



**CITY OF KENTWOOD, MICHIGAN**

**FINANCIAL STATEMENTS  
AND  
SINGLE AUDIT ACT COMPLIANCE**

**FOR THE YEAR ENDED JUNE 30, 2014**



# CITY OF KENTWOOD, MICHIGAN

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**INDEPENDENT AUDITORS' REPORT**

October 14, 2014

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, 2014, 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, 2014, 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.

### *Emphasis of Matter*

As discussed in Note 16 to the financial statements, the 2013 financial statements have been restated to correct an error in the capital asset records for governmental activities. Our opinion is not modified with respect to these matters.

### *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 benefits 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 14, 2014, 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.

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## 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, 2014. 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

In fiscal year 2014, 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 2014 was also a year of continued capital investment for the City. Projects included:

- Commencement of Water System improvements funded by \$6,250,000 drinking water revolving fund loan;
- Road rehabilitation projects, including surface maintenance and sidewalk extensions;
- Park and recreation facilities replacement, including Pinewood Park Play Structure from insurance proceeds, and improvements, including trail extensions;
- Technology purchases, including completion of information technology system upgrade and commencement of phone system replacement, and police, fire and public works vehicle and equipment purchases, including a new fire engine.

### 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*) 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, 2013 construction capital projects 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 \$104,069,678 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 55,547,516	\$ 53,140,499	\$ 8,806,641	\$ 8,029,685	\$ 64,354,157	\$ 61,170,184
Capital assets, net	50,131,971	48,864,871	16,925,338	14,296,737	67,057,309	63,161,608
<b>Total assets</b>	<b>105,679,487</b>	<b>102,005,370</b>	<b>25,731,979</b>	<b>22,326,422</b>	<b>131,411,466</b>	<b>124,331,792</b>
Deferred outflows of resources	133,807	163,565	-	-	133,807	163,565
<b>Liabilities</b>						
Other liabilities	4,091,501	2,438,612	515,626	597,416	4,607,127	3,036,028
Long-term liabilities	22,868,468	21,632,336	-	-	22,868,468	21,632,336
<b>Total liabilities</b>	<b>26,959,969</b>	<b>24,070,948</b>	<b>515,626</b>	<b>597,416</b>	<b>27,475,595</b>	<b>24,668,364</b>
<b>Net position</b>						
Net investment in capital assets	30,785,364	30,509,729	16,925,338	14,296,737	47,710,702	44,806,466
Restricted	29,909,295	30,424,556	-	-	29,909,295	30,424,556
Unrestricted	18,158,666	17,163,702	8,291,015	7,432,269	26,449,681	24,595,971
<b>Total net position</b>	<b>\$ 78,853,325</b>	<b>\$ 78,097,987</b>	<b>\$ 25,216,353</b>	<b>\$ 21,729,006</b>	<b>\$104,069,678</b>	<b>\$ 99,826,993</b>

# 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, 39% relates to the City's net investment in capital assets, 38% is restricted for other purposes, and the remaining 23% is unrestricted and available for general City operations.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,843,571	\$ 4,585,689	\$ 6,567,712	\$ 6,342,144	\$ 11,411,283	\$ 10,927,833
Operating grants and contributions	4,766,749	4,588,539	-	-	4,766,749	4,588,539
Capital grants and contributions	2,182,838	670,231	-	-	2,182,838	670,231
General revenues:						
Property taxes	17,862,052	17,846,593	-	-	17,862,052	17,846,593
Franchise fees	635,137	628,003	-	-	635,137	628,003
State shared revenues	3,659,743	3,570,034	-	-	3,659,743	3,570,034
Investment earnings (loss)	1,364,552	(430,190)	189,449	(56,208)	1,554,001	(486,398)
Other revenues	486,985	161,922	-	141	486,985	162,063
<b>Total revenues</b>	<b>35,801,627</b>	<b>31,620,821</b>	<b>6,757,161</b>	<b>6,286,077</b>	<b>42,558,788</b>	<b>37,906,898</b>
<b>Expenses</b>						
General government	5,344,930	5,048,368	-	-	5,344,930	5,048,368
Public safety	17,415,457	16,906,953	-	-	17,415,457	16,906,953
Public works	6,907,254	5,871,613	-	-	6,907,254	5,871,613
Community and economic development	273,439	292,421	-	-	273,439	292,421
Culture and recreation	2,125,609	2,259,526	-	-	2,125,609	2,259,526
Interest on long-term debt	577,762	730,344	-	-	577,762	730,344
Water	-	-	2,459,488	2,919,212	2,459,488	2,919,212
Sewer	-	-	3,212,164	2,747,764	3,212,164	2,747,764
<b>Total expenses</b>	<b>32,644,451</b>	<b>31,109,225</b>	<b>5,671,652</b>	<b>5,666,976</b>	<b>38,316,103</b>	<b>36,776,201</b>
Change in net position before transfers	3,157,176	511,596	1,085,509	619,101	4,242,685	1,130,697
Transfers	(2,401,838)	438,645	2,401,838	(438,645)	-	-
Change in net position	755,338	950,241	3,487,347	180,456	4,242,685	1,130,697
Net position, beginning of year, as restated	78,097,987	77,147,746	21,729,006	21,548,550	99,826,993	98,696,296
<b>Net position, end of year</b>	<b>\$ 78,853,325</b>	<b>\$ 78,097,987</b>	<b>\$ 25,216,353</b>	<b>\$ 21,729,006</b>	<b>\$ 104,069,678</b>	<b>\$ 99,826,993</b>

