

WHAT IS GRAND RAPIDS HIDING?

**\$278 Million
in
Hidden Debt**



97% of Grand Rapid's retirement debt is not clearly disclosed on its balance sheet.

Once these hidden debts are counted, Grand Rapids' balance sheet doesn't look so great. In fact, the city is sinking in debt. One of the reasons Grand Rapids is in this precarious financial position is city officials use antiquated accounting rules to report Grand Rapids's financial condition.

Truth in Accounting's detailed analysis discovered a total of \$286 million of retirement benefits are owed, but not funded. Because of the confusing way the city does its accounting, only \$8 million of these liabilities are reported on Grand Rapids' balance sheet. If this debt is included, Grand Rapids has a \$120 million shortfall, which effectively represents compensation and other costs that have been pushed into the future.

GRAND RAPID'S BILLS EXCEED ITS ASSETS

**\$283 Million
ASSETS**

**\$403 Million
BILLS**

**\$120 Million
NEEDED TO
PAY BILLS**

THE FINANCIAL STATE OF GRAND RAPIDS

The City's Bills Exceed Its Assets

Assets	\$1,488,606,000
Less: <i>Capital Assets</i>	\$1,155,374,000
<i>Restricted Assets</i>	\$50,052,000
Assets Available to Pay Bills	\$283,180,000
Less: Bills	\$403,092,000
Money Needed to Pay Bills	\$119,912,000
Each Taxpayer's Share of Debt	\$2,000

Grand Rapids has \$1 billion in assets, but most of these assets are not available to pay city bills.

The \$1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$50 million of the assets is restricted by law or contract.

That leaves \$283 million of city's assets available to pay \$403 million of bills as they come due.

The \$120 million shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's share of the city's debt is \$2,000.



Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

www.TruthInAccounting.org

www.StateDataLab.org

The Bills Grand Rapids Has Accumulated

Bonds	\$581,168,000
Other Liabilities	\$64,842,000
Less: Debt Related to Capital Assets	\$528,725,000
Unfunded Pension Benefits	\$153,851,000
Unfunded Retirees' Health Care Benefits	\$131,956,000
Bills	\$403,092,000

Despite the balanced budget requirement, the city has accumulated bonds of \$581 million and other liabilities of \$65 million. The calculation of assets available to pay bills does not include capital assets, so \$529 million of related debt is removed from the calculation of city bills.

Unfunded employees' retirement benefits represent 71% of city bills. These unfunded liabilities have accumulated because city employees have been promised \$154 million of pension benefits and \$132 million of retirees' health care benefits, but the city has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of Grand Rapids' actuaries' schedules found retirement benefits totaling \$286 million have been promised, but not funded. A review of the city's balance sheet determined only \$8 million of these liabilities are reported. This means the city does not report \$278 million of retirement liabilities on its balance sheet.

Data is derived from the city of Grand Rapids' June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the city's population with a federal tax liability.