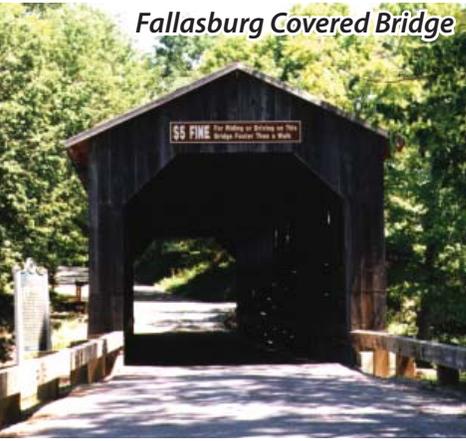


# 2011 POPULAR ANNUAL FINANCIAL REPORT

Year Ended December 31, 2011



*Fallsburg Covered Bridge*



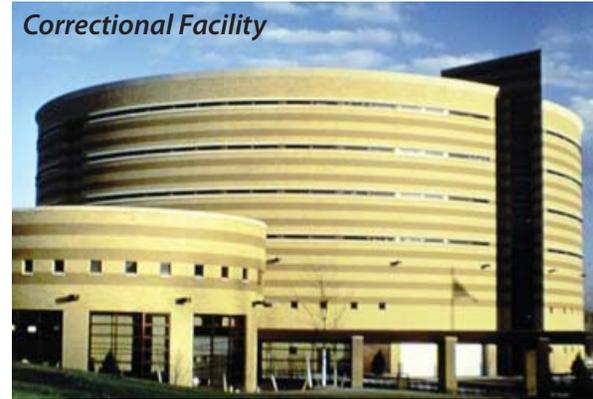
*Animal Shelter*



*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).

The Government Finance Officers Association (GFOA) has given an Award to Kent County for Outstanding Achievement in Popular Financial Reporting for its PAFR for the year ended December 31, 2010. This report will also be submitted to the GFOA for its review and consideration.

## Government Profile

The County of Kent encompasses an area of approximately 864 square miles and is located in the central west portion of Michigan's Lower Peninsula. The County of Kent is the fourth most populous County in the State of Michigan (State) with a 2011 population of 608,453. 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 2010 census population

of the County resides as follows: townships (223,746); cities (371,492); and villages (7,384). 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 (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 equal 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 wide and varied range of services in the following areas: law enforcement, correctional

facility, three court systems, airport, fire, social services, both State and County funded public health, park system and zoo. The Department of Public Works 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 CMH Authority (operating as "Network 180") is a component unit that provides mental health services. 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

### Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

County of Kent  
Michigan

for the Fiscal Year Ended

December 31, 2010



*Linda C. Davison*  
President

*Jeffrey L. Esser*  
Executive Director

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 Taxable Value (STV) for commercial property increased from \$4.38 billion in 2006 to \$5.04 billion in 2011, for an average annual increase of 3.0%. Industrial property STV decreased in value from \$2.48 billion in 2006 to \$1.89 billion in 2011, for an average annual decrease of 4.8%.

Convention Facilities - In 2000, the City of Grand Rapids and the County jointly created the Grand Rapids -- Kent County Convention/Arena Authority. The function of this independent authority is to own and operate the DeVos Place Convention Center and the Van Andel Arena. The Van Andel Arena was completed

### Major Taxpayers:

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

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 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 beyond 2012.

Regional Government Coordination - The Grand Valley Metropolitan Council ("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 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.



**Medical Services** - The residents of the County are served by a number of hospitals. The public and non-profit hospitals in the County have approximately 2,732 licensed beds. In 2000, the Van Andel Institute (VAI) opened, with the stated mission “. . . to become one of the world’s preeminent private medical research institutions within the next decade” which has become a reality. 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 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 constructed a 240,000 square-foot, eight story building expansion that opened in December 2009. This expansion nearly triples the Institute’s laboratory space, allowing for growth of current laboratories and expanded research into neurological diseases. Michigan State University Medical School began construction of a new \$90 million, 180,000 square foot medical school in the spring of 2008. The MSU college of Human Medicine began to transition its programming to temporary local facilities in the fall of 2009. The new medical facility was opened in 2010 and is expected to reach a capacity of 400 students in 2013. In 2012, MSU also purchased the former Grand Rapids Press headquarters along with five parking properties for use as research space and additional parking. The facility is in close proximity to the newly constructed medical facility.