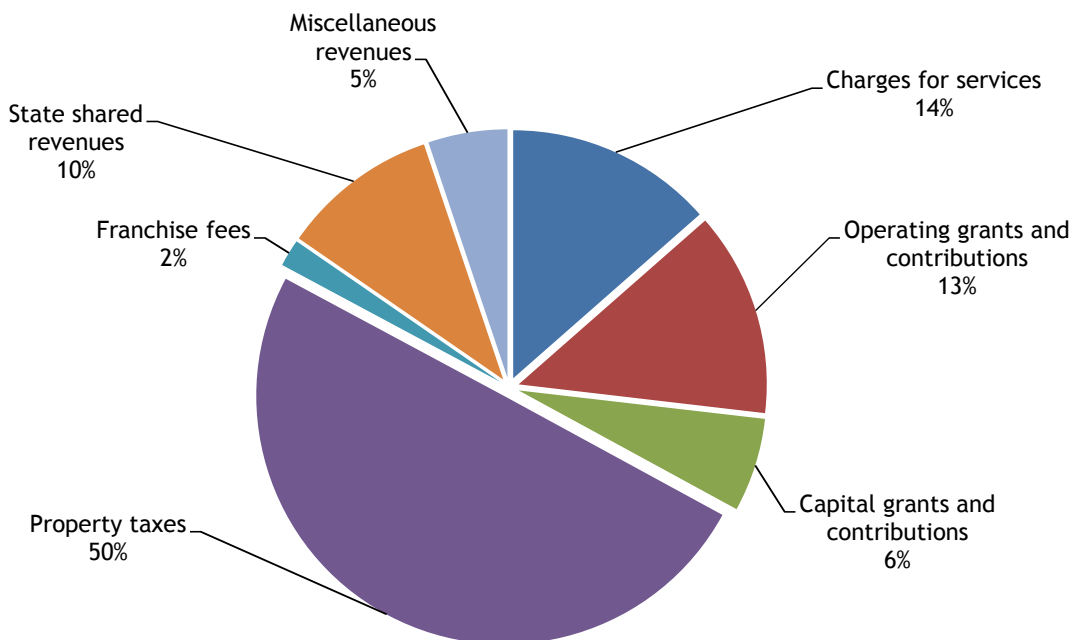
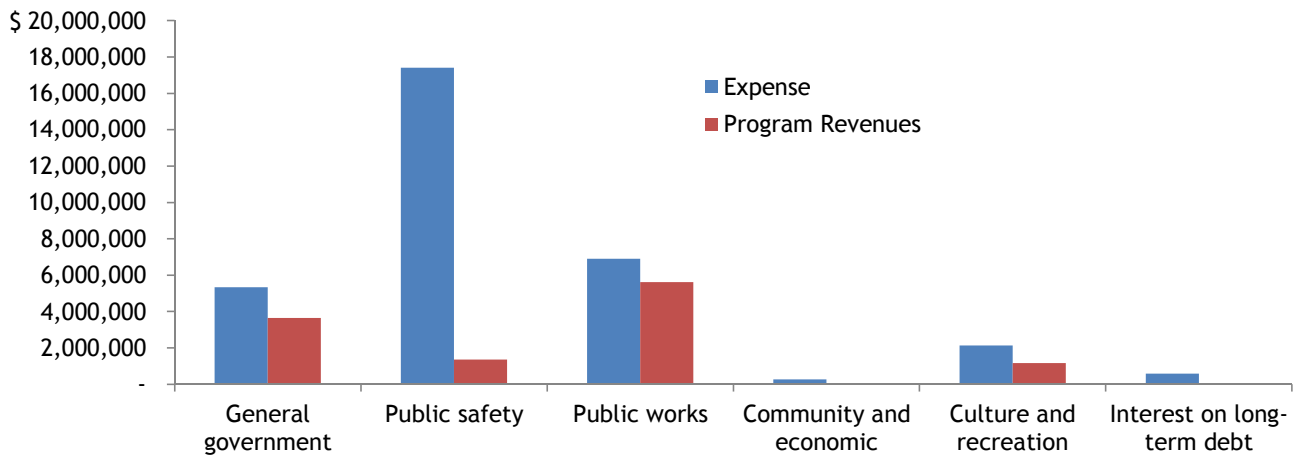
# CITY OF KENTWOOD, MICHIGAN

## Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$755,338. Key elements of this increase are as follows:

- Accumulation of unexpended resources in the police and fire millage special revenue fund for future use to provide police and fire services, and accumulation of resources in capital projects funds for future asset purchases;
- Collections of special assessments and related interest;
- Spending of resources previously accumulated in the Major, Local and Municipal Street Funds, and the Fire Equipment, Street Lighting and Drain Funds.
- Capital contributions for street contribution through MDOT-administered projects.

