sale of capital assets	(269,077)	635,410	-	-	-	-	366,333
Interest expense and paying agent fees	-	(21,652)	-	-	-	-	(21,652)
Total nonoperating revenues (expenses)	<u>(43,457)</u>	<u>612,088</u>	<u>(29,701)</u>	<u>367,347</u>	<u>(17,684)</u>	<u>(556)</u>	<u>888,037</u>
Income (loss) before transfers	114,433	2,499,319	690,565	(1,528,942)	(1,093,056)	(627,702)	54,617
Capital contributions	-	439,556	-	-	-	-	439,556
Transfers in	-	-	-	-	-	625,000	625,000
Transfers out	<u>(724,966)</u>	<u>(232,501)</u>	<u>(181,323)</u>	<u>(351,668)</u>	<u>(214,594)</u>	<u>(69,232)</u>	<u>(1,774,284)</u>
Change in net position	<u>(610,533)</u>	<u>2,706,374</u>	<u>509,242</u>	<u>(1,880,610)</u>	<u>(1,307,650)</u>	<u>(71,934)</u>	<u>(655,111)</u>
Total net position - beginning	<u>8,388,628</u>	<u>22,613,463</u>	<u>5,885,812</u>	<u>24,128,451</u>	<u>2,728,925</u>	<u>(559,524)</u>	<u>63,185,755</u>
Total net position - ending	<u>\$ 7,778,095</u>	<u>\$ 25,319,837</u>	<u>\$ 6,395,054</u>	<u>\$ 22,247,841</u>	<u>\$ 1,421,275</u>	<u>\$ (631,458)</u>	<u>\$ 62,530,644</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2017*

	<b>Information</b>	<b>Facilities</b>	<b>Insurance</b>			<b>Total Internal</b>	
	<b>Technology</b>	<b>Motor Equipment</b>	<b>Management</b>	<b>Payment</b>	<b>Engineering</b>	<b>311 Program</b>	<b>Service Funds</b>
Cash flows from operating activities:							
Receipts from customers	\$ 7,195,710	\$ 12,255,787	\$ 6,699,296	\$ 25,758,017	\$ 4,658,578	\$ 1,441,715	\$ 58,009,103
Payments to suppliers	(5,951,272)	(3,261,438)	(3,829,457)	(27,582,362)	(1,146,639)	(708,181)	(42,479,349)
Payments to employees	(206,473)	(2,926,322)	(820,908)	(628,726)	(2,043,662)	(589,225)	(7,215,316)
Payments for payroll taxes and benefits	(132,084)	(17,804)	(527,212)	(381,428)	(1,194,397)	(427,357)	(2,680,282)
Other operating revenues	278,755	25,388	-	-	-	-	304,143
Net cash provided (used) by operating activities	<u>1,184,636</u>	<u>6,075,611</u>	<u>1,521,719</u>	<u>(2,834,499)</u>	<u>273,880</u>	<u>(283,048)</u>	<u>5,938,299</u>
Cash flows from noncapital financing activities:							
Transfers from other funds	-	-	-	-	-	625,000	625,000
Transfers to other funds	(724,966)	(232,501)	(181,323)	(351,668)	(214,594)	(69,232)	(1,774,284)
Net cash provided (used) by noncapital financing activities	<u>(724,966)</u>	<u>(232,501)</u>	<u>(181,323)</u>	<u>(351,668)</u>	<u>(214,594)</u>	<u>555,768</u>	<u>(1,149,284)</u>
Cash flows from capital and related financing activities:							
Purchase of capital assets	(958,565)	(5,216,415)	(809)	-	-	-	(6,175,789)
Sale of capital assets	-	635,410	-	-	-	-	635,410
Principal paid on capital debt	-	(274,777)	-	-	-	-	(274,777)
Interest paid on capital debt	-	(24,321)	-	-	-	-	(24,321)
Net cash used by capital and related financing activities	<u>(958,565)</u>	<u>(4,880,103)</u>	<u>(809)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,839,477)</u>
Cash flows from investing activities:							
Interest received	13,362	12,703	9,540	570,477	4,537	1,168	611,787
Net increase (decrease) in equity in pooled cash and investments	(485,533)	975,710	1,349,127	(2,615,690)	63,823	273,888	(438,675)
Equity in pooled cash and investments - beginning of year	7,224,198	6,247,704	5,538,227	31,555,084	4,957,874	343,492	55,866,579
Equity in pooled cash and investments - end of year (including restricted cash held by trustee: \$4,396,767 in Insurance Payment fund)	<u>\$ 6,738,665</u>	<u>\$ 7,223,414</u>	<u>\$ 6,887,354</u>	<u>\$ 28,939,394</u>	<u>\$ 5,021,697</u>	<u>\$ 617,380</u>	<u>\$ 55,427,904</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2017*

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Facilities Management</u>	<u>Insurance Payment</u>	<u>Engineering</u>	<u>311 Program</u>	<u>Total Internal Service Funds</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ 157,890	\$ 1,887,231	\$ 720,266	\$ (1,896,289)	\$ (1,075,372)	\$ (627,146)	\$ (833,420)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	438,515	2,974,013	99,830	-	3,363	-	3,515,721
Miscellaneous cash received	278,755	25,388	-	-	-	-	304,143
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	-	(1,050)	62,791	(429,433)	41,957	-	(325,735)
Increase in due from intergovernmental units	340,870	-	-	-	-	-	340,870
Decrease in inventory	-	48,881	-	-	-	-	48,881
Decrease in prepaid expenses	470,046	-	-	-	-	-	470,046
Increase (decrease) in vouchers and accounts payable	(474,655)	24,943	127,728	(620,669)	(99,417)	51,239	(990,831)
Decrease in due to other funds	-	-	-	(49,375)	-	(122,311)	(171,686)
(Increase) decrease in deferred outflows related to pensions	7,859	(1,154,459)	(510,218)	(478,175)	(1,442,210)	(411,571)	(3,988,774)
Decrease in deferred inflows related to pensions	(83,622)	(105,808)	(56,782)	(5,797)	(62,348)	(32,951)	(347,308)
Increase (decrease) in compensated absences	(9,901)	(2,679)	17,710	(5,113)	(2,096)	15,762	13,683
Increase in pension liability	58,882	2,379,175	1,060,406	951,601	2,910,031	843,943	8,204,038
Decrease in net OPEB obligation	(3)	(24)	(12)	(1,221)	(28)	(13)	(1,301)
Decrease in general claims payable	-	-	-	(300,028)	-	-	(300,028)
Total adjustments	<u>1,026,746</u>	<u>4,188,380</u>	<u>801,453</u>	<u>(938,210)</u>	<u>1,349,252</u>	<u>344,098</u>	<u>6,771,719</u>
Net cash provided (used) by operating activities	<u>\$ 1,184,636</u>	<u>\$ 6,075,611</u>	<u>\$ 1,521,719</u>	<u>\$ (2,834,499)</u>	<u>\$ 273,880</u>	<u>\$ (283,048)</u>	<u>\$ 5,938,299</u>

