



2014

POPULAR ANNUAL FINANCIAL REPORT

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ADMINISTRATOR MESSAGE

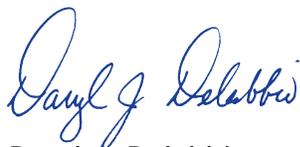
Dear Kent County Residents,

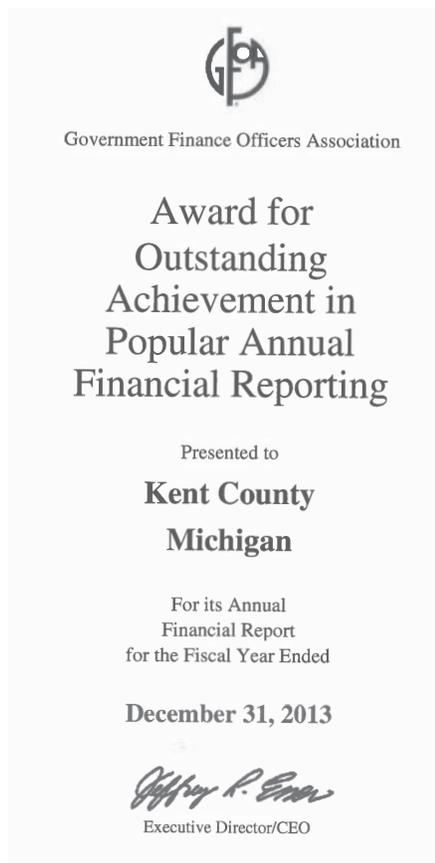
The Popular Annual Financial Report (PAFR) is created for the citizens of Kent County. The purpose of this report is to summarize the presentation of financial information contained in the Kent County Comprehensive Annual Financial Report (CAFR). The PAFR is not required to present the same level of 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). The PAFR contains reporting from selected funds and does not include all component unit funds. 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 <https://www.accesskent.com/Departments/FiscalServices/documents.htm>.

We are proud to announce that the County received, from the Government Finance Officers Association (GFOA), the *Distinguished Budget Presentation Award* for its annual budget for the fiscal year beginning January 1, 2015; the *Certificate of Achievement for Excellence in Financial Reporting* for its annual report for the fiscal year ended December 31, 2013; and the *Popular Annual Financial Reporting Award* for its annual report for the fiscal year ended December 31, 2013. These awards acknowledge that the County's financial reporting and management practices are recognized as best practices. This report will also be submitted to the GFOA for its review and consideration.

We hope that you find the PAFR to be informative and understandable. Should you have any questions or concerns regarding this document or County government please let us know.


Daryl J. Delabbio



KENTCOUNTYPROFILE

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 2014 estimated population of 629,237. 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. 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 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.



LOCALECONOMY

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, high quality of life.

Within the County, the State Taxable Value (STV) for commercial property decreased from \$4.74 billion in 2010 to \$4.26 billion in 2014, an average annual decrease of 1.6%. It is expected that the STV for commercial property will rebound in 2015. The County's industrial property STV dropped from \$1.55 billion in 2010 to \$1.06 billion in 2013, for an average annual decrease of 14.1%. Industrial property increased to \$1.08 billion in 2014 and is expected to grow in 2015.

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 in 1996, has a seating capacity of 12,000 and is used for professional hockey games, concerts, family shows and other entertainment events. The convention center features a 162,000 square foot, column free exhibit hall, 40,000 square foot ballroom and 26 individual meeting rooms (32,000 square feet). Twelve spacious loading docks (with a wash bay and marshalling area), allow for easy access into the exhibit hall. In addition, DeVos Place features a 2,404 seat performing arts theater with two independent loading docks and one loading ramp. Home to the Grand Rapids Symphony, Grand Rapids Ballet Company, Opera Grand Rapids and Broadway Grand Rapids, it can also serve as the perfect space for a general session or keynote address. These facilities have enabled several large events to take place, with bookings made for local, state, regional and national conferences.

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 nonprofit hospitals in the County have approximately 2,830 licensed beds. In 2000, the Van Andel Institute (VAI) opened, with the stated mission ". . .