### Expenses and Program Revenues - Governmental Activities



# CITY OF KENTWOOD, MICHIGAN

## Management's Discussion and Analysis

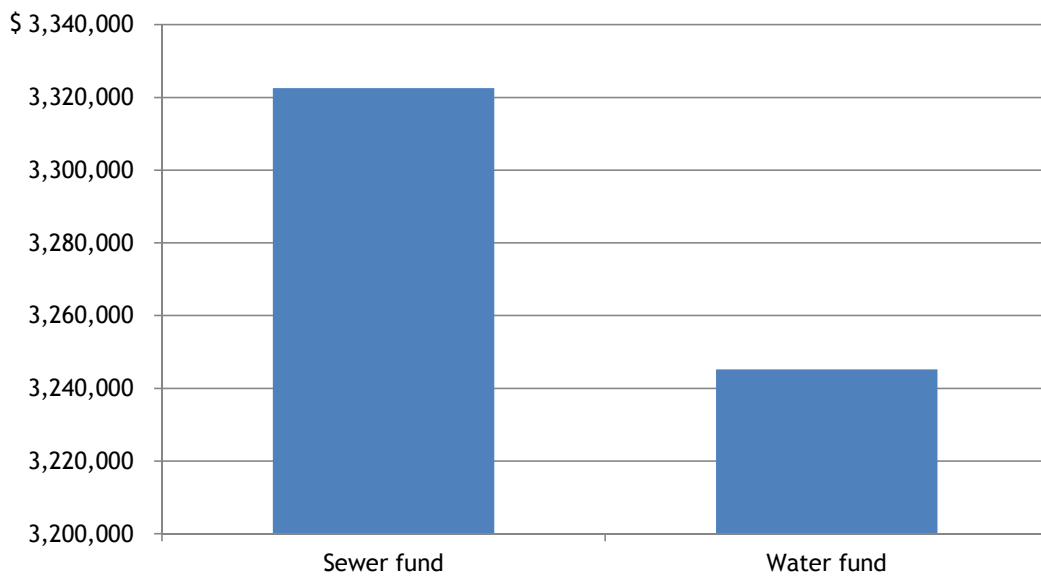
Business-type activities. Business-type activities increased the City's net position by \$3,487,347. Key elements of this increase are as follows:

- Operating revenue and investment income that exceeded operating expenses and transfers out;
- Capital contributions of \$2,527,432 for the Water System improvements which were funded by general obligation drinking water revolving fund loan proceeds.

**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 \$47,636,591, an increase of \$925,517 compared with the prior year. This increase was primarily related to accumulation of unexpended resources in the police and fire millage special revenue fund for future use to provide police and fire services, and accumulation of resources in property and building and police equipment capital projects funds for future asset purchases; collections of special assessments and related interest in the general projects capital projects fund; reduced by the spending of resources previously accumulated in the Major, Local and Municipal Street Funds, and the Street Lighting and Drain 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 \$4,587,448, while total fund balance reached \$5,311,321. 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 21 percent of that same amount.

The fund balance of the City's general fund increased by \$189,072 during the current fiscal year.

*Proprietary funds.* The City's proprietary fund financial statements 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 \$2,613,505 and \$5,677,510, respectively. The total changes in net position for these funds were an increase of \$3,489,668 and a decrease of \$2,321, respectively. The primary reason for the increase in net position of the water fund was recognition of a capital contribution of nearly \$2.85 million for assets constructed with Drinking Water Revolving Fund loan proceeds (accounted for in the 2013 construction capital projects fund).

### General Fund Budgetary Highlights

- The City Commission, by resolution, amended the general fund budget once during the fiscal year ended June 30, 2014. The amendment was related to personnel-related costs in two departments that experienced staffing changes during the year.
- General fund expenditure budget to actual variances are due to several factors including staffing vacancies, rehires, reassignments and other changes (Assessor, Human Resources, Police, Fire, Public Works, and Engineering); employee benefits costs that varied from amounts budgeted (all departments with personnel); variations in contractual services and supplies needed (Administrative, Information Technology, Accounting, Police, Fire, Public Works, and Library); and changes in customer utilization of activities, including the non-award of an applied-for grant-funded program expansion (Recreation).



# CITY OF KENTWOOD, MICHIGAN

## Management's Discussion and Analysis

### 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, 2014, amounts to \$67,057,309 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Completion/commencement/continuation of street improvements activities, including sidewalk extensions;
- Commencement of water system construction funded by \$6,250,000 drinking water revolving fund loan;
- Sale of the old Kentwood Library to Kent County.

	Capital Assets, Net of Accumulated Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,721,564	\$ 2,707,228	\$ 60,949	\$ 60,949	\$ 2,782,513	\$ 2,768,177
Construction in progress	1,456,589	762,254	2,862,675	194,832	4,319,264	957,086
Depreciable assets	45,953,818	45,395,389	14,001,714	14,040,956	59,955,532	59,436,345
<b>Total capital assets</b>	<b>\$ 50,131,971</b>	<b>\$ 48,864,871</b>	<b>\$ 16,925,338</b>	<b>\$ 14,296,737</b>	<b>\$ 67,057,309</b>	<b>\$ 63,161,608</b>

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 \$22,868,468 at June 30, 2014, 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 19,424,235	\$ 18,445,000	\$ -	\$ -	\$ 19,424,235	\$ 18,445,000
Unamortized premiums	56,182	73,707	-	-	56,182	73,707
Compensated absences	1,628,952	1,373,167	-	-	1,628,952	1,373,167
Landfill cleanup costs	1,759,099	1,740,462	-	-	1,759,099	1,740,462
<b>Total long-term debt</b>	<b>\$ 22,868,468</b>	<b>\$ 21,632,336</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,868,468</b>	<b>\$ 21,632,336</b>

During the year the City paid \$1,890,000 of principal on bonds outstanding at July 1, 2013. The City was awarded a loan under the Drinking Water Revolving Fund program. Draws on the loan through year-end amounted to approximately \$2.9 million.