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

	<u>Pension Trust Funds</u>		<u>Retiree Health Care Trust Funds</u>			<u>Total Employee Benefit Trust Funds</u>
	<u>Police and Fire</u>	<u>General</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>	
<i>as of :</i>	<i>December 31, 2016</i>	<i>June 30, 2017</i>	<i>June 30, 2017</i>	<i>June 30, 2017</i>	<i>June 30, 2017</i>	
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ -	\$ -	\$ 725,727	\$ 484,048	\$ 381,899	\$ 1,591,674
Investments held by trustee:						
Cash and money market funds	5,401,356	4,133,132	-	-	-	9,534,488
United States Government Securities	20,355,354	22,314,525	-	-	-	42,669,879
State and municipal bonds	431,880	460,678	-	-	-	892,558
Corporate bonds and fixed income comingled funds	64,346,783	68,470,272	-	-	-	132,817,055
Common stocks and equity mutual funds	240,487,092	258,571,314	-	-	-	499,058,406
Real estate securities	17,961,142	19,240,626	-	-	-	37,201,768
Asset-backed securities	6,613,879	6,294,817	-	-	-	12,908,696
Commodities	14,331,487	14,371,330	-	-	-	28,702,817
Other	11,278,926	13,247,350	-	-	-	24,526,276
Comingled multi-asset portfolio	-	-	9,152,251	28,821,618	16,828,854	54,802,723
Collateral held by broker under securities lending						
Short-term fixed income	18,937,498	15,606,539	-	-	-	34,544,037
Receivables, net:						
Investment securities sold	1,689,946	2,183,163	-	-	-	3,873,109
Other accounts	1,055,944	454,668	4,812	290	191	1,515,905
Accrued interest and dividends	362,115	430,754	1,541	1,162	797	796,369
Total assets	<u>403,253,402</u>	<u>425,779,168</u>	<u>9,884,331</u>	<u>29,307,118</u>	<u>17,211,741</u>	<u>885,435,760</u>
<b>LIABILITIES</b>						
Compensated absences	19,363	22,410	-	-	-	41,773
Investment securities purchased	832,374	667,352	-	-	-	1,499,726
Vouchers and accounts payable	281,844	295,380	53,548	39,419	14,035	684,226
Due to other funds	9,384	18,683	-	-	-	28,067
Liabilities under security lending program	18,937,498	15,606,539	-	-	-	34,544,037
Total liabilities	<u>20,080,463</u>	<u>16,610,364</u>	<u>53,548</u>	<u>39,419</u>	<u>14,035</u>	<u>36,797,829</u>
<b>NET POSITION</b>						
Restricted for pension and OPEB benefits	<u>\$ 383,172,939</u>	<u>\$ 409,168,804</u>	<u>\$ 9,830,783</u>	<u>\$ 29,267,699</u>	<u>\$ 17,197,706</u>	<u>\$ 848,637,931</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, 2016</i>	<i>June 30, 2017</i>	<i>June 30, 2017</i>	<i>June 30, 2017</i>	<i>June 30, 2017</i>	
<i>for the year ended:</i>						
<b>ADDITIONS</b>						
Plan Contributions:						
Employer	\$ 7,166,351	\$ 10,237,538	\$ 5,068,952	\$ 4,319,030	\$ 3,143,699	\$ 29,935,570
Plan members	4,929,842	3,012,472	479,082	256,022	187,749	8,865,167
Total contributions	<u>12,096,193</u>	<u>13,250,010</u>	<u>5,548,034</u>	<u>4,575,052</u>	<u>3,331,448</u>	<u>38,800,737</u>
Investment earnings:						
Interest and dividends	4,755,872	4,907,312	3,405	1,367	1,164	9,669,120
Net appreciation (depreciation) in fair value of investments	21,811,221	34,287,484	903,962	3,171,881	1,862,960	62,037,508
Total investment earnings (loss)	26,567,093	39,194,796	907,367	3,173,248	1,864,124	71,706,628
Investment management expense	(951,399)	(1,011,409)	-	-	-	(1,962,808)
Net investment earnings (loss)	25,615,694	38,183,387	907,367	3,173,248	1,864,124	69,743,820
Securities lending earnings	97,250	112,728	-	-	-	209,978
Total net investment earnings (loss)	25,712,944	38,296,115	907,367	3,173,248	1,864,124	69,953,798
Total additions	<u>37,809,137</u>	<u>51,546,125</u>	<u>6,455,401</u>	<u>7,748,300</u>	<u>5,195,572</u>	<u>108,754,535</u>
<b>DEDUCTIONS</b>						
Benefits paid	29,360,463	32,009,058	5,866,434	2,451,085	2,321,577	72,008,617
Administration expenses	542,277	558,024	172,119	123,462	100,096	1,495,978
Total deductions	<u>29,902,740</u>	<u>32,567,082</u>	<u>6,038,553</u>	<u>2,574,547</u>	<u>2,421,673</u>	<u>73,504,595</u>
Change in net position	7,906,397	18,979,043	416,848	5,173,753	2,773,899	35,249,940
Total net position - beginning	<u>375,266,542</u>	<u>390,189,761</u>	<u>9,413,935</u>	<u>24,093,946</u>	<u>14,423,807</u>	<u>813,387,991</u>
Total net position - ending	<u>\$ 383,172,939</u>	<u>\$ 409,168,804</u>	<u>\$ 9,830,783</u>	<u>\$ 29,267,699</u>	<u>\$ 17,197,706</u>	<u>\$ 848,637,931</u>

**City of Grand Rapids, Michigan**  
**Statement of Changes in Assets and Liabilities**  
**Agency Tax Fund**  
*for the year ended June 30, 2017*

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 671,742	\$ -	\$ 413,797	\$ 257,945
Property taxes receivable	<u>404,094</u>	<u>132,373,799</u>	<u>132,426,186</u>	<u>351,707</u>
Total assets	<u>\$ 1,075,836</u>	<u>\$ 132,373,799</u>	<u>\$ 132,839,983</u>	<u>\$ 609,652</u>
<b>Liabilities:</b>				
Due to other governmental units	<u>\$ 1,075,836</u>	<u>\$ 132,373,799</u>	<u>\$ 132,839,983</u>	<u>\$ 609,652</u>
Total liabilities	<u>\$ 1,075,836</u>	<u>\$ 132,373,799</u>	<u>\$ 132,839,983</u>	<u>\$ 609,652</u>

**City of Grand Rapids, Michigan**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
*June 30, 2017*

<b>Function and Activity</b>	<b>Land</b>	<b>Easements/ Right of way</b>	<b>Land Improvements</b>	<b>Building and Structures</b>	<b>Machinery and Equipment</b>	<b>Motor Vehicles</b>	<b>Office Furniture and Equipment</b>	<b>Infrastructures</b>	<b>Construction in Progress</b>	<b>Totals</b>
General government:	\$ 3,208,987	\$ -	\$ 3,952,990	\$ 51,465,026	\$ 3,643,153	\$ -	\$ -	\$ -	\$ 241,112	\$ 62,511,268
Public safety:										
Police	1,382,455	-	-	23,747,932	8,060,118	678,338	54,195	-	65,500	33,988,538
Fire	453,690	-	-	6,611,807	2,746,909	11,582,643	29,741	-	285,484	21,710,274
	<u>1,836,145</u>	<u>-</u>	<u>-</u>	<u>30,359,739</u>	<u>10,807,027</u>	<u>12,260,981</u>	<u>83,936</u>	<u>-</u>	<u>350,984</u>	<u>55,698,812</u>
Public works:										
Public works	3,082,479	744,377	9,339,607	919,669	1,424,441	10,950	-	515,153,937	14,122,720	544,798,180
Street lighting	-	-	-	-	-	-	-	11,609,955	344,407	11,954,362
Traffic safety	42,400	1,488	16,965	3,710,930	435,940	-	66,669	9,829,100	-	14,103,492
	<u>3,124,879</u>	<u>745,865</u>	<u>9,356,572</u>	<u>4,630,599</u>	<u>1,860,381</u>	<u>10,950</u>	<u>66,669</u>	<u>536,592,992</u>	<u>14,467,127</u>	<u>570,856,034</u>
Culture and recreation:										
Libraries	2,284,018	-	72,997	37,287,108	30,125	25,224	2,018,539	-	-	41,718,011
Museum	3,090,391	-	135,895	42,549,160	344,881	-	530,787	-	-	46,651,114
Parks	2,394,191	16,184	29,715,465	9,150,427	683,026	128,067	-	-	787,302	42,874,662
	<u>7,768,600</u>	<u>16,184</u>	<u>29,924,357</u>	<u>88,986,695</u>	<u>1,058,032</u>	<u>153,291</u>	<u>2,549,326</u>	<u>-</u>	<u>787,302</u>	<u>131,243,787</u>
Community and economic development	-	-	-	-	-	17,234	-	-	-	17,234
Total urban and community development	-	-	-	-	-	-	-	-	-	-
<b>Total governmental funds capital assets</b>	<u>\$ 15,938,611</u>	<u>\$ 762,049</u>	<u>\$ 43,233,919</u>	<u>\$ 175,442,059</u>	<u>\$ 17,368,593</u>	<u>\$ 12,442,456</u>	<u>\$ 2,699,931</u>	<u>\$ 536,592,992</u>	<u>\$ 15,846,525</u>	<u>\$ 820,327,135</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 of Changes by Function and Activity**  
*for the year ended June 30, 2017*

