
Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government
Auditing Standards*



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
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Independent Auditor's Report

To Management and the Honorable Members
of the City Commission
City of Grand Rapids, Michigan

We have audited, 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, the 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, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2025. Our report includes a reference to other auditors who audited the financial statements of the City of Grand Rapids General Retirement System as of and for the year ended June 30, 2025 and the City of Grand Rapids Police and Fire Retirement System as of and for the year ended December 31, 2024, as described in our report on the City of Grand Rapids, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Honorable Members
of the City Commission
City of Grand Rapids, Michigan

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 29, 2025

Schedule of Findings

Section II - Financial Statement Audit Findings

Reference Number	Finding
2025-001	<p>Finding Type Material weakness</p> <p>Criteria - Processes and controls that are effectively designed to ensure accurate financial reporting and facilitate audits require timely reconciliation of cash accounts and completion of year-end closing procedures prior to the audit.</p> <p>Condition - The City did not prepare cash reconciliations or complete year-end close-out procedures in a timely manner. Additionally, certain immaterial amounts were not fully reconciled.</p> <p>Context - The City did not prepare cash reconciliations in a timely manner consistently throughout the fiscal year, including at year-end. Specifically, final June 2025 reconciliations for certain accounts were not completed until December and contained immaterial unreconciled amounts. Additionally, the City posted a significant number of adjusting journal entries after the start of the audit. These delays resulted in postponements in completing the audit.</p> <p>Cause - The delays were partially due to staff turnover and, more significantly, a system conversion that required substantial time and resources. The system conversion also introduced significant complexities after implementation, which further hindered timely processing and reconciliation.</p> <p>Effect - The audit process was delayed, increasing the risk of errors or omissions in financial reporting and reducing the City's ability to provide timely financial information.</p> <p>Recommendation - The City should strengthen its reconciliation and financial close processes by allocating adequate resources to address system complexities going forward.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City acknowledges this material weakness and recognizes the importance of timely reconciliations and completion of year-end closing procedures in supporting accurate financial reporting and an efficient audit process. The delays experienced during the fiscal year were primarily influenced by the implementation of a new financial system, along with the impacts of a bank merger. Both required significant staff time and effort to stabilize and introduced additional complexities that affected the timeliness of reconciliations and adjustments. While these factors contributed to the condition, the City understands the need for improvement in these areas.</p> <p>The City has taken steps to strengthen reconciliation and close processes and is committed to allocating appropriate resources to ensure timely and accurate financial reporting going forward. Efforts are underway to enhance internal procedures, improve oversight, and address remaining system-related challenges to support more consistent financial operations.</p>

Schedule of Findings (Continued)

Year Ended June 30, 2025

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2025-002	<p>Finding Type Material weakness</p> <p>Criteria - Year-end journal entries should be properly recorded in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit.</p> <p>Condition - Adjusting entries were identified as part of audit procedures.</p> <p>Context - The City entered into a contractual agreements with the County and Grand Rapids-Kent County Convention/Arena Authority to receive reimbursements for debt service payments associated with certain debt issuances. However, the City did not record a receivable for these reimbursements in its financial statements as would be required under GAAP which amounted to approximately \$52.7 million at June 30, 2025..</p> <p>Cause - This was a unique transaction that occurred in the current year related to the Amphitheater and Soccer Stadium projects, which are complex arrangements with multiple funding streams for which GAAP treatment was not completely evaluated.</p> <p>Effect - The omission resulted in an understatement of receivables and revenues in the City's financial statements on the government-wide statements prior to the adjustment.</p> <p>Recommendation - The City should evaluate all new contractual arrangements to determine whether they are reported in accordance with GAAP. Although this contractual arrangement was evaluated thoroughly for terms and conditions, appropriate treatment under GAAP was not determined for the potential receivable.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City acknowledges this material weakness and agrees that year-end transactions must be fully evaluated and recorded in accordance with generally accepted accounting principles prior to the start of the audit. The receivable related to the County and CAA reimbursement arrangement was not initially recorded at year end due to the unique and complex nature of the agreements associated with the Amphitheater and Soccer Stadium projects and the multiple funding components involved in these transactions.</p> <p>The receivable has since been recorded, and the City has implemented measures to continue monitoring this balance as it increases over time to reflect the drawdown of bond proceeds. These enhanced procedures are intended to ensure that similar transactions are properly evaluated and recorded in accordance with GAAP prior to future audits.</p> <p>The City remains committed to strengthening its financial reporting processes, maintaining accurate financial statements, and preventing recurrence of this condition.</p>