The City has a AA bond rating from Standard & Poor's (affirmed April 21, 2014) 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.

# CITY OF KENTWOOD, MICHIGAN

## Management's Discussion and Analysis

### Economic Factors and Next Year's Budgets and Rates

At its initial adoption on May 20, 2014, the FY 2015 budget anticipated that total general fund revenues and expenditures would increase, as compared to the FY 2014 budget, by 1.59% and 1.58%, respectively. These changes were projected to result in a budget where revenues exceed expenditures by \$10,900. 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 increase, after four straight years of decreases, by \$100,400 (+1.8%). Under Proposal A, an increase in the taxable value of existing property, not affected by transfer of ownership or construction of additions, is limited to the rate of inflation or 5%, whichever is less. The 2013 Consumer Price Index (CPI) used as a measure of inflation was +1.6%. These percentages differed due to individual property values that changed at a rate different than the average or the rate of the CPI.

State shared revenue - The General Fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2014 budget, is projected to increase by \$110,600 (+3.01%), due to improving sales tax receipts. The FY 2015 budget includes state shared revenue comprised solely of constitutional state shared revenue, based on an estimate provided by the State of Michigan. Subsequent to adoption of the FY 2015 budget, the State of Michigan appropriated additional statutory state shared revenue distributions, which will provide additional FY 2015 revenue to the City of approximately \$129,000.

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 2015, and accumulated past collections and investment income, is sufficient to cover Police and Fire Department budgets without General Fund contributions in excess of \$4,928,400. At the end of FY 2015, it is anticipated that approximately \$7,500,000 will have accumulated in the Police and Fire Millage Fund for future use. In FY 2015, transfers also include \$125,000 of unexpended FY 2013 General Fund appropriations held in the Property and Building Fund for use in a later budget year, \$223,200 from the Library Fund toward increased 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 2015 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 2015. 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

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS

# CITY OF KENTWOOD, MICHIGAN

## Statement of Net Position

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 47,929,762	\$ 7,459,808	\$ 55,389,570	\$ 574,137
Receivables	7,142,961	1,338,233	8,481,194	238,457
Other assets	474,793	8,600	483,393	-
Capital assets not being depreciated	4,178,153	2,923,624	7,101,777	-
Capital assets being depreciated, net	45,953,818	14,001,714	59,955,532	-
<b>Total assets</b>	<b>105,679,487</b>	<b>25,731,979</b>	<b>131,411,466</b>	<b>812,594</b>
<b>Deferred outflows of resources</b>				
Loss on advance bond refundings, net	133,807	-	133,807	-
<b>Liabilities</b>				
Accounts payable and accrued liabilities	3,391,501	515,626	3,907,127	12,007
Unearned revenue	700,000	-	700,000	-
Long-term liabilities:				
Due within one year	2,142,525	-	2,142,525	-
Due in more than one year	20,725,943	-	20,725,943	-
<b>Total liabilities</b>	<b>26,959,969</b>	<b>515,626</b>	<b>27,475,595</b>	<b>12,007</b>
<b>Net position</b>				
Net investment in capital assets	30,785,364	16,925,338	47,710,702	-
Restricted for:				
Police and fire services	7,679,800	-	7,679,800	-
Drug law enforcement	224,296	-	224,296	-
Public works activities	19,118,442	-	19,118,442	-
Housing assistance	296,867	-	296,867	-
Parks and recreation	1,511,598	-	1,511,598	-
Library	955,728	-	955,728	-
Debt service	122,564	-	122,564	-
Unrestricted	18,158,666	8,291,015	26,449,681	800,587
<b>Total net position</b>	<b>\$ 78,853,325</b>	<b>\$ 25,216,353</b>	<b>\$ 104,069,678</b>	<b>\$ 800,587</b>

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

CITY OF KENTWOOD, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2014

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	\$ 5,344,930	\$ 3,390,992	\$ 253,968	\$ -	\$ (1,699,970)
Public safety	17,415,457	985,805	179,021	185,975	(16,064,656)
Public works	6,907,254	20,840	3,601,651	1,996,863	(1,287,900)
Community and economic development	273,439	20,725	-	-	(252,714)
Culture and recreation	2,125,609	425,209	732,109	-	(968,291)
Interest on long-term debt	577,762	-	-	-	(577,762)
Total governmental activities	<u>32,644,451</u>	<u>4,843,571</u>	<u>4,766,749</u>	<u>2,182,838</u>	<u>(20,851,293)</u>
Business-type activities:					
Water	2,459,488	3,245,194	-	-	785,706
Sewer	3,212,164	3,322,518	-	-	110,354
Total business-type activities	<u>5,671,652</u>	<u>6,567,712</u>	<u>-</u>	<u>-</u>	<u>896,060</u>
Total primary government	<u>\$ 38,316,103</u>	<u>\$ 11,411,283</u>	<u>\$ 4,766,749</u>	<u>\$ 2,182,838</u>	<u>\$(19,955,233)</u>
Component units					
Economic Development Authority	\$ 130,886	\$ 21,908	\$ 8,000	\$ -	\$ (100,978)
Brownfield Redevelopment Authority	1,500	-	-	-	(1,500)
Total component units	<u>\$ 132,386</u>	<u>\$ 21,908</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ (102,478)</u>

