

**City of Grand Rapids
and County of Kent
Joint Building Authority
(A Joint Venture of the City
of Grand Rapids, Michigan)**

Financial Statements
For the Year Ended June 30, 2007



BDO Seidman, LLP
Accountants and Consultants

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Grand Rapids Kent Co Joint Bldg Authority	County Kent
Fiscal Year End 6/30/07	Opinion Date 11/2/07	Date Audit Report Submitted to State 12/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

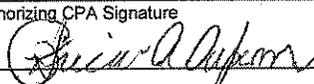
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

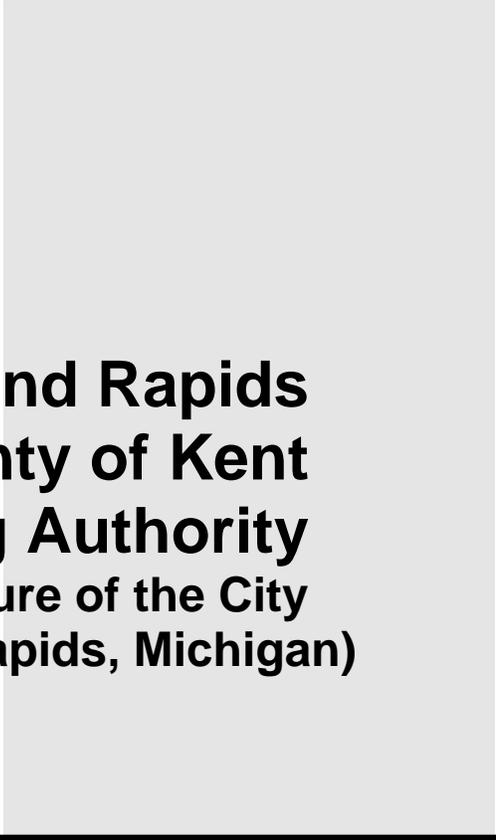
YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	none	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BDO Seidman, LLP		Telephone Number 616.774.7000	
Street Address 99 Monroe Ave NW Suite 800		City Grand Rapids	State Zip mi 49503
Authorizing CPA Signature 	Printed Name Patricia A Duperron		License Number 1101019522



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Independent Auditors' Report

Members of the City of Grand Rapids and
County of Kent Joint Building Authority
Grand Rapids, Michigan

We have audited the accompanying financial statements of the City of Grand Rapids and County of Kent Joint Building Authority (the Authority) as of and for the year ended June 30, 2007. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Rapids and County of Kent Joint Building Authority at June 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Grand Rapids, Michigan
November 2, 2007

Management's Discussion and Analysis

As management of the City of Grand Rapids and County of Kent Joint Building Authority (the Authority), we offer readers of the Authority's financial statements, this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements.

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets.

The statement of revenues, expenses and changes in net assets presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows presents information showing the Authority's cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Statement of Net Assets

<i>June 30,</i>	2007	2006
Other assets	\$ 589,278	\$ 617,251
Lease receivable, net	1,595,000	1,780,000
Capital assets, net	219,491,638	224,155,142
Total Assets	221,675,916	226,552,393
Accrued interest payable	14,850,890	11,840,702
Premium on bonds	1,899,311	1,984,400
Bonds payable	86,143,904	89,268,904
Total Liabilities	102,894,105	103,094,006
Net Assets		
Invested in capital assets, net of related debt	133,616,658	135,280,753
Unrestricted	(14,834,847)	(11,822,366)
Total Net Assets	\$ 118,781,811	\$ 123,458,387

The Authority's total net assets decreased just over \$4.6 million or 3.79%. The decrease is due to \$4.6 million of current depreciation expense.

The Authority's total liabilities varied only slightly from fiscal year 2006 to 2007, with a difference of approximately \$200,000 or 0.19%.

Condensed Statement of Revenue, Expenses and Changes in Net Assets

	2007	2006
Operating expenses	\$ (4,663,504)	\$ (4,670,552)
Nonoperating revenues	5,236,556	5,101,400
Nonoperating expenses	(5,249,628)	(7,064,472)
Change in net assets	(4,676,576)	(6,633,624)
Total Net Assets, beginning of year	123,458,387	130,092,011
Total Net Assets, end of year	\$ 118,781,811	\$ 123,458,387

The decrease in nonoperating expenses was due to the \$1.8 million loss on disposal of capital assets recognized in fiscal year 2006.