**Employment**

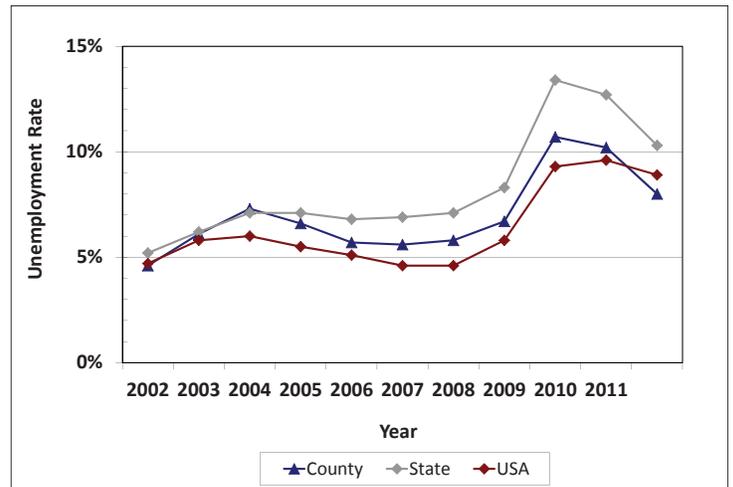
Major industries that are located within the boundaries

**Major Employers:**

Spectrum Health
Meijer, Inc.
Axios, Inc.
Spartan Stores
Amway Corporation
G.R. Public Schools
Steelcase, Inc.
Walmart
St. Mary's Health
Magna Donnelly

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 5.6 percent (October 2005) to a decade high of 11.8 percent (July 2009). The average annual unemployment rate for the County for 2011 was 8.0 percent, which is a decrease from a rate of 10.2 percent a year ago. This is significantly

below the State’s average annual unemployment rate of 10.3 percent for 2011. Unemployment has leveled out and is expected to continue to decline over the remainder of 2012.



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

**Budget and Forecast**

The budget serves as the foundation for the County’s financial planning and control. As part of the budget process, management prepares an annual budget for the General Fund. The forecasted General Fund Revenues, Expenses and Fund Balances for the period including the current budget (FY 2012) and FY 2013 is as follows. The revenue forecast projects annual increases (decreases) of 1.4 and 0.9 percent respectively. Expenditures during this period have projected annual increases (decreases) of 1.4 and 0.9 percent respectively. Based on the current financial forecast, the County will be able to continue most current service levels without raising its tax rate while retaining a projected fund balance of \$68.7 million at December 31, 2013.

## 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 \$518.6 million at the close of the most recent fiscal year.

A substantial portion of the County's net assets, \$326,581 (63.0 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 \$40,877 (7.9 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 \$151,132 (29.1 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.

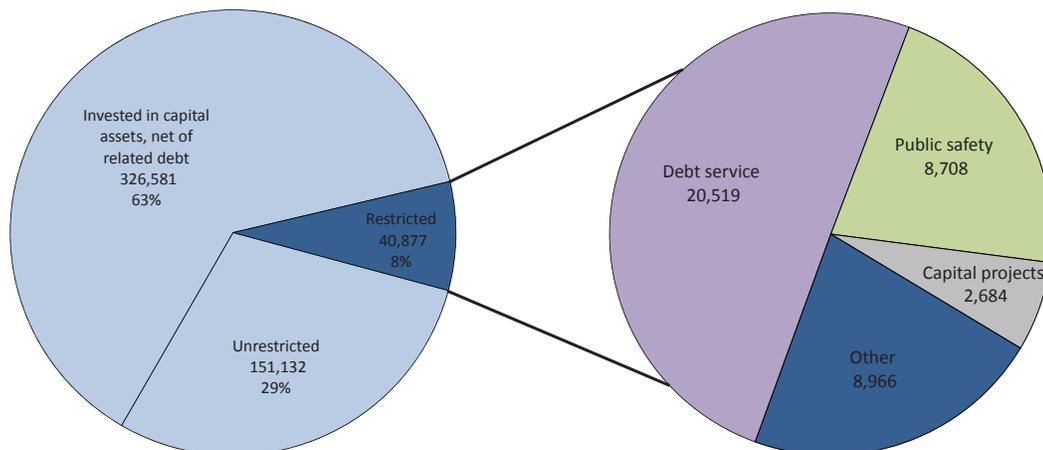
There was a decrease of \$4,599 in restricted net assets reported in connection with the County's governmental activities. The majority of the decrease (\$4,400) of the \$4,599 decrease was the result of a reduction in the amount of funds restricted for the Revenue Sharing Reserve Fund mandated by the State of Michigan. The fund was liquidated as of December 31, 2011.

### Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 171,067	\$ 157,092	\$ 166,022	\$ 165,332	\$ 337,089	\$ 322,424
Capital assets	241,668	250,467	405,989	394,100	647,657	644,567
<b>Total assets</b>	<b>412,735</b>	<b>407,559</b>	<b>572,011</b>	<b>559,432</b>	<b>984,746</b>	<b>966,991</b>
Long-term liabilities outstanding	141,854	135,771	271,538	262,638	413,392	398,409
Other liabilities	46,353	40,933	11,637	9,059	57,990	49,992
<b>Total liabilities</b>	<b>188,207</b>	<b>176,704</b>	<b>283,175</b>	<b>271,697</b>	<b>471,382</b>	<b>448,401</b>

#### Net assets:

Invested in capital assets, net of related debt	130,574	132,743	200,535	193,838	331,109	326,581
Restricted	19,216	14,617	27,267	26,260	46,483	40,877
Unrestricted	74,738	83,495	61,034	67,637	135,772	151,132
<b>Total</b>	<b>\$224,528</b>	<b>\$230,855</b>	<b>\$288,836</b>	<b>\$287,735</b>	<b>\$513,364</b>	<b>\$518,590</b>



**Changes in Net Assets** (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 31,734	\$ 31,959	\$ 77,457	\$ 70,427	\$ 109,191	\$ 102,386
Operating grants and contributions	68,206	74,819	275	484	68,481	75,303
Capital grants and contributions	-	-	11,606	7,619	11,606	7,619
General revenues	115,236	123,692	355	200	115,591	123,892
<b>Total revenues</b>	<b>215,176</b>	<b>230,470</b>	<b>89,693</b>	<b>78,730</b>	<b>304,869</b>	<b>309,200</b>
<b>Expenses:</b>						
General government	26,436	30,357	-	-	26,436	30,357
Public safety	65,967	66,780	-	-	65,967	66,780
Health and welfare	73,266	70,988	-	-	73,266	70,988
Cultural and recreation	9,046	8,768	-	-	9,046	8,768
Judicial	33,184	32,241	-	-	33,184	32,241
Community & Econ Development	11,699	13,559	-	-	11,699	13,559
Interest and fiscal charges	6,364	6,102	-	-	6,364	6,102
Delinquent tax	-	-	1,167	1,122	1,167	1,122
Airport operations	-	-	43,167	41,834	43,167	41,834
Public works	-	-	33,095	31,875	33,095	31,875
<b>Total expenses</b>	<b>225,962</b>	<b>228,795</b>	<b>77,429</b>	<b>74,831</b>	<b>303,391</b>	<b>303,626</b>
<b>Net revenues (expenses)</b>	<b>(10,786)</b>	<b>1,675</b>	<b>12,264</b>	<b>3,899</b>	<b>1,478</b>	<b>5,574</b>
Transfers	5,181	4,652	(5,147)	(5,000)	34	(348)
<b>Inc (dec) in net assets</b>	<b>(5,605)</b>	<b>6,327</b>	<b>7,117</b>	<b>(1,101)</b>	<b>1,512</b>	<b>5,226</b>
Net Assets, beginning	230,133	224,528	281,719	288,836	511,852	513,364
<b>Net Assets, ending</b>	<b>\$ 224,528</b>	<b>\$ 230,855</b>	<b>\$ 288,836</b>	<b>\$ 287,735</b>	<b>\$ 513,364</b>	<b>\$ 518,590</b>

There was a decrease of \$1,007 in restricted net assets reported in connection with the County's business type activities. The \$1,007 decrease is attributable to a decrease in restricted net assets for Department of Public works for debt service and Aeronautics Department for capital improvements.

The County's net assets increased by \$5,226 during the current fiscal year. The increase is due to the reinstatement of State revenue sharing which resulted in additional revenue funding of \$10,226 over prior years.

**Governmental Activities.** Governmental activities increased the County's net assets by \$6,327. The key element of this increase is due to receiving \$10,226 of State revenue sharing.

**Business-type Activities.** Business-type activities decreased the County's net assets by \$1,101. The key element of this decrease was a decrease in operating revenues and contributions received in the form of grants from federal and state governments during the current fiscal year.