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# CITY OF KENTWOOD, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	<u>\$ (20,851,293)</u>	<u>\$ 896,060</u>	<u>\$ (19,955,233)</u>	<u>\$ (102,478)</u>
General revenues:				
Property taxes:				
General operating	5,512,840	-	5,512,840	-
Police and fire	11,521,378	-	11,521,378	-
Other purposes	827,834	-	827,834	16,615
Franchise fees	635,137	-	635,137	-
State shared revenues	3,659,743	-	3,659,743	-
Investment earnings	1,364,552	189,449	1,554,001	16,177
Gain on sale of capital assets	356,178	-	356,178	-
Insurance recoveries	93,330	-	93,330	-
Other general revenues	37,477	-	37,477	-
Transfers - internal activities	<u>(2,401,838)</u>	<u>2,401,838</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>21,606,631</u>	<u>2,591,287</u>	<u>24,197,918</u>	<u>32,792</u>
Change in net position	755,338	3,487,347	4,242,685	(69,686)
Net position, beginning of year, as restated	<u>78,097,987</u>	<u>21,729,006</u>	<u>99,826,993</u>	<u>870,273</u>
Net position, end of year	<u>\$ 78,853,325</u>	<u>\$ 25,216,353</u>	<u>\$ 104,069,678</u>	<u>\$ 800,587</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, 2014

	Special Revenue		
	General Fund	Police and Fire Millage	Major Streets
<b>Assets</b>			
Cash and pooled investments	\$ 5,186,801	\$ 7,586,805	\$ 7,617,768
Accounts receivable	635,132	114,777	5,074
Special assessments receivable	-	-	-
Interest receivable	-	-	-
Loans receivable	-	-	-
Due from other governments	751,925	-	385,819
Inventory	14,211	-	-
Prepaid items	460,522	-	-
<b>Total assets</b>	<b>\$ 7,048,591</b>	<b>\$ 7,701,582</b>	<b>\$ 8,008,661</b>
<b>Liabilities</b>			
Negative equity in cash and pooled investments	\$ -	\$ -	\$ -
Accounts payable	739,238	21,782	225,986
Accrued liabilities	646,687	-	-
Customer deposits	289,311	-	138,726
Due to other governments	207	-	-
Unearned revenue	-	-	700,000
<b>Total liabilities</b>	<b>1,675,443</b>	<b>21,782</b>	<b>1,064,712</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue	61,827	114,777	-
<b>Fund balances</b>			
Nonspendable	474,733	-	-
Restricted	249,140	7,565,023	6,943,949
Assigned	-	-	-
Unassigned	4,587,448	-	-
<b>Total fund balances</b>	<b>5,311,321</b>	<b>7,565,023</b>	<b>6,943,949</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,048,591</b>	<b>\$ 7,701,582</b>	<b>\$ 8,008,661</b>

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



Capital Projects			
2013 Construction	General Projects	Nonmajor Funds	Total
\$ -	\$ 6,460,707	\$ 21,135,514	\$ 47,987,595
-	-	22,255	777,238
-	3,849,870	-	3,849,870
-	106,688	-	106,688
-	-	266,439	266,439
851,268	-	153,714	2,142,726
-	-	-	14,211
-	-	60	460,582
<u>\$ 851,268</u>	<u>\$ 10,417,265</u>	<u>\$ 21,577,982</u>	<u>\$ 55,605,349</u>
\$ 95,570	\$ -	\$ -	\$ 95,570
755,695	-	406,295	2,148,996
-	-	270	646,957
-	-	-	428,037
-	-	3,071	3,278
-	-	-	700,000
<u>851,265</u>	<u>-</u>	<u>409,636</u>	<u>4,022,838</u>
-	3,593,173	176,143	3,945,920
-	-	60	474,793
3	363,385	12,714,827	27,836,327
-	6,460,707	8,277,316	14,738,023
-	-	-	4,587,448
<u>3</u>	<u>6,824,092</u>	<u>20,992,203</u>	<u>47,636,591</u>
<u>\$ 851,268</u>	<u>\$ 10,417,265</u>	<u>\$ 21,577,982</u>	<u>\$ 55,605,349</u>

# CITY OF KENTWOOD, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2014

Fund balances - total governmental funds \$ 47,636,591

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	4,178,153
Capital assets being depreciated, net	45,953,818

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	3,593,173
Deferred inflows for delinquent personal property taxes receivable	184,925
Deferred inflows for housing rehabilitation loans receivable	167,822

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	11,737
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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	(19,424,235)
Unamortized premiums on bonds payable	(56,182)
Deferred loss on bond refunding	133,807
Landfill clean-up and other costs	(1,759,099)
Compensated absences payable	(1,628,952)
Accrued interest on bonds payable	(138,233)

Net position of governmental activities	<u>\$ 78,853,325</u>
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The accompanying notes are an integral part of these financial statements.