Next Year

No new projects are anticipated for the next fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Grand Rapids and County of Kent Joint Building Authority finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Grand Rapids Comptroller's Department, 300 Monroe NW, Grand Rapids, Michigan 49503.

Financial Statements



**City of Grand Rapids and County of Kent
Joint Building Authority
(A Joint Venture of the City of Grand Rapids, Michigan)**

Statement of Net Assets

<i>June 30, 2007</i>	Public Museum Parking Facility	DeVos Place	Total
Assets			
Current Assets			
Cash	\$ -	\$ -	\$ -
Current portion of leases receivable (Note 3)	195,000	-	195,000
Total current assets	195,000	-	195,000
Noncurrent Assets			
Lease receivable, net of current portion (Note 3)	1,400,000	-	1,400,000
Other assets	16,044	573,234	589,278
Capital assets (Note 4):			
Land	-	22,180,088	22,180,088
Buildings	-	208,416,775	208,416,775
Equipment and furniture	-	3,986,029	3,986,029
Accumulated depreciation	-	(15,091,254)	(15,091,254)
Total noncurrent assets	1,416,044	220,064,872	221,480,916
Total Assets	1,611,044	220,064,872	221,675,916
Liabilities			
Current Liabilities			
Accrued interest payable	-	172,953	172,953
Current portion of bonds payable (Note 5)	195,000	3,215,000	3,410,000
Total current liabilities	195,000	3,387,953	3,582,953
Noncurrent Liabilities			
Premium on bonds	-	1,899,311	1,899,311
Accrued interest payable (Note 5)	-	14,677,937	14,677,937
Bonds payable (Note 5)	1,400,000	81,333,904	82,733,904
Total noncurrent liabilities	1,400,000	97,911,152	99,311,152
Total Liabilities	1,595,000	101,299,105	102,894,105
Net Assets			
Invested in capital assets, net of related debt	-	133,616,658	133,616,658
Unrestricted	16,044	(14,850,891)	(14,834,847)
Total Net Assets	\$ 16,044	\$ 118,765,767	\$ 118,781,811

See accompanying notes to financial statements.

**City of Grand Rapids and County of Kent
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Statement of Revenues, Expenses and Changes in Net Assets

<i>Year ended June 30, 2007</i>	Public Museum Parking Facility	DeVos Place	Total
Operating Expense			
Depreciation	\$ -	\$ 4,663,504	\$ 4,663,504
Operating loss	-	(4,663,504)	(4,663,504)
Nonoperating Revenues (Expenses)			
Payments on lease receivable	84,236	5,067,231	5,151,467
Other revenue	-	85,089	85,089
Interest on bonds payable	(84,236)	(5,137,419)	(5,221,655)
Other expenses	(2,292)	(25,681)	(27,973)
Total nonoperating expenses	(2,292)	(10,780)	(13,072)
Changes in net assets	(2,292)	(4,674,284)	(4,676,576)
Net Assets, beginning of year	18,336	123,440,051	123,458,387
Net Assets, end of year	\$ 16,044	\$ 118,765,767	\$ 118,781,811

See accompanying notes to financial statements.

**City of Grand Rapids and County of Kent
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Statement of Cash Flows

<i>Year ended June 30, 2007</i>	Public Museum Parking Facility	DeVos Place	Total
Cash From Capital and Related Financing Activities			
Receipts from lessees	\$ 269,236	\$ 5,067,231	\$ 5,336,467
Principal paid on capital debt	(185,000)	(2,940,000)	(3,125,000)
Interest paid on capital debt	(84,236)	(2,127,231)	(2,211,467)
Cash from capital and related financing activities	-	-	-
Net increase in cash and cash equivalents	-	-	-
Cash and Cash Equivalents, beginning of year	-	-	-
Cash and Cash Equivalents, end of year	\$ -	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash From Operating Activities			
Operating loss	\$ -	\$ (4,663,504)	\$ (4,663,504)
Adjustments to reconcile operating loss to cash from operating activities:			
Depreciation expense	-	4,663,504	4,663,504
Net Cash From Operating Activities	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