<b>Function and Activity</b>	<b>June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2017</b>
General government	\$ 61,909,285	\$ 539,741	\$ 74,131	\$ 62,374,895
Public safety:				
Police	34,443,214	344,309	798,983	33,988,539
Fire	21,292,492	447,574	29,790	21,710,276
Total public safety	55,735,706	791,883	828,773	55,698,815
Public works:				
Public works	535,393,376	9,210,982	-	544,604,358
Street lighting	11,641,866	344,407	-	11,986,273
Traffic safety	13,943,874	113,491	-	14,057,365
City/County parking facility	-	-	18,957	(18,957)
Total public works	560,979,116	9,668,880	18,957	570,629,039
Culture and recreation:				
Libraries	41,718,011	-	-	41,718,011
Museum	46,854,852	-	184,780	46,670,072
Parks	44,217,013	2,557,528	3,555,473	43,219,068
Art museum	-	-	-	-
Total culture and recreation	132,789,876	2,557,528	3,740,253	131,607,151
Urban and community development:				
Community and economic development	17,234	-	-	17,234
Neighborhood business improvements	-	-	-	-
Total urban and community development	17,234	-	-	17,234
Total governmental funds capital assets	\$ 811,431,217	\$ 13,558,032	\$ 4,662,114	\$ 820,327,135

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



**City of Grand Rapids, Michigan**  
**Contents of the Statistical Section**

This part of the City of Grand Rapids' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. Many of the tables present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statement.

