KENT COUNTY
MICHIGAN

2007
Financial Overview

2007
FINANCIAL OVERVIEW
Kent County, Michigan

Daryl J. Delabbio
County Administrator/Controller

Robert J. White
Fiscal Services Director

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GOVERNMENT

The County is governed by a legislative body consisting of 19 members forming the Board of commissioners, each of whom is elected for terms of two years from districts of approximately equal population. County elected officials include the County Treasurer, County Clerk and Register of Deeds, Prosecuting Attorney, Drain Commissioner, and Sheriff. These officials are elected at large for four year terms.

Administration of the County is divided by the State of Michigan Constitution (the "State Constitution") among various officials all elected at large according to purpose and by various appointed officials. The County Treasurer is the chief custodian of the County moneys, collector of County taxes, disbursing agent for certain tax funds to local communities and school districts and performs other duties concerned with inter-related fiscal affairs of County departments and agencies and is the Treasurer of the Drainage Board. The duties of the County Clerk and Register of Deeds are primarily record keeping in nature and include such duties as clerk of the Circuit Court and Board of Commissioners and keeping and maintaining records of births, deaths, marriages, discharges of military personnel, records of deeds, mortgages, surveys, recording of plats, notices of liens and bills of sales. The Prosecuting Attorney prosecutes violations of state criminal law within the County and may represent the County in appropriate courts. The County Drain Commissioner administers the location, construction and maintenance of drains in the County. The Sheriff's duties involve the charge and custody of the County jail, the serving of processes, and law enforcement in unincorporated areas. The Board of Commissioners has created the office of County Administrator/Controller as the chief administrative and fiscal officer of the County. The County Administrator/Controller is appointed by the Board of Commissioners and the responsibilities of the office include, but are not limited to: County Administration; budget preparation and control; all accounting and auditing; Executive Secretary to the Board of Commissioners. The County Administrator/Controller administers all policies of the Board of Commissioners and oversees centralized service functions (information technology, human resources, finance, purchasing, etc.) that serve all departments.

Kent County Elected/Appointed Officials

Board of Commissioners

Chair
Roger Morgan

Vice-Chair
Richard Vander Molen

Dean Agee
Jack Boelema
Dick Bulkowski
Brandon Dillon
Carol Hennessy
Marvin Hiddema
Nadine Klein
Harold Mast
Paul Mayhue
David Morren
Sandi Frost Parrish
Gary Rolls
Arthur Tanis
James Vaughn
Ted Vonk
Harold Voorhees
Fritz Wahlfield

Elected Officers

Clerk/Register of Deeds
Mary Hollinrake

Drain Commissioner
William Byl

Prosecuting Attorney
William Forsyth

Treasurer
Kenneth Parrish

Sheriff
Lawrence Stelma

Executive Staff

Administrator/Controller
Daryl Delabbio

Corporate Counsel
Sherry Batzer

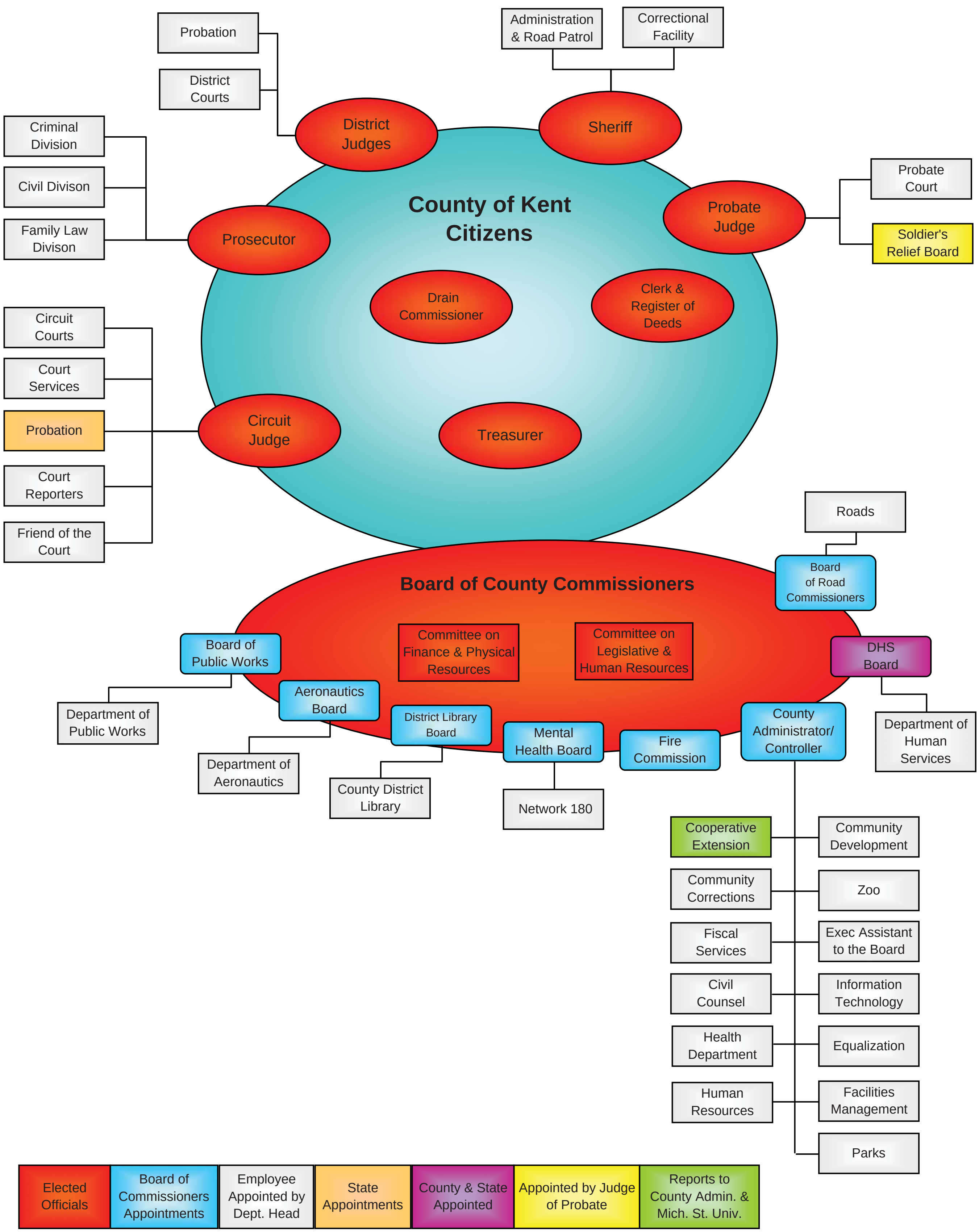
Fiscal Services Director
Robert White

Budget Manager
Marvin Van Nortwick

Professional Services

Auditors: BDO Seidman
Grand Rapids, Michigan

Organization Chart



Property Tax Rates

Prior to 1982 the County's tax rate was determined by a County-wide Allocation Board. In 1982, the County electorate voted a fixed millage allocation of 15 mills for operating purposes of the County and certain other taxing units within the County, as authorized by the State Constitution. Prior to 1995 the millage allocation was equal to $15.00 per $1,000 of the State Equalized Valuation ("SEV") of taxable property in the County and since 1995 has been equal to $15.00 per $1,000 of Taxable Value (defined below) of the taxable property. (See "COUNTY AND TAXATION LIMITATIONS - Taxable Valuation of Property," herein.) The 15 mills allocation was voted for an indefinite period of time, although State statute permits a maximum levy of 18 mills. Of the 15 voted mills, 4.8 mills were authorized as the maximum levy for the County's operating purposes, including the payment of debt service. The remaining 10.2 mills were allocated among the other taxing units within the County. The allocation of the millage is fixed until such time as the electorate votes to change the allocation or the total authorized millage. The County electorate must approve additional millages of any amount for any general or specific purpose within statutory and constitutional limitations. In addition, the electorate may, at any time in the future, vote to (i) increase the 15 mill limit to 18 mills or (ii) re-establish the Allocation Board, and the County allocation of the total authorized 15 mills tax levy would thereafter be determined by the Allocation Board. The County's operating and additional voted millage for the past five years is shown in the following table. Tax levies are as of December 1 and July 1 of each year shown, are levied against each $1,000 of Taxable Value and exclude taxes levied by underlying taxing units. The current tax levies are reduced from 4.8000 mills and 0.8400 mills for County operating and correction facility purposes, respectively, as a result of the 1978 State Constitutional amendment described under "Property Tax Limitations."

MILLAGE RATE

	Dec 1			Jul 1	Dec 1	Jul 1	Dec 1
Millages	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**	**2006**
County Operating	4.2726	4.2803	4.2803	1.4267	2.8536	2.8535	1.4268
Correction Facility (1)	0.7952	0.7893	0.7893	-	0.7893	-	0.7893
Senior Services (1)	0.2463	0.2444	0.2444	-	0.2444	-	0.3244
Total Levy	5.3141	5.3140	5.3140	1.4267	3.8873	2.8535	2.5405

(1) Voter approved millages

Source: County of Kent

Property Tax Rate History

In addition to the County taxes, property owners in the County are required to pay ad valorem taxes to other taxing units such as cities, townships, school districts, community colleges, and other units within the County. The total tax rate per $1,000 of Taxable Value varies widely depending upon which municipality and school district the property is located. The highest tax rate on property within the County for the 2006 tax year was 62.2376 mills (44.2376 mills on homestead property) per $1,000 of Taxable Value for the residents of the City of East Grand Rapids in the East Grand Rapids School District; the lowest tax rate was 38.4739 mills (20.4739 mills on homestead property) for the residents of Solon Township in the Tri County School District.

In addition to the allocated millage, the County electorate from time to time may approve additional millages of any amount for any general or specific purpose within State constitutional and statutory limitations.

Property Tax Rate Limitations

In 1978, the electorate of the State passed an amendment to the State Constitution (the "Amendment") which placed certain limitations on increases of taxes by the State and political subdivisions from currently authorized levels of taxation. The Amendment and the enabling legislation, Act 35 of the Public Acts of Michigan of 1979, as amended, may have the effect of reducing the maximum authorized tax rate which may be levied by a local taxing unit. Under the Amendment's millage reduction provisions, should the value of taxable property, exclusive of new construction, increase at a percentage greater than the percentage increase in the Consumer Price Index, as published by the United States Department of Labor, then the maximum authorized tax rate would be reduced by a factor which would result in the same maximum potential tax revenues to the local taxing unit as if the valuation of taxable property (less new construction) had grown only at the national inflation rate instead of the higher actual growth rate. Thus, should taxable property values rise faster than consumer prices, the maximum authorized tax rate would be reduced accordingly. However, should consumer prices subsequently rise faster than taxable property values, the maximum authorized tax rate would not increase over the prior year tax rate, but remain the same. The Amendment does not limit taxes for the payment of principal and interest on bonds or other evidences of indebtedness outstanding at the time the Amendment became effective or which have been approved by the electors of the County.

Taxable Valuation of Property

Article IX, Section 3, of the State Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true market value. The State Legislature by statute has provided that property shall be assessed at 50% of its true cash value. The State Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

In 1994, the electors of the State approved an amendment to the State Constitution (the "1994 Amendment") permitting the State Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing the 1994 Amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property has two valuations - SEV and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

The 1994 Amendment and the implementing legislation based the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of existing property is limited to the lesser of 5% or the inflation rate. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses. Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local board of review and ultimately to the State of Michigan Tax Tribunal. The State Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the local assessor. Assessments are then equalized to the 50% levels as determined by the County's department of equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Ad valorem Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198 of the Public Acts of Michigan of 1974, as amended ("Act 198") and Act 146 of the Public Acts of Michigan of 2000, as amended ("Act 146"). Property granted tax abatements under Act 198 and Act 146, is recorded on separate tax rolls while subject to tax abatement.

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill. County taxpayers have approximately 92 tax appeals pending before the Tax Tribunal as of March 16, 2007, none of which will have a significant impact on the County's State Equalized Valuation, Taxable Value or the resulting taxes.

State Equalized and Taxable Valuation

Ad valorem Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198 or Act 146. The effect of the abatements granted under Act 198 and Act 146 is to understate the 2006 Taxable Value of the County by an estimated $582,094,157 or approximately 2.8%. Excluding the SEV of these properties, the County's total SEV has increased $4,699,127,357 or 25.20% between 2002 and 2006 and the Taxable Value has increased $3,812,107,156 or 23.23% between 2002 and 2006. (See "COUNTY TAXATION AND LIMITATIONS -- Property Tax Abatement" herein). Per capita 2006 SEV is $39,129 and the per capita 2006 Taxable Valuation is $33,894, both of which are based on the 2005 U.S. Census estimated population of 596,666.

SEV AND TAXABLE VALUE HISTORY				
Year of Valuation	SEV	Taxable Valuation	SEV Increase Over Prior Year	Taxable Valuation Increase Over Prior Year
2002	$ 18,647,720,962	$ 16,411,380,420	8.3%	6.7%
2003	19,919,370,780	17,175,074,149	6.8%	4.7%
2004	20,930,699,290	18,015,373,868	5.1%	4.9%
2005	22,119,875,769	19,043,661,224	5.7%	5.7%
2006	23,346,848,319	20,223,487,574	5.5%	6.2%

Source: County of Kent

CURRENT TAXABLE VALUATION COMPONENTS					
By Use:		**By Class:**		**By Municipality:**	
Residential	63.9%	Real Property	91.0%	Cities	55.1%
Commercial	17.9%	Personal Property	9.0%	Townships	44.9%
Personal	9.0%				
Industrial	8.4%				
Agricultural and Development	0.8%				
Total	100.0%		100.0%		100.0%

Source: County of Kent

Property Tax Abatement

The SEV and Taxable Values do not include valuation of certain facilities which have temporarily been removed from the ad valorem tax roll pursuant to Act 198. Act 198 was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of Act 198, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from ad valorem taxes for a period of up to 12 years. In lieu of ad valorem taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the ad valorem tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the ad valorem tax but instead of using the total mills levied as ad valorem taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1993, this millage rate equals 1/2 of all tax rates levied by other than the State plus 0%, 50% or 100% of the SET (as determined by the State Treasurer).

The County's ad valorem Taxable Value also does not include the value of certain facilities which have been temporarily removed from the ad valorem tax roll pursuant to Act 146. Act 146 was designed to provide a stimulus in the form of significant tax incentives to renovate certain blighted, environmentally contaminated or functionally obsolete commercial property or commercial housing property ("OPRA Properties"). Except as indicated below, under the provisions of Act 146, a local governmental unit (i.e. a city, village or township) may establish obsolete property rehabilitation districts and offer tax incentives or abatements to encourage rehabilitation of OPRA Properties.

An obsolete property rehabilitation certificate granted under Act 146 entitles an eligible facility to an exemption from ad valorem taxes on the building only for a period of up to 12 years. A separate tax roll exists for OPRA Properties abated under Act 146 called the "Obsolete Properties Tax Roll." An "Obsolete Properties Tax" is calculated using current year ad valorem millages times the taxable value of the obsolete building for the tax year immediately prior to the effective date of the obsolete property rehabilitation certificate except for the annual school operating and State Education Tax millages which are charged at the ad valorem tax rate on the current taxable value of the building.

The local units in the County have established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, local units in the County have approved a number of applications for local property tax relief for industrial firms. The SEV of properties that have been granted tax abatement under Act 198 and Act 146, removed from the ad valorem tax roll and placed on the IFT Tax Roll in the County totaled an estimated $582,094,157 for the fiscal year ended December 31, 2006. The IFT Taxes paid on these properties are equivalent to ad valorem taxes paid on $1,164,188,314 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption and obsolete property rehabilitation certificates the current equalized valuation of the abated properties will return to the ad valorem tax roll as Taxable Value.

As an additional measure to stimulate private investment, several local units in the County also created Renaissance Zones (the "Zones") pursuant to the provisions of Act 376 of the Public Acts of Michigan of 1996, as amended ("Act 376"). Under Act 376 individuals living in and local businesses that conduct business and own qualified property located within the Zones are entitled to, among other things, an exemption from ad valorem taxes on the qualified property. For the fiscal year ended December 31, 2006, the Taxable Value of property qualified for the benefits of the Zone program totaled $200,102,805.

Tax Increment Authorities

Act 450 of the Public Acts of Michigan of 1980, as amended (the "TIFA Act"), Act 197 of the Public Acts of Michigan of 1975, as amended (the "DDA Act"), Act 281 of the Public Acts of Michigan of 1986, as amended (the "LDFA Act"), Act 530 of the Public Acts of Michigan of 2004, as amended (The "Historic Neighborhood Act"), Act 280 of the Public Acts of Michigan of 2005, as amended (The "CIA Act") and Act 381 of the Public Acts of Michigan of 1996, as amended (the "Brownfield Act") (together the "TIF Acts") authorize the designation of specific districts known as Tax Increment Finance Authority ("TIFA) Districts, Downtown Development Authority ("DDA") Districts, Local Development Finance Authority ("LDFA") Districts, Historic Neighborhood Finance Authority ("HNFA") Districts, Cooridor Improvement Authority ("CIA") Districts or Brownfield Redevelopment Authority ("BRDA") Districts, authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization, historic preservation and environmental cleanup within the districts.

Tax increment financing permits the TIFA, DDA, LDFA, HNFA, CIA or BRDA to capture tax revenues attributable to increases in value ("TIF Captured Value") of real and personal property located within an approved development area while any tax increment financing plans by an established district are in place. These captured revenues are used by the tax increment finance authorities and are not passed on to the local taxing jurisdictions.

Certain local units in the County have established DDA, LDFA and BRDA Districts with an estimated aggregate 2005 captured taxable value of $350,000,000.

Personal Property Tax Exemptions and Property Tax Proposals

Act 328 of the Public Acts of Michigan of 1998, as amended, allows certain eligible communities to designate specific existing areas as “eligible distressed areas” in which “new personal property” of “eligible businesses” would be exempt from ad valorem property taxation. The eligible communities could, with the approval of the State Tax Commission, designate one or more areas as eligible distressed areas.