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# CITY OF KENTWOOD, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue		
	General Fund	Police and Fire Millage	Major Streets
<b>Revenues</b>			
Taxes	\$ 5,518,505	\$ 11,525,010	\$ -
Special assessments	-	-	-
Intergovernmental	4,540,329	-	2,471,834
Licenses and permits	1,582,026	-	-
Charges for services	1,487,750	-	-
Fines and forfeitures	1,329,534	-	-
Investment income	147,266	305,554	198,815
Miscellaneous	261,485	-	9,606
<b>Total revenues</b>	<b>14,866,895</b>	<b>11,830,564</b>	<b>2,680,255</b>
<b>Expenditures</b>			
Current:			
Judicial	1,472,029	-	-
General government	2,947,446	-	-
Public safety	15,711,772	20,000	-
Highways and streets	-	-	2,391,139
Public works	1,720,219	-	-
Community and economic development	273,439	-	-
Culture and recreation	1,662,042	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>23,786,947</b>	<b>20,000</b>	<b>2,391,139</b>
<b>Revenues over (under) expenditures</b>	<b>(8,920,052)</b>	<b>11,810,564</b>	<b>289,116</b>
<b>Other financing sources (uses)</b>			
Transfers in	11,095,771	-	117,800
Transfers out	(2,079,977)	(10,830,178)	(1,315,000)
Proceeds from sale of capital assets	-	-	-
Insurance recoveries	93,330	-	-
Issuance of long term debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>9,109,124</b>	<b>(10,830,178)</b>	<b>(1,197,200)</b>
<b>Net change in fund balances</b>	<b>189,072</b>	<b>980,386</b>	<b>(908,084)</b>
<b>Fund balances, beginning of year</b>	<b>5,122,249</b>	<b>6,584,637</b>	<b>7,852,033</b>
<b>Fund balances, end of year</b>	<b>\$ 5,311,321</b>	<b>\$ 7,565,023</b>	<b>\$ 6,943,949</b>

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

Capital Projects			
2013 Construction	General Projects	Nonmajor Funds	Total
\$ -	\$ -	\$ 828,280	\$ 17,871,795
-	358,428	30,693	389,121
-	-	1,016,566	8,028,729
-	-	-	1,582,026
-	-	1,158,205	2,645,955
-	-	-	1,329,534
-	433,381	554,382	1,639,398
-	-	183,294	454,385
-	791,809	3,771,420	33,940,943
-	-	-	1,472,029
-	-	-	2,947,446
-	-	59,000	15,790,772
-	-	2,720,708	5,111,847
-	-	545,917	2,266,136
-	-	35,471	308,910
-	-	302,346	1,964,388
-	-	1,890,000	1,890,000
-	-	567,703	567,703
24,150	-	-	24,150
2,527,432	-	1,588,950	4,116,382
2,551,582	-	7,710,095	36,459,763
(2,551,582)	791,809	(3,938,675)	(2,518,820)
550	-	5,042,265	16,256,386
(318,200)	-	(1,587,437)	(16,130,792)
-	-	356,178	356,178
-	-	-	93,330
2,869,235	-	-	2,869,235
2,551,585	-	3,811,006	3,444,337
3	791,809	(127,669)	925,517
-	6,032,283	21,119,872	46,711,074
\$ 3	\$ 6,824,092	\$ 20,992,203	\$ 47,636,591

# 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, 2014

Net change in fund balances - total governmental funds \$ 925,517

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

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

Capital assets purchased/constructed	2,888,300
Donated capital assets	1,556,791
Depreciation expense	(3,177,991)
Proceeds from sale of capital assets	(356,178)
Gain on sale of capital assets	356,178

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	(163,485)
Change in deferred personal property taxes receivable	(9,743)
Change in deferred housing rehabilitation loans	(7,120)

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	6,785
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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	(2,869,235)
Principal payments on long-term debt	1,890,000
Amortization of premium on long-term debt	17,525
Amortization of deferred loss on bond refunding	(29,758)
Change in landfill clean-up liability	(18,637)

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	(255,785)
Change in accrued interest payable	2,174

Change in net position of governmental activities	\$ 755,338
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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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 5,571,900	\$ 5,571,900	\$ 5,518,505	\$ (53,395)
Intergovernmental	4,884,400	4,884,400	4,540,329	(344,071)
Licenses and permits	1,527,400	1,527,400	1,582,026	54,626
Charges for services	1,436,400	1,436,400	1,487,750	51,350
Fines and forfeitures	1,325,000	1,325,000	1,329,534	4,534
Investment income	130,000	130,000	147,266	17,266
Miscellaneous	102,600	102,600	261,485	158,885
<b>Total revenues</b>	<b>14,977,700</b>	<b>14,977,700</b>	<b>14,866,895</b>	<b>(110,805)</b>
<b>Expenditures</b>				
<b>Current:</b>				
Judicial	1,455,100	1,455,100	1,472,029	16,929
General government	3,291,500	3,339,000	2,947,446	(391,554)
Public safety	16,942,400	16,942,400	15,711,772	(1,230,628)
Public works	1,909,000	1,909,000	1,720,219	(188,781)
Community and economic development	281,300	281,300	273,439	(7,861)
Culture and recreation	2,096,700	2,096,700	1,662,042	(434,658)
<b>Total expenditures</b>	<b>25,976,000</b>	<b>26,023,500</b>	<b>23,786,947</b>	<b>(2,236,553)</b>
Revenues under expenditures	(10,998,300)	(11,045,800)	(8,920,052)	2,125,748
<b>Other financing sources (uses)</b>				
Transfers in	12,366,300	12,366,300	11,095,771	(1,270,529)
Transfers out	(1,359,200)	(1,359,200)	(2,079,977)	(720,777)
Insurance recoveries	-	-	93,330	93,330
<b>Total other financing sources (uses)</b>	<b>11,007,100</b>	<b>11,007,100</b>	<b>9,109,124</b>	<b>(1,897,976)</b>
Net change in fund balance	8,800	(38,700)	189,072	227,772
Fund balance, beginning of year	5,122,249	5,122,249	5,122,249	-
<b>Fund balance, end of year</b>	<b>\$ 5,131,049</b>	<b>\$ 5,083,549</b>	<b>\$ 5,311,321</b>	<b>\$ 227,772</b>

