

# 2008 POPULAR ANNUAL FINANCIAL REPORT

Year Ended December 31, 2008



*Fallsburg Covered Bridge*



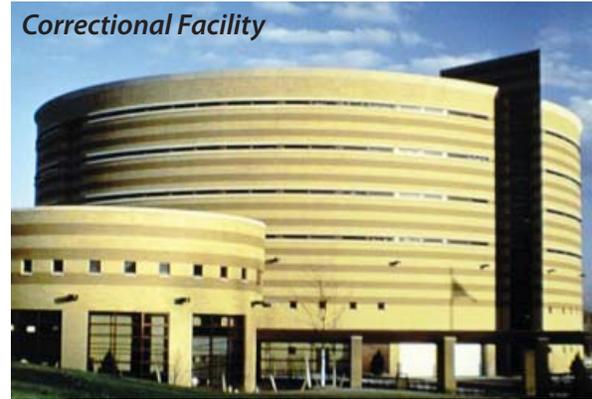
*Animal Shelter*



*Circuit Court*



*Millennium Park*



*Correctional Facility*



*63rd District Court*



**County of Kent, Michigan**

## Introduction

The Popular Annual Financial Report (PAFR) is created for the citizens of Kent County. The purpose of this report is to summarize the presentation of financial information contained in the Kent County Comprehensive Annual Financial Report (CAFR). The PAFR is not required to present the same level of detail as the CAFR. The PAFR contains reports and statements that do not present the entire financial reporting entity and may not conform to generally accepted accounting principles (GAAP). These reports are intended to inform the public of the County's financial condition in a less technical and user friendly format.

The County's CAFR contains a complete set of financial statements presented in conformance with GAAP and audited in conformity with auditing standards generally accepted in the United States by a firm of licensed certified public accountants. The statements contained in the CAFR are technical and complex, resulting in a document that may not be useful to the general public. The CAFR is available online at [www.accesskent.com](http://www.accesskent.com).

## Government Profile

The County of Kent, the fourth most populous County in the State of Michigan (the "State"), encompasses an area of approximately 864 square miles and, with a 2000 census population of 574,335, is located in the central west portion of Michigan's Lower Peninsula. It is approximately 64 miles west of Lansing, the State capital. The County is empowered by the State to levy a property tax on real and personal properties located within the County.

The County is composed of twenty-one townships, five villages and nine cities. The 2000 population of the County resides as follows: townships (194,163); cities (373,043); and villages (7,129). The County seat is located in the City of Grand Rapids, which is the second largest city in the State. The County was organized as a County by the territorial legislature on March 24, 1836.

The County is governed by a Board of Commissioners (the "Board") whose numbers ranged from three in 1836 up to 77 as recently as 1968. As a result of a United States Supreme Court decision in 1969, the number of commissioners was reduced to 21. The Board took action in 1992 to reduce further the number of members to 19 effective January 1993. The Board is responsible for establishing policies, adopting the budget, appointing committee memberships, and hiring the County Administrator/Controller. The Administrator/Controller is responsible for carrying out the policies set forth by the Board and overseeing the day-to-day operations of the County. The Board is elected on a partisan basis every two years from districts of approximately the same size. The other five elected officers of the County, which include the Sheriff, Clerk/Register of Deeds, Prosecuting Attorney, Drain Commissioner and Treasurer, are elected on a partisan basis serving four year terms.

The County provides a range of services including sheriff, correctional facility, three court systems, airport, fire, social services, both State and County funded public health, mental health, park system and zoo. The Kent County CMH Authority (operating as "Network180") is a component unit that provides mental health services. The Department of Public Works, a component unit, manages a waste-to-energy incinerator and landfill, maintains some local unit water and sanitary sewer systems, and provides for the construction of these local systems. The Kent County Drain Commission, another component unit, is responsible for the construction and maintenance of County drains and the control of lake levels. In addition, the Road Commission is a component unit providing maintenance to county roads.

