

**Grand Rapids Tax Increment  
Financing 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 Tax Incom Finance Authority	County Kent
Fiscal Year End 6/30/07	Opinion Date 11/9/07	Date Audit Report Submitted to State 12/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

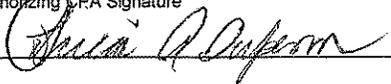
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

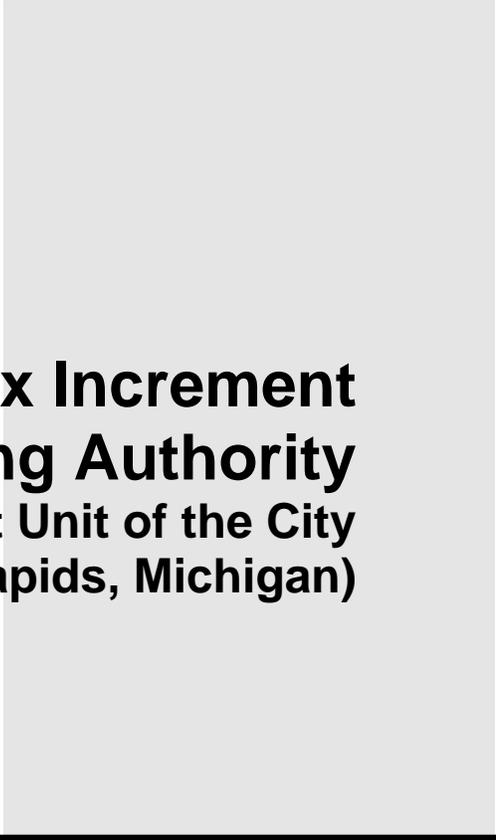
YES NO Check each applicable box below. (See instructions for further detail.)

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 CRA Signature 	Printed Name Patricia A Duperron		License Number 1101019522



**Grand Rapids Tax Increment  
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**Financial Statements  
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For the Year Ended June 30, 2007

# Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)

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## Independent Auditors' Report

Members of the Grand Rapids  
Tax Increment Financing Authority  
Grand Rapids, Michigan

We have audited the accompanying financial statements of the Grand Rapids Tax Increment Financing 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 present fairly, in all material respects, the financial position of the Grand Rapids Tax Increment Financing 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 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.

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 Grand Rapids Tax Increment Financing 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 9, 2007

## Management's Discussion and Analysis

This section of the Grand Rapids Tax Increment Financing Authority's (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 used by corporations.

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
<b>Assets</b>			
Current assets	\$ 1,333,629	\$ 773,170	72.49
Noncurrent assets	3,760,633	3,536,358	6.34
<b>Total Assets</b>	<b>\$ 5,094,262</b>	<b>\$ 4,309,528</b>	<b>18.21</b>
<b>Liabilities</b>			
Current liabilities	\$ 399,350	\$ 122,880	224.99
Noncurrent liabilities	1,015,800	1,080,600	(6.00)
<b>Total liabilities</b>	<b>1,415,150</b>	<b>1,203,480</b>	<b>17.59</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,680,033	2,395,158	11.89
Restricted for authorized projects	999,079	710,890	40.54
<b>Total net assets</b>	<b>3,679,112</b>	<b>3,106,048</b>	<b>18.45</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,094,262</b>	<b>\$ 4,309,528</b>	<b>18.21</b>

## **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.

## **Noncurrent Assets**

### ***Capital Assets, Net***

At June 30, 2007, capital assets of nearly \$3.8 million include land, land improvements, buildings and structures, and construction in progress net of \$1,430,188 of accumulated depreciation. The difference between the capital assets on June 30, 2007 and June 30, 2006 is the difference between the \$175,550 annual depreciation expense recorded in the fiscal year 2007 and the new construction in progress addition.

## **Current Liabilities**

### ***Vouchers Payable***

Vouchers payable in the amount of \$325,518, are related to construction services for the Canal Street Park remediation, and an estimated property tax increment reimbursement in the amount of \$105,507.

### ***Accrued Interest Payable and Noncurrent Liabilities, Current Portion***

Accrued interest payable in the amount of \$9,032 and noncurrent liabilities, current portion, in the amount of \$64,800 represent the 1997 and 2000 bonds debt service payments due within 12 months after June 30, 2007. Differences between fiscal years 2007 and 2006 are directly related to scheduled differences in the Authority's share of the annual debt service requirements for these two Kent County Drain Commission bond issues.