Major Employers:

- Spectrum Health
- Meijer, Inc.
- Mercy/St. Mary's Health
- Spartan Nash Grocery
- Amway Corporation
- G.R. Public Schools
- Axios, Inc.
- Steelcase, Inc.
- Fifth Third Bank
- Gordon Food Service



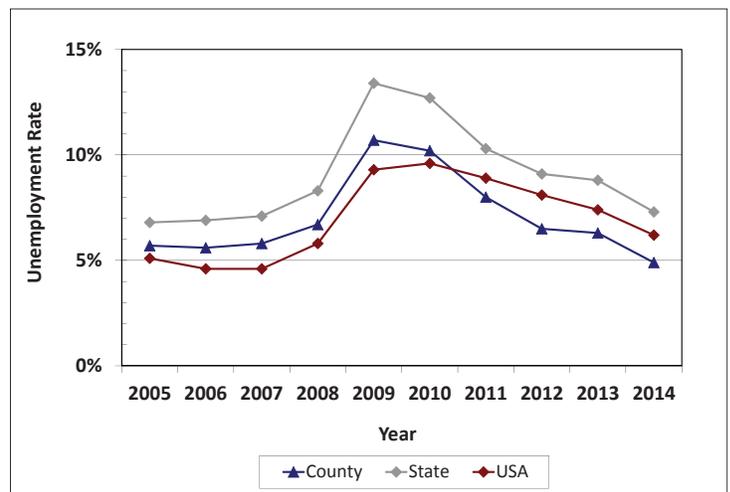
to become one of the world’s preeminent private medical research institutions within the next decade” which has become a reality. The Van Andel Institute has three component parts: the Van Andel Research Institute (VARI), the Van Andel Education Institute (VAEI) and the Van Andel Institute (VAI). The 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 squarefoot, 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 officially opened its new headquarters in downtown Grand Rapids in September 2010. In 2012, MSU purchased the former Grand Rapids Press headquarters along with five parking properties for use as research space and additional parking. MSU will spend \$88.1 million to build a 163,000 square-foot biomedical research center. The facility is in close proximity to the MSU College of Human Medicine and will hold 44 principal investigator teams. The new research center will retain about 80 current MSU College of Human Medicine employees and create up to 180 new jobs.

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 high of 10.7% (2009) to a low of 4.9% (2014). Unemployment has declined every year since 2010 and is expected to continue to decline or remain stable in 2015.



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

GOVERNMENT-WIDESTATEMENTS

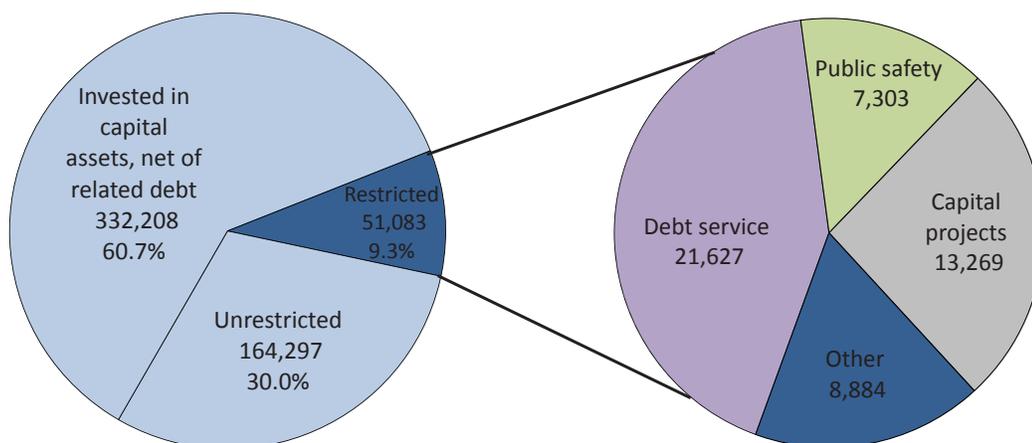
The government-wide financial statements are designed to provide readers with a broad overview of the County’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 144,999	\$ 152,126	\$ 172,515	\$ 174,694	\$ 317,514	\$ 326,820
Capital assets	253,224	250,519	376,527	377,749	629,751	628,268
Total assets	398,223	402,645	549,042	552,443	947,265	955,088
Long-term liabilities outstanding	124,447	121,914	245,420	234,361	369,867	356,275
Other liabilities	19,636	18,571	10,921	9,415	30,557	27,986
Total liabilities	144,083	140,485	256,341	243,776	400,424	384,261
Net assets:						
Invested in capital assets, net of related debt	134,750	137,318	187,333	194,890	322,083	332,208
Restricted	14,939	15,009	33,113	36,074	48,052	51,083
Unrestricted	83,655	84,106	74,976	80,191	158,631	164,297
Total	\$233,344	\$236,433	\$295,422	\$311,155	\$528,766	\$547,588



Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, health and welfare, cultural and recreation, judicial, and community and economic development. The business-type activities of the County include the Gerald R. Ford International Airport, Department of Public Works and delinquent tax collection and administration.