Annually, the Board is required to adopt a final budget by December 31 for the subsequent fiscal year. This budget serves as the foundation for the County's financial planning and control. The budget is prepared by fund, function (e.g. public safety) and department (e.g. Sheriff). Department heads may transfer resources within the activities they manage. Transfers between departmental budgets and above administrative amounts set by the Board need special approval from the governing body.

## Local Economy

Commercial/Industrial Base - The Grand Rapids-Wyoming Metropolitan Statistical Area (MSA), of which the County is the hub, has been one of the fastest growing regions of the United States. Numerous expansions, renovations, constructions, modernizations and developments have 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 \$3.57 billion (tax year 2003) to \$4.63 billion (tax year 2008), for an average annual increase of 6.0%. Industrial property SEV increased in value from \$1.71 billion (tax year 2003) to \$1.83 billion (tax year 2008), for an average annual increase of 1.4%.

### Major Taxpayers:

Amway Corp/Alticor  
Consumers Energy  
Steelcase, Inc.  
Meijer  
PR Woodland  
MI Con Gas  
Fifth Third Bank  
Holland Home  
Keebler Company  
GGP Grandville

Convention Facilities - In 2000, the City of Grand Rapids, the 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 seating capacity of 12,000 and it is used for professional hockey 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 2012 and beyond.

Regional Government Coordination - The Grand Valley Metropolitan Council (the "Metro Council") was formed in 1990 and has a membership of 35 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 that have no boundaries such as clean air, water and sewers, and transportation. The Metro Council is also 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.

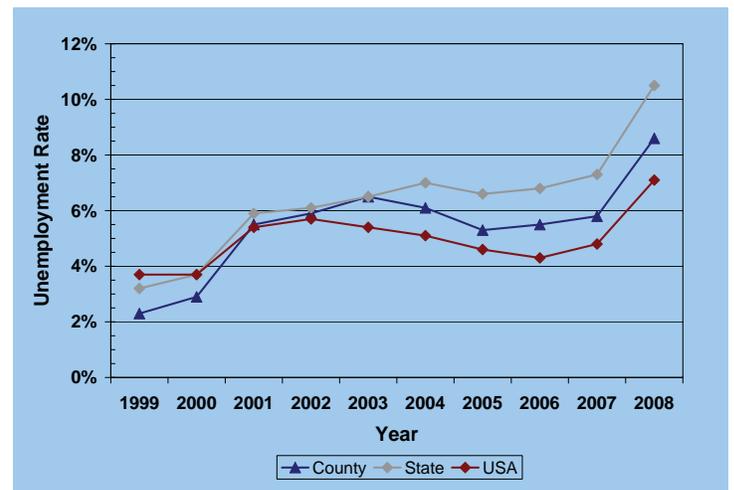
Medical Services - The residents of the County are served by a number of hospitals. The public and nonprofit hospitals in the County have approximately 2,676 licensed beds. In 2000, the Van Andel Institute (VAI) opened, with the mission "... to become one of the world's preeminent private medical research 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

**Major Employers:**

- Spectrum Health
- Meijer, Inc.
- Steelcase, Inc.
- Spartan Stores
- Axios, Inc.
- Herman Miller, Inc.
- Alticor, Inc.
- Walmart
- G.R. Public Schools
- St. Mary's Health

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 bioscience 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 under construction a \$170 million expansion of its facilities scheduled to be completed in 2010.

Employment - Major industries that are located within the boundaries of Kent County or in close proximity include manufacturers of office equipment and furniture, heating controls, automotive parts, financial institutions, health care, retail food/merchandise and insurance companies. This diversified employment base adds to the strength of the local economy. During the past ten years, the unemployment rate has fluctuated from a decade low of 2.8 percent (1999) to a decade high of 10.8 percent in March 2009. Unemployment is expected to increase slightly over the remainder of 2009, level out in 2010, and begin a gradual decline in 2011.



Source: Michigan Department of Labor & Economic Growth - December basis



## Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$439.1 million at the close of the most recent fiscal year.

