

**Grand Rapids SmartZone
Local Development
Finance Authority**
(A Component Unit of the City
of Grand Rapids, Michigan)

**Financial Statements
and Supplemental Information**
For the Year Ended June 30, 2007



BDO Seidman, LLP
Accountants and Consultants

Auditing Procedures Report

Issued under P.A. 2 of 1968, 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 SmartZone LDFA	County Kent
Fiscal Year End 6/30/07	Opinion Date 11/8/07	Date Audit Report Submitted to State 12/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

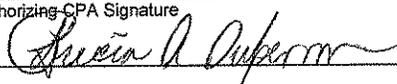
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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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**Financial Statements
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For the Year Ended June 30, 2007

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Independent Auditors' Report

Members of the Grand Rapids SmartZone
Local Development Finance Authority
Grand Rapids, Michigan

We have audited the accompanying financial statements of the Grand Rapids SmartZone Local Development Finance Authority (the Authority), a component unit of the City of Grand Rapids, 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. The prior year comparative information has been derived from the Authority's 2006 financial statements and, in our report dated November 30, 2006, we expressed an unqualified opinion on those financial statements.

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 Grand Rapids SmartZone Local Development Finance Authority at June 30, 2007, and the changes in financial position 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 the Governmental Accounting Standards Board. 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of projects is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Grand Rapids SmartZone Local Development Finance Authority. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, therefore, we express no opinion on it.

Grand Rapids, Michigan
November 8, 2007

Management's Discussion and Analysis

This section of the Grand Rapids SmartZone Local Development Finance Authority (the Authority) financial report presents a discussion and analysis of the Authority's financial performance 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. This discussion and analysis is designed to focus on current activities, resulting changes and currently known facts.

Using the Financial Report

This financial report consists of two financial statements that focus on the financial condition of the unit of government and the results of its operations as a whole. One of the most important questions asked about governmental finances is whether the unit of government as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets and the Statement of Activities, which present financial information in a form similar to that of business entities.

The Statement of Net Assets includes all of the Authority's assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The Authority's net assets are one indicator of the Authority's financial health. Over time, increases or decreases in net assets indicate the improvement or erosion of the Authority's financial health.

Statement of Net Assets

	Fiscal Year 2007	Fiscal Year 2006	% Change
Assets			
Current assets	\$ 815,131	\$ 480,702	69.6
Liabilities			
Current liabilities	\$ 28,880	\$ 56,845	(49.2)
Noncurrent liabilities	3,948,697	3,902,516	1.2
Total liabilities	3,977,577	3,959,361	0.5
Net Assets (Deficit)			
Restricted for authorized projects	(3,162,446)	(3,478,659)	9.1
Total Liabilities and Net Assets	\$ 815,131	\$ 480,702	69.6

Current Assets

Equity in Pooled Cash and Investments

The City of Grand Rapids maintains an investment pool for most City funds and component units. The Authority's portion of the investment pool is displayed on the Statement of Net Assets as "equity in pooled cash and investments." Investments are certificates of deposit and money market investments (short-term highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less), and are carried at amortized cost, which approximates fair value. The Authority's 69.6% increase in equity in pooled cash and investments in the fiscal year 2007 compared to fiscal year 2006 is due to increases in the amount of captured property tax increment revenue as well as expenditures which were about \$100,000 lower than the amount budgeted. These unexpended project funds will be used within the next three years.

Current Liabilities

Accounts Payable

Accounts payable in the amount of \$12,742 consists mainly of the final payments in the amount of \$10,300 for the Michigan Hill streetscape study. The decrease from fiscal year 2006 to fiscal year 2007 is related to final payment made to Grand Valley State University in the amount of \$27,500 for the pass-through grant payment.

Accrued Interest Payable

Accrued interest payable on the 2004 bonds was \$15,499 at both June 30, 2007 and June 30, 2006. This is due to the same amount of interest due each year for the next upcoming payment on the debt service schedule.