Property Tax Collections

The County’s fiscal year is the calendar year. County taxes were historically due and payable on December 1 of each year, at which time a lien on taxable property is created. Property taxes billed on December 1 are payable without penalty until February 14. Property taxes billed on July 1 are payable without penalty on various dates, based on the billing cycles of city and township treasurers, but not later than September 14. Unpaid real property taxes become delinquent on the following March 1 and are thereafter collected by the County Treasurer with penalties and interest. Real property returned to the County Treasurer for delinquent taxes is subject to forfeiture, foreclosure and sale as provided in Act 206. In recent years, the County has paid to the respective municipalities within the County, including the County, from the Delinquent Tax Revolving Fund (the “Fund”), the delinquent real property taxes of such municipalities; collections of delinquent real property taxes otherwise would be paid to such municipalities by the County Treasurer on a monthly basis following collection. Funding by the County of delinquent real property taxes is dependent upon the ability of the County, annually, to sell its notes for that purpose. There is no assurance the Fund will be continued in future years. Delinquent personal property taxes are less than 1% of the County’s total levy. Suit may be brought to collect personal property taxes or personal property may be seized and sold to satisfy the tax lien thereon.

PROPERTY TAX COLLECTION HISTORY

Year of Levy	Levy as of (1) December 1	Total Tax Collection to March 1 Year Following Levy		Collection to (2) December 31, 2006	
2002	$ 86,714,980	$ 80,408,545	92.73%	$ 86,706,603	99.99%
2003	90,498,480	84,020,375	92.84%	90,481,651	99.98%
2004	94,868,201	88,336,598	93.12%	94,715,912	99.84%
2005	100,103,230	93,881,338	93.78%	98,925,436	98.82%
2006	107,822,773	In Process of Collection			

(1) The County of Kent's fiscal year begins January 1. Taxes are billed the previous December 1 (and on July 1 for the 2005 and 2006 tax levy) and are recorded as delinquent the following March 1. Tax levy includes DDA, LDFA, TIFA and BRDA

(2) Does not include payments from the County's Delinquent Tax Revolving Fund.

Source: County of Kent

REVENUES FROM THE STATE OF MICHIGAN

Revenue Sharing

The County receives revenue sharing payments and other moneys from the State under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the “Revenue Sharing Act”). The State revenue sharing program distributes sales tax revenues collected by the State to city, village, township, and county governments as unrestricted revenues.

In 1996, the State Legislature expressly designated the revenues of the sales tax as the sole source for revenue sharing. The sales tax revenues come from a 6% State levy on retail sales (other than sales of certain exempt items such as food and drugs). The State Constitution limits the rate of sales tax to 6%, and dedicates 100% of the revenue of sales tax imposed at a rate of 2% to the State School Aid Fund. The State Constitution further mandates that 15% of the total revenues collected from sales taxes levied at the remaining 4% be distributed to townships, cities and villages. The Revenue Sharing Act distributes an additional 21.3% of those revenues to Michigan municipalities, including counties.

At the end of calendar year 1998, the Legislature again amended the Revenue Sharing Act (the “1998 Amendments”) to accomplish the following, among other things:

- Re-adjust the percent share of statutory distributions from 24.5% for counties and 75.5% to cities, villages, and townships, to 25.06% for counties and 74.94% to cities, villages, and townships.
- Create a “sunset” of the statute by including language that revenue sharing after June 30, 2007 will be distributed “as provided by law.”

In addition to payments of revenue sharing moneys, the State pays the County to support judges’ salaries, as well as other miscellaneous state grants.

Revenue sharing payments and other monies paid to municipalities (other than the portion which is mandated by the State constitution) are subject to annual appropriation by the State Legislature, and may be reduced or delayed by Executive Order during any fiscal year in which the Governor, with the approval of the legislature’s appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

Revenue sharing payments were distributed in accordance with the 1998 Amendments until December 2002. Consistent with the downturn in the national economy, however, the State began experiencing an economic slowdown, resulting in reductions in anticipated and actual sales tax revenue. In response, the State Legislature enacted each year one or more acts to further amend the distribution formula and reduce statutory revenue sharing payments to local governments otherwise established by the 1998 Amendments.

County Reserve Fund

In anticipation of a continued budget deficit, in September 2004, Governor Granholm signed into law Act 356 of the Public Acts of Michigan of 2004 (“Act 356”), an amendment to the Revenue Sharing Act and Act 357 of the Public Acts of Michigan of 2004 (“Act 357”) an amendment to the General Property

Tax Act. Act 356 and Act 357 accomplished the temporary elimination of approximately $182.1 million in statutory revenue sharing payments to counties by creating a revenue sharing reserve fund ("RSRF") paid for by the permanent advancement of the counties' property tax levy from December to July each year, beginning July 2005. Under this amendment, the State directed county governments to shift the levy of County operating property tax millages from the December tax billing to the July tax billing in one-third increments over a three year time period and fund the RSRF from increased cash flow generated by the tax billing shift. The planned transition of County operating millage levies and creation of reserve accounts is as follows:

DEPOSITS

	General Fund		
Year	**July Tax**	**December Tax**	**RSRF**
2004	-	3/3	1/3
2005	1/3	2/3	1/3 *
2006	2/3	1/3	1/3 *
2007	3/3	-	-

* Equal to 1/3 of December 2004 tax levy.

- The creation of the RSRF will be restricted for the purpose of reducing the State's obligation for revenue sharing payments to county governments for a temporary period.
- The RSRF will be funded with a set aside of property tax collections equal to 100% of the December 2004 operating millage tax collections. One-third of this amount would be set aside for each of the December 2004 through 2006 inclusive tax collection cycles.
- Counties with a fiscal year end December 31, were allowed to withdraw from the RSRF the amount which would otherwise have been received as revenue sharing payments for October 2004, December 2004, and February 2005 as necessary to compensate for revenue sharing payments accrued to the prior year.
- On January 1, 2005 through 2007, counties with a fiscal year ending December 31 were allowed to withdraw from the RSRF an amount equal to the total amount which would have otherwise been received as revenue sharing payments for April 2004 through February 2005, increased by the "inflation rate" as defined in section 34d of the General Property Tax Act, Act 204 of the Public Acts of Michigan of 1893, as amended (the "Inflation Rate"), and not affected by any Executive Orders issued after May 17, 2004.
- On January 1, 2008, and each year thereafter, counties with a fiscal year ending December 31, will be able to withdraw from the RSRF an amount equal to the total amount able to be withdrawn in the prior year, again increased by the Inflation Rate and not affected by any Executive Orders issued after May 17, 2004.
- The counties' statutory guarantee to receive revenue sharing payments from the State will remain in full force and effect, but the payments to an individual county will be credited by the amount the individual county is able to withdraw funds from the RSRF. At the time that the RSRF for an individual county is depleted, the law currently provides that the State will immediately resume its obligation to make revenue sharing payments. The counties' statutory guarantee to receive revenue sharing payments will supersede the current sunset provision in the revenue sharing statute. The statutory language clearly indicated the intent of the State at the time of enactment of this change to continue revenue sharing payments to counties.

PROJECTED RESERVE ACCUMULATION AND DEPLETION SCHEDULE

County of Kent, Michigan
Revenue Sharing Reserve Special Revenue Fund
Projection of Revenues, Expenses, and Changes in Fund Balance *(in thousands)*

	Year Ended December 31,							
Category	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Revenues:								
Property Tax Set-Aside	$ 24,873	$ 24,873	$ 24,873	$ -	$ -	$ -	$ -	$ -
Interest (1)	(5)	245	1,026	1,350	1,310	776	195	-
	24,868	25,118	25,899	1,350	1,310	776	195	-
Appropriations:								
Transfers to General Fund (2)	6,845	10,494	10,841	11,242	11,613	11,996	12,392	4,093
Excess (Deficient) Revenues	18,023	14,624	15,059	(9,892)	(10,303)	(11,220)	(12,197)	(4,093)
Fund Balance, Beg	-	18,023	32,647	47,705	37,813	27,510	16,290	4,093
Fund Balance, End	$ 18,023	$ 32,647	$ 47,705	$ 37,813	$ 27,510	$ 16,290	$ 4,093	$ (0)

(1) Prior year ending Fund Balance, less current year transfer, plus one half current year property tax, invested at an average interest rate of 5.0%

(2) Indexed at an assumed inflation rate of 3.3% per annum

Source: County of Kent

During fiscal year 2003, under the then existing Revenue Sharing distribution formula, the County received $10,684,502 from the State. Based on the new distribution program, in Fiscal Year 2004, the County General Fund recognized revenues/transfers of $10,243,256 based on the combination of "old" revenue sharing distributions from the State of Michigan totaling $3,397,853 and transfers from the December County tax levy of Revenue Sharing "in lieu" monies totaling $6,845,403.

GENERAL FUND REVENUES FROM THE STATE OF MICHIGAN

Category	**2003**	**2004**	**2005**	**2006 (1)**	**2007 (2)**
Revenue Sharing (3)	$ 9,223,485	$ 8,929,831	$ 10,494,321	$ 10,840,632	$ 11,241,736
Court Equity Funding	2,601,669	3,594,746	3,472,493	3,428,062	3,300,000
Liquor Tax	2,584,383	2,792,678	2,960,118	3,193,611	3,210,054
Single Business Tax	1,461,017	1,313,425	-	-	-
Cigarette Tax	345,405	330,300	359,017	339,202	375,000
Grants and Other	1,446,823	1,543,937	1,527,432	1,527,750	1,571,672
Total	$ 17,662,782	$ 18,504,917	$ 18,813,381	$ 19,329,257	$ 19,698,462

(1) Preliminary, subject to audit

(2) As budgeted by the County

(3) Including Interfund Transfers from the RSRF in FY 2004 - FY 2007

Source: County of Kent

Constitutional Debt Limitation

Article VII, Section 6 of the State Constitution states "No county shall incur any indebtedness which shall increase its total debt beyond l0%, of its assessed valuation." The Notes are included within this debt limitation.

STATEMENT OF LEGAL DEBT MARGIN - DECEMBER 31, 2006	
2006 State Equalized Value (SEV)	$ 23,346,848,319
Legal Debt Limit (10% of SEV)	2,334,684,832
Debt Outstanding (including the Notes)	353,070,656
Margin of additional debt that can be legally incurred	$ 1,981,614,176
Debt Outstanding as a percentage of 2006 SEV	1.5%

DEBT POSITION

Debt Statement

The following table reflects a breakdown of the County's direct and overlapping debt as of December 31, 2006 including the Bonds. Bonds or notes designated L.T.G.O. are limited tax pledge bonds or notes.

Debt Type	Gross	Self-supporting or Portion Paid Directly By Benefited Municipalities	Net	Net Debt Per Capita [1]	Net Debt % of SEV
Direct Debt					
County Building Authority					
(L.T.G.O.)	$ 69,635,000	$ 565,000	$ 69,070,000		
General Obligation Limited					
Tax Notes	44,000,000	44,000,000	-		
Refuse and Solid Waste Bonds					
(L.T.G.O.)	40,825,000	40,825,000	-		
Airport Bonds					
(L.T.G.O.)	35,300,000	35,300,000	-		
(Revenue)	49,360,000	49,360,000	-		
Water and Sewer Bonds					
(L.T.G.O.)	6,475,000	6,475,000	-		
Drain Bonds (L.T.G.O.)	13,631,753	13,631,753	-		
County/City Building					
Authority Bonds (L.T.G.O.)	84,548,903	4,460,000	80,088,903		
CIP Bonds (L.T.G.O.)	9,295,000	-	9,295,000		
Total Direct Debt	$ 353,070,656	$ 194,616,753	158,453,903	$ 264.30	0.7%
Overlapping Debt [2]					
School Districts			1,144,142,494		
Cities			221,653,000		
Community Colleges			52,401,855		
Townships			28,536,000		
Villages			3,515,000		
Intermediate School Districts			70,785		
Total Overlapping Debt			1,450,319,134	2,419.12	6.2%
Total Direct and Overlapping			$ 1,608,773,037	$ 2,683.42	6.9%

(1) Based on 2006 estimated population of 599,524.
(2) Overlapping debt is the portion of other public debt for which a County taxpayer is liable in addition to the Direct Debt of the County.

Source: Municipal Advisory Council

DEBT AMORTIZATION SCHEDULE
REQUIREMENTS AT DECEMBER 31, 2006

Year	Tax Notes	Refuse Disposal Bonds	Airport Revenue LTGO Bonds	Water & Sewer LTGO Bonds	Drain Bonds	City/County Building Authority Bonds	County Building Authority Bonds	Capital Improvement Bonds	Total	Cumulative Total	Percent Amortized
2007	$ -	$ 8,960,000	$ 2,515,000	$ 1,265,000	$ 1,085,753	$ 3,215,000	$ 2,275,000	$ 590,000	$ 19,905,753	$ 19,905,753	5.2%
2008	20,000,000	10,110,000	2,625,000	1,310,000	1,127,000	3,545,000	4,600,000	605,000	43,922,000	63,827,753	18.1%
2009	24,000,000	10,505,000	2,740,000	490,000	1,167,000	3,895,000	4,640,000	620,000	48,057,000	111,884,753	31.7%
2010	-	11,250,000	2,865,000	510,000	1,227,000	4,260,000	4,775,000	640,000	25,527,000	137,411,753	38.9%
2011	-	-	3,000,000	530,000	1,215,000	4,675,000	2,460,000	665,000	12,545,000	149,956,753	42.5%
2012	-	-	3,135,000	550,000	1,280,000	5,115,000	2,560,000	685,000	13,325,000	163,281,753	46.2%
2013	-	-	3,280,000	580,000	1,350,000	5,585,000	2,695,000	365,000	13,855,000	177,136,753	50.2%
2014	-	-	3,440,000	605,000	1,165,000	6,085,000	2,825,000	375,000	14,495,000	191,631,753	54.3%
2015	-	-	3,595,000	635,000	1,235,000	3,513,370	2,975,000	390,000	12,343,370	203,975,123	57.8%
2016	-	-	3,775,000	-	925,000	3,455,616	3,130,000	405,000	11,690,616	215,665,739	61.1%
2017	-	-	3,955,000	-	980,000	3,399,714	3,250,000	420,000	12,004,714	227,670,453	64.5%
2018	-	-	4,150,000	-	275,000	3,339,653	3,425,000	435,000	11,624,653	239,295,106	67.8%
2019	-	-	4,350,000	-	290,000	3,303,950	3,605,000	455,000	12,003,950	251,299,056	71.2%
2020	-	-	4,565,000	-	310,000	3,270,176	3,800,000	480,000	12,425,176	263,724,232	74.7%
2021	-	-	4,790,000	-	-	3,232,569	4,010,000	500,000	12,532,569	276,256,801	78.2%
2022	-	-	5,040,000	-	-	3,219,531	3,410,000	530,000	12,199,531	288,456,332	81.7%
2023	-	-	5,285,000	-	-	3,201,469	3,500,000	555,000	12,541,469	300,997,801	85.3%
2024	-	-	5,545,000	-	-	2,433,499	3,700,000	580,000	12,258,499	313,256,300	88.7%
2025	-	-	5,825,000	-	-	2,385,378	3,900,000	-	12,110,378	325,366,678	92.2%
2026	-	-	3,230,000	-	-	2,344,096	4,100,000	-	9,674,096	335,040,774	94.9%
2027	-	-	3,395,000	-	-	2,298,194	-	-	5,693,194	340,733,968	96.5%
2028	-	-	3,560,000	-	-	2,257,832	-	-	5,817,832	346,551,800	98.2%
2029	-	-	-	-	-	2,211,380	-	-	2,211,380	348,763,180	98.8%
2030	-	-	-	-	-	2,172,718	-	-	2,172,718	350,935,898	99.4%
2031	-	-	-	-	-	2,134,759	-	-	2,134,759	353,070,657	100.0%
Total	$ 44,000,000	$ 40,825,000	$ 84,660,000	$ 6,475,000	$ 13,631,753	$ 84,548,904	$ 69,635,000	$ 9,295,000	$ 353,070,657		

Debt History

There is no record of default on any obligation of the County.

Short-Term Financing

The County does not issue short-term obligations for cash flow purposes. The County has in the years 1974 through 2006 issued short-term notes in order to establish a Delinquent Tax Revolving Fund. Notes issued in each of these years have been in a face amount, which has been less than the actual real property tax delinquency. The primary security for these notes is the collection of the delinquent taxes pledged to the payment of principal of and interest on the notes issued. The County has pledged its full faith and credit and limited taxing power to the payment of the principal and interest on notes issued. The County may or may not issue notes to fund the Fund in future years. The amount of notes issued in 2004 through 2006 and their outstanding balance as of December 31, 2006 are as follows:

OUTSTANDING NOTES

Tax Year	Year Issued	Notes Issued	Amount Outstanding
2003	2004	$ 18,300,000	$ -
2004	2005	20,000,000	20,000,000
2005	2006	24,000,000	24,000,000

Source: County of Kent

As of December 31, 2005 the County had lease obligations outstanding in the amount of $1,635,308 which are payable as follows:

December 31	Balance
2006	$ 568,949
2007	481,572
2008	401,329
2009	120,620
2010	86,816
Total	**$ 1,659,286**

Source: County of Kent

Future Financing

The County anticipates the issuance of $120 million limited tax general obligation bonds or airport revenue bonds to finance construction of a new parking garage facility at the Gerald R. Ford International Airport, $20.0 million of capital improvement bonds for general capital improvements in the County and approximately $30.0 million in delinquent tax notes during the 2007 calendar year.

Vacation and Sick Leave Liabilities

As of December 31, 2005, the County had an unfunded vacation liability of $3,861,636 and no unfunded sick leave liabilities.

Retirement System

Plan Description

The Kent County Employees' Retirement Plan (Plan) is a single-employer, defined benefit pension plan, which covers all employees of Kent County, except employees of the Road Commission and Parks Fund. The Plan was established and may be amended by the Kent County Board of Commissioners and is administered by the Kent County Employees' Retirement Plan Board. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. At December 31, 2005, the date of the most recent actuarial valuation, membership consisted of 1,107 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 1,831 current active employees.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report may be obtained by contacting the Fiscal Services Department.

Summary of Significant Accounting Policies

I. Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

II. Method Used to Value Investments

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded, on a national or international exchange, are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

III. Funding Policy

The contribution requirements of Plan members are established and may be amended through union agreements. After meeting eligibility requirements, active plan members are required to contribute to the Plan based on their bargaining unit or management group contribution rate. Member rates (2007) are either fixed at 6.5% of total salary or variable based on union contracts in place. The variable rate is 6.5%

for 2007. The County is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The employer normal cost for 2007 is 11.65% of covered payroll; however, due to over-funding the computed employer contribution rate is 9.41% of covered payroll.

IV. Concentrations

At December 31, 2005, the Plan had no investments whose fair value exceeded 5.0% of the net assets of the Plan.