## **Noncurrent Liabilities**

The \$1,015,800 balance at June 30, 2007, represents 1997 and 2000 floodwall project principal payments scheduled to be paid after June 30, 2008.

## **Net Assets**

Net assets represent the difference between Authority assets and liabilities. Total net assets at June 30, 2007 were \$3,679,112, which is 18.45% higher than at June 30, 2006.

### ***Invested in Capital Assets, Net of Related Debt***

Invested in capital assets, net of related debt, of nearly \$2.7 million includes the historical acquisition costs of land, land improvements, buildings and construction in progress, net of accumulated depreciation and any outstanding related debt. The difference between fiscal years 2006 and 2007 is equal to the amount subtracted for fiscal year 2007 depreciation expense and the amounts added for the construction in progress addition and the decrease in outstanding debt.

### ***Restricted Net Assets for Authorized Projects***

Restricted net assets of \$999,079 represent the balance available for Authority projects on June 30, 2007. The Authority's net assets are restricted by the requirements of Public Act 450 of 1980, as amended, which limits expenditures to those that further the Authority's development program. The increase in restricted net assets in fiscal year 2007 resulted from greater revenues than expenditures as discussed below.

#### **Statement of Activities**

	Fiscal Year 2007	Fiscal Year 2006	% Change
<b>Revenues</b>			
Property taxes	\$ 310,848	\$ 281,283	10.51
Investment earnings	77,853	40,196	93.68
<b>Total revenues</b>	<b>388,701</b>	<b>321,479</b>	<b>20.91</b>
<b>Expenses</b>			
Urban development	310,498	392,529	(20.90)
Interest and paying agent fees	55,139	57,931	(4.82)
<b>Total expenses</b>	<b>365,637</b>	<b>450,460</b>	<b>(18.83)</b>
Excess revenues over (under) expenses	23,064	(128,981)	117.88
<b>Special Item</b>			
Settlement of litigation	550,000	-	100.00
Change in net assets	573,064	(128,981)	544.30
<b>Net Assets, beginning of year</b>	<b>3,106,048</b>	<b>3,235,029</b>	<b>(3.99)</b>
<b>Net Assets, end of year</b>	<b>\$ 3,679,112</b>	<b>\$ 3,106,048</b>	<b>18.45</b>

### **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 related to the State Education Tax, the Kent Intermediate School District and the Grand Rapids Public Schools levies are not captured since the Authority had no eligible obligations outstanding when Proposal A took effect on January 1, 1995. Property tax increment revenues for the year ended June 30, 2007, include property taxes levied July 1, 2006 and December 1, 2006. Property tax revenue in fiscal year 2007 increased 10.51% compared to the fiscal year 2006. A typical single year increase usually ranges from 2% to 7%. Fiscal year 2007's increase in tax increment revenue was due primarily to continued investment by private developers within the district's boundaries.

### ***Investment Earnings***

This is interest revenue earned when Authority funds are invested by the City Treasurer. The increase in revenues between fiscal year 2007 and fiscal year 2006 is related to increases in market interest rates and a higher cash balance on which to earn interest.

## **Expenses**

### ***Urban Development***

These expenses include administration expenses, the annual property tax increment revenue reimbursement for the Berkey & Gay mixed use development project, the North Monroe Planning Study, and the annual fixed asset depreciation expense. Fiscal year 2007 expenses decreased by 20.9% compared to fiscal year 2006 due primarily to the absence of Canal Street Park litigation legal fees since the lawsuit was settled at the end of fiscal year 2006.

### ***Interest and Paying Agent Fees***

In 1997 and 2000, the Kent County Drain Commission issued bonds for the purpose of funding the City of Grand Rapids' share of floodwall improvements along the Grand River. These improvements consisted of embankments, cosmetic wall repairs, river edge walkways, wall restoration, storm sewer flap gates, pump stations, etc. The related debt service requirements are met via assessments against the City of Grand Rapids and its component units. The Authority is responsible for 12% of the overall project debt service. In fiscal years 2007 and 2006, the Authority accrued, as required, the amount of contract interest payable at June 30 of each year.

