



CITY OF KENTWOOD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012



CITY OF KENTWOOD, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

December 7, 2012

Honorable Mayor and
City Commissioners
City of Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Kentwood, Michigan* (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kentwood, Michigan's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the City of Kentwood, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kentwood, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure filing is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

As management of the City of Kentwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Kentwood for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

The City experienced its third consecutive drop in taxable property values. The resulting revenue decrease was offset in part by additional constitutional revenue sharing received from the State of Michigan, with growth due to population increases identified in the 2010 U.S. Census and higher Michigan Sales Tax collections.

2012 was also a year of continued capital investment for the City. Projects included:

- Completion of construction of Forest Hills Avenue improvements;
- Commencement of engineering and construction of Breton Avenue / Walma Avenue improvements;
- Park and recreation facilities improvements, including the Pinewood Park Splash Pad, Veteran's Park improvements, restroom facilities, a trail extension, skate park equipment, and play structures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government'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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer services.

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

The government-wide financial statements include not only the City of Kentwood itself (known as the *primary government*), but also three legally separate *component units*, the City of Kentwood Building Authority, the Kentwood Economic Development Corporation, and the City of Kentwood Brownfield Redevelopment Authority, for which the City of Kentwood is financially accountable. Financial information for the Building Authority component unit is blended with the City debt service fund, and the Economic Development Corporation and the Brownfield Redevelopment Authority are presented as discrete component units.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kentwood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances are reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, police and fire millage special revenue fund, major streets special revenue fund, and general projects capital projects fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insured dental plan. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations, which are considered to be major funds of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and required pension and other postemployment benefits information.

The combining statements referred to earlier in connection with nonmajor governmental funds and continuing disclosure information are presented immediately following the notes to the financial statements and required supplementary information.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$96,122,223 at the close of the most recent fiscal year.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 50,605,211	\$ 50,815,049	\$ 7,797,322	\$ 7,895,241	\$ 58,402,533	\$ 58,710,290
Capital assets, net	49,520,806	50,353,967	14,306,452	13,613,094	63,827,258	63,967,061
Total assets	100,126,017	101,169,016	22,103,774	21,508,335	122,229,791	122,677,351
Liabilities						
Other liabilities	2,400,520	2,749,907	555,224	395,674	2,955,744	3,145,581
Long-term liabilities	23,151,824	24,929,750	-	-	23,151,824	24,929,750
Total liabilities	25,552,344	27,679,657	555,224	395,674	26,107,568	28,075,331
Net assets						
Invested in capital assets, net of related debt	29,359,020	29,461,815	14,306,452	13,613,094	43,665,472	43,074,909
Restricted	27,792,303	27,539,296	-	-	27,792,303	27,539,296
Unrestricted	17,422,350	16,488,248	7,242,098	7,499,567	24,664,448	23,987,815
Total net assets	\$ 74,573,673	\$ 73,489,359	\$ 21,548,550	\$ 21,112,661	\$ 96,122,223	\$ 94,602,020

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of governmental activities at year-end have been restricted primarily by funding sources for major, local and municipal streets, drains and street lighting. Of the net asset balance at year end, 39% is invested in capital assets net of related debt, 37% is restricted for other purposes and 24% is unrestricted and available for general City operations.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 4,596,490	\$ 4,733,000	\$ 6,196,938	\$ 5,714,910	\$ 10,793,428	\$ 10,447,910
Operating grants and contributions	5,531,272	5,620,986	230,568	271,577	5,761,840	5,892,563
Capital grants and contributions	-	120,220	301,643	-	301,643	120,220
General revenues:						
Property taxes	18,590,184	19,198,536	-	-	18,590,184	19,198,536
Franchise fees	595,403	580,983	-	-	595,403	580,983
State shared revenues	3,497,621	3,286,020	-	-	3,497,621	3,286,020
Unrestricted investment earnings	738,208	945,069	-	-	738,208	945,069
Other revenues	148,071	53,464	-	-	148,071	53,464
Total revenues	<u>33,697,249</u>	<u>34,538,278</u>	<u>6,729,149</u>	<u>5,986,487</u>	<u>40,426,398</u>	<u>40,524,765</u>
Expenses						
General government	4,983,984	4,737,751	-	-	4,983,984	4,737,751
Public safety	16,775,527	15,289,820	-	-	16,775,527	15,289,820
Public works	7,919,941	8,362,498	-	-	7,919,941	8,362,498
Community and economic development	283,896	309,540	-	-	283,896	309,540
Culture and recreation	2,243,497	1,938,222	-	-	2,243,497	1,938,222
Interest on long-term debt	845,760	865,934	-	-	845,760	865,934
Water	-	-	3,134,956	2,886,112	3,134,956	2,886,112
Sewer	-	-	2,718,634	2,901,441	2,718,634	2,901,441
Total expenses	<u>33,052,605</u>	<u>31,503,765</u>	<u>5,853,590</u>	<u>5,787,553</u>	<u>38,906,195</u>	<u>37,291,318</u>
Change in net assets before transfers	644,644	3,034,513	875,559	198,934	1,520,203	3,233,447
Transfers	439,670	445,210	(439,670)	(445,210)	-	-
Change in net assets	1,084,314	3,479,723	435,889	(246,276)	1,520,203	3,233,447
Net assets, beginning of year, as restated	73,489,359	70,009,636	21,112,661	21,358,937	94,602,020	91,368,573
Net assets, end of year	<u>\$ 74,573,673</u>	<u>\$ 73,489,359</u>	<u>\$ 21,548,550</u>	<u>\$ 21,112,661</u>	<u>\$ 96,122,223</u>	<u>\$ 94,602,020</u>

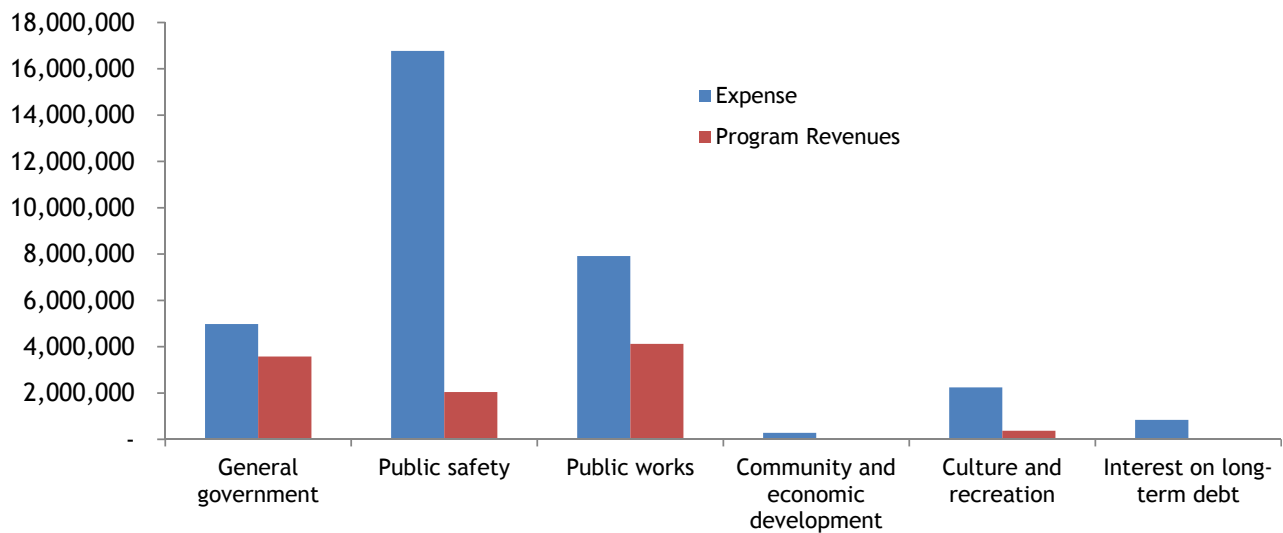
CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

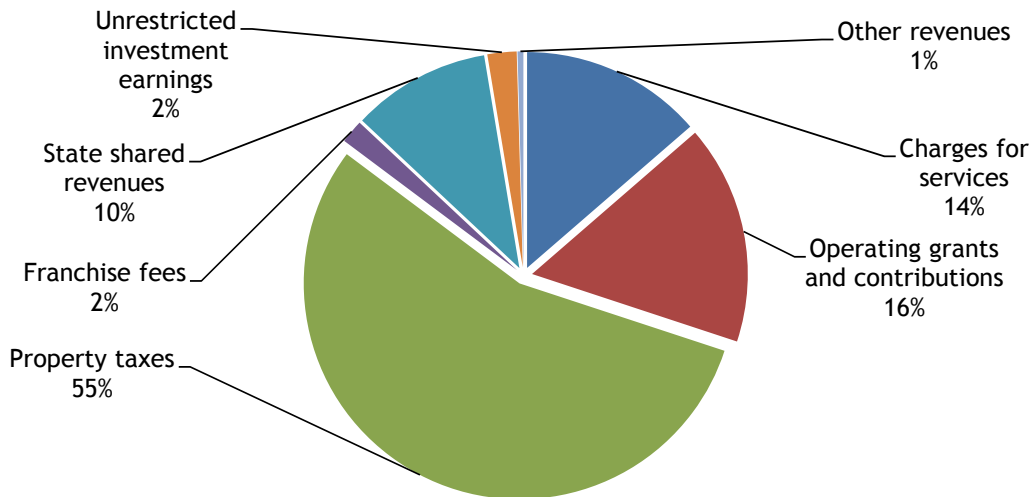
Governmental activities. Governmental activities increased the City's net assets by \$1,084,314. Key elements of this increase are as follows:

- Additional accumulation of unexpended resources in the police and fire millage special revenue fund for future use to provide police and fire services, largely offset by use of resources in the major street and other nonmajor governmental funds.
- A decrease in depreciation expense related to fully depreciated infrastructure assets.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



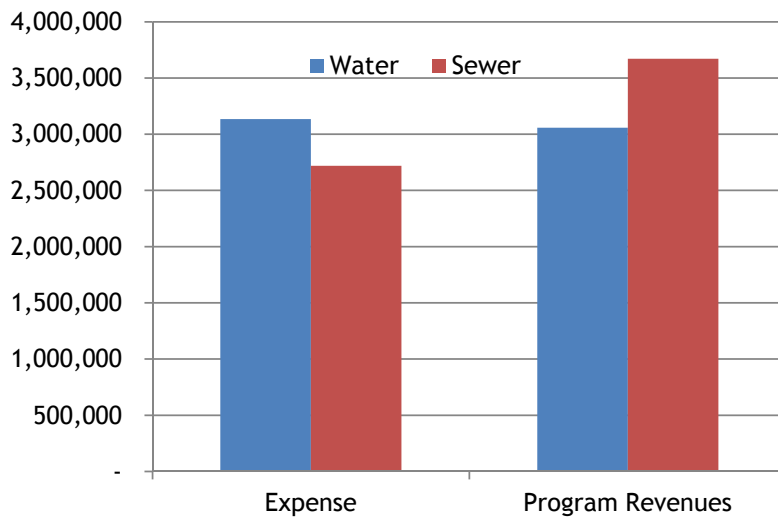
CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

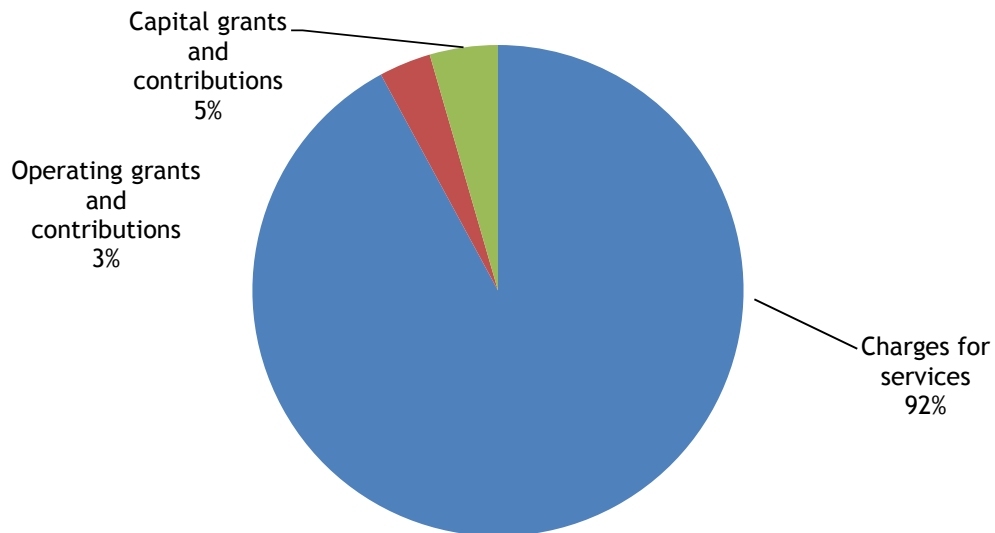
Business-type activities. Business-type activities increased the City's net assets by \$435,889. The key elements of this increase were as follows:

- Operating revenue and investment income that exceeded operating expenses and transfers out;
- Capital grants and contributions from special assessment-related construction.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$47,542,281, an increase of \$147,065 compared with the prior year. This increase was mainly related to the accumulation of unexpended resources in the police and fire millage special revenue fund for future use to provide police and fire services, which was largely offset by the use of resources in the major street and other nonmajor governmental funds.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,325,460, while total fund balance reached \$5,110,518. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 17 percent of total general fund expenditures and transfers out, while total fund balance represents 20 percent of that same amount.

The fund balance of the City's general fund increased by \$39,325 during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$2,191,448 and \$5,050,650, respectively. The total changes in net assets for these funds were a decrease of \$263,876 and an increase of \$699,765, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

- The City Commission, by resolution, amended the general fund budget once during the fiscal year ended June 30, 2012. The amendment was largely related to an increase in budgeted pension expense for an increase in the City's actuarially-calculated defined benefit pension plan contribution.

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

- General fund expenditure budget to actual variances are due to several factors including staffing vacancies, rehires, reassignments and other changes (Court, Treasurer, Accounting, Police, Fire, and Public Works); employee benefits costs that varied from amounts budgeted (all departments with personnel); variations in contractual services and supplies needed (Administrative, Court, Information Technology, Human Resources, Executive, Police, Fire, Public Works, Planning and zoning, and Library); and changes in customer utilization of activities (Recreation).

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$63,827,258 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Completion/commencement/continuation of street improvements activities.

	Capital Assets, Net of Accumulated Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,454,743	\$ 2,454,743	\$ 60,949	\$ 60,949	\$ 2,515,692	\$ 2,515,692
Construction in progress	266,082	206,452	750,323	-	1,016,405	206,452
Depreciable assets	46,799,981	47,692,772	13,495,180	13,552,145	60,295,161	61,244,917
Total capital assets	\$ 49,520,806	\$ 50,353,967	\$ 14,306,452	\$ 13,613,094	\$ 63,827,258	\$ 63,967,061

Additional information on the City's capital assets can be found in Note 7 of this report.

Long-term Debt. The City's long-term debt totaled \$23,151,824 at June 30, 2012, all of which was reported in governmental activities. Business-type activities had no long-term Debt.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	20,135,000	\$ 21,910,000	\$ -	\$ -	\$ 20,135,000	\$ 21,910,000
Deferred bond costs	26,786	27,126	-	-	26,786	27,126
Compensated absences	1,246,930	1,251,191	-	-	1,246,930	1,251,191
Landfill cleanup costs	1,743,108	1,741,433	-	-	1,743,108	1,741,433
Total long-term debt	\$ 23,151,824	\$ 24,929,750	\$ -	\$ -	\$ 23,151,824	\$ 24,929,750

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

During the year the City paid \$1,775,000 of principal on bonds outstanding at July 1, 2011.

The City has a AA bond rating from Standard & Poor's (affirmed February 3, 2011) and a AA+ bond rating from Fitch Ratings (upgraded February 4, 2011).

Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

At its initial adoption on May 15, 2012, the FY 2013 budget anticipated that total general fund revenues and expenditures would increase, as compared to the FY 2012 budget, by 3.89% and 3.86%, respectively. These changes were projected to result in a budget where revenues exceed expenditures by \$10,600. Further explanation of significant changes in the initially adopted budget is, as follows:

Revenues

Property taxes - The general fund's budgeted property tax, its largest revenue source, is projected to decrease for the third straight year, by \$180,400 (-3.10%). The increase in taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by the Consumer Price Index (CPI) of 2.7%. These percentages differed due to individual property values that decreased, or increased at less than the rate of the CPI.

State shared revenue - The general fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2012 budget, is projected to increase by \$504,700 (+16.76%), due to increased City population (2010 Census) and improving sales tax receipts. The FY 2013 budget includes state shared revenue comprised solely of constitutional state shared revenue, based on an estimate provided by the State of Michigan.

Transfer from other funds - This revenue was first budgeted in FY 2000 with the change to collect all of the police and fire millage in the police and fire millage fund. The amount transferred is calculated based on the Police and Fire Department budgets reduced by the contribution (\$4,928,400) the City was making toward police and fire operations at the time the April 1999 millage increase was adopted. With the additional dedicated police and fire millage approved by voters on May 4, 2010, the dedicated police and fire property tax revenue to be collected in FY 2013 is sufficient to cover Police and Fire Department budgets without general fund contributions in excess of \$4,928,400. In addition, at the end of FY 2013, it is anticipated that approximately \$5,573,100 will remain in the police and fire millage fund for future use. In FY 2013, this revenue also includes \$260,000 of unexpended FY 2011 appropriations held in the property and building fund for use in a later budget year, \$60,000 from the library fund toward higher new library operating costs, and \$20,000 of State METRO Act money for funding of sidewalk snow plowing and sidewalk maintenance costs paid for by the general fund.

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

Expenditures

Compensation and employee benefits for City employees are estimated and included in the FY 2013 budget using provisions in completed collective bargaining agreements, and based on potential contract changes for any unsettled collective bargaining agreements. All four of the City's collective bargaining agreements are settled for FY 2013. Defined benefit pension and other postemployment benefit costs are calculated based on annual actuarial valuations.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Thomas H. Chase, Finance Director, City of Kentwood, P.O. Box 8848, Kentwood, MI 49518-8848.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 46,786,708	\$ 6,094,644	\$ 52,881,352
Receivables	3,058,295	1,702,457	4,760,752
Other assets	760,208	221	760,429
Capital assets not being depreciated	2,720,825	811,272	3,532,097
Capital assets being depreciated, net	46,799,981	13,495,180	60,295,161
Total assets	100,126,017	22,103,774	122,229,791
Liabilities			
Accounts payable and accrued expenses	2,287,225	555,224	2,842,449
Unearned revenue	113,295	-	113,295
Long-term liabilities:			
Due within one year	1,915,340	-	1,915,340
Due in more than one year	21,236,484	-	21,236,484
Total liabilities	25,552,344	555,224	26,107,568
Net assets			
Invested in capital assets, net of related debt	29,359,020	14,306,452	43,665,472
Restricted for:			
Police and fire services	5,662,344	-	5,662,344
Drug law enforcement	177,375	-	177,375
Public works activities	19,015,753	-	19,015,753
Housing assistance	349,659	-	349,659
Parks	1,440,676	-	1,440,676
Landfill remediation	107,775	-	107,775
Library	814,027	-	814,027
Debt service	224,694	-	224,694
Unrestricted	17,422,350	7,242,098	24,664,448
Total net assets	\$ 74,573,673	\$ 21,548,550	\$ 96,122,223

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 4,983,984	\$ 3,212,514	\$ 364,679	\$ -	\$ (1,406,791)
Public safety	16,775,527	803,494	1,240,460	-	(14,731,573)
Public works	7,919,941	335,001	3,788,398	-	(3,796,542)
Community and economic development	283,896	13,565	-	-	(270,331)
Culture and recreation	2,243,497	231,916	137,735	-	(1,873,846)
Interest on long-term debt	845,760	-	-	-	(845,760)
Total governmental activities	33,052,605	4,596,490	5,531,272	-	(22,924,843)
Business-type activities:					
Water	3,134,956	2,972,873	85,506	-	(76,577)
Sewer	2,718,634	3,224,065	145,062	301,643	952,136
Total business-type activities	5,853,590	6,196,938	230,568	301,643	875,559
Total primary government	\$ 38,906,195	\$ 10,793,428	\$ 5,761,840	\$ 301,643	\$ (22,049,284)
Component units					
Economic Development Authority	\$ 112,692	\$ 48,872	\$ 31,391	\$ -	\$ (32,429)
Brownfield Redevelopment Authority	2,000	-	-	-	(2,000)
Total component units	\$ 114,692	\$ 48,872	\$ 31,391	\$ -	\$ (34,429)

continued...

CITY OF KENTWOOD, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation	Brownfield Redevelopment Authority
Changes in net assets					
Net (expense) revenue	\$ (22,924,843)	\$ 875,559	\$ (22,049,284)	\$ (32,429)	\$ (2,000)
General revenues:					
Property taxes:					
General operating	5,730,334	-	5,730,334	-	-
Police and fire	12,000,608	-	12,000,608	-	-
Other purposes	859,242	-	859,242	-	22,777
Franchise fees	595,403	-	595,403	-	-
State shared revenues	3,497,621	-	3,497,621	-	-
Unrestricted investment income	738,208	-	738,208	-	1,276
Gain of sale of capital assets	55,804	-	55,804	-	-
Other general revenues	92,267	-	92,267	-	-
Transfers - internal activities	439,670	(439,670)	-	-	-
Total general revenues and transfers	24,009,157	(439,670)	23,569,487	-	24,053
Change in net assets	1,084,314	435,889	1,520,203	(32,429)	22,053
Net assets, beginning of year, as restated	73,489,359	21,112,661	94,602,020	926,904	19,325
Net assets, end of year	\$ 74,573,673	\$ 21,548,550	\$ 96,122,223	\$ 894,475	\$ 41,378

concluded

The accompanying notes are an integral part of these financial statements.

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FUND FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

Balance Sheet Governmental Funds June 30, 2012

	General Fund	Special Revenue		Capital Projects
		Police and Fire Millage Fund	Major Streets Fund	General Projects Fund
Assets				
Cash and pooled investments	\$ 4,170,095	\$ 5,509,762	\$ 9,151,551	\$ 5,112,643
Accounts receivable	499,720	152,582	140	-
Special assessments receivable	-	-	-	402,924
Loans receivable	-	-	-	-
Due from other governments	1,251,586	-	372,253	-
Inventory	13,492	-	-	-
Prepaid items	594,191	-	-	-
Total assets	\$ 6,529,084	\$ 5,662,344	\$ 9,523,944	\$ 5,515,567
Liabilities				
Accounts payable	\$ 306,941	\$ -	\$ 215,153	\$ -
Accrued liabilities	585,421	-	-	-
Customer deposits	159,222	-	138,726	-
Due to other governments	165,137	-	-	-
Deferred revenue	201,845	152,582	-	295,405
Total liabilities	1,418,566	152,582	353,879	295,405
Fund balances (Note 9)				
Nonspendable	607,683	-	-	-
Restricted	177,375	5,509,762	9,170,065	-
Assigned	-	-	-	5,220,162
Unassigned	4,325,460	-	-	-
Total fund balances	5,110,518	5,509,762	9,170,065	5,220,162
Total liabilities and fund balances	\$ 6,529,084	\$ 5,662,344	\$ 9,523,944	\$ 5,515,567

The accompanying notes are an integral part of these financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 22,813,202	\$ 46,757,253
18,514	670,956
-	402,924
242,476	242,476
118,100	1,741,939
-	13,492
-	594,191
<u>\$ 23,192,292</u>	<u>\$ 50,423,231</u>
\$ 485,356	\$ 1,007,450
-	585,421
-	297,948
3,071	168,208
172,091	821,923
<u>660,518</u>	<u>2,880,950</u>
79,657	687,340
14,177,217	29,034,419
8,274,900	13,495,062
-	4,325,460
<u>22,531,774</u>	<u>47,542,281</u>
<u>\$ 23,192,292</u>	<u>\$ 50,423,231</u>

CITY OF KENTWOOD, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Assets of Governmental Activities
June 30, 2012

Fund balances - total governmental funds \$ 47,542,281

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	2,720,825
Capital assets being depreciated, net	46,799,981

Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Deferred special assessments receivable	295,405
Deferred delinquent personal property taxes receivable	253,408
Deferred housing rehabilitation loans receivable	159,815
Deferred bond issuance costs, net	152,525

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(20,135,000)
Unamortized premium on bonds payable	(91,232)
Deferred loss on bond refunding	64,446
Landfill clean up and other costs	(1,743,108)
Compensated absences payable	(1,246,930)
Accrued interest on bonds payable	(198,743)

Net assets of governmental activities \$ 74,573,673

The accompanying notes are an integral part of these financial statements.

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CITY OF KENTWOOD, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	Special Revenue		Capital Projects
		Police and Fire Millage Fund	Major Streets Fund	General Projects Fund
Revenue				
Taxes	\$ 5,706,409	\$ 11,937,666	\$ -	\$ -
Special assessments	-	-	-	108,095
Intergovernmental	4,497,101	-	2,226,903	-
Licenses and permits	1,329,257	-	-	-
Charges for services	1,437,973	-	-	-
Fines and forfeitures	1,245,985	-	-	-
Investment income	166,875	303,661	278,999	314,188
Miscellaneous	167,477	-	7,602	-
Total revenue	14,551,077	12,241,327	2,513,504	422,283
Expenditures				
Current:				
Judicial	1,355,845	-	-	-
General government	2,908,568	-	-	-
Public safety	15,370,834	20,000	-	-
Highways and streets	-	-	2,321,267	-
Public works	1,394,631	-	-	-
Community and economic development	283,896	-	-	-
Culture and recreation	1,787,551	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	301,643
Total expenditures	23,101,325	20,000	2,321,267	301,643
Revenue over (under) expenditures	(8,550,248)	12,221,327	192,237	120,640
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	10,474,390	-	214,750	-
Transfers out	(1,884,817)	(10,404,244)	(1,769,100)	-
Total other financing sources (uses)	8,589,573	(10,404,244)	(1,554,350)	-
Net change in fund balances	39,325	1,817,083	(1,362,113)	120,640
Fund balances, beginning of year, as restated	5,071,193	3,692,679	10,532,178	5,099,522
Fund balances, end of year	\$ 5,110,518	\$ 5,509,762	\$ 9,170,065	\$ 5,220,162

The accompanying notes are an integral part of these financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 855,726	\$ 18,499,801
37,238	145,333
1,094,276	7,818,280
-	1,329,257
1,167,831	2,605,804
-	1,245,985
729,929	1,793,652
37,784	212,863
<u>3,922,784</u>	<u>33,650,975</u>
-	1,355,845
-	2,908,568
11,080	15,401,914
3,375,104	5,696,371
638,259	2,032,890
19,716	303,612
443,195	2,230,746
1,775,000	1,775,000
848,114	848,114
1,144,681	1,446,324
<u>8,255,149</u>	<u>33,999,384</u>
<u>(4,332,365)</u>	<u>(348,409)</u>
55,804	55,804
5,420,490	16,109,630
<u>(1,611,799)</u>	<u>(15,669,960)</u>
<u>3,864,495</u>	<u>495,474</u>
(467,870)	147,065
<u>22,999,644</u>	<u>47,395,216</u>
<u>\$ 22,531,774</u>	<u>\$ 47,542,281</u>

CITY OF KENTWOOD, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Assets of Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 147,065

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	2,137,619
Depreciation expense	(2,970,780)
Proceeds from sale of capital assets	(55,804)
Gain on sale of capital assets	55,804

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments on long-term debt	1,775,000
Amortization of premium on long-term debt	17,525
Amortization of deferred bond issuance costs	(20,564)
Amortization of deferred loss on bond refunding	(17,185)
Change in landfill clean-up liability	(1,675)

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 the funds.

Change in compensated absences payable	4,261
Change in accrued interest payable	22,578

Change in net assets of governmental activities \$ 1,084,314

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Taxes	\$ 5,819,300	\$ 5,819,300	\$ 5,706,409	\$ (112,891)
Intergovernmental	4,008,300	4,008,300	4,497,101	488,801
Licenses and permits	1,232,000	1,232,000	1,329,257	97,257
Charges for services	1,564,200	1,564,200	1,437,973	(126,227)
Fines and forfeitures	1,470,200	1,470,200	1,245,985	(224,215)
Investment income	250,000	250,000	166,875	(83,125)
Miscellaneous	112,300	112,300	167,477	55,177
Total revenue	14,456,300	14,456,300	14,551,077	94,777
Expenditures				
Judicial	1,317,700	1,337,700	1,355,845	18,145
General government	3,081,800	3,084,800	2,908,568	(176,232)
Public safety	16,225,000	16,240,000	15,370,834	(869,166)
Public works	1,593,200	1,593,200	1,394,631	(198,569)
Community and economic development	327,300	327,300	283,896	(43,404)
Culture and recreation	1,837,100	1,837,100	1,787,551	(49,549)
Total expenditures	24,382,100	24,420,100	23,101,325	(1,318,775)
Revenue under expenditures	(9,925,800)	(9,963,800)	(8,550,248)	1,413,552
Other financing sources (uses)				
Transfers in	11,543,100	11,543,100	10,474,390	(1,068,710)
Transfers out	(1,614,900)	(1,614,900)	(1,884,817)	(269,917)
Total other financing sources (uses)	9,928,200	9,928,200	8,589,573	(1,338,627)
Net change in fund balance	2,400	(35,600)	39,325	74,925
Fund balance, beginning of year	5,071,193	5,071,193	5,071,193	-
Fund balance, end of year	\$ 5,073,593	\$ 5,035,593	\$ 5,110,518	\$ 74,925

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Police and Fire Millage Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Taxes	\$ 12,191,500	\$ 12,191,500	\$ 11,937,666	\$ (253,834)
Investment income	120,000	120,000	303,661	183,661
Total revenue	12,311,500	12,311,500	12,241,327	(70,173)
Expenditures				
Public safety:				
Administrative	20,000	20,000	20,000	-
Revenue over expenditures	12,291,500	12,291,500	12,221,327	(70,173)
Other financing uses				
Transfers out	(11,196,400)	(11,196,400)	(10,404,244)	792,156
Net change in fund balance	1,095,100	1,095,100	1,817,083	721,983
Fund balance, beginning of year	3,692,679	3,692,679	3,692,679	-
Fund balance, end of year	<u>\$ 4,787,779</u>	<u>\$ 4,787,779</u>	<u>\$ 5,509,762</u>	<u>\$ 721,983</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Major Streets Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Intergovernmental	\$ 1,921,300	\$ 1,921,300	\$ 2,226,903	\$ 305,603
Investment income	250,000	250,000	278,999	28,999
Miscellaneous	80,000	80,000	7,602	(72,398)
Total revenue	2,251,300	2,251,300	2,513,504	262,204
Expenditures				
Highways and streets:				
Engineering	250,000	250,000	189,466	(60,534)
Administrative	172,900	172,900	200,400	27,500
Maintenance	380,000	380,000	458,110	78,110
Snow and ice removal	200,000	200,000	196,893	(3,107)
Traffic control	85,000	85,000	91,757	6,757
Miscellaneous	215,000	215,000	228,290	13,290
Capital outlay	2,005,000	2,005,000	956,351	(1,048,649)
Total expenditures	3,307,900	3,307,900	2,321,267	(986,633)
Revenue over (under) expenditures	(1,056,600)	(1,056,600)	192,237	1,248,837
Other financing sources (uses)				
Transfers in	280,000	280,000	214,750	(65,250)
Transfers out	(1,194,100)	(1,744,100)	(1,769,100)	(25,000)
Total other financing sources (uses)	(914,100)	(1,464,100)	(1,554,350)	(90,250)
Net change in fund balance	(1,970,700)	(2,520,700)	(1,362,113)	1,158,587
Fund balance, beginning of year	10,532,178	10,532,178	10,532,178	-
Fund balance, end of year	\$ 8,561,478	\$ 8,011,478	\$ 9,170,065	\$ 1,158,587

