

Grand Rapids Tax Increment Financing Authority



AUDIT WRAP-UP

For the Year Ended
June 30, 2016

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., City Commission and Fiscal Committee) and, if appropriate, management of the Authority and is not intended and should not be used by anyone other than these specified parties.

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December 19, 2016

Members of the Grand Rapids Tax Increment
Financing Authority
Grand Rapids, Michigan

Professional standards require us to communicate with you regarding matters related to the audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. The following documents various matters with respect to the wrap-up phase of the audit of the annual financial statements for the Grand Rapids Tax Increment Financing Authority (the Authority) as of and for the year ended June 30, 2016, including a summary of our overall objectives for the audit, and the nature, scope and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Authority's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Authority and will be happy to answer any questions you might have.

Respectfully,

BDO USA, LLP

Discussion Outline

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Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2016. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- We have issued an unmodified opinion on the financial statements and released our report on December 14, 2016.
- Our responsibility for other information in documents containing the Authority's audited financial statements (e.g., Management's Discussion and Analysis) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Authority and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by BDO were freely available for our inspection.
- We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Authority personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES AND POLICIES

The Authority's significant accounting practices and policies are those included in Note 2 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 2 to the financial statements.

- There were no changes in significant accounting policies and practices during the year.

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were corrected misstatements related to accounts and/or disclosures that we brought to the attention of management. Please refer to the schedule of corrected misstatements included in the management representation letter.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Authority's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the Authority:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Authority's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Authority's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Other matters significant to the oversight of the Authority's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Authority's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter that is available from management.

Independence Communication

Our engagement letter to you dated July 20, 2016 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Authority with respect to independence as agreed to by the Authority. Please refer to that letter for further information.

Significant Accounting and Reporting Matters

GASB STATEMENT NO. 73, ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS AND RELATED ASSETS THAT ARE NOT WITHIN THE SCOPE OF GASB STATEMENT 68, AND AMENDMENTS TO CERTAIN PROVISIONS OF GASB STATEMENTS 67 AND 68

This Statement completes the GASB's pension project by providing guidance for pensions that are not administered through a trust.

Effective Date: Fiscal years beginning after June 15, 2016

GASB STATEMENT NO. 74, FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS AND GASB STATEMENT NO. 75, ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

These Statements provide guidance on other postemployment benefits (OPEB) for both OPEB plans and participating employers. The guidance in these two new standards closely parallels the GASB's most recent guidance on pensions.

Effective Date: Fiscal years beginning after June 15, 2016 for GASB 74 and June 15, 2017 for GASB 75

GASB STATEMENT NO. 76, THE HIERARCHY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR STATE AND LOCAL GOVERNMENTS

This Statement compresses the current 4-level hierarchy of generally accepted accounting principles (GAAP) into just two levels. In doing so, it elevates the GASB's Implementation Guides to authoritative status, meaning that any future implementation guidance will be subject to full due-process prior to release.

Effective Date: Reporting periods beginning after June 15, 2016

GASB STATEMENT NO. 77, TAX ABATEMENT DISCLOSURES

GASB Statement No. 77, Tax Abatement Disclosures, requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

Effective Date: Reporting periods beginning after December 15, 2015

GASB STATEMENT NO. 78, PENSIONS PROVIDED THROUGH CERTAIN MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS

GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

Significant Accounting and Reporting Matters

Effective Date: Reporting periods beginning after December 15, 2015

GASB STATEMENT NO. 79, CERTAIN EXTERNAL INVESTMENT POOLS AND POOL PARTICIPANTS

GASB 79 permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes and provides guidance that will allow many pools to continue to qualify for amortized cost accounting.

Existing standards provide that external investment pools may measure their investments at amortized cost for financial reporting purposes if they follow substantially all of the provisions of the SEC's Rule 2a7. Likewise, participants in those pools are able to report their investments in the pool at amortized cost per share.

GASB 79 replaces the reference in existing GASB literature to Rule 2a7 with criteria that are similar in many respects to those in Rule 2a7. GASB 79 is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Effective Date: Reporting periods beginning after June 15, 2015

GASB STATEMENT NO. 80, BLENDING REQUIREMENTS FOR CERTAIN COMPONENT UNITS

GASB 80 clarifies the display requirements in GASB Statement No. 14, *The Financial Reporting Entity*, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member.

Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

Effective Date: Reporting periods beginning after June 15, 2016

GASB STATEMENT NO. 81, IRREVOCABLE SPLIT-INTEREST AGREEMENTS

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

Effective Date: Reporting periods beginning after December 15, 2016

Significant Accounting and Reporting Matters

GASB STATEMENT NO. 82, *PENSION ISSUES*

GASB 82 addresses, among other things:

- Presentation of payroll-related measures in required supplementary information
- Selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and
- Classification of payments made by employers to satisfy plan member contribution requirements.

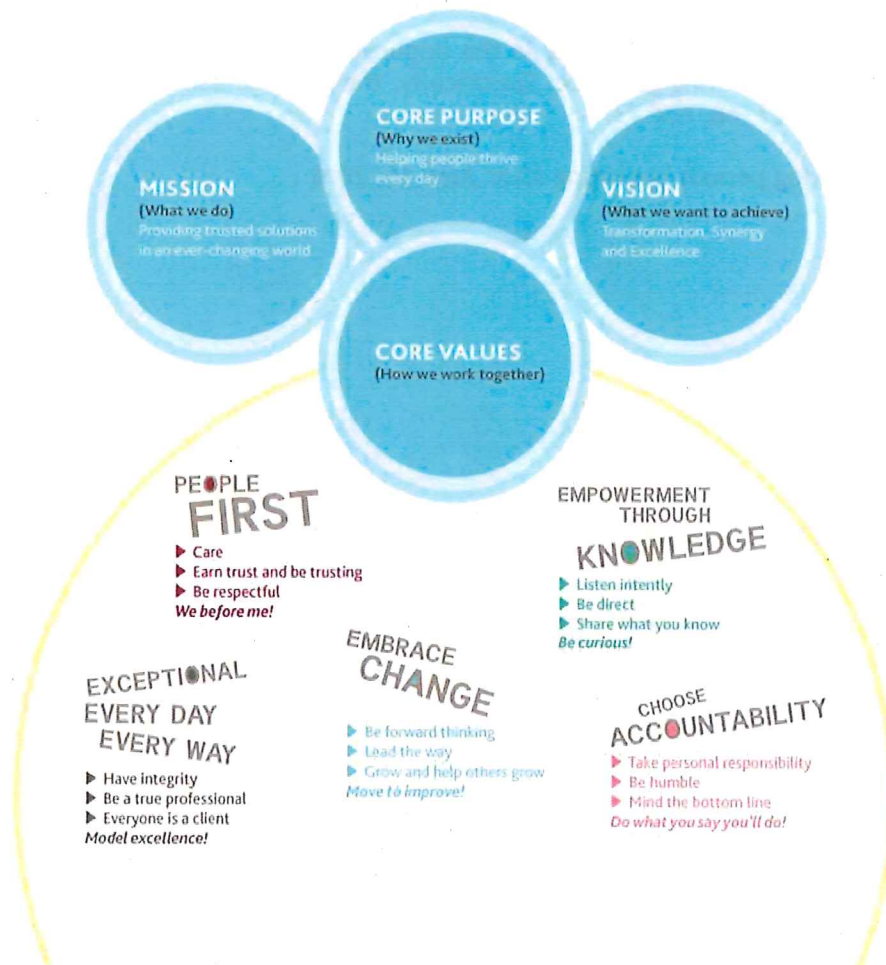
GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation of GASB 67, 68, and 73.