## **Special Item**

### ***Settlement of Litigation***

In fiscal year 2007, after engaging in facilitative mediation, the Authority received \$550,000 for its alleged damages on the Canal Street Park project from various parties involved in the original design and construction. The funds are being used to repair and replace the Park's inadequate and/or defective facilities and infrastructure.

## **Overall Financial Position**

Management believes the Authority is in good condition financially. Current tax increment revenues are adequate to cover current administration and project commitments as well as ongoing debt service requirements.

# Financial Statements



**Grand Rapids Tax Increment Financing 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 2006
	Governmental Fund	Adjustments (Note 3)	Statement of Net Assets	
<b>Assets</b>				
Equity in pooled cash and investments (Note 2)	\$ 1,311,053	\$ -	\$ 1,311,053	\$ 768,022
Receivables, net	22,576	-	22,576	5,148
Capital assets (Note 4):				
Non-depreciable	-	1,679,825	1,679,825	1,280,000
Depreciable, net	-	2,080,808	2,080,808	2,256,358
<b>Total Assets</b>	<b>\$ 1,333,629</b>	<b>3,760,633</b>	<b>5,094,262</b>	<b>4,309,528</b>
<b>Liabilities</b>				
Vouchers payable (Note 5)	\$ 325,518	-	325,518	52,774
Accrued interest payable	-	9,032	9,032	9,506
Noncurrent liabilities (Note 6):				
Due within one year	-	64,800	64,800	60,600
Due in more than one year	-	1,015,800	1,015,800	1,080,600
<b>Total liabilities</b>	<b>325,518</b>	<b>1,089,632</b>	<b>1,415,150</b>	<b>1,203,480</b>
<b>Fund Balance</b>				
Fund balance, reserved for authorized projects	1,008,111	(1,008,111)	-	-
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,333,629</b>			
<b>Net Assets</b>				
Invested in capital assets, net of related debt		2,680,033	2,680,033	2,395,158
Restricted for authorized projects		999,079	999,079	710,890
<b>Total Net Assets</b>		<b>\$ 3,679,112</b>	<b>\$ 3,679,112</b>	<b>\$ 3,106,048</b>

*See accompanying notes to financial statements.*

**Grand Rapids Tax Increment Financing Authority**  
**(A Component Unit of the City of**  
**Grand Rapids, Michigan)**

**Statement of Activities and Governmental Fund Revenues,**  
**Expenditures and Changes in Fund Balance**

<i>Year ended June 30,</i>	2007		Statement of Activities	Statement of Activities 2006
	Governmental Fund	Adjustments (Note 3)		
<b>Revenues</b>				
Property taxes	\$ 310,848	\$ -	\$ 310,848	\$ 281,283
Investment earnings	77,853	-	77,853	40,196
<b>Total revenues</b>	<b>388,701</b>	<b>-</b>	<b>388,701</b>	<b>321,479</b>
<b>Expenditures/Expenses</b>				
Urban development	534,773	(224,275)	310,498	392,529
Debt service:				
Principal	60,600	(60,600)	-	-
Interest and paying agent fees	55,613	(474)	55,139	57,931
<b>Total expenditures/expenses</b>	<b>650,986</b>	<b>(285,349)</b>	<b>365,637</b>	<b>450,460</b>
Excess (deficiency) revenues over expenditures/expenses	(262,285)	-	23,064	(128,981)
<b>Special Item</b>				
Settlement of litigation (Note 7)	550,000	-	550,000	-
Change in fund balance/net assets	287,715	285,349	573,064	(128,981)
<b>Fund Balance/Net Assets,</b> beginning of year	<b>720,396</b>	<b>-</b>	<b>3,106,048</b>	<b>3,235,029</b>
<b>Fund Balance/Net Assets, end of year</b>	<b>\$1,008,111</b>	<b>\$ -</b>	<b>\$ 3,679,112</b>	<b>\$ 3,106,048</b>

*See accompanying notes to financial statements.*

# Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)

## Notes to Financial Statements

### 1. Reporting Entity

The Grand Rapids Tax Increment Financing Authority (the Authority), a component unit of the City of Grand Rapids, Michigan was created in December 1985 by the City of Grand Rapids (the City) and began operations in fiscal year 1987 under the provisions of Act 450, Public Acts of 1980 of the State of Michigan, as amended. The purpose of the Authority is to provide for the development of the Monroe North Development Area, which is bounded roughly by Coldbrook Street on the north, Ionia Avenue on the east, the Grand River on the west and the south line of Newberry Street on the south.