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$547.6 million at the close of the most recent fiscal year.

A substantial portion of the County's net position, \$332.2 million (60.7 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 position of \$51.1 million (9.3 percent) represents resources that are subject to

Changes in Net Position (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 36,662	\$ 39,830	\$ 68,878	\$ 72,940	\$ 105,540	\$ 112,770
Operating grants and contributions	77,011	72,012	345	409	77,356	72,421
Capital grants and contributions	1,698	156	10,711	21,435	12,409	21,591
General revenues	121,287	124,810	567	186	121,855	124,996
Total revenues	236,658	236,808	80,501	94,970	317,159	331,778
Expenses:						
General government	37,898	37,822	-	-	37,898	37,822
Public safety	72,187	72,136	-	-	72,187	72,136
Health and welfare	68,668	69,449	-	-	68,668	69,449
Cultural and recreation	10,603	9,347	-	-	10,603	9,347
Judicial	33,383	33,158	-	-	33,383	33,158
Community & Econ Development	10,800	11,568	-	-	10,800	11,568
Interest and fiscal charges	5,642	5,445	-	-	5,642	5,445
Delinquent tax	-	-	842	43,500	842	43,500
Airport operations	-	-	43,891	30,359	43,891	30,359
Public works	-	-	28,914	678	28,914	678
Total expenses	239,181	238,925	73,648	74,537	312,828	313,462
Net revenues (expenses)	(2,523)	(2,117)	6,853	20,433	4,331	18,316
Transfers	5,104	5,206	(5,720)	(4,700)	(616)	506
Extraordinary item	-	-	-	-	-	-
Inc (dec) in net assets	2,582	3,089	1,133	15,733	3,715	18,822
Net Position, beginning	230,762	233,344	294,289	295,422	525,051	528,766
Net Position, ending	\$ 233,344	\$ 236,433	\$ 295,422	\$ 311,155	\$ 528,766	\$ 547,588

external restrictions on how they may be used. The County may use the remaining balance of unrestricted net position of \$164.3 million (30 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 position, both for the government as a whole, and for its separate governmental and business-type activities.

There was an increase of \$0.07 million in restricted net position reported in connection with the County's governmental activities. The majority of the increase was the result of recording a receivable for the County's Medicaid cost settlement in the health department special revenue fund.

There was an increase of \$2.96 million in restricted net position reported in connection with the County's business-type activities. The \$2.96 million increase is largely attributable to an increase in the resources that are subject to external restrictions on how they can be used under Bond resolutions and Federal regulations.

The County's net position increased by \$18.82 million during the current fiscal year. The majority of this increase is due to an increase in operating grants and contributions of federal funding for general government activities.

Governmental Activities. Governmental activities increased the County's net position by \$3.09 million. The key element of this increase is the result of an increase in operating grants and contributions.

Business-type Activities. Business-type activities increased the County's net position by \$15.73 million. The key element of this increase was the effect of a gain on the sale of capital assets for the Department of Public Works during the fiscal year.

Governmental Activity Revenues

The majority of the County's revenues come from Taxes which represents 47.5 percent of total revenues. In FY 2014, the County collected \$114.06 million in taxes. The two other main sources of revenues come from the Intergovernmental and Charges for services categories.

Taxes: \$114,062,333 - In FY 2014, the County collected \$114.06 million in taxes, a \$2.56 million, or 2.3 percent increase from FY 2013 collections of \$111.50 million. This increase can be attributed to the growth in the County's 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 of the property as established by local units, accepted by the County and equalized under State statute at approximately 50 percent of the current estimated market value.

The taxable value of real and personal property for 2014, for which revenue was recognized in the General Fund, was \$20.353 billion. The general operating tax rate for this levy was 4.2803 mills. The taxable value of real and personal property for 2013, for which revenue was recognized in all other funds, was \$20.026 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: \$60,763,335 - Intergovernmental revenue consists of grants from Federal, State, and local units of government. In FY 2014, this source accounted for \$60.76 million or 25.3 percent of total revenues. This represents an increase of \$1.62 million, or 2.7 percent, from the FY 2013 amount of \$59.14 million.