**Contents**

**Tables**

<p><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*

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental Activities</b>										
Net Investment in capital assets	\$ 337,227,130	\$ 324,267,977	\$ 306,253,632	\$ 286,842,665	\$ 267,497,557	\$ 252,300,951	\$ 250,757,965	\$ 228,176,623	\$ 202,004,329	\$ 178,448,878
Restricted	5,142,104	5,587,778	15,806,474	15,069,304	14,778,249	14,052,452	15,868,799	16,462,828	28,568,423	31,118,311
Unrestricted	<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>	<u>83,771,482</u>	<u>69,438,666</u>	<u>51,058,700</u>
Total governmental activities net position	<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>	<u>\$ 328,410,933</u>	<u>\$ 300,011,418</u>	<u>\$ 260,625,889</u>
<b>Business-type Activities</b>										
Net Investment in capital assets	\$ 351,218,972	\$ 352,038,798	\$ 359,840,998	\$ 360,515,741	\$ 357,748,563	\$ 351,473,228	\$ 358,944,390	\$ 374,185,834	\$ 392,979,402	\$ 400,784,184
Restricted	19,051,868	18,602,657	19,527,952	21,769,063	21,706,695	30,948,240	35,885,669	33,589,225	32,359,186	33,335,807
Unrestricted	<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>	<u>76,022,631</u>	<u>80,686,568</u>	<u>89,651,460</u>
Total business-type activities net position	<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>	<u>\$ 483,797,690</u>	<u>\$ 506,025,156</u>	<u>\$ 523,771,451</u>
<b>Primary Government</b>										
Net Investment in capital assets	\$ 688,446,102	\$ 676,306,775	\$ 666,094,630	\$ 647,358,406	\$ 625,246,120	\$ 603,774,179	\$ 609,702,355	\$ 602,362,457	\$ 594,983,731	\$ 579,233,062
Restricted	24,193,972	24,190,435	35,334,426	36,838,367	36,484,944	45,000,692	51,754,468	50,052,053	60,927,609	64,454,118
Unrestricted	<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>	<u>159,794,113</u>	<u>150,125,234</u>	<u>140,710,160</u>
Total primary government net position	<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>	<u>\$ 812,208,623</u>	<u>\$ 806,036,574</u>	<u>\$ 784,397,340</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 31,758,040	\$ 28,569,892	\$ 24,244,049	\$ 25,886,186	\$ 28,490,087	\$ 25,763,302	\$ 24,317,558	\$ 27,158,278	\$ 31,370,052	\$ 32,918,016
Public safety	78,488,302	74,485,764	72,301,627	78,776,861	85,540,347	83,883,605	79,901,439	76,336,144	101,714,766	111,566,878
Public works	52,100,751	52,457,035	47,956,043	49,113,508	50,339,679	50,403,933	48,477,155	63,819,694	72,032,052	73,773,068
Culture and Recreation	20,471,242	21,740,208	22,130,169	19,853,225	18,844,448	18,560,598	17,453,598	19,718,462	17,714,262	18,038,363
Urban & Community Development	18,111,909	18,223,093	21,519,381	26,234,918	28,103,849	20,544,534	16,321,393	14,719,552	17,361,430	19,611,904
Interest on long-term debt	6,126,343	5,985,292	5,085,083	5,139,731	4,825,257	4,338,102	4,058,044	3,936,941	3,892,373	4,600,305
Total governmental activities expenses	<u>207,056,587</u>	<u>201,461,284</u>	<u>193,236,352</u>	<u>205,004,429</u>	<u>216,143,667</u>	<u>203,494,074</u>	<u>190,529,187</u>	<u>205,689,071</u>	<u>244,084,935</u>	<u>260,508,534</u>
Business-type activities:										
Water Supply System	39,172,761	40,839,383	39,797,298	38,356,246	37,697,767	36,459,316	37,285,497	33,302,278	36,197,215	39,206,129
Sewage Disposal System	38,537,806	45,152,263	43,555,979	45,297,991	45,697,111	48,008,068	46,561,350	45,184,106	47,691,862	50,334,631
Auto Parking System	8,451,634	9,192,422	8,901,722	10,214,220	10,615,215	11,262,622	11,798,952	11,594,252	14,249,852	15,902,942
Other Enterprises	2,369,229	2,781,803	2,259,044	2,371,611	2,482,758	1,990,459	2,300,183	2,411,202	1,950,213	2,513,612
Total business-type activities expenses	<u>88,531,430</u>	<u>97,965,871</u>	<u>94,514,043</u>	<u>96,240,068</u>	<u>96,492,851</u>	<u>97,720,465</u>	<u>97,945,982</u>	<u>92,491,838</u>	<u>100,089,142</u>	<u>107,957,314</u>
Total primary government expenses	<u>\$ 295,588,017</u>	<u>\$ 299,427,155</u>	<u>\$ 287,750,395</u>	<u>\$ 301,244,497</u>	<u>\$ 312,636,518</u>	<u>\$ 301,214,539</u>	<u>\$ 288,475,169</u>	<u>\$ 298,180,909</u>	<u>\$ 344,174,077</u>	<u>\$ 368,465,848</u>
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 7,195,479	\$ 7,989,255	\$ 8,566,152	\$ 8,064,316	\$ 8,722,141	\$ 8,840,382	\$ 9,087,640	\$ 8,920,866	\$ 8,828,209	\$ 9,099,565
Public safety	2,515,301	2,036,877	3,193,456	2,260,699	3,035,450	2,432,020	2,508,324	2,151,757	1,752,816	1,764,425
Public works	13,238,694	12,995,564	12,409,177	10,141,484	10,530,342	10,176,136	11,345,612	11,231,351	11,708,111	11,372,907
Culture and recreation	2,202,843	2,728,078	2,831,131	2,766,016	1,837,477	1,198,277	782,280	807,855	765,030	882,614
Urban & community development	6,897,964	5,650,987	6,179,085	6,184,984	5,162,954	8,282,923	8,923,877	8,785,932	10,836,002	9,961,856
Total Charges for services:	<u>32,050,281</u>	<u>31,400,761</u>	<u>33,179,001</u>	<u>29,417,499</u>	<u>29,288,364</u>	<u>30,929,738</u>	<u>32,647,733</u>	<u>31,897,761</u>	<u>33,890,168</u>	<u>33,081,367</u>
Operating grants and contributions:	9,094,674	11,057,758	15,755,323	21,175,008	32,169,748	20,176,947	15,059,686	15,145,783	15,432,226	13,056,796
Capital grants and contributions	2,149,305	2,536,753	1,568,133	968,301	2,461,425	1,307,488	1,091,417	1,778,543	1,376,082	992,780
Total governmental activities program revenues	<u>43,294,260</u>	<u>44,995,272</u>	<u>50,502,457</u>	<u>51,560,808</u>	<u>63,919,537</u>	<u>52,414,173</u>	<u>48,798,836</u>	<u>48,822,087</u>	<u>50,698,476</u>	<u>47,130,943</u>
Business-type activities:										
Charges for services:										
Water Supply System	41,881,537	40,128,820	41,982,356	41,639,821	43,392,238	44,228,303	40,548,424	40,014,365	41,968,413	43,536,557
Sewage Disposal System	41,598,797	43,701,325	48,484,433	50,130,450	51,619,089	49,251,979	49,732,439	51,991,509	54,119,246	54,751,997
Auto Parking System	10,173,994	9,939,136	9,867,098	11,570,553	12,413,783	13,504,506	14,402,322	15,712,638	15,361,175	20,120,530
Other Enterprise	1,936,676	2,040,219	1,828,368	1,889,994	1,906,608	1,985,327	2,057,821	2,090,739	1,940,424	1,939,830
Total Charges for services:	<u>95,591,004</u>	<u>95,809,500</u>	<u>102,162,255</u>	<u>105,230,818</u>	<u>109,331,718</u>	<u>108,970,115</u>	<u>106,741,006</u>	<u>109,809,251</u>	<u>113,389,258</u>	<u>120,348,914</u>
Operating grants and contributions:	245,032	-	131,096	208,000	676,381	631,163	603,191	630,374	623,218	653,864
Capital grants and contributions:	2,170,346	1,836,608	1,034,755	1,098,463	1,144,782	3,265,749	3,347,880	4,593,227	6,216,877	5,274,555
Total business-type activities program revenues	<u>98,006,382</u>	<u>97,646,108</u>	<u>103,328,106</u>	<u>106,537,281</u>	<u>111,152,881</u>	<u>112,867,027</u>	<u>110,692,077</u>	<u>115,032,852</u>	<u>120,229,353</u>	<u>126,277,333</u>
Total primary government program revenues	<u>\$ 141,300,642</u>	<u>\$ 142,641,380</u>	<u>\$ 153,830,563</u>	<u>\$ 158,098,089</u>	<u>\$ 175,072,418</u>	<u>\$ 165,281,200</u>	<u>\$ 159,490,913</u>	<u>\$ 163,854,939</u>	<u>\$ 170,927,829</u>	<u>\$ 173,408,276</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (163,762,327)	\$ (156,466,012)	\$ (142,733,895)	\$ (153,443,621)	\$ (152,224,130)	\$ (151,079,901)	\$ (141,730,351)	\$ (156,866,984)	\$ (193,386,459)	\$ (213,377,591)
Business-type activities	<u>9,474,952</u>	<u>(319,763)</u>	<u>8,814,063</u>	<u>10,297,213</u>	<u>14,660,030</u>	<u>15,146,562</u>	<u>12,746,095</u>	<u>22,541,014</u>	<u>20,140,211</u>	<u>18,320,019</u>
Total primary government net expense	<u>\$ (154,287,375)</u>	<u>\$ (156,785,775)</u>	<u>\$ (133,919,832)</u>	<u>\$ (143,146,408)</u>	<u>\$ (137,564,100)</u>	<u>\$ (135,933,339)</u>	<u>\$ (128,984,256)</u>	<u>\$ (134,325,970)</u>	<u>\$ (173,246,248)</u>	<u>\$ (195,057,572)</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 37,819,932	\$ 38,371,239	\$ 38,551,862	\$ 37,451,239	\$ 35,981,291	\$ 34,131,326	\$ 33,909,334	\$ 37,716,877	\$ 38,976,376	\$ 39,505,377
Income taxes	59,496,282	53,086,986	52,656,179	63,852,926	68,179,409	75,471,493	77,574,337	81,968,457	88,174,251	94,038,914
State shared taxes	36,613,479	35,443,205	32,731,782	32,775,451	31,667,177	32,627,467	34,246,742	34,254,030	34,437,232	37,443,494
Unrestricted investment earnings	6,184,748	3,281,495	2,079,940	1,738,367	1,717,328	1,541,377	1,657,605	2,104,705	3,592,965	217,143
Miscellaneous	3,009,628	1,927,713	1,297,311	1,962,840	528,525	374,239	707,264	494,106	626,056	1,070,668
Gain on sale of capital assets	36,998	96,376	1,759,429	292,191	103,401	106,960	789,570	-	-	-
Transfers	<u>1,846,821</u>	<u>1,632,809</u>	<u>11,411,230</u>	<u>2,633,781</u>	<u>2,466,570</u>	<u>2,064,144</u>	<u>2,167,433</u>	<u>1,252,086</u>	<u>(819,936)</u>	<u>1,716,466</u>
Total governmental activities:	<u>145,007,888</u>	<u>133,839,823</u>	<u>140,487,733</u>	<u>140,706,795</u>	<u>140,643,701</u>	<u>146,317,006</u>	<u>151,052,285</u>	<u>157,790,261</u>	<u>164,986,944</u>	<u>173,992,062</u>
Business-type activities:										
Unrestricted investment earnings	4,435,828	2,677,764	2,030,100	975,845	432,126	593,408	711,272	697,150	1,107,815	10,638
Miscellaneous	1,339,685	2,816,747	2,755,680	1,378,750	1,592,148	617,730	775,377	161,301	159,504	1,128,510
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	3,594
Transfers	(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)	-	(1,252,086)	819,936	(1,716,466)
Total business-type activities	<u>3,928,692</u>	<u>3,861,702</u>	<u>(6,625,450)</u>	<u>(279,185)</u>	<u>(442,296)</u>	<u>(5,721,620)</u>	<u>(680,784)</u>	<u>(393,635)</u>	<u>2,087,255</u>	<u>(573,724)</u>
Total primary government	<u>\$ 148,936,580</u>	<u>\$ 137,701,525</u>	<u>\$ 133,862,283</u>	<u>\$ 140,427,610</u>	<u>\$ 140,201,405</u>	<u>\$ 140,595,386</u>	<u>\$ 150,371,501</u>	<u>\$ 157,396,626</u>	<u>\$ 167,074,199</u>	<u>\$ 173,418,338</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (18,754,439)	\$ (22,626,189)	\$ (2,246,162)	\$ (12,736,826)	\$ (11,580,429)	\$ (4,762,895)	\$ 9,321,934	\$ 923,277	\$ (28,399,515)	\$ (39,385,529)
Business-type activities	<u>13,403,644</u>	<u>3,541,939</u>	<u>2,188,613</u>	<u>10,018,028</u>	<u>14,217,734</u>	<u>9,424,942</u>	<u>12,065,311</u>	<u>22,147,379</u>	<u>22,227,466</u>	<u>17,746,295</u>
Total primary government	<u>\$ (5,350,795)</u>	<u>\$ (19,084,250)</u>	<u>\$ (57,549)</u>	<u>\$ (2,718,798)</u>	<u>\$ 2,637,305</u>	<u>\$ 4,662,047</u>	<u>\$ 21,387,245</u>	<u>\$ 23,070,656</u>	<u>\$ (6,172,049)</u>	<u>\$ (21,639,234)</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Reserved	\$ 1,448,920	\$ 1,616,452	\$ 13,220,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>17,724,256</u>	<u>18,116,197</u>	<u>19,023,491</u>	-	-	-	-	-	-	-
Nonspendable				11,467,913	10,323,093	9,085,247	7,650,268	6,370,712	5,021,173	3,372,266
Committed				-	-	3,683,466	5,940,801	8,948,835	12,948,835	12,948,835
Assigned				12,357,965	7,537,106	7,218,561	8,098,880	9,183,103	8,304,141	7,369,018
Unassigned				<u>7,886,595</u>	<u>8,499,517</u>	<u>12,677,755</u>	<u>13,840,518</u>	<u>15,101,671</u>	<u>22,388,202</u>	<u>27,289,147</u>
Total general fund	<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>	<u>\$ 39,604,321</u>	<u>\$ 48,662,351</u>	<u>\$ 50,979,266</u>
All other governmental funds										
Reserved	\$ 27,602,015	\$ 21,059,988	\$ 20,349,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	23,643,189	22,922,676	23,748,668	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt Service funds	<u>1,115,085</u>	<u>1,216,571</u>	<u>1,298,148</u>	-	-	-	-	-	-	-
Nonspendable				4,242,062	4,209,836	4,232,043	3,851,381	3,904,986	3,872,045	3,610,387
Restricted				14,770,028	13,917,489	12,471,415	13,723,322	17,846,513	38,001,238	28,234,961
Committed				18,978,088	23,248,555	30,862,888	39,983,001	41,781,471	28,609,072	29,681,306
Assigned				12,423,570	13,428,629	11,284,779	12,498,513	12,436,480	20,334,463	25,645,492
Unassigned				<u>(301,784)</u>	<u>-</u>	<u>(241,434)</u>	<u>(562,032)</u>	<u>(377,415)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 75,592,035</u>	<u>\$ 90,816,818</u>	<u>\$ 87,172,146</u>