### County Revenues

The majority of the County's revenues come from Taxes which represents 48.0 percent of total revenues. In FY 2011, the County collected \$113.2 million in taxes. The two other main sources of revenues come from the Intergovernmental and Charges for services categories.

**Taxes:** \$113,186,534 - In FY 2011, the County collected \$113.2 million in taxes, a \$2.8 million, or 2.4 percent decrease from FY 2010 collections of \$115.9 million. This decrease can be attributed to the County's declining taxable value. 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

### Revenue by Category\*

	2010	2011
<b>Revenue:</b>		
Taxes	\$ 115,939,475	\$ 113,186,534
Intergovernmental	70,916,802	63,639,002
Licenses and permits	1,781,554	1,878,410
Charges for services	24,089,582	24,124,366
Fines and forfeitures	592,965	591,026
Investment earnings	563,359	636,854
Contributions and reimbursements	11,791,424	21,514,163
Other	4,787,969	10,381,912
<b>Total revenue</b>	<b>\$ 230,463,130</b>	<b>\$ 235,952,267</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.

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 2011, for which revenue was recognized in the General Fund, was \$20.5 billion. The general operating tax rate for this levy was 4.2803 mills. The taxable value of real and personal property for 2010, for which revenue was recognized in all other funds, was \$21.01 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:** \$63,639,002 - Intergovernmental revenue consists of grants from Federal, State, and local units of government. In FY 2011, this source accounted for \$63.6 million or 27.0 percent of total revenues. This represents a decrease of \$7.3 million, or 10.3 percent, from FY 2010.

**Charges for Services:** \$24,124,366 - 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 2011, this source accounted for \$24.1 million, or 10.2 percent, of total revenues. This represents an increase of \$0.03 million, or 0.1 percent, from FY 2010.

### 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.

### Expenditures by Functional Area\*

	2010	2011
<b>Expenditures:</b>		
General government	\$ 39,085,789	\$ 38,189,222
Public safety	67,835,509	66,134,805
Health and welfare	73,195,409	71,262,557
Cultural and recreation	7,581,131	7,593,227
Judicial	31,731,220	31,433,217
Community & Econ Development	11,699,242	13,571,048
Debt service	14,095,175	11,313,212
Capital outlay	12,281,275	12,735,600
<b>Total expenditures</b>	<b>\$ 257,504,750</b>	<b>\$ 252,232,888</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.

**General government:** \$38,189,222 - The primary activities of the General government functional area include Facilities Management, Fiscal Services, Information Technology, MSU Cooperative Extension, and Policy/Administration. In FY 2011, the General government functional area accounted for \$38.2 million or 15.1 percent of total expenditures. This represents a decrease of \$0.9 million, or 2.3 percent, from FY 2010.

**Public safety:** \$66,134,805 - The primary activities of the Public Safety functional area include the Sheriff's administration & road patrol, the Correctional facility, and the Fire commission. In FY 2011, the Public safety functional area accounted for \$66.1 million or 26.2 percent of total expenditures. This represents a decrease of \$1.7 million, or 2.5 percent, from FY 2010.

**Health and welfare:** \$71,262,557 - The primary activities of the Health and welfare functional area include the Health department and Childcare. In FY 2011, the Health and Welfare functional area accounts for \$71.3 million, or 28.3 percent, of total expenditures. This represents a decrease of \$1.9 million, or 2.6 percent, from FY 2010.

**Cultural and recreation:** \$7,593,227 - The primary activities of the Cultural and recreation functional area include the Parks and the Zoo. In FY 2011, the Cultural and recreation functional area accounted for \$7.6 million, or 3.0 percent, of total expenditures. This represents an increase of \$0.01 million, or 0.2 percent, from FY 2010.

**Judicial:** \$31,433,217 - The primary activities of the Judicial functional area include the Circuit Court, District Court, and Probate Court. In FY 2011, the Judicial functional area accounted for \$31.4 million, or 12.5 percent, of total expenditures. This represents a decrease of \$0.3 million, or 0.9 percent, from FY 2010.

**Community & Economic Development:** \$13,571,048 - The primary activities of the Community Development functional area include the Housing Commission, Community Development, and Economic Development. In FY 2011, the Community Development functional area accounted for \$13.6 million, or 5.4 percent, of total expenditures. This represents an increase of \$1.9 million, or 16.0 percent, over FY 2010.