Charges for Services: \$23,788,612 - 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 2014, this source accounted for \$23.79 million, or 9.9 percent, of total revenues. This represents a decrease of \$2.61 million, or 9.9 percent, from FY 2013 amount of \$26.40 million.

Revenue by Category*

	2013	2014
Revenue:		
Taxes	\$ 111,502,155	\$ 114,062,333
Intergovernmental	59,138,391	60,763,335
Licenses and permits	2,048,435	2,169,687
Charges for services	26,402,338	23,788,612
Fines and forfeitures	595,310	634,117
Investment earnings	376,973	383,895
Contributions and reimbursements	20,725,437	22,505,656
Other	16,148,193	15,986,979
Total revenue	\$ 236,937,232	\$ 240,294,614

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

Expenditures by Functional Area*

	2013	2014
Expenditures:		
General government	\$ 39,917,794	\$ 39,429,914
Public safety	68,006,701	69,129,351
Health and welfare	67,103,479	68,130,806
Cultural and recreation	8,474,782	6,940,088
Judicial	31,335,266	31,392,404
Community & Econ Development	10,796,942	11,538,115
Debt service	12,435,283	12,710,994
Capital outlay	6,775,034	7,325,207
Total expenditures	\$ 244,845,281	\$ 246,596,879

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

Governmental Activity 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: \$39,429,914 - The primary activities of the General government functional area include Facilities Management, Fiscal Services, Information Technology, MSU Cooperative Extension, and Policy/Administration. In FY 2014,

the General government functional area accounted for \$39.43 million or 16.0 percent of total expenditures. This represents a decrease of \$0.49 million, or 1.2 percent, from the FY 2013 amount of \$39.92 million.

Public safety: \$69,129,351 - 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 2014, the Public safety functional area accounted for \$69.13 million or 28.0 percent of total expenditures. This represents an increase of \$1.12 million, or 1.7 percent, from the FY 2013 amount of \$68.00 million.

Health and welfare: \$68,130,806 - The primary activities of the Health and welfare functional area include the Health department and Childcare. In FY 2014, the Health and Welfare functional area accounts for \$68.13 million, or 27.6 percent, of total expenditures. This represents an increase of \$1.03 million, or 1.5 percent, from the FY 2013 amount of \$67.10 million.

Cultural and recreation: \$6,940,088 - The primary activities of the Cultural and recreation functional area include the Parks and the Zoo. In FY 2014, the Cultural and recreation functional area accounted for \$6.94 million, or 2.8 percent, of total expenditures. This represents a decrease of \$1.53 million, or 18.1 percent, from the FY 2013 amount of \$8.47 million.

Judicial: \$31,392,404 - The primary activities of the Judicial functional area include the Circuit Court, District Court, and Probate Court. In FY 2014, the Judicial functional area accounted for \$31.39 million, or 12.7 percent, of total expenditures. This represents an increase of \$0.05 million, or 0.2 percent, from the FY 2013 amount of \$31.34 million.

Community & Economic Development: \$11,538,115 - The primary activities of the Community Development functional area include the Housing Commission, Community Development, and Economic Development. In FY 2014, the Community Development functional area accounted for \$11.54 million, or 4.7 percent, of total expenditures. This represents an increase of \$0.74 million, or 6.9 percent, from the FY 2013 amount of \$10.80 million.

GENERALFUND

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$42.9 million while total fund balance amounted to \$68.8 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. Unassigned fund balance represents 26.7 percent of total General Fund expenditures and transfers out, while total fund balance represents 42.8 percent of that same amount.

The County's General Fund revenues continue to be relatively flat and the County continues to cut costs to balance the budget. As a result, the fund balance of the General Fund increased by \$167,001 during the current fiscal year.

Property Tax Revenue

Property Tax is the primary source of revenue for the County's General Fund. Property tax revenue is based on four variables: taxable valuation, the operating millage, delinquencies, and tax abatement/capture programs initiated by local governmental units. The taxable valuation is based on the assessed property valuation of agricultural, commercial, industrial, and residential parcels, both real and personal property. The County's maximum operating millage rate is fixed, subject only to rollback based on the "Headlee" provisions in the state constitution. Application of the authorized millage rate to current taxable valuation produces the total gross tax levy. After recognition of exemption for the taxable valuation of properties located in renaissance zones/industrial facility tax districts, changes in delinquencies, and capture of tax increments by local governments, the County's net tax levy is determined.