Noncurrent Liabilities

Due to Primary Government

The Authority's Series 2004 Local Development Bonds (the Bonds) were issued in anticipation of future capital improvements by one or more businesses within the Authority's Plymouth/Satellite District boundaries. Since the exact timing of these capital investments was uncertain at the time the Bonds were issued, an agreement between the Authority and the City of Grand Rapids Water Supply System (the System) requires the System to provide to the Authority any shortfall between the pledged Plymouth/Satellite tax increment revenues and the amount of debt service. (For a more detailed explanation regarding the debt issue, see the Bonds Payable section below.) In fiscal year 2006, the System transferred \$30,166 to the Authority. In fiscal year 2007, the System transferred \$50,359.

Premium on Bonds Payable

Due to market interest in the issue, certain of the Authority's May 2004 bonds were sold at a premium. The premium will be amortized over the life of the issue. The difference between fiscal year 2006 and fiscal year 2007 is the annual amortization.

Bonds Payable

The Authority issued Series 2004 Local Development Bonds in the amount of \$3,805,000 in May 2004. The majority of the net proceeds were transferred to the System to aid in the relocation of water facilities to allow for the proposed expansion of existing Siemens Dematic Corporation manufacturing and design facilities. Debt service payments are made from tax increment revenues pledged for the bonds and collected by the Authority from only the Plymouth/Satellite SmartZone District which includes the former water facility property and the former Siemens Dematic property (now Dematic Corp. - see Note 5) as well as properties owned by other businesses in the area.

When the pledged SmartZone Plymouth/Satellite tax increment revenues are insufficient to pay principal and interest on the bonds when due, the City has agreed to meet the shortfall using revenues of the System pursuant to its agreement with the Authority. Advances accrue interest at a rate of 5.5% per annum and will be repaid from future excess tax increment revenues collected by the Authority. (See Note 5 for additional information.) The \$3,805,000 balance at June 30, 2007 represents the principal outstanding for the Bonds. Principal payments for this issue will commence June 1, 2008.

Net Assets

Net assets represent the difference between Authority assets and liabilities. The Authority has a deficit of \$3,162,446 at June 30, 2007 compared to a deficit of \$3,478,659 at June 30, 2006. The deficit is due to the \$3,805,000 principal balance of bonds outstanding on June 30, 2007.

Restricted Net Assets for Authorized Projects

The Authority's net assets are restricted by the requirements of Michigan Public Act 281 of 1986, as amended, which limits expenditures to those that further the Authority's development program.

Statement of Activities

	Fiscal Year 2007	Fiscal Year 2006	% Change
Revenues			
Property taxes	\$ 675,338	\$ 370,473	82.3
Investment earnings	52,458	33,227	57.9
Miscellaneous	20,000	-	100.0
Total revenues	747,796	403,700	85.2
Expenses			
Urban development	431,583	543,015	(20.5)
Change in net assets	316,213	(139,315)	327.0
Net Assets (Deficit), beginning of year	(3,478,659)	(3,339,344)	(4.2)
Net Assets (Deficit), end of year	\$ (3,162,446)	\$ (3,478,659)	9.1

Revenues

Property Taxes

The Authority's revenues are generated primarily through the use of tax increment financing in which the Authority captures ad valorem property tax and industrial facility tax revenues attributable to increases in the value of real and personal property within the district boundaries. Property tax revenues for the year ended June 30, 2007 include property taxes levied July 1, 2006 and December 1, 2006. The increase in property tax increment revenues between fiscal year 2006 and 2007 is due to increases in property values resulting from new investment within both the SmartZone boundaries.

Investment Earnings

This is interest revenue earned when Authority funds are invested by the City Treasurer. The increase in revenues between fiscal year 2006 and fiscal year 2007 is related to larger cash balances.

Expenses

Urban Development

During the two year period of these statements, urban development expenditures include administrative costs, development project-related costs, and debt service payments as well as disbursement of grant proceeds. Fiscal year 2007 expenditures are lower than fiscal year 2006 expenditures since the \$100,000 fiscal year 2007 infrastructure budget was not expended. In fiscal year 2006, \$165,000 in budgeted infrastructure funds were used for partial support of the underground technology infrastructure improvements on the Michigan Street Bridge and also for partial support for the installation of cable at the Van Andel Institute for a dedicated "Internet 2" line.