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Property taxes	\$ 37,819,932	\$ 38,371,239	\$ 38,551,862	\$ 37,451,239	\$ 35,981,291	\$ 34,155,212	\$ 33,909,334	\$ 37,716,877	\$ 38,990,487	\$ 39,543,379
City income taxes	59,496,282	53,086,986	52,656,179	63,852,926	68,179,409	75,471,493	77,574,337	81,970,412	88,174,251	94,021,662
State shared taxes	36,613,479	35,443,205	32,380,487	32,405,016	31,667,177	32,627,467	34,246,742	34,252,075	34,440,574	37,422,744
Licenses and permits	3,823,654	2,903,318	3,197,682	2,495,904	2,880,914	4,307,838	4,546,578	3,751,887	7,699,250	7,360,290
Fines and forfeitures	1,973,737	2,084,267	2,301,663	2,179,292	2,170,700	2,403,610	2,461,177	2,072,303	2,115,302	2,349,199
Federal grants	8,798,195	10,756,821	15,294,057	18,356,170	27,843,329	15,305,649	10,870,559	8,480,882	8,335,065	8,718,422
State grants	1,000,072	970,050	590,074	506,781	1,359,652	1,095,598	595,271	4,276,576	3,118,910	900,182
Other grants & contributions	1,830,393	1,615,425	1,790,620	3,650,792	5,428,192	5,083,188	4,685,273	4,166,868	5,354,333	4,430,972
Charges for services	25,613,387	25,791,006	27,464,656	24,506,126	23,996,750	23,968,290	25,287,684	26,073,539	24,075,616	23,371,878
Investment earnings (loss)	4,553,028	2,324,325	1,266,097	1,017,083	853,321	693,044	807,495	1,005,208	1,812,434	(282,270)
Miscellaneous	3,670,803	2,597,097	1,368,868	1,974,018	487,584	436,512	677,503	491,350	626,056	1,066,531
<b>Total revenues</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>\$ 204,257,977</b>	<b>\$ 214,742,278</b>	<b>\$ 218,902,989</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	\$ 29,609,107	\$ 26,618,193	\$ 23,362,274	\$ 23,658,692	\$ 25,545,603	\$ 23,474,456	\$ 24,804,245	\$ 27,018,056	\$ 28,696,169	\$ 30,130,282
Public safety	71,621,129	69,586,390	72,110,735	74,187,140	83,219,856	81,200,548	80,855,089	81,072,054	83,471,722	85,419,851
Public works	30,342,790	30,234,531	30,536,277	32,347,463	33,476,824	31,236,419	30,244,106	31,291,362	31,432,079	32,215,909
Culture and recreation	15,881,816	16,788,477	16,819,954	15,311,589	14,574,914	13,940,573	14,127,062	18,390,409	17,791,041	17,775,381
Urban and community development	18,358,822	18,129,776	22,085,320	26,439,566	28,587,393	20,510,234	16,540,058	16,506,585	15,763,012	17,892,513
<b>Debt service:</b>										
Principal	6,279,870	6,670,865	7,285,732	8,608,539	7,456,006	7,556,251	7,970,700	8,508,124	7,437,220	7,349,646
Interest, fees, and bond issue costs	5,455,238	5,717,181	4,708,840	4,678,244	4,452,511	4,130,036	3,842,817	3,700,435	3,908,361	4,363,449
<b>Capital outlay</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>29,024,143</b>	<b>35,497,277</b>	<b>39,899,156</b>
<b>Total expenditures</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>215,511,168</b>	<b>223,996,881</b>	<b>235,046,187</b>
<b>Excess (deficit) of revenues over expenditures</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>\$ (11,253,191)</b>	<b>\$ (9,254,603)</b>	<b>\$ (16,143,198)</b>
<b>Other financing sources (uses):</b>										
Transfers in	\$ 22,354,865	\$ 24,668,660	\$ 37,634,119	\$ 25,856,642	\$ 41,826,658	\$ 40,161,192	\$ 36,805,723	\$ 39,501,511	\$ 43,939,163	\$ 43,338,957
Transfers out	(19,555,589)	(22,017,238)	(24,172,859)	(22,402,271)	(37,637,906)	(37,403,178)	(32,542,961)	(41,363,356)	(43,674,269)	(40,473,207)
Sale of capital assets	945,075	-	4,241,992	-	-	-	1,119	1,571,243	120,109	304,079
Face value of bonds and contracts issued	427,560	24,755,100	7,445,000	1,592,500	2,255,000	526,800	2,706,853	21,550,000	37,840,000	12,045,000
Premium on bonds issued	-	503,856	-	-	175,389	-	-	-	3,886,102	-
Payment to refunded bond escrow agent	(945,075)	(23,908,566)	-	-	(2,438,269)	-	(2,293,547)	-	(8,635,029)	-
<b>Total other financing sources (uses)</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>21,259,398</b>	<b>33,476,076</b>	<b>15,214,829</b>
<b>Net change in fund balances</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>	<b>10,006,207</b>	<b>24,221,473</b>	<b>(928,369)</b>
<b>Fund balances, beginning</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>115,196,356</b>	<b>139,479,169</b>
<b>Current year change in inventory levels</b>	<b>168,610</b>	<b>118,626</b>	<b>260,604</b>	<b>(4,201)</b>	<b>(80,054)</b>	<b>(70,485)</b>	<b>(470,082)</b>	<b>165,497</b>	<b>61,340</b>	<b>(399,388)</b>
<b>Fund balances, ending</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>\$ 115,196,356</b>	<b>\$ 139,479,169</b>	<b>\$ 138,151,412</b>
<b>Debt Service as a percentage of non-capital expenditures</b>	<b>7.02%</b>	<b>7.46%</b>	<b>7.13%</b>	<b>7.28%</b>	<b>6.12%</b>	<b>6.55%</b>	<b>6.98%</b>	<b>6.91%</b>	<b>6.32%</b>	<b>6.32%</b>

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

Fiscal Year	City Taxes		State Shared Taxes				Total Tax Revenues, All Funds
	Local Income Tax	Property Tax, All Funds <sup>1</sup>	Sales Tax	Gas and Weight Tax	CVTRS / EVIP <sup>2</sup>	Other	
2008	\$ 59,496,282	\$ 37,819,932	\$ 22,444,741	\$ 13,306,408	\$ -	\$ 464,589	\$ 133,531,952
2009	53,086,986	38,371,239	21,665,044	12,811,157	-	531,623	126,466,049
2010	52,656,179	38,551,862	19,268,891	12,592,453	-	519,143	123,588,528
2011	63,852,926	37,451,239	19,268,889	12,789,888	70,222	276,017	133,709,181
2012	68,179,409	35,981,291	13,466,847	13,094,196	4,639,051	467,083	135,827,877
2013	75,471,493	34,155,212	13,745,657	13,210,493	4,952,664	718,653	142,254,172
2014	77,574,337	33,909,334	14,068,013	14,450,641	5,188,615	539,473	145,730,413
2015	81,970,412	37,716,877	14,288,969	13,842,559	5,387,594	732,953	153,939,364
2016	88,174,251	38,990,487	14,275,240	14,633,980	5,289,078	242,276	161,605,312
2017	94,021,662	39,543,379	15,097,998	16,827,013	5,289,078	208,655	170,987,785
<b>Percent to Total Tax Sources</b>							<b>% Increase (Decrease) Over Prior Year</b>
2008	44.6	28.3	16.8	10.0	0.0	0.3	3.67
2009	42.0	30.3	17.1	10.1	0.0	0.4	(5.29)
2010	42.6	31.2	15.6	10.2	0.0	0.4	(2.28)
2011	47.8	28.0	14.4	9.6	0.1	0.2	8.19
2012	50.2	26.5	9.9	9.6	3.4	0.3	1.58
2013	53.1	24.0	9.7	9.3	3.5	0.5	4.73
2014	53.1	23.3	9.7	9.9	3.6	0.4	2.44
2015	53.2	24.5	9.3	10.7	1.7	0.5	5.63
2016	54.6	24.1	8.8	9.1	3.3	0.1	4.98
2017	55.0	23.1	8.8	9.8	3.1	0.1	5.81

