



CITY OF KENTWOOD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



CITY OF KENTWOOD, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	26
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	29
Police and Fire Millage Fund	30
Major Streets Fund	31
Statement of Net Position - Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Position - Fiduciary Funds	36
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	37
Combining Statement of Net Position - Discretely Presented Component Units	38
Combining Statement of Activities - Discretely Presented Component Units	39
Notes to Financial Statements	41
Required Supplementary Information	69
Single-employer Defined Benefit Pension Plan:	
Schedule of Funding Progress	70
Schedule of Employer Contributions	70
Single-employer Defined Benefit Other Postemployment Benefits Plan:	
Schedule of Funding Progress	71
Schedule of Employer Contributions	71

CITY OF KENTWOOD, MICHIGAN

Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules	
Detail Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual:	
General Fund	76
Police and Fire Millage Fund	85
Major Streets Fund	86
Nonmajor Governmental Funds:	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	92
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual:	
Housing Commission Fund	95
Parks Fund	96
Street Lighting Fund	97
Landfill Remediation Fund	98
Drain Fund	99
Local Streets Fund	100
Municipal Streets Fund	101
Library Fund	102
Federal Grant Fund	103
Detail Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Debt Service and Capital Projects Funds	104
Agency Fund:	
Statement of Changes in Fiduciary Assets and Liabilities - Tax Collection Fund	108
Internal Control and Compliance	
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 <i>Government Auditing Standards</i>	111
Schedule of Findings and Responses	113
Continuing Disclosure Filing (unaudited)	115



INDEPENDENT AUDITORS' REPORT

October 8, 2013

Honorable Mayor and
City Commissioners
City of Kentwood, Michigan

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions for the pension and other postemployment benefit plans, 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.

Other Information

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 and the continuing disclosure filing are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, on our consideration of the City of Kentwood, Michigan’s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

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

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

As management of the *City of Kentwood, Michigan* (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, 2013. 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 fourth consecutive drop in taxable property values. The resulting revenue decrease was offset by additional constitutional revenue sharing received from the State of Michigan, which grew due to higher Michigan Sales Tax collections.

Fiscal year 2013 was also a year of continued capital investment for the City. Projects included:

- Completion of Breton Avenue / Walma Avenue improvements;
- Road rehabilitation projects, including surface maintenance and sidewalk extensions;
- Purchase of property adjacent to the City's public works facilities;
- Equipment purchases, including commencement of information technology system upgrade, and police, fire and public works equipment purchases;
- Park and recreation facilities improvements, including trail extensions, tennis court resurfacing, and updating of the Activities Center exterior.

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 position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., 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 funds balance sheet and the governmental funds statement of revenues, 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 funds statement of revenues, 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 is considered to be a major fund. 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, it has 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 following the notes to the financial statements and required supplementary information.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$101,050,933 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 53,140,499	\$ 54,471,284	\$ 8,029,685	\$ 7,797,322	\$ 61,170,184	\$ 62,268,606
Capital assets, net	50,088,871	49,520,806	14,296,737	14,306,452	64,385,608	63,827,258
Total assets	103,229,370	103,992,090	22,326,422	22,103,774	125,555,792	126,095,864
Deferred outflows of resources						
	163,565	64,446	-	-	163,565	64,446
Liabilities						
Other liabilities	2,438,612	2,400,520	597,416	555,224	3,036,028	2,955,744
Long-term liabilities	21,632,336	23,216,270	-	-	21,632,336	23,216,270
Total liabilities	24,070,948	25,616,790	597,416	555,224	24,668,364	26,172,014
Net position						
Net investment in capital assets	31,733,729	29,359,020	14,296,737	14,306,452	46,030,466	43,665,472
Restricted	30,424,556	31,810,901	-	-	30,424,556	31,810,901
Unrestricted	17,163,702	17,269,825	7,432,269	7,242,098	24,595,971	24,511,923
Total net position	\$ 79,321,987	\$ 78,439,746	\$ 21,729,006	\$ 21,548,550	\$101,050,993	\$ 99,988,296

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

By far the largest portion of the City's net position 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 position of governmental activities at year-end has been restricted primarily by funding sources for major, local and municipal streets, police and fire services, and drains. Of the total net position for governmental activities at year-end, 40% relates to the City's net investment in capital assets, 38% is restricted for other purposes, and the remaining 22% is unrestricted and available for general City operations.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 4,585,689	\$ 4,596,490	\$ 6,342,144	\$ 6,196,938	\$ 10,927,833	\$ 10,793,428
Operating grants and contributions	4,588,539	5,531,272	-	-	4,588,539	5,531,272
Capital grants and contributions	670,231	-	-	301,643	670,231	301,643
General revenues:						
Property taxes	17,846,593	18,590,184	-	-	17,846,593	18,590,184
Franchise fees	628,003	595,403	-	-	628,003	595,403
State shared revenues	3,570,034	3,497,621	-	-	3,570,034	3,497,621
Investment earnings (loss)	(430,190)	738,208	(56,208)	230,568	(486,398)	968,776
Other revenues	161,922	148,071	141	-	162,063	148,071
Total revenues	31,620,821	33,697,249	6,286,077	6,729,149	37,906,898	40,426,398
Expenses						
General government	5,048,368	4,983,984	-	-	5,048,368	4,983,984
Public safety	16,906,953	16,775,527	-	-	16,906,953	16,775,527
Public works	5,939,613	7,919,941	-	-	5,939,613	7,919,941
Community and economic development	292,421	283,896	-	-	292,421	283,896
Culture and recreation	2,259,526	2,243,497	-	-	2,259,526	2,243,497
Interest on long-term debt	730,344	845,760	-	-	730,344	845,760
Water	-	-	2,919,212	3,134,956	2,919,212	3,134,956
Sewer	-	-	2,747,764	2,718,634	2,747,764	2,718,634
Total expenses	31,177,225	33,052,605	5,666,976	5,853,590	36,844,201	38,906,195
Change in net position before transfers	443,596	644,644	619,101	875,559	1,062,697	1,520,203
Transfers	438,645	439,670	(438,645)	(439,670)	-	-
Change in net position	882,241	1,084,314	180,456	435,889	1,062,697	1,520,203
Net position, beginning of year, as restated	78,439,746	77,355,432	21,548,550	21,112,661	99,988,296	98,468,093
Net position, end of year	\$ 79,321,987	\$ 78,439,746	\$ 21,729,006	\$ 21,548,550	\$ 101,050,993	\$ 99,988,296

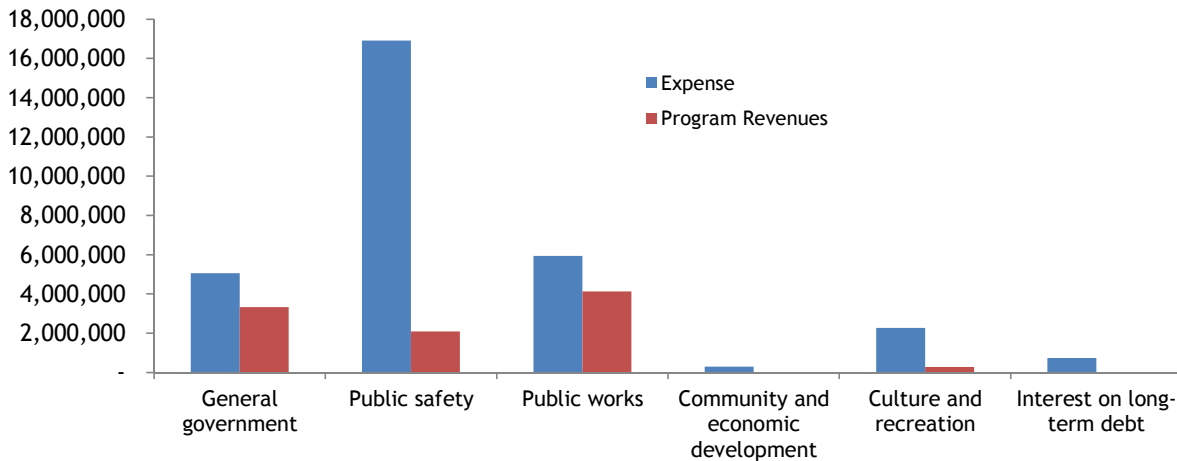
CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

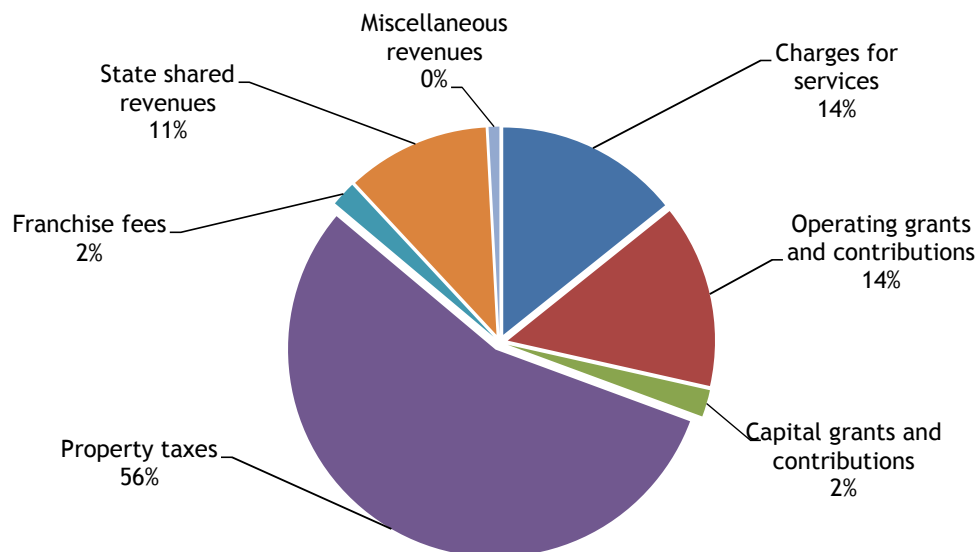
Governmental activities. Governmental activities increased the City's net position by \$882,241. Key elements of this increase are as follows:

- Additional accumulation of unexpended resources in the police and fire millage special revenue fund for future use to provide police and fire services and collection of special assessments and related interest, largely offset by use of resources in the major street and other nonmajor governmental funds.
- An increase in depreciation expense related to the significant increase in the amount of capital assets begin depreciated. Depreciable capital asset additions for the year were \$2,718,650.
- Capital contributions through the Kent County community development block grant program of approximately \$363,000.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

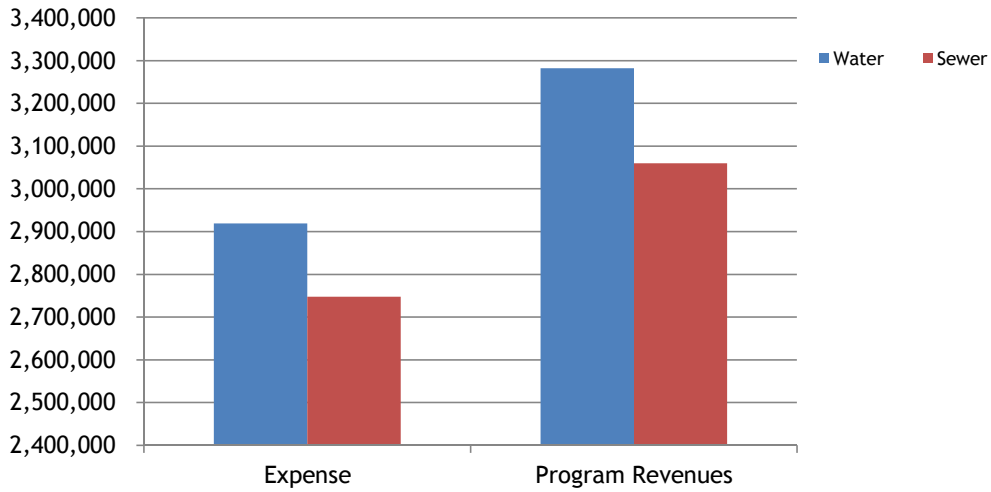


CITY OF KENTWOOD, MICHIGAN

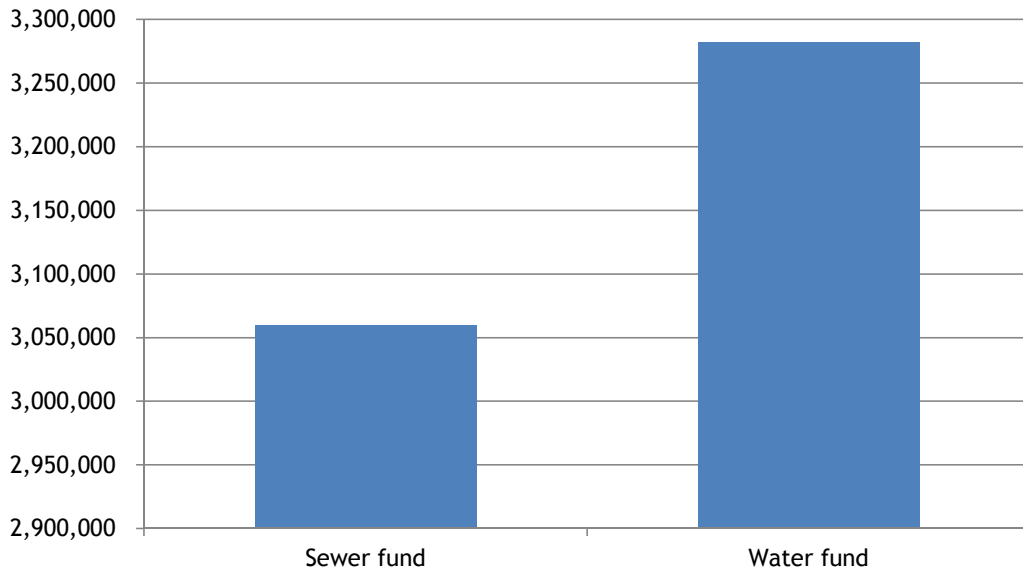
Management's Discussion and Analysis

Business-type activities. Business-type activities increased the City's net position by \$180,456. The key elements of this increase were operating revenue and investment income that exceeded operating expenses and transfers out.