Overall Financial Position

Management believes the Authority is in good condition financially. Current tax increment and other revenues are adequate to cover current administration and project commitments, ongoing debt service requirements and to make measured progress on eliminating the deficit.

Financial Statements



**Grand Rapids SmartZone
Local Development Finance Authority
(A Component Unit of the City of
Grand Rapids, Michigan)**

Statement of Net Assets and Governmental Fund Balance Sheet

<i>June 30,</i>	2007		Statement of Net Assets	Statement of Net Assets 2006
	Governmental Fund	Adjustments (Note 3)	Net Assets	
Assets				
Equity in pooled cash and investments	\$ 800,389	\$ -	\$ 800,389	\$ 477,694
Receivables	14,742	-	14,742	3,008
Total Assets	\$ 815,131	-	815,131	480,702
Liabilities				
Accounts payable	\$ 12,742	-	12,742	38,842
Accrued interest payable	-	15,499	15,499	15,499
Compensated absences	-	639	639	2,504
Noncurrent liabilities (Note 4):				
Due to primary government	80,525	-	80,525	30,166
Compensated absences	-	545	545	1,740
Premium on bonds payable	-	62,627	62,627	65,610
Bonds payable	-	3,805,000	3,805,000	3,805,000
Total liabilities	93,267	3,884,310	3,977,577	3,959,361
Fund Balance				
Reserved for authorized projects	721,864	(721,864)	-	-
Total Liabilities and Fund Balance	\$ 815,131			
Net Assets (Deficit)				
Restricted for authorized projects		(3,162,446)	(3,162,446)	(3,478,659)
Total Net Assets (Deficit)		\$ (3,162,446)	\$ (3,162,446)	\$ (3,478,659)

See accompanying notes to financial statements.

**Grand Rapids SmartZone
Local Development Finance Authority
(A Component Unit of the City of
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**Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance**

<i>Year ended June 30,</i>	2007			Statement of Activities 2006
	Governmental Fund	Adjustments (Note 3)	Statement of Activities	
Revenues				
Property taxes	\$ 675,338	\$ -	\$ 675,338	\$ 370,473
Investment earnings	52,458	-	52,458	33,227
Miscellaneous	20,000	-	20,000	-
Total revenues	747,796	-	747,796	403,700
Expenditures/Expenses				
Urban development	249,067	(3,060)	246,007	359,862
Interest and paying agent fees	188,559	(2,983)	185,576	183,153
Total expenditures/expenses	437,626	(6,043)	431,583	543,015
Excess (deficiency) of revenues over expenditures/expenses	310,170	6,043	316,213	(139,315)
Net change in fund balance	310,170	(310,170)	-	-
Change in net assets	-	316,213	316,213	(139,315)
Fund Balance/Net Assets (Deficit), beginning of year	411,694	-	(3,478,659)	(3,339,344)
Fund Balance/Net Assets (Deficit), end of year	\$ 721,864	\$ -	\$ (3,162,446)	\$ (3,478,659)

See accompanying notes to financial statements.

**Grand Rapids SmartZone
Local Development Finance Authority
(A Component Unit of the City of
Grand Rapids, Michigan)**

Notes to Financial Statements

1. Reporting Entity

The Grand Rapids SmartZone Local Development Finance Authority (the Authority), a component unit of the City of Grand Rapids, Michigan (the City), was created by the City in 2002 under the provisions of Act 281, Public Acts of 1986 of the State of Michigan. The purpose of the Authority is to promote the development of high-tech business within the boundaries of the Downtown SmartZone and Plymouth/Satellite SmartZone areas in the City.