A substantial portion of the County's net assets, \$267.7 million (61.0 percent), reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets of \$62.7 million (14.3 percent) represents resources that are subject to external restrictions on how they may be used. The County may use the

remaining balance of unrestricted net assets of \$108.8 million (24.8 percent) to meet its ongoing obligations to citizens and creditors.

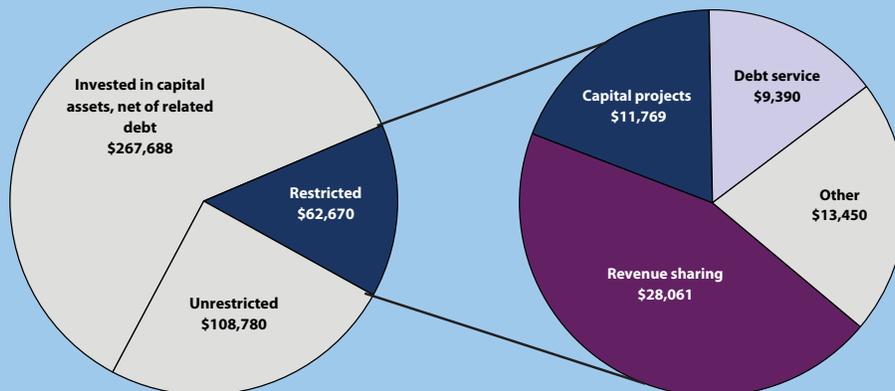
At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

There was a decrease of \$6.9 million in restricted net assets reported in connection with the County's governmental activities. All of this \$6.9 million decrease was the result of a reduction in the amount of funds restricted for the Revenue Sharing Fund mandated by the State of Michigan. State law restricts the use of accelerated property tax collections.

There was a decrease of \$9.0 million in restricted net assets reported in connection with the County's business type activities. All of this \$9.0 million decrease was the result of a reduction in the amount of funds restricted within the Aeronautics Fund to meet future debt service requirements.

### Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 183,539	\$ 185,215	\$ 236,657	\$ 155,071	\$ 420,196	\$ 340,286
Capital assets	186,541	215,911	237,853	314,756	424,394	530,667
<b>Total assets</b>	<b>370,080</b>	<b>401,126</b>	<b>474,510</b>	<b>469,827</b>	<b>844,590</b>	<b>870,953</b>
Long-term liabilities outstanding	108,179	122,183	273,288	258,410	381,467	380,593
Other liabilities	19,444	41,018	9,869	10,204	29,313	51,222
<b>Total liabilities</b>	<b>127,623</b>	<b>163,201</b>	<b>283,157</b>	<b>268,614</b>	<b>410,780</b>	<b>431,815</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	103,894	120,023	147,818	147,665	251,712	267,688
Restricted	46,349	39,499	32,125	23,171	78,474	62,670
Unrestricted	92,214	78,403	11,410	30,377	103,624	108,780
<b>Total</b>	<b>\$242,457</b>	<b>\$237,925</b>	<b>\$191,353</b>	<b>\$201,213</b>	<b>\$433,810</b>	<b>\$439,138</b>