Expenses and Program Revenues - Business-type Activities



Operating 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 \$46,711,074, a decrease of \$1,094,899 compared with the prior year. This decrease 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, and collection of special assessments and related interest, which was more than 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 \$4,408,889, while total fund balance reached \$5,122,249. 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 18 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 \$11,731 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 position of the water and sewer funds at the end of the year amounted to \$2,053,976 and \$5,378,293, respectively. The total changes in net position for these funds were an increase of \$161,659 and an increase of \$18,797, 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, 2013. The amendment was largely related to a decrease in budgeted recreation grant revenues and expenditures for a grant applied for but not awarded.
- General fund expenditure budget to actual variances are due to several factors including staffing vacancies, rehires, reassignments and other changes (Assessor, 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, Information Technology, Executive, Police, Fire, Inspections, Public Works, 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, 2013, amounts to \$64,385,608 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

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	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,707,228	\$ 2,454,743	\$ 60,949	\$ 60,949	\$ 2,768,177	\$ 2,515,692
Construction in progress	762,254	266,082	194,832	750,323	957,086	1,016,405
Depreciable assets	46,619,389	46,799,981	14,040,956	13,495,180	60,660,345	60,295,161
Total capital assets	\$ 50,088,871	\$ 49,520,806	\$ 14,296,737	\$ 14,306,452	\$ 64,385,608	\$ 63,827,258

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 \$21,632,336 at June 30, 2013, 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 18,445,000	\$ 20,135,000	\$ -	\$ -	\$ 18,445,000	\$ 20,135,000
Deferred bond costs	73,707	91,232	-	-	73,707	91,232
Compensated absences	1,373,167	1,246,930	-	-	1,373,167	1,246,930
Landfill cleanup costs	1,740,462	1,743,108	-	-	1,740,462	1,743,108
Total long-term debt	\$ 21,632,336	\$ 23,216,270	\$ -	\$ -	\$ 21,632,336	\$ 23,216,270

During the year the City paid \$1,840,000 of principal on bonds outstanding at July 1, 2012.

The City has a AA bond rating from Standard & Poor's (affirmed February 3, 2011) and a AA+ bond rating from Fitch Ratings (affirmed January 8, 2013).

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 21, 2013, the FY 2014 budget anticipated that total general fund revenues and expenditures would increase, as compared to the FY 2013 budget, by 0.65% and 0.65%, respectively. These changes were projected to result in a budget where revenues exceed expenditures by \$8,800. 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 fourth straight year, by \$66,300 (-1.18%). 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 +2.4%. These percentages differed due to individual property values that decreased, or increased at less than the rate of the CPI.

CITY OF KENTWOOD, MICHIGAN

Management's Discussion and Analysis

State shared revenue - The general fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2013 budget, is projected to increase by \$155,400 (+4.42%), due to improving sales tax receipts. The FY 2014 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 2014, it is anticipated that approximately \$6,632,500 will remain in the police and fire millage fund for future use. In FY 2014, this revenue also includes \$315,000 of unexpended FY 2012 appropriations held in the property and building fund for use in a later budget year, \$167,100 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.

Expenditures

Compensation and employee benefits for City employees are estimated and included in the FY 2014 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 2014. 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.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

Statement of Net Position

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 45,794,276	\$ 6,729,586	\$ 52,523,862	\$ 613,868
Receivables	6,816,393	1,300,099	8,116,492	260,005
Other assets	529,830	-	529,830	-
Capital assets not being depreciated	3,469,482	255,781	3,725,263	-
Capital assets being depreciated, net	46,619,389	14,040,956	60,660,345	-
Total assets	103,229,370	22,326,422	125,555,792	873,873
Deferred outflows of resources				
Loss on advance bond refundings, net	163,565	-	163,565	-
Liabilities				
Accounts payable and accrued expenses	2,319,263	597,416	2,916,679	3,600
Unearned revenue	119,349	-	119,349	-
Long-term liabilities:				
Due within one year	1,982,525	-	1,982,525	-
Due in more than one year	19,649,811	-	19,649,811	-
Total liabilities	24,070,948	597,416	24,668,364	3,600
Net position				
Net investment in capital assets	31,733,729	14,296,737	46,030,466	-
Restricted for:				
Police and fire services	6,703,046	-	6,703,046	-
Drug law enforcement	183,530	-	183,530	-
Public works activities	20,568,483	-	20,568,483	-
Housing assistance	336,037	-	336,037	-
Parks	1,542,823	-	1,542,823	-
Library	1,090,637	-	1,090,637	-
Unrestricted	17,163,702	7,432,269	24,595,971	870,273
Total net position	\$ 79,321,987	\$ 21,729,006	\$ 101,050,993	\$ 870,273

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

CITY OF KENTWOOD, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

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	\$ 5,048,368	\$ 3,142,633	\$ 183,198	\$ -	\$ (1,722,537)
Public safety	16,906,953	1,142,202	945,873	-	(14,818,878)
Public works	5,939,613	21,640	3,446,181	653,882	(1,817,910)
Community and economic development	292,421	23,788	-	-	(268,633)
Culture and recreation	2,259,526	255,426	13,287	16,349	(1,974,464)
Interest on long-term debt	730,344	-	-	-	(730,344)
Total governmental activities	<u>31,177,225</u>	<u>4,585,689</u>	<u>4,588,539</u>	<u>670,231</u>	<u>(21,332,766)</u>
Business-type activities:					
Water	2,919,212	3,282,445	-	-	363,233
Sewer	2,747,764	3,059,699	-	-	311,935
Total business-type activities	<u>5,666,976</u>	<u>6,342,144</u>	<u>-</u>	<u>-</u>	<u>675,168</u>
Total primary government	<u>\$ 36,844,201</u>	<u>\$ 10,927,833</u>	<u>\$ 4,588,539</u>	<u>\$ 670,231</u>	<u>\$(20,657,598)</u>
Component units					
Economic Development Authority	\$ 119,671	\$ 34,118	\$ 8,556	\$ -	\$ (76,997)
Brownfield Redevelopment Authority	1,700	-	-	-	(1,700)
Total component units	<u>\$ 121,371</u>	<u>\$ 34,118</u>	<u>\$ 8,556</u>	<u>\$ -</u>	<u>\$ (78,697)</u>

continued...

CITY OF KENTWOOD, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	<u>\$ (21,332,766)</u>	<u>\$ 675,168</u>	<u>\$ (20,657,598)</u>	<u>\$ (78,697)</u>
General revenues:				
Property taxes:				
General operating	5,502,185	-	5,502,185	-
Police and fire	11,518,974	-	11,518,974	-
Other purposes	825,434	-	825,434	18,783
Franchise fees	628,003	-	628,003	-
State shared revenues	3,570,034	-	3,570,034	-
Investment earnings (loss)	(430,190)	(56,208)	(486,398)	(5,666)
Gain of sale of capital assets	28,244	141	28,385	-
Insurance recoveries	100,000	-	100,000	-
Other general revenues	33,678	-	33,678	-
Transfers - internal activities	<u>438,645</u>	<u>(438,645)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>22,215,007</u>	<u>(494,712)</u>	<u>21,720,295</u>	<u>13,117</u>
Change in net position	882,241	180,456	1,062,697	(65,580)
Net position, beginning of year, as restated	<u>78,439,746</u>	<u>21,548,550</u>	<u>99,988,296</u>	<u>935,853</u>
Net position, end of year	<u>\$ 79,321,987</u>	<u>\$ 21,729,006</u>	<u>\$ 101,050,993</u>	<u>\$ 870,273</u>

concluded

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

FUND FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2013

	Special Revenue		
	General Fund	Police and Fire Millage	Major Streets
Assets			
Cash and pooled investments	\$ 4,120,150	\$ 6,584,637	\$ 7,714,987
Accounts receivable	585,000	118,409	198
Special assessments receivable	-	-	-
Interest receivable	-	-	-
Loans receivable	-	-	-
Due from other governments	1,254,441	-	376,682
Inventory	11,066	-	-
Prepaid items	518,764	-	-
Total assets	\$ 6,489,421	\$ 6,703,046	\$ 8,091,867
Liabilities			
Negative equity in cash and pooled investments	\$ -	\$ -	\$ -
Accounts payable	354,127	-	98,108
Accrued liabilities	576,939	-	-
Customer deposits	249,126	-	141,726
Due to other governments	168	-	-
Unearned revenue	119,320	-	-
Total liabilities	1,299,680	-	239,834
Deferred inflows of resources (Note 4)			
Unavailable revenue	67,492	118,409	-
Fund balances			
Nonspendable	529,830	-	-
Restricted	183,530	6,584,637	7,852,033
Assigned	-	-	-
Unassigned	4,408,889	-	-
Total fund balances	5,122,249	6,584,637	7,852,033
Total liabilities, deferred inflows of resources and fund balances	\$ 6,489,421	\$ 6,703,046	\$ 8,091,867

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



Capital Projects			
Property and Building	General Projects	Nonmajor Funds	Total
\$ 4,710,742	\$ 5,720,995	\$16,915,819	\$45,767,330
-	-	20,353	723,960
-	4,003,882	-	4,003,882
-	64,064	-	64,064
-	-	265,801	265,801
-	-	127,563	1,758,686
-	-	-	11,066
-	-	-	518,764
<u>\$ 4,710,742</u>	<u>\$ 9,788,941</u>	<u>\$17,329,536</u>	<u>\$53,113,553</u>

\$ -	\$ -	\$ 8,035	8,035
294,497	-	430,842	1,177,574
-	-	252	577,191
-	-	-	390,852
-	-	3,071	3,239
-	-	-	119,320
<u>294,497</u>	<u>-</u>	<u>442,200</u>	<u>2,276,211</u>

-	3,756,658	183,709	4,126,268
---	-----------	---------	-----------

-	-	90,859	620,689
-	-	13,387,643	28,007,843
4,416,245	6,032,283	3,225,125	13,673,653
-	-	-	4,408,889
<u>4,416,245</u>	<u>6,032,283</u>	<u>16,703,627</u>	<u>46,711,074</u>

<u>\$ 4,710,742</u>	<u>\$ 9,788,941</u>	<u>\$17,329,536</u>	<u>\$53,113,553</u>
---------------------	---------------------	---------------------	---------------------

CITY OF KENTWOOD, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds \$ 46,711,074

Amounts reported for *governmental activities* in the statement of net position 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	3,469,482
Capital assets being depreciated, net	46,619,389

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Deferred inflows for special assessments receivable	3,756,658
Deferred inflows for delinquent personal property taxes receivable	194,668
Deferred inflows for housing rehabilitation loans receivable	174,942

An internal service fund is used by management to charge the costs of certain activities such as insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.

Net position of governmental activities accounted for in the internal service fund	4,952
--	-------

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

Bonds payable	(18,445,000)
Unamortized premium on bonds payable	(73,707)
Deferred loss on bond refunding	163,565
Landfill clean-up and other costs	(1,740,462)
Compensated absences payable	(1,373,167)
Accrued interest on bonds payable	(140,407)

Net position of governmental activities	<u>\$ 79,321,987</u>
---	----------------------

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

This page intentionally left blank.

CITY OF KENTWOOD, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue		
	General Fund	Police and Fire Millage	Major Streets
Revenues			
Taxes	\$ 5,523,243	\$ 11,553,147	\$ -
Special assessments	-	-	-
Intergovernmental	4,527,997	-	2,275,020
Licenses and permits	1,765,856	-	-
Charges for services	1,420,521	-	-
Fines and forfeitures	1,178,345	-	-
Investment income (loss)	(42,344)	(89,667)	(73,896)
Miscellaneous	113,224	-	13,948
Total revenues	14,486,842	11,463,480	2,215,072
Expenditures			
Current:			
Judicial	1,400,484	-	-
General government	2,845,842	-	-
Public safety	15,288,660	20,000	-
Highways and streets	-	-	2,662,379
Public works	1,538,927	-	-
Community and economic development	292,421	-	-
Culture and recreation	1,775,954	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	23,142,288	20,000	2,662,379
Revenues over (under) expenditures	(8,655,446)	11,443,480	(447,307)
Other financing sources (uses)			
Transfers in	10,527,317	-	78,116
Transfers out	(1,960,145)	(10,368,605)	(948,841)
Proceeds from sale of capital assets	5	-	-
Insurance recoveries	100,000	-	-
Issuance of long term debt	-	-	-
Payment to refunding bond escrow agent	-	-	-
Total other financing sources (uses)	8,667,177	(10,368,605)	(870,725)
Net change in fund balances	11,731	1,074,875	(1,318,032)
Fund balances, beginning of year, as restated	5,110,518	5,509,762	9,170,065
Fund balances, end of year	\$ 5,122,249	\$ 6,584,637	\$ 7,852,033

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

Capital Projects			
Property and Building	General Projects	Nonmajor Funds	Total
\$ -	\$ -	\$ 829,035	\$ 17,905,425
-	374,173	2,877	377,050
-	-	922,030	7,725,047
-	-	-	1,765,856
-	-	1,157,905	2,578,426
-	-	-	1,178,345
(35,136)	177,656	(142,227)	(205,614)
3,000	-	11,679	141,851
<u>(32,136)</u>	<u>551,829</u>	<u>2,781,299</u>	<u>31,466,386</u>
-	-	-	1,400,484
-	-	-	2,845,842
-	-	50,808	15,359,468
-	-	1,864,499	4,526,878
-	-	509,590	2,048,517
-	-	29,232	321,653
-	-	101,049	1,877,003
-	-	1,840,000	1,840,000
-	-	787,972	787,972
-	-	28,400	28,400
803,053	3,400	1,414,495	2,220,948
<u>803,053</u>	<u>3,400</u>	<u>6,626,045</u>	<u>33,257,165</u>
<u>(835,189)</u>	<u>548,429</u>	<u>(3,844,746)</u>	<u>(1,790,779)</u>
800,000	-	3,124,911	14,530,344
(350,000)	-	(464,108)	(14,091,699)
-	-	124,582	124,587
-	-	-	100,000
-	-	6,065,000	6,065,000
-	-	(6,032,352)	(6,032,352)
<u>450,000</u>	<u>-</u>	<u>2,818,033</u>	<u>695,880</u>
<u>(385,189)</u>	<u>548,429</u>	<u>(1,026,713)</u>	<u>(1,094,899)</u>
<u>4,801,434</u>	<u>5,483,854</u>	<u>17,730,340</u>	<u>47,805,973</u>
<u>\$ 4,416,245</u>	<u>\$ 6,032,283</u>	<u>\$ 16,703,627</u>	<u>\$ 46,711,074</u>

CITY OF KENTWOOD, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (1,094,899)

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	3,358,146
Donated capital assets	363,549
Depreciation expense	(3,057,287)
Proceeds from sale of capital assets	(124,587)
Gain on sale of capital assets	28,244

Special assessments and personal property taxes receivable are long-term in nature and are collectible over several years. However the current receipts are reflected as revenues on the fund statements.