V. Annual Pension Cost and Net Pension Obligation

The annual required contribution (ARC) for the current year was determined as part of the December 31, 2005 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on investments of 7.0% per year, and (b) projected salary increases of 5% - 9% per year, including inflation of 5%, attributable to seniority or merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability was amortized as a level percentage of projected payroll on an open basis, with a remaining amortization period of 15 years.

THREE-YEAR TREND INFORMATION

Year ended December 31,	Annual Pension Cost (APC)	Percentage of APC contributed
2003	$ 2,404,628	100%
2004	4,101,992	100%
2005	6,681,671	100%

SCHEDULE OF FUNDING PROGRESS (IN MILLIONS)

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (b) - (a)	Funded ratio (a)/(b)	Active member covered payroll (c)	Funding excess as a percentage of active member covered payroll ((b-a)/c)
December 31, 2003 (1) (2)	$ 456.9	$ 416.8	$ (40.1)	109.6%	$ 81.9	(49.0%)
December 31, 2004	$ 471.8	$ 442.8	$ (29.0)	106.5%	$ 85.0	(34.1%)
December 31, 2005	$ 493.1	$ 469.4	$ (23.7)	105.0%	$ 87.2	(27.2%)

(1) Retirement Plan amended.

(2) After transfer of Kent County CMH Authority members out of plan.

Source: Kent County Comprehensive Annual Financial Report

The plan has had no net pension obligation.

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date:	December 31, 2005
Actuarial Cost Method:	Individual entry age
Amortization Method:	Level percent, open over 15 years
Asset Valuation Method:	Four-year smoothed market
Actuarial Assumptions:	
Investment rate of return (1)	7.0%
Projected salary increases (1)	5.0% - 9.0%

(1) Includes inflation of 5.0%

Other Postemployment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") issued its Statement 45 – "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions". Other post employment benefits ("OPEB") include post employment healthcare insurance as well as other forms of post employment benefits (for example, life insurance) when provided separately from a pension plan. GASB Statement 45 ("GASB") establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The County currently provides a post employment healthcare insurance subsidy for the life of the retiree. The monthly subsidy ranges from a low of $200 to a high of $350 per month based on the respective employee bargaining unit contract. In order to receive the full benefit, the employee must have attained 25 years of service. The subsidy is prorated if the retiree has less than twenty-five years of service at the time of retirement. Similar to other governmental units, the County has funded its OPEB program on a pay-as-you-go basis, but will begin funding OPEB on an actuarial basis in its Fiscal Year beginning January 1, 2007.

The County completed its first actuarial valuation of Other Post Employment Benefits as of December 31, 2005. The unfunded actuarial accrued liability attributable to service accrued by plan members as of December 31, 2005 was $48,808,992. As of December 31, 2005, there were no valuation assets available to offset the liabilities of the plan. The December 31, 2005 actuarial study resulted in the determination of a Fiscal Year 2007 (Year beginning January 1, 2007) employer contribution requirement of $2,253,843 to a trust in order to meet the Annual Required Contribution and avoid any net OPEB obligation. The required County contribution equates to 3.1% of active employee payroll costs.

Cash Activity Summary and Analysis

	December 31, 2005	December 31, 2006
Cash Equity		
Cash balance - January 1	$ 323,631,175	$ 302,565,445
Receipts	719,167,936	737,811,591
Less: Disbursements	740,233,666	755,621,390
Cash balance - December 31	**$ 302,565,445**	**$ 284,755,646**

	December 31, 2005	December 31, 2006
Analysis of Cash Balances		
Pooled investments	$ 298,658,686	$ 280,137,948
Accrued interest on pooled investments	5,291,917	6,651,027
Demand deposits (1)	710,877	725,539
Imprest cash	87,325	87,575
Less: Outstanding disbursement checks	2,183,359	2,846,442
Cash balance - December 31	**$ 302,565,445**	**$ 284,755,646**

(1) Includes unreconciled system checks.

Cash Balances and Net Change in Balances

Fund		2005	2006	Net Change Inc/(Dec)
				December 31,
101	County General	$ 65,615,624	$ 66,768,701	$ 1,153,076
201	County Roads	10,280,894	7,767,562	(2,513,332)
208	County Parks	54,832	-	(54,832)
215	Friend of the Court	(758,439)	(976,533)	(218,094)
221	Public Health	(772,052)	(2,672,835)	(1,900,783)
229	Hotel/Motel Tax (229)	1,562,577	310,145	(1,252,433)
245	Public Improvement	21,952,641	15,418,568	(6,534,073)
250	Correction and Detention Facility	4,625,571	5,040,217	414,646
251	Senior Millage	1,094,315	1,312,909	218,594
285	State Revenue Sharing Reserve	8,462,290	26,186,093	17,723,803
292	Child Care	937,647	937,647	-
296	Special Projects	(614,455)	-	614,455
513	DPW Administration	2,499,822	2,553,976	54,153
514	DPW Operation and Maintenance	1,143,159	996,749	(146,410)
517	DPW Solid Waste	17,800,195	18,040,127	239,933
581	Airport	27,284,089	22,033,031	(5,251,058)
597	DPW Waste-to-Energy	13,197,278	13,678,629	481,351
616	100% Tax Payment Fund	48,788,078	42,081,898	(6,706,180)
677	Risk Management	6,661,067	5,040,756	(1,620,310)
701	Trust and Agency	65,524,337	53,475,618	(12,048,719)
721	Library Penal Fines	548,090	720,265	172,175
800	Drains and Lake Level	3,714,875	3,727,322	12,447
	Various Other Funds	2,963,009	2,314,800	(648,209)
Total		**$ 302,565,444**	**$ 284,755,644**	**$ (17,809,800)**

Pooled Investment Fund[1]

Investments By Type	Par Value	Book Value	Percent
	December 31, 2006		
Certificates of Deposit	$ 218,251,392	$ 218,251,392	77.9%
U.S. Treasury Strips	15,717,000	13,472,385	4.8%
Federal Home Loan Banks	15,000,000	15,529,485	5.5%
Federal National Mortgage Assoc	3,000,000	3,247,080	1.2%
Federal Home Loan Mortgage Cor	10,000,000	9,971,800	3.6%
U.S. Govt Agency Discount Notes	-	-	0.0%
Passbook & Money Market	19,665,806	19,665,806	7.0%
Total	**$ 281,634,198**	**$ 280,137,948**	**100.0%**

Investment Yield	Book Value	Percent
	December 31, 2006	
2.00% to 2.50%	$ 903,690	0.3%
2.50% to 3.00%	7,317,808	2.6%
3.00% to 3.50%	14,178,590	5.1%
3.50% to 4.00%	7,868,623	2.8%
4.50% to 5.00%	18,655,178	6.7%
5.00% to 5.50%	182,050,250	65.0%
5.50% to 6.00%	49,163,809	17.5%
Total	**$ 280,137,948**	**100.0%**

Investment Maturity	Date Range	Book Value	Percent
		December 31, 2006	
0 to 3 Months	01/01/06 - 03/31/06	$ 98,991,667	35.3%
3 to 6 Months	04/01/06 - 06/30/06	85,207,844	30.4%
6 to 12 Months	07/01/06 - 12/31/06	79,145,060	28.3%
12 to 24 Months	01/01/07 - 12/31/07	13,912,053	5.0%
24 to 36 Months	01/01/08 - 12/31/08	2,881,323	1.0%
Total		**$ 280,137,948**	**100.0%**

(1) The Investment Pool has an open-ended maturity date.

Pooled Investments Earnings Performance

	2005			2006		
						December 31,
Month	Average Daily Balance	Interest Earned Accrual Basis	Earned Interest Yield	Average Daily Balance	Interest Earned Accrual Basis	Earned Interest Yield
Jan	$ 339,614,832	$ 689,184	2.357	$ 306,478,399	$ 1,017,321	3.855
Feb	358,047,058	696,074	2.500	314,593,603	977,093	3.993
Mar	370,108,097	840,414	2.637	338,194,021	1,218,089	4.183
Apr	371,236,562	852,882	2.757	341,705,121	1,230,720	4.322
May	374,625,027	925,419	2.869	335,140,282	1,284,091	4.449
Jun	358,260,863	895,924	3.001	309,055,025	1,173,497	4.556
Jul	348,258,405	930,712	3.104	295,833,745	1,191,782	4.678
Aug	363,500,927	1,009,806	3.226	318,344,755	1,328,563	4.846
Sep	370,203,265	1,045,682	3.390	340,404,797	1,405,203	4.954
Oct	363,713,803	1,101,108	3.516	348,263,061	1,498,731	4.998
Nov	314,072,929	934,280	3.570	302,955,977	1,267,698	5.021
Dec	299,469,856	955,133	3.704	288,815,086	1,264,664	5.085
Annual	**$ 352,592,635**	**$ 10,876,618**	**3.085**	**$ 319,981,989**	**$ 14,857,452**	**4.643**

Pooled Investments - Local Government Units

	December 31,			
	2005		2006	
Local Government Units	Invested Balance	Interest Earned	Invested Balance	Interest Earned
Townships:				
Ada	$ 499,325	$ 24,139	$ 522,857	$ 23,532
Algoma	248,358	11,927	193,299	14,155
Alpine	542,349	16,434	-	3,737
Byron	7,559,400	246,224	7,915,660	356,260
Caledonia	487,687	17,281	510,670	22,984
Cannon	941,337	61,107	1,300,674	73,337
Cascade	5,871,505	235,814	5,843,262	322,632
Courtland	1,679,784	54,188	702,960	63,734
Gaines	3,977,339	121,054	4,164,783	187,444
Grand Rapids	360,330	13,972	64,670	4,340
Grattan	-	334	-	-
Lowell	118,864	3,602	-	2,063
Nelson	537,554	18,516	306,517	22,929
Oakfield	398,389	12,757	406,965	18,116
Plainfield	4,054,736	155,245	2,226,219	135,983
Sparta	191,695	5,808	200,729	9,034
Tyrone	196,717	9,409	71,499	6,574
Vergennes	200,955	6,089	159,510	8,555
Townships Subtotal	**27,866,326**	**1,013,901**	**24,590,276**	**1,275,408**
Cities:				
East Grand Rapids	1,858,305	56,308	1,945,883	87,578
Grandville	1,257	5,994	1,316	59
Lowell	588,405	20,274	616,136	27,730
Wyoming (Debt Funds Only)	44,682	1,354	46,788	2,106
Caledonia (Village)	650,341	19,706	629,600	29,258
Cities Subtotal	**3,142,991**	**103,636**	**3,239,722**	**146,732**
Other Local Authorities:				
Network 180	10,185,912	394,108	3,995,009	309,097
Convention & Arena Authority	19,037,484	506,137	19,558,737	871,253
Interurban Partnership	1,985,448	28,765	468,776	37,674
Kent District Library	2,314,187	198,298	2,423,250	108,580
Other Local Authorities Subtotal	**33,523,032**	**1,127,309**	**26,445,773**	**1,326,604**
Total Local Government Units	**$ 64,532,348**	**$ 2,244,845**	**$ 54,275,771**	**$ 2,748,744**

Summary of Investments

December 31, 2006

	Book Value				
Broker Name (No.)	U.S. Treasury Strips	Passbook Accounts	Government Agency	Certificates of Deposit	Total
U.S. Treasury Strips					
AG Edwards & Sons, Inc (63)	$ 3,971,539	$ -	$ -	$ -	$ 3,971,539
National City Bank (21)	4,287,590	-	2,002,086	-	6,289,676
UBS Paine Webber (42)	1,796,100	-	8,277,609	-	10,073,709
Smith Barney (41)	3,417,156	-	18,468,670	-	21,885,826
U.S. Treasury Strips Subtotal	**13,472,385**	**-**	**28,748,365**	**-**	**42,220,750**
Certificates of Deposit (CD)					
Ambassador Funds	-	1,083,111	-	-	1,083,111
American Freedom Funds	-	611,503	-	-	611,503
Fifth Third Max Saver	-	2,850,403	-	-	2,850,403
Huntington Bank MM	-	13,995,861	-	-	13,995,861
MBIA Class Investment Pool	-	1,124,928	-	-	1,124,928
Bank of Holland	-	-	-	2,107,699	2,107,699
Byron Center State Bank	-	-	-	5,260,585	5,260,585
Chemical Bank West	-	-	-	9,950,024	9,950,024
Choice One Bank (53)	-	-	-	1,171,139	1,171,139
Citizens Bank	-	-	-	4,434,384	4,434,384
Comerica	-	-	-	3,156,510	3,156,510
Community Shores Bank	-	-	-	1,018,800	1,018,800
Fifth Third Bank	-	-	-	14,454,187	14,454,187
Flagstar Bank	-	-	-	39,523,466	39,523,466
Founders Trust	-	-	-	2,811,271	2,811,271
Huntington Banks (11)	-	-	-	32,513,525	32,513,525
Irwin Union Bank	-	-	-	30,465,593	30,465,593
Kent Commerce Bank (60)	-	-	-	6,054,649	6,054,649
Lasalle Bank	-	-	-	5,883,783	5,883,783
Macatawa Bank	-	-	-	9,593,423	9,593,423
Mercantile Bank of W MI (58)	-	-	-	12,514,002	12,514,002
National City Bank	-	-	-	3,000,000	3,000,000
Northpointe Bank	-	-	-	500,000	500,000
Private Bank (9)	-	-	-	3,600,690	3,600,690
Republic Bank (56)	-	-	-	24,137,486	24,137,486
Select Bank (54)	-	-	-	1,288,720	1,288,720
United Bank of Michigan (59)	-	-	-	2,731,156	2,731,156
West Michigan Comm Bank (8)	-	-	-	2,080,300	2,080,300
CD Subtotal	**-**	**19,665,806**	**-**	**218,251,392**	**237,917,198**
Total	**$ 13,472,385**	**$ 19,665,806**	**$ 28,748,365**	**$ 218,251,392**	**$ 280,137,948**

LABOR CONTRACTS

Of the County's 1,850 employees, 82.5% are represented by labor organizations. The following table illustrates the various labor organizations that represent County employees, the number of members and non-members and the expiration dates of the present contracts.

Bargaining Unit	Number of [1] Employees December 31, 2006	Contract Expiration Date
United Auto Workers - General Members	591	12/31/2007
United Auto Workers - Court Members	361	12/31/2007
Kent County Deputy Sheriff's Association	239	12/31/2008
Kent County Law Enforcement Association - Police Officers Association of Michigan	182	12/31/2005 [2]
International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America - Park Employees	16	12/31/2008
International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America - Public Health Nurses	70	12/31/2008
Prosecuting Attorneys	36	12/31/2007
Police Officers Labor Council - Lieutenants/Captains	18	12/31/2007
Police Officers Labor Council - Court Reporters	7	12/31/2008
Circuit Court Referee Association	6	12/31/2007
Management Pay Plan (non-union)	324	NA
Total	1,850	

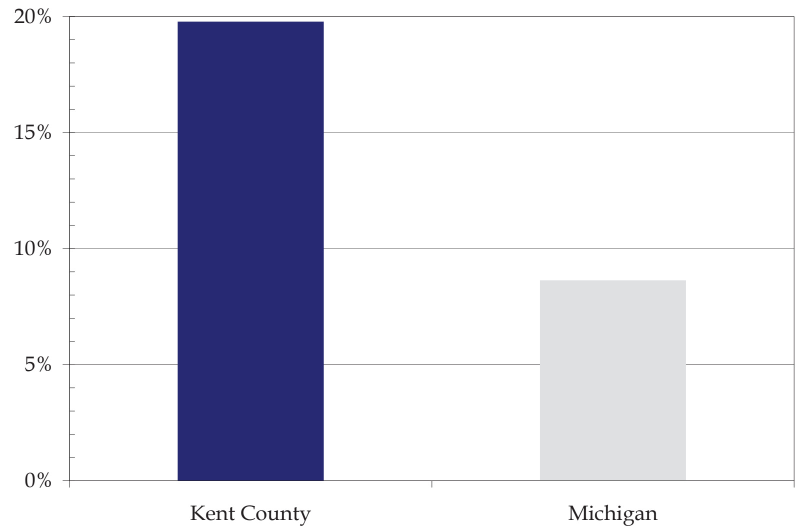
(1) Does not include sheriffs cadets, courthouse part-time security, seasonal employees or 37 elected and appointed officials of the County.
(2) In Negotiations. Affected employees are continuing to work under contract extension.

Source: County of Kent

The County continues to maintain an excellent working relationship with its employees.

Population Growth: 1990-2006

Kent County population estimate grew 19.8 percent from 1990 to 2006 to 599,524. The growth for the State of Michigan over the same period was 8.6 percent. According to the US Census Bureau, Kent County's population will grow to an estimated 619,775 by 2010.

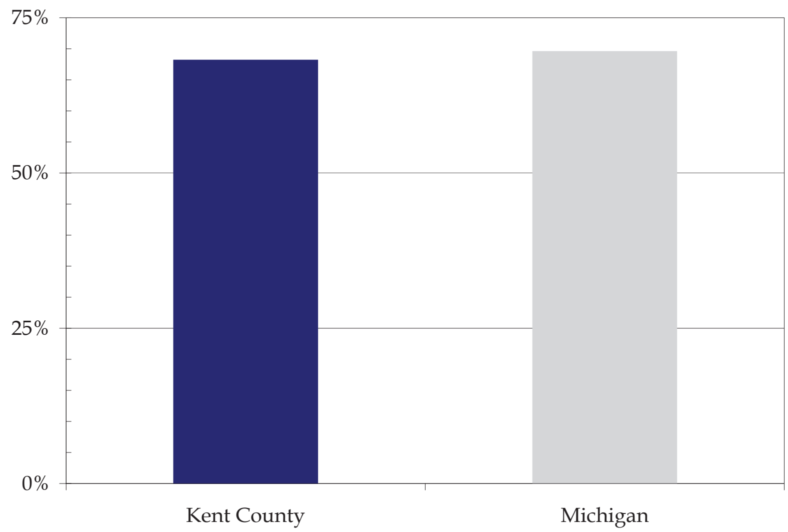


POPULATION GROWTH: 1980-2006					
Region	**1980**	**1990**	**2000**	**2006**	**Change 1990-2006**
Kent County	444,506	500,631	574,335	599,524	19.8%
Michigan	9,262,044	9,295,277	9,938,444	10,095,643	8.6%

Source: US Census Bureau, Michigan Department of Management and Budget

Per Capita Income Growth: 1990-2004

Kent County's Per Capita Income grew 68.2 percent from 1990 to 2004 to $32,416. The growth for the State of Michigan over the same period was 69.5 percent to $32,079.