City of Grand Rapids and County of Kent Joint Building Authority (A Joint Venture of the City of Grand Rapids, Michigan)

Notes of Financial Statements

1. Reporting Entity

The City of Grand Rapids and County of Kent Joint Building Authority (the Authority), a joint venture of the City of Grand Rapids, Michigan (the City), was created by the City of Grand Rapids, Michigan and County of Kent, Michigan (the County) under the provisions of Act 31, Public Acts of Michigan, 1948, as amended. The purpose of the Authority is to acquire, construct, furnish, equip, operate and maintain buildings for any legitimate public purpose of the governmental units. The Authority is authorized by statute to issue bonds to finance its activities. The bond principal and interest are to be paid through lease payments made by the governmental units to the Authority.

2. Summary of Significant Accounting Policies

Measurement Focus and Financial Statement Presentation

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority reports the following major funds:

Public Museum Parking Facility - the Authority leases this facility and equipment to the City under a contract collateralized by the limited tax full faith and credit pledge of the City.

DeVos Place Convention Center - accounts for the improvement and construction of the convention/performing arts center/entertainment facility.

Budget

The budget for the Authority is a project budget rather than an annual budget. Therefore, budget to actual information has not been reflected in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the

City of Grand Rapids and County of Kent Joint Building Authority (A Joint Venture of the City of Grand Rapids, Michigan)

Notes of Financial Statements

amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Investments

The City maintains an investment pool for most City funds and component units. The Authority's portion of the investment pool is displayed on the balance sheet as equity in pooled cash and investments. Investments consist of certificates of deposits with original maturities of greater than three months at the date of purchase and commercial paper. Investments are carried at amortized costs. State statutes require that certificates of deposit be maintained in financial institutions with offices in the State of Michigan. Interest income earned as a result of cash and investment pooling is distributed to the appropriate funds.

Investment policies and categorization of cash and investments are included in the Comprehensive Annual Financial Report of the City of Grand Rapids to give an indication of the level of risk assumed by the City at year-end. It is not feasible to allocate the level of risk to the various component units of the City.

Capital Assets

Capital assets include land, buildings, equipment and furniture, and are valued at historical cost or estimated cost if actual historical cost is not available. Capital assets contributed by the Grand Rapids-Kent County Convention/Arena Authority were valued at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Construction costs are capitalized when incurred. Interest on bonds during construction periods is capitalized net of any interest earned. Upon retirement of the bonds, the assets will be leased to the County of Kent with a sublease to the Grand Rapids-Kent County Convention/Arena Authority.

3. Leases Receivable

The Authority leases facilities to the governmental units under contracts capitalized as direct financing leases. The lease payments are pledged solely for payment of the maturing bonds and interest. When the bonds issued by the Authority have been retired, title to the facilities will be conveyed to the City or the County of Kent who will simultaneously convey the title to the Grand Rapids-Kent County Convention/Arena Authority.

**City of Grand Rapids and County of Kent
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Notes of Financial Statements

At June 30, future minimum lease payments receivable under this direct financing lease are as follows:

<i>Fiscal Year</i>	Public Museum Parking Facility
2008	\$ 269,875
2009	269,875
2010	269,375
2011	268,375
2012	271,750
2013-2017	541,125
	1,890,375
Less: unearned interest	(295,375)
	\$ 1,595,000

The Downtown Development Authority, has agreed to reimburse Kent County for half of the debt service on the DeVos Place series 2003 bonds. Following is schedule of the minimum lease payments receivable on this operating lease:

<i>Fiscal Year</i>	DeVos Place Series 2003 B
2008	\$ 390,450
2009	390,012
2010	388,937
2011	387,188
2012	389,388
2013-2017	1,931,488
2018-2022	1,885,475
2023-2025	742,406
	742,406

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Notes of Financial Statements

The County of Kent is responsible for the total debt service on the 2001 bonds and half of the debt service on the DeVos Place series 2003 bonds. Following is schedule of the minimum lease payments receivable on these operating leases:

<i>Fiscal Year</i>	DeVos Place Series 2001	DeVos Place Series 2003 A
2008	\$ 4,434,031	\$ 390,450
2009	4,604,781	390,012
2010	4,782,781	388,937
2011	4,953,606	387,188
2012	5,135,388	389,388
2013-2017	29,059,616	1,931,488
2018-2022	35,570,000	1,885,475
2023-2027	42,930,000	742,406
2028-2032	51,760,000	-

4. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated				
Land	\$ 22,180,088	\$ -	\$ -	\$ 22,180,088
Capital assets being depreciated				
Buildings	208,416,775	-	-	208,416,775
Equipment and furniture	3,986,029	-	-	3,986,029
Total capital assets being depreciated	212,402,804	-	-	212,402,804
Less accumulated depreciation				
Buildings	9,916,119	4,340,925	-	14,257,044
Equipment and furniture	511,631	322,579	-	834,210
Total accumulated depreciation	10,427,750	4,663,504	-	15,091,254
Total capital assets being depreciated, net	201,975,054	(4,663,504)	-	197,311,550
Total Capital Assets, net	\$ 224,155,142	\$ (4,663,504)	\$ -	\$ 219,491,638

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Notes of Financial Statements

5. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2007 are as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Bonds payable					
DeVos Place	\$ 87,488,904	\$ -	\$ 2,940,000	\$ 84,548,904	\$3,215,000
Public Museum Parking Facility	1,780,000	-	185,000	1,595,000	195,000
Accrued interest on capital appreciation bonds	11,659,117	3,018,820	-	14,677,937	-
Total	\$ 100,928,021	\$ 3,018,820	\$ 3,125,000	\$ 100,821,841	\$ 3,410,000

The following table summarizes the bonds outstanding:

	DeVos Place		
	Series 2001	Series 2003 A & B	Public Museum Parking Facility
Original issue	\$84,578,904	\$10,000,000	\$3,425,000
Outstanding balance	\$75,628,904	\$ 8,920,000	\$1,595,000
Interest rates	5.00% to 5.59%	2.50% to 5.25%	5.00%
Serial maturity on outstanding bonds	December 1, 2007-2031	December 1, 2007-2023	January 1, 2008- 2014
Call provision begins	December 1, 2003 and December 1, 2015	December 1, 2013	January 1, 2003
Source of lease payments used for redemption funds	County of Kent hotel/motel tax	County of Kent hotel/motel tax**	Tax increment revenues*

* Although this debt issue is an obligation of the City of Grand Rapids, the current debt service requirements are paid by the Downtown Development Authority from Tax Increment Revenues.

** Although the debt is the obligation of the County of Kent, one-half the debt service requirement will be reimbursed to the County per a reimbursement agreement with the Downtown Development Authority.

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Call premiums vary and diminish toward maturity. Public Museum Parking Facility bonds constitute limited tax full faith and credit general obligations of the governmental units.

The \$84,578,904 bond issue for DeVos Place contains \$42,703,904 of capital appreciation bonds. These bonds, upon which no interest is paid, appreciate in value over time to \$142,715,000. The bonds mature annually from 2015 through 2031. Interest accrues semiannually in December and June, even though the interest is not paid until maturity.

The annual requirements to pay principal and interest on outstanding bonds payable at June 30 are as follows:

<i>Fiscal Year</i>	DeVos Place		Public Museum Parking Facility		Total Principal Payments
	Principal	Interest	Principal	Interest	
2008	\$ 3,215,000	\$ 1,999,931	\$ 195,000	\$ 74,875	\$ 3,410,000
2009	3,545,000	1,839,807	205,000	64,875	3,750,000
2010	3,895,000	1,665,656	215,000	54,375	4,110,000
2011	4,260,000	1,467,981	225,000	43,375	4,485,000
2012	4,675,000	1,239,163	240,000	31,750	4,915,000
2013-2017	23,753,987	9,168,604	515,000	26,125	24,268,987
2018-2022	16,546,061	22,794,888	-	-	16,546,061
2023-2027	13,583,973	30,830,840	-	-	13,583,973
2028-2032	11,074,883	40,685,117	-	-	11,074,883
	\$ 84,548,904	\$ 111,691,987	\$ 1,595,000	\$ 295,375	\$ 86,143,904

Defeased Debt

In a prior year, the Authority defeased certain bonds by placing cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2007, \$2,360,000 of bonds outstanding is considered defeased.