Change in deferred special assessments receivable	(293,653)
Change in deferred personal property taxes receivable	(58,740)
Change in deferred housing rehabilitation loans	15,127

Internal service funds are used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) of those funds is reported with governmental activities.

Gain (loss) from governmental activities in internal service funds	4,952
--	-------

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 position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt	(6,065,000)
Payment to refunded bond escrow agent	6,032,352
Principal payments on long-term debt	1,840,000
Amortization of premium on long-term debt	17,525
Amortization of deferred loss on bond refunding	(18,233)
Change in landfill clean-up liability	2,646

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	(126,237)
Change in accrued interest payable	58,336

Change in net position of governmental activities \$ 882,241

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

CITY OF KENTWOOD, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 5,638,800	\$ 5,638,800	\$ 5,523,243	\$ (115,557)
Intergovernmental	4,774,300	4,479,300	4,527,997	48,697
Licenses and permits	1,306,500	1,306,500	1,765,856	459,356
Charges for services	1,540,600	1,540,600	1,420,521	(120,079)
Fines and forfeitures	1,385,000	1,385,000	1,178,345	(206,655)
Investment income (loss)	210,000	210,000	(42,344)	(252,344)
Miscellaneous	97,500	97,500	113,224	15,724
Total revenues	14,952,700	14,657,700	14,486,842	(170,858)
Expenditures				
Current:				
Judicial	1,392,900	1,403,300	1,400,484	(2,816)
General government	3,234,400	3,244,400	2,845,842	(398,558)
Public safety	16,921,400	16,921,400	15,288,660	(1,632,740)
Public works	1,752,500	1,752,500	1,538,927	(213,573)
Community and economic development	272,500	302,500	292,421	(10,079)
Culture and recreation	2,177,300	1,862,300	1,775,954	(86,346)
Total expenditures	25,751,000	25,486,400	23,142,288	(2,344,112)
Revenues under expenditures	(10,798,300)	(10,828,700)	(8,655,446)	2,173,254
Other financing sources (uses)				
Transfers in	12,169,100	12,169,100	10,527,317	(1,641,783)
Transfers out	(1,360,200)	(1,360,200)	(1,960,145)	(599,945)
Proceeds from sale of capital assets	-	-	5	5
Insurance recoveries	-	-	100,000	100,000
Total other financing sources (uses)	10,808,900	10,808,900	8,667,177	(2,141,723)
Net change in fund balance	10,600	(19,800)	11,731	31,531
Fund balance, beginning of year	5,110,518	5,110,518	5,110,518	-
Fund balance, end of year	\$ 5,121,118	\$ 5,090,718	\$ 5,122,249	\$ 31,531

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

CITY OF KENTWOOD, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Police and Fire Millage Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 11,814,300	\$ 11,814,300	\$ 11,553,147	\$ (261,153)
Investment income (loss)	250,000	250,000	(89,667)	(339,667)
Total revenues	12,064,300	12,064,300	11,463,480	(600,820)
Expenditures				
Public safety	20,000	20,000	20,000	-
Revenues over expenditures	12,044,300	12,044,300	11,443,480	(600,820)
Other financing uses				
Transfers out	(11,829,100)	(11,829,100)	(10,368,605)	1,460,495
Net change in fund balance	215,200	215,200	1,074,875	859,675
Fund balance, beginning of year	5,509,762	5,509,762	5,509,762	-
Fund balance, end of year	\$ 5,724,962	\$ 5,724,962	\$ 6,584,637	\$ 859,675

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

CITY OF KENTWOOD, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Major Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 2,139,900	\$ 2,139,900	\$ 2,275,020	\$ 135,120
Investment income (loss)	250,000	250,000	(73,896)	(323,896)
Miscellaneous	5,000	5,000	13,948	8,948
Total revenues	2,394,900	2,394,900	2,215,072	(179,828)
Expenditures				
Highways and streets	3,546,800	3,546,800	2,662,379	(884,421)
Revenues over (under) expenditures	(1,151,900)	(1,151,900)	(447,307)	704,593
Other financing sources (uses)				
Transfers in	280,000	280,000	78,116	(201,884)
Transfers out	(1,671,000)	(1,671,000)	(948,841)	722,159
Total other financing sources (uses)	(1,391,000)	(1,391,000)	(870,725)	520,275
Net change in fund balance	(2,542,900)	(2,542,900)	(1,318,032)	1,224,868
Fund balance, beginning of year	9,170,065	9,170,065	9,170,065	-
Fund balance, end of year	\$ 6,627,165	\$ 6,627,165	\$ 7,852,033	\$ 1,224,868

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

CITY OF KENTWOOD, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Assets				
Current assets:				
Cash and pooled investments	\$ 1,689,140	\$ 5,040,446	\$ 6,729,586	\$ 34,981
Accounts receivable	674,335	625,764	1,300,099	-
Total current assets	<u>2,363,475</u>	<u>5,666,210</u>	<u>8,029,685</u>	<u>34,981</u>
Noncurrent assets:				
Capital assets not being depreciated	255,781	-	255,781	-
Capital assets being depreciated, net	8,170,867	5,870,089	14,040,956	-
Total noncurrent assets	<u>8,426,648</u>	<u>5,870,089</u>	<u>14,296,737</u>	<u>-</u>
Total assets	<u>10,790,123</u>	<u>11,536,299</u>	<u>22,326,422</u>	<u>34,981</u>
Liabilities (all current)				
Accounts payable	309,499	287,917	597,416	30,000
Unearned revenues	-	-	-	29
Total liabilities	<u>309,499</u>	<u>287,917</u>	<u>597,416</u>	<u>30,029</u>
Net position				
Net investment in capital assets	8,426,648	5,870,089	14,296,737	-
Unrestricted	<u>2,053,976</u>	<u>5,378,293</u>	<u>7,432,269</u>	<u>4,952</u>
Total net position	<u>\$ 10,480,624</u>	<u>\$ 11,248,382</u>	<u>\$ 21,729,006</u>	<u>\$ 4,952</u>

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

CITY OF KENTWOOD, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Operating revenues	\$ 3,282,445	\$ 3,059,699	\$ 6,342,144	\$ 179,447
Operating expenses				
Administration	25,000	-	25,000	-
Contractual services	1,989,220	2,094,295	4,083,515	7,294
Depreciation	433,312	341,409	774,721	-
Claims	-	-	-	167,201
Supplies	195,531	40,274	235,805	-
Engineering	5,000	186,369	191,369	-
Rent	40,000	-	40,000	-
Utilities	115,274	8,803	124,077	-
Miscellaneous	115,875	76,614	192,489	-
Total operating expenses	2,919,212	2,747,764	5,666,976	174,495
Operating income	363,233	311,935	675,168	4,952
Nonoperating revenues				
Interest and dividends	27,737	77,235	104,972	-
Change in market value of securities	(42,589)	(118,591)	(161,180)	-
Gain on sale of capital assets	141	-	141	-
Total nonoperating revenues	(14,711)	(41,356)	(56,067)	-
Net income before transfers	348,522	270,579	619,101	4,952
Transfers out	(186,863)	(251,782)	(438,645)	-
Change in net position	161,659	18,797	180,456	4,952
Net position, beginning of year	10,318,965	11,229,585	21,548,550	-
Net position, end of year	\$ 10,480,624	\$ 11,248,382	\$ 21,729,006	\$ 4,952

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, 2013

	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	\$ 3,346,967	\$ 3,066,816	\$ 6,413,783	\$ -
Receipts from interfund services	-	-	-	179,476
Payments to suppliers	(2,506,734)	(2,012,389)	(4,519,123)	(173,950)
Net cash provided by operating activities	840,233	1,054,427	1,894,660	5,526
Cash flows from non-capital financing activities				
Transfers out	(186,863)	(251,782)	(438,645)	-
Cash flows from capital and related financing activities				
Acquisition of capital assets	(732,443)	(32,563)	(765,006)	-
Proceeds from sale of capital assets	141	-	141	-
Cash flows used in capital and related financing activities	(732,302)	(32,563)	(764,865)	-
Cash flows from investing activities				
Interest received on investments	27,737	77,235	104,972	-
Change in market value of securities	(42,589)	(118,591)	(161,180)	-
Net cash flows used in investing activities	(14,852)	(41,356)	(56,208)	-
Net change in cash and pooled investments	(93,784)	728,726	634,942	5,526
Cash and pooled investments, beginning of year	1,782,924	4,311,720	6,094,644	29,455
Cash and pooled investments, end of year	\$ 1,689,140	\$ 5,040,446	\$ 6,729,586	\$ 34,981

continued...

CITY OF KENTWOOD, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 363,233	\$ 311,935	\$ 675,168	\$ 4,952
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense	433,312	341,409	774,721	-
Changes in operating assets and liabilities:				
Accounts receivable	64,522	7,117	71,639	-
Due from other governments	50,263	280,456	330,719	-
Prepaid items	-	221	221	-
Accounts payable	(71,097)	113,289	42,192	545
Unearned revenue	-	-	-	29
Net cash provided by operating activities	\$ 840,233	\$ 1,054,427	\$ 1,894,660	\$ 5,526

concluded

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

CITY OF KENTWOOD, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

		Private Purpose Trust	Agency Fund
	Pension and OPEB Trust Funds	Special Assessment - Deferred Payback	Tax Collection
Assets			
Cash and pooled investments	\$ -	\$ 143,850	\$ 37,617
Taxes receivable	-	-	830,514
Interest receivable	10,700	-	-
Investments:			
Money market funds	3,514,323	-	-
Mutual funds	16,593,953	-	-
Bonds	9,074,358	-	-
Corporate obligations	50,191	-	-
Equity securities	1,206,950	-	-
Total assets	30,450,475	143,850	\$ 868,131
Liabilities			
Negative equity in cash and pooled investments	172,971	-	-
Accounts payable	138,291	-	-
Due to other governments	-	-	868,131
Payable to property owners	-	143,850	-
Total liabilities	311,262	143,850	\$ 868,131
Net position			
Restricted for pension and other postemployment benefits	30,139,213	-	
Restricted for repayment to property owners	-	-	
Total net position	\$ 30,139,213	\$ -	

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

CITY OF KENTWOOD, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2013

	Pension and OPEB Trust Funds	Private Purpose Trust Special Assessment - Deferred Payback
Additions		
Contributions:		
Employer	\$ 1,712,699	\$ -
Plan participants	232,702	-
Total contributions	<u>1,945,401</u>	<u>-</u>
Investment income:		
Net appreciation (depreciation) in fair value of securities	2,407,428	-
Interest	26,070	-
Dividends	785,695	-
Net change in fair value of investments	<u>3,219,193</u>	<u>-</u>
Investment expense	(97,524)	-
Net investment income	<u>3,121,669</u>	<u>-</u>
Other income	<u>33,054</u>	<u>-</u>
Total additions	<u>5,100,124</u>	<u>-</u>
Deductions		
Distributions and benefit payments	969,154	-
Administrative expenses	59,933	-
Total deductions	<u>1,029,087</u>	<u>-</u>
Change in net position	4,071,037	-
Net position, beginning of year	<u>26,068,176</u>	<u>-</u>
Net position, end of year	<u>\$ 30,139,213</u>	<u>\$ -</u>

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

CITY OF KENTWOOD, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2013

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
Assets			
Cash and pooled investments	\$ 555,890	\$ 57,978	\$ 613,868
Loans receivable	260,005	-	260,005
Total assets	815,895	57,978	873,873
Liabilities			
Accounts payable	331	-	331
Accrued liabilities	3,269	-	3,269
Total liabilities	3,600	-	3,600
Net position			
Unrestricted	\$ 812,295	\$ 57,978	\$ 870,273

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

CITY OF KENTWOOD, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2013

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
Expenses			
Community and economic development	\$ 119,671	\$ -	\$ 119,671
Brownfield redevelopment	-	1,700	1,700
Total expenses	119,671	1,700	121,371
Program revenues			
Charges for services	34,118	-	34,118
Operating grants and contributions	8,556	-	8,556
Total program revenues	42,674	-	42,674
Net (expense) revenue	(76,997)	(1,700)	(78,697)
General revenues			
Property taxes	-	18,783	18,783
Unrestricted interest and dividends	9,679	904	10,583
Unrestricted change in market value of securities	(14,862)	(1,387)	(16,249)
Total general revenues	(5,183)	18,300	13,117
Change in net position	(82,180)	16,600	(65,580)
Net position, beginning of year	894,475	41,378	935,853
Net position, end of year	\$ 812,295	\$ 57,978	\$ 870,273

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

This page intentionally left blank.

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, fire and inspections), 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 2013 financial statements using the fiscal year ended December 31, 2012.

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 position 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 as 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.

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.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

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 *property and building capital projects fund* accounts for resources assigned for future building and expansion projects. Inflows primarily consist of interfund transfers.

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. 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. 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.

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

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

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 a variety 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 reported as unearned revenue (a liability).

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 and prepaid items.

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.

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 funds revenues, 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.

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

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources in the government-wide statement of net position for its loss on advance bond refundings, an amount representing the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from three sources: delinquent personal property taxes, special assessment receivable and housing rehabilitation loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

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.