2. Summary of Significant Accounting Policies

Basis of Presentation

The statement of net assets/balance sheet and the statement of activities/revenues, expenditures and changes in fund balance report information on the activities of the Authority. The adjustments columns are used to reflect the conversion from the balance sheet to the statement of net assets and the conversion of revenues, expenditures and changes in fund balance to the statement of activities.

Measurement Focus and Basis of Accounting

The Authority uses the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. The Authority considers revenues available if earned and collected within 60 days after year-end; however, property tax increment revenues are recognized as revenue in the fiscal year for which they were levied. Expenditures are generally recognized when the related fund liability is incurred.

However, for presentation of the year-end audited financial data, the Authority uses the total economic resources measurement focus and the accrual basis of accounting to prepare the statement of net assets and the statement of activities. These statements are similar to statements used in the private sector by for-profit business enterprises and not-for-profit organizations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**Grand Rapids SmartZone
Local Development Finance Authority
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Grand Rapids, Michigan)**

Notes to Financial Statements

Prior Year Columns

The columns labeled Statement of Net Assets 2006 and Statement of Activities 2006 are presented for informational purposes only. These statements do not include the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance for 2006, which are necessary for a complete presentation in accordance with generally accepted accounting principles.

Budget

The Grand Rapids City Commission annually approves the Authority's budget after the Authority Board Members have reviewed and recommended it for adoption. 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.

Cash and Investments

The City maintains an investment pool for most City funds including component units like the Authority. The Authority's portion of the investment pool is displayed on the balance sheet as equity in pooled cash and investments. Investments consist primarily 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 cost. 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 by the City Treasurer 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.

Property Taxes

A significant portion of the Authority's revenues is generated through tax increment financing. Summer taxes are levied on July 1 and attach as an enforceable lien at that time. Summer taxes are due without penalty on or before July 31. Winter taxes are levied on December 1 and attach as an enforceable lien at that time. Winter taxes are due without penalty on or before February 14.

**Grand Rapids SmartZone
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Notes to Financial Statements

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through legislation or other external restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported in the Statement of Net Assets and the Statement of Activities are different from amounts reported in the governmental fund because of the following:

Governmental fund total fund balance	\$ 721,864
Long-term liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.	
Bonds payable	(3,805,000)
Premium on bonds	(62,627)
Accrued interest	(15,499)
Compensated absences	(1,184)
Government-Wide Net Assets	\$ (3,162,446)
Net change in fund balance - governmental funds	\$ 310,170
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Amortization of bond premium	2,983
Compensated absences	3,060
Change in Net Assets of Governmental Activities	\$ 316,213

**Grand Rapids SmartZone
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Notes to Financial Statements

4. Long-Term Obligations

Changes in long-term obligations were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 3,805,000	\$ -	\$ -	\$ 3,805,000	\$ 60,000
Compensated absences	4,244	-	3,060	1,184	699

In May 2004, the Authority issued \$3,805,000 of Local Development Bonds. Starting in 2008, the bonds mature annually through June 2, 2028 and bear interest at 3% - 5.375%.

The annual requirements to pay principal and interest are as follows:

<i>Year ending June 30,</i>	Principal	Interest
2008	\$ 60,000	\$ 185,994
2009	60,000	184,194
2010	60,000	182,169
2011	105,000	179,919
2012	200,000	175,718
2013-2017	1,230,000	737,744
2018-2022	675,000	490,981
2023-2027	1,115,000	272,287
2028	300,000	16,125
	\$ 3,805,000	\$ 2,425,131

5. Material Event

The Authority's Series 2004 Local Development Bonds (the Bonds) are secured by Plymouth/Satellite District tax increment revenues and were issued in anticipation of future capital improvements by businesses, primarily the Siemens Dematic Corporation, within the Authority's Plymouth/Satellite District boundaries. The Bonds were issued to finance, in part, the relocation of a City Water Supply System facility on Ball Avenue to allow for the proposed expansion of Siemens Dematic Corporation manufacturing and design facilities.