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Assets				
Current assets:				
Cash and pooled investments	\$ 1,782,924	\$ 4,311,720	\$ 6,094,644	\$ 29,455
Accounts receivable	738,857	632,881	1,371,738	-
Due from other governments	50,263	280,456	330,719	-
Prepaid items	-	221	221	-
Total current assets	<u>2,572,044</u>	<u>5,225,278</u>	<u>7,797,322</u>	<u>29,455</u>
Noncurrent assets:				
Capital assets not being depreciated	804,072	7,200	811,272	-
Capital assets being depreciated, net	7,323,445	6,171,735	13,495,180	-
Total noncurrent assets	<u>8,127,517</u>	<u>6,178,935</u>	<u>14,306,452</u>	<u>-</u>
Total assets	<u>10,699,561</u>	<u>11,404,213</u>	<u>22,103,774</u>	<u>29,455</u>
Liabilities (all current)				
Accounts payable	<u>380,596</u>	<u>174,628</u>	<u>555,224</u>	<u>29,455</u>
Net assets				
Invested in capital assets	8,127,517	6,178,935	14,306,452	-
Unrestricted	<u>2,191,448</u>	<u>5,050,650</u>	<u>7,242,098</u>	<u>-</u>
Total net assets	<u>\$ 10,318,965</u>	<u>\$ 11,229,585</u>	<u>\$ 21,548,550</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Revenue, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Operating revenue	\$ 2,972,873	\$ 3,224,065	\$ 6,196,938	\$ 156,947
Operating expenses				
Administration	25,000	-	25,000	-
Contractual services	2,250,884	1,978,365	4,229,249	7,464
Depreciation	417,142	335,370	752,512	-
Claims	-	-	-	149,483
Supplies	186,532	92,649	279,181	-
Engineering	14,000	226,820	240,820	-
Rent	40,000	-	40,000	-
Utilities	103,489	6,532	110,021	-
Miscellaneous	97,909	78,898	176,807	-
Total operating expenses	3,134,956	2,718,634	5,853,590	156,947
Operating income (loss)	(162,083)	505,431	343,348	-
Nonoperating revenue				
Investment income	85,506	145,062	230,568	-
Net income (loss) before transfers	(76,577)	650,493	573,916	-
Transfers out	(187,299)	(252,371)	(439,670)	-
Capital contributions	-	301,643	301,643	-
Change in net assets	(263,876)	699,765	435,889	-
Net assets, beginning of year	10,582,841	10,529,820	21,112,661	-
Net assets, end of year	\$ 10,318,965	\$ 11,229,585	\$ 21,548,550	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 2,756,771	\$ 3,219,968	\$ 5,976,739	\$ -
Receipts from interfund services	-	-	-	156,947
Payments to suppliers	(2,595,504)	(2,668,833)	(5,264,337)	(161,665)
Net cash provided by (used in) operating activities	161,267	551,135	712,402	(4,718)
Cash flows from non-capital financing activities				
Transfers out	(187,299)	(252,371)	(439,670)	-
Cash flows from capital and related financing activities				
Acquisition of capital assets	(874,515)	(269,712)	(1,144,227)	-
Cash flows from investing activities				
Interest received on investments	85,506	145,062	230,568	-
Net change in cash and pooled investments	(815,041)	174,114	(640,927)	(4,718)
Cash and pooled investments, beginning of year	2,597,965	4,137,606	6,735,571	34,173
Cash and pooled investments, end of year	\$ 1,782,924	\$ 4,311,720	\$ 6,094,644	\$ 29,455

continued

Non-cash transaction

The sewer fund received donated capital assets valued at \$301,643. This transaction did not involve cash.

CITY OF KENTWOOD, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (162,083)	\$ 505,431	\$ 343,348	\$ -
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	417,142	335,370	752,512	-
Changes in operating assets and liabilities:				
Accounts receivable	(216,102)	(4,097)	(220,199)	-
Due from other governments	(50,263)	(280,456)	(330,719)	-
Prepaid items	8,024	(114)	7,910	-
Accounts payable	164,549	(4,999)	159,550	(4,718)
Net cash provided by (used in) operating activities	<u>\$ 161,267</u>	<u>\$ 551,135</u>	<u>\$ 712,402</u>	<u>\$ (4,718)</u>

concluded

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

		Private Purpose Trust	Agency Fund
	Pension and OPEB Trust Funds	Special Assessment - Deferred Payback	Tax Collection
Assets			
Cash and pooled investments	\$ (37,847)	\$ 141,128	\$ 125,628
Taxes receivable	-	-	1,103,422
Interest receivable	10,238	-	-
Investments:			
Money market funds	1,811,417	-	-
Mutual funds	15,793,530	-	-
Bonds	7,910,537	-	-
Corporate obligations	51,993	-	-
Equities	633,964	-	-
Total assets	<u>26,173,832</u>	<u>141,128</u>	<u>\$ 1,229,050</u>
Liabilities			
Accounts payable	105,656	-	\$ -
Due to other governments	-	-	1,229,050
Payable to property owners	-	141,128	-
Total liabilities	<u>105,656</u>	<u>141,128</u>	<u>\$ 1,229,050</u>
Net assets			
Held in trust for pension and other postemployment benefits	26,068,176	-	
Restricted for repayment to property owners	-	-	
Total net assets	<u>\$ 26,068,176</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD, MICHIGAN

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended June 30, 2012

	Pension and OPEB Trust Funds	Private Purpose Trust Special Assessment - Deferred Payback
Additions		
Contributions:		
Employer	\$ 1,202,796	\$ -
Plan participants	240,576	-
Total contributions	<u>1,443,372</u>	<u>-</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of securities	(956,045)	-
Interest	63,751	-
Dividends	581,869	-
Net change in fair value of investments	<u>(310,425)</u>	<u>-</u>
Investment expense	(63,478)	-
Net investment income (loss)	<u>(373,903)</u>	<u>-</u>
Total additions	<u>1,069,469</u>	<u>-</u>
Deductions		
Distributions and benefit payments	1,909,477	-
Administrative expenses	38,144	-
Total deductions	<u>1,947,621</u>	<u>-</u>
Change in net assets	(878,152)	-
Net assets, beginning of year	<u>26,946,328</u>	<u>-</u>
Net assets, end of year	<u>\$ 26,068,176</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *City of Kentwood, Michigan* (the “City”), was incorporated in 1967 and operates under an elected Mayor-Commission form of government. The City provides the following services: public safety (police and fire), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, water and sewer and general government services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

The Reporting Entity

The accompanying financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Blended Component Units

Building Authority - The Building Authority is governed by a Board that is appointed by the Kentwood City Commission. Its sole purpose is to finance and construct the City’s public buildings. It is reported in the appropriate fund category of Debt Service. A separate report is not prepared for the Building Authority.

Discretely Presented Component Units

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority is governed by a Board that is appointed by the Kentwood City Commission. Its purpose is to facilitate the implementation of brownfield plans relating to the designation and treatment of brownfield sites, and to promote the revitalization of environmentally distressed areas in the City.

Economic Development Corporation - The Economic Development Corporation is governed by a board of up to 13 members that is appointed by the Kentwood City Commission. Its purpose is to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City.

Separate financial statements are not prepared for the discretely presented component units above.

Funds with Other Year Ends

The financial statements of the defined benefit pension trust fund have been included in the accompanying 2012 financial statements using the fiscal year ended December 31, 2011.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a City-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the following year, the County pays the City for any outstanding property (excluding personal property) taxes of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Special assessment revenue is recognized if collected within 12 months of year-end. Grant revenues are recorded when all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, landfill remediation and compensated absences expenditures are recorded only when payment is due.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Property taxes, the current portion of special assessments receivable, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It is used to account for and report on all financial resources not accounted for and reported in another fund.

The *police and fire millage fund* accounts for funds generated by property tax collections restricted for expenditure on police and fire protection.

The *major streets fund* accounts for funds specifically intended for the maintenance and construction of major streets. Financing is provided from Public Act 51 State Shared Gas and Weight Tax and miscellaneous service revenues.

The *general projects capital projects fund* accounts for resources assigned for future building and expansion projects. Inflows primarily consist of private donations, special assessments, and interfund transfers.

The City reports the following major proprietary funds:

The *water enterprise fund* accounts for funds specifically intended for the operation, maintenance and capital improvements of the water supply system and retirement of related revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities and customers.

The *sewer enterprise fund* accounts for funds specifically intended for the operation, maintenance and capital improvements of the sewage disposal system, and retirement of related revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities and customers.

Additionally, the City reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service fund* is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term debt.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *internal service fund* accounts for the City's activities in the self-insured dental plan and charges costs provided to City departments on a cost-reimbursement basis.

The *pension trust fund* is used to record the activities of the City's defined benefit pension plan.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

The *other postemployment benefits trust fund* is used to record the accumulation of resources for retiree health care benefits.

The *private purpose trust fund* is used to record the activity of collecting special assessments which are payable to other entities and which may revert to the City based on time limits established in various agreements.

The *agency fund* is used to account for assets held by the City in a trustee or agency capacity on behalf of outside parties, including other governments.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for water and sewer services. Operating expenses for the enterprise fund include depreciation on capital assets and payments for services, wages and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

General Budgetary Policies. The Mayor is responsible for submitting the proposed operating budget for the following fiscal year to the City Commission. The City Commission, during its review, holds public hearings to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.

Budget Transfers and Amendments. The City Commission authorizes all budgetary transfers. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Commission. All budget amendments are approved by the City Commission through passage of a resolution.

Budgetary Basis of Accounting. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. The budgets are adopted on a modified accrual basis consistent with generally accepted accounting principles (GAAP).

Appropriations are authorized by resolution at the department level for the general fund and at the fund level (inclusive of capital outlay) for special revenue funds. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. All unexpended appropriations lapse at year-end.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Cash and Pooled Investments

For purposes of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

Investments

Investments are stated at fair value. For fair value, securities traded on a national exchange are valued at the last reported sales price. The net investment income reported includes the change in fair value of the investments from the beginning of the year to the end of the year.

State statutes authorize the City to invest in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City's defined benefit retirement plan's investments are held in trust by two local banks. Michigan compiled law authorizes the system to invest in stocks, bonds, certificates of deposits and authority of other investments. The City's other postemployment benefit plan's investments are held in trust with ICMA Retirement Corporation.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial. Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program and capital grants are recorded as receivables and revenue at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are deferred.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Other Assets

Other assets are comprised of inventories, prepaid items, and deferred bond issuance costs.

Inventories are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond a fund’s fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

Cost associated with the issuance of long-term debt are amortized over the life of the related bonds as a component of interest expense.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The capitalization threshold ranges from \$10,000 - \$25,000. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Infrastructure assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of governmental fund revenue, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in governmental funds.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

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

	Years
Buildings, equipment, water mains, storage tanks and sewer mains	50
Water meters	20
Storage tank improvements	15
Transportation and other equipment	4-20
Public domain infrastructure	20-45

Compensated Absences

City employees are granted vacation days in varying amounts based on length of service. Employees must use earned vacation time within 12 months from their last anniversary date with a maximum carryover of 160-200 hours. Upon termination, discharge, retirement or death, employees are paid for unused vacation time at the current rate. Sick leave is accumulated at the rate of from 8 to 12 hours per month of employment depending on bargaining unit. Unused accumulated sick leave, up to a maximum of from 90 to 150 days at a rate of from \$1.00 to \$1.50 per day times the years of continuous service, is paid to employees who meet specified years of service and who die, retire or terminate in good standing based on bargaining unit. These liabilities are included on the government-wide financial statements.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Commission. A formal resolution of the City Commission is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Commission has delegated the responsibility for making fund balance assignments to the Committee of the Whole. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Property Taxes

City summer property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before August 20. These summer tax bills include the City's own property taxes and taxes billed on behalf of other governmental entities. Real property taxes not collected as of March 1 are turned over to Kent County for collection. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

The City also acts as a collection agent for various governments for winter property taxes. Taxes collected on behalf of other governmental entities are paid to them periodically and are accounted for in an agency fund.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Risk Management and Benefits

The City is a member of the Michigan Municipal League Workers' Compensation Fund. Premiums from participants of the fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the fund and members against exceptionally large losses. No deductible is required for City claims.

The City is a member of the Michigan Municipal League Liability and Property Pool. Premiums from participants of the fund are arrived at through underwriting procedures administered by the Meadowbrook Insurance Group. The claims, administrative expenses and reinsurance are provided for by the premiums collected. Various deductibles are maintained to place the responsibility for small charges with the insured. Deductible examples: liability, \$5,000; blanket real and personal property including buildings, personal property and property in the open, \$5,000; and electronic data processing equipment, \$1,000.

The City has transferred the risk of loss associated with employee health care by purchasing health insurance from commercial insurance carriers. On October 1, 2006, the City established a self-funded dental plan using a third party administrator for claims processing.

Settled claims have not exceeded insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the past year.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2012, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Judicial - District Court	\$ 1,337,700	\$ 1,355,845	\$ 18,145
General government - Assessor	420,100	420,354	254
Culture and recreation - Library	244,100	253,504	9,404
Transfers out	1,614,900	1,884,817	269,917
Street lighting fund			
Highways and streets	525,000	530,149	5,149
Local streets fund			
Highways and streets	2,766,200	2,789,955	23,755

3. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fiduciary fund statements related to deposits and investments are as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
Cash and pooled investments	\$ 52,881,352	\$ 228,909	\$ 748,862	\$ 53,859,123
Investments	-	26,201,441	-	26,201,441
Total deposits and investments	<u>\$ 52,881,352</u>	<u>\$ 26,430,350</u>	<u>\$ 748,862</u>	<u>\$ 80,060,564</u>

Cash and investments are composed of the following at year-end:

Deposits (checking and savings accounts)	\$ 4,134,671
Petty cash	3,500
Investments - primary government	49,720,952
Investments - pension trust fund	24,083,500
Investments - other postemployment benefits trust fund	2,117,941
Total deposits and investments	<u>\$ 80,060,564</u>

Deposits are in one (1) financial institution located in Michigan.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 (summary of significant accounting policies). The City's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment held at year-end are summarized as follows:

	Primary Government at 06/30/2012	Pension Trust Fund at 12/31/2011	OPEB Trust Fund at 06/30/2012
No maturity	\$ 18,896,591	\$ 24,031,507	\$ 2,117,941
Less than 1 year	123,693	-	-
1 to 5 years	-	51,993	-
6 to 10 years	778,195	-	-
11 to 15 years	2,587,582	-	-
16 to 20 years	715,765	-	-
21 to 25 years	7,629,743	-	-
26 to 30 years	18,989,383	-	-
Total	\$ 49,720,952	\$ 24,083,500	\$ 2,117,941

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City's specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for investments held at year-end with the exception of the pension trust fund assets, which are reported as of December 31, 2011, are summarized as follows:

	Primary Government at 06/30/2012	Pension Trust Fund at 12/31/2011	OPEB Trust Fund at 06/30/2012
Not rated	\$ 558,880	\$ 2,261,226	\$ -
S&P AAA	49,162,072	-	-
S&P AA	-	2,490,943	-
S&P BB	-	78,882	-
S&P BBB	-	2,692,244	-
A2/A	-	51,993	-
Morningstar 5 stars	-	2,847,708	-
Morningstar 4 stars	-	9,027,342	-
Morningstar 3 stars	-	4,633,162	2,117,941
Total	\$ 49,720,952	\$ 24,083,500	\$ 2,117,941