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, 2013, 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			
Transfers out	\$ 1,360,200	\$ 1,960,145	\$ 599,945
Housing commission fund			
Community and economic development	27,400	29,232	1,832

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	\$ 52,523,862	\$ 181,467	\$ 613,868	\$ 53,319,197
Investments	-	30,439,775	-	30,439,775
Negative equity in pooled cash and investments	-	(172,971)	-	(172,971)
Total deposits and investments	\$ 52,523,862	\$ 30,448,271	\$ 613,868	\$ 83,586,001

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

Deposits (checking and savings accounts)	\$ 6,058,307
Petty cash	3,500
Certificates of deposit (due within one year)	491,261
Certificates of deposit (due in 1 to 5 years)	493,984
Investments - primary government	46,099,174
Investments - pension trust fund	27,870,325
Investments - other postemployment benefits trust fund	2,569,450
Total deposits and investments	\$ 83,586,001

Deposits are in five (5) financial institutions 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 06/30/2013	Pension Trust Fund at 12/31/2012	OPEB Trust Fund at 06/30/2013
No maturity	\$ 19,976,548	\$ 27,820,134	\$ 2,569,450
Less than 1 year	14	-	-
1 to 5 years	1,356,451	50,191	-
6 to 10 years	826,071	-	-
11 to 15 years	4,928,740	-	-
16 to 20 years	2,765,858	-	-
21 to 25 years	12,768,016	-	-
26 to 30 years	3,477,476	-	-
Total	\$ 46,099,174	\$ 27,870,325	\$ 2,569,450

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, 2012, are summarized as follows:

	Primary Government at 06/30/2013	Pension Trust Fund at 12/31/2012	OPEB Trust Fund at 06/30/2013
Not rated	\$ -	\$ 3,514,323	\$ -
Not subject to credit risk	21,094,081	14,846,176	2,569,450
S&P AAA	25,005,093	-	-
S&P AA	-	2,540,143	-
S&P BBB	-	2,948,211	-
S&P BB	-	385,277	-
A2/A	-	50,191	-
Morningstar 5 stars	-	1,518,373	-
Morningstar 4 stars	-	1,235,114	-
Morningstar 3 stars	-	832,517	-
Total	\$ 46,099,174	\$ 27,870,325	\$ 2,569,450

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, \$4,010,402 of the City's bank balance of \$7,412,643 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, 2013 and pension trust fund investments as of December 31, 2012:

	Primary Government at 06/30/2013	Pension Trust Fund at 12/31/2012	OPEB Trust Fund at 06/30/2013
Money market funds	\$ -	\$ 3,514,323	\$ -
U.S. treasuries	1,117,533	-	-
U.S. agencies	25,005,093	-	-
Mutual funds	19,976,548	14,024,503	2,569,450
Bonds	-	9,074,358	-
Corporate obligations	-	50,191	-
Equity securities	-	1,206,950	-
Total	\$ 46,099,174	\$ 27,870,325	\$ 2,569,450

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 treasuries and agencies, which are not subject to concentration of credit risk disclosures. More than 5 percent of the pension trust fund investments are in certain assets, as follows:

Vanguard Short-term Bond Index Fund	9.11%
Ishares S&P 500 Index Fund	5.27%

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

Investment Income. The City's investment income varies from year to year based on the type of investments held and the strength of the economy and investment markets. Investment income can be *realized* (i.e., available to the City as a cash distribution or as an increase to the carrying amount of the investment itself). It can also be *unrealized* and result solely from temporary changes in the investment market (i.e., no actual exchange of cash until the investment is sold or matures). The components of the City's investment income (loss) for the year ended June 30, 2013 are summarized as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Interest and dividends (realized)	\$ 1,027,987	\$ 104,972	\$ 811,765	\$ 10,583
Change in fair market value of securities (unrealized)	(1,233,601)	(161,180)	2,407,428	(16,249)
Less: interest on loans and special assessments	(224,576)	-	-	-
Total investment income (loss)	\$ (430,190)	\$ (56,208)	\$ 3,219,193	\$ (5,666)

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Accounts	\$ 723,960	\$ 1,300,099	\$ -	\$ -
Special assessments	4,003,882	-	-	-
Interest	64,064	-	10,700	-
Loans	265,801	-	-	260,005
Due from other governments	1,758,686	-	-	-
Total receivables	\$ 6,816,393	\$ 1,300,099	\$ 10,700	\$ 260,005

Of the total reported above, \$500,458 of the loans receivable, \$3,756,658 of special assessments receivable, and \$194,668 of delinquent personal property taxes receivable are not expected to be collected within one year.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental activities were as follows:

Governmental funds	
Special assessments receivable	\$ 3,756,658
Delinquent personal property taxes receivable	194,668
Housing rehabilitation loans receivable	174,942
Total	\$ 4,126,268

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	\$ 1,207,574	\$ 597,416	\$ 138,291	\$ 331
Accrued liabilities	577,191	-	-	3,269
Customer deposits	390,852	-	-	-
Due to other governments	3,239	-	868,131	-
Due to property owners	-	-	143,850	-
Accrued interest on long-term debt	140,407	-	-	-
Total	\$ 2,319,263	\$ 597,416	\$ 1,150,272	\$ 3,600

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2013 are as follows:

Transfers out	Transfers in				Totals
	General Fund	Major Streets Fund	Property and Building Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ -	\$ 800,000	\$ 1,160,145	\$ 1,960,145
Police and fire millage fund	10,368,605	-	-	-	10,368,605
Major streets fund	-	-	-	948,841	948,841
Property and building fund	-	-	-	350,000	350,000
Nonmajor governmental fund	158,712	78,116	-	227,280	464,108
Water fund	-	-	-	186,863	186,863
Sewer fund	-	-	-	251,782	251,782
Totals	\$ 10,527,317	\$ 78,116	\$ 800,000	\$ 3,124,911	\$ 14,530,344

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, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,454,743	\$ 252,485	\$ -	\$ -	\$ 2,707,228
Construction in progress	266,082	750,560	-	(254,388)	762,254
	<u>2,720,825</u>	<u>1,003,045</u>	<u>-</u>	<u>(254,388)</u>	<u>3,469,482</u>
Capital assets, being depreciated:					
Land improvements	2,867,306	149,261	(37,940)	-	2,978,627
Buildings	33,765,655	282,324	-	5,901	34,053,880
Equipment	3,881,933	441,476	(119,260)	78,895	4,283,044
Vehicles	5,747,391	565,226	(461,656)	-	5,850,961
Infrastructure	49,683,663	1,280,363	-	169,592	51,133,618
	<u>95,945,948</u>	<u>2,718,650</u>	<u>(618,856)</u>	<u>254,388</u>	<u>98,300,130</u>
Less accumulated depreciation for:					
Land improvements	(1,189,653)	(139,510)	37,940	-	(1,291,223)
Buildings	(11,238,015)	(1,230,274)	-	-	(12,468,289)
Equipment	(2,524,921)	(366,661)	119,260	-	(2,772,322)
Vehicles	(4,111,619)	(381,448)	365,313	-	(4,127,754)
Infrastructure	(30,081,759)	(939,394)	-	-	(31,021,153)
	<u>(49,145,967)</u>	<u>(3,057,287)</u>	<u>522,513</u>	<u>-</u>	<u>(51,680,741)</u>
Capital assets being depreciated, net	<u>46,799,981</u>	<u>(338,637)</u>	<u>(96,343)</u>	<u>254,388</u>	<u>46,619,389</u>
Governmental activities capital assets, net	<u>\$ 49,520,806</u>	<u>\$ 664,408</u>	<u>\$ (96,343)</u>	<u>\$ -</u>	<u>\$ 50,088,871</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. The building has a net book value of \$0 at year-end. During the year ended June 30, 2013, the City executed an agreement for the sale of this asset in the amount of \$300,000. The sale was not closed until after year-end.

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	194,832	-	(750,323)	194,832
	<u>811,272</u>	<u>194,832</u>	<u>-</u>	<u>(750,323)</u>	<u>255,781</u>
Capital assets, being depreciated:					
Buildings	260,229	-	-	-	260,229
Equipment	2,270,996	-	-	-	2,270,996
Meters	1,312,463	5,200	-	-	1,317,663
Water mains	8,525,134	532,411	-	743,123	9,800,668
Sewer mains	16,755,482	32,563	-	7,200	16,795,245
Storage	3,107,058	-	-	-	3,107,058
	<u>32,231,362</u>	<u>570,174</u>	<u>-</u>	<u>750,323</u>	<u>33,551,859</u>
Less accumulated depreciation for:					
Buildings	(167,609)	(8,666)	-	-	(176,275)
Equipment	(340,777)	(23,234)	-	-	(364,011)
Meters	(554,544)	(30,332)	-	-	(584,876)
Water mains	(5,066,541)	(264,320)	-	-	(5,330,861)
Sewer mains	(10,610,138)	(335,508)	-	-	(10,945,646)
Storage	(1,996,573)	(112,661)	-	-	(2,109,234)
	<u>(18,736,182)</u>	<u>(774,721)</u>	<u>-</u>	<u>-</u>	<u>(19,510,903)</u>
Capital assets being depreciated, net	<u>13,495,180</u>	<u>(204,547)</u>	<u>-</u>	<u>750,323</u>	<u>14,040,956</u>
Business-type activities capital assets, net	<u>\$ 14,306,452</u>	<u>\$ (9,715)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,296,737</u>

At June 30, 2013, the City had construction commitments related to various street, trail, sewer, and water projects totaling approximately \$1.9 million.

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

Governmental activities	
General government	\$ 709,371
Public safety	450,773
Public works	1,461,239
Culture and recreation	435,904
Total governmental activities	<u>\$ 3,057,287</u>
Business-type activities	
Water	\$ 433,312
Sewer	341,409
Total business-type activities	<u>\$ 774,721</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	\$ 20,135,000	\$ 6,065,000	\$ (7,755,000)	\$ 18,445,000	\$ 1,890,000
Unamortized premiums	91,232	-	(17,525)	73,707	17,525
Compensated absences	1,246,930	126,237	-	1,373,167	-
Landfill clean-up and other costs	1,743,108	-	(2,646)	1,740,462	75,000
Total	\$ 23,216,270	\$ 6,191,237	\$ (7,775,171)	\$ 21,632,336	\$ 1,982,525

Bonds payable

2003 Capital Improvement Bonds, defeased by 2013 General Obligation Refunding Bonds; final installment payable on October 1, 2013

\$ 465,000

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

2,630,000

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

6,860,000

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

2,425,000

2013 General Obligation Refunding Bonds, due in annual installments of \$570,000 to \$660,000 through 2024; interest payable semi-annually at 0.6 to 2.05 percent

6,065,000

Total bonds payable

\$ 18,445,000

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, compensated absences and landfill clean-up and other costs) as of June 30, 2013 are as follows:

Governmental Activities		
Year Ended June 30,	Principal	Interest
2014	\$ 1,890,000	\$ 558,928
2015	2,050,000	518,853
2016	2,105,000	469,382
2017	1,300,000	404,461
2018	1,340,000	371,291
2019-2023	5,980,000	1,286,772
2024-2028	3,190,000	539,263
2029	590,000	29,500
Total	<u>\$ 18,445,000</u>	<u>\$ 4,178,450</u>

Advance Refunding - In June 2013, the City issued \$6,065,000 of General Obligation Refunding Bonds to advance refund the City's 2003 General Obligation Bonds in the amount of \$5,915,000. The proceeds of the bonds were used to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payment on the refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. At June 30, 2013, defeased debt in the amount of \$5,915,000 was outstanding. These bonds will be called for payment on October 1, 2013. The refunding resulted in a net cash savings of \$863,715 and an economic gain of \$804,391.

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, 2013 was \$84,400,000.

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 Projects and Property and Building	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 11,066	\$ -	\$ -	\$ -	\$ -	\$ 11,066
Prepays	518,764	-	-	-	-	518,764
Noncurrent loans receivable	-	-	-	-	90,859	90,859
Total nonspendable	529,830	-	-	-	90,859	620,689
Restricted for:						
Streets	-	-	7,852,033	-	4,388,798	12,240,831
Police and fire services	-	6,584,637	-	-	-	6,584,637
Drug law enforcement	183,530	-	-	-	-	183,530
Housing activities	-	-	-	-	70,236	70,236
Parks	-	-	-	-	1,540,574	1,540,574
Street lighting	-	-	-	-	1,120,263	1,120,263
Landfill remediation	-	-	-	-	1,727,603	1,727,603
Drains	-	-	-	-	3,450,669	3,450,669
Library	-	-	-	-	1,085,252	1,085,252
Debt service	-	-	-	-	4,248	4,248
Total restricted	183,530	6,584,637	7,852,033	-	13,387,643	28,007,843
Assigned for:						
DPW equipment	-	-	-	-	1,694,484	1,694,484
Fire equipment	-	-	-	-	1,366,790	1,366,790
Police equipment	-	-	-	-	163,851	163,851
Capital projects	-	-	-	10,448,528	-	10,448,528
Total assigned	-	-	-	10,448,528	3,225,125	13,673,653
Unassigned	4,408,889	-	-	-	-	4,408,889
Total fund balances - governmental funds	\$ 5,122,249	\$ 6,584,637	\$ 7,852,033	\$ 10,448,528	\$ 16,703,627	\$ 46,711,074

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

10. NET INVESTMENT IN CAPITAL ASSETS

The composition of the City's net investment in capital assets as of June 30, 2013, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,469,482	\$ 255,781
Capital assets being depreciated, net	46,619,389	14,040,956
	<u>50,088,871</u>	<u>14,296,737</u>
Related debt:		
Total bonds payable	18,445,000	-
Net bond premiums	73,707	-
Deferred loss on advance refunding	(163,565)	-
	<u>18,355,142</u>	<u>-</u>
Net investment in capital assets	<u>\$ 31,733,729</u>	<u>\$ 14,296,737</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, 2013, 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, 2012 was \$1,675,000.

Net pension obligation, beginning of year	\$ -
Annual required contribution/annual pension cost	1,675,000
Contribution made by the City	<u>1,675,000</u>
Net pension obligation, end of year	<u>\$ -</u>

Funded Status and Funding Progress. As of January 1, 2013, the date of the most recent actuarial valuation, the Plan was 86.5 percent funded. The actuarial accrued liability for benefits was \$32,898,094, and the actuarial value of assets was \$28,463,369, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,434,725. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,035,588 and the ratio of the UAAL to the covered payroll was 109.9 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, 2013. 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 a 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 4 years. During the Plan year ended December 31, 2012, contributions totaling \$1,907,702 (\$1,675,000 employer and \$232,702 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
2010	\$ 1,270,000	100%	\$ -
2011	1,120,000	100%	-
2012	1,675,000	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 \$769,641 was calculated using the employee compensation amount of \$8,529,973. City employees also made pre-tax mandatory contributions to the Plan totaling \$349,216, 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, 2013, the City contributed \$37,699 (\$75,738 for service cost associated with the current period, net of (\$38,039) for amortization of the overfunded liability). 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	\$ 37,699
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Net OPEB cost (expense)	37,699
Contributions made	37,699
	<hr/>
Increase in net open obligation	-
Net OPEB obligation, beginning of year	-
	<hr/>
Net OPEB obligation, end of year	<u>\$ -</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 142,701	100%	\$ -
2012	82,796	100%	-
2013	37,699	100%	-

Funded Status and Funding Progress. As of June 30, 2013, the date of the most recent actuarial valuation, the Plan was 121.4% funded. The actuarial accrued liability for benefits was \$1,807,702, and the actuarial value of assets was \$2,194,178, resulting in a negative unfunded actuarial accrued liability (UAAL) of \$386,476. The covered payroll (annual payroll of the active employees covered by the Plan) was \$11,980,831 and the ratio of the UAAL to the covered payroll was (3.2)%.