**Grand Rapids SmartZone
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Notes to Financial Statements

In August 2006, Siemens Dematic Corporation operations in the Plymouth/Satellite District were acquired by Triton, a European investment group, and the operation is now known as Dematic Corp. Capital improvements planned by the Siemens Dematic Corporation will not be implemented by the Dematic Corp. which sold the Ball Avenue property since it is no longer needed for expansion.

Since the exact timing of the planned Siemens Dematic capital investments was uncertain at the time the Bonds were issued, an agreement between the Authority and the City of Grand Rapids Water Supply System (the System) requires the System to provide to the Authority any shortfall between the pledged Plymouth/Satellite tax increment revenues and the amount of debt service. Specifically, the agreement states that to the extent there is any shortfall in any given year to pay debt service due in that year, the City will make up the shortfall from revenues of the System. Once tax increment revenues are sufficient to meet current debt service, any excess will be used to reimburse the System amounts it has advanced plus interest. Although the intent of the Authority is to repay the advances, if there should ever not be enough tax increment generated to repay the System, the System must absorb the funds advanced and not re-paid. Finally, should the tax increment revenues primarily pledged be insufficient to pay principal of and interest on the Bonds when due and the System is unable to advance the funds needed to meet debt service for the Bonds, the City has also pledged its limited full faith and credit as additional security for the payment of the principal and interest on the Bonds.

Supplemental Information



Grand Rapids SmartZone Local Development Finance Authority (A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Projects (Unaudited)

Downtown SmartZone Area

The initial SmartZone boundaries were established in the northern section of downtown Grand Rapids to facilitate development by leveraging the adjacency and synergy of the area's medical, research, educational, financial, governmental and non-profit institutions. The Authority works directly with five partners - the City of Grand Rapids, the Van Andel Institute (VAI), Grand Valley State University's Downtown Campus (GVSU), Grand Rapids Community College (GRCC) and The Right Place, Inc (RPI). The resources available through these clustered institutions and other downtown services are creating an environment for growing and attracting new and established high-tech businesses. The Authority accomplishes its goals by creating and using the following tools.

Incubators

A key component of the Downtown SmartZone is the operation of full service incubators, which provide space and support for start-up high-tech businesses. The Authority's first incubator is fully leased. Additional space is currently being considered.

Site Development

The Authority identifies, assembles and prepares sites for commercial and light industrial space for businesses graduating from the incubator, expanding into the SmartZone area or relocating from other areas to take advantage of the SmartZone's high-tech environment.

Infrastructure

Since much of the northern Downtown SmartZone Area is older, former or currently existing industrial space, the area is in need of upgraded and improved infrastructure (streets, sidewalks, water, sewer, fiber optic conduits and public spaces) to make it attractive and useful for high-tech businesses. In recent years, a Core Community Initiative grant, Department of Natural Resources grant and support from City of Grand Rapids Water and Sewer Funds as well as the Grand Rapids Monroe North Tax Increment Finance Authority (MNTIFA) have been used to make utility and road improvements, build a new riverside park and refurbish a second park.

Grand Rapids SmartZone Local Development Finance Authority (A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Projects (Unaudited)

More recently, the Authority, the Grand Rapids Community Foundation and the MNTIFA jointly funded the Monroe North Area Specific Plan (the Plan) which provides recommendations for land use, circulation, parking and development character that build and expand on the objectives and policies of the City of Grand Rapids Master Plan. The recommendations were developed with the participation of a 10-member Steering Committee. The plan is presented in three distinct sections - Development Framework, Infrastructure Improvement and Streetscape Concept section. The Plan's recommendations have already been reviewed by the Authority as well as by the MNTIFA and the Planning Commission. On October 23, 2007, the Plan was accepted by the City Commission for review and comment and will next be distributed to the parties specified in Michigan Public Act 285 of 1931, as amended, for consideration as an amendment to the 2002 City of Grand Rapids Master Plan.

Seven committee meetings were held to review issues and opportunities; define objectives; discuss alternatives and reach consensus on recommendations. Two stakeholder meetings were also held to gather input on issues and opportunities and preliminary Framework Plan recommendations.