### Changes in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 30,008	\$ 35,397	\$ 37,374	\$ 38,415	\$ 67,382	\$ 73,812
Operating grants and contributions	60,503	66,513	-	898	60,503	67,411
Capital grants and contributions	233	-	8,711	7,076	8,944	7,076
General revenues	105,948	119,732	4,350	2,782	110,298	122,514
<b>Total revenues</b>	<b>196,692</b>	<b>221,642</b>	<b>50,435</b>	<b>49,171</b>	<b>247,127</b>	<b>270,813</b>
<b>Expenses:</b>						
General government	30,715	31,603	-	-	30,715	31,603
Public safety	61,820	61,541	-	-	61,820	61,541
Health and welfare	72,975	79,054	-	-	72,975	79,054
Cultural and recreation	17,535	10,565	-	-	17,535	10,565
Judicial	37,919	33,910	-	-	37,919	33,910
Community & Econ Development	-	8,309	-	-	-	8,309
Interest and fiscal charges	3,923	4,828	-	-	3,923	4,828
Delinquent tax	-	-	3,835	3,387	3,835	3,387
Airport operations	-	-	32,159	32,924	32,159	32,924
<b>Total expenses</b>	<b>224,887</b>	<b>229,810</b>	<b>35,994</b>	<b>36,311</b>	<b>260,881</b>	<b>266,121</b>
<b>Net revenues (expenses)</b>	<b>(28,195)</b>	<b>(8,168)</b>	<b>14,441</b>	<b>12,860</b>	<b>(13,754)</b>	<b>4,692</b>
Transfers	2,500	3,636	(2,500)	(3,000)	-	636
<b>Inc (dec) in net assets</b>	<b>(25,695)</b>	<b>(4,532)</b>	<b>11,941</b>	<b>9,860</b>	<b>(13,754)</b>	<b>5,328</b>
Net Assets, beginning	268,152	242,457	179,412	191,353	447,564	433,810
<b>Net Assets, ending</b>	<b>\$ 242,457</b>	<b>\$ 237,925</b>	<b>\$ 191,353</b>	<b>\$ 201,213</b>	<b>\$ 433,810</b>	<b>\$ 439,138</b>

The County's net assets increased by \$5.3 million during the current fiscal year. Increases in ongoing revenues exceeded increases in ongoing expenses. The primary reason for the increase in net assets is related to an increase in charges for services and operating grants and contributions revenues.

**Governmental Activities.** Governmental activities decreased the County's net assets by \$4.5 million. Key elements of this decrease are as follows:

- An increase in transfers of \$1.1 million.
- A decrease in other revenue relating to a decrease in investment income due to lower interest rates of \$1.8 million.
- Overall, the increase in revenues was more than the increase in expenses for the year.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-type Activities.** Business-type activities increased the County's net assets by \$9.9 million. The key element of this increase was an acquisition of capital assets during the current fiscal year, through \$7.1 million in capital contributions, which resulted in an increase in net assets for business-type activities.

### County Revenues

The majority of the County's revenues come from Taxes which represents 49.3 percent of total revenues. In FY 2008, the County collected \$113.0 million in taxes. The two other main sources of revenues come from the Intergovernmental and Charges for services categories.

#### Revenue by Category\*

	2007	2008
<b>Revenue:</b>		
Taxes	\$ 118,156,686	\$ 113,010,186
Intergovernmental	60,262,395	67,238,129
Licenses and permits	1,498,811	1,561,688
Charges for services	21,936,346	27,196,727
Fines and forfeitures	329,203	459,631
Investment earnings	8,064,527	6,221,421
Contributions and reimbursements	9,320,091	9,480,779
Other	4,394,721	4,308,702
<b>Total revenue</b>	<b>\$223,962,780</b>	<b>\$229,477,263</b>

\* This statement was created using the modified accrual basis, while the Changes in the Net Assets statement was created using full accrual basis causing a variance between the statements.

**Taxes:** \$113,010,186 - In FY 2008, the County collected \$113.0 million in taxes, a \$5.1 million, or 4.4 percent decrease from FY 2007 collections of \$118.2 million. This decline can be attributed to \$4.6 million in Lodging Excise Tax being re-categorized as Charges for Services. The majority of the County's tax collections come from property taxes and include the designated millages for the Correctional Facility and Senior Services. County General Fund property taxes are levied on July 1 of each year (the lien date) and are due in full by September 14, though they do not become delinquent until March 1 of the following year. For levies other than the General Fund, the lien date is December 1.

Property Taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value.

The taxable value of real and personal property for 2008, for which revenue was recognized in the General Fund, was \$21.8 billion. The general operating tax rate for this levy was 4.2803 mills. The taxable value of real and personal property for 2007, for which revenue was recognized in all other funds, was \$21.3 billion. The tax rates for these levies were 0.7893 mills for Correction and Detention operations and debt service related to the expansion of facilities, and 0.3244 mills assessed for services provided to senior services.