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, 2013 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 9 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 Position		
	Pension Trust ¹	OPEB Trust	Total
Assets			
Cash and pooled investments	\$ 1,060	\$ (174,031)	\$ (172,971)
Interest receivable	10,700	-	10,700
Investments:			
Money market funds	3,514,323	-	3,514,323
Mutual funds	14,024,503	2,569,450	16,593,953
Bonds	9,074,358	-	9,074,358
Corporate obligations	50,191	-	50,191
Equity securities	1,206,950	-	1,206,950
Total assets	27,882,085	2,395,419	30,277,504
Liabilities			
Accounts payable	138,291	-	138,291
Net position			
Restricted for pension and other postemployment benefits	\$ 27,743,794	\$ 2,395,419	\$ 30,139,213

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

	Changes in Plan Net Position		
	Pension Trust ¹	OPEB Trust	Total
Additions			
Contributions:			
Employer	\$ 1,675,000	\$ 37,699	\$ 1,712,699
Plan participants	232,702	-	232,702
Total contributions	<u>1,907,702</u>	<u>37,699</u>	<u>1,945,401</u>
Investment income:			
Net appreciation (depreciation) in fair value of securities	2,076,414	331,014	2,407,428
Interest	26,070	-	26,070
Dividends	785,695	-	785,695
Net change in fair value of investments	<u>2,888,179</u>	<u>331,014</u>	<u>3,219,193</u>
Investment expense	(97,524)	-	(97,524)
Net investment income	<u>2,790,655</u>	<u>331,014</u>	<u>3,121,669</u>
Other income	<u>33,054</u>	<u>-</u>	<u>33,054</u>
Total additions	<u>4,731,411</u>	<u>368,713</u>	<u>5,100,124</u>
Deductions			
Distributions and benefit payments	926,106	43,048	969,154
Administrative expenses	49,593	10,340	59,933
Total deductions	<u>975,699</u>	<u>53,388</u>	<u>1,029,087</u>
Change in net position	<u>3,755,712</u>	<u>315,325</u>	<u>4,071,037</u>
Net position, beginning of year	<u>23,988,082</u>	<u>2,080,094</u>	<u>26,068,176</u>
Net position, end of year	<u>\$ 27,743,794</u>	<u>\$ 2,395,419</u>	<u>\$ 30,139,213</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,	
	2013	2012
Liability, beginning of year	\$ 29,455	\$ 34,173
Estimated claims incurred	167,201	149,483
Claim payments	<u>(166,656)</u>	<u>(154,201)</u>
Liability, end of year	<u>\$ 30,000</u>	<u>\$ 29,455</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 position.

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 \$8,702,309, of which the City would be responsible for \$1,740,462. Expenditures of \$76,027 were incurred for landfill clean-up during fiscal year 2013. 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, 2013, the City has accounted for the \$1,740,462 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.

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* are utilized. However, in certain instances, the City is deemed to be receiving funds as a "vendor" instead of a "subrecipient". The City's expenditures of directly administered Federal awards were less than \$500,000 and, accordingly, a single audit was not required.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

17. RESTATEMENTS

The City adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position of governmental activities was decreased by \$152,525.

In addition, the City changed its methodology for recognition of special assessments. Certain assessments had been excluded from the external financial statements on the basis that they were contingent upon a future event. In the current year, it was noted that some assessments are deferred for a specified period of time and not a contingent event, and do in fact represent valid receivables along with any earned but uncollected interest thereon. As a result of this change in methodology, beginning fund balance of the general projects capital projects fund was increased by \$263,692 and net position of governmental activities was increased by \$4,018,958.

The net effect of these adjustments on beginning net position of governmental activities was an increase of \$3,866,433.

18. SUBSEQUENT EVENTS

On September 17, 2013, the City issued capital improvement bonds through the State of Michigan Drinking Water Revolving Fund financing program in the amount of \$6,250,000. The bond financing program is being administered by the Michigan Finance Authority and the Michigan Department of Environmental Quality. Funds will be drawn on a reimbursement-basis as eligible costs are incurred. The bonds will be repaid through annual installments with interest payable semi-annually at a rate of 2.0 percent.



This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENTWOOD, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan
For the Year Ended December 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date January 1,	Actuarial Value of 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)
2008	\$21,195,680	\$25,279,640	\$ 4,083,960	83.8%	\$ 5,090,347	80.2%
2009	20,708,540	24,759,875	4,051,335	83.6%	4,933,079	82.1%
2010	22,852,069	26,646,982	3,794,913	85.8%	4,503,758	84.3%
2011	25,210,933	28,486,682	3,275,749	88.5%	4,244,717	77.2%
2012	25,955,107	31,385,202	5,430,095	82.7%	4,004,225	135.6%
2013	28,463,369	32,898,094	4,434,725	86.5%	4,035,588	109.9%

Schedule of Employer Contributions

Plan Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2007	\$ 880,000	100.0%
2008	895,000	100.0%
2009	1,290,000	100.0%
2010	1,270,000	100.0%
2011	1,120,000	100.0%
2012	1,675,000	100.0%

CITY OF KENTWOOD, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Other Postemployment Benefits Plan
For the Year Ended June 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of 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)
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%
2013	2,194,178	1,807,702	(386,476)	121.4%	11,980,831	-3.2%

Schedule of Employer Contributions

Plan Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 142,701	100.0%
2012	82,796	100.0%
2013	37,699	100.0%

This page intentionally left blank.

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

This page intentionally left blank.

GENERAL FUND

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 5,638,800	\$ 5,638,800	\$ 5,523,243	\$ (115,557)
Intergovernmental:				
Local grants	9,000	9,000	-	(9,000)
State shared revenue	3,515,400	3,515,400	3,570,034	54,634
Judge's salary subsidy	45,700	45,700	45,724	24
Other State grants	54,000	54,000	78,308	24,308
Federal grants	1,150,200	855,200	833,931	(21,269)
Total intergovernmental	4,774,300	4,479,300	4,527,997	48,697
Licenses and permits:				
Permits and inspection fees	497,200	497,200	893,661	396,461
Local licenses	207,300	207,300	222,684	15,384
Franchise fees	580,000	580,000	628,003	48,003
State liquor licenses	22,000	22,000	21,508	(492)
Total licenses and permits	1,306,500	1,306,500	1,765,856	459,356
Charges for services:				
Tax collection fees	834,300	834,300	823,934	(10,366)
Recreation fees	359,300	359,300	214,461	(144,839)
Police, fire and library fees	214,000	214,000	233,801	19,801
Cemetery	46,000	46,000	37,725	(8,275)
Zoning fees	11,200	11,200	23,788	12,588
Passport fees	25,800	25,800	32,119	6,319
Rental income	50,000	50,000	54,693	4,693
Total charges for services	1,540,600	1,540,600	1,420,521	(120,079)
Fines and forfeitures:				
Court fines	1,200,000	1,200,000	1,050,684	(149,316)
Delinquent tax interest/penalties	185,000	185,000	127,661	(57,339)
Total fines and forfeitures	1,385,000	1,385,000	1,178,345	(206,655)
Investment income (loss):				
Interest and dividends	210,000	210,000	79,078	(130,922)
Change in fair market value of securities	-	-	(121,422)	(121,422)
Total investment income (loss)	210,000	210,000	(42,344)	(252,344)

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues (concluded)				
Miscellaneous:				
Insurance premium refunds	\$ 40,000	\$ 40,000	\$ 33,414	\$ (6,586)
Miscellaneous	57,500	57,500	79,810	22,310
Total miscellaneous	<u>97,500</u>	<u>97,500</u>	<u>113,224</u>	<u>15,724</u>
Total revenues	<u>14,952,700</u>	<u>14,657,700</u>	<u>14,486,842</u>	<u>(170,858)</u>
Expenditures				
Judicial - District Court:				
Legal fees	45,000	45,000	60,761	15,761
Training	2,600	2,600	1,501	(1,099)
Dues, fees and memberships	1,800	1,800	1,600	(200)
Employee benefits	302,100	302,100	294,763	(7,337)
Insurance	57,100	57,100	50,542	(6,558)
Repairs and maintenance	152,900	152,900	145,884	(7,016)
Contractual services	115,000	115,000	132,313	17,313
Salaries	673,600	673,600	666,346	(7,254)
Supplies	25,400	25,400	28,636	3,236
Utilities	6,800	6,800	1,842	(4,958)
Travel	1,000	1,000	852	(148)
Capital outlay	9,600	20,000	15,444	(4,556)
Total judicial - District Court	<u>1,392,900</u>	<u>1,403,300</u>	<u>1,400,484</u>	<u>(2,816)</u>
General government:				
Administrative:				
Auditing	21,500	21,500	21,500	-
Cable TV related costs	309,600	309,600	339,801	30,201
City commission	42,400	42,400	44,063	1,663
Community activities	4,300	4,300	7,511	3,211
Dues, fees and memberships	31,500	31,500	31,458	(42)
Employee benefits	49,900	49,900	25,073	(24,827)
Insurance	106,600	106,600	102,450	(4,150)
Legal fees	230,000	230,000	192,614	(37,386)
Repairs and maintenance	8,000	8,000	19,296	11,296
Office equipment	33,800	33,800	38,884	5,084
Office supplies	8,500	8,500	6,059	(2,441)

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (continued):				
Administrative (concluded):				
Contractual services	\$ 160,000	\$ 160,000	\$ 114,043	\$ (45,957)
Pension administration	16,000	16,000	10,800	(5,200)
Postage	50,000	50,000	38,525	(11,475)
Printing and publishing	19,000	19,000	27,587	8,587
Utilities	191,000	191,000	180,213	(10,787)
Supplies	16,000	16,000	18,220	2,220
Rent	858,000	858,000	857,905	(95)
Miscellaneous	20,000	20,000	16,435	(3,565)
Reimbursements from other funds	(1,315,100)	(1,315,100)	(1,358,800)	(43,700)
Total administrative	861,000	861,000	733,637	(127,363)
Assessor:				
Contractual services	18,000	18,000	9,476	(8,524)
Telephone	600	600	456	(144)
Dues, fees and memberships	1,700	1,700	2,076	376
Training	4,800	4,800	4,091	(709)
Employee benefits	126,400	126,400	105,257	(21,143)
Repairs and maintenance	8,400	8,400	5,982	(2,418)
Salaries	287,400	287,400	260,150	(27,250)
Supplies	4,900	4,900	3,074	(1,826)
Travel	500	500	67	(433)
Total assessor	452,700	452,700	390,629	(62,071)
Treasurer:				
Dues, fees and memberships	400	400	100	(300)
Training	1,600	1,600	1,422	(178)
Employee benefits	47,200	47,200	45,016	(2,184)
Insurance	1,700	1,700	1,613	(87)
Repairs and maintenance	100	100	-	(100)
Salaries	129,000	129,000	128,209	(791)
Supplies	21,500	21,500	20,339	(1,161)
Contractual services	5,100	5,100	5,097	(3)
Travel	600	600	728	128
Total treasurer	207,200	207,200	202,524	(4,676)

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (continued):				
Information technology:				
Dues, fees and memberships	\$ 1,000	\$ 1,000	\$ 1,250	\$ 250
Training	10,700	10,700	3,088	(7,612)
Employee benefits	96,000	96,000	93,310	(2,690)
Repairs and maintenance	96,800	96,800	37,877	(58,923)
Contractual services	37,000	37,000	11,603	(25,397)
Salaries	241,000	241,000	242,226	1,226
Supplies	3,000	3,000	1,062	(1,938)
Travel	1,800	1,800	2,426	626
Utilities	6,000	6,000	3,706	(2,294)
Total information technology	493,300	493,300	396,548	(96,752)
City clerk:				
Dues, fees and memberships	400	400	270	(130)
Training	1,800	1,800	700	(1,100)
Employee benefits	31,800	31,800	30,340	(1,460)
Insurance	200	200	124	(76)
Contractual services	5,000	5,000	5,094	94
Salaries	152,500	152,500	152,619	119
Supplies	2,900	2,900	3,679	779
Travel	600	600	815	215
Total city clerk	195,200	195,200	193,641	(1,559)
Human resources:				
Dues, fees and memberships	2,500	2,500	1,740	(760)
Training	4,500	4,500	3,434	(1,066)
Employee benefits	35,100	35,100	34,717	(383)
Salaries	107,000	117,000	113,147	(3,853)
Supplies	1,000	1,000	2,044	1,044
Travel	400	400	485	85
Total human resources	150,500	160,500	155,567	(4,933)

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (concluded):				
Accounting:				
Dues, fees and memberships	\$ 1,600	\$ 1,600	\$ 1,670	\$ 70
Training	3,400	3,400	1,669	(1,731)
Employee benefits	134,800	134,800	125,945	(8,855)
Repairs and maintenance	12,000	12,000	12,031	31
Salaries	339,400	339,400	329,266	(10,134)
Supplies	4,000	4,000	2,767	(1,233)
Utilities	400	400	319	(81)
Travel	1,500	1,500	861	(639)
Total accounting	<u>497,100</u>	<u>497,100</u>	<u>474,528</u>	<u>(22,572)</u>
Executive:				
Training	3,000	3,000	5,144	2,144
Dues, fees and memberships	1,100	1,100	645	(455)
Employee benefits	67,800	67,800	53,192	(14,608)
Printing and publishing	4,900	4,900	2,205	(2,695)
Salaries	190,700	190,700	189,170	(1,530)
Supplies	52,300	52,300	4,260	(48,040)
Utilities	1,600	1,600	1,794	194
Travel	2,200	2,200	2,468	268
Miscellaneous	200	200	-	(200)
Total executive	<u>323,800</u>	<u>323,800</u>	<u>258,878</u>	<u>(64,922)</u>
Elections:				
Employee benefits	500	500	685	185
Internal charges	3,100	3,100	2,888	(212)
Contractual services	5,000	5,000	200	(4,800)
Salaries	37,800	37,800	27,932	(9,868)
Supplies	6,000	6,000	7,485	1,485
Travel	1,200	1,200	700	(500)
Total elections	<u>53,600</u>	<u>53,600</u>	<u>39,890</u>	<u>(13,710)</u>
Total general government	<u>3,234,400</u>	<u>3,244,400</u>	<u>2,845,842</u>	<u>(398,558)</u>