PER CAPITA INCOME GROWTH

Region	1990	2000	2002	2003	2004	Change 1990-2004
Kent County	$ 19,278	$ 29,392	$ 30,333	$ 31,492	$ 32,416	68.2%
Michigan	18,922	29,552	30,227	31,582	32,079	69.5%

Source: Bureau of Economic Analysis

Commercial/Industrial Base

The Grand Rapids metropolitan area, of which the County is the hub, is one of the fastest growing regions of the United States. Numerous expansions, renovations, constructions, modernizations and developments have either been completed, are in the process of being completed or are in the planning stages. Among the factors which have encouraged major projects and have attracted numerous firms from outside the area are: a strong but highly diversified base of industries, an excellent work force, educational opportunities, excellent employer/employee relations, good location and transportation facilities, utilities and possibly the most important, quality of life.

Within the County, the State Equalized Value (SEV) for commercial property increased in value from $3.08 billion (tax year 2001) to $4.17 billion (tax year 2006), for an average annual increase of 7.1%. Industrial property SEV increased in value from $1.48 billion (tax year 2001) to $1.90 billion (tax year 2006), for an average annual increase of 5.5%.

Convention Facilities

In March 2000, the City of Grand Rapids, State of Michigan, and the County jointly created the Grand Rapids, Kent County Convention/Arena Authority. The function of this independent authority is to own and operate DeVos Place Convention Center and the Van Andel Arena. The Van Andel Arena was completed in 1996, has a capability of 12,000 and is used for professional hockey games, professional arena football games, concerts, family shows and other entertainment events. The DeVos Place Convention Center renovation and expansion was completed in 2005. This new facility encompasses one million square feet of total gross floor area including a 40,000 square foot ballroom. The project was completed at a total cost of $212 million. The completion of this project has enabled several large conventions to take place, with a significant number of bookings made for local, state, regional, and national conferences that extend to 2010 and beyond. Funding for the project came from the State, Grand Rapids Downtown Development Authority, County Hotel/Motel Tax Revenues, the Federal Government, and the private sector. The Convention Center will serve as an additional catalyst for not only an increase in convention center business, but also increased retail growth in the area.

Regional Government Coordination

The Grand Valley Metropolitan Council ("The Metro Council") was formed in 1990 and has a membership of 33 local governments including the County. Created by state enabling legislation, the Metro Council is coordinating the efforts of its members to provide services while eliminating duplication. It is also engaged in issues which have no boundaries such as clean air, water and sewers and transportation.

The Metro Council also is working with its area legislators to develop a regional presence at the State capital. Its legislative committee has broad community participation, which includes the Chamber of Commerce, Kent Intermediate School District and environmental interests. The Metro Council's Water and Sewer Committee has members from Ottawa and Kent Counties, the private and environmental sectors and water and sewer providers. The Metro Council routinely works with a range of partners to accomplish its mission. Key partnerships are with Grand Valley State University's Office for Economic Expansion and Water Resources Institute, the Michigan Municipal League, and the Michigan Departments of Transportation, Environmental Quality and Commerce.

Transportation

The County is well serviced by all forms of transportation. Interstate highways 96 and 196 and US 131 all traverse the County and connect to the national highway system. There are three airfields in the County. The Gerald R. Ford International Airport, a major commercial airport, is located 13 miles southeast of Grand Rapids. Smaller non-commercial airfields are located north of Grand Rapids near the City of Sparta and east of Grand Rapids near the City of Lowell.

The Interurban Transit Partnership (ITP) provides public transportation service to residents of Grand Rapids and its near suburbs. Greyhound Bus Lines and Indian Trails provide coach service to residents of the County.

Amtrak provides rail passenger service between Chicago and the County. The Norfolk and Southern, CSX, Grand Rapids Eastern, and Mid-Michigan Railroad provide freight service to the many industries in the County.

Medical Services

The residents of the County are served by a number of hospitals. The public and non-profit hospitals in the County, with the approximate number of licensed beds are shown below.

Hospital	Beds
Spectrum Health Hospitals	1,061
Spectrum Health - Kent Community	607
St. Mary's Health Care	336
Metropolitan Health	238
Spectrum Health - DeVos Children's Hospital	152
Pine Rest Christian Mental Health Services	150
Mary Free Bed Hospital and Rehabilitation Center	80
	2,624

Source: Business Review West Michigan Survey - December 8, 2005.

In 2000, the Van Andel Institute (VAI) opened, with the mission ". . . to become one of the world's preeminent private medical researches institutions within the next decade." The Van Andel Institute has three component parts: the Van Andel Research Institute (VARI), the Van Andel Education Institute (VAEI), and the Van Andel Institute (VAI). The VARI is an independent medical research organization dedicated to preserving, enhancing, and expanding the frontiers of medical science. The VAEI is an independent education institute whose mission is to conduct the Van Andel Educational Technology School, and to achieve excellence by embracing and strengthening the fundamental issues of education. The VAI supports the other two organizations. In July 1999, legislation was adopted in support of investing $50 million a year over the next 20 years to fund a Life Sciences Corridor—a joint venture between the State, several Michigan universities, and the VARI. The research being conducted at the VARI is expected to serve as a growth pole, anchoring and propelling growth of a newly developing bio-science industry cluster. It is anticipated that this will draw outside business and related sectors into the region to take advantage of economic opportunities created by the Institute. VARI has just commenced a $170 million expansion of its facilities scheduled to be completed in 2010.

Utilities

In the County, electricity is furnished by Consumers Energy, telephone service by AT & T and gas by DTE Energy. Local municipalities provide water and sewer facilities. Solid waste from six major contracting cities (Grand Rapids, Kentwood, Walker, Wyoming, Grandville and East Grand Rapids) is hauled to an incinerator located in Grand Rapids operated by the County's Department of Public Works where the trash is burned. Non-contracting communities send their solid waste to landfills.

Banking Services

Banking facilities in the County are provided by the following banking institutions and their branches: Chemical Bank West, Byron Bank, Comerica Bank - Grand Rapids, Macatawa Bank, National City Bank, Huntington National Bank, Mercantile Bank, LaSalle Bank, Kent Commerce Bank, JP Morgan Chase Bank, Fifth Third Bank, State Bank of Caledonia, Flagstar Bank, Northern Trust, Northpointe Bank, Founders Trust Personal Bank, Irwin Union Bank, Select Bank, United Bank, Crestmark Bank, Provident Bank and Republic Bank.

Education

Twenty-six school districts and five intermediate school districts are located, in whole or in part, in the County. There are numerous non-public schools serving diversified religious denominations and 17 charter schools in the County. Aquinas College, Calvin College, Cooley Law School, Cornerstone University, Grand Valley State University, Grand Rapids Baptist College, Ferris State University, Davenport University, Kendall College of Art and Design of Ferris State University, the University of Phoenix and Western Michigan University have campuses located within the County. The main campuses of Grand Valley State University, Western Michigan University and Michigan State University are located within commuting distance of the County.

GENERAL HOUSING CHARACTERISTICS

Category	Number of Units
Owner Occupied	149,679
Renter Occupied	63,211
Occupied Housing Units	212,890
Vacant Housing Units	11,110 (1)
Total Housing Units	224,000

(1) Includes seasonal, recreational or occasional use housing units.

Source: 2000 US Census

Largest Employers

The following table reflects the diversity of the twenty largest employers in the area by the products manufactured or services performed and the approximate number of employees.

Company	Product or Service	Approximate Number of Employees
Spectrum Health	Hospital	12,000
Meijer, Inc.	Retailer	8,441
Steelcase, Inc.	Office Equipment & Furniture	5,000
Magna Donnelly	Automotive Accessories	4,225
Axios, Inc.	Human Resources/Employment Services	4,000
Alticor, Inc. (formerly Amway Corp.)	Home Care, Nutritional Houseware Products	3,900
Grand Rapids Public Schools	Education	3,392
Spartan Stores	Food Distributor & Retailer	3,040
Haworth Inc.	Office Systems	3,000
Grand Valley State University	Education	2,645
Herman Miller Inc.	Office Systems	2,545
St. Mary's Health Care	Hospital	2,500
General Motors Corporation	Automotive	2,500
Perrigo Company	Pharmaceuticals	2,500
Walmart	Retailer	2,230
D & W Food Centers	Food Wholesaler/Retailer	2,200
Lacks Enterprises	Automotive Accessories	2,100
Gentex Corporation	Automotive Accessories	2,047
Fifth Third Bank	Banking	2,037
Howmet (Alcoa Business)	Precision Castings	2,000

Source: The Right Place Inc-May 2006

Largest Businesses Based On Tax Roll Valuation

Taxpayer	Product or Service	2006 Taxable (1) Value	% of 2006 Taxable (1) Value
Steelcase, Inc.	Office Equipment & Furniture	$ 206,285,080	0.99%
Consumers Energy	Utility	189,059,169	0.91%
Alticor, Inc. (formerly Amway Corp.)	Home Care, Nutritional & Houseware Products	104,471,153	0.50%
Meijer	Retail Sales	98,597,865	0.47%
Delphi	Automotive	77,716,800	0.37%
PR Woodland	Retail Shopping Center	71,291,200	0.34%
York Creek Ltd Partners	Development	59,159,794	0.28%
Holland Home	Senior Citizens Residence	51,049,353	0.25%
General Motors	Automotive	49,202,306	0.24%
Fifth Third Bank	Banking Services	45,961,981	0.22%
Total		$ 952,794,701	4.58%

(1) Taxable Value used for calculation purposes includes $20,223,487,574 on ad valorem tax roll and $582,094,157 on Industrial Facility Tax Roll.

Source: County of Kent

Retail Sales

The following table reflects the retail sales for residents of the County of Kent, the State of Michigan and the United States for the calendar year 2006. Dollar amounts are in thousands.

	County of Kent		State of Michigan	
Category	Retail Sales	% of Total	Retail Sales	% of Total
Food & Beverage	$ 679,035	6.1%	$ 15,163,501	10.2%
Restaurants	774,826	6.9%	12,269,941	8.3%
General Merchandise	1,513,512	13.5%	20,939,687	14.1%
Furniture/Appliances	726,426	6.5%	6,686,833	4.5%
Automotive	1,972,043	17.6%	31,799,034	21.4%
Other	5,552,520	49.5%	61,552,381	41.5%
Total	$ 11,218,362	100.0%	$ 148,411,377	100.0%

Source: Survey of Buying Power - Sales and Marketing Management Magazine

Estimated Effective Household Buying Income

The following table reflects the estimated effective household buying income ("E.H.B.I.") of the County of Kent, the State of Michigan and the United States for the calendar year 2006.

E.H.B.I. Range	County of Kent (1)	State of Michigan (1)
Under $15,000	11.1%	13.2%
$15,000 - $24,999	12.8%	12.9%
$25,000 - $49,999	36.7%	34.5%
$50,000 and Over	39.4%	39.5%
Median E.H.B.I.	$42,239	$41,587
Average E.H.B.I.	$52,374	$52,205

(1) Percentages of households in each range.

Source: Trade Dimensions 2006 Demographics USA - County Edition

Employment Rates

Reflected below are the unadjusted employment data for the calendar years 2003 through 2006 and the monthly data for January 2006 and 2007 for the County and the State.

County of Kent

Category	2003	2004	2005	2006	Jan 2006	Jan 2007
Employed	291,747	298,111	306,527	306,976	303,144	303,024
Unemployed	22,973	21,292	18,473	18,326	18,180	19,619
Labor Force	314,720	319,403	325,000	325,302	321,324	322,643
Unemployed as % of Labor Force	7.3%	6.7%	5.7%	5.6%	5.7%	6.1%

State of Michigan (1)

Category	2003	2004	2005	2006	Jan 2006	Jan 2007
Employed	4,681	4,695	4,726	4,730	4,656	4,645
Unemployed	358	356	346	351	366	388
Labor Force	5,039	5,051	5,072	5,081	5,022	5,033
Unemployed as % of Labor Force	7.1%	7.0%	6.8%	6.9%	7.3%	7.7%

(1) Numbers may not compute due to rounding. State numbers in thousands.

Source: Michigan Department of Career Development/Employment Service Agency, Labor Market Analysis Section

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Labor Force Distribution - By Industry

The following table provides a comparative analysis of the Grand Rapids-Wyoming MSA workforce distribution based on average employment in calendar years 2003-2006.

Examination of the statistics disclose a continuing though moderate decline in manufacturing jobs over the course of the last three years. Kent County has previously recognized the over concentration of employment in manufacturing industry jobs. More recently, the area has begun to experience significant employment increases in the educational and health services industry. Kent County in particular will be especially benefited by employment increases in this industry.

Several projects which will provide additional employment opportunities in this industry are either recently completed, nearing completion or about to break ground. These projects and a brief description of each include:

- Spectrum Health - Lemmen Holton Cancer Pavilion – The project is estimated to cost $78 million and is scheduled to open in late 2007. The new facility will provide a comprehensive cancer treatment program.

- Spectrum Hospital – DeVos Children's Hospital - The hospital began construction of a new 415,000 square foot facility in early 2007. This new $190 million facility is scheduled to open in 2010.

- Metro Hospital – The hospital currently has under construction a new 208-bed facility located in southwest Kent County. This $190 million facility is scheduled to open in the fall of 2007.

- VanAndel Institute – This medical research facility recently broke ground on construction of a 280,000 square foot addition to its existing research complex. This $160 million project is scheduled for opening in late 2010.

- Michigan State University Medical School – The University continues to work with local hospitals, research institutes and philanthropic partners to establish a relocated medical school in the community. The school is scheduled to begin its local program by 2008, in temporary facilities, transitioning to full operations by 2010. On January 18, 2007 Michigan State University announced construction of a new $70 million medical school facility on the "Michigan Hill". Construction is expected to be completed in 2010.

- St. Mary's Hospital – The hospital broke ground, in 2006, on the construction of a new 145,000 square foot neurology services facility. This $60 million facility is scheduled to open in summer 2008.

LABOR FORCE BY INDUSTRY

Grand Rapids, Wyoming MSA [1]
Calendar Year Average Employment

Industry	2003	2004	2005	2006	Three-Year Change
Manufacturing					
Durable Goods	52,200	51,900	51,600	51,200	(1,000)
Nondurable Goods	22,700	22,200	22,300	22,300	(400)
Trade, Transportation & Utilities					
Retail Trade	43,900	43,200	43,200	43,200	(700)
Wholesale Trade	22,200	22,100	22,100	22,600	400
Warehousing & Utilities	10,000	10,100	10,400	10,500	500
Professional & Business Services	51,800	53,500	54,100	54,200	2,400
Educational & Health Services					
Health Care & Social Assistance	41,100	42,400	43,800	45,000	3,900
Educational Services	9,400	10,400	11,400	11,800	2,400
Government					
Federal, State, Local	17,300	17,300	17,600	17,800	500
Education	21,000	20,500	20,500	20,400	(600)
Leisure & Hospitality	31,200	31,800	32,600	32,400	1,200
Financial Activities	21,100	21,600	21,900	22,000	900
Natural Resources & Mining	18,900	19,000	18,600	18,600	(300)
Other Services	17,100	17,000	17,600	17,800	700
Information	5,700	5,500	5,600	5,600	(100)
Total Nonfarm Employment	385,600	388,500	393,300	395,400	9,800

Sources: DLEG/Bureau of Labor Market Information & Strategic Initiatives.

(1) Includes Kent, Barry, Ionia & Newaygo Counties.

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Statement of Revenues, Expenditures and Changes in Fund Balance

	2005 Actual	2006 Budget	2006 Actual[1]	2007 Budget
				Year Ended December 31,
Revenues:				
Taxes	$ 73,134,574	$ 80,302,273	$ 79,989,934	$ 87,425,000
Intergovernmental	11,723,184	12,050,879	11,983,317	12,997,480
Charges for Services	16,830,179	21,333,615	18,569,615	19,920,745
Investment Earnings	3,017,636	2,750,000	4,384,205	3,790,000
Contributions/Reimbursements	9,061,777	8,926,636	8,670,135	8,663,001
Transfers In	26,366,586	24,880,680	24,872,940	28,741,736
Other	2,853,636	3,548,396	3,062,879	2,979,900
Total Revenues	**142,987,572**	**153,792,479**	**151,533,025**	**164,517,862**
Expenditures:				
Sheriff	49,514,481	55,226,402	53,879,086	59,922,217
Circuit Court	15,700,471	16,305,052	16,298,162	18,147,853
Facilities Management	12,017,310	8,153,135	8,022,208	8,651,950
Information Technology	5,237,353	5,948,751	5,372,206	6,391,436
Prosecuting Attorney	5,264,018	5,472,053	5,388,664	6,226,618
Parks	-	4,478,648	4,075,943	4,750,730
John Ball Zoo	3,589,202	3,820,811	3,581,870	4,139,031
Policy/Admin	3,548,855	4,948,249	4,593,946	5,115,492
Fiscal Services	3,428,987	3,731,603	3,869,927	3,838,101
District Court	2,337,605	2,740,461	2,575,469	2,932,613
Human Resources	1,993,984	2,136,566	1,953,436	2,232,350
County Clerk	1,733,613	2,067,513	1,929,344	2,065,391
Bureau of Equalization	1,498,196	1,714,664	1,610,618	1,936,553
Other	8,104,675	8,673,551	8,436,131	9,173,463
Transfers Out - Child Care	16,012,154	16,620,373	14,976,906	17,236,593
Transfers Out - Health	8,105,031	9,627,718	7,694,404	10,033,351
Transfers Out - Debt Service	991,015	6,518,206	6,447,288	6,228,601
Transfers Out - FOC	1,873,000	2,161,599	1,607,548	2,164,256
Transfers Out - Other	5,408,520	1,578,456	1,524,762	1,676,609
Appropriation Lapse	-	(6,100,000)	-	(6,300,000)
Total Expenditures	**146,358,471**	**155,823,811**	**153,837,918**	**166,563,208**
Revenue over (under) Expenses	**(3,370,899)**	**(2,031,332)**	**(2,304,892)**	**(2,045,346)**
Capital Transfers	(310,800)	(152,840)	(152,840)	-
Fund Balance, Beginning of Year	**77,650,226**	**73,968,527**	**73,968,527**	**71,510,795**
Fund Balance, End of Year	**$ 73,968,527**	**$ 71,784,356**	**$ 71,510,795**	**$ 69,465,449**

(1) Pending adjustments to audit

Components of Fund Balance

	December 31,		
	2005 Actual	**2006 (1) Actual**	**2007 (2) Budget**
Reserved Fund Balance			
Encumbrances	$ 533,500	$ 68,730	$ 68,730
Advance to Aeronautics Fund	6,830,263	5,901,508	-
Total Reserved Fund Balance	**7,363,763**	**5,970,238**	**68,730**
Designated Fund Balance			
Emergency Operating	32,551,130 (3)	21,162,544 (3)	21,797,420 (4
Cash Flow	-	34,970,000 (5)	37,100,000 (6
Debt Service	7,191,657	-	-
Subsequent Year's Appropriation	1,992,348	2,045,346	1,971,180
Total Designated Fund Balance	**41,735,135**	**58,177,890**	**60,868,600**
Unreserved/Undesignated Fund Balance	**24,869,629**	**7,362,667**	**8,528,119**
Total Fund Balance	**$ 73,968,527**	**$ 71,510,795**	**$ 69,465,449**

(1) Preliminary, subject to audit.