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Taxes	\$ 11,682,100	\$ 11,682,100	\$ 11,525,010	\$ (157,090)
Investment income	250,000	250,000	305,554	55,554
<b>Total revenues</b>	<b>11,932,100</b>	<b>11,932,100</b>	<b>11,830,564</b>	<b>(101,536)</b>
Expenditures				
Public safety	20,000	20,000	20,000	-
<b>Revenues over expenditures</b>	<b>11,912,100</b>	<b>11,912,100</b>	<b>11,810,564</b>	<b>(101,536)</b>
Other financing uses				
Transfers out	(11,864,200)	(11,864,200)	(10,830,178)	1,034,022
<b>Net change in fund balance</b>	<b>47,900</b>	<b>47,900</b>	<b>980,386</b>	<b>932,486</b>
Fund balance, beginning of year	6,584,637	6,584,637	6,584,637	-
<b>Fund balance, end of year</b>	<b>\$ 6,632,537</b>	<b>\$ 6,632,537</b>	<b>\$ 7,565,023</b>	<b>\$ 932,486</b>

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 2,152,700	\$ 2,152,700	\$ 2,471,834	\$ 319,134
Investment income	210,000	210,000	198,815	(11,185)
Miscellaneous	5,000	5,000	9,606	4,606
<b>Total revenues</b>	<b>2,367,700</b>	<b>2,367,700</b>	<b>2,680,255</b>	<b>312,555</b>
Expenditures				
Highways and streets	2,260,500	2,768,100	2,391,139	(376,961)
<b>Revenues over (under) expenditures</b>	<b>107,200</b>	<b>(400,400)</b>	<b>289,116</b>	<b>689,516</b>
Other financing sources (uses)				
Transfers in	160,000	160,000	117,800	(42,200)
Transfers out	(677,200)	(1,570,000)	(1,315,000)	255,000
<b>Total other financing sources (uses)</b>	<b>(517,200)</b>	<b>(1,410,000)</b>	<b>(1,197,200)</b>	<b>212,800</b>
<b>Net change in fund balance</b>	<b>(410,000)</b>	<b>(1,810,400)</b>	<b>(908,084)</b>	<b>902,316</b>
Fund balance, beginning of year	7,852,033	7,852,033	7,852,033	-
<b>Fund balance, end of year</b>	<b>\$ 7,442,033</b>	<b>\$ 6,041,633</b>	<b>\$ 6,943,949</b>	<b>\$ 902,316</b>

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

# CITY OF KENTWOOD, MICHIGAN

## Statement of Net Position

Proprietary Funds

June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 2,231,229	\$ 5,228,579	\$ 7,459,808	\$ 37,737
Accounts receivable	673,338	664,895	1,338,233	-
Prepaid items	4,300	4,300	8,600	-
Total current assets	<u>2,908,867</u>	<u>5,897,774</u>	<u>8,806,641</u>	<u>37,737</u>
Noncurrent assets:				
Capital assets not being depreciated	2,923,624	-	2,923,624	-
Capital assets being depreciated, net	8,433,163	5,568,551	14,001,714	-
Total noncurrent assets	<u>11,356,787</u>	<u>5,568,551</u>	<u>16,925,338</u>	<u>-</u>
<b>Total assets</b>	<u>14,265,654</u>	<u>11,466,325</u>	<u>25,731,979</u>	<u>37,737</u>
<b>Liabilities (all current)</b>				
Accounts payable	<u>295,362</u>	<u>220,264</u>	<u>515,626</u>	<u>26,000</u>
<b>Net position</b>				
Net investment in capital assets	11,356,787	5,568,551	16,925,338	-
Unrestricted	<u>2,613,505</u>	<u>5,677,510</u>	<u>8,291,015</u>	<u>11,737</u>
<b>Total net position</b>	<u>\$ 13,970,292</u>	<u>\$ 11,246,061</u>	<u>\$ 25,216,353</u>	<u>\$ 11,737</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, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Operating revenues	\$ 3,245,194	\$ 3,322,518	\$ 6,567,712	\$ 177,075
Operating expenses				
Administration	25,000	-	25,000	-
Contractual services	1,564,300	2,541,297	4,105,597	7,276
Depreciation	465,682	343,926	809,608	-
Claims	-	-	-	163,014
Supplies	153,946	61,689	215,635	-
Engineering	7,300	176,424	183,724	-
Rent	40,000	-	40,000	-
Utilities	98,330	9,715	108,045	-
Miscellaneous	104,930	79,113	184,043	-
Total operating expenses	2,459,488	3,212,164	5,671,652	170,290
Operating income	785,706	110,354	896,060	6,785
Nonoperating revenues				
Interest and dividends	43,413	117,801	161,214	-
Change in market value of securities	7,603	20,632	28,235	-
Total nonoperating revenues	51,016	138,433	189,449	-
Net income before transfers and capital contributions	836,722	248,787	1,085,509	6,785
Transfers				
Transfers in	318,200	-	318,200	-
Transfers out	(192,686)	(251,108)	(443,794)	-
Total transfers	125,514	(251,108)	(125,594)	-
Capital contributions	2,527,432	-	2,527,432	-
Change in net position	3,489,668	(2,321)	3,487,347	6,785
Net position, beginning of year	10,480,624	11,248,382	21,729,006	4,952
Net position, end of year	\$ 13,970,292	\$ 11,246,061	\$ 25,216,353	\$ 11,737