**Intergovernmental:** \$67,238,129 - Intergovernmental revenue consists of grants from Federal, State, and local units of government. In FY 2008, this source accounted for \$67.2 million or 29.3 percent of total revenues. This represents an increase of \$7.0 million, or 11.6 percent, from FY 2007.

**Charges for Services:** \$27,196,727 - Charges for services revenue consists of State court funding, Real estate transfer tax, Certified copy fees, Recording fees, Board & care, Parking fees, Public works services, and other fees. In FY 2008, this source accounted for \$27.2 million, or 11.9 percent, of total revenues. This represents an increase of \$5.3 million, or 24.0 percent, from FY 2007.

### County Expenditures

The County's expenditures are segregated into eight functional areas: General government, Public safety, Health and welfare, Cultural and recreation, Judicial, Community & Economic Development, Debt service, and Capital outlay.

**General government:** \$40,310,300 - The primary activities of the General government functional area include Facilities Management, Fiscal Services, Information Technology, MSU Cooperative Extension, and Policy/Administration. In FY 2008, the General government functional area accounted for \$40.3 million or 14.8 percent of total expenditures. This represents an increase of \$6.4 million, or 19.0 percent, from FY 2007.

**Public safety:** \$64,003,540 - The primary activities of the Public Safety functional area include the Sheriff's administration & road

### Expenditures by Functional Area\*

	2007	2008
<b>Expenditures:</b>		
General government	\$ 33,872,987	\$ 40,310,300
Public safety	62,250,744	64,003,540
Health and welfare	70,724,185	79,288,722
Cultural and recreation	15,991,577	8,564,020
Judicial	38,947,012	32,603,337
Community & Econ Development	-	8,309,138
Other	1,439,661	-
Debt service	7,378,724	10,407,074
Capital outlay	11,485,767	28,758,058
<b>Total expenditures</b>	<b>\$242,090,657</b>	<b>\$272,244,189</b>

\* This statement was created using the modified accrual basis, while the Changes in the Net Assets statement was created using full accrual basis causing a variance between the statements.

patrol, the Correctional facility, and the Fire commission. In FY 2008, the Public safety functional area accounted for \$64.0 million or 23.5 percent of total expenditures. This represents an increase of \$1.8 million, or 2.8 percent, from FY 2007.

**Health and welfare:** \$79,288,722 - The primary activities of the Health and welfare functional area include the Health department and Childcare. In FY 2008, the Health and welfare functional area accounts for \$79.3 million, or 29.1 percent, of total expenditures. This represents an increase of \$8.6 million, or 12.1 percent, over FY 2007.

**Cultural and recreation:** \$8,564,020 - The primary activities of the Cultural and recreation functional area include the Parks and the Zoo. In FY 2008, the Cultural and recreation functional area accounted for \$8.6 million, or 3.1 percent, of total expenditures. This represents a decrease of \$7.4 million, or 46.4 percent, over FY 2007.

**Judicial:** \$32,603,337 - The primary activities of the Judicial functional area include the Circuit Court, District Court, and Probate Court. In FY 2008, the Judicial functional area accounted for \$32.6 million, or 12.0 percent, of total expenditures. This represents a decrease of \$6.3 million, or 16.3 percent, from FY 2007.

**Community Development:** \$8,309,138 - The primary activities of the Community Development functional area include the Housing Commission, Community Development, and Economic Development. In FY 2008, the Community Development functional area accounted for \$8.3 million, or 3.1 percent, of total expenditures. This functional area was new in FY 2008, the majority of the activities were moved here from the Cultural and recreational functional area.