### General Fund Summary

The General Fund is the chief operating fund of the County. At the end of fiscal year 2011, unassigned fund balance of the General Fund was \$44.4 million, while total fund balance amounted to \$68.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total

fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 28.0 percent of total General Fund expenditures and transfers out, while total fund balance represents 43.3 percent of that same amount.

The County's General Fund revenues continue to be flat and the County continues to cut costs to balance the budget. As a result, the fund balance of the General Fund increased by \$53,940 during the current fiscal year.

Significant changes in budgetary variances are as follows:

- Tax revenues had a negative budgetary variance of \$1.1 million;
- Intergovernmental had a positive budgetary variance

### General Fund

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

	December 31,				
	2010		2011		Pos/(Neg) Variance
	Actual	Original Budget	Final Budget	Actual	
<b>Revenues</b>					
Taxes	\$ 84,499,583	\$ 85,924,850	\$ 85,924,850	\$ 84,842,764	\$ (1,082,086)
Intergovernmental	9,033,732	16,675,748	16,690,748	20,059,917	3,369,169
License and permits	102,132	110,800	110,800	302,085	191,285
Charges for services	17,142,184	18,388,919	18,388,919	17,477,651	(911,268)
Investment earnings	62,904	887,500	887,500	339,885	(547,615)
Contributions and reimbursements	12,758,537	14,111,281	14,115,281	12,830,449	(1,284,832)
Other	3,132,388	4,605,358	4,627,284	2,201,752	(2,425,532)
<b>Total revenues</b>	<b>126,731,460</b>	<b>140,704,456</b>	<b>140,745,382</b>	<b>138,054,503</b>	<b>(2,690,879)</b>
<b>Expenditures</b>					
General government	35,483,051	37,979,872	37,969,836	35,922,987	2,046,849
Public safety	59,632,271	61,035,790	60,927,575	57,085,692	3,841,883
Health and welfare	8,117,084	8,244,719	8,491,569	8,488,875	2,694
Cultural and recreation	7,504,675	7,917,619	7,930,108	7,591,658	338,450
Judicial	20,115,303	20,962,538	20,962,538	19,709,628	1,252,910
Community and economic development	150,000	85,000	85,000	85,000	-
<b>Total expenditures</b>	<b>131,002,384</b>	<b>136,225,538</b>	<b>136,366,626</b>	<b>128,883,840</b>	<b>7,482,786</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	154,491	225,000	225,000	166,202	(58,798)
Interfund transfers in	30,605,290	24,250,000	24,250,000	20,456,819	(3,793,181)
Interfund transfers out	(26,389,961)	(33,967,404)	(33,987,054)	(29,739,744)	4,247,310
Estimated budget appropriation lapse	-	5,000,000	5,000,000	-	(5,000,000)
<b>Total other financing sources (uses)</b>	<b>4,369,820</b>	<b>(4,492,404)</b>	<b>(4,512,054)</b>	<b>(9,116,723)</b>	<b>(4,604,669)</b>
Net change in fund balance	98,896	(13,486)	(133,298)	53,940	187,238
Fund Balance, beginning, as restated	68,500,714	68,599,610	68,599,610	68,599,610	-
<b>Fund Balance, ending</b>	<b>\$ 68,599,610</b>	<b>\$ 68,586,124</b>	<b>\$ 68,466,312</b>	<b>\$ 68,653,550</b>	<b>\$ 187,238</b>

of \$3.4 million as a result of the County receiving State revenue sharing payments again and the State fiscal year overlapping with the County's fiscal year; and

- The Other category shows a negative budgetary variance between budgeted and actual revenues of \$2.4 million. The majority of this was due to budget rent income on the DHS facility that was not collected as it was covered by bond proceeds.

Expenditures and uses had an overall positive budgetary variance of \$6.7 million, of which \$2.0 million related to general government, \$3.8 million related to public safety and \$1.3 million related to judicial.

During the year, there was a \$119,812 net increase in appropriations between the original and final amended budget. The majority of this increase can be attributed to appropriations carried forward from 2010 for outstanding purchase orders and contractual encumbrances at the fiscal year end.

## Debt Summary

At the end of the current fiscal year, the County had total bonded debt outstanding of \$365.8 million. Of this amount, \$15.1 million (4.1 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.

The County's total installment debt decreased by \$15.8 million (4.1 percent) during the current fiscal year. The net decrease was mainly attributable to annual principal payments.