(2) Based on FY2007 budget, as amended.

(3) Board of Commissioner resolution no. 1-25-07-12, Sec. II-3.1, which states "…equal to 10 percent of the subsequent year's General Fund and subsidized Governmental Fund budgets for emergency operating purposes".

(4) Equal to: FY2007 Operating Budget of $211,625,436 X 10% X 1.03 (inflation factor).

(5) "An amount equal to 40% of the subsequent years budget estimate for property tax revenue…"

(6) $87,425,000 X 1.061 (Estimated 2007 increase in Taxable Value) X 40%.

History of Revenues, Expenditures and Operating Margin (Deficit)

Year Ended December 31,

Fiscal Year	Revenues	Expenditures	Margin (Deficit)	Capital Transfers [3]	Fund Balance
2007 [1]	$ 164,517,862	$ (166,563,208)	$ (2,045,346)	$ -	$ 69,465,449
2006 [2]	151,533,025	(153,837,918)	(2,304,892)	(152,840)	71,510,795
2005	142,987,572	(146,358,471)	(3,370,899)	(310,800)	73,968,527
2004	142,547,486	(147,330,078)	(4,782,592)	(3,082,958)	77,650,226
2003	135,575,931	(137,191,219)	(1,615,288)	(11,047,001)	85,515,776
2002	128,637,226	(130,375,896)	(1,738,670)	(20,863,224)	98,178,065
2001	134,073,000	(111,276,779)	22,796,221	(10,505,456)	120,779,959 [4]
2000	125,366,249	(100,463,746)	24,902,503	(14,180,532)	103,292,012
1999	112,363,862	(91,409,469)	20,954,393	(20,547,030)	92,570,041
1998	112,384,222	(88,494,449)	23,889,773	(12,150,860)	92,162,678

(1) FY2007 Amended Budget

(2) Preliminary, Subject to Audit

(3) Transfer to the Capital Improvement and Parks Funds to finance capital improvement, acquistion or replacement projects

(4) Prior period adjustment, recognition of additional revenues in 2001, increased 2002 beginning fund balance by $5,197,182

Debt Service As a Percentage of General Fund Expenditures

	Year Ended December 31,		
	2005 Actual	2006 Actual (1)	2007 Budget
Debt Outstanding			
Series 1998 - Courthouse	$ 5,280,000	$ 3,600,000	$ 1,840,000
Series 2001 - Sheriff Administration	8,910,000	8,525,000	8,120,000
Series 2004 - CIP	9,870,000	9,295,000	8,705,000
Series 2005 - Courthouse	49,990,000	49,990,000	49,990,000
Total Debt Outstanding	**$ 74,050,000**	**$ 71,410,000**	**$ 68,655,000**
Debt Service			
Series 1998	$ 4,346,539	$ 1,880,300	$ 1,883,320
Series 2001	793,503	788,303	792,503
Series 2004	976,659	961,869	961,775
Series 2005	-	2,772,159	2,565,494
Total Debt Service	**$ 6,116,701**	**$ 6,402,631**	**$ 6,203,092**
General Fund Expenditures/Transfers	**$ 146,669,271**	**$ 153,990,758**	**$ 166,563,208**
Debt Service as a Percentage of General Fund Expenditures	**4.2%**	**4.2%**	**3.7%**

(1) Preliminary, subject to audit.

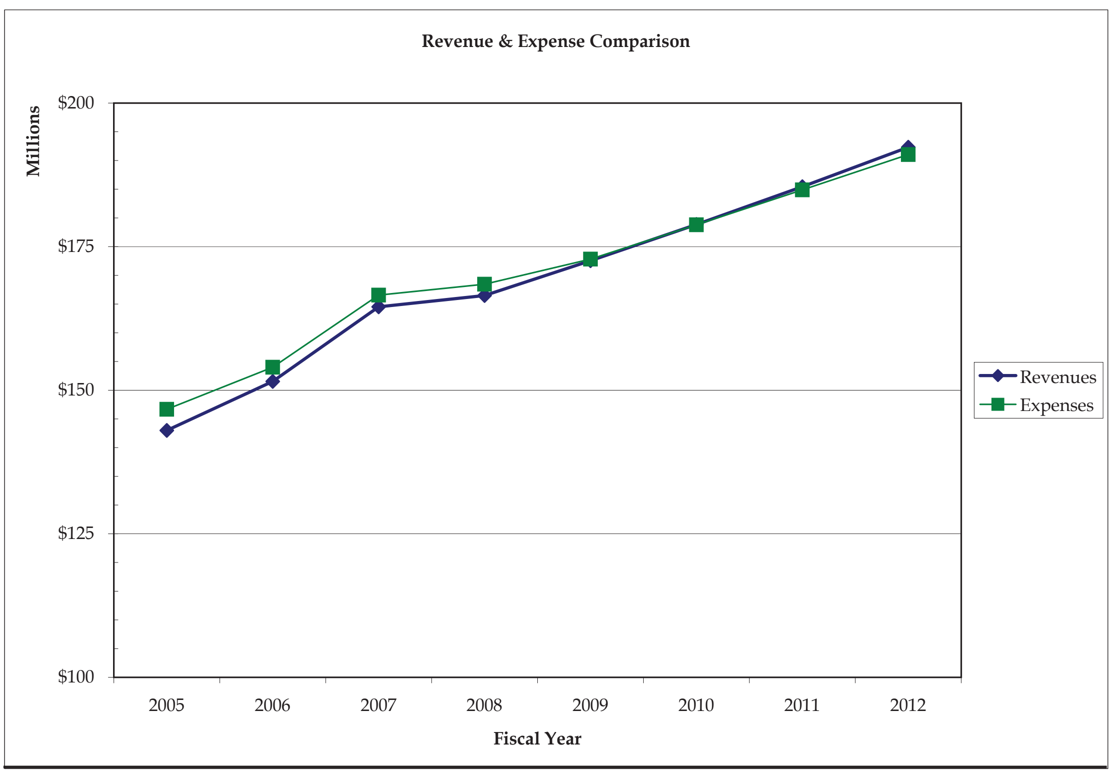
Five-Year Forecast of General Fund Spending Capacity

This section is intended to provide an overview of forecasted General Fund Revenues, Expenses and Fund Balances for the period including the current budget (FY2007) and FY2008 through FY2012 inclusive. The revenue forecast projects annual revenue increases ranging from 1.2% to 3.7% per annum. In order to maintain adequate financial reserves this projection establishes spending limitations during the period of fiscal years 2008-2012 inclusive at annual increases ranging from 1.1% to 3.5%.

County of Kent, Michigan
General Fund Projection of Revenues, Expenditures and Fund Balance
March 1, 2007

	Revenues	Expenses	Margin/ (Deficit)	Capital Transfers	Fund Balance
Projection:					
2012	$ 192,307,877	$ (191,034,157)	$ 1,273,720	$ -	$ 69,099,974
2011	185,445,370	(184,881,090)	564,280	-	67,826,254
2010	178,851,688	(178,804,446)	47,243	-	67,261,975
2009	172,551,129	(172,830,667)	(279,537)	-	67,214,732
2008	166,480,840	(168,452,020)	(1,971,180)	-	67,494,269
Budget:					
2007	164,517,862	(166,563,208)	(2,045,346)	-	69,465,449
Actual:					
2006 (1)	151,533,025	(153,837,918)	(2,304,892)	(152,840)	71,510,795
2005	142,987,572	(146,358,471)	(3,370,899)	(310,800)	73,968,527

(1) Preliminary year-end actuals, subject to audit.



General Fund Revenue Forecast

March 1, 2007

	Actual		Budget	Forecast				
Category	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Taxes	**$ 73,134,574**	**$ 79,989,934**	**$ 87,425,000**	**$ 89,988,000**	**$ 94,427,658**	**$ 99,088,645**	**$ 103,982,012**	**$ 109,174,097**
License & Permits	**81,252**	**73,072**	**65,950**	**77,350**	**76,397**	**75,500**	**74,658**	**73,869**
State Grants	1,513,852	1,372,839	1,462,682	1,513,876	1,551,723	1,590,516	1,630,279	1,671,036
State Grants-Court Equity	3,472,493	3,428,062	3,300,000	3,400,000	3,332,000	3,265,360	3,200,053	3,136,052
State Grants-Liquor Tax	2,960,118	3,193,611	3,210,054	3,290,305	3,372,563	3,456,877	3,543,299	3,631,881
State Revenue Sharing	-	-	-	-	-	-	6,280,175 (a)	12,969,067
Cont From Local Units	3,309,182	3,536,024	4,540,744	3,715,035	3,807,911	3,903,109	4,000,687	4,100,704
Other	467,539	452,781	484,000	496,100	508,503	521,215	534,245	547,602
Intergovernmental	**11,723,184**	**11,983,317**	**12,997,480**	**12,415,317**	**12,572,700**	**12,737,077**	**19,188,738**	**26,056,341**
Court Fees	2,470,649	2,500,345	2,911,000	2,500,000	2,550,000	2,601,000	2,653,020	2,706,080
Real Estate Transfer Tax	3,200,429	3,208,173	3,000,000	3,000,000	3,060,000	3,121,200	3,183,624	3,247,296
Recording Fee	2,604,283	2,174,483	2,175,000	2,100,000	2,163,000	2,206,260	2,250,385	2,295,393
Board & Care	3,336,314	2,772,047	3,500,000	2,800,000	2,856,000	2,913,120	2,971,382	3,030,810
Other	5,218,505	7,914,567	8,334,745	8,000,000	8,200,000	8,405,000	8,615,125	8,830,503
Charges for Services	**16,830,179**	**18,569,615**	**19,920,745**	**18,400,000**	**18,829,000**	**19,246,580**	**19,673,537**	**20,110,083**
Fines & Forfeitures	**342,112**	**295,071**	**279,600**	**292,650**	**298,977**	**305,448**	**312,065**	**318,831**
Interest	**3,017,636**	**4,384,205**	**3,790,000**	**3,790,000**	**3,790,000**	**3,790,000**	**3,790,000**	**3,790,000**
Reimbursements	**8,638,413**	**8,301,993**	**8,317,451**	**8,053,800**	**8,213,134**	**8,375,655**	**8,541,426**	**8,710,512**
Other	**2,853,636**	**3,062,879**	**2,979,900**	**3,055,940**	**3,117,059**	**3,179,400**	**3,242,988**	**3,307,848**
Trans In-Bldg Auth	12,823	-	-	-	-	-	-	-
Trans In-Cor & Det	12,200,000	11,000,000	15,000,000	16,000,000	16,500,000	17,000,000	17,500,000 (b)	17,937,500
Trans In-RSRF	10,494,321	10,840,632	11,241,736	11,578,988	11,897,410	12,224,589	6,311,152	-
Trans In-Del Tax	3,000,000	2,828,795	2,500,000	2,828,795	2,828,795	2,828,795	2,828,795	2,828,795
Trans In-CIP	550,000	95,194	-	-	-	-	-	-
Trans In-Special Proj	109,442	36,934	-	-	-	-	-	-
Trans In-Parks	-	71,385	-	-	-	-	-	-
Transfers In	**26,366,586**	**24,872,940**	**28,741,736**	**30,407,783**	**31,226,205**	**32,053,384**	**26,639,947**	**20,766,295**
Total	**$ 142,987,572**	**$ 151,533,025**	**$ 164,517,862**	**$ 166,480,840**	**$ 172,551,129**	**$ 178,851,688**	**$ 185,445,370** (c)	**$ 192,307,877**

(a) It is anticipated that during FY 2011 the County will have fully expended balances available in its Revenue Sharing Reserve Fund and the State of Michigan will reinstate statutory state appropriations returning Kent County to its historical funding levels based on trends established in FY 2004.

(b) The currently authorized Corrections and Detentions millage will expire after production of tax billings in December 2009. The tax levy is expected to provide $17 million of revenue in FY 2010. The FY 2011 revenue forecast includes $17.5 million to be derived from the voter approved renewal of the current (.7893 mills) tax levy.

(c) If the State does not renew statutory revenue sharing appropriations and voters do not approve renewal of the Corrections and Detention millage, the FY 2011 revenue forecast would be reduced by $25.5 million. This would require a reduction in General Fund spending (personnel/programs/services) which, expressed as a percentage of forecasted expenditures, would require a spending reduction of 13.8%.

General Fund Revenue Forecast

March 1, 2007

	Actual		Budget	Forecast				
Category	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Taxes	**6.2%**	**9.4%**	**9.3%**	**2.9%**	**4.9%**	**4.9%**	**4.9%**	**5.0%**
License & Permits	**-49.8%**	**-10.1%**	**-9.7%**	**17.3%**	**-1.2%**	**-1.2%**	**-1.1%**	**-1.1%**
State Grants	11.9%	-9.3%	6.5%	3.5%	2.5%	2.5%	2.5%	2.5%
State Grants-Court Equity	-3.4%	-1.3%	-3.7%	3.0%	-2.0%	-2.0%	-2.0%	-2.0%
State Grants-Liquor Tax	6.0%	7.9%	0.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Sales Tax	-100.0%	NA	NA	NA	NA	NA	NA	106.5%
Cont From Local Units	74.4%	6.9%	28.4%	-18.2%	2.5%	2.5%	2.5%	2.5%
Other	-84.6%	-3.2%	6.9%	2.5%	2.5%	2.5%	2.5%	2.5%
Intergovernmental	**-20.6%**	**2.2%**	**8.5%**	**-4.5%**	**1.3%**	**1.3%**	**50.7%**	**35.8%**
Court Fees	-9.8%	1.2%	16.4%	-14.1%	2.0%	2.0%	2.0%	2.0%
Real Estate Transfer Tax	-1.4%	0.2%	-6.5%	0.0%	2.0%	2.0%	2.0%	2.0%
Recording Fee	-8.8%	-16.5%	0.0%	-3.4%	3.0%	2.0%	2.0%	2.0%
Board & Care	-9.0%	-16.9%	26.3%	-20.0%	2.0%	2.0%	2.0%	2.0%
Other	7.6%	0.0%	5.3%	-4.0%	2.5%	2.5%	2.5%	2.5%
Charges for Services	**-3.0%**	**10.3%**	**7.3%**	**-7.6%**	**2.3%**	**2.2%**	**2.2%**	**2.2%**
Fines & Forfeitures	**87.7%**	**-13.8%**	**-5.2%**	**4.7%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**
Interest	**47.7%**	**45.3%**	**-13.6%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Reimbursements	**1.1%**	**-3.9%**	**0.2%**	**-3.2%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Other	**-6.1%**	**7.3%**	**-2.7%**	**2.6%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Trans In-Bldg Auth	NA	-100.0%	NA	NA	NA	NA	NA	NA
Trans In-Cor & Det	-7.5%	-9.8%	36.4%	6.7%	3.1%	3.0%	2.9%	2.5%
Trans In-RSRF	53.3%	3.3%	3.7%	3.0%	2.8%	2.8%	-48.4%	-100.0%
Trans In-Del Tax	-2.0%	-5.7%	-11.6%	13.2%	0.0%	0.0%	0.0%	0.0%
Trans In-CIP	-59.8%	-82.7%	-100.0%	NA	NA	NA	NA	NA
Trans In-Special Proj	-95.8%	-66.3%	-100.0%	NA	NA	NA	NA	NA
Trans In-Parks	-100.0%	NA	-100.0%	NA	NA	NA	NA	NA
Transfers In	**-4.4%**	**-5.7%**	**15.6%**	**5.8%**	**2.7%**	**2.6%**	**-16.9%**	**-22.0%**
Total	**0.3%**	**6.0%**	**8.6%**	**1.2%**	**3.6%**	**3.7%**	**3.7%**	**3.7%**