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
Public safety:				
Police:				
Capital outlay	\$ 57,800	\$ 57,800	\$ 2,505	\$ (55,295)
Contractual services	351,300	351,300	348,392	(2,908)
Dues, fees and memberships	4,900	4,900	3,543	(1,357)
Employee benefits	3,121,400	3,121,400	2,763,298	(358,102)
Travel	372,300	372,300	349,560	(22,740)
Legal fees	232,600	232,600	217,302	(15,298)
Insurance	79,200	79,200	73,811	(5,389)
Repairs and maintenance	403,200	403,200	331,281	(71,919)
Salaries	5,584,100	5,584,100	5,040,408	(543,692)
Supplies	217,700	217,700	124,750	(92,950)
Utilities	197,200	197,200	147,384	(49,816)
Training	65,600	65,600	20,908	(44,692)
Total police	10,687,300	10,687,300	9,423,142	(1,264,158)
Fire:				
Capital outlay	28,500	28,500	25,048	(3,452)
Contractual services	131,800	131,800	126,296	(5,504)
Dues, fees and memberships	6,000	6,000	3,032	(2,968)
Training	22,900	22,900	11,503	(11,397)
Employee benefits	1,750,200	1,750,200	1,673,887	(76,313)
Travel	150,900	150,900	179,350	28,450
Insurance	42,000	42,000	44,222	2,222
Repairs and maintenance	65,100	65,100	32,274	(32,826)
Salaries	3,318,100	3,318,100	3,149,863	(168,237)
Supplies	104,000	104,000	87,550	(16,450)
Utilities	130,700	130,700	111,820	(18,880)
Total fire	5,750,200	5,750,200	5,444,845	(305,355)
Inspections:				
Dues, fees and memberships	2,100	2,100	2,342	242
Training	5,900	5,900	3,644	(2,256)
Employee benefits	134,500	134,500	130,533	(3,967)
Insurance	1,500	1,500	1,415	(85)
Contractual services	-	-	1,355	1,355
Repairs and maintenance	6,100	6,100	4,892	(1,208)

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
Public safety (concluded):				
Inspections (concluded):				
Salaries	\$ 275,000	\$ 275,000	\$ 267,414	\$ (7,586)
Supplies	43,400	43,400	2,017	(41,383)
Utilities	2,000	2,000	576	(1,424)
Travel	13,400	13,400	6,485	(6,915)
Total inspections	<u>483,900</u>	<u>483,900</u>	<u>420,673</u>	<u>(63,227)</u>
Total public safety	<u>16,921,400</u>	<u>16,921,400</u>	<u>15,288,660</u>	<u>(1,632,740)</u>
Public works:				
Department of public works:				
Training	12,900	12,900	7,461	(5,439)
Dues, fees and memberships	500	500	633	133
Employee benefits	735,300	735,300	657,952	(77,348)
Insurance	18,700	18,700	19,392	692
Repairs and maintenance	89,800	89,800	12,050	(77,750)
Contractual services	117,500	117,500	92,909	(24,591)
Salaries	1,435,200	1,435,200	1,392,148	(43,052)
Supplies	117,700	117,700	88,828	(28,872)
Travel	226,000	226,000	192,412	(33,588)
Utilities	110,600	110,600	118,132	7,532
Miscellaneous	-	-	10	10
Reimbursements from other funds	(1,277,900)	(1,277,900)	(1,199,757)	78,143
Total department of public works	<u>1,586,300</u>	<u>1,586,300</u>	<u>1,382,170</u>	<u>(204,130)</u>
Engineering services:				
Training	2,300	2,300	460	(1,840)
Dues, fees and memberships	1,900	1,900	941	(959)
Employee benefits	95,500	95,500	94,381	(1,119)
Contractual services	5,000	5,000	-	(5,000)
Repairs and maintenance	4,500	4,500	2,232	(2,268)
Insurance	1,000	1,000	821	(179)
Salaries	313,300	313,300	298,012	(15,288)
Supplies	14,400	14,400	5,067	(9,333)

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
Public works (concluded):				
Engineering services (concluded):				
Travel	\$ 6,400	\$ 6,400	\$ 3,543	\$ (2,857)
Reimbursements from other funds	(278,100)	(278,100)	(248,700)	29,400
Total engineering services	<u>166,200</u>	<u>166,200</u>	<u>156,757</u>	<u>(9,443)</u>
Total public works	<u>1,752,500</u>	<u>1,752,500</u>	<u>1,538,927</u>	<u>(213,573)</u>
Community and economic development:				
Planning and zoning:				
Training	900	900	45	(855)
Dues, fees and memberships	1,600	1,600	1,585	(15)
Employee benefits	77,700	77,700	75,243	(2,457)
Internal charges	800	800	707	(93)
Contractual services	900	30,900	27,750	(3,150)
Salaries	187,600	187,600	184,390	(3,210)
Supplies	1,000	1,000	829	(171)
Travel	2,000	2,000	1,872	(128)
Total community and economic development	<u>272,500</u>	<u>302,500</u>	<u>292,421</u>	<u>(10,079)</u>
Culture and recreation:				
Recreation:				
Capital outlay	8,000	8,000	3,481	(4,519)
Training	9,000	9,000	3,501	(5,499)
Dues, fees and memberships	1,700	1,700	1,037	(663)
Employee benefits	248,800	248,800	200,491	(48,309)
Contractual services	94,700	94,700	53,361	(41,339)
Insurance	4,400	4,400	4,045	(355)
Repairs and maintenance	27,000	27,000	27,139	139
Salaries	1,289,300	1,289,300	1,008,270	(281,030)
Internal charges	49,900	49,900	64,977	15,077
Supplies	164,000	164,000	138,730	(25,270)
Travel	9,200	9,200	6,891	(2,309)
Utilities	25,700	25,700	23,864	(1,836)
Contingency	-	(325,000)	-	325,000
Total recreation	<u>1,931,700</u>	<u>1,606,700</u>	<u>1,535,787</u>	<u>(70,913)</u>

continued...

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (concluded)				
Culture and recreation (concluded):				
Library:				
Capital outlay	\$ -	\$ -	\$ 9,123	\$ 9,123
Insurance	7,700	7,700	7,180	(520)
Repairs and maintenance	5,000	5,000	2,173	(2,827)
Contractual services	75,000	85,000	81,727	(3,273)
Internal charges	35,000	35,000	21,463	(13,537)
Supplies	15,000	15,000	14,430	(570)
Utilities	107,900	107,900	104,071	(3,829)
Total library	<u>245,600</u>	<u>255,600</u>	<u>240,167</u>	<u>(15,433)</u>
Total culture and recreation	<u>2,177,300</u>	<u>1,862,300</u>	<u>1,775,954</u>	<u>(86,346)</u>
Total expenditures	<u>25,751,000</u>	<u>25,486,400</u>	<u>23,142,288</u>	<u>(2,344,112)</u>
Revenues under expenditures	<u>(10,798,300)</u>	<u>(10,828,700)</u>	<u>(8,655,446)</u>	<u>2,173,254</u>
Other financing sources (uses)				
Transfers in	12,169,100	12,169,100	10,527,317	(1,641,783)
Transfers out	(1,360,200)	(1,360,200)	(1,960,145)	(599,945)
Sale of fixed assets	-	-	5	5
Insurance recoveries	-	-	100,000	100,000
Total other financing sources (uses)	<u>10,808,900</u>	<u>10,808,900</u>	<u>8,667,177</u>	<u>(2,141,723)</u>
Net change in fund balance	10,600	(19,800)	11,731	31,531
Fund balance, beginning of year	<u>5,110,518</u>	<u>5,110,518</u>	<u>5,110,518</u>	-
Fund balance, end of year	<u>\$ 5,121,118</u>	<u>\$ 5,090,718</u>	<u>\$ 5,122,249</u>	<u>\$ 31,531</u>

concluded

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Police and Fire Millage Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 11,814,300	\$ 11,814,300	\$ 11,553,147	\$ (261,153)
Investment income (loss):				
Interest and dividends	250,000	250,000	167,458	(82,542)
Change in market value of securities	-	-	(257,125)	(257,125)
Total investment income (loss)	250,000	250,000	(89,667)	(339,667)
Total revenues	12,064,300	12,064,300	11,463,480	(600,820)
Expenditures				
Public safety:				
Administrative	20,000	20,000	20,000	-
Revenues over expenditures	12,044,300	12,044,300	11,443,480	(600,820)
Other financing uses				
Transfers out	(11,829,100)	(11,829,100)	(10,368,605)	1,460,495
Net change in fund balance	215,200	215,200	1,074,875	859,675
Fund balance, beginning of year	5,509,762	5,509,762	5,509,762	-
Fund balance, end of year	\$ 5,724,962	\$ 5,724,962	\$ 6,584,637	\$ 859,675

CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Major Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 2,139,900	\$ 2,139,900	\$ 2,275,020	\$ 135,120
Investment income (loss):				
Interest and dividends	250,000	250,000	138,005	(111,995)
Change in market value of securities	-	-	(211,901)	(211,901)
Total investment income (loss)	250,000	250,000	(73,896)	(323,896)
Miscellaneous	5,000	5,000	13,948	8,948
Total revenues	2,394,900	2,394,900	2,215,072	(179,828)
Expenditures				
Highways and streets:				
Engineering	250,000	250,000	113,488	(136,512)
Administrative	172,900	172,900	204,800	31,900
Maintenance	490,000	490,000	358,121	(131,879)
Snow and ice removal	300,000	300,000	319,978	19,978
Traffic control	90,000	90,000	479,659	389,659
Miscellaneous	238,900	238,900	235,184	(3,716)
Capital outlay	2,005,000	2,005,000	951,149	(1,053,851)
Total expenditures	3,546,800	3,546,800	2,662,379	(884,421)
Revenues over (under) expenditures	(1,151,900)	(1,151,900)	(447,307)	704,593
Other financing sources (uses)				
Transfers in	280,000	280,000	78,116	(201,884)
Transfers out	(1,671,000)	(1,671,000)	(948,841)	722,159
Total other financing sources (uses)	(1,391,000)	(1,391,000)	(870,725)	520,275
Net change in fund balance	(2,542,900)	(2,542,900)	(1,318,032)	1,224,868
Fund balance, beginning of year	9,170,065	9,170,065	9,170,065	-
Fund balance, end of year	\$ 6,627,165	\$ 6,627,165	\$ 7,852,033	\$ 1,224,868

NONMAJOR GOVERNMENTAL FUNDS

CITY OF KENTWOOD, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue			
	Housing Commission	Parks	Street Lighting	Landfill Remediation
Assets				
Cash and pooled investments	\$ 93,256	\$ 1,552,191	\$ 1,154,731	\$ 1,753,549
Accounts receivable	-	2,249	-	4,932
Loans receivable	265,801	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 359,057	\$ 1,554,440	\$ 1,154,731	\$ 1,758,481
Liabilities				
Negative equity in cash and pooled investments	\$ -	\$ -	\$ -	\$ -
Accounts payable	22,768	11,617	34,468	29,807
Accrued liabilities	252	-	-	-
Due to other governments	-	-	-	-
Total liabilities	23,020	11,617	34,468	29,807
Deferred inflows of resources				
Unavailable revenue	174,942	2,249	-	1,071
Fund balances				
Nonspendable	90,859	-	-	-
Restricted	70,236	1,540,574	1,120,263	1,727,603
Assigned	-	-	-	-
Total fund balances	161,095	1,540,574	1,120,263	1,727,603
Total liabilities, deferred inflows of resources and fund balances	\$ 359,057	\$ 1,554,440	\$ 1,154,731	\$ 1,758,481



Special Revenue					
Drain	Local Streets	Municipal Streets	Library	Federal Grant	Debt Service
\$ 3,454,509	\$ 539,929	\$ 3,889,027	\$ 1,085,252	\$ -	\$ -
3,477	-	62	5,385	-	4,248
-	-	-	-	-	-
-	119,528	-	-	8,035	-
<u>\$ 3,457,986</u>	<u>\$ 659,457</u>	<u>\$ 3,889,089</u>	<u>\$ 1,090,637</u>	<u>\$ 8,035</u>	<u>\$ 4,248</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,035	\$ -
4,246	159,686	-	-	-	-
-	-	-	-	-	-
3,071	-	-	-	-	-
<u>7,317</u>	<u>159,686</u>	<u>-</u>	<u>-</u>	<u>8,035</u>	<u>-</u>
-	-	62	5,385	-	-
-	-	-	-	-	-
3,450,669	499,771	3,889,027	1,085,252	-	4,248
-	-	-	-	-	-
<u>3,450,669</u>	<u>499,771</u>	<u>3,889,027</u>	<u>1,085,252</u>	<u>-</u>	<u>4,248</u>
<u>\$ 3,457,986</u>	<u>\$ 659,457</u>	<u>\$ 3,889,089</u>	<u>\$ 1,090,637</u>	<u>\$ 8,035</u>	<u>\$ 4,248</u>

continued...

CITY OF KENTWOOD, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Capital Projects			Totals
	DPW Equipment	Fire Equipment	Police Equipment	
Assets				
Cash and pooled investments	\$ 1,743,380	\$ 1,398,886	\$ 251,109	\$ 16,915,819
Accounts receivable	-	-	-	20,353
Loans receivable	-	-	-	265,801
Due from other governments	-	-	-	127,563
Total assets	\$ 1,743,380	\$ 1,398,886	\$ 251,109	\$ 17,329,536
Liabilities				
Negative equity in cash and pooled investments	\$ -	\$ -	\$ -	\$ 8,035
Accounts payable	48,896	32,096	87,258	430,842
Accrued liabilities	-	-	-	252
Due to other governments	-	-	-	3,071
Total liabilities	48,896	32,096	87,258	442,200
Deferred inflows of resources				
Unavailable revenue	-	-	-	183,709
Fund balances				
Nonspendable	-	-	-	90,859
Restricted	-	-	-	13,387,643
Assigned	1,694,484	1,366,790	163,851	3,225,125
Total fund balances	1,694,484	1,366,790	163,851	16,703,627
Total liabilities, deferred inflows of resources and fund balances	\$ 1,743,380	\$ 1,398,886	\$ 251,109	\$ 17,329,536

concluded

This page intentionally left blank.