### General Fund Summary

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$7.3 million while total fund

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

	December 31,				
	2007	2008			
	Actual	Original Budget	Final Budget	Actual	Pos/(Neg) Variance
<b>Revenues</b>					
Taxes	\$ 87,109,198	\$ 89,313,322	\$ 87,810,941	\$ 85,793,375	\$ (2,017,566)
Intergovernmental	9,689,213	9,755,228	13,397,044	13,238,163	(158,881)
License and permits	66,306	75,050	75,050	89,506	14,456
Charges for services	19,112,123	19,289,603	19,462,803	18,770,343	(692,460)
Investment earnings	4,332,887	3,898,650	3,898,650	3,056,918	(841,732)
Contributions and reimbursements	6,642,626	6,649,011	6,649,011	7,007,893	358,882
Other	4,180,073	4,426,740	4,426,740	4,293,776	(132,964)
<b>Total revenues</b>	<b>131,132,426</b>	<b>133,407,604</b>	<b>135,720,239</b>	<b>132,249,974</b>	<b>(3,470,265)</b>
<b>Expenditures</b>					
General government	39,505,440	41,254,708	41,159,109	39,119,290	2,039,819
Public safety	57,910,765	60,636,024	60,906,185	59,400,664	1,505,521
Health and welfare	6,130,146	7,205,140	8,945,889	8,694,663	251,226
Cultural and recreation	8,430,317	8,656,152	8,640,100	8,525,094	115,006
Judicial	20,723,225	21,124,312	21,330,012	21,316,266	13,746
Community and economic development	145,000	145,000	555,000	553,013	1,987
<b>Total expenditures</b>	<b>132,844,893</b>	<b>139,021,336</b>	<b>141,536,295</b>	<b>137,608,990</b>	<b>3,927,305</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	249,705	150,000	150,000	210,818	60,818
Interfund transfers in	28,746,518	30,511,538	30,500,296	30,503,001	2,705
Interfund transfers out	(29,290,236)	(31,127,152)	(30,634,567)	(27,857,929)	2,776,638
Estimated budget appropriation lapse	-	6,130,000	6,130,000	-	(6,130,000)
<b>Total other financing sources (uses)</b>	<b>(294,013)</b>	<b>5,664,386</b>	<b>6,145,729</b>	<b>2,855,890</b>	<b>(3,289,839)</b>
Net change in fund balance	(2,006,480)	50,654	329,673	(2,503,126)	(2,832,799)
Fund Balance, beginning	72,215,886	70,209,406	70,209,406	70,209,406	-
<b>Fund Balance, ending</b>	<b>\$ 70,209,406</b>	<b>\$ 70,260,060</b>	<b>\$ 70,539,079</b>	<b>\$ 67,706,280</b>	<b>\$(2,832,799)</b>

balance amounted to \$67.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 5.3 percent of total general fund expenditures, while total fund balance represents 40.9 percent of that same amount.

The fund balance of the County's General Fund decreased by \$2.5 million during the current fiscal year. Key factors in this change are as follows:

- Increase in total expenses relating to the general fund of \$4.8 million (3.6 percent).
- Interfund transfers out decreased by \$1.4 million (4.9 percent).
- The General Fund budgeted for a decrease in fund balance of \$5.8 million and the actual decrease in fund balance was \$2.5 million.

Significant changes in budgetary variances are as follows:

- Tax revenues had a negative budgetary variance of \$2.0 million.
- Investment earnings had a negative budgetary variance of \$0.8 million as a result of interest rates being lower than originally projected.
- Charges for services had a negative budgetary variance between budget and actual revenues of \$0.7 million.

The largest part of this decrease was attributable to a decrease in real estate transfer tax and recording fees.

Expenditures had an overall positive budgetary variance of \$3.9 million, of which \$2.0 million related to general government, \$1.5 million related to public safety and \$0.3 million related to health and welfare.