General Fund Expense Forecast

March 1, 2007

	Actual		Budget	Forecast				
Category	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Wages	$ 53,372,506	$ 58,395,720	$ 62,451,451	$ 64,324,995	$ 66,254,744	$ 68,242,387	$ 70,289,658	$ 72,398,348
Overtime	1,938,452	2,087,922	2,409,641	2,481,930	2,556,388	2,633,080	2,712,072	2,793,434
Group Ins	9,231,097	10,111,178	12,882,826	14,171,109	15,517,364	16,913,927	18,267,041	19,545,734
FICA	4,115,152	4,536,100	4,894,626	5,041,465	5,192,709	5,348,490	5,508,945	5,674,213
Pension	4,206,395	4,777,649	6,119,246	4,239,017	4,366,188	4,497,173	4,632,088	4,771,051
Post Retirement Healthcare	-	-	1,940,706	1,994,075	2,053,897	2,115,514	2,178,979	2,244,349
Workers Comp	432,696	470,364	529,356	542,590	556,155	570,059	584,310	598,918
Other	61,198	72,663	79,090	79,881	80,680	81,487	82,301	83,124
Personnel	**73,357,495**	**80,451,596**	**91,306,942**	**92,875,061**	**96,578,124**	**100,402,115**	**104,255,395**	**108,109,171**
Commodities	**3,395,046**	**4,061,364**	**4,312,411**	**4,441,783**	**4,575,037**	**4,712,288**	**4,853,657**	**4,999,266**
Building Rent	5,717,916	269,328	291,700	297,534	303,485	309,554	315,745	322,060
Contributions - network180	3,642,445	3,759,192	3,767,413	3,861,598	3,958,138	4,057,092	4,158,519	4,262,482
Consultants	461,339	483,651	548,029	558,990	570,169	581,573	593,204	605,068
H/S Maint	1,270,204	1,187,127	1,537,061	1,567,802	1,599,158	1,631,141	1,663,764	1,697,039
Inmate Health	4,279,939	5,520,454	5,784,982	5,987,456	6,197,017	6,413,913	6,638,400	6,870,744
Legal	5,151,335	5,128,338	5,507,605	5,617,757	5,730,112	5,844,714	5,961,609	6,080,841
Other Contractual Services	3,204,931	3,986,733	4,153,234	4,277,831	4,406,166	4,538,351	4,674,501	4,814,737
Other	7,671,931	9,127,862	10,720,359	11,041,970	11,373,229	11,714,426	12,065,859	12,427,834
Travel	338,972	374,366	487,681	497,435	507,383	517,531	527,882	538,439
Utilities	4,046,540	4,574,149	4,699,257	4,793,242	4,889,107	4,986,889	5,086,627	5,188,359
Contractuals	**35,785,551**	**34,411,200**	**37,497,321**	**38,501,615**	**39,533,965**	**40,595,184**	**41,686,110**	**42,807,604**
Capital Outlay	**1,214,904**	**2,365,203**	**2,188,028**	**2,248,199**	**2,310,024**	**2,373,550**	**2,438,823**	**2,505,890**
Other	**215,755**	**297,646**	**219,096**	**225,121**	**231,312**	**237,673**	**244,209**	**250,925**
Childcare	11,264,692	11,276,466	12,258,051	12,687,083	13,131,131	13,590,720	14,066,395	14,558,719
Cap Imp Bond Debt Svc	966,960	962,170	961,776	961,300	959,700	961,100	962,600	964,200
CIP	310,800	152,840	-	500,000	-	-	-	-
Debt Svc Fund	24,055	5,485,118	5,266,825	5,446,600	5,446,600	5,446,600	5,446,600	5,446,600
DHS Childcare	4,747,462	3,700,440	4,978,542	5,177,684	5,384,791	5,600,183	5,824,190	6,057,158
DHS Social Welfare	770,000	729,967	729,774	729,774	729,774	729,774	729,774	729,774
Fire Commission	100,000	135,000	194,975	199,849	204,846	209,967	215,216	220,596
FOC	1,873,000	1,607,548	2,164,256	2,229,184	2,307,205	2,387,957	2,471,536	2,558,040
Health	8,105,031	7,694,404	10,033,351	10,334,352	10,644,382	10,963,714	11,292,625	11,631,404
Parks	3,245,223	-	-	-	-	-	-	-
Special Projects	1,293,297	659,795	751,860	774,416	793,776	813,621	833,961	854,810
Transfers Out	**32,700,520**	**32,403,748**	**37,339,410**	**39,040,241**	**39,602,205**	**40,703,635**	**41,842,897**	**43,021,301**
Total before Lapse	**146,669,271**	**153,990,758**	**172,863,208**	**177,332,020**	**182,830,667**	**189,024,446**	**195,321,090**	**201,694,157**
Appropriation Lapse	-	-	(6,300,000)	(6,380,000)	(6,400,000)	(6,620,000)	(6,840,000)	(7,060,000)
Eliminations	-	-	-	(2,500,000)	(3,600,000)	(3,600,000)	(3,600,000)	(3,600,000)
Total	**146,669,271**	**153,990,758**	**166,563,208**	**168,452,020**	**172,830,667**	**178,804,446**	**184,881,090**	**191,034,157**
Net Fund Balance Inc (Dec)	(3,681,699)	(2,457,732)	(2,045,346)	(1,971,180)	(279,537)	47,243	564,280	1,273,720
Fund Balance, Beg	77,650,226	73,968,527	71,510,795	69,465,449	67,494,269	67,214,732	67,261,975	67,826,254
Fund Balance, End	**$ 73,968,527**	**$ 71,510,795**	**$ 69,465,449**	**$ 67,494,269**	**$ 67,214,732**	**$ 67,261,975**	**$ 67,826,254**	**$ 69,099,974**

General Fund Expense Forecast

March 1, 2007

	Actual		Budget	Forecast				
Category	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Wages	2.2%	9.4%	6.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Overtime	-11.2%	7.7%	15.4%	3.0%	3.0%	3.0%	3.0%	3.0%
Group Ins	20.2%	9.5%	27.4%	10.0%	9.5%	9.0%	8.0%	7.0%
FICA	1.0%	10.2%	7.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Pension	62.1%	13.6%	28.1%	-30.7%	3.0%	3.0%	3.0%	3.0%
Post Retirement Healthcare	NA	NA	NA	2.7%	3.0%	3.0%	3.0%	3.0%
Workers Comp	-2.1%	8.7%	12.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other	-12.5%	18.7%	8.8%	1.0%	1.0%	1.0%	1.0%	1.0%
Personnel	**5.7%**	**9.7%**	**13.5%**	**1.7%**	**4.0%**	**4.0%**	**3.8%**	**3.7%**
Commodities	**-2.1%**	**19.6%**	**6.2%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Building Rent	-5.9%	-95.3%	8.3%	2.0%	2.0%	2.0%	2.0%	2.0%
Contributions - network180	-11.1%	3.2%	0.2%	2.5%	2.5%	2.5%	2.5%	2.5%
Consultants	-62.1%	4.8%	13.3%	2.0%	2.0%	2.0%	2.0%	2.0%
H/S Maint	8.3%	-6.5%	29.5%	2.0%	2.0%	2.0%	2.0%	2.0%
Inmate Health	-19.6%	29.0%	4.8%	3.5%	3.5%	3.5%	3.5%	3.5%
Legal	-4.0%	-0.4%	7.4%	2.0%	2.0%	2.0%	2.0%	2.0%
Other Contractual Services	-0.2%	24.4%	4.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Other	-12.2%	19.0%	17.4%	3.0%	3.0%	3.0%	3.0%	3.0%
Travel	3.2%	10.4%	30.3%	2.0%	2.0%	2.0%	2.0%	2.0%
Utilities	7.7%	13.0%	2.7%	2.0%	2.0%	2.0%	2.0%	2.0%
Contractuals	**-8.9%**	**-3.8%**	**9.0%**	**2.7%**	**2.7%**	**2.7%**	**2.7%**	**2.7%**
Capital Outlay	**-9.4%**	**94.7%**	**-7.5%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**
Other	**105.0%**	**38.0%**	**-26.4%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**
Childcare	-16.6%	0.1%	8.7%	3.5%	3.5%	3.5%	3.5%	3.5%
Cap Imp Bond Debt Svc	NA	-0.5%	0.0%	0.0%	-0.2%	0.1%	0.2%	0.2%
CIP	-87.0%	-50.8%	-100.0%	NA	-100.0%	NA	NA	NA
Debt Svc Fund	-13.1%	22702.4%	-4.0%	3.4%	0.0%	0.0%	0.0%	0.0%
DHS Childcare	-1.0%	-22.1%	34.5%	4.0%	4.0%	4.0%	4.0%	4.0%
DHS Social Welfare	-1.5%	-5.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fire Commission	0.0%	35.0%	44.4%	2.5%	2.5%	2.5%	2.5%	2.5%
FOC	33.2%	-14.2%	34.6%	3.0%	3.5%	3.5%	3.5%	3.5%
Health	-12.9%	-5.1%	30.4%	3.0%	3.0%	3.0%	3.0%	3.0%
Parks	-0.8%	-100.0%	NA	NA	NA	NA	NA	NA
Special Projects	141.0%	-49.0%	14.0%	3.0%	2.5%	2.5%	2.5%	2.5%
Transfers Out	**-11.2%**	**-0.9%**	**15.2%**	**4.6%**	**1.4%**	**2.8%**	**2.8%**	**2.8%**
Total before Lapse	**-2.5%**	**5.0%**	**12.3%**	**2.6%**	**3.1%**	**3.4%**	**3.3%**	**3.3%**
Appropriation Lapse	NA	NA	NA	1.3%	0.3%	3.4%	3.3%	3.2%
Eliminations	NA	NA	NA	NA	44.0%	0.0%	0.0%	0.0%
Total	**-2.5%**	**5.0%**	**8.2%**	**1.1%**	**2.6%**	**3.5%**	**3.4%**	**3.3%**
Net Fund Balance Inc (Dec)	-53.2%	-33.2%	-16.8%	-3.6%	-85.8%	-116.9%	1094.4%	125.7%
Fund Balance, Beg	-9.2%	-4.7%	-3.3%	-2.9%	-2.8%	-0.4%	0.1%	0.8%
Fund Balance, End	**-4.7%**	**-3.3%**	**-2.9%**	**-2.8%**	**-0.4%**	**0.1%**	**0.8%**	**1.9%**

Statement of Revenues, Expenditures and Changes in Fund Net Assets

	Year Ended December 31,	
	2005	2006 [1]
Operating Revenues:		
Charges for Services	$ 26,080,153	$ 26,831,253
Total Operating Revenues	**26,080,153**	**26,831,253**
Operating Expenses:		
Personnel Service	7,578,929	7,801,658
Materials and Supplies	759,351	588,839
Depreciation	9,956,762	10,553,432
Other	7,521,189	6,823,513
Total Operating Expenses	**25,816,231**	**25,767,442**
Operating Income (Loss)	**263,922**	**1,063,811**
Non-Operating Revenues (Expenses)		
Investment Earnings	1,034,357	1,864,204
Passenger Facilities Charges	2,889,520	4,058,959
Gain (Loss) on Sale of Fixed Assets	3,932	12,471
Customer Facility Charges	256,083	1,263,045
Interest Expense and Charges	(4,680,223)	(4,535,376)
Total Non-Operating Revenues (Expenses)	**(496,331)**	**2,663,303**
Income (Loss) Before Contributions and Transfers	**(232,409)**	**3,727,114**
Capital Contributions	2,315,261	2,179,920
Change in Net Assets	**2,082,852**	**5,907,034**
Net Assets, Beginning of Year	161,297,839	163,380,691
Net Assets, End of Year	**$ 163,380,691**	**$ 169,287,725**

(1) Pending audit adjustments

Debt Service Coverage

	Year Ended December 31, 2005	2006 (1)
Operating Revenues	**$ 26,080,153**	**$ 26,831,253**
Investment Earnings	1,034,357	1,864,204
Customer Facility Charges	256,083	1,263,045
Passenger Facility Charges	2,889,520	4,058,959
Gain (Loss) on Sale of Fixed Assets	3,932	12,471
Operating Expenses Before Depreciation	**(15,859,468)**	**(15,214,010)**
Net Revenues (as defined in the resolution)	**$ 14,404,577**	**$ 18,815,922**
Debt Service Requirements	**$ 7,804,357**	**$ 7,804,625**
Debt Service Coverage	**1.85x**	**2.41x**

(1) Pending audit adjustments

HISTORICAL ENPLANED PASSENGERS/AIRLINE SERVICE 2002-2006					
Year	Major/National Airlines	Regional/Communter Airlines	Charter Airlines	Total	Average Annual Inc (Dec)
2002	528,032	439,622	866	968,540	5.1%
2003	509,481	485,137	1,101	995,718	2.8%
2004	558,272	518,971	337	1,077,580	8.2%
2005	519,275	527,658	290	1,047,223	-2.8%
2006	523,178	488,234	865	1,012,277	-3.3%

Airline Market Shares

Comparative market share information for airlines based on enplaned passengers for 1995, 2000, and 2006 is shown in the following table:

	1995		2000		2006	
Airline	Enplaned Passengers	Percent of Total	Enplaned Passengers	Percent of Total	Enplaned Passengers	Percent of Total
Northwest Airlines	304,158	37.9%	384,889	39.7%	414,513	40.9%
United Airlines	124,884	15.6%	124,002	12.8%	108,665	10.7%
Delta Airlines	80,719	10.1%	30,001	3.1%	-	0.0%
US Airways	80,900	10.1%	53,934	5.6%	-	-
Midwest Express Airlines	18,878	2.3%	-	-	-	-
American Airlines	20,042	2.5%	-	-	-	-
Trans World Airlines	697	0.1%	-	-	-	-
Major/National	630,278	78.6%	592,826	61.2%	523,178	51.7%
American Eagle	55,068	6.9%	113,451	11.7%	126,225	12.5%
US Airways Express (1)	23,129	2.9%	35,568	3.7%	-	0.0%
Continental Express	26,425	3.3%	32,962	3.4%	98,489	9.7%
Delta Connection (2)	12,029	1.5%	104,627	10.8%	125,799	12.4%
Trans World Express	20,957	2.6%	15,574	1.6%	-	-
Midwest Express Connect	16,165	2.0%	37,711	3.9%	35,893	3.5%
American Trans/Air Connect	11,600	1.4%	25,672	2.7%	-	0.0%
America West Express	3,656	0.5%	-	-	-	-
Northwest Airlink (3)	-	-	-	-	49,270	4.9%
United Express (4)	-	-	-	-	52,558	5.2%
Air Georgian	-	-	4,484	0.4%	-	-
Regional Commuter	169,029	21.1%	370,049	38.2%	488,234	48.2%
Charter	2,721	0.3%	5,390	0.6%	865	0.1%
Total	802,028	100.0%	968,265	100.0%	1,012,277	100.0%

(1) Includes Mesa Airlines, Trans State Airlines, and Air Wisconsin
(2) Includes Comair and Atlantic Southeast Airlines
(3) Includes Mesaba Airlines and Pinnacle Airlines
(4) Includes GoJet, Mesa, Shuttle America, and SkyWest Airline

Airline Service

As of January, 2007, 62 daily scheduled non-stop departures were provided from Grand Rapids to 15 cities in the United States. Major and national airlines provided 15 daily scheduled non-stop departures to five cities and regional and commuter airlines provide 47 non-stop departures to 13 cities as shown below.

DAILY DEPARTURES

	Scheduled Non-stop Departures	
Destination City	Major/National Airlines	Regional Commuter Airlines
Atlanta	-	5
Chicago	3	10
Cincinnati	-	5
Cleveland	-	5
Dallas	-	2
Detroit	6	2
Houston	-	2
Las Vegas	-	3
Memphis	-	1
Milwaukee	-	7
Minneapolis	4	1
New York (La Guardia)	1	1
New York (Newark)	-	2
Orlando	1	-
Washington, DC	-	1
	15	47

HISTORICAL AIR CARGO (pounds in thousands) (1)

Year	Freight	Mail	Total	Inc (Dec)
2002*	68,839	5,875	74,714	13.4%
2003*	69,943	3,872	73,815	-1.2%
2004*	78,182	1,355	79,537	7.80%
2005*	85,585	921	86,506	8.76%
2006*	86,814	468	87,282	0.90%

(1) Enplaned and deplaned.

* On August 28, 2001, the Post Office switched carriers, from Emery to FedEx, to handle their mail. FedEx does not break out their mail numbers from their freight numbers. The numbers above are from the belly hold of the passenger airlines.

AIRLINES AND TYPES OF AIRCRAFTS PROVIDING SERVICES TO HUB DESTINATIONS

Hub	Airline	Aircraft	Seats
Atlanta	Atlantic Southeast	Bombardier Regional Jet	50
Chicago	American Eagle	Embraer Brasilia 145	50
	Shuttle America	Embraer Brasilia 170	70
	SkyWest	Embraer Brasilia 170	70
	United Airlines	B 737	110-126
Cincinnati	Comair	Bombardier Regional Jet	50
Cleveland	Continental Express	Beechcraft 1900	19
	Express Jet	Embraer Brasilia 145	50
Dallas	American Eagle	Embraer Brasilia 140	44
Denver	GoJet	Bombardier Regional Jet	70
Detroit	Northwest Airlines	DC-9	100
		Airbus 320	150
	Pinnacle	Bombardier Regional Jet	50
Houston	Express Jet	Embraer Brasilia 145	50
Memphis	Pinnacle	Bombardier Regional Jet	50
Milwaukee	Midwest Connection	Beechcraft 1900	19
		Dornier 328	32
Minneapolis-St. Paul	Northwest Airlines	DC-9	100
		Airbus 320	150
New York (LaGuardia)	American Eagle	Embraer Brasilia 135	37
	Northwest Airlines	Bombardier Regional Jet	50
New York (Newark)	Continental Express	Embraer Brasilia 145	50
Orlando	Northwest Airlines	DC-9	100
Washington, DC	Northwest Airlink	Bombardier Regional Jet	50

FINANCIAL POSITION - PUBLIC WORKS WASTE-TO-ENERGY

Statement of Revenues, Expenditures and Changes in Fund Balance

	Year Ended December 31,	
	2005	**2006 (1)**
Operating Revenues:		
Charges for Services	$ 36,784,745	$ 38,092,334
Other	155,506	192,975
Total Operating Revenues	**36,940,251**	**38,285,309**
Operating Expenses:		
Personnel, Materials, Contractual, Other	25,781,482	27,746,359
Depreciation and Amortization	3,576,168	3,480,107
Total Operating Expenses	**29,357,650**	**31,226,466**
Operating Income (Loss)	**7,582,601**	**7,058,843**
Non-Operating Revenues (Expenses)		
Investment Earnings	506,200	832,996
Miscellaneous	44,400	-
Interest Expense and Charges	(2,818,640)	(2,309,549)
Total Non-Operating Revenues (Expenses)	**(2,268,040)**	**(1,476,553)**
Change in Net Assets	**5,314,561**	**5,582,290**
Net Assets, Beginning of Year	12,683,246	17,997,807
Net Assets, End of Year	**$ 17,997,807**	**$ 23,580,097**

(1) Pending audit adjustments

Debt Service Coverage

	Year Ended December 31,	
	2005	2006 [1]
Operating Revenues	$ 36,940,251	$ 38,285,309
Non-Operating Revenues	550,600	832,996
Operating Expenses Before Depreciation	(25,781,482)	(27,746,359)
Net Revenues	**$ 11,709,369**	**$ 11,371,946**
Debt Service Requirements	**$ 10,883,854**	**$ 11,115,449**
Debt Service Coverage	**1.08x**	**1.02x**

(1) Pending audit adjustments

Kent County Waste-to-Energy Facility Operating Statistics

The Facility is an integral component of the Kent County Solid Waste Management Plan in compliance with Act 451, Part 115, Public Acts of Michigan, 1978. Such Plan advocates a balanced approach to solid waste management in the County including the recovery of energy from the burnable portion of the solid waste generated within the County.

Current Waste Disposal System

At present, all major solid waste disposal facilities within the County are owned by the County and operated by the County Department of Public Works.

The System is comprised of the Facility, the DHCO providing steam to various steam users in the City of Grand Rapids, the South Kent Landfill which also acts as the ash disposal site for the County, the North Kent Transfer Station, the recycling center, and three closed landfills (in the Townships of Sparta and Plainfield, and the City of Kentwood).