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, 2014

	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	\$ 3,246,191	\$ 3,283,387	\$ 6,529,578	\$ -
Receipts from interfund services	-	-	-	177,046
Payments to suppliers	(2,012,243)	(2,940,191)	(4,952,434)	(174,290)
Net cash provided by operating activities	<u>1,233,948</u>	<u>343,196</u>	<u>1,577,144</u>	<u>2,756</u>
Cash flows from non-capital financing activities				
Transfers in	318,200	-	318,200	-
Transfers out	(192,686)	(251,108)	(443,794)	-
Cash flows provided by (used in) non-capital and related financing activities	<u>125,514</u>	<u>(251,108)</u>	<u>(125,594)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(868,389)	(42,388)	(910,777)	-
Cash flows from investing activities				
Interest received on investments	43,413	117,801	161,214	-
Change in market value of securities	7,603	20,632	28,235	-
Net cash flows provided by investing activities	<u>51,016</u>	<u>138,433</u>	<u>189,449</u>	<u>-</u>
Net change in cash and pooled investments	542,089	188,133	730,222	2,756
Cash and pooled investments, beginning of year	<u>1,689,140</u>	<u>5,040,446</u>	<u>6,729,586</u>	<u>34,981</u>
Cash and pooled investments, end of year	<u>\$ 2,231,229</u>	<u>\$ 5,228,579</u>	<u>\$ 7,459,808</u>	<u>\$ 37,737</u>

continued...

# CITY OF KENTWOOD, MICHIGAN

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2014

	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	\$ 785,706	\$ 110,354	\$ 896,060	\$ 6,785
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense	465,682	343,926	809,608	-
Changes in operating assets and liabilities:				
Accounts receivable	997	(39,131)	(38,134)	-
Prepaid items	(4,300)	(4,300)	(8,600)	-
Accounts payable	(14,137)	(67,653)	(81,790)	(4,000)
Unearned revenue	-	-	-	(29)
Net cash provided by operating activities	<u>\$ 1,233,948</u>	<u>\$ 343,196</u>	<u>\$ 1,577,144</u>	<u>\$ 2,756</u>

concluded

### Non-cash transactions

For the year ended June 30, 2014, the City recognized capital contributions of \$2,527,432 for improvements to its water system. The project is being funded by a loan through the drinking water revolving fund program. The loan activity is being accounted for in the 2013 construction capital projects fund. Accordingly, this represents a non-cash transaction to the water enterprise fund.

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

# CITY OF KENTWOOD, MICHIGAN

## Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Pension and OPEB Trust Funds	Agency Fund  Tax Collection
<b>Assets</b>		
Cash and pooled investments	\$ -	\$ 77,837
Taxes receivable	-	689,063
Interest receivable	13,154	-
Investments:		
Money market funds	2,199,217	-
Domestic fixed income mutual funds	12,575,357	-
International fixed income mutual funds	1,278,398	-
Domestic equity mutual funds	16,773,082	-
International equity mutual funds	2,068,535	-
Real estate investment trust funds	353,715	-
<b>Total assets</b>	<u>35,261,458</u>	<u>\$ 766,900</u>
<b>Liabilities</b>		
Negative equity in cash and pooled investments	198,266	-
Accounts payable	155,921	-
Due to other governments	-	766,900
<b>Total liabilities</b>	<u>354,187</u>	<u>\$ 766,900</u>
<b>Net position</b>		
Restricted for pension and other postemployment benefits	<u>\$ 34,907,271</u>	

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, 2014

	Pension and OPEB Trust Funds
<b>Additions</b>	
Contributions:	
Employer	\$ 1,660,832
Plan participants	228,636
Total contributions	<u>1,889,468</u>
Investment income:	
Net appreciation in fair value of securities	2,926,282
Interest	3,037
Dividends	1,032,826
Net change in fair value of investments	<u>3,962,145</u>
Investment expense	(109,740)
Net investment income	<u>3,852,405</u>
Other income	<u>32,983</u>
Total additions	<u>5,774,856</u>
<b>Deductions</b>	
Distributions and benefit payments	955,203
Administrative expenses	51,595