**General Fund Budgetary Highlights.** During the year, there was a \$2.5 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

**County's Outstanding Debt**  
**General Obligation and Revenue Bonds** (in thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>
<b>Primary Government</b>						
Limited tax pledge bonds	\$ 103,065	\$ 112,160	\$ 73,000	\$ 58,000	\$ 176,065	\$ 170,160
Limited revenue bonds	-	-	151,455	150,200	151,455	150,200
Full faith revenue bonds	-	-	48,050	46,680	48,050	46,680
<b>Total</b>	<b>\$103,065</b>	<b>\$112,160</b>	<b>\$272,505</b>	<b>\$254,880</b>	<b>\$375,570</b>	<b>\$367,040</b>

**Statement of Legal Debt Margin**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>December 31, 2008</b>
	State Equalized Value (SEV)	\$ 22,119,875,769	\$ 23,346,848,319	\$ 24,338,570,446
Legal Debt Limit (10% of SEV)	2,211,987,577	2,334,684,832	2,433,857,045	2,429,624,818
Debt Outstanding (including the Notes)	373,049,381	348,610,657	506,524,904	482,212,904
<b>Margin of additional debt that could be legally incurred</b>	<b>\$ 1,838,938,196</b>	<b>\$ 1,986,074,175</b>	<b>\$ 1,927,332,141</b>	<b>\$ 1,947,411,914</b>
<b>Percentage of Debt Outstanding to SEV</b>	<b>1.69%</b>	<b>1.49%</b>	<b>2.08%</b>	<b>1.98%</b>

- \$96,000 decrease in general government activities mainly due to a decrease in administration, management studies and central services.
- \$270,000 increase in public safety primarily for increased road patrol costs.
- \$1.7 million increase in health and welfare primarily for social welfare and prevention programming.
- \$206,000 increase in judicial activities with the majority allocated to circuit court.
- \$410,000 increases in community and economic development activities mainly due to economic development.
- \$492,000 decrease for other financing uses which reflects a reduction in transfers out.

**Debt Summary**

At the end of the current fiscal year, the County had total bonded debt outstanding of \$367.0 million. Of this amount, \$46.7 million (12.7 percent) represents debt not backed by the full faith and credit of the government. This County debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total installment debt decreased by \$8.5 million (2.3 percent) during the current fiscal year. The net decrease was mainly attributable to an advanced refunding of bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10 percent of its total state equalized valuation. The current debt limitation for the County is \$2,429,625, which is significantly higher than the County's outstanding general obligation debt.

**Bond Rating**

What is a Bond Rating? A bond rating performs the isolated function of credit risk evaluation. A bond rating does not constitute a recommendation to invest in a bond and does not take into consideration the risk preference of the investor. While many factors go into the investment decision making process, the bond rating is often the single most important factor affecting the interest cost on bonds.

There are three main risks that investors face when investing in bonds: interest rate risk (the risk that interest rates could rise), purchasing power risk (the risk that inflation will rise and thereby erode the value of bonds), and credit risk (the risk that a bond issuer will become unable to meet its debt obligations). While assessing the first two risks demands that individual investors conduct a significant amount of research on their own, credit risks are arguably the easiest for investors to assess—thanks to credit ratings.

Credit ratings are essentially rankings of an organization's ability to repay their debts and to withstand various types of financial and economic stress compared to that of other companies. Ratings are intended to help provide forward-looking opinions on an organization's ability and willingness to pay interest and repay principal as scheduled.

There are three major rating agencies for municipal bonds: Moody's Investors Service, Standard & Poor's, and Fitch Ratings. Of the three rating agencies, Standard & Poor's and Moody's rate over 80 percent of all municipal and corporate bonds including Kent County.

In assigning a rating for general obligation bonds the rating agencies assess the following factors:

Economy; Debt Structure; Financial Condition; and Demographic Factors.

Since FY 2000, the County has attained the top bond rating for its long-term debt of Aaa from Moody's; and AAA from S & P. There are 3,142 counties in the U.S., Kent County is one of 62 counties rated AAA by S & P and one of 48 rated Aaa by Moody's. There are 83 counties in Michigan, Kent County is one of only three counties rated AAA by S & P and Aaa by Moody's. Top bond ratings allow the County to either refinance outstanding debt, or to issue new debt, at more favorable rates. Lower interest rates translate into lower debt service payments.