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$4,210,977 of the City's bank balance of \$4,460,977 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Following is a summary of the primary government and OPEB trust investments as of June 30, 2012 and pension trust fund investments as of December 31, 2011:

	Primary Government at 06/30/2012	Pension Trust Fund at 12/31/2011	OPEB Trust Fund at 06/30/2012
Money market funds	\$ 558,880	\$ 1,811,417	\$ -
U.S. agencies	30,824,354	-	-
Mutual funds	18,337,718	13,675,587	2,117,941
Bonds	-	7,910,539	-
Equity securities	-	633,964	-
Corporate obligations	-	51,993	-
Total	\$ 49,720,952	\$ 24,083,500	\$ 2,117,941

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the City's investment policy. Of the above mutual fund investments, the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments for the primary government as identified in Note 1 (summary of significant accounting policies), but does not limit concentration of credit risk. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of investments of the primary government were in mutual funds and U.S. government agencies, which are not subject to concentration of credit risk disclosures. More than 5 percent of the pension trust fund's investments are in certain assets, as follows:

Vanguard Short-term Bond Index Fund	10.34%
Vanguard 500 Index Fund - Investor Shares	9.20%
Federated Total Return Bond Fund - Institutional Shares	8.58%
Ishares S&P 500 Index Fund	6.38%
Fifth Third Disciplined Large Value Fund	5.45%
Harbor Fund Capital Appreciation Fund	5.35%

The entire amount of investments reported in the other postemployment benefits trust fund are in a Vantage Point Long-term Growth Portfolio.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Accounts	\$ 670,956	\$ 1,371,738	\$ -	\$ -
Interest	-	-	10,238	-
Special assessments	402,924	-	-	-
Loans	242,476	-	-	186,991
Due from other governments	1,741,939	330,719	-	-
Total receivables	\$ 3,058,295	\$ 1,702,457	\$ 10,238	\$ 186,991

Of the total reported above, \$159,815 of the loans receivable, \$295,405 of special assessments receivable, and \$253,408 of delinquent personal property taxes receivable are not expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All governmental activities defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in governmental activities were as follows:

	Unavailable	Unearned	Total
Governmental funds			
Recreation department escrows	\$ -	\$ 113,295	\$ 113,295
Delinquent personal property taxes receivable	253,408	-	253,408
Housing rehabilitation loans receivable	159,815	-	159,815
Special assessments receivable	295,405	-	295,405
Total	\$ 708,628	\$ 113,295	\$ 821,923

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Accounts	\$ 1,036,905	\$ 555,224	\$ 105,656	\$ -
Accrued liabilities	585,421	-	-	-
Customer deposits	297,948	-	-	-
Due to other governments	168,208	-	1,229,050	-
Due to property owners	-	-	141,128	-
Accrued interest on long-term debt	198,743	-	-	-
Total	\$ 2,287,225	\$ 555,224	\$ 1,475,834	\$ -

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2012 are as follows:

Transfers out	Transfers in			Totals
	General Fund	Major Streets Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ -	\$ 1,884,817	\$ 1,884,817
Police and fire millage fund	10,404,244	-	-	10,404,244
Major streets fund	-	-	1,769,100	1,769,100
Nonmajor governmental funds	70,146	214,750	1,326,903	1,611,799
Water fund	-	-	187,299	187,299
Sewer fund	-	-	252,371	252,371
Totals	\$ 10,474,390	\$ 214,750	\$ 5,420,490	\$ 16,109,630

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,454,743	\$ -	\$ -	\$ -	\$ 2,454,743
Construction in progress	206,452	1,110,353	-	(1,050,723)	266,082
	<u>2,661,195</u>	<u>1,110,353</u>	<u>-</u>	<u>(1,050,723)</u>	<u>2,720,825</u>
Capital assets, being depreciated:					
Land improvements	2,366,850	214,701	-	285,755	2,867,306
Buildings	33,717,839	47,816	-	-	33,765,655
Equipment	3,420,878	461,055	-	-	3,881,933
Vehicles	5,725,027	303,694	(281,330)	-	5,747,391
Infrastructure	48,918,695	-	-	764,968	49,683,663
	<u>94,149,289</u>	<u>1,027,266</u>	<u>(281,330)</u>	<u>1,050,723</u>	<u>95,945,948</u>
Less accumulated depreciation for:					
Land improvements	(1,068,831)	(120,822)	-	-	(1,189,653)
Buildings	(9,957,710)	(1,280,305)	-	-	(11,238,015)
Equipment	(2,199,930)	(324,991)	-	-	(2,524,921)
Vehicles	(4,054,813)	(338,136)	281,330	-	(4,111,619)
Infrastructure	(29,175,233)	(906,526)	-	-	(30,081,759)
	<u>(46,456,517)</u>	<u>(2,970,780)</u>	<u>281,330</u>	<u>-</u>	<u>(49,145,967)</u>
Capital assets being depreciated, net	<u>47,692,772</u>	<u>(1,943,514)</u>	<u>-</u>	<u>1,050,723</u>	<u>46,799,981</u>
Governmental activities capital assets, net	<u>\$ 50,353,967</u>	<u>\$ (833,161)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,520,806</u>

Of the amounts reported for land and buildings above, \$598,694 and \$89,578, respectively, relate to the City's former library facility, which is no longer in use and currently being held for sale. The building has a net book value of \$0 at year-end. The appraised value of the asset is approximately \$800,000.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated					
Land	\$ 60,949	\$ -	\$ -	\$ -	\$ 60,949
Construction in progress	-	750,323	-	-	750,323
	<u>60,949</u>	<u>750,323</u>	<u>-</u>	<u>-</u>	<u>811,272</u>
Capital assets, being depreciated:					
Buildings	260,229	-	-	-	260,229
Equipment	2,270,996	-	-	-	2,270,996
Meters	1,181,071	131,392	-	-	1,312,463
Water mains	8,525,134	-	-	-	8,525,134
Sewer mains	16,191,327	564,155	-	-	16,755,482
Storage	3,107,058	-	-	-	3,107,058
	<u>31,535,815</u>	<u>695,547</u>	<u>-</u>	<u>-</u>	<u>32,231,362</u>
Less accumulated depreciation for:					
Buildings	(159,266)	(8,343)	-	-	(167,609)
Equipment	(318,189)	(22,588)	-	-	(340,777)
Meters	(525,344)	(29,200)	-	-	(554,544)
Water mains	(4,812,084)	(254,457)	-	-	(5,066,541)
Sewer mains	(10,280,670)	(329,468)	-	-	(10,610,138)
Storage	(1,888,117)	(108,456)	-	-	(1,996,573)
	<u>(17,983,670)</u>	<u>(752,512)</u>	<u>-</u>	<u>-</u>	<u>(18,736,182)</u>
Capital assets being depreciated, net	<u>13,552,145</u>	<u>(56,965)</u>	<u>-</u>	<u>-</u>	<u>13,495,180</u>
Business-type activities capital assets, net	<u>\$ 13,613,094</u>	<u>\$ 693,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,306,452</u>

At June 30, 2012, the City had construction commitments related to the completion of Breton/Walma roundabout and street improvement of \$1,406,600.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 690,580
Public safety	474,205
Public works	1,387,149
Culture and recreation	418,846
Total governmental activities	<u>\$ 2,970,780</u>
Business-type activities	
Water	\$ 417,142
Sewer	335,370
Total business-type activities	<u>\$ 752,512</u>

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

8. LONG-TERM DEBT

The following is a summary of long-term debt of the City:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable	\$ 21,910,000	\$ -	\$ (1,775,000)	\$ 20,135,000	\$ 1,840,000
Unamortized premium	108,757	-	(17,525)	91,232	17,525
Deferred loss on refunding	(81,631)	-	17,185	(64,446)	(17,185)
Compensated absences	1,251,191	-	(4,261)	1,246,930	-
Landfill clean-up and other costs	1,741,433	1,675	-	1,743,108	75,000
Total	\$ 24,929,750	\$ 1,675	\$ (1,779,601)	\$ 23,151,824	\$ 1,915,340

Bonds payable

2003 Capital Improvement Bonds, due in annual installments of \$365,000 to \$720,000 through 2024; interest payable semi-annually at 2.0 to 4.4 percent \$ 6,830,000

2005 Capital Improvement Bonds, due in annual installments of \$265,000 to \$420,000 through 2020; interest payable semi-annually at 3.0 to 4.1 percent 2,955,000

2009 Capital Improvement Bonds, due in annual installments of \$265,000 to \$590,000 through 2029; interest payable semi-annually at 2.5 to 5.0 percent 7,160,000

2011 Building Authority Refunding Bonds, due in annual installments of \$735,000 to \$835,000 through 2016; interest payable semi-annually at 4.2 to 4.7 percent 3,190,000

Total bonds payable \$ 20,135,000

Compensated absences are generally liquidated from the general fund. Landfill clean-up and other costs are generally liquidated from the landfill remediation fund.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

The annual requirements to maturity on the long-term obligations outstanding (excluding unamortized bond premiums, deferred loss on refunding, compensated absences and landfill clean-up and other costs) as of June 30, 2012 are as follows:

Governmental Activities		
Year Ended	Principal	Interest
2013	\$ 1,840,000	\$ 787,098
2014	1,890,000	734,336
2015	1,965,000	671,066
2016	2,035,000	607,883
2017	1,245,000	528,781
2018-2022	6,200,000	1,854,096
2023-2027	3,810,000	709,004
2028-2029	1,150,000	87,000
Total	\$ 20,135,000	\$ 5,979,264

The City is a party to a certain agreements relating to the Economic Development Corporation bond issues. The agreements provide that the bonds are self-liquidating revenue bonds and are no obligation to the City. The bonds are collateralized by the assets constructed with bond proceeds and are guaranteed by the recipient corporation. The amount of such bonds outstanding at June 30, 2012 was \$84,890,000.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

9. FUND BALANCES - GOVERNMENTAL FUNDS

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Police and Fire Millage	Major Streets	General Capital Projects	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 13,492	\$ -	\$ -	\$ -	\$ -	\$ 13,492
Prepays	594,191	-	-	-	-	594,191
Noncurrent loans receivable	-	-	-	-	79,657	79,657
Total nonspendable	607,683	-	-	-	79,657	687,340
Restricted for:						
Major and local streets	-	-	9,170,065	-	4,586,751	13,756,816
Police and fire services	-	5,509,762	-	-	-	5,509,762
Drug law enforcement	177,375	-	-	-	-	177,375
Housing activities	-	-	-	-	110,187	110,187
Parks	-	-	-	-	1,437,725	1,437,725
Street lighting	-	-	-	-	1,099,915	1,099,915
Landfill remediation	-	-	-	-	1,849,220	1,849,220
Drains	-	-	-	-	3,862,417	3,862,417
Library	-	-	-	-	807,565	807,565
Debt service	-	-	-	-	423,437	423,437
Total restricted	177,375	5,509,762	9,170,065	-	14,177,217	29,034,419
Assigned for:						
DPW equipment	-	-	-	-	1,785,077	1,785,077
Fire equipment	-	-	-	-	1,453,054	1,453,054
Police equipment	-	-	-	-	235,335	235,335
Capital projects	-	-	-	5,220,162	4,801,434	10,021,596
Total assigned	-	-	-	5,220,162	8,274,900	13,495,062
Unassigned	4,325,460	-	-	-	-	4,325,460
Total fund balances - governmental funds	\$ 5,110,518	\$ 5,509,762	\$ 9,170,065	\$ 5,220,162	\$ 22,531,774	\$ 47,542,281

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

10. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of June 30, 2012, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 2,720,825	\$ 811,272
Capital assets being depreciated, net	<u>46,799,981</u>	<u>13,495,180</u>
	<u>49,520,806</u>	<u>14,306,452</u>
Related debt:		
Total bonds payable	20,135,000	-
Net bond premiums	91,232	-
Deferred loss on advance refunding	<u>(64,446)</u>	<u>-</u>
	<u>20,161,786</u>	<u>-</u>
Invested in capital assets, net of related debt	<u>\$ 29,359,020</u>	<u>\$ 14,306,452</u>

11. PENSION PLANS

Defined Benefit Plan

Plan description. The City of Kentwood Employee Pension Plan (the "Plan") is a single employer defined benefit plan which covers some employees of the City. The Plan is administered by the City with some aspects of plan administration contracted to various specialists. All employees of the City, exclusive of those participating in the defined contribution plan, who are at least 21 years of age and having at least one year of service are eligible to participate in the Plan. A separate financial report for this plan is not issued. Membership of the Plan consisted of the following at January 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	32
Terminated members not yet receiving benefits	8
Active plan members	<u>56</u>
Total membership	<u><u>96</u></u>

Benefits partially vest after five years of service and vest 100% after ten years of service. Normal retirement is at age 50 to 60 depending on bargaining unit. However, the participant may elect early or late retirement (excluding police patrol participants, who are not permitted to make an early retirement election). Upon ten years of service, a participant is entitled to receive a related benefit equal in value to a single life annuity on the participant's life with the annual retirement benefit equal to 2.6% to 2.7% of the participant's average annual compensation (highest five of last ten years compensation) multiplied by the number of years of service, not to exceed Internal Revenue Service 415 limits. The maximum retirement benefit is 75% to 80% of final average compensation. The Plan also provides death benefits as determined by the Plan document. The Plan also provides police and fire participants with duty-related disability benefits as specified by the Plan document.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Summary of significant accounting policies. The financial statements of the City's defined benefit pension plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable according to the terms of the Plan.

Plan investments are reported at fair value with plan administrative costs being financed by the plan.

Contributions. The City's Plan benefits and contribution requirements were established and may be amended under the authority of the City Commission and under agreements with the City's collective bargaining units representing various classes of employees.

The Plan's funding policy is that employees will contribute a fixed portion of their pay at rates specified in the Plan document, and the employer will contribute any remaining required amounts as determined by an annual actuarial valuation.

Current rates of employee contributions are 6% of compensation for police patrol participants, 6.5% for police supervisory participants, 7% for firefighter participants, and 4% for participants who are members of Kentwood General Employees Association (KGEA) and the 62-B District Court. The Plan does not permit or require other participant contributions. The Plan also calls for the City to contribute amounts sufficient to fund the Plan in accordance with minimum funding standards of the Internal Revenue Code. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves. The annual required contribution for the City during the plan year ended December 31, 2011 was \$1,120,000.

Net pension obligation, beginning of year	\$ -
Annual required contribution/annual pension cost	1,120,000
Contribution made by the City	<u>1,120,000</u>
Net pension obligation, end of year	<u>\$ -</u>

Funded Status and Funding Progress. As of January 1, 2012, the date of the most recent actuarial valuation, the Plan was 81.6 percent funded. The actuarial accrued liability for benefits was \$29,523,833, and the actuarial value of assets was \$24,093,738, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,430,095. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,004,225 and the ratio of the UAAL to the covered payroll was 135.6 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability.

The annual required contribution was determined as part of an actuarial valuation of the Plan as of January 1, 2012. Significant actuarial assumptions used in determining the annual required contribution include (a) rate of return on the investment of present and future assets of 6.5% per year compounded annually and (b) projected salary increases of 2.5% per year attributable to inflation.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

The City's funding policy for periodic employer contributions are at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age normal actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level dollar over an open period of ten years. During the Plan year ended December 31, 2011, contributions totaling \$1,360,576 (\$1,120,000 employer and \$240,576 employee) were made.

The actuarial value of assets has been determined utilizing a smoothing technique which considers asset projected and market values.