The County's taxable valuation increased from \$20.026 billion in 2013 to \$20.353 billion in 2014 or 1.63%. The entire 2014 operating levy, or 4.2803 mills, is applied to the 2014 taxable value of \$20.026 billion to generate \$84.8 million in property tax revenue.

Major Taxpayers:

Consumers Energy
Amway Corporation
Meijer/Goodwill
DTE Energy
Steelcase, Inc.
Spectrum Health
PR Woodland
Keebler Company
Foremost Insurance
Holland Home

General Fund

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

	2013		2014		December 31,
	Actual	Original Budget	Final Budget	Actual	Pos/(Neg) Variance
Revenues					
Taxes	\$ 83,152,405	\$ 83,310,634	\$ 83,310,634	\$ 84,801,270	\$ 1,490,636
Intergovernmental	20,802,719	20,320,073	21,132,270	22,469,299	1,337,029
License and permits	240,927	180,100	180,100	199,946	19,846
Charges for services	19,636,395	19,748,071	17,796,261	17,128,641	(667,620)
Investment earnings	232,607	292,100	292,100	275,759	(16,341)
Contributions and reimbursements	12,833,084	13,313,748	13,414,349	13,937,533	523,184
Other	4,628,670	4,715,281	4,740,037	4,336,345	(403,692)
Total revenues	141,526,807	141,880,007	140,865,751	143,148,793	2,283,042
Expenditures					
General government	37,635,132	39,743,642	39,684,794	38,452,392	(1,232,402)
Public safety	57,495,001	59,101,921	59,099,063	58,091,743	(1,007,320)
Health and welfare	8,566,285	8,970,325	9,807,217	9,119,030	(688,187)
Cultural and recreation	8,399,276	8,329,099	6,827,619	6,823,544	(4,075)
Judicial	19,718,465	20,068,686	20,084,606	19,871,045	(213,561)
Community and economic development	150,000	157,500	157,500	150,000	(7,500)
Total expenditures	131,964,159	136,371,173	135,660,799	132,507,754	(3,153,045)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	93,698	179,800	179,800	157,044	(22,756)
Interfund transfers in	19,133,552	19,450,000	19,450,000	17,571,637	(1,878,363)
Interfund transfers out	(28,779,251)	(31,638,634)	(31,383,055)	(28,202,719)	3,180,336
Estimated budget appropriation lapse	-	6,500,000	6,500,000	-	(6,500,000)
Total other financing sources (uses)	(9,552,001)	(5,508,834)	(5,253,255)	(10,474,038)	(5,220,783)
Net change in fund balance	10,647	-	(48,303)	167,001	215,304
Fund Balance, beginning, as restated	68,662,289	68,672,936	68,672,936	68,672,936	-
Fund Balance, ending	\$ 68,672,936	\$ 68,672,936	\$ 68,624,633	\$ 68,839,937	\$ 215,304

General Fund Budget Variances

Significant changes in budgetary variances are as follows:

- Tax revenues had a positive budgetary variance of \$1.49 million, of which the majority relates to both current and delinquent property tax revenues which were up from budgeted amounts, due to an increase in the expected collection rate.
- Intergovernmental revenue had a positive budgetary variance of \$1.34 million. This is a reflection of an increase in State grant receipts due to an unexpected fourth quarter allocation for liquor tax revenues.
- Charges for services had a negative budgetary variance of \$0.67 million. The majority of this was due to a decrease in revenue from clinic fees related to the Kent Health Plan (\$0.62 million).
- Expenditures had an overall positive budgetary variance of \$3.15 million, of which the greatest portions related to general government (\$1.23 million, public safety (\$1.01 million), and health and welfare (\$0.69 million) which are a result of making tough budgetary decisions that have kept Kent County operating within its current revenue stream.

Budget and Forecast

As stated earlier, 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 (FY2015) and FY2016 is as follows. The revenue forecast projects annual increases (decreases) of (0.3 percent) and 2.6 percent respectively. Expenditures during this period have projected annual increases (decreases) of (0.3 percent) and 2.7 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 \$68.9 million at December 31, 2016.

OUTSTANDING DEBT

At the end of the current fiscal year, the County had total installment debt outstanding of \$318.6 million. The County's total installment debt decreased by \$14,469 (4.34 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 to 10 percent of its total state equalized valuation. The current debt limitation for the County is \$1.8 million which is significantly higher than the County's outstanding general obligation debt.