#### Economic Factors and Next Year's Budget and Rates

- The average annual unemployment rate for the County for 2008 was 6.9 percent, which is an increase from a rate of 5.8 percent a year ago. This is significantly below the State's average annual unemployment rate of 10.2 percent for 2008.
- Inflationary trends in the region compare favorably to national indices.

The County considered these factors in preparing the County's budget for the 2009 fiscal year. During the current fiscal year, unreserved fund balance in the General Fund is \$7.3 million. The County has appropriated \$2.0 million for spending in the 2009 fiscal year budget. This appropriation of available fund balance allows the County to adopt a balanced budget and eliminates the need to raise taxes or charges above the current recommended levels during the 2009 fiscal year.

#### Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County of Kent's financial position. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Fiscal Services Director, County Administration Building, 300 Monroe Avenue N.W., Grand Rapids, Michigan 49503-2221.

<b>Rating Service</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Standard & Poor's	AAA	AAA	AAA	AAA	AAA
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa

<b>Rating</b>	<b>Rating Service</b>	
	<b>Standard &amp; Poor's</b>	<b>Moody's</b>
Best Quality	AAA	Aaa
High quality	AA+	Aa1
	AA	Aa2
	AA-	Aa3
Upper Medium grade	A+	A1
	A	A2
	A-	A3
Medium Grade	BBB+	Baa1
	BBB	Baa2
	BBB-	Baa3

**2009 Kent County Board of Commissioners**



**Pictured back row left to right:** Harold Voorhees, Ted Vonk, Brandon Dillon, Carol Hennessy (Minority Vice-Chair), Roger Morgan (Chair), Sandi Frost Parrish, Dean Agee (Vice-Chair), Dick Bulkowski, Dick Vander Molen, Arthur Tanis. **Front row left to right:** Bob Synk, Gary Rolls, James Vaughn, Stan Ponstein, Jim Talen, Tom Antor, Keith Courtade, Bill Hirsh, Pete Hickey.

Phone Numbers	Board of Commissioners	Elected Officials
Administrator's Office 616.632.7570	Ted Vonk District 1	Mary Hollinrake - Clerk/Register of Deeds
Aeronautics 616.233.6000	Tom Antor District 2	William Forsyth - Prosecuting Attorney
Animal Shelter 616.336-3210	Roger Morgan (Chair) District 3	William Byl - Drain Commissioner
Board of Commissioners Office 616.632.7580	Gary Rolls District 4	Larry Stelma - Sheriff
Circuit Court 616.632.5220	Sandi Frost Parrish District 5	Kenneth Parrish - Treasurer
Clerk's Office 616.632.7640	Arthur Tanis District 6	
Community Development 616.632.7400	Stan Ponstein District 7	<b>Executive Staff</b>
Drain Commissioner 616.336.3688	Keith Courtade District 8	Daryl Delabbio - Administrator/Controller
Equalization 616.632.7520	Harold Voorhees District 9	Robert White - Fiscal Services Director
Fiscal Services 616.632.7670	Bill Hirsch District 10	
Friend of the Court 616.632.6888	Dean Agee (Vice-Chair) District 11	<b>Administration Building</b>
Health Department 616.632.7100	Pete Hickey District 12	
Housing Commission 616.632.7400	Dick Vander Molen District 13	<b>County of Kent</b>
Human Resources 616.632.7440	Carol Hennessy (Minority Vice-Chair) District 14	300 Monroe Avenue, NW
Information Technology 616.632.6500	Dick Bulkowski District 15	Grand Rapids, MI 49503
John Ball Zoological Garden 616.336.4301	Jim Talen District 16	<a href="http://www.accesskent.com">www.accesskent.com</a>
Parks Department 616.336.7275	James Vaughn District 17	
Probate Court 616.632.5440	Brandon Dillon District 18	616.632.7570 phone
Prosecutor's Office 616.632.6710	Bob Synk District 19	616.632.7565 fax
Public Works 616.336.3694		
Sheriff 616.632.6100		



**County of Kent**  
300 Monroe Avenue, NW  
Grand Rapids, MI 49503-2221  
[www.accesskent.com](http://www.accesskent.com)