Plan Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 1,290,000	100%	\$ -
2010	1,270,000	100%	-
2011	1,120,000	100%	-

Defined Contribution Plan

The City of Kentwood Defined Contribution Pension Plan provides pension benefits for all employees working more than 1,300 hours per year exclusive of those participating in the City's defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees are eligible to participate immediately upon employment. The City contributes 8 - 12% of each participant's compensation to the Plan. The City's contributions are partially vested after two years of service and 100% vested after seven years of service. The Plan provisions and contribution amounts were established by City Commission, based on collective bargaining agreements, and may be amended by City Commission. The Plan is administered by the ICMA Retirement Corporation.

The City's contribution of \$750,066 was calculated using the employee compensation amount of \$6,408,217. City employees also made pre-tax mandatory contributions to the Plan totaling \$341,011, which was 0 - 8% of covered payroll.

12. OTHER POSTEMPLOYMENT BENEFITS

Plan description. The City of Kentwood, Michigan Post-Retirement Medical Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Kentwood. In addition to the retirement benefits described above, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the collective bargaining agreements, retirees receive an employer-paid benefit toward health insurance premiums for the retiree and spouse. The retiree benefit amount is determined by multiplying \$12.00-\$13.50 by the employee's years of continuous active service. Upon the death of the employee or spouse, the employer's contribution will be reduced by 25%. The employer's contributions cease when the employee becomes eligible for Medicare benefits. The Plan is included as an other postemployment benefits trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Funding policy. The contribution requirements of Plan members and the City are established and may be amended by the City’s Commission, subject to provisions of collective bargaining agreements. The required contribution is based on actuarially determined financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the year ended June 30, 2012, the City contributed \$82,796 and paid \$49,918 in benefits to retired participants. Plan members receiving benefits contributed \$0 for postemployment health coverage.

Annual OPEB cost and net OPEB obligation. The City’s other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarially accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 82,796
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Net OPEB cost (expense)	82,796
Contributions made	82,796
	<hr/>
Increase in net open obligation	-
Net OPEB obligation, beginning of year	-
	<hr/>
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 178,499	100%	\$ -
2011	142,701	100%	-
2012	82,796	100%	-

Funded status and funding progress. As of June 30, 2012, the date of the most recent actuarial valuation, the Plan was 113.3% funded. The actuarial accrued liability for benefits was \$1,761,930, and the actuarial value of assets was \$1,996,343, resulting in a negative unfunded actuarial accrued liability (UAAL) of \$234,413. The covered payroll (annual payroll of the active employees covered by the Plan) was \$11,835,833 and the ratio of the UAAL to the covered payroll was (2.0)%.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the project unit credit (level dollar) actuarial cost method was used. The actuarial assumptions include: (a) a rate of return on investments of 6.5%; (b) a discount rate of 6.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 2 years on a closed basis. The liability added related to benefit changes is amortized over the term of the applicable collective bargaining agreement.

13. CONDENSED FINANCIAL INFORMATION - PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Financial activity for the pension and other postemployment benefits (OPEB) trust funds is summarized as follows:

	Plan Net Assets		
	Pension Trust ¹	OPEB Trust	Total
Assets			
Cash and pooled investments	\$ -	\$ (37,847)	\$ (37,847)
Interest receivable	10,238	-	10,238
Investments:			
Money market funds	1,811,417	-	1,811,417
Mutual funds	13,675,589	2,117,941	15,793,530
Bonds	7,910,537	-	7,910,537
Corporate obligations	51,993	-	51,993
Equities	633,964	-	633,964
Total assets	24,093,738	2,080,094	26,173,832
Liabilities			
Accounts payable	105,656	-	105,656
Net assets			
Held in trust for pension and other postemployment benefits	<u>\$ 23,988,082</u>	<u>\$ 2,080,094</u>	<u>\$ 26,068,176</u>

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

	Changes in Plan Net Assets		
	Pension Trust ¹	OPEB Trust	Total
Additions			
Contributions:			
Employer	\$ 1,120,000	\$ 82,796	\$ 1,202,796
Plan participants	240,576	-	240,576
Total contributions	<u>1,360,576</u>	<u>82,796</u>	<u>1,443,372</u>
Investment income (loss):			
Net appreciation (depreciation) in fair value of securities	(954,892)	(1,153)	(956,045)
Interest	63,751	-	63,751
Dividends	581,869	-	581,869
Net change in fair value of investments	<u>(309,272)</u>	<u>(1,153)</u>	<u>(310,425)</u>
Investment expense	(63,478)	-	(63,478)
Net investment income (loss)	<u>(372,750)</u>	<u>(1,153)</u>	<u>(373,903)</u>
Total additions	<u>987,826</u>	<u>81,643</u>	<u>1,069,469</u>
Deductions			
Distributions and benefit payments	1,859,559	49,918	1,909,477
Administrative expenses	33,204	4,940	38,144
Total deductions	<u>1,892,763</u>	<u>54,858</u>	<u>1,947,621</u>
Change in net assets	<u>(904,937)</u>	<u>26,785</u>	<u>(878,152)</u>
Net assets, beginning of year	<u>24,893,019</u>	<u>2,053,309</u>	<u>26,946,328</u>
Net assets, end of year	<u>\$ 23,988,082</u>	<u>\$ 2,080,094</u>	<u>\$ 26,068,176</u>

¹ Presented on a December 31 year end.

14. RISK MANAGEMENT

The City is self-insured for dental coverage on a pay-as-you-go basis. The self-insurance program is administered by a third party administrator. Dental benefits are paid out of the internal service fund. Changes in the estimated liability are as follows:

	Year Ended June 30,	
	2012	2011
Liability, beginning of year	\$ 34,153	\$ 30,311
Estimated claims incurred	149,483	154,030
Claim payments	<u>(154,201)</u>	<u>(150,188)</u>
Liability, end of year	<u>\$ 29,435</u>	<u>\$ 34,153</u>

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

The above liability represents actual known payments made after year-end for claims occurring on or before year-end. No additional, estimated amount is recorded in the government-wide statement of net assets.

Settled claims have not exceeded insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the past year.

15. COMMITMENTS AND CONTINGENCIES

Landfill

Paris Township, which later became the City of Kentwood, operated the old Kentwood Landfill from the late 1940's through 1972 at which time Kent County assumed operations until the landfill closed in May 1976. In 1980, the landfill was placed on the U.S. Environmental Protection Agency (EPA) Superfund national priority list of contamination sites. Studies of the landfill show that a variety of solvents, inorganic compounds and metals have contaminated groundwater. The EPA has also concluded that leachate, a hazardous liquid which seeps from refuse, might find its way into nearby Plaster Creek if corrective action is not taken.

Kent County and the EPA have negotiated a settlement to clean up the landfill over a 30-year period. On August 6, 1991, the City Commission approved an arrangement with the County whereby the City would be responsible for 20% of the total clean-up costs as a result of its prior operation of the landfill. The current present value estimate of remaining clean-up costs over the next 15 years is \$8,715,541, of which the City would be responsible for \$1,743,108. Expenditures of \$121,512 were incurred for landfill clean-up during fiscal year 2012. Under the plan developed by the EPA, contaminated groundwater and leachate is being pumped out, treated and the soil-and-clay cap, which covers the dump, is being maintained. Fencing has also been installed around the site.

The City is to cover these costs using assets accumulated from a 15 year millage that was approved by voters in November 1994, which has since expired. As of June 30, 2012, the City has accounted for the \$1,743,108 liability in the government-wide financial statements.

Litigation

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

16. FEDERAL FUNDING

The City receives grant awards from various sources to administer programs and fund capital improvements. When an award is directly administered by the City, the applicable requirements of *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. However, in certain instances, the City is deemed to be receiving funds as a "vendor" instead of a "subrecipient". Detail of the City's expenditures of federal awards for the fiscal year ended June 30, 2012 is as follows:

Award Information	Directly Administered	Vendor Relationship	Total
2010 Justice Assistance Grant / CFDA# 16.738	\$ 7,594	\$ -	\$ 7,594
Bulletproof Vest Partnership / CFDA# 16.607	3,525	-	3,525
Firefighter Assistance / CFDA# 97.044	177,540	-	177,540
Byrne Memorial 2010-11 / CFDA# 16.738	3,084	-	3,084
Byrne Memorial 2011-12 / CFDA# 16.738	27,927	-	27,927
ARRA Byrne Memorial / CFDA# 16.804	26,910	-	26,910
Highway Safety / CFDA# 20.600	43,516	-	43,516
Brownfields Assessment / CFDA# 66.818	23,155	-	23,155
21st Century Learning Program / CFDA# 84.287	-	732,695	732,695
Total federal funding	<u>\$ 313,251</u>	<u>\$ 732,695</u>	<u>\$ 1,045,946</u>

17. RESTATEMENTS

In the current year, the City reevaluated its treatment of the Economic Development Corporation and Brownfield Redevelopment Authority, which were historically presented as special revenue funds. In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, these entities are now presented as discretely-presented component units. This change resulted in an decrease in beginning equity of nonmajor governmental funds and governmental activities of \$946,229 and a corresponding increase in beginning net assets of component units.

In addition, the City changed its method of accounting for deferred special assessments receivable that are contingent on future events. Such amounts are no longer being recognized in the financial statements prior to the occurrence of the contingent event. This change resulted in a decrease in beginning net assets of governmental activities of \$8,272,064. The net effect on beginning net assets of governmental activities, including the effect of the item described above, was a decrease of \$9,218,293.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENTWOOD, MICHIGAN

Required Supplementary Information Single-employer Defined Benefit Pension Plan For the Year Ended December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date January 1,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2007	\$ 19,655,594	\$ 23,791,747	\$ 4,136,153	82.6%	\$ 5,061,348	81.7%
2008	21,057,646	25,141,606	4,083,960	83.8%	5,090,347	80.2%
2009	17,257,117	21,308,452	4,051,335	81.0%	4,933,079	82.1%
2010	21,594,882	25,389,795	3,794,913	85.1%	4,503,758	84.3%
2011	24,981,163	28,256,912	3,275,749	88.4%	4,244,717	77.2%
2012	24,093,738	29,523,833	5,430,095	81.6%	4,004,225	135.6%

Schedule of Employer Contributions

Plan Year Ended December 31,	Annual Required Contribution	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed
2006	\$ 800,000	\$ 203,374	\$ 800,000	\$ 1,003,374	100.0%
2007	880,000	198,539	880,000	1,078,539	100.0%
2008	895,000	233,181	895,000	1,128,181	100.0%
2009	1,290,000	255,142	1,290,000	1,545,142	100.0%
2010	1,270,000	243,123	1,270,000	1,513,123	100.0%
2011	1,120,000	240,576	1,120,000	1,360,576	100.0%

CITY OF KENTWOOD, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Other Postemployment Benefits Plan
For the Year Ended June 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2007	\$ 1,283,439	\$ 1,639,119	\$ 355,680	78.3%	\$ 12,338,199	2.9%
2008	1,485,329	1,499,026	13,697	99.1%	12,693,981	0.1%
2009	1,294,089	1,597,191	303,102	81.0%	12,893,659	2.4%
2010	1,554,927	1,616,948	62,021	96.2%	11,811,397	0.5%
2011	1,855,156	1,708,613	(146,543)	108.6%	11,493,228	-1.3%
2012	1,996,343	1,761,930	(234,413)	113.3%	11,835,833	-2.0%

Schedule of Employer Contributions

Plan Year Ended June 30,	Annual Required Contribution	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed
2007	\$ 320,793	\$ -	\$ 320,793	\$ 320,793	100.0%
2008	132,981	-	132,981	132,981	100.0%
2009	90,611	-	90,611	90,611	100.0%
2010	178,499	-	178,499	178,499	100.0%
2011	142,701	-	142,701	142,701	100.0%
2012	82,796	-	82,796	82,796	100.0%

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**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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GENERAL FUND

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Taxes	\$ 5,819,300	\$ 5,819,300	\$ 5,706,409	\$ (112,891)
Intergovernmental:				
Local grants	9,000	9,000	24,833	15,833
State shared revenue	3,010,700	3,010,700	3,497,621	486,921
Judge's salary subsidy	45,700	45,700	45,724	24
Other State grants	67,800	67,800	67,140	(660)
Federal grants	875,100	875,100	861,783	(13,317)
Total intergovernmental	4,008,300	4,008,300	4,497,101	488,801
Licenses and permits:				
Permits and inspection fees	490,200	490,200	513,077	22,877
Local licenses	170,300	170,300	199,312	29,012
Franchise fees	550,000	550,000	595,403	45,403
State liquor licenses	21,500	21,500	21,465	(35)
Total licenses and permits	1,232,000	1,232,000	1,329,257	97,257
Charges for services:				
Tax collection fees	862,000	862,000	846,135	(15,865)
Recreation fees	380,400	380,400	190,951	(189,449)
Police, fire and library fees	182,500	182,500	274,067	91,567
Cemetery	45,000	45,000	36,334	(8,666)
Zoning fees	14,300	14,300	13,565	(735)
Passport fees	30,000	30,000	23,947	(6,053)
Rental income	50,000	50,000	52,974	2,974
Total charges for services	1,564,200	1,564,200	1,437,973	(126,227)
Fines and forfeitures:				
Court fines	1,310,200	1,310,200	1,117,012	(193,188)
Delinquent tax interest/penalties	160,000	160,000	128,973	(31,027)
Total fines and forfeitures	1,470,200	1,470,200	1,245,985	(224,215)
Investment income	250,000	250,000	166,875	(83,125)

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues (continued)				
Miscellaneous:				
Insurance premium refunds	\$ 30,000	\$ 30,000	\$ 91,723	\$ 61,723
Miscellaneous	82,300	82,300	75,754	(6,546)
Total miscellaneous	<u>112,300</u>	<u>112,300</u>	<u>167,477</u>	<u>55,177</u>
Total revenue	<u>14,456,300</u>	<u>14,456,300</u>	<u>14,551,077</u>	<u>94,777</u>
Expenditures				
Judicial - District Court:				
Legal fees	45,000	45,000	70,019	25,019
Training	2,600	2,600	1,487	(1,113)
Dues, fees and memberships	1,700	1,700	1,685	(15)
Employee benefits	284,200	304,200	286,407	(17,793)
Insurance	56,500	56,500	48,152	(8,348)
Repairs and maintenance	146,000	146,000	152,442	6,442
Contractual services	100,600	100,600	131,991	31,391
Salaries	644,000	644,000	632,053	(11,947)
Supplies	25,200	25,200	25,328	128
Utilities	8,500	8,500	5,189	(3,311)
Travel	900	900	1,092	192
Capital outlay	2,500	2,500	-	(2,500)
Total judicial - District Court	<u>1,317,700</u>	<u>1,337,700</u>	<u>1,355,845</u>	<u>18,145</u>
General government:				
Administrative:				
Auditing	21,000	21,000	21,000	-
Cable TV related costs	263,500	263,500	302,929	39,429
City commission	40,800	40,800	42,124	1,324
Community activities	3,500	3,500	6,121	2,621
Dues, fees and memberships	31,200	31,200	31,157	(43)
Employee benefits	37,700	37,700	95,659	57,959
Insurance	125,400	125,400	101,198	(24,202)
Legal fees	250,000	250,000	175,568	(74,432)
Repairs and maintenance	8,000	8,000	7,754	(246)
Office equipment	35,600	35,600	33,821	(1,779)
Office supplies	9,000	9,000	5,391	(3,609)