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

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

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

Taxable Income per Return	Calendar Year 2016					Calendar Year 2007				
	# 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	3,823	3 %	\$ -	\$ -	0 %	2,773	2 %	\$ -	\$ -	0 %
38 - 12,500	13,782	10	82,100,000	1,230,000	2	16,058	12	92,400,000	1,200,000	2
12,501 - 25,000	11,264	8	209,600,000	3,140,000	4	12,131	9	225,500,000	2,930,000	6
25,001 - 50,000	15,994	12	576,200,000	8,640,000	12	15,690	12	566,600,000	7,370,000	15
50,001 - 100,000	12,313	9	858,300,000	12,870,000	18	10,808	8	741,900,000	9,640,000	19
More than \$100,000	5,170	4	988,400,000	14,830,000	21	2,977	2	664,400,000	8,640,000	17
Subtotal	62,346	46 %	\$ 2,714,600,000	\$ 40,710,000	57 %	60,437	47 %	\$ 2,290,800,000	\$ 29,780,000	59 %
<b>Non-Resident Taxpayers:</b>										
\$75 or less	6,172	5 %	\$ -	\$ -	0 %	7,435	6 %	\$ -	\$ -	0 %
76 - 12,500	16,601	12	85,400,000	640,000	1	14,984	12	77,800,000	510,000	1
12,501 - 25,000	9,427	7	175,900,000	1,320,000	2	9,862	8	186,100,000	1,210,000	2
25,001 - 50,000	15,609	12	572,600,000	4,290,000	6	17,059	13	621,600,000	4,040,000	8
50,001 - 100,000	13,203	10	904,200,000	6,780,000	9	9,880	8	663,100,000	4,310,000	9
More than \$100,000	5,691	4	1,246,300,000	9,350,000	13	3,426	3	710,900,000	4,620,000	9
Subtotal	66,703	50 %	\$ 2,984,400,000	\$ 22,380,000	31 %	62,646	49 %	2,259,500,000	14,690,000	29 %
<b>All Other Returns</b>										
Subtotal	5,236	4 %	\$ 594,500,000	\$ 8,920,000	12 %	5,896	5 %	\$ 382,800,000	\$ 5,770,000	11 %
<b>Total</b>	<b>134,285</b>	<b>100.00 %</b>	<b>\$ 6,293,500,000</b>	<b>\$ 72,010,000</b>	<b>100 %</b>	<b>128,979</b>	<b>100 %</b>	<b>\$ 4,933,100,000</b>	<b>\$ 50,240,000</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 pre-2010 / post-2010 tax rates are described in the following:

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

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

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

The income tax is the most significant local revenue source.

Numbers may not total due to rounding.



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

Taxable Values									Percent	
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Value	Renaissance Zone Property	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Taxable to Estimated Actual Value	Increase / (Decrease) in Estimated Actual Value Over Prior Year
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)
2015	2,552,663,996	1,183,191,836	171,814,930	456,984,100	4,364,654,862	(85,385,420)	9.1518	9,234,667,900	47	1.84
2016	2,606,974,602	1,197,154,599	174,669,827	476,934,700	4,455,733,728	(66,582,151)	9.1515	9,719,837,200	46	5.25
2017	2,659,890,604	1,228,972,004	172,032,774	392,802,400	4,453,697,782	(34,038,291)	9.1166	10,194,198,000	44	4.88

**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			Total Collections to Date		
June 30		Fiscal Year of the Levy					
June 30	Tax Year	Original Tax Levy	Amount	Percentage of Levy	Collections in Subsequent Years (net of adjustments)	Amount	Percentage of Original Levy
2008	2007	34,822,801	34,724,866	99.72	(13,801)	34,711,065	99.68
2009	2008	35,403,361	35,341,720	99.83	(122,346)	35,219,374	99.48
2010	2009	35,607,847	35,562,537	99.87	(74,558)	35,487,979	99.66
2011	2010	34,856,007	34,743,948	99.68	(83,890)	34,660,058	99.44
2012	2011	34,133,129	33,993,003	99.59	(355,210)	33,637,793	98.55
2013	2012	32,464,748	32,073,324	98.79	(379,329)	31,693,995	97.63
2014	2013	31,640,801	31,561,732	99.75	(479,083)	31,082,649	98.24
2015	2014	31,685,204	31,502,619	99.42	(676,119)	30,826,500	97.29
2016	2015	36,360,029	36,281,099	99.78	-	36,281,099	99.78
2017	2016	36,345,588	36,317,720	99.92	-	36,317,720	99.92

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

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

<u>City of Grand Rapids Direct Tax Rates <sup>1</sup></u>												
<u>Fiscal</u>	<u>General</u>	<u>Promotional and</u>	<u>Library <sup>2</sup></u>	<u>Refuse</u>	<u>Parks <sup>5</sup></u>	<u>Total City</u>	<u>Total School <sup>3</sup></u>	<u>Total State</u>	<u>Total</u>	<u>Intermodal</u>	<u>Total County <sup>6</sup></u>	<u>Combined</u>
<u>Year</u>	<u>Tax Year</u>	<u>Operating</u>	<u>Advertising</u>	<u>Collection</u>				<u>Education</u>	<u>Transit</u>			<u>Total</u>
Tax Rates: <sup>4</sup>												
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
2015	2014	4.1070	0.0115	2.4533	1.6000	0.9800	9.1518	28.0768	6.0000	1.4700	5.6196	50.3182
2016	2015	4.1070	0.0112	2.4533	1.6000	0.9800	9.1515	28.3768	6.0000	1.4700	5.6196	50.6179
2017	2016	4.0881	0.0112	2.4419	1.6000	0.9754	9.1166	30.3217	6.0000	1.4688	6.0596	52.9667

- 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.  
Property occupied as the owner's principal residence may have an 18 mill reduction in the school tax millage.
  - (4) Property tax rates: per \$1,000 of Taxable Value.
  - (5) The voters approved this millage in November 2013, the first receipts from that millage were in July 2015.

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

Taxpayer	Type of Business	Fiscal Year 2017			Fiscal Year 2008		
		Taxable Valuation	Rank	Percentage of Total Taxable Valuation	Taxable Valuation	Rank	Percentage of Total Taxable Valuation
Consumers Energy	Electric utility	\$ 77,597,759	1	1.71 %	\$ 39,940,063	1	0.88 %
Amway Hotel Corp.	Hospitality	39,655,372	2	0.87 %	35,386,289	2	0.78 %
Centerpoint Owner LLC	Retail shopping center	30,093,800	3	0.66 %	25,910,405	6	0.57 %
HP3 LLC	Hospitality	24,301,313	4	0.54 %			
DTE Gas Company	Gas utility	22,299,813	5	0.49 %	22,918,715	7	0.51 %
Kellogg Company (4)*	Bakery products	21,335,635	6	0.47 %	30,107,700	4	0.67 %
Spectrum Health Hospitals	Healthcare	19,896,080	7	0.44 %			
Fifth Third Bank	Banking / real estate	18,486,578	8	0.41 %	21,382,218	9	0.47 %
Steelcase, Inc.	Office systems design/manufacturing	17,860,019	9	0.39 %	34,175,783	3	0.76 %
Meijer, Inc.	Retailer	16,140,250	10	0.36 %			
SH-2 LLC & BT-2 LLC	Real estate			0.00 %	26,609,452	5	0.59 %
Dematic Corp.	Manufacturing			0.00 %	21,447,372	8	0.47 %
Jade Pig Ventures	Real estate/development			0.00 %	15,068,818	10	0.33 %
		<u>\$ 287,666,619</u>		<u>6.34 %</u>	<u>\$ 272,946,815</u>		<u>6.03 %</u>