The County maintains an "AAA" rating from Standard & Poor's and "Aaa" rating from Moody's for its general obligation debt. The Gerald R. Ford International Airport qualified for a "BBB+" (March 2011 update) from Standard & Poor's and "A2" rating from Moody's. However, the three outstanding revenue bond issues were sold with the limited tax general obligation of the County thereby utilizing the County's AAA bond rating.

County's Outstanding Debt						
General Obligation and Revenue Bonds (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Primary Government						
General obligation bonds	\$ 115,475	\$ 111,790	\$ 11,430	\$ 10,350	\$ 126,905	\$ 122,140
Limited revenue bonds	-	-	174,580	168,865	174,580	168,865
Notes payable	-	-	31,500	26,400	31,500	26,400
Capital lease obligations	127	1,238	-	-	127	1,238
Total	\$ 115,602	\$ 113,028	\$ 217,510	\$ 205,615	\$ 333,112	\$ 318,643
Per Capita					\$ 535.81	\$ 506.40

Statement of Legal Debt Margin (in thousands)				
	December 31,			
	2011	2012	2013	2014
State Equalized Value (SEV)	\$ 21,735,167	\$ 20,988,856	\$ 20,992,849	\$ 21,611,337
Legal Debt Limit (10% of SEV)	2,173,517	2,098,886	2,099,285	2,161,134
Debt Outstanding *	437,869	416,884	392,131	374,927
Margin of additional debt that could be legally incurred	\$ 1,735,648	\$ 1,682,002	\$ 1,707,154	\$ 1,786,207
Percentage of Debt Outstanding to SEV	2.01%	1.99%	1.87%	1.73%

* The Statement of Legal Debt Margin includes Drainage District Bonds (\$8.59 million--2014) and City/County Building Authority Bonds (\$47.69 million--2014) neither of which are included in the Outstanding Debt statement above.

BONDRATING

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.

INFORMATION REQUESTS

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	2010	2011	2012	2013	2014
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	2015 Board of Commissioners*	2015 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 District 3	William Byl - Drain Commissioner
Board of Commissioners Office 616.632.7580	Diane Jones District 4	Larry Stelma - Sheriff
Circuit Court 616.632.5220	Mandy Bolter District 5	Kenneth Parrish - Treasurer
Clerk's Office 616.632.7640	Stan Stek District 6	Executive Staff
Community Development 616.632.7400	Stan Ponstein District 7	Daryl Delabbio - Administrator/Controller
Drain Commissioner 616.336.3688	Harold Voorhees District 8	Steve Duarte - Fiscal Services Director
Equalization 616.632.7520	Matt Kallman District 9	Administration Building
Fiscal Services 616.632.7670	Emily Brieve District 10	County of Kent
Friend of the Court 616.632.6888	Jim Saalfeld (Vice-Chair) District 11	300 Monroe Avenue, NW
Health Department 616.632.7100	Harold Mast District 12	Grand Rapids, MI 49503
Housing Commission 616.632.7400	Richard Vander Molen District 13	www.accesskent.com
Human Resources 616.632.7440	Carol Hennessy (Minority Vice-Chair) District 14	616.632.7570 phone
Information Technology 616.632.6500	Jim Talen District 15	616.632.7565 fax
John Ball Zoological Garden 616.336.4301	David Bulkowski District 16	
Parks Department 616.336.7275	Candace Chivis District 17	
Probate Court 616.632.5440	Dan Koorndyk (Chair) District 18	
Prosecutor's Office 616.632.6710	Shana Shroll District 19	
Public Works 616.336.3694		
Sheriff 616.632.6100		

* As of January 1, 2015



Pictured back row left to right: Stan Stek; Harold Mast; Jim Talen; Matt Kallman; Dan Koorndyk (Chair); Tom Antor; Stan Ponstein; Jim Saalfeld (Vice-Chair); Roger Morgan; Richard Vander Molen. **Front row left to right:** Ted Vonk; Candace Chivis; Carol Hennessy (Minority Vice-Chair); Shana Shroll; Emily Brieve; David Bulkowski; Mandy Bolter; Harold Voorhees; Diane Jones.

County of Kent
300 Monroe Avenue, NW
Grand Rapids, MI 49503-2221
www.accesskent.com