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (continued):				
Administrative (concluded):				
Contractual services	\$ 135,000	\$ 135,000	\$ 79,193	\$ (55,807)
Pension administration	7,000	7,000	18,361	11,361
Postage	45,000	45,000	44,720	(280)
Printing and publishing	18,000	18,000	23,676	5,676
Utilities	137,900	137,900	172,928	35,028
Supplies	15,000	15,000	18,645	3,645
Rent	853,700	853,700	853,649	(51)
Miscellaneous	21,500	21,500	17,026	(4,474)
Reimbursements from other funds	(1,315,100)	(1,315,100)	(1,346,600)	(31,500)
Total administrative	<u>743,700</u>	<u>743,700</u>	<u>704,320</u>	<u>(39,380)</u>
Assessor:				
Contractual services	18,000	18,000	10,238	(7,762)
Telephone	600	600	456	(144)
Dues, fees and memberships	1,700	1,700	1,525	(175)
Training	4,800	4,800	3,186	(1,614)
Employee benefits	102,700	102,700	123,127	20,427
Repairs and maintenance	8,400	8,400	5,888	(2,512)
Salaries	278,500	278,500	272,609	(5,891)
Supplies	4,900	4,900	3,222	(1,678)
Travel	500	500	103	(397)
Total assessor	<u>420,100</u>	<u>420,100</u>	<u>420,354</u>	<u>254</u>
Treasurer:				
Dues, fees and memberships	500	500	362	(138)
Training	1,500	1,500	1,343	(157)
Employee benefits	66,800	66,800	52,184	(14,616)
Insurance	2,000	2,000	1,578	(422)
Repairs and maintenance	-	-	100	100
Salaries	128,100	128,100	130,326	2,226
Supplies	20,500	20,500	16,790	(3,710)
Contractual services	5,000	5,000	4,998	(2)
Travel	500	500	768	268
Total treasurer	<u>224,900</u>	<u>224,900</u>	<u>208,449</u>	<u>(16,451)</u>

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (continued):				
Information technology:				
Dues, fees and memberships	\$ 500	\$ 500	\$ 500	\$ -
Training	9,500	9,500	4,796	(4,704)
Employee benefits	102,300	102,300	91,025	(11,275)
Repairs and maintenance	64,400	64,400	79,474	15,074
Contractual services	45,500	45,500	18,414	(27,086)
Salaries	233,900	233,900	231,239	(2,661)
Supplies	3,000	3,000	1,910	(1,090)
Travel	1,800	1,800	1,654	(146)
Utilities	7,500	7,500	5,910	(1,590)
Total information technology	468,400	468,400	434,922	(33,478)
City clerk:				
Dues, fees and memberships	300	300	270	(30)
Training	1,600	1,600	922	(678)
Employee benefits	33,400	33,400	30,465	(2,935)
Insurance	200	200	121	(79)
Contractual services	3,500	3,500	5,232	1,732
Salaries	151,800	151,800	148,362	(3,438)
Supplies	2,900	2,900	2,030	(870)
Travel	600	600	669	69
Capital outlay	-	-	1,234	1,234
Total city clerk	194,300	194,300	189,305	(4,995)
Human resources:				
Dues, fees and memberships	500	500	670	170
Training	4,500	4,500	3,951	(549)
Employee benefits	36,100	36,100	33,693	(2,407)
Contractual services	23,000	23,000	12,504	(10,496)
Salaries	105,400	105,400	108,401	3,001
Supplies	1,000	1,000	1,028	28
Travel	300	300	388	88
Total human resources	170,800	170,800	160,635	(10,165)

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (continued):				
Accounting:				
Dues, fees and memberships	\$ 1,400	\$ 1,400	\$ 1,425	\$ 25
Training	2,000	2,000	2,796	796
Employee benefits	139,900	139,900	123,068	(16,832)
Repairs and maintenance	12,000	12,000	11,398	(602)
Contractual services	500	500	-	(500)
Salaries	332,300	332,300	311,841	(20,459)
Supplies	4,000	4,000	3,458	(542)
Utilities	300	300	309	9
Travel	1,500	1,500	1,306	(194)
Total accounting	493,900	493,900	455,601	(38,299)
Executive:				
Training	3,300	3,300	2,561	(739)
Dues, fees and memberships	1,100	1,100	824	(276)
Employee benefits	69,200	69,200	64,020	(5,180)
Printing and publishing	4,900	4,900	2,215	(2,685)
Salaries	187,600	187,600	183,599	(4,001)
Supplies	52,500	52,500	37,010	(15,490)
Utilities	1,600	1,600	1,678	78
Travel	2,200	2,200	1,697	(503)
Miscellaneous	400	400	-	(400)
Total executive	322,800	322,800	293,604	(29,196)
Elections:				
Employee benefits	300	300	431	131
Internal charges	3,100	3,100	2,926	(174)
Repairs and maintenance	500	500	64	(436)
Contractual services	29,000	12,000	14,354	2,354
Salaries	1,800	21,800	16,288	(5,512)
Supplies	7,000	7,000	6,064	(936)
Travel	1,200	1,200	1,251	51
Total elections	42,900	45,900	41,378	(4,522)
Total general government	3,081,800	3,084,800	2,908,568	(176,232)

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
Public safety:				
Police:				
Capital outlay	\$ 54,900	\$ 54,900	\$ 41,145	\$ (13,755)
Contractual services	314,700	314,700	315,296	596
Dues, fees and memberships	3,700	3,700	2,560	(1,140)
Employee benefits	2,819,500	2,819,500	2,876,927	57,427
Travel	331,000	331,000	326,361	(4,639)
Legal fees	228,000	228,000	215,086	(12,914)
Insurance	77,600	77,600	74,004	(3,596)
Repairs and maintenance	423,200	423,200	352,115	(71,085)
Salaries	5,368,500	5,368,500	4,941,311	(427,189)
Supplies	212,500	212,500	170,270	(42,230)
Utilities	202,700	202,700	154,028	(48,672)
Training	68,100	68,100	28,210	(39,890)
Total police	10,104,400	10,104,400	9,497,313	(607,087)
Fire:				
Capital outlay	40,000	40,000	29,801	(10,199)
Contractual services	129,600	129,600	119,013	(10,587)
Dues, fees and memberships	5,000	5,000	4,390	(610)
Training	27,700	27,700	20,703	(6,997)
Employee benefits	1,717,200	1,717,200	1,725,072	7,872
Travel	141,600	141,600	163,312	21,712
Insurance	47,800	47,800	40,933	(6,867)
Repairs and maintenance	64,400	64,400	51,307	(13,093)
Salaries	3,292,600	3,292,600	3,098,994	(193,606)
Supplies	105,400	105,400	95,849	(9,551)
Utilities	129,100	129,100	107,696	(21,404)
Total fire	5,700,400	5,700,400	5,457,070	(243,330)
Inspections:				
Dues, fees and memberships	1,900	1,900	587	(1,313)
Training	5,900	5,900	1,990	(3,910)
Employee benefits	122,200	137,200	130,643	(6,557)
Insurance	1,400	1,400	1,341	(59)
Contractual services	-	-	1,079	1,079
Repairs and maintenance	3,100	3,100	4,793	1,693

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
Public safety (concluded):				
Inspections (concluded):				
Salaries	\$ 263,400	\$ 263,400	\$ 264,392	\$ 992
Supplies	6,900	6,900	3,175	(3,725)
Utilities	2,000	2,000	715	(1,285)
Travel	13,400	13,400	7,736	(5,664)
Total inspections	<u>420,200</u>	<u>435,200</u>	<u>416,451</u>	<u>(18,749)</u>
Total public safety	<u>16,225,000</u>	<u>16,240,000</u>	<u>15,370,834</u>	<u>(869,166)</u>
Public works:				
Department of public works:				
Training	8,300	8,300	2,342	(5,958)
Dues, fees and memberships	500	500	149	(351)
Employee benefits	689,000	689,000	685,918	(3,082)
Insurance	18,300	18,300	17,927	(373)
Repairs and maintenance	84,800	84,800	14,740	(70,060)
Contractual services	110,500	110,500	107,969	(2,531)
Salaries	1,385,900	1,385,900	1,361,412	(24,488)
Supplies	113,300	113,300	108,730	(4,570)
Travel	206,000	206,000	154,246	(51,754)
Utilities	98,700	98,700	83,894	(14,806)
Miscellaneous	-	-	607	607
Reimbursements from other funds	<u>(1,277,900)</u>	<u>(1,277,900)</u>	<u>(1,279,154)</u>	<u>(1,254)</u>
Total department of public works	<u>1,437,400</u>	<u>1,437,400</u>	<u>1,258,780</u>	<u>(178,620)</u>
Engineering services:				
Training	2,300	2,300	185	(2,115)
Dues, fees and memberships	1,600	1,600	602	(998)
Employee benefits	110,400	110,400	92,014	(18,386)
Contractual services	5,000	5,000	-	(5,000)
Repairs and maintenance	4,500	4,500	2,076	(2,424)
Insurance	1,000	1,000	939	(61)
Salaries	296,500	296,500	286,569	(9,931)
Supplies	6,200	6,200	4,578	(1,622)

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
Public works (concluded):				
Engineering services (concluded):				
Travel	\$ 6,400	\$ 6,400	\$ 5,088	\$ (1,312)
Reimbursements from other funds	(278,100)	(278,100)	(256,200)	21,900
Total engineering services	<u>155,800</u>	<u>155,800</u>	<u>135,851</u>	<u>(19,949)</u>
Total public works	<u>1,593,200</u>	<u>1,593,200</u>	<u>1,394,631</u>	<u>(198,569)</u>
Community and economic development:				
Planning and zoning:				
Training	1,200	1,200	1,162	(38)
Dues, fees and memberships	1,500	1,500	1,545	45
Employee benefits	77,400	77,400	73,957	(3,443)
Internal charges	700	700	727	27
Contractual services	58,700	58,700	16,167	(42,533)
Salaries	184,900	184,900	187,570	2,670
Supplies	900	900	819	(81)
Travel	2,000	2,000	1,949	(51)
Total community and economic development	<u>327,300</u>	<u>327,300</u>	<u>283,896</u>	<u>(43,404)</u>
Culture and recreation:				
Recreation:				
Capital outlay	8,000	8,000	469	(7,531)
Training	13,000	13,000	3,066	(9,934)
Dues, fees and memberships	400	400	650	250
Employee benefits	231,100	231,100	219,588	(11,512)
Contractual services	96,500	96,500	76,811	(19,689)
Insurance	4,700	4,700	4,054	(646)
Repairs and maintenance	25,700	25,700	27,006	1,306
Salaries	991,500	991,500	986,825	(4,675)
Internal charges	49,900	49,900	64,919	15,019
Supplies	137,600	137,600	132,009	(5,591)
Travel	8,800	8,800	7,827	(973)
Utilities	25,800	25,800	21,843	(3,957)
Reimbursements from other funds	-	-	(11,020)	(11,020)
Total recreation	<u>1,593,000</u>	<u>1,593,000</u>	<u>1,534,047</u>	<u>(58,953)</u>

continued...

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (concluded)				
Culture and recreation (concluded):				
Library:				
Capital outlay	\$ -	\$ -	\$ 2,995	\$ 2,995
Insurance	7,700	7,700	7,192	(508)
Repairs and maintenance	5,000	5,000	4,517	(483)
Contractual services	75,000	75,000	90,074	15,074
Internal charges	35,000	35,000	37,368	2,368
Supplies	15,000	15,000	11,601	(3,399)
Utilities	106,400	106,400	99,757	(6,643)
Total library	<u>244,100</u>	<u>244,100</u>	<u>253,504</u>	<u>9,404</u>
Total culture and recreation	<u>1,837,100</u>	<u>1,837,100</u>	<u>1,787,551</u>	<u>(49,549)</u>
Total expenditures	<u>24,382,100</u>	<u>24,420,100</u>	<u>23,101,325</u>	<u>(1,318,775)</u>
Revenue under expenditures	<u>(9,925,800)</u>	<u>(9,963,800)</u>	<u>(8,550,248)</u>	<u>1,413,552</u>
Other financing sources (uses)				
Transfers in	11,543,100	11,543,100	10,474,390	(1,068,710)
Transfers out	<u>(1,614,900)</u>	<u>(1,614,900)</u>	<u>(1,884,817)</u>	<u>(269,917)</u>
Total other financing sources (uses)	<u>9,928,200</u>	<u>9,928,200</u>	<u>8,589,573</u>	<u>(1,338,627)</u>
Net change in fund balance	2,400	(35,600)	39,325	74,925
Fund balance, beginning of year	<u>5,071,193</u>	<u>5,071,193</u>	<u>5,071,193</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,073,593</u>	<u>\$ 5,035,593</u>	<u>\$ 5,110,518</u>	<u>\$ 74,925</u>

concluded

NONMAJOR GOVERNMENTAL FUNDS

CITY OF KENTWOOD, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue			
	Housing Commission	Parks	Street Lighting	Landfill Remediation
Assets				
Cash and pooled investments	\$ 107,183	\$ 1,551,825	\$ 1,137,249	\$ 1,884,384
Accounts receivable	-	2,951	-	3,620
Loans receivable	242,476	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 349,659	\$ 1,554,776	\$ 1,137,249	\$ 1,888,004
Liabilities				
Accounts payable	\$ -	\$ 114,100	\$ 37,334	\$ 37,121
Due to other governments	-	-	-	-
Deferred revenue	159,815	2,951	-	1,663
Total liabilities	159,815	117,051	37,334	38,784
Fund balances				
Nonspendable	79,657	-	-	-
Restricted	110,187	1,437,725	1,099,915	1,849,220
Assigned	-	-	-	-
Total fund balances	189,844	1,437,725	1,099,915	1,849,220
Total liabilities and fund balances	\$ 349,659	\$ 1,554,776	\$ 1,137,249	\$ 1,888,004

Special Revenue				Debt Service	Capital Projects
Drain	Local Streets	Municipal Streets	Library	Debt Service	DPW Equipment
\$ 3,871,401	\$ 628,442	\$ 4,086,641	\$ 807,565	\$ 423,437	\$ 1,790,881
4,281	-	1,200	6,462	-	-
-	-	-	-	-	-
-	118,100	-	-	-	-
<u>\$ 3,875,682</u>	<u>\$ 746,542</u>	<u>\$ 4,087,841</u>	<u>\$ 814,027</u>	<u>\$ 423,437</u>	<u>\$ 1,790,881</u>
\$ 10,194	\$ 246,432	\$ -	\$ -	\$ -	\$ 5,804
3,071	-	-	-	-	-
-	-	1,200	6,462	-	-
<u>13,265</u>	<u>246,432</u>	<u>1,200</u>	<u>6,462</u>	<u>-</u>	<u>5,804</u>
-	-	-	-	-	-
3,862,417	500,110	4,086,641	807,565	423,437	-
-	-	-	-	-	1,785,077
<u>3,862,417</u>	<u>500,110</u>	<u>4,086,641</u>	<u>807,565</u>	<u>423,437</u>	<u>1,785,077</u>
<u>\$ 3,875,682</u>	<u>\$ 746,542</u>	<u>\$ 4,087,841</u>	<u>\$ 814,027</u>	<u>\$ 423,437</u>	<u>\$ 1,790,881</u>

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CITY OF KENTWOOD, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Capital Projects				Nonmajor Governmental Funds
	Fire Equipment	Police Equipment	Property and Building	Construction Fund	
Assets					
Cash and pooled investments	\$ 1,458,646	\$ 243,489	\$ 4,822,059	\$ -	\$ 22,813,202
Accounts receivable	-	-	-	-	18,514
Loans receivable	-	-	-	-	242,476
Due from other governments	-	-	-	-	118,100
Total assets	\$ 1,458,646	\$ 243,489	\$ 4,822,059	\$ -	\$ 23,192,292
Liabilities					
Accounts payable	\$ 5,592	\$ 8,154	\$ 20,625	\$ -	\$ 485,356
Due to other governments	-	-	-	-	3,071
Deferred revenue	-	-	-	-	172,091
Total liabilities	5,592	8,154	20,625	-	660,518
Fund balances					
Nonspendable	-	-	-	-	79,657
Restricted	-	-	-	-	14,177,217
Assigned	1,453,054	235,335	4,801,434	-	8,274,900
Total fund balances	1,453,054	235,335	4,801,434	-	22,531,774
Total liabilities and fund balances	\$ 1,458,646	\$ 243,489	\$ 4,822,059	\$ -	\$ 23,192,292