CITY OF KENTWOOD, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2013

	Special Revenue			
	Housing Commission	Parks	Street Lighting	Landfill Remediation
Revenues				
Taxes	\$ -	\$ 183,893	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	13,000	145,611	-
Charges for services	-	-	-	-
Investment income (loss)	(217)	(13,282)	(7,116)	(15,498)
Miscellaneous	700	287	-	-
Total revenues	483	183,898	138,495	(15,498)
Expenditures				
Current:				
Public safety	-	-	-	-
Highways and streets	-	-	99,601	-
Public works	-	-	-	106,119
Community and economic development	29,232	-	-	-
Culture and recreation	-	81,049	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	29,232	81,049	99,601	106,119
Revenues over (under) expenditures	(28,749)	102,849	38,894	(121,617)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(18,546)	-
Proceeds from sale of capital assets	-	-	-	-
Issuance of long term debt	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Total other financing sources (uses)	-	-	(18,546)	-
Net change in fund balances	(28,749)	102,849	20,348	(121,617)
Fund balances, beginning of year	189,844	1,437,725	1,099,915	1,849,220
Fund balances, end of year	\$ 161,095	\$ 1,540,574	\$ 1,120,263	\$ 1,727,603



Special Revenue					
Drain	Local Streets	Municipal Streets	Library	Federal Grant	Debt Service
\$ -	\$ -	\$ 15	\$ 645,127	\$ -	\$ -
2,877	-	-	-	-	-
-	721,902	-	-	20,808	-
-	-	-	-	-	857,905
(31,154)	(1,673)	(34,717)	(9,433)	-	-
-	10,692	-	-	-	-
<u>(28,277)</u>	<u>730,921</u>	<u>(34,702)</u>	<u>635,694</u>	<u>20,808</u>	<u>857,905</u>
-	-	-	-	20,808	-
-	1,709,541	55,357	-	-	-
383,471	-	-	-	-	-
-	-	-	-	-	-
-	-	-	20,000	-	-
-	-	-	-	-	1,840,000
-	-	-	-	-	787,972
-	-	-	-	-	28,400
-	-	-	-	-	-
<u>383,471</u>	<u>1,709,541</u>	<u>55,357</u>	<u>20,000</u>	<u>20,808</u>	<u>2,656,372</u>
<u>(411,748)</u>	<u>(978,620)</u>	<u>(90,059)</u>	<u>615,694</u>	<u>-</u>	<u>(1,798,467)</u>
-	978,281	-	-	-	1,346,630
-	-	(107,555)	(338,007)	-	-
-	-	-	-	-	-
-	-	-	-	-	6,065,000
-	-	-	-	-	(6,032,352)
<u>-</u>	<u>978,281</u>	<u>(107,555)</u>	<u>(338,007)</u>	<u>-</u>	<u>1,379,278</u>
(411,748)	(339)	(197,614)	277,687	-	(419,189)
<u>3,862,417</u>	<u>500,110</u>	<u>4,086,641</u>	<u>807,565</u>	<u>-</u>	<u>423,437</u>
<u>\$ 3,450,669</u>	<u>\$ 499,771</u>	<u>\$ 3,889,027</u>	<u>\$ 1,085,252</u>	<u>\$ -</u>	<u>\$ 4,248</u>

continued...

CITY OF KENTWOOD, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2013

	Capital Projects			Totals
	DPW Equipment	Fire Equipment	Police Equipment	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 829,035
Special assessments	-	-	-	2,877
Intergovernmental	-	6,000	14,709	922,030
Charges for services	300,000	-	-	1,157,905
Investment income (loss)	(16,232)	(11,758)	(1,147)	(142,227)
Miscellaneous	-	-	-	11,679
Total revenues	283,768	(5,758)	13,562	2,781,299
Expenditures				
Current:				
Public safety	-	15,000	15,000	50,808
Highways and streets	-	-	-	1,864,499
Public works	20,000	-	-	509,590
Community and economic development	-	-	-	29,232
Culture and recreation	-	-	-	101,049
Debt service:				
Principal	-	-	-	1,840,000
Interest	-	-	-	787,972
Bond issuance costs	-	-	-	28,400
Capital outlay	469,048	269,304	676,143	1,414,495
Total expenditures	489,048	284,304	691,143	6,626,045
Revenues over (under) expenditures	(205,280)	(290,062)	(677,581)	(3,844,746)
Other financing sources (uses)				
Transfers in	-	200,000	600,000	3,124,911
Transfers out	-	-	-	(464,108)
Proceeds from sale of capital assets	114,687	3,798	6,097	124,582
Issuance of long term debt	-	-	-	6,065,000
Payment to refunding bond escrow agent	-	-	-	(6,032,352)
Total other financing sources (uses)	114,687	203,798	606,097	2,818,033
Net change in fund balances	(90,593)	(86,264)	(71,484)	(1,026,713)
Fund balances, beginning of year	1,785,077	1,453,054	235,335	17,730,340
Fund balances, end of year	\$ 1,694,484	\$ 1,366,790	\$ 163,851	\$ 16,703,627

concluded

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Housing Commission Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Investment income (loss):				
Interest and dividends	\$ 5,000	\$ 5,000	\$ 2,250	\$ (2,750)
Change in market value of securities	-	-	(2,467)	(2,467)
Total investment income (loss)	5,000	5,000	(217)	(5,217)
Miscellaneous	-	-	700	700
Total revenues	5,000	5,000	483	(4,517)
Expenditures				
Community and economic development:				
Administration	2,800	2,800	2,698	(102)
Employee benefits	1,200	1,200	858	(342)
Grant expenses	15,000	17,000	18,836	1,836
Salaries	6,100	6,100	6,257	157
Supplies	300	300	583	283
Total expenditures	25,400	27,400	29,232	1,832
Net change in fund balance	(20,400)	(22,400)	(28,749)	(6,349)
Fund balance, beginning of year	189,844	189,844	189,844	-
Fund balance, end of year	\$ 169,444	\$ 167,444	\$ 161,095	\$ (6,349)

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Parks Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 188,400	\$ 188,400	\$ 183,893	\$ (4,507)
Intergovernmental	250,000	250,000	13,000	(237,000)
Investment income (loss):				
Interest and dividends	40,000	40,000	24,804	(15,196)
Change in market value of securities	-	-	(38,086)	(38,086)
Total investment income (loss)	40,000	40,000	(13,282)	(53,282)
Miscellaneous	-	-	287	287
Total revenues	478,400	478,400	183,898	(294,502)
Expenditures				
Culture and recreation:				
Administration	17,200	17,200	16,500	(700)
Contracted services	-	-	11,168	11,168
Capital outlay	645,000	645,000	53,381	(591,619)
Total expenditures	662,200	662,200	81,049	(581,151)
Net change in fund balance	(183,800)	(183,800)	102,849	286,649
Fund balance, beginning of year	1,437,725	1,437,725	1,437,725	-
Fund balance, end of year	\$ 1,253,925	\$ 1,253,925	\$ 1,540,574	\$ 286,649

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Street Lighting Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 145,611	\$ 20,611
Investment income (loss):				
Interest and dividends	45,000	45,000	13,291	(31,709)
Change in market value of securities	-	-	(20,407)	(20,407)
Total investment income (loss)	45,000	45,000	(7,116)	(52,116)
Total revenues	170,000	170,000	138,495	(31,505)
Expenditures				
Highways and streets:				
Administration	30,000	30,000	30,000	-
Utilities	490,000	490,000	69,401	(420,599)
Miscellaneous	5,000	5,000	200	(4,800)
Total expenditures	525,000	525,000	99,601	(425,399)
Revenues (under) over expenditures	(355,000)	(355,000)	38,894	393,894
Other financing uses				
Transfers out	(20,000)	(20,000)	(18,546)	1,454
Net change in fund balance	(375,000)	(375,000)	20,348	395,348
Fund balance, beginning of year	1,099,915	1,099,915	1,099,915	-
Fund balance, end of year	\$ 724,915	\$ 724,915	\$ 1,120,263	\$ 395,348

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Landfill Remediation Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Investment income (loss):				
Interest and dividends	\$ 65,000	\$ 65,000	\$ 28,943	\$ (36,057)
Change in market value of securities	-	-	(44,441)	(44,441)
Total revenues	65,000	65,000	(15,498)	(80,498)
Expenditures				
Public works:				
Administration	30,000	30,000	30,000	-
Landfill expense	100,000	100,000	76,027	(23,973)
Tax refunds	-	-	92	92
Total expenditures	130,000	130,000	106,119	(23,881)
Net change in fund balance	(65,000)	(65,000)	(121,617)	(56,617)
Fund balance, beginning of year	1,849,220	1,849,220	1,849,220	-
Fund balance, end of year	\$ 1,784,220	\$ 1,784,220	\$ 1,727,603	\$ (56,617)

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Drain Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Special assessments	\$ -	\$ -	\$ 2,877	\$ 2,877
Investment income (loss):				
Interest and dividends	140,000	140,000	60,040	(79,960)
Change in market value of securities	-	-	(91,194)	(91,194)
Total investment income (loss)	140,000	140,000	(31,154)	(171,154)
Total revenues	140,000	140,000	(28,277)	(168,277)
Expenditures				
Public works:				
Engineering	123,900	123,900	116,830	(7,070)
Administration	70,500	70,500	60,000	(10,500)
Maintenance	1,007,500	1,007,500	201,386	(806,114)
Miscellaneous	35,000	35,000	5,255	(29,745)
Total expenditures	1,236,900	1,236,900	383,471	(853,429)
Net change in fund balance	(1,096,900)	(1,096,900)	(411,748)	685,152
Fund balance, beginning of year	3,862,417	3,862,417	3,862,417	-
Fund balance, end of year	\$ 2,765,517	\$ 2,765,517	\$ 3,450,669	\$ 685,152

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Local Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 712,100	\$ 712,100	\$ 721,902	\$ 9,802
Investment income (loss):				
Interest and dividends	15,000	15,000	3,123	(11,877)
Change in market value of securities	-	-	(4,796)	(4,796)
Total investment income (loss)	15,000	15,000	(1,673)	(16,673)
Miscellaneous	12,000	12,000	10,692	(1,308)
Total revenues	739,100	739,100	730,921	(8,179)
Expenditures				
Highways and streets:				
Engineering	175,200	175,200	120,640	(54,560)
Administration	57,700	57,700	65,000	7,300
Maintenance	1,815,000	1,815,000	1,006,519	(808,481)
Snow and ice removal	200,000	200,000	159,720	(40,280)
Traffic control	15,000	15,000	5,039	(9,961)
Miscellaneous	35,700	35,700	34,821	(879)
Capital outlay	301,500	301,500	317,802	16,302
Total expenditures	2,600,100	2,600,100	1,709,541	(890,559)
Revenues under expenditures	(1,861,000)	(1,861,000)	(978,620)	882,380
Other financing sources				
Transfers in	1,861,000	1,861,000	978,281	(882,719)
Net change in fund balance	-	-	(339)	(339)
Fund balance, beginning of year	500,110	500,110	500,110	-
Fund balance, end of year	\$ 500,110	\$ 500,110	\$ 499,771	\$ (339)

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Municipal Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ 15	\$ 15
Investment income (loss)				
Interest and dividends	150,000	150,000	64,836	(85,164)
Change in market value of securities	-	-	(99,553)	(99,553)
Total investment income (loss)	150,000	150,000	(34,717)	(184,717)
Total revenues	150,000	150,000	(34,702)	(184,702)
Expenditures				
Highways and streets:				
Administration	55,000	55,000	55,000	-
Capital outlay	25,000	25,000	357	(24,643)
Total expenditures	80,000	80,000	55,357	(24,643)
Revenue over expenditures	70,000	70,000	(90,059)	(160,059)
Other financing uses				
Transfers out	(470,000)	(470,000)	(107,555)	362,445
Net change in fund balance	(400,000)	(400,000)	(197,614)	202,386
Fund balance, beginning of year	4,086,641	4,086,641	4,086,641	-
Fund balance, end of year	\$ 3,686,641	\$ 3,686,641	\$ 3,889,027	\$ 202,386

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Library Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 660,700	\$ 660,700	\$ 645,127	\$ (15,573)
Investment income (loss):				
Interest and dividends	35,000	35,000	17,619	(17,381)
Change in market value of securities	-	-	(27,052)	(27,052)
Total investment income (loss)	35,000	35,000	(9,433)	(44,433)
Total revenues	695,700	695,700	635,694	(60,006)
Expenditures				
Culture and recreation:				
Administration	20,000	20,000	20,000	-
Revenues over expenditures	675,700	675,700	615,694	(60,006)
Other financing uses				
Transfers out	(246,125)	(355,000)	(338,007)	16,993
Net change in fund balance	429,575	320,700	277,687	(43,013)
Fund balance, beginning of year	807,565	807,565	807,565	-
Fund balance, end of year	\$ 1,237,140	\$ 1,128,265	\$ 1,085,252	\$ (43,013)

CITY OF KENTWOOD, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Federal Grant Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 20,808	\$ (29,192)
Expenditures				
Public safety	50,000	50,000	20,808	29,192
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF KENTWOOD, MICHIGAN

Detail Schedule of Revenues, Expenditures and Changes in Fund Balances

Debt Service and Capital Projects Funds

For the Year Ended June 30, 2013

	Nonmajor Funds			
	Property and Building	General Projects	Debt Service	DPW Equipment
Revenues				
Special assessments	\$ -	\$ 374,173	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	857,905	300,000
Investment income (loss):				
Interest and dividends	65,619	308,506	-	30,313
Change in market value of securities	(100,755)	(130,850)	-	(46,545)
Total investment income (loss)	(35,136)	177,656	-	(16,232)
Miscellaneous	3,000	-	-	-
Total revenues	(32,136)	551,829	857,905	283,768
Expenditures				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	20,000
Debt service:				
Principal	-	-	1,840,000	-
Interest	-	-	787,972	-
Bond issuance costs	-	-	28,400	-
Capital outlay	803,053	3,400	-	469,048
Total expenditures	803,053	3,400	2,656,372	489,048
Revenues over (under) expenditures	(835,189)	548,429	(1,798,467)	(205,280)
Other financing sources (uses)				
Transfers in	800,000	-	1,346,630	-
Transfers out	(350,000)	-	-	-
Proceeds from the sale of capital assets	-	-	-	114,687
Issuance of long term debt	-	-	6,065,000	-
Payment to refunding bond escrow agent	-	-	(6,032,352)	-
Total other financing sources (uses)	450,000	-	1,379,278	114,687
Net change in fund balances	(385,189)	548,429	(419,189)	(90,593)
Fund balances, beginning of year, as restated	4,801,434	5,483,854	423,437	1,785,077
Fund balances, end of year	\$ 4,416,245	\$ 6,032,283	\$ 4,248	\$ 1,694,484



Nonmajor Funds		
Fire Equipment	Police Equipment	Totals
\$ -	\$ -	\$ 374,173
6,000	14,709	20,709
-	-	1,157,905
21,957	2,145	428,540
(33,715)	(3,292)	(315,157)
(11,758)	(1,147)	113,383
-	-	3,000
(5,758)	13,562	1,669,170
15,000	15,000	30,000
-	-	20,000
-	-	1,840,000
-	-	787,972
-	-	28,400
269,304	676,143	2,220,948
284,304	691,143	4,927,320
(290,062)	(677,581)	(3,258,150)
200,000	600,000	2,946,630
-	-	(350,000)
3,798	6,097	124,582
-	-	6,065,000
-	-	(6,032,352)
203,798	606,097	2,753,860
(86,264)	(71,484)	(504,290)
1,453,054	235,335	14,182,191
\$ 1,366,790	\$ 163,851	\$ 13,677,901

This page intentionally left blank.