The Facility

The Facility uses mass burn technology to incinerate waste and cogenerate steam and electricity. The Facility is intended to process a minimum of 625 tons per day of waste at 85 percent on-line availability, for an average daily processing capacity of 530 tons per day, or approximately 190,000 tons per year. Facility construction began in October 1987, and commercial operation commenced in February 1990.

The County markets the steam generated by the Facility through the DHCO, which presently serves approximately 125 customers in downtown Grand Rapids. Electricity produced by the Facility is sold to Consumers Energy Company.

The Facility site is located at the southeast corner of Market and Freeman Avenues in the City of Grand Rapids. The Site consists of an area of approximately 9.10 acres. The Facility site is centrally located within the service area of the six Participating Municipalities and is accessible by all-weather roads. Expressways traverse the Participating Municipalities in both north-south (U.S. 131) and east-west (I-96 and I-196) direction and interchanges on the expressways allow for convenient access to the Facility site.

Historic Plant Performance

Solid Waste Processed

The Facility has been in continuous operation, except for maintenance periods, since commercial operation began in February 1990. The Facility is rated to process 625 tons per day of waste with the initial Capacity Guarantee being 194,000 tons per year ("TPY") at 4,800 Btu/lb. In 1996, the County and the Company agreed to restate the initial Capacity Guarantee in terms of steam produced. The restated Capacity/Steam Production Guarantee of 1.0864 billion pounds is equal to the amount of steam generated by burning 194,000 TPY of waste.

The County, the Facility has processed, over the last five calendar years, the amount of solid waste indicated in the table below. The following table also shows the conversion from actual tons to reference tons and throttle steam produced for each of the last five years.

HISTORICAL WASTE PROCESSED/THROTTLE STEAM PRODUCED (1)			
Calendar Year Ended December 31	Waste Processed Actual Tons	Reference Tons Processed (2)	Throttle Steam Produced (Billion Pounds)
2002	173,538	203,835	1.1782
2003	169,079	197,047	1.1455
2004	176,368	210,050	1.1806
2005	175,975	211,517	1.2078
2006	180,726	214,460	1.2060

(1) Source: County of Kent

(2) Corrected to 4,800 Btu per pound

Electricity Produced

The Facility has generated, for sale to Consumers, the quantities of electricity noted in the table below. Quantities of electricity sold are also affected by the quantities of steam exported to the District Heating and Cooling Operation, also shown below.

Steam Energy Market

NET ELECTRICAL AND STEAM GENERATION (1)			
Calendar Year	Net Electricity Generation (2)	Net Generation Rate KWh (3)/Actual Ton	Million Pounds of Steam Exported
2002	97,474	562	-
2003	86,421	511	34,855
2004	92,125	522	43,423
2005	86,665	492	113,119
2006	95,509	528	40,522

(1) Source: County of Kent

(2) Megawatt hours

(3) Kilowatt hours

The DHCO serves mainly a space-heating load that is weather sensitive. The County purchased the DHCO from Consumers in May, 1986.

While the DHCO was owned by Consumers the business was regulated by the MPSC. Under the ownership of the County, the business is no longer regulated. This deregulation gives the County more flexibility with regard to rate structure. The County realizes that increasing sales for the DHCO will benefit all customers, and the DHCO has sufficient capacity to handle a greatly increased sales volume. The incremental cost to the County for serving additional loads is relatively low.

DHCO steam sales for the years 2002 through 2006 were as follows:

Year	Sales (Mlbs)	Sales ($000)
2002	576,574	7,013
2003	593,524	8,352
2004	566,657	9,236
2005	573,800	11,215
2006	476,184	11,255

FINANCIAL POSITION - LODGING EXCISE TAX FUND

Statement of Revenues, Expenditures and Changes in Fund Balance

	Year Ended December 31,	
	2005	2006 [1]
Revenues:		
Hotel/Motel Taxes	$ 4,470,866	$ 4,774,496
Investment Earnings	177,561	232,339
Other	8,513	11,221
Total Revenues	**4,656,940**	**5,018,056**
Expenditures:		
Administration	162,193	180,429
Convention and Visitors Bureau - Promotion	853,383	853,383
John Ball Zoo / Arts Festival	435,000	410,000
Debt Service	4,572,644	4,728,144
Total Expenditures	**6,023,220**	**6,171,956**
Net Change in Fund Balance	**(1,366,280)**	**(1,153,900)**
Fund Balance, Beginning of Year	5,702,123	4,335,843
Fund Balance, End of Year	**$ 4,335,843**	**$ 3,181,943**

(1) Pending adjustments to audit

Debt Service Coverage

	Year Ended December 31,	
	2005	**2006**
Hotel/Motel Tax Revenues	$ 4,470,866	$ 4,774,496
Debt Service Requirements	4,572,644	4,728,144
Debt Service Coverage	**0.98x**	**1.01x**

FINANCIAL POSITION - CORRECTION AND DETENTION FACILITIES FUND

Statement of Revenues, Expenditures and Changes in Fund Balance

	Year Ended December 31,	
	2005	**2006** (1)
Revenues:		
Taxes	$ 13,982,219	$ 15,532,739
Investment Earnings	233,666	444,884
Total Revenues	**14,215,885**	**15,977,623**
Operating Transfers:		
Consultants	-	37,000
General Fund - Facility Operations	12,200,000	11,000,000
Debt Service - Principal and Interest	6,510,287 (2)	318,840
Total Operating Transfers	**18,710,287**	**11,355,840**
Net Change in Fund Balance	**(4,494,402)**	**4,621,783**
Fund Balance, Beginning of Year	4,893,865	399,463
Net Assets, End of Year	**$ 399,463**	**$ 5,021,246**

(1) Pending adjustments to audit

(2) Included $4,110,000 in bonds scheduled to mature in 2006-2007 and a bond call premium of $91,125.

Debt Service Coverage

	Year Ended December 31,	
	2005	2006 (1)
Property Tax Revenues	$ 13,982,219	$ 15,532,739
Debt Service Requirements	2,328,576	318,840
Debt Service Coverage	**6.8x**	**48.7x**
Debt Outstanding:		
Series 1998	$ 6,955,000	$ 6,955,000
Series 1995	- (2)	-
Total Debt Outstanding	**$ 6,955,000**	**$ 6,955,000**

(1) Pending adjustments to audit

(2) Outstanding bonds maturing 2005 through 2007 called for redemption on January 24, 2005.

APPENDIX

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GRAND RAPIDS BUSINESS JOURNAL EXPRESS
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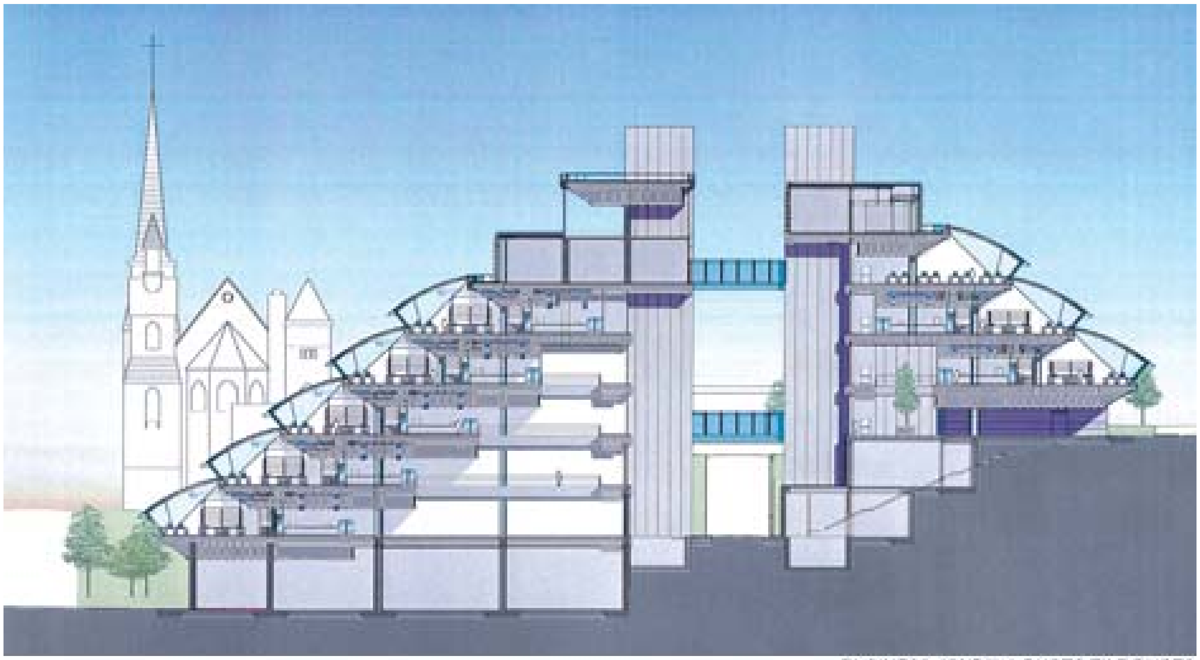

BUSINESS JOURNAL PHOTO/FILE PHOTO

This architect's rendering shows a cross-section of the expansion at the Van AndelInstitute that will more than double the size and eventually more than triple the oper-ating budget.

VAI: Phase 2

By Anne Bond Emrich
Published: January 9, 2006

GRAND RAPIDS — As part of its fifth anniversary celebration last spring, the Van Andel Institute unveiled plans for a 280,000-square-foot addition to more than double the size of the medical research and education facility on Michigan Street hill. The project is expected to create 400 new jobs over time.

Ground will be broken this spring and construction will take about two and a half years to complete.

The VAI will invest $120 million to $150 million in both private funds and bonds to construct the Phase II square footage on the west side of the facility, fronting North Division Avenue.

"The vision was always bigger and it's getting bigger all the time," said VAI Chairman and CEO David Van Andel. "Improving human health has been our institutional promise from the day we opened our doors, and it continues to this day."

Presently, the Van Andel Research Institute has 17 laboratories and 189 full-time employees, including 55 scientists, 70 research support staff and 64 administrative staff members. With the expansion, the VAI will more than double the number of labs and create some 400 new labs over time.

"With more labs and with a larger research team, we will advance new initiatives in basic and translational research," Van Andel said. "We'll move more aggressively into research related to Alzheimer's; we announced recently a move into Parkinson's and other neurological disorders. We'll also move more aggressively into some areas of cancer research, such as multiple melanoma."

The VAI's annual operating budget is currently $30 million. Van Andel said when the facility is fully built out, fully staffed and operating at capacity, the budget will grow to more than $100 million a year. The institute is funded by a combination of its endowment, research grants and private philanthropy.

"As the institute grows, so will industry in West Michigan. For instance, we expect that the expanded base in research capabilities will greatly enhance our community's opportunity to develop a new medical school with a strong emphasis on research," he said, referring to the Michigan State University medical school discussions that are under way.

The expansion also opens up more opportunities for VARI to partner with area health care institutions to apply the knowledge it has gained through molecular research to diagnoses, therapies and new procedures that directly impact people in West Michigan, he said.

"As the institute grows, so will industry in West Michigan," he said. Van Andel, along with George Vande Woude, director of the Van Andel Research Institute and VAI Chief Administrative Officer Steve Heacock, are the nominees for the VAI expansion story as Newsmaker of the Year.

The VAI's expanded base in future research capabilities helped attract an accredited medical school to Grand Rapids — the Michigan State University West Michigan Medical — which will have a strong emphasis on research. The school will welcome its first 50 students in 2008 and be fully operational as a four-year medical school in early 2010.

"The opportunity to commercialize and create new industries is going to be a tremendous thing that's going to happen here in West Michigan and in Michigan as a whole."

Private investor Michael Jandernoa, chairman of Michigan's 5-year-old Life Sciences Corridor, said the corridor has changed the attitudes and altered the perceptions of people both nationally and internationally about life sciences in Michigan.

"We have the research expertise at the Van Andel Institute leveraged with the University of Michigan, Michigan State, Wayne State and now Western Michigan University, and it creates opportunities for commercial partners and research organizations that are interested in partnering and taking that opportunity from the research step into the commercialization phase," Jandernoa said.

"There's venture capital money that's now flowing into the state of Michigan and venture capital funds that now exist in the state of Michigan as a direct spin-off and benefit of the Van Andel Institute." **BJX**

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BUSINESS JOURNAL PHOTO/FILE PHOTO

Rich and Helen DeVos' children and their spouses donated a total of $50 million to the new children's hospital that will bear their mother's name. Pictured are (speaking) Cheri Vander Weide and, from left, Doug and Maria DeVos, Dan and Pamella DeVos, Betsy and Dick DeVos and Bob Vander Weide.

Hospital Namesake Family Donates $50M

By Kevin Murphy
Published: May 8, 2006

GRAND RAPIDS — The new Helen DeVos Children's Hospital is, in fact, Helen DeVos' children's hospital, based on the magnitude of the gifts made by the four adult children of Amway co-founder Rich DeVos and wife Helen.

With siblings Dan, Dick and Doug DeVos and Cherie Vander Weide providing a total of $50 million toward the $190 million hospital facility, Spectrum Health's fundraising campaign is well under way. In addition to the gift from the DeVos children and their spouses, Spectrum's foundation has collected an additional $26 million in pledged funds from approximately 120 local families, foundations and corporations.

Of the outstanding $114 million, $24 million will be raised in the community and $90 million will be collected in a bond offering, slated to occur by mid-2007.

And while the campaign has reached the three-quarter mark, Spectrum's fundraising is far from over.

"We still have a long way to go," said Paula MacKenzie, Spectrum's director of public relations. "At this point you're down to looking at every donation, whether it's $50 or $100."

MacKenzie said that the final quarter of the charitable donations will probably come in smaller increments than those made by the first several dozen donors. However, she said that the health system is just kicking off its appeals to staff members and others who work closely with Spectrum Health.

Spectrum is not waiting around to collect its funds before beginning its expansion. Anyone who has driven along Michigan Street can attest that the construction of the new hospital is underway, a few hundred yards from Spectrum's other major project: the Lemmen-Holton Cancer Pavilion. Before construction begins on any project, Spectrum CFO Mike Freed has laid out a specific financial plan.

"As we put a shovel in the ground, we want to have as much of this lined up as possible," he said.

Freed said that Spectrum has employed a multi-bank syndicated credit facility in order to fund the initial construction of the hospital. Once the full $100 million has been collected from donors, he will pay off the credit facility and move forward with the bond offering.

Freed said that the overall financing package, with its $100 million in charitable contributions and $90 million in bonds, was designed with the intent of maintaining the health system's double-A credit rating. That is the second-highest available grade from credit-rating authorities Moody's and Standard & Poor's. The mix of charitable giving and borrowing in the children's hospital construction help Spectrum's debt-to-capitalization ratio stay at a healthy level, which in turn keeps its credit at a high level.

"That (ratio) will spike up when you borrow. And because we've had so many things, as you've seen around town, going on, we try to slow this (process). We can't say, 'Well we're going to build a bunch of buildings,' and throw a bunch of debt down on the balance sheet," Freed said.

Instead, Spectrum spreads out its capital outlays over the course of multi-year expansion plans. That allows the system to grow without becoming over-leveraged and endangering its credit rating.

"We size things up with everything else that's going on and say, 'I don't want to be out there with a $200 million, or $190 million project borrowing all of it. What can I borrow and still be comfortable doing all of the other things we need to be continuously doing here?'" he said. "That's how the number came about."

Although the fundraising campaign has not yet reached its mid-point, Freed said that the organization is excited about its progress.

"We feel very good about where we are. This is so exciting. This is really the kind of thing that happens once in a lifetime," said Freed.

The Helen DeVos Children's Hospital is scheduled to open in 2010. The $78 million Lemmen-Holton Cancer Pavilion will open in 2007. BJX

GRAND RAPIDS BUSINESS JOURNAL EXPRESS
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Cooley Gains Branch Status

By Elizabeth Sanders
Published: July 10, 2006

GRAND RAPIDS — Following a three-year struggle, the Thomas M. Cooley Law School's satellite locations will become branches of the school, offering a full program starting in September.

Though students were previously restricted to taking only 15 credits at the Grand Rapids and Rochester locations, and then having to move on to the Lansing location, the American Bar Association has approved the satellite locations as sites to complete the full 90-credit law degree.

"We're just delighted," said Marion Hilligan, associate dean of the Grand Rapids/Western Michigan University campus.

A letter from the American Bar Association informing Cooley of the change came following a meeting with the association in June, Hilligan said.

"We certainly were very hopeful, and after the meeting we were expecting a positive response," she said.

The law school has waited more than three years for that positive response after the American Bar Association refused to grant "acquiescence" for the program.

Hilligan said the school is prepared to offer students the chance to earn their full degree here starting in September.

"We're working really hard," she said. "We're ready to get up to speed quickly."

While the school now has about 15 resident faculty members, Hilligan said Cooley will be hiring additional faculty to bring that number up to 23, not including many adjunct faculty members who will teach specialty electives.

The Grand Rapids campus, located in a building under renovation on 111 Commerce Ave. SW, has the capacity for eventually enrolling 600 to 800 students, Hilligan said. There will be about 270 students enrolled in Grand Rapids for the fall semester, by which time renovations will be finished.

Hilligan said she believes enrollment will rise as the school starts its full degree program.

"It's a very underserved market," she said of West Michigan.

With the full degree program, Hilligan said students have lifestyle choices, as well as geographic choices. Students can experience the urban campus of Grand Rapids, the government-centered campus of Lansing or the traditional college campus at Oakland University in Rochester.

Hilligan said she is pleased with the support the school has received from the Grand Rapids community.

"We're really glad that we're able to offer this service here," she said. "There's a big demand for it." **BJX**

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Saint Mary's Signs With MSU

By Anne Bond Emrich
Published: November 6, 2006

GRAND RAPIDS — Another piece of the financial package necessary to bring the Michigan State University College of Human Medicine to Grand Rapids fell into place Wednesday with the finalization of an agreement between Saint Mary's Health Care and MSU.

Saint Mary's has agreed to provide cash and in-kind contributions totaling slightly more than $10 million to support joint research activities between Saint Mary's and the MSU West Michigan Medical School. Funding begins this fiscal year and runs through 2014, said Saint Mary's President and CEO Philip McCorkle Jr. Additionally, Saint Mary's will provide medical staff to serve as faculty for the school.

Those are the chief components of the agreement, McCorkle said, but there are technicalities that need to be hashed out before the research gets underway, such as who the research will belong to and how both parties will be allowed to use it.