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CITY OF KENTWOOD, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Special Revenue			
	Housing Commission	Parks	Street Lighting	Landfill Remediation
Revenue				
Taxes	\$ -	\$ 189,970	\$ -	\$ 127
Special assessments	-	-	-	-
Intergovernmental	-	52,000	142,749	-
Charges for services	-	-	-	-
Investment income	4,863	50,661	42,332	63,407
Miscellaneous	11,025	13,031	-	-
Total revenue	15,888	305,662	185,081	63,534
Expenditures				
Current:				
Public safety	-	-	-	-
Highways and streets	-	-	530,149	-
Public works	-	-	-	121,512
Community and economic development	19,716	-	-	-
Culture and recreation	-	423,195	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	19,716	423,195	530,149	121,512
Revenue over (under) expenditures	(3,828)	(117,533)	(345,068)	(57,978)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(18,446)	-
Total other financing sources (uses)	-	-	(18,446)	-
Net change in fund balances	(3,828)	(117,533)	(363,514)	(57,978)
Fund balances, beginning of year, as restated	193,672	1,555,258	1,463,429	1,907,198
Fund balances, end of year	\$ 189,844	\$ 1,437,725	\$ 1,099,915	\$ 1,849,220

Special Revenue				Debt Service	Capital Projects
Drain	Local Streets	Municipal Streets	Library	Debt Service	DPW Equipment
\$ -	\$ -	\$ 292	\$ 665,337	\$ -	\$ -
37,238	-	-	-	-	-
-	706,487	-	-	-	-
-	-	-	-	853,649	314,182
135,885	11,751	141,842	22,043	-	64,220
-	12,962	766	-	-	-
<u>173,123</u>	<u>731,200</u>	<u>142,900</u>	<u>687,380</u>	<u>853,649</u>	<u>378,402</u>
-	-	-	-	-	-
-	2,789,955	55,000	-	-	-
496,747	-	-	-	-	20,000
-	-	-	-	-	-
-	-	-	20,000	-	-
-	-	-	-	1,775,000	-
-	-	-	-	848,114	-
-	-	-	-	-	325,593
<u>496,747</u>	<u>2,789,955</u>	<u>55,000</u>	<u>20,000</u>	<u>2,623,114</u>	<u>345,593</u>
<u>(323,624)</u>	<u>(2,058,755)</u>	<u>87,900</u>	<u>667,380</u>	<u>(1,769,465)</u>	<u>32,809</u>
-	-	-	-	-	39,741
-	2,052,588	-	-	2,192,902	-
-	-	(498,238)	(51,700)	-	-
-	2,052,588	(498,238)	(51,700)	2,192,902	39,741
(323,624)	(6,167)	(410,338)	615,680	423,437	72,550
<u>4,186,041</u>	<u>506,277</u>	<u>4,496,979</u>	<u>191,885</u>	<u>-</u>	<u>1,712,527</u>
<u>\$ 3,862,417</u>	<u>\$ 500,110</u>	<u>\$ 4,086,641</u>	<u>\$ 807,565</u>	<u>\$ 423,437</u>	<u>\$ 1,785,077</u>

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CITY OF KENTWOOD, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Capital Projects				Nonmajor Governmental Funds
	Fire Equipment	Police Equipment	Property and Building	Construction Fund	
Revenue					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 855,726
Special assessments	-	-	-	-	37,238
Intergovernmental	177,540	15,500	-	-	1,094,276
Charges for services	-	-	-	-	1,167,831
Investment income	42,756	3,092	124,362	22,715	729,929
Miscellaneous	-	-	-	-	37,784
Total revenue	220,296	18,592	124,362	22,715	3,922,784
Expenditures					
Current:					
Public safety	(3,920)	15,000	-	-	11,080
Highways and streets	-	-	-	-	3,375,104
Public works	-	-	-	-	638,259
Community and economic development	-	-	-	-	19,716
Culture and recreation	-	-	-	-	443,195
Debt service:					
Principal	-	-	-	-	1,775,000
Interest	-	-	-	-	848,114
Capital outlay	329,936	160,270	304,608	24,274	1,144,681
Total expenditures	326,016	175,270	304,608	24,274	8,255,149
Revenue over (under) expenditures	(105,720)	(156,678)	(180,246)	(1,559)	(4,332,365)
Other financing sources (uses)					
Proceeds from sale of capital assets	2,254	13,809	-	-	55,804
Transfers in	200,000	250,000	725,000	-	5,420,490
Transfers out	-	-	-	(1,043,415)	(1,611,799)
Total other financing sources (uses)	202,254	263,809	725,000	(1,043,415)	3,864,495
Net change in fund balances	96,534	107,131	544,754	(1,044,974)	(467,870)
Fund balances, beginning of year, as restated	1,356,520	128,204	4,256,680	1,044,974	22,999,644
Fund balances, end of year	\$ 1,453,054	\$ 235,335	\$ 4,801,434	\$ -	\$ 22,531,774

concluded

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Housing Commission Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Investment income	\$ 5,000	\$ 5,000	\$ 4,863	\$ (137)
Miscellaneous	-	-	11,025	11,025
Total revenues	5,000	5,000	15,888	10,888
Expenditures				
Community and economic development:				
Administration	2,800	2,800	601	(2,199)
Employee benefits	1,200	1,200	-	(1,200)
Grant expenses	15,000	25,000	18,914	(6,086)
Salaries	5,900	5,900	-	(5,900)
Supplies	100	100	201	101
Total expenditures	25,000	35,000	19,716	(15,284)
Net change in fund balance	(20,000)	(30,000)	(3,828)	26,172
Fund balance, beginning of year	193,672	193,672	193,672	-
Fund balance, end of year	\$ 173,672	\$ 163,672	\$ 189,844	\$ 26,172

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Parks Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Taxes	\$ 194,400	\$ 194,400	\$ 189,970	\$ (4,430)
Intergovernmental	333,000	333,000	52,000	(281,000)
Investment income	40,000	40,000	50,661	10,661
Miscellaneous	-	-	13,031	13,031
Total revenue	567,400	567,400	305,662	(261,738)
Expenditures				
Culture and recreation:				
Administration	17,200	17,200	17,100	(100)
Capital outlay	990,000	990,000	406,095	(583,905)
Total expenditures	1,007,200	1,007,200	423,195	(584,005)
Net change in fund balance	(439,800)	(439,800)	(117,533)	322,267
Fund balance, beginning of year	1,555,258	1,555,258	1,555,258	-
Fund balance, end of year	\$ 1,115,458	\$ 1,115,458	\$ 1,437,725	\$ 322,267

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Street Lighting Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Intergovernmental	\$ 135,000	\$ 135,000	\$ 142,749	\$ 7,749
Investment income	70,000	70,000	42,332	(27,668)
Total revenue	205,000	205,000	185,081	(19,919)
Expenditures				
Highways and streets:				
Administration	30,000	30,000	30,000	-
Utilities	470,000	485,000	489,935	4,935
Miscellaneous	5,000	10,000	10,214	214
Total expenditures	505,000	525,000	530,149	5,149
Revenue under expenditures	(300,000)	(320,000)	(345,068)	(25,068)
Other financing uses				
Transfers out	(20,000)	(20,000)	(18,446)	1,554
Net change in fund balance	(320,000)	(340,000)	(363,514)	(23,514)
Fund balance, beginning of year	1,463,429	1,463,429	1,463,429	-
Fund balance, end of year	\$ 1,143,429	\$ 1,123,429	\$ 1,099,915	\$ (23,514)

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Landfill Remediation Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Taxes	\$ -	\$ -	\$ 127	\$ 127
Investment income	65,000	65,000	63,407	(1,593)
Total revenue	<u>65,000</u>	<u>65,000</u>	<u>63,534</u>	<u>(1,466)</u>
Expenditures				
Public works:				
Administration	30,000	30,000	30,000	-
Landfill expense	150,000	150,000	91,512	(58,488)
Total expenditures	<u>180,000</u>	<u>180,000</u>	<u>121,512</u>	<u>(58,488)</u>
Net change in fund balance	(115,000)	(115,000)	(57,978)	57,022
Fund balance, beginning of year	<u>1,907,198</u>	<u>1,907,198</u>	<u>1,907,198</u>	-
Fund balance, end of year	<u>\$ 1,792,198</u>	<u>\$ 1,792,198</u>	<u>\$ 1,849,220</u>	<u>\$ 57,022</u>

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Drain Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Special assessments	\$ -	\$ -	\$ 37,238	\$ 37,238
Investment income	150,000	150,000	135,885	(14,115)
Total revenue	150,000	150,000	173,123	23,123
Expenditures				
Public works:				
Engineering	119,700	119,700	130,078	10,378
Administration	70,000	70,000	60,380	(9,620)
Maintenance	1,007,500	1,007,500	300,986	(706,514)
Miscellaneous	45,000	45,000	5,303	(39,697)
Total expenditures	1,242,200	1,242,200	496,747	(745,453)
Net change in fund balance	(1,092,200)	(1,092,200)	(323,624)	768,576
Fund balance, beginning of year	4,186,041	4,186,041	4,186,041	-
Fund balance, end of year	\$ 3,093,841	\$ 3,093,841	\$ 3,862,417	\$ 768,576

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Local Streets Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Intergovernmental	\$ 642,100	\$ 642,100	\$ 706,487	\$ 64,387
Investment income	50,000	50,000	11,751	(38,249)
Miscellaneous	15,000	15,000	12,962	(2,038)
Total revenue	707,100	707,100	731,200	24,100
Expenditures				
Highways and streets:				
Engineering	185,000	185,000	127,981	(57,019)
Administration	57,700	57,700	63,600	5,900
Maintenance	1,180,000	1,580,000	1,851,063	271,063
Snow and ice removal	300,000	300,000	125,169	(174,831)
Traffic control	10,000	10,000	3,517	(6,483)
Miscellaneous	33,500	33,500	34,714	1,214
Capital outlay	300,000	600,000	583,911	(16,089)
Total expenditures	2,066,200	2,766,200	2,789,955	23,755
Revenue under expenditures	(1,359,100)	(2,059,100)	(2,058,755)	345
Other financing sources				
Transfers in	1,359,100	2,059,100	2,052,588	(6,512)
Net change in fund balance	-	-	(6,167)	(6,167)
Fund balance, beginning of year	506,277	506,277	506,277	-
Fund balance, end of year	\$ 506,277	\$ 506,277	\$ 500,110	\$ (6,167)

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual

Municipal Streets Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Taxes	\$ -	\$ -	\$ 292	\$ 292
Investment income	125,000	125,000	141,842	16,842
Miscellaneous	-	-	766	766
Total revenue	125,000	125,000	142,900	17,900
Expenditures				
Highways and streets:				
Administration	55,000	55,000	55,000	-
Capital outlay	25,000	25,000	-	(25,000)
Total expenditures	80,000	80,000	55,000	(25,000)
Revenue over expenditures	45,000	45,000	87,900	42,900
Other financing uses				
Transfers out	(445,000)	(595,000)	(498,238)	96,762
Net change in fund balance	(400,000)	(550,000)	(410,338)	139,662
Fund balance, beginning of year	4,496,979	4,496,979	4,496,979	-
Fund balance, end of year	\$ 4,096,979	\$ 3,946,979	\$ 4,086,641	\$ 139,662

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Library Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 681,800	\$ 681,800	\$ 665,337	\$ (16,463)
Investment income	10,000	10,000	22,043	12,043
Total revenues	691,800	691,800	687,380	(4,420)
Expenditures				
Culture and recreation: Administration	20,000	20,000	20,000	-
Revenue over expenditures	671,800	671,800	667,380	(4,420)
Other financing uses				
Transfers out	(51,700)	(51,700)	(51,700)	-
Net change in fund balance	620,100	620,100	615,680	(4,420)
Fund balance, beginning of year	191,885	191,885	191,885	-
Fund balance, end of year	\$ 811,985	\$ 811,985	\$ 807,565	\$ (4,420)

AGENCY FUND

CITY OF KENTWOOD, MICHIGAN

Statement of Changes in Fiduciary Assets and Liabilities

Tax Collection Fund

For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash and pooled investments	\$ 14,796	\$ 85,453,577	\$ (85,342,745)	\$ 125,628
Taxes receivable	-	1,103,422	-	1,103,422
Total assets	<u>\$ 14,796</u>	<u>\$ 86,556,999</u>	<u>\$ (85,342,745)</u>	<u>\$ 1,229,050</u>
Liabilities				
Due to other governments	<u>\$ 14,796</u>	<u>\$ 86,556,999</u>	<u>\$ (85,342,745)</u>	<u>\$ 1,229,050</u>

INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

December 7, 2012

Honorable Mayor and
City Commissioners
Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Kentwood, Michigan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Kentwood, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kentwood, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kentwood, Michigan's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kentwood, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Kentwood, Michigan in a separate letter dated December 7, 2012.

This report is intended solely for the information and use of management, the City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2012*

LIST OF CURRENT
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES (NRMSIR)

Effective July 1, 2009 the annual filing of audited financial statements, along with an issuer's Continuing Disclosure Undertaking, is no longer accepted by the Nationally Recognized Municipal Securities Information Repositories ("NRMSIR's")(Bloomberg Municipal Repository, DPC Data, Interactive Data and Standard & Poor's Securities Evaluations). The Municipal Securities Rulemaking Board (the "MSRB") received approval from the Securities and Exchange Commission (the "SEC") to launch operations of the continuing disclosure service of the MSRB's Electronic Municipal Market Access system ("EMMA"). The sole NRMSIR shall be the MSRB, through the operation of EMMA.

The EMMA website is www.emma.msrb.org

STATE INFORMATION DEPOSITORY (SID)

Municipal Advisory Council of Michigan
1445 First National Building
Detroit, MI 48226-3517
Phone: (313) 963-0420
Fax: (313) 963-0943
E-mail: mac@macmi.com

MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: City of Kentwood, Michigan

CUSIP Numbers (attach additional sheet if necessary):

- Nine-digit number(s) to which the information relates:
 Information relates to **all securities** issued by the issuer having the following six-digit number (s):
491735, 491728

* * *

Number of pages of attached information:

Description of Material Event Notice / Financial Information (Check One):

1. Principal and interest payment delinquencies
2. Non-Payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of securities holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes
12. Failure to provide annual financial information as required
13. Other material event notice (specify) New Bond Issue
14. Financial information*: Please check all appropriate boxes:

CAFR: (a) include does not include Annual Financial Information

(b) Audited? Yes No

Annual Financial Information: Audited? Yes No

Operating Data

Fiscal Period Covered: June 30, 2012

*Financial information **should not** be filed with the MSRB

* * *

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: Thomas H. Chase

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

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**City of Kentwood
Taxable Value
Fiscal Years Ended or Ending June 30, 2009 Through 2013**

Assessed Value as of December 31	Year of State Equalization And Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem Taxable Value (1)	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (2)	Total Taxable Value	Percent Increase (Decrease) From Prior Year
2007	2008	2009	\$2,084,515,373	\$ 46,130,000	\$2,130,645,373	1.37%
2008	2009	2010	2,109,722,640	42,112,032	2,151,834,672	0.99
2009	2010	2011	1,997,126,776	38,767,550	2,035,894,326	(5.39)
2010	2011	2012	1,916,131,940	37,686,000	1,953,817,940	(4.03)
2011	2012	2013	1,842,235,230	48,194,768	1,890,429,998	(3.24)

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2013 (3).....\$38,812

(1) Includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2013, the Taxable Value of property qualified for the benefits of the Zones program totaled \$6,699,500. Excludes the value of qualified property under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended, "New Personal Property Exemption" available to eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan. The 100% property tax exemption continues for new acquisitions until the expiration date set by the local governmental unit. For the fiscal year ending June 30, 2013, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$39,764,300. Also included are Brownfield parcels with a base taxable value totaling \$1,401,100, current value of \$2,058,300 and "captured" Taxable Value of \$650,200.

(2) At the full tax rate. See "Tax Abatement" herein.

(3) Based on the City's 2010 Census of 48,707.