Marketing

A communications effort, both local and international, has been launched to showcase the benefits of the Downtown SmartZone as a location for high-tech businesses and to advertise incubator space and services. These materials highlight the quality of life in Grand Rapids and the world-class nature of the incubators. This effort has been successful; the incubator is fully leased. The acquisition or construction of additional incubator space is currently being researched.

Technology Transfer

The five partners coordinate their resources in order to encourage and support the successful transfer of technology theory generated by GVSU, GRCC and the VAI staff and students into practical product development.

Education

GVSU and GRCC identify training programs needed by local high-tech industries in order to prepare students for the future employment needs of new high-tech businesses.

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Schedule of Projects (Unaudited)

Students at both GVSU and GRCC also offer valuable, trained research assistance to new and established high-tech businesses.

Plymouth/Satellite SmartZone Area

On November 19, 2002, Grand Rapids City Commission approved the Authority's request for the establishment of a Plymouth/Satellite SmartZone. Due to delays resulting from State staff turnover, not until early in 2004 did the State Treasurer and the Michigan Economic Development Corporation approve the Authority's request to create a satellite SmartZone in the area north of Michigan Street and east of Ball Avenue and including parcels along Plymouth Avenue and Oak Industrial Drive.

Tax increment revenue captured in this Plymouth/Satellite SmartZone area support the Authority's \$3,805,000 Series 2004 bonds issued to partially offset the cost of relocating City of Grand Rapids Water Supply System (the System) administrative and service operations on Ball Avenue into a newly constructed building on Oak Industrial Drive. The System agreed to relocate its operations to allow Siemens Dematic Corporation to expand its existing manufacturing and design facilities. However, in August 2006, Siemens Dematic Corporation operations in the Plymouth/Satellite SmartZone area were acquired by Triton, a European investment group, and the operation is now known as Dematic Corp. Capital improvements planned by the Siemens Dematic Corporation will not be implemented by the Dematic Corp. which sold the Ball Avenue property since it is no longer needed for expansion.

**Grand Rapids SmartZone
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Schedule of Net Assets by District (Unaudited)

<i>June 30, 2007</i>	Downtown District	Plymouth/ Satellite District	Total SmartZone LDFA
Assets			
Equity in pooled cash and investments	\$ 799,433	\$ 956	\$ 800,389
Receivables	14,742	-	14,742
Total Assets	814,175	956	815,131
Liabilities			
Accounts payable	12,517	225	12,742
Accrued interest payable	-	15,499	15,499
Compensated absences	639	-	639
Noncurrent liabilities:			
Due to primary government	-	80,525	80,525
Compensated absences	545	-	545
Premium on bonds payable	-	62,627	62,627
Due in more than one year	-	3,805,000	3,805,000
Total liabilities	13,701	3,963,876	3,977,577
Net Assets (Deficit)			
Restricted for authorized projects	800,474	(3,962,920)	(3,162,446)
Total Net Assets (Deficit)	\$ 800,474	\$ (3,962,920)	\$(3,162,446)

**Grand Rapids SmartZone
Local Development Finance Authority
(A Component Unit of the City of
Grand Rapids, Michigan)**

Schedule of Activities by District (Unaudited)

<i>Year ended June 30, 2007</i>	Downtown District	Plymouth/ Satellite District	Total SmartZone LDFA
Revenues			
Property taxes	\$ 541,222	\$ 134,116	\$ 675,338
Investment earnings	48,333	4,125	52,458
Miscellaneous	20,000	-	20,000
Total revenues	609,555	138,241	747,796
Expenditures/Expenses			
Urban development	245,437	570	246,007
Interest and paying agent fees	-	185,576	185,576
Total expenditures/expenses	245,437	186,146	431,583
Change in net assets	364,118	(47,905)	316,213
Net Assets (Deficit), beginning of year	436,356	(3,915,015)	(3,478,659)
Net Assets (Deficit), end of year	\$ 800,474	\$ (3,962,920)	\$(3,162,446)