The agreement includes the joint recruitment of specialists and researchers.

"Given the clinical programs and the degree of sophistication of the clinical programs we have here at Saint Mary's — especially in oncology, cancer care and the neurosciences — being able to conduct research and to attract faculty and specialists here to participate with us is very important. We think that with our core of patients, our facilities and our programs, we are going to be a great magnet for recruitment, and at the same time we'll benefit by having that leadership and expertise available to us."

Many specialists prefer to work in an environment that has a medical school, and when the MSU med school is established here, they're likely to view Grand Rapids in a different light, McCorkle noted.

"When you offer the opportunity to do research, that's very attractive to a lot of people," he pointed out. "If you're a clinician and research is being conducted, that means you may be afforded opportunities to treat your patients in different kinds of ways that might not be available in a non-research environment. We really think this will help us attract specialists."

The Saint Mary's-MSU agreement also includes meeting room and conference space for medical students on Saint Mary's campus so they can gather to discuss clinical issues, patient care and new technologies. The space could also be used for on-site teaching purposes, McCorkle said.

Saint Mary's has had a relationship with MSU's College of Human Medicine for more than 40 years, McCorkle pointed out.

A lot of the members of Saint Mary's medical staff enjoy the opportunity to teach and have medical students accompany them on their rounds in the hospital, he said. This is something that they have highly endorsed.

"As we grow in our community, and as our cancer and neuroscience programs grow, it will enable us to identify future specialists that are going to medical school here and recruit some of them."

Of the 270 or so medical students attending Grand Rapids Medical Education and Research Center programs, roughly a third are training with Saint Mary's at any given time, said Micki Benz, vice president of development at Saint Mary's. The hospital will serve about the same number of residents when the new med school gets off the ground, she said.

Michigan State is in the process of interviewing candidates for its first class of students, according to Marsha Rappley, dean of MSU College of Human Medicine. The plan is to welcome the first 50 med school students in 2008 and have the full four-year medical school in operation by 2010.
Spectrum Health announced its agreement with MSU in April. Spectrum will invest $55 million in building support for a medical school facility, plus an estimated $30 million over the next decade to enhance research activities, including the recruitment of researchers to work for both Spectrum and MSU.

The Van Andel Research Institute inked a deal with Michigan State University in mid-October, agreeing to invest $2 million annually over the next eight years to support the four-year school. VARI's financial underwriting will be used to fund MSU's research at the Grand Rapids-based med school and to partially or fully support MSU researchers who serve as faculty. According to the agreement, the scientists and researchers hired as faculty will be selected by the university in consultation with VARI and will be employed by MSU. Some may also be appointed to positions at the institute. The agreement calls for the university to lease office, research and structural lab space in VARI.

The institute and MSU will jointly apply for and share grants obtained at the state and national levels. They may also take on collaborative research projects supported by private or public funding. A key component of the partnership will be a business development office to handle technology transfer.

MSU still has to finalize a contract with Grand Valley State University, but that contract won't require a funding commitment, according to Rappley.

Besides VAI, Spectrum Health, Saint Mary's Health Care and GVSU, the "stakeholders" in the effort to establish a med school here include Grand Action and The Right Place Inc. **BJX**

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By offering health services unique to the area, the Hauenstein Center should bring new moneey to the local economy.

Hauenstein Center Fuels Local Economy

By Anne Bond Emrich
Published: November 20, 2006

GRAND RAPIDS — Because of its "uniqueness," Saint Mary's future Hauenstein Center is likely to generate new economic activity in the Grand Rapids area beyond the direct hires and the size of its payroll.

In the medical services industry, the introduction of a new medical facility that offers the same set of primary services as existing medical facilities will have a small economic impact on the market, according to George Erickcek, senior regional analyst at the W.E. Upjohn Institute for Employment Research.

"On a per-employee basis, Saint Mary's Hauenstein Center will have a greater economic impact on its surrounding area than most other service-providing industries," Erickcek said. "A major reason for this is that the center will be offering medical services to the greater Grand Rapids area that are not currently available. In other words, it will be capturing medical expenditures that have been leaving the area."

Saint Mary's $60 million, 145,000-square-foot Hauenstein Center will offer a comprehensive array of neurosciences services under a single roof, and to Saint Mary's knowledge it will be the only medical center of its kind in the country. The center will house all the hospital's inpatient and outpatient neurological services, diagnostics and therapeutics associated with neuroscience-related diseases and disorders, such as Alzheimer's, Parkinson's, brain tumors, epilepsy, stroke, dementia and spine disorders. It also will provide an expanded emergency department and new critical care units.

"We included in our analysis the fact that these were new services, so the center's activities will not in any way compete with any other activity. That's key," Erickcek remarked. "So often what we see is that when a new medical center opens, more often than not it's competing against existing centers, so there isn't much of a multiplier impact. The Hauenstein Center will offer new services; therefore there won't be any displacement issue."

Saint Mary's commissioned Erickcek to do a study on the economic impact of the construction of the Hauenstein Center and the center's expanded neuroscience activities down the road. Saint Mary's Health Care broke ground on the Hauenstein Center earlier this month, and it's slated to open in summer 2008.

Saint Mary's spokeswoman Micki Benz said the hospital did a lot of research and worked with a consulting group before it put its neurosciences program together.

"What makes it unique, I think, is the combination of emergency trauma center, critical care unit and all the neurosciences services in one building, so patients don't have to drive all around the community or beyond to get diagnoses, therapy, surgery, rehabilitation or psychiatric evaluation," Benz said.

In 2011 when the center is in full swing operationally, Saint Mary's will increase the center's overall staff by 5 percent to 10 percent. The neurosciences team will include 65 doctors and nurses dedicated full time to the center, along with a full medical support staff that includes therapists and nutritionists.

Erickcek estimates that each job at the neuroscience center will create another 1.7 jobs in the greater Grand Rapids community in sectors such as retail, professional services, food products and printing. That's 108 new jobs, so the center will have actually generated 173 jobs and some $12.4 million in new wages and salaries for the metro area. Another way Erickcek put it is: For every $1 in wages earned at the expanded neuroscience center, another $1.40 in wages and salaries will be generated.

As he pointed out, a full economic impact analysis has to take into account the consumer expenditures of the center's employees and must include the impact of additional rounds of economic activity that occur in the area. A portion of wages and salaries that the Hauenstein Center will pay its staff will be spent on locally produced goods and services, and those dollars, in turn, will be re-spent in the community, sometimes more than once, Erickcek explained.

"With each round of expenditures, these monies generate additional employment opportunities and more income for area residents," Erickcek noted in his summary of the results. "The impact does not stop there, as workers who work to provide these goods and services spend their earnings, as well. In addition, the new economic activity will support more local governmental services, as well."

Construction of the Hauenstein Center will have a substantial impact on the local economy, too, but only over the construction's duration. According to Erickcek's estimates, the four-story center and its parking structure will create 315 jobs on site, and those workers will generate another $9.7 million in income across a wide range of industries, racking up a total of $22.1 million over the construction period.

However, Erickcek sees the economic impact of the Hauenstein Center as secondary, because for people needing neurosciences services, the value of the new center will mean more than the jobs and wages it generates.

"I see the center as improving the quality of life and attractiveness of the region," he said. "It's hard to quantify, but it's one of those extra factors that your community now has over others. I think health care and the availability of health care is only going to increase in value in terms of site locations of individuals."

As the community turns to a knowledge-based economy, one of the challenges Michigan faces is that the multiplier effect of most services is relatively small, he said. The state doesn't have the supplier base for knowledge-based services that it does with manufacturing, so when the state loses jobs in the automotive or office furniture industries, it really has a fairly big impact on the community, Erickcek explained.

"When we compared the center with other knowledge-based activities like banking, professional services and management of companies, we noticed that its multiplier is actually larger," he pointed out. "Every job at the center will create 1.7 jobs outside. That multiplier was higher than what we saw for other knowledge-based activities, and I think that's significant."

Because of its one-of-a-kind nature, it's possible that Saint Mary's Hauenstein Center could become a destination for "medical tourists." That would bring additional money to the area in terms of family members of patients lodging here overnight and eating in local restaurants, but that wasn't included in the analysis, so it makes the Upjohn analysis even more conservative, Erickcek acknowledged. Benz said Saint Mary's neurosciences services already draw patients from far beyond the hospital's primary, secondary and tertiary ZIP code areas.

"It may be the fact that the baby boomers are getting up there in age," Erickcek said, "but the scope and availability of health care services is important, and we are finding that metropolitan areas with very unique medical services are achieving good, solid growth." **BJX**

GRAND RAPIDS BUSINESS JOURNAL EXPRESS
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The Michigan Street Development is the largest office development in Grand Rapids since Bridgewater Place.

Newsmaker: 'Medical Mile'

By Anne Bond Emrich
Published: January 8, 2007

GRAND RAPIDS — The private investment the Van Andel family made to build the $60 million Van Andel Institute triggered a development frenzy on Michigan Street that transformed "Pill Hill" into the "Medical Mile."

2006 marked another year of significant private investment on the hill, with the start of the Michigan Street Development, which is the largest development in the city of Grand Rapids since the construction of Bridgewater Place. The project further seeds continued development that includes Mid Towne Village, the $4 million "Towers" parking ramp, the Lemmen-Holton Cancer Pavilion, Helen DeVos Children's Hospital, Women's Health Center of West Michigan and the Michigan State University West Michigan Medical School.

For their collective vision and their investment in the Medical Mile, the partners in this development are saluted with the Business Journal Newsmaker of the Year Award, announced Monday at a meeting of the Economic Club of Grand Rapids.

Christman Co. and RDV Corp. partnered to redevelop the Towers Medical Building site at 21 Michigan St. NE, along with the former site of the Burger King next door, into a $150 million, 700,000-square-foot medical complex on five acres called the Michigan Street Development, which broke ground last fall. The development's footprint spans the north side of Michigan Street from North Division Avenue to Coit Avenue.

The project consists of three medical office towers featuring 100,000 square feet of lab space, a 2,300-square-foot parking ramp beneath the complex, and Spectrum Health's $78 million Lemmen-Holton Cancer Pavilion, which is being developed separately. The city's parking services department, the state, Spectrum Health and the VAI are partners in the parking ramp portion of the project.

"These projects will have economic impact far into the future," said Carole Valade, editor of the Business Journal. "This region is changing, and the Medical Mile is a significant part of that change."

Christman spokesman Joe Hooker referred to the Newsmaker award is "a great honor" for the Michigan Street Development partnership. He said it also been a great honor for Christman Co. to have worked in partnership with RDV Corp. and the DeVos family on the initiative.

"Over the past three years, hundreds of talented firms and individuals have contributed to the medical corridor project," Hooker said. "With at least four more years to go on the project that number will likely grow to thousands. Once complete, construction jobs will be replaced by permanent jobs. Knowing that the project will provide smart strategic growth in the community and also have long-term sustainability, this investment decision has been extremely easy from day one."

Michigan Street Development was designed for "medical research-based tenants" rather than physician office groups. The Michigan State University Board of Trustees is expected to vote this month on whether to locate the MSU West Michigan Medical School there, presumably in the tower that will be situated directly across the street from the Van Andel Institute. MSU secured funding agreements with the VAI, Spectrum Health and Saint Mary's Health Care in 2006 and purchased a 1.5-acre lot on the northwest corner of Michigan Street and College Avenue, one of two sites it will need for build-out of the school.

According to the DeVos family, RDV Corp. joined Christman in the project because it "shares a commitment to the medical corridor and downtown revitalization." Also, the family has a vested interest in the downtown area as a supporter of the Cook-DeVos Center for Health Sciences and a leading supporter of the $190 million, 14-story Helen DeVos Children's Hospital, which is slated to open in 2010.

"We are very proud of what's going up in Grand Rapids," said Dan DeVos, president and CEO of Fox Motors. "It's a great place to be, and we as a family will continue to do what we can to support its continued growth and development."

"Partnerships will be the key to West Michigan's revival," said Publisher John Zwarensteyn. "This is an excellent example of what's needed here."

The $50 million Mid Towne Village is an urban development encompassing four blocks just east of the hill, between the Ford Expressway and Michigan Street. Mid Towne will feature 235,000 square feet of retail, office and medical office space and as many as 32 brownstone-style residences ranging from 1,200 to 1,600 square feet. The development will be graced with a 15,000-square-foot Village Green featuring trees, benches, a reflecting pond and a fountain. Mid Towne was designed to attract young professionals, families and new businesses to the burgeoning medical district, according to David Levitt, head of Third Coast Development investor group.

Within Mid Towne Village, work is under way on the $25 million Women's Health Center of West Michigan, a facility its developers say will bring women's health care to the forefront of the evolving Medical Mile. The 108,000-square-foot center is said to be one of a kind in West Michigan and one of only a handful of comprehensive care centers in the nation focused solely on women's health. Ground was broken on the project last May, and the facility is scheduled to open in the spring of 2008. The investors include several physician groups in Grand Rapids, as well as individual investors.

Last year's private investment on the Medical Mile will be followed by another huge private investment by the Van Andel Institute this spring when the institute begins the $160 million, 280,000-square-foot expansion of its existing 186,000-square-foot medical research facility on the hill. The expansion will be completed in late 2009. **BJX**

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Newsmaker: Condos Downtown

By Daniel Schoonmaker
Published: January 8, 2007

GRAND RAPIDS — This year's diverse wave of condominium developments in downtown Grand Rapids is creating the largest addition of permanent residents to the commercial core in the modern age.

Over 1,000 units were introduced to downtown Grand Rapids in 2006 among 10 projects by eight separate developers. All but one of those, the 11-story Tall House at 45 Ionia Ave. SW, are currently under construction.

Leading the charge is Parkland Realty Inc., the sales and marketing arm of Parkland Properties, which this year closed on 120 units between the nearly sold-out Union Square (180 units, 600 Broadway St. NW) and The Boardwalk apartment-to-condo conversion (230 units, 940 Monroe Ave. NW).

"It's completely changed the neighborhoods and the community," said Jonathon Rooks, Parkland president, crediting community support and his partners for the success of the two developments.

Joe Ross, co-developer of the Park Row Condominiums at Mid Towne Village with Kegle Construction, attributes the residential growth to the growth of industry in the larger downtown market. In his case, the adjacent Medical Mile health care corridor on Michigan Street has driven the success of his 33-unit project, located in the heart of a medical office park.

BUSINESS JOURNAL PHOTO/FILE PHOTO

Icon on Bond should be the next condominium project completed in downtown Grand Rapids.

"This wouldn't be happening if men with a lot more vision than I weren't driving the growth," said Ross, who also pointed out the contributions from philanthropists such as the DeVos, Van Andel and Meijer families.

At least one development occurred with little aid from the community, as Moch International's Icon On Bond (118 units, 538 Bond St. NW) is nearing completion despite neighborhood opposition and doubts from virtually the entire business community.

"When they finally topped off the building, I got to go up on the roof and take a look around, and it was just an unbelievable feeling knowing the amount of work that went into getting to that point," said Joe Moch Jr., of Moch International.

Icon On Bond sold 14 units during the generally slow holiday months. With half of the complex sold, it hopes to begin moving residents in by April.

Most of the major developments have seen brisk sales, particularly in the highest and lowest price ranges. With nary a unit priced below $200,000, River House at Bridgewater Place (207 units, 337 Bridge St. NW) has inked binding purchase agreements for 121 of its 207 units.

"All before anyone could actually see the building," said Daniel Wert, River House project manager and representative of Robert Grooters Development Corp., which also created Bridgewater Place. When the project is complete, it will be the region's tallest building.

Second Story Properties, one of the firms central to the revitalization of the downtown office and retail market, is currently transforming the former YMCA building at 33 Library St. NW into The Fitzgerald (45 units) and converting the Hillmount (100 units, 505 Cherry St. SW) apartments into condos.

"This is the culmination of what my company has been working on for 15 years," said Second Story President Sam Cummings. "When we first started in Grand Rapids in the early 1990s, our goal was to see residential as viable. It started with rental, and look what we see now. … Back then, it was like putting a rock uphill; now as a Grand Rapidian, I'm incredibly proud — there are a lot of new players in the market and it's an exciting time."

The Hillmount has sold with "great velocity," according to Cummings, with 60 units sold and 40 already occupied. The Fitzgerald, still in the presale period, started slow, but saw a run at the end of the year. With four sales during the last week of December alone, half of the project is now spoken for.

Cummings noted that for many years the downtown residential market has been incredibly underserved. Perhaps the most significant factor in the recent wave of development is that each project is so vastly unique, including super luxury high-rise (River House), adjacent medical office space (Park Row), terraced gardens on the Van Andel Arena strip (Tall House), tax-free living (Union Square) and Bohemian simplicity (Hillmount).

With the surge in capacity, the question is consistently raised as to whether the market can support the growth. Jay Fowler, executive director of the Downtown Development Authority, isn't worried.

"I don't think we're looking at an overabundance of condos," he said. "I think there is a pent-up demand; there hasn't been many brought on board the last couple of years."

That the city's condo supply has suffered is painfully true. There have been only 10 condo developments of any significance completed in the downtown area since the practice was created nearly 30 years ago. Only 16 units came onto the market in the decade after the 140-unit Plaza Towers high-rise on Fulton Street was completed in 1991.

However, there has been a distinct industry response to the current wave of condos, as it appears that Tall House, if it breaks ground this year as planned, will be the last development of any size for a number of years. Other projects announced recently have curtailed their plans, most notably Two West Fulton, as Second Story Properties has indicated the 80-unit development will now likely be apartments.

A Busy Year For Condos

Downtown developments actively sold or under construction in 2006.

Union Square	600 Broadway St NW	180	Completed	Parkland Properties
Cherry Street Lofts	143 Cherry St SE	8	Completed	Virgin Soil Development
The Boardwalk*	940 Monroe Ave NW	230	Construction	Parkland Properties
The Fitzgerald	33 Library St NW	45	Construction	Second Story Properties
Icon on Bond	538 Bond St NW	118	Construction	Moch International
Hillmount*	505 Cherry St SW	100	Construction	Second Story Properties
Park Row	Michigan St NE	33	Construction	Kegle Construction
River House	337 Bridge St NW	207	Construction	Robert Grooters
Eldorado*	510, 516 Lyon St NE	13	Construction	Cannon & Co.
Tall House	45 Ionia Ave SW	93	Marketing	Tall House Enterprises

*Apartment-to-condo conversion. As a result of its nearly complete renovation, Cherry Street Lofts is not identified as such. **BJX**

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COUNTY OF KENT MICHIGAN