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 \$2,173,516,653, which is significantly higher than the County's outstanding general obligation debt.

<b>County's Outstanding Debt</b>						
General Obligation and Revenue Bonds (in thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Primary Government</b>						
Limited tax pledge bonds	\$ 131,275	\$ 126,545	\$ 44,500	\$ 40,500	\$ 175,775	\$ 167,045
Limited revenue bonds	-	-	146,740	182,805	146,740	182,805
Revenue Bonds	-	-	58,195	15,110	58,195	15,110
Capital lease obligations	811	794	-	-	811	794
<b>Total</b>	<b>\$ 132,086</b>	<b>\$ 127,339</b>	<b>\$ 249,435</b>	<b>\$ 238,415</b>	<b>\$ 381,521</b>	<b>\$ 365,754</b>
<b>Per Capita</b>					<b>609.14</b>	<b>606.94</b>

<b>Statement of Legal Debt Margin</b>				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>December 31, 2011</b>
State Equalized Value (SEV)	\$ 24,296,248,175	\$ 23,810,524,071	\$ 22,577,744,317	\$ 21,735,166,525
Legal Debt Limit (10% of SEV)	2,429,624,818	2,381,052,407	2,257,774,432	2,173,516,653
Debt Outstanding (including the Notes)	482,212,904	496,995,904	459,568,904	437,868,904
<b>Margin of additional debt that could be legally incurred</b>	<b>\$ 1,947,411,914</b>	<b>\$ 1,884,056,503</b>	<b>\$ 1,798,205,528</b>	<b>\$ 1,735,647,749</b>
<b>Percentage of Debt Outstanding to SEV</b>	<b>1.98%</b>	<b>2.09%</b>	<b>2.04%</b>	<b>2.01%</b>

## 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. 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.

## 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 finances. 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 NW, Grand Rapids, Michigan 49503-2221.

## Bond Rating History

Rating Service	2007	2008	2009	2010	2011
Standard & Poor's	AAA	AAA	AAA	AAA	AAA
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa

## Bond Rating Scale

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

Phone Numbers		Board of Commissioners		Elected Officials	
Administrator's Office	616.632.7570	Ted Vonk (Vice-Chair)	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	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 (Chair)	District 5	Kenneth Parrish - Treasurer	
Clerk's Office	616.632.7640	Michael Wawee, Jr.	District 6		
Community Development	616.632.7400	Stan Ponstein	District 7		
Drain Commissioner	616.336.3688	Jack Boeema	District 8		
Equalization	616.632.7520	Harold Voorhees	District 9		
Fiscal Services	616.632.7670	Bill Hirsch	District 10		
Friend of the Court	616.632.6888	Jim Saalfeld	District 11		
Health Department	616.632.7100	Harold Mast	District 12		
Housing Commission	616.632.7400	Dick Vander Molen	District 13		
Human Resources	616.632.7440	Carol Hennessy (Minority Vice-Chair)	District 14		
Information Technology	616.632.6500	Dick Bulkowski	District 15		
John Ball Zoological Garden	616.336.4301	Jim Talen	District 16		
Parks Department	616.336.7275	Candace Chivis	District 17		
Probate Court	616.632.5440	Dan Koorndyk	District 18		
Prosecutor's Office	616.632.6710	Shana Shroll	District 19		
Public Works	616.336.3694				
Sheriff	616.632.6100				
				<b>Executive Staff</b>	
				Daryl Delabbio - Administrator/Controller	
				Steve Duarte - Fiscal Services Director	
				<b>Administration Building</b>	
				<b>County of Kent</b>	
				300 Monroe Avenue, NW	
				Grand Rapids, MI 49503	
				<a href="http://www.accesskent.com">www.accesskent.com</a>	
				616.632.7570 phone	
				616.632.7565 fax	



**Pictured back row left to right:** Dick Bulkowski, Roger Morgan, Carol Hennessy (Minority Vice-Chair), Harold Voorhees, Sandi Frost Parrish (Chair), Ted Vonk (Vice-Chair), Dan Koorndyk, Dick Vander Molen, Tom Antor, Michael Wawee, Jr. **Front row left to right:** Shana Shroll, Harold Mast, Gary Rolls, Jim Talen, Jim Saalfeld, Jack Boeema, Bill Hirsch, Stan Ponstein, Candace Chivis.

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