### 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 revenues 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 Tax Increment Financing Authority** **(A Component Unit of the City of** **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 information 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.

### ***Capital Assets***

Tangible assets having a useful life in excess of one year, with cost in excess of \$10,000, are capitalized. Capital assets are stated at acquisition cost or for donated assets the estimated value at the date of acquisition. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts. Depreciation is

# Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)

## Notes to Financial Statements

computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Land improvements	20
Buildings, structures and improvements	30

### *Property Taxes*

The majority of the Authority's revenues are generated through tax increment financing. Summer taxes are levied on July 1 and attach as an enforceable lien at the 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.

### *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, less accumulated depreciation, reduced by the outstanding principal balances of any borrowed funds used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use through legislation and 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.

# Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)

## Notes to Financial Statements

### 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 columns due to the following:

Governmental fund - total fund balance	\$ 1,008,111
Capital assets are not financial resources and, therefore, are not reported in the governmental balance sheet:	
Non-depreciable capital assets	1,679,825
Depreciable capital assets	3,510,996
Accumulated depreciation	(1,430,188)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet:	
Contracts payable	(1,080,600)
Accrued interest on long-term liabilities	(9,032)
<b>Net Assets in the Statement of Net Assets</b>	<b>\$ 3,679,112</b>
Net change in fund balance - governmental fund	\$ 287,715
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$399,825) exceeded depreciation (\$175,550) in the current period.	224,275
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of contract principal is an expenditure in the governmental fund but the repayment reduces long-term liabilities in the statement of net assets:	
Repayments of principal of contracts	60,600
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:	
Change in accrued interest	474
<b>Change in Net Assets on the Statement of Activities</b>	<b>\$ 573,064</b>

# Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)

## Notes to Financial Statements

### 4. Capital Assets

The following table summarizes, by major class of asset, the capital asset activity for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Construction in progress	-	399,825	-	399,825
<b>Total capital assets not being depreciated</b>	<b>1,280,000</b>	<b>399,825</b>	<b>-</b>	<b>1,679,825</b>
<b>Capital assets being depreciated</b>				
Land improvements	3,337,341	-	-	3,337,341
Buildings and structures	173,655	-	-	173,655
<b>Total capital assets being depreciated</b>	<b>3,510,996</b>	<b>-</b>	<b>-</b>	<b>3,510,996</b>
<b>Less accumulated depreciation</b>				
Land improvements	1,193,135	166,867	-	1,360,002
Buildings and structures	61,503	8,683	-	70,186
<b>Total accumulated depreciation</b>	<b>1,254,638</b>	<b>175,550</b>	<b>-</b>	<b>1,430,188</b>
<b>Total capital assets being depreciated, net</b>	<b>2,256,358</b>	<b>(175,550)</b>	<b>-</b>	<b>2,080,808</b>
<b>Capital Assets, net</b>	<b>\$ 3,536,358</b>	<b>\$ 224,275</b>	<b>\$ -</b>	<b>\$ 3,760,633</b>

Estimated costs to complete the construction in progress are \$58,000.

**Grand Rapids Tax Increment Financing Authority**  
**(A Component Unit of the City of**  
**Grand Rapids, Michigan)**

**Notes to Financial Statements**

**5. Vouchers Payable**

Vouchers payable at June 30, 2007 consisted of the following:

Project development support	\$ 220,011
Property tax reimbursement	105,507
	\$ 325,518

**6. Long-Term Obligations**

Changes in long-term obligations were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Contracts payable	\$ 1,141,200	\$ -	\$60,600	\$1,080,600	\$ 64,800

Contracts payable consists of the following:

1997 Kent County Drain Commission Contract Payable, interest rates ranging from 4.5% to 5% with various amounts maturing 2017.	\$ 717,000
2000 Kent County Drain Commission Contract Payable, interest rates ranging from 5% to 5.55% with various amounts maturing 2020.	363,600
	\$1,080,600

# Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)

## Notes to Financial Statements

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

<i>Fiscal year ending June 30,</i>	Principal	Interest
2008	\$ 64,800	\$ 52,656
2009	69,000	49,463
2010	72,600	46,034
2011	77,400	42,355
2012	81,600	38,559
2013-2017	492,600	124,313
2018-2021	222,600	17,711
	<b>\$ 1,080,600</b>	<b>\$ 371,091</b>

### 7. Contingencies

During fiscal years 2005 and 2006, the Authority pursued legal action related to Canal Street Park construction deficiencies. Based on the recommendation of the City Attorney, no reserves in anticipation of a settlement were recorded on the Authority's books at the end of either fiscal year. Early in fiscal year 2007, the construction contractors and the Authority agreed to a \$550,000 settlement. The funds were received by the Authority in August 2006 and are being used to repair the portions of Canal Street Park in need of remediation.

The Authority is, in general, exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Authority in excess of amounts provided.

# **Supplemental Information**



# **Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)**

## **Schedule of Projects (Unaudited)**

The Authority is currently involved in the following projects:

### **Berkey & Gay Mixed Use Housing/Commercial/Office Project**

On September 11, 2001, the Authority finalized a project development agreement (the Project) with 940 Monroe, LLC and 900 Monroe, LLC, (the Developer) related to the comprehensive rehabilitation of the former Berkey & Gay manufacturing facility on Monroe Avenue, N.W. The agreement states that the Authority will reimburse the Developer for improvements that fall within the definition of “public facilities” under Act 450 for which the Authority’s tax increment revenues (as defined in Act 450) may be used to pay the cost.

Annual reimbursements are based on percentages equaling not more than 75% of annual property tax increment revenues collected only from real and personal property located within the Project. Reimbursement payments are limited to a period beginning in calendar year 2000 and ending in calendar year 2011 and shall not exceed \$1,750,000. The Developer may, depending on the amount of project-related tax increment revenues collected during calendar years 2000 through 2011, receive less than the \$1,750,000 of Project public facility costs. Reimbursements paid or accrued through June 30, 2007 total \$486,728.

Late in 2005, the Berkey and Gay property was sold to a new owner, Boardwalk Condos LLC, who will convert the apartments to condominiums over time. Although final execution of the agreement is pending, the Authority has agreed to transfer the existing contract to the new owner as well as to extend the term of the agreement.

### **Monroe North Neighborhood Plan**

Since the creation of the Authority in 1986, the Monroe North neighborhood has undergone a dramatic transformation, changing from a predominately light industrial area to a mixed use community that incorporates residential, commercial-retail, commercial-office, industrial, and institutional uses. Recent trends suggest that more changes can be anticipated within the plan boundaries. Based on these trends, both the Authority and the SmartZone Local Development Financing Authority approved funding for a City of Grand Rapids Planning Department recommendation regarding the development of a neighborhood plan to guide future growth within the area in conjunction with the City’s Master Plan. This work was completed in fiscal year 2007.

# **Grand Rapids Tax Increment Financing Authority (A Component Unit of the City of Grand Rapids, Michigan)**

## **Schedule of Projects (Unaudited)**

### **Canal Street Park Extension of Walkway**

As part of its ongoing interest in providing pedestrian access to the Grand River, the Authority approved funding for the extension of the Canal Park walkway which will serve to complement the existing trail that goes from Michigan Street through Sixth Street Bridge Park and Canal Street Park. Authority funding will be used to support only that portion of the extension which falls within the Authority boundaries.

### **Canal Street Park Capital Repairs and Improvements**

Canal Street Park was originally constructed in 1998 but it was soon discovered that settlement of sidewalks and other appurtenant improvements was occurring in areas near the modular block walls. Discussions were initiated with the contractor and the consultants in connection with the necessary repairs. Through mediation, the contractor and the design consultants provided \$550,000 to the Authority to effect repairs to Canal Street Park.

Work began in late fall, 2006 when the Authority approved an engineering services contract for the preliminary design engineering and study phase of the project. In spring 2007 the Authority approved a construction contract for repairs and improvements to the block walls, picnic areas, landing ramp, sidewalks, light pole bases, scenic overlook, and other areas of the Park.