**Note:** The principal Taxpayers and Taxable Values were determined from the July 1, 2016 and July 1, 2007 tax bills and includes qualified real and personal properties exempted from ad valorem property taxes but subject to a specific Industrial Facilities Tax under Public Act 198 of 1974. \*Keebler Company, a division of Kellogg USA, property is eligible through 2017 for property exemption under the Michigan Renaissance Zone Act, Public Act 376 of 1996.  
The percentage calculation is based on the Total Taxable Values of \$4,495,830,689 in December 2015 and \$4,515,465,224 in 2006 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, 2017*

Name of Governmental Unit	Gross	City Share as Percent of Gross	Net
<b>Overlapping debt:</b>			
Grand Rapids Public Schools	\$ 170,080,000	100.00%	\$ 170,080,000
Caledonia Community Schools	119,177,442	0.06%	71,506
Forest Hills Public Schools	138,580,000	2.13%	2,951,754
Godwin Heights Public Schools	17,685,000	5.50%	972,675
Kenowa Hills Public Schools	38,345,000	0.12%	46,014
Kentwood Public Schools	66,545,000	8.03%	5,343,564
Kent County	143,780,000	20.89%	30,035,642
Grand Rapids Community College	45,570,000	20.23%	9,218,811
Total overlapping debt	\$ 739,762,442		218,719,966
<b>City direct debt</b>			<b>119,617,390</b>
<b>Total City direct and overlapping debt</b>			<b>\$ 338,337,356</b>

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

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

<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>General Bonded Debt</b>			<b>Other Debt</b>		<b>Total Governmental Activities</b>
	<b>General Obligation Limited Tax Bonds</b>	<b>Percentage of Personal Income <sup>2</sup></b>	<b>Per Capita <sup>1</sup></b>	<b>Revenue Bonds</b>	<b>State Loans</b>	
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
2015	63,131,172	1.44	326	27,267,913	-	90,399,085
2016	89,536,548	2.23	459	25,917,111	-	115,453,659
2017	95,121,080	2.21	494	24,496,310	-	119,617,390

<b>Business-Type Activities</b>						
<b>Fiscal Year</b>	<b>General Obligation Limited Tax Bonds</b>	<b>Revenue Bonds</b>	<b>Total Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income <sup>2</sup></b>	<b>Per Capita <sup>1</sup></b>
2008	23,655,062	315,886,409	339,541,472	451,976,218	9.97	2,383
2009	31,469,455	399,021,488	430,490,942	544,957,891	12.28	2,811
2010	30,579,043	383,634,962	414,214,005	519,080,644	11.78	2,747
2011	36,881,758	392,163,510	429,045,268	524,522,963	12.62	2,839
2012	35,916,658	380,402,290	416,318,948	503,531,288	13.68	2,696
2013	34,509,504	411,135,020	445,644,524	523,986,421	14.21	2,798
2014	33,404,366	391,095,979	424,500,344	502,842,241	12.46	2,615
2015	32,266,225	393,340,181	425,606,406	516,005,491	11.76	2,663
2016	32,126,772	381,577,159	413,703,931	529,157,590	12.30	2,750
2017	30,655,329	376,691,837	407,347,166	526,964,556	12.25	2,739

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

<sup>1</sup> Population Source:  
2006-2010: The Right Place, Inc.  
2011-2016: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>2</sup> Income Source  
2006-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)  
2012-2016: 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 561,637,260	\$ 562,226,090	\$ 555,850,540	\$ 526,651,870	\$ 499,227,840	\$ 475,013,950	\$ 460,590,000	\$ 469,029,515	\$ 493,728,270	\$ 518,584,180
Total net debt applicable to limit	<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>	<u>154,636,585</u>	<u>174,316,401</u>	<u>177,217,840</u>
Legal debt margin	<u>\$ 422,930,172</u>	<u>\$ 421,858,058</u>	<u>\$ 41,419,709</u>	<u>\$ 375,469,526</u>	<u>\$ 328,536,200</u>	<u>\$ 325,852,502</u>	<u>\$ 320,184,312</u>	<u>\$ 314,392,930</u>	<u>\$ 319,411,869</u>	<u>\$ 341,366,340</u>
Total net debt applicable to the limit (as a percentage of debt limit)	24.70%	24.97%	27.78%	28.71%	34.19%	31.40%	30.48%	32.97%	35.31%	34.17%

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed Value	\$ 5,097,099,000
Add back: exempt property	<u>88,742,800</u>
Total Assessed Value	5,185,841,800
Debt limit (10% of total AV)	518,584,180
Debt applicable to limit:	
Total debt outstanding	523,359,402
Less: exempt debt	<u>346,141,561</u>
Total net debt applicable to limit	<u>177,217,840</u>
Legal debt margin	<u>\$ 341,366,340</u>

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

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

Fiscal Year	Gross	Direct	Net Revenue	Debt Service Requirements			
	Revenue <sup>1</sup>			Operating	Available for	Principal	Interest
<u>Water Supply System Fund:</u>							
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
2015	42,329,577	21,233,153	21,096,424	9,975,593	4,364,828	14,340,421	1.47
2016	44,354,200	24,195,366	20,158,834	10,520,000	4,207,769	14,727,769	1.37
2017	46,783,375	27,503,944	19,279,431	11,145,750	4,409,744	15,555,494	1.24
<u>Sewage Disposal System Fund:</u>							
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
2015	52,306,225	22,549,030	29,757,195	7,464,372	12,571,402	20,035,774	1.49
2016	54,728,599	25,256,696	29,471,903	7,614,704	11,529,417	19,144,121	1.54
2017	54,599,465	28,365,449	26,234,016	7,730,000	11,625,970	19,355,970	1.36

**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*

<b>Fiscal Year</b>	<b>Population</b> <sup>1</sup>	<b>Personal Income</b>	<b>Per Capita Income</b> <sup>2</sup>	<b>Median Age</b> <sup>2</sup>	<b>School Enrollment</b> <sup>3</sup>	<b>Unemployment</b> <sup>4</sup>
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
2015	193,793	4,386,504,555	22,635	30.4	15,611	5.5
2016	195,099	4,007,723,658	20,542	32.1	15,222	4.2
2017	192,416	4,300,690,016	22,351	31.1	16,827	4.3

**Notes:**

<sup>1</sup> 2007-2010: The Right Place, Inc.

2011-2017: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>2</sup> 2007-2011: The Right Place, Inc.- Grand Rapids Combined Statistical Area (CSA)

2012-2017: U.S. Census Bureau - American Fact Finder-City of Grand Rapids

<sup>3</sup> 2007-2009: Grand Rapids Public Schools - School Matters 2002-2009;

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

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

2015-2017: Mi School Data, Student Counts

<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	2017			2008		
		West Michigan	Rank	Total City	West Michigan	Rank	Total City
		Employees		Employment	Employees		Employment
Spectrum Health	Hospital and medical services	25,000	1	20.6 %	14,308	1	11.8
Meijer Inc	Retailer	10,340	2	8.5	8,441	2	7.0
Mercy Health	Hospital and medical services	6,200	3	5.1			
Amway Corp.	Consumer products manufacturing	4,000	4	3.3			
Gentex Corp.	Glass products manufacturing for autos	3,900	5	3.2			
Perrigo Company	Pharmaceutical manufacturing	3,800	6	3.1			
Herman Miller Inc.	Furniture manufacturing	3,621	7	3.0			
Steelcase Inc.	Furniture manufacturing	3,500	8	2.9	5,000	3	4.1
Grand Valley State University	Education	3,306	9	2.7			
Magna International Inc.	Glass products manufacturing for autos	2,500	10	2.1			
Alticor Inc.	Consumer products manufacturing				4,000	6	3.3
Axios Incorporated	Human resources and employment service				4,100	5	3.4
Spartan Stores Inc	Food distributor and retailer				4,605	4	3.8
City of Grand Rapids	Local government				2,601	9	2.1
Farmers Insurance Group	Insurance				2,500	10	2.1
General Motors	Automobile parts				2,500	10	2.1
Grand Rapids Public Schools	Education				2,885	7	2.4
St Mary's Health Care	Hospital and medical services				2,635	8	2.2
		<u>66,167</u>		<u>54.6 %</u>	<u>53,575</u>		<u>44.2 %</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 2016 from the Right Place Program, that above figures for 2017 reflect 2016 data.