Effective Date: Reporting periods beginning after June 15, 2016

Get to Know BDO

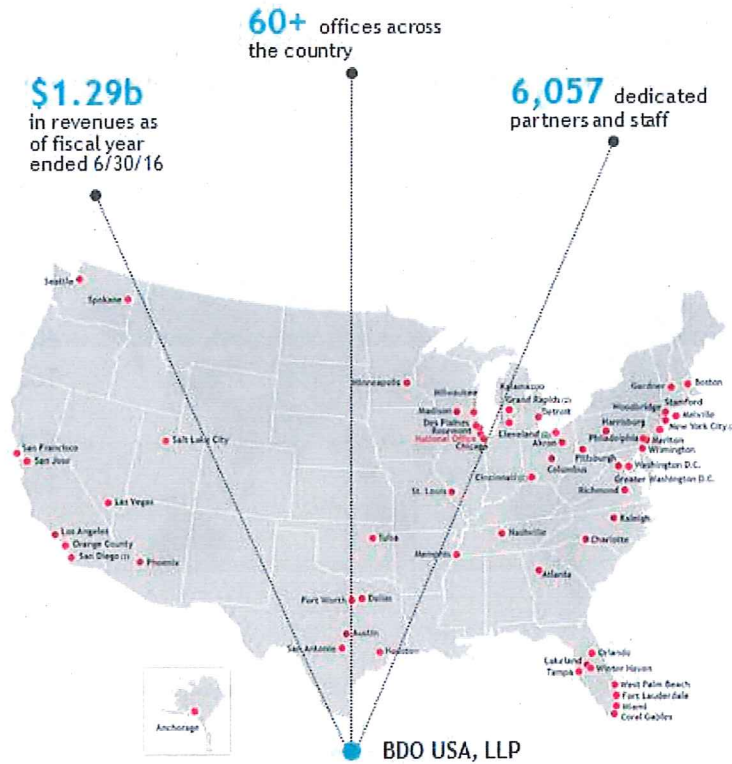
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Get to Know BDO

The firm serves clients through more than 60 offices and over 450 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,400+ offices in over 150 countries.



Get to Know BDO

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As our clients expand globally, access to our international network can help them do business with a depth of experience in international matters, significant resources and international client service capabilities.

BDO USA, LLP*

60+

Office Locations in
the U.S.

6,057

Dedicated Partners
and Staff

\$1.29b

U.S. Revenues

**As of and for the year
ended June 30, 2016*



BDO International**

1,408

Offices Worldwide+

64,303

Total Personnel

\$7.3b

Total Combined Fee Income+

***As of and for the year ended
September 30, 2015*

*+Including exclusive alliances of
BDO Member Firms*

Get to Know BDO

INDUSTRY EXPERIENCE

Industry experience has emerged at the top of the list of what businesses need and expect from their accountants and advisors. The power of industry experience is perspective - perspective we bring to help you best leverage your own capabilities and resources.

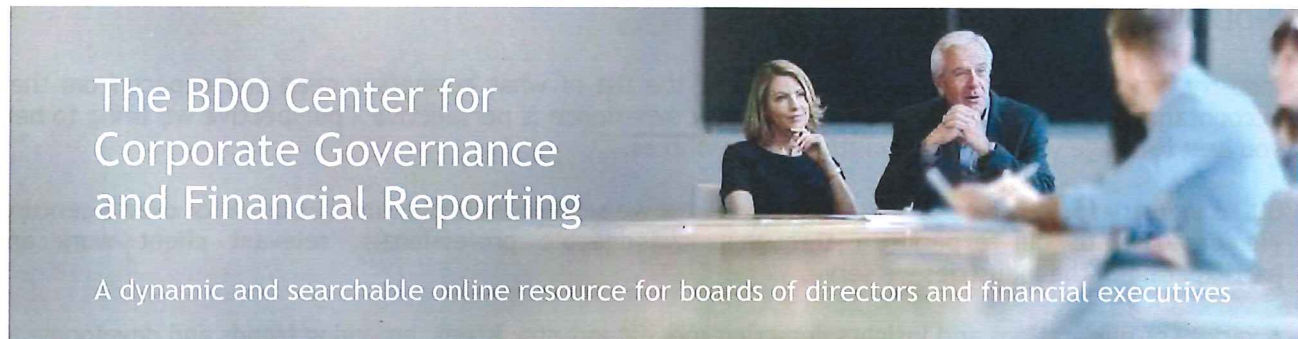
BDO's industry focus is part of who we are and how we serve our clients, and has been for over a century. We demonstrate our experience through knowledgeable professionals, relevant client work and participation in the industries we serve.

A variety of publications and insights depicting specific industry issues, emerging trends and developments are available [here](#).

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What you will find includes:

- ▶ Thought leadership, practice aids, tools, and newsletters
- ▶ Technical updates and insights on emerging business issues
- ▶ Three-pronged evolving curriculum consisting of upcoming webinars and archived self-study content
- ▶ Opportunities to engage with BDO thought leaders
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