Source: City of Kentwood

**City of Kentwood
Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2009 Through 2013**

Use	Fiscal Years Ended or Ending June 30				
	2009	2010	2011	2012	2013
Commercial	\$ 657,328,452	\$ 688,219,612	\$ 709,554,719	\$ 738,446,402	\$ 713,136,145
Industrial.....	541,592,941	539,699,660	473,204,929	382,887,080	389,083,668
Residential.....	911,013,280	890,414,800	817,775,278	798,455,858	754,113,385
Utility	<u>20,710,700</u>	<u>33,500,600</u>	<u>35,359,400</u>	<u>34,028,600</u>	<u>34,096,800</u>
	<u>\$ 2,130,645,373</u>	<u>\$ 2,151,834,672</u>	<u>\$ 2,035,894,326</u>	<u>\$ 1,953,817,940</u>	<u>\$ 1,890,429,998</u>

Class	Fiscal Years Ended or Ending June 30				
	2009	2010	2011	2012	2013
Real Property.....	\$ 1,834,513,623	\$ 1,842,109,637	\$ 1,714,310,698	\$ 1,628,493,340	\$ 1,545,812,198
Personal Property	<u>296,131,750</u>	<u>309,725,035</u>	<u>321,583,628</u>	<u>325,324,600</u>	<u>344,617,800</u>
	<u>\$ 2,130,645,373</u>	<u>\$ 2,151,834,672</u>	<u>\$ 2,035,894,326</u>	<u>\$ 1,953,817,940</u>	<u>\$ 1,890,429,998</u>

Source:City of Kentwood

**City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2009 Through 2013**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV (1)	SEV of Property Granted Tax Abatement Under Act 198 (2)	Total SEV	Percent Increase (Decrease) From Prior Year
2007	2008	2009	\$2,201,671,700	\$ 92,260,000	\$2,293,931,700	0.54%
2008	2009	2010	2,191,387,535	84,239,100	2,275,626,635	(0.80)
2009	2010	2011	2,045,480,100	77,535,100	2,123,015,200	(6.71)
2010	2011	2012	1,955,355,300	75,372,600	2,030,727,900	(4.35)
2011	2012	2013	1,875,056,950	96,498,800	1,971,555,750	(2.91)

Per Capita Total SEV for the Fiscal Year Ending June 30, 2013 (3) \$40,478

- (1) Includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2013, the SEV of the property qualified for the benefits of the Zones program totaled \$6,699,500. Excludes the value of qualified property under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended, "New Personal Property Exemption" available to eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan. The 100% property tax exemption continues for new acquisitions until the expiration date set by the local governmental unit. For the fiscal year ending June 30, 2013, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$39,764,300. Also included are Brownfield parcels with a base SEV totaling \$1,401,100, current SEV of \$2,058,300 and "captured" value of \$650,200.
- (2) See "Tax Abatement" herein.
- (3) Based on the City's 2010 Census of 48,707.
- Source: City of Kentwood

**City of Kentwood
Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2009 Through 2013**

Use	Fiscal Years Ended or Ending June 30				
	2009	2010	2011	2012	2013
Commercial	\$ 698,405,400	\$ 726,254,435	\$ 735,089,300	\$ 756,896,800	\$ 734,437,350
Industrial	604,540,900	595,615,100	520,274,700	425,386,000	441,657,500
Residential	970,274,700	920,256,500	832,291,800	814,416,500	761,364,100
Utility	20,710,700	33,500,600	35,359,400	34,028,600	34,096,800
	<u>\$ 2,293,931,700</u>	<u>\$2,275,626,635</u>	<u>\$2,123,015,200</u>	<u>\$2,030,727,900</u>	<u>\$1,971,555,750</u>

Class	Fiscal Years Ended or Ending June 30				
	2009	2010	2011	2012	2013
Real Property	\$ 1,967,758,700	\$1,937,800,200	\$1,775,093,600	\$1,677,983,600	\$1,589,879,950
Personal Property	326,173,000	337,826,435	347,921,600	352,744,300	381,675,800
	<u>\$ 2,293,931,700</u>	<u>\$2,275,626,635</u>	<u>\$2,123,015,200</u>	<u>\$2,030,727,900</u>	<u>\$1,971,555,750</u>

Source: City of Kentwood

Tax Abatement

The City's SEV and Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198, Public Acts of Michigan, 1974 ("Act 198" or the "Act"), as amended. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under the Act entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the SEV level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. Abatements granted prior to 1994 are all expired. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the State plus none, 1/2 or all of the state tax rate (as determined by the State Treasurer).

The City has established goals, objectives and procedures to provide the opportunity for industrial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. Most abatements have been for new industrial facilities. The SEV of properties which have been granted tax abatement under the Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$96,138,700 for the fiscal year ending June 30, 2013. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$47,880,068 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

The City's SEV and Taxable Value includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2013, the SEV and equivalent Taxable Value of property qualified for the benefits of the Zones program totaled \$6,699,500 and \$6,699,500, respectively.

The City's Brownfield Redevelopment Authority was established and incorporated by resolution, pursuant to the provisions of Act 381, Public Acts of Michigan, 1996 ("Act 381"), as amended, adopted by the City Commission on December 6, 2005. Act 381 authorizes the Authority to undertake a broad range of improvement activities intended to promote the revitalization of environmentally distressed areas. These activities include, but are not necessarily limited to, baseline environmental assessments, due care activities, additional response activities, infrastructure improvements, demolition, lead or asbestos abatement and site preparation. The Authority Board is comprised of the board of directors of the Economic Development Corporation of the City of Kentwood appointed by the City Commission. The Authority Board prepared the original Brownfield Plan adopted by the City Commission on September 2, 2008 (the "Brownfield Plan"). The Authority has the responsibility for carrying out and overseeing the Brownfield Plan. Tax increment financing permits the Authority to capture tax revenues attributable to increase in value of real and personal property on the Eligible Property. The initial taxable value of the Eligible Property was \$1,408,100 (the "Initial Taxable Value"). The current taxable value of the Eligible Property has increased to \$2,058,300. The amount by which the current taxable value exceeds the Initial Taxable Value in any one year is captured taxable value (the "Captured Taxable Value"). The 2013 Captured Taxable Value is \$650,200.

Starting with the 2010 City assessment roll is a "New Personal Property Exemption" under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended. Eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan may be eligible for this exemption on personal property brought into Michigan after the date of approval for exemption. The exemption continues for new acquisitions until the expiration date set by the local governmental unit. This is a 100% property tax exemption. One exemption has been granted, exempting \$39,764,300 in SEV and TV from the rolls. These amounts are not included in the ad valorem totals for the fiscal year ending June 30, 2013.

**City of Kentwood
Maximum Operating Tax Rates
Fiscal Year Ending June 30, 2013**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
General Operating (1)	3.0000	0.9983	2.9946
Police and Fire (1).....	6.2620	1.0000	6.2620
Parks (2).....	0.1000	0.9983	0.0998
Library Purposes (4).....	0.3500	1.0000	0.3500

**City of Kentwood
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2008 Through 2012**

<u>Levy July 1</u>	<u>Fiscal Years Ended or Ending June 30</u>	<u>General Operating (1)</u>	<u>Police and Fire (1)</u>	<u>Parks (2)</u>	<u>Landfill Remediation (3)</u>	<u>Library (4)</u>	<u>Total</u>
2008	2009	\$2.9946	\$4.2620	\$0.0998	\$0.1497	\$0.0000	\$7.5061
2009	2010	2.9946	4.2620	0.0998	0.0000	0.0000	7.7064
2010	2011	2.9946	6.2620	0.0998	0.0000	0.3500	9.7064
2011	2012	2.9946	6.2620	0.0998	0.0000	0.3500	9.7064
2012	2013	2.9946	6.2620	0.0998	0.0000	0.3500	9.7064

Footnotes for the above “Maximum Operating Tax Rates” and “Property Tax Rates” schedules:

- (1) Authorized by the City Charter. On August 8, 2006, the City’s electorate approved a 0.4688 mill increase to the Police and Fire Millage effective July 1, 2007. On May 4, 2010, the City’s electorate approved a 2.0000 mill increase to the Police and Fire Millage effective July 1, 2010.
- (2) Authorized by the City’s electorate through 2013 levy.
- (3) Authorized by the City’s electorate through 2008 levy.
- (4) On August 5, 2008, the City’s electorate approved 0.3500 mills for Library Purposes effective July 1, 2009.

Source: City of Kentwood

City of Kentwood
Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2008 Through 2012

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of Kentwood	\$7.5061	\$7.5061	\$7.7064	\$9.7064	\$9.7064
County of Kent	5.3940	5.3940	5.3940	5.3940	5.3940
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	6.0000	5.8400	6.1000	6.1000	6.1000
Kent Intermediate School District	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority.....	0.9500	1.1200	1.1200	1.1200	1.2900
Kent District Library Authority ...	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$33.2069</u>	<u>\$33.2169</u>	<u>\$33.6772</u>	<u>\$35.6772</u>	<u>\$35.8472</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2008 Through 2012

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of Kentwood	\$7.5061	\$7.5061	\$7.7064	\$9.7064	\$9.7064
County of Kent	5.3940	5.3940	5.3940	5.3940	5.3940
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	24.0000	23.8400	24.1000	24.1000	24.1000
Kent Intermediate School District	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority.....	0.9500	1.1200	1.1200	1.1200	1.2900
Kent District Library Authority ...	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$51.2069</u>	<u>\$51.2169</u>	<u>\$51.6772</u>	<u>\$53.6772</u>	<u>\$53.8472</u>

(1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal residence includes all unoccupied property classified as agricultural or residential adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Principal residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-principal residence* is property not included in the above definition.

(2) The Kentwood Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. The lowest and highest non-principal residence millage rates for the other overlapping school districts for the fiscal year ending June 30, 2012 ranged from \$24.6000 to \$26.7000 for each \$1,000 of Taxable Value, respectively. The total tax rates for property owners in other school districts would change accordingly.

Source: City of Kentwood

**City of Kentwood
Property Tax Collections (1)
Fiscal Years Ended or Ending June 30, 2009 Through 2013**

July 1 <u>Levy</u>	Fiscal Years Ended or Ending <u>June 30</u>	<u>Tax Levy</u>	Collections to March 1 <u>Following Levy</u>	Percent <u>Collected</u>
2008	2009	\$ 15,888,927	\$ 15,460,134	97.3%
2009	2010	16,503,449	16,058,860	97.3
2010	2011	19,517,137	19,037,507	97.5
2011	2012	18,787,665	18,300,418	97.4
2012	2013	18,287,737	(In collection process)	

(1) Includes the value of property granted tax abatement under Acts 198 and 255. See "Tax Abatement" herein.
Source: City of Kentwood

**City of Kentwood
Ten Largest Taxpayers
Fiscal Year Ending June 30, 2013**

<u>Taxpayers</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	Total Taxable <u>Value</u>	Percent of <u>Total (2)</u>
PR Woodland LTD Partner...	Shopping Center.....	\$ 56,472,907	\$ 0	\$ 56,472,907	2.99%
Lacks Industries, Inc.	Automotive Supplier .	43,482,552	5,795,772	49,278,324	2.61
Steelcase Corporation	Office Furniture.....	40,524,808	0	40,524,808	2.14
Holland Home	Senior Housing.....	33,880,298	0	33,880,298	1.79
Hearthside Food Solutions....	Food	19,918,335	4,612,850	24,531,185	1.30
Consumers Energy	Utility	18,023,321	0	18,023,321	0.95
MichCon	Utility	17,805,500	0	17,805,500	0.94
Fox Motor Group	Automotive Sales	17,540,996	0	17,540,996	0.93
Woodland Creek Apts.	Apartment Housing ...	16,263,948	0	16,263,948	0.86
ConAgra Foods, Inc.....	Food.....	<u>5,648,900</u>	<u>6,312,600</u>	<u>11,961,500</u>	<u>0.63</u>
		<u>\$269,561,565</u>	<u>\$ 16,721,222</u>	<u>\$286,282,787</u>	<u>15.14%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$1,890,429,998 which is the City's Total Taxable Value for the fiscal year ended June 30, 2013. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement" herein.

Source: City of Kentwood

City of Kentwood
Revenues From the State of Michigan
Fiscal Years Ended or Ending June 30, 2009 Through 2013

	Fiscal Years Ended or Ending June 30				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 (2)</u>
State Sales Tax	\$ 3,175,986	\$ 2,874,624	\$ 3,286,020	\$ 3,497,621	\$ 3,515,400
Liquor License Fees	<u>21,163</u>	<u>22,266</u>	<u>21,925</u>	<u>21,465</u>	<u>22,000</u>
Total Revenues From the State of Michigan	<u>\$ 3,197,149</u>	<u>\$ 2,896,890</u>	<u>\$ 3,307,945</u>	<u>\$ 3,519,086</u>	<u>\$ 3,537,400</u>
Percent of General Fund Revenue	12.34%	11.22%	12.12%	12.60%	11.79%

(1) As estimated

(2) As budgeted.

Source: City of Kentwood

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of December 2, 2012.

Debt Limit (1)	\$ 197,155,575
Debt Outstanding.....	\$19,685,000
Less: Exempt Debt.....	<u>2,955,000</u>
Legal Debt Margin.....	<u>\$180,425,575</u>

(1) 10% of \$1,971,555,750 which is the City's Total SEV for the fiscal year ending June 30, 2013. Includes the SEV of property granted tax abatement under Act 198.

Source: Municipal Advisory Council of Michigan and the City of Kentwood.

Debt Statement

The following table reflects a breakdown of the City’s direct and overlapping debt as of December 2, 2012 including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City’s General Fund.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Bonds:			
Dated October 16, 2003 (4)	\$ 6,380,000	\$ 0	\$ 6,380,000
Dated March 23, 2005 (4).....	2,955,000	2,955,000	0
Dated March 19, 2009	7,160,000	0	7,160,000
Building Authority Bonds:			
Dated February 24, 2011 (LT).....	<u>3,190,000</u>	<u>0</u>	<u>3,190,000</u>
Total	<u>\$ 19,685,000</u>	<u>\$ 2,955,000</u>	<u>\$ 16,730,000</u>
Per Capita Net City Direct Debt (1)			\$343.48
Percent of Net Direct Debt to Total SEV (2).....			0.85%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Percent of Gross</u>	<u>City Share</u>
Kentwood School District	\$ 67,565,000	69.97%	\$ 47,275,231
Caledonia School District.....	121,654,965	12.35	15,024,388
Forest Hills School District	193,990,000	6.20	12,027,380
Kelloggsville School District	7,970,000	36.34	2,896,298
Kent County	179,660,000	9.24	16,600,584
Grand Rapids Community College.....	<u>71,580,000</u>	8.97	<u>6,420,726</u>
Total Overlapping Debt.....	<u>\$ 789,559,965</u>		<u>\$ 100,244,607</u>
Total Direct & Overlapping Debt	<u>\$ 809,245,763</u>		<u>\$ 116,974,607</u>
Per Capita Net Overlapping Debt (1)			\$2,058.11
Percent of Net Overlapping Debt to Total SEV (2).....			5.08%
Per Capita Net Direct and Overlapping Debt (1).....			\$2,401.59
Percent of Net Direct and Overlapping Debt to Total SEV (2)			5.93%

- (1) Based on the City’s 2010 Census of 48,707.
- (2) Based on \$1,971,555,750 which is the City’s Total SEV for the fiscal year ending June 30, 2013. Includes the SEV of property granted tax abatement under Act 198.
- (3) Overlapping debt is the portion of another taxing unit’s debt for which property taxpayers of the City are liable in addition to debt issued by the City.
- (4) The City issued general obligation limited tax bonds that were insured by Ambac. The rating of Ambac and the issues insured by Ambac have been lowered or removed by one or all of the nationally recognized statistical rating organizations.

Source: Municipal Advisory Council of Michigan and City of Kentwood.