According to the US Census data for 2014, while 23% of employed city residents work in the city, 64% of employed city residents work in Kent County. Non-city residents fill 78% of the employment in the city. Percentages are based on the total employment in the city, 121,271, for 2014. Focusing on the county rather than the city provides a better indication of the potential economic impact on the city of a closure or relocation of one or more major local employers.

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

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

<b>Department</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Assessor	19	19	16	16	16	16	15	14.2	14.2	13.9
Attorney	18	17	16	16	16	15	15	15.0	17.0	17.0
City Clerk	10	10	9	9	9	9	10	9.0	9.0	10.0
Community Development	18	20	24	23	25	20	17	14.6	14.6	14.9
Comptroller	17	17	15	15	15	16	16	16.3	17.0	17.0
311 Customer Service	-	-	-	-	-	-	10	12.0	13.0	13.0
Dispatch	-	-	-	51	51	51	51	53.5	53.5	44.0
61st District Court*	89	91	91.3	90.3	90.3	88.1	87.5	85.8	87.3	92.0
Economic Development	5	5	4	4	4	4	1.5	1.2	1.2	1.2
Engineering	51	48.0	51	50	42	24	26	29.4	35.4	36.3
Environmental Protection	129	128.5	122	116	113	98	97.7	114.9	117.4	118.2
Equal Opportunity (Admin Services)	7	6	6	5	5	5	4.3	3.3	4.3	4.3
Executive	13	12	11	11	11	11	11	11.0	12.8	12.2
Facilities Management	15	15	13	13	12	12	11.8	12.1	12.1	13.7
Fire	238	238	221	235	235	235	189.5	189.5	198.5	198.0
Fiscal Services	14	13.0	10	9	10	10	10	9.5	9.5	9.5
General Administration	-	-	-	-	-	-	-	-	-	-
Human Resources	17	17	16	15	15	15	14.3	15.0	19.4	20.2
Income Tax	17	18	16	16	17	14	14	14.2	15.2	15.2
Information Technology	5	6	6	5	4	4	4	3.4	4.4	3.3
Management Services	6	4	-	-	-	-	-	-	-	-
Motor Equipment	34	32	32	32	33	33	32.7	33.7	34.7	33.3
Neighborhood Improvement (Building Inspections)	53	51.5	37	37	37	42	43	44.3	49.2	50.9
Parking Services	36	35	31	29	31	31	32.9	25.1	36.5	38.3
Parks and Recreation	42	40	28	23	34	31	26	27.2	31.2	35.2
Planning	12	11	9	9	9	10	11	12.3	14.3	13.9
Police	411	404	378	346	338	328	304	369.5	321.0	320.0
Public Library*	63	118	117.5	167.0	168.0	165.0	152.0	149.0	150.0	152.0
Public Museum	-	-	-	-	-	-	-	-	-	-
Streets & Sanitation	106	107	101	96	82	79	74.3	63.8	73.5	75.5
Traffic Safety	42	42	34	33	33	35	34.5	36.4	38.4	37.7
Treasurer	20	20	20	19	19	19	18	18.0	18.0	18.0
Water	186	186	176	161	157	156	140	128.0	110.3	112.1
Seasonal and Other FTE's*	246	190	233	101	130	86	123	80.0	97.0	114.2
	<b>1,936</b>	<b>1,921</b>	<b>1,844</b>	<b>1,752</b>	<b>1,761</b>	<b>1,662</b>	<b>1,597</b>	<b>1,610.9</b>	<b>1,629.4</b>	<b>1,654.8</b>

**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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cemeteries										
Burials	537	491	467	494	492	469	408	436	394	408
Clerk										
Voters in November election	10,840	86,499	12,821	50,939	18,042	81,616	16,114	49,153	20,085	85,483
Environmental Protection/Sewage										
Number of retail customers	73,712	73,843	74,012	74,117	73,960	73,956	74,146	74,415	74,628	74,805
New connections	358	215	277	181	165	275	288	330	303	259
Billions of gallons treated **	16.641	17.970	15.642	15.322	14.921	15.100	15.062	14.753	18.819	15.367
Peak daily flow (millions of gal.)	87.30	90.50	88.40	85.10	84.60	82.10	71.80	87.65	76.30	80.10
Average daily flow (millions of gal.)	45.60	49.20	42.90	42.00	40.90	41.40	41.40	40.53	40.60	42.10
Fire										
Total calls *	19,642	20,057	18,709	19,634	21,453	22,372	21,422	21,885	22,256	23,166
Civilian fire deaths *	2	2	3	-	5	2	1	2	1	2
Neighborhood Improvement										
Building permits issued	1,905	1,719	1,747	1,841	2,074	2,314	2,281	2,552	2,662	2,900
Parks and Recreation										
Open swim participants	77,130	45,235	47,924	24,320	31,986	23,315	28,609	51,515	52,432	51,663
Swimming lesson participants	882	835	-	840	623	292	442	537	357	345
Softball league participants	135 teams	159 teams	175 teams	192 teams	183 teams	156 teams	129 teams	120 teams	104 teams	95
Police										
Major crimes *	12,792	11,241	10,502	7,872	7,846	8,483	8,482	6,948	6,288	5,760
Physical Arrests *	14,487	16,211	12,959	15,227	16,550	16,823	13,235	14,477	14,756	15,142
Public Library										
Library card holders	115,352	124,519	133,311	66,453	66,631	65,873	75,490	70,079	69,481	66,966
Total user count	1,037,686	1,017,075	1,030,585	1,061,188	1,024,530	983,299	945,977	912,354	782,899	747,582
Local history collection users	33,410	46,723	42,105	39,323	42,560	38,744	35,349	36,356	35,663	35,524
Total circulation of materials	1,597,192	1,484,578	1,601,934	1,754,621	1,740,784	1,666,349	1,629,037	1,604,614	1,598,076	1,372,104
Public Works										
Tons of refuse picked up	30,520	29,032	29,013	27,469	26,458	23,071	23,590	24,613	26,305	26,683
Tons of recycling removed	5,840	5,739	5,867	8,279	9,579	9,905	10,669	10,647	10,118	10,042
Water										
Number of retail customers***	79,880	80,129	80,358	80,477	78,616	79,794	80,813	82,163	83,340	85,103
New connections	355	209	263	174	317	277	287	326	315	273
Billions of gallons produced	14.419	13.172	12.480	12.488	13.176	13.438	12.997	12.364	12.623	12.565
Peak daily flow (millions of gal.)	87.85	74.30	61.86	62.78	70.24	80.24	63.70	63.02	64.02	69.77
Average daily flow (millions of gal.)	39.40	36.00	34.20	34.20	36.00	36.70	35.60	33.84	34.68	34.39

**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*

<b>Function/Program</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Public Safety									
Fire stations	11	11	11	11	11	11	11	11	11
Parking Services									
Parking Ramps	6	6	7	8	8	8	8	8	8
Parks and Recreation									
Number of major parks	67	67	71	71	71	71	71	71	71
Number of swimming pools	9	9	9	9	9	9	9	9	3
Number of ball diamonds	70	70	74	74	74	74	74	74	74
Supervised playgrounds	32	32	25	22	10	0	0	0	0
Public Library									
Number of Libraries	8	8	8	8	8	8	8	8	8
Public Works									
Environmental Protection									
Miles of sanitary sewers	893	897	898	904	904	905	907	910	913
Streets									
Miles of paved streets-major	205	205	205	206	206	206	206	206	206
Miles of paved streets-local	390	390	389	388	388	388	287	387	387
Streetlights	20,191	20,202	20,178	20,178	20,178	20,178	20,178	20,178	19,307
Water									
Miles of water mains	1,147	1,152	1,157	1,160	1,161	1,163	1,165	1,167	1,169