AGENCY FUND

CITY OF KENTWOOD, MICHIGAN

Statement of Changes in Fiduciary Assets and Liabilities

Tax Collection Fund

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and pooled investments	\$ 125,628	\$ 84,277,261	\$ (84,365,272)	\$ 37,617
Taxes receivable	1,103,422	-	(272,909)	830,514
Total assets	<u>\$ 1,229,050</u>	<u>\$ 84,277,261</u>	<u>\$ (84,638,181)</u>	<u>\$ 868,131</u>
Liabilities				
Due to other governments	<u>\$ 1,229,050</u>	<u>\$ 84,277,261</u>	<u>\$ (84,638,181)</u>	<u>\$ 868,131</u>

INTERNAL CONTROL AND COMPLIANCE

This page intentionally left blank.

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

October 8, 2013

Honorable Mayor and
City Commissioners
Kentwood, Michigan

We have audited, in accordance with the 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, the 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* (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2013-FS-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Kentwood’s Response to Findings

The City’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CITY OF KENTWOOD, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2013

2013-FS-1 - Internal Controls over Cash Receipting at Decentralized Locations

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing and maintaining effective internal controls in order to safeguard the assets of the City. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition. The City's financial transactions are primarily accounted for at City Hall by the Finance Department. However, in certain decentralized departments, financial activities are tracked outside of the general ledger (at times, in an ancillary software package) and provided to the Finance Department at a summarized level for posting to the accounting records. This situation is not uncommon, but does introduce additional risks since these departments are often operating under department-specific procedures that may be modified without input or knowledge of the Finance Department. During our audit, we performed on-site reviews of the cash receipting process at three departments. In two of those departments, financial activity is being tracked in an accounting software system independent from the City's general ledger. In each of those cases, there was no independent review of the ancillary system report to the bank deposit and/or the transmittal advice provided to the City Treasurer.

Cause. This condition appears to be an oversight in the monitoring for compliance of internal controls at decentralized departments.

Effect. As a result of this condition, the City is exposed to an increased risk that misstatements (whether caused by error or fraud) may not be prevented or detected by management on a timely basis. During the year ended June 30, 2013, the City discovered internally that an employee in one of these departments had been misappropriating funds for many years. The net loss to the City (considering insurance and restitution recoveries) is not yet known.

Recommendation. Management has already taken corrective action for the department with actual instances of misappropriation by reviewing, re-enforcing, and redesigning internal controls, and initiating the process of recovering funds through insurance claims and/or legal means. Based on our review of the redesigned system, it appears to be designed appropriately. For the other department where a control deficiency (but no actual misappropriation) was noted, we recommend that the City perform a similar process of reviewing, for compliance and design, and redesigning internal controls, as appropriate. We did not perform an on-site review of cash receipting controls at all decentralized departments in the current year. Accordingly, the City may also want to evaluate the processes in place at other departments.

CITY OF KENTWOOD, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2013

2013-FS-1 - Internal Controls over Cash Receipting at Decentralized Locations (Concluded)

View of Responsible Officials. Improved internal controls over credit card transactions is precisely what lead to the discovery of the misappropriation. A full City-wide evaluation of processes, for compliance and design, was performed by Finance Department staff in April 2013, and results were shared with City management at that time. Comprehensive re-enforcements and changes, impacting several departments, were made as a result of the internal evaluation. We believe that, with appropriate compliance, the internal controls are well-designed to either prevent or quickly detect fraud and errors. Follow-up conversations and internal audits have taken place with departments, to ensure compliance with written policies and procedures.



Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2013*

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, 2013

*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: 

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

Address: 4900 Breton Ave., SE, P.O. Box 8848

City, State, Zip Code: Kentwood, Michigan 49518-8848

Voice Telephone Number: (616) 698-9610

**City of Kentwood
Taxable Value
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

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
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)
2012	2013	2014	1,814,863,712	50,585,582	1,865,449,294	(1.32)

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2014 (3).....\$38,299

(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, 2014, the Taxable Value of property qualified for the benefits of the Zones program totaled \$7,366,600. 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, 2014, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$36,786,600. Also included are Brownfield parcels with a base taxable value totaling \$1,408,100, current value of \$2,102,500 and "captured" Taxable Value of \$694,400. Also included are County Land Bank Sold properties with a base taxable value totaling \$57,500, current value of \$64,600 and "captured" Taxable Value of \$7,100.

(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, 2010 Through 2014**

Use	Fiscal Years Ended or Ending June 30				
	2010	2011	2012	2013	2014
Commercial	\$ 688,219,612	\$ 709,554,719	\$ 738,446,402	\$ 713,136,145	\$ 699,739,769
Industrial.....	539,699,660	473,204,929	382,887,080	389,083,668	377,189,836
Residential.....	890,414,800	817,775,278	798,455,858	754,113,385	754,396,689
Utility	<u>33,500,600</u>	<u>35,359,400</u>	<u>34,028,600</u>	<u>34,096,800</u>	<u>34,123,000</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>	<u>\$ 1,865,449,294</u>
Class	2010	2011	2012	2013	2014
Real Property.....	\$ 1,842,109,637	\$ 1,714,310,698	\$ 1,628,493,340	\$ 1,545,812,198	\$ 1,530,774,244
Personal Property	<u>309,725,035</u>	<u>321,583,628</u>	<u>325,324,600</u>	<u>344,617,800</u>	<u>334,675,050</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>	<u>\$ 1,865,449,294</u>

Source:City of Kentwood

**City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ending 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
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)
2012	2013	2014	1,857,254,300	101,074,400	1,958,328,700	(0.67)

Per Capita Total SEV for the Fiscal Year Ending June 30, 2014 (3) \$40,206

(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, 2014, the SEV of the property qualified for the benefits of the Zones program totaled \$7,366,600. 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, 2014, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$36,786,600. Also included are Brownfield parcels with a base SEV totaling \$1,408,100, current SEV of \$2,102,500 and "captured" value of \$694,400. Also included are County Land Bank Sold properties with a base taxable value totaling \$57,500, current value of \$64,600 and "captured" Taxable Value of \$7,100.

(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, 2010 Through 2014**

Use	Fiscal Years Ended or Ending June 30				
	2010	2011	2012	2013	2013
Commercial	\$ 726,254,435	\$ 735,089,300	\$ 756,896,800	\$ 734,437,350	\$ 722,142,700
Industrial	595,615,100	520,274,700	425,386,000	441,657,500	430,502,200
Residential	920,256,500	832,291,800	814,416,500	761,364,100	771,560,800
Utility	<u>33,500,600</u>	<u>35,359,400</u>	<u>34,028,600</u>	<u>34,096,800</u>	<u>34,123,000</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>	<u>\$1,958,328,700</u>

Class	Fiscal Years Ended or Ending June 30				
	2010	2011	2012	2013	2013
Real Property	\$1,937,800,200	\$1,775,093,600	\$1,677,983,600	\$1,589,879,950	\$1,584,263,700
Personal Property	<u>337,826,435</u>	<u>347,921,600</u>	<u>352,744,300</u>	<u>381,675,800</u>	<u>374,065,000</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>	<u>\$1,958,328,700</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 TV 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 education 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 \$101,074,400 for the fiscal year ending June 30, 2014. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$50,585,582 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, 2014, the SEV and equivalent Taxable Value of property qualified for the benefits of the Zones program totaled \$7,366,600 and \$7,366,600, 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 \$2,102,300. 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 2014 Captured Taxable Value is \$694,400.

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 \$36,786,600 in SEV and TV from the rolls. These amounts are not included in the ad valorem totals for the fiscal year ending June 30, 2014.

**City of Kentwood
Maximum Operating Tax Rates
Fiscal Year Ending June 30, 2014**

<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 (3).....	0.3500	1.0000	0.3500

**City of Kentwood
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2009 Through 2013**

<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>Library (3)</u>	<u>Total</u>
2009	2010	\$2.9946	\$4.2620	\$0.0998	\$0.0000	\$7.7064
2010	2011	2.9946	6.2620	0.0998	0.3500	9.7064
2011	2012	2.9946	6.2620	0.0998	0.3500	9.7064
2012	2013	2.9946	6.2620	0.0998	0.3500	9.7064
2013	2014	2.9946	6.2620	0.0998	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) 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, 2009 Through 2013

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Kentwood	\$7.5061	\$7.7064	\$9.7064	\$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).....	5.8400	6.1000	6.1000	6.1000	6.3000
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.....	1.1200	1.1200	1.1200	1.2900	1.4100
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>\$33.2169</u>	<u>\$33.6772</u>	<u>\$35.6772</u>	<u>\$35.8472</u>	<u>\$36.1672</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2009 Through 2013

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Kentwood	\$7.5061	\$7.7064	\$9.7064	\$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).....	23.8400	24.1000	24.1000	24.1000	24.3000
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.....	1.1200	1.1200	1.1200	1.2900	1.4100
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>\$51.2169</u>	<u>\$51.6772</u>	<u>\$53.6772</u>	<u>\$53.8472</u>	<u>\$54.1672</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, 2013 ranged from \$25.0000 to \$26.9000 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, 2010 Through 2014**

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>
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	18,219,156	17,953,683	98.5
2013	2014	18,044,059	(In collection process)	

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

**City of Kentwood
Ten Largest Taxpayers
Fiscal Year Ending June 30, 2014**

<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.....	\$ 58,513,438	\$ 0	\$ 58,513,438	3.14%
Lacks Industries, Inc.	Automotive Supplier .	44,427,473	5,745,350	50,172,823	2.69
Steelcase Corporation	Office Furniture.....	36,678,050	0	36,678,050	1.97
Holland Home	Senior Housing.....	31,832,856	0	31,832,856	1.71
Hearthside Food Solutions....	Food	17,744,400	5,226,800	22,971,200	1.23
Consumers Energy	Utility	18,904,740	0	18,904,740	1.01
Fox Motor Group	Automotive Sales	17,365,880	0	17,365,880	0.93
DTE Gas Co.....	Utility	17,075,700	0	17,075,700	0.92
Autocam Corp.....	Automotive Supplier .	12,665,029	3,350,000	16,015,029	0.86
ConAgra Foods, Inc.....	Food.....	4,797,700	6,863,050	11,660,750	0.63
		<u>\$260,005,266</u>	<u>\$ 21,185,200</u>	<u>\$281,190,466</u>	<u>15.09%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$1,865,449,294 which is the City's Total Taxable Value for the fiscal year ended June 30, 2014. 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, 2010 Through 2014

	Fiscal Years Ended or Ending June 30				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (2)</u>
State Sales Tax	\$ 2,874,624	\$ 3,286,020	\$ 3,497,621	\$ 3,542,834	\$ 3,670,800
Liquor License Fees	<u>22,266</u>	<u>21,925</u>	<u>21,465</u>	<u>21,508</u>	<u>22,000</u>
Total Revenues From the State of Michigan	<u>\$ 2,896,890</u>	<u>\$ 3,307,945</u>	<u>\$ 3,519,086</u>	<u>\$ 3,564,300</u>	<u>\$ 3,692,800</u>
Percent of General Fund Revenue	11.22%	12.12%	12.60%	12.77%	12.23%

(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 October 2, 2013.

Debt Limit (1)	\$ 195,832,870
Debt Outstanding.....	\$17,980,000
Less: Exempt Debt.....	<u>2,630,000</u>
Legal Debt Margin.....	<u>\$180,482,870</u>

(1) 10% of \$1,958,328,700 which is the City's Total SEV for the fiscal year ending June 30, 2014. 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 October 2, 2013 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 June 18, 2013	\$ 6,065,000	\$ 0	\$ 6,065,000
Dated March 23, 2005 (4).....	2,630,000	2,630,000	0
Dated March 19, 2009	6,860,000	0	6,860,000
Building Authority Bonds:			
Dated February 24, 2011 (LT).....	<u>2,425,000</u>	<u>0</u>	<u>2,425,000</u>
Total	<u>\$ 17,980,000</u>	<u>\$ 2,630,000</u>	<u>\$ 15,350,000</u>
Per Capita Net City Direct Debt (1)			\$315.15
Percent of Net Direct Debt to Total SEV (2).....			0.78%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Percent of Gross</u>	<u>City Share</u>
Kentwood School District	\$ 61,175,000	69.97%	\$ 42,804,148
Caledonia School District.....	104,150,421	12.35	12,862,577
Forest Hills School District	173,420,000	6.20	10,752,040
Kelloggsville School District	5,785,000	36.34	2,102,269
Kent County	130,045,000	9.24	12,016,158
Grand Rapids Community College.....	<u>66,515,000</u>	8.97	<u>5,966,396</u>
Total Overlapping Debt.....	<u>\$ 541,090,421</u>		<u>\$ 86,503,588</u>
Total Direct & Overlapping Debt	<u>\$ 559,070,421</u>		<u>\$ 101,853,588</u>
Per Capita Net Overlapping Debt (1)			\$1,776.00
Percent of Net Overlapping Debt to Total SEV (2).....			4.42%
Per Capita Net Direct and Overlapping Debt (1).....			\$2,091.15
Percent of Net Direct and Overlapping Debt to Total SEV (2).....			5.20%

- (1) Based on the City’s 2010 Census of 48,707.
- (2) Based on \$1,958,328,700 which is the City’s Total SEV for the fiscal year ending June 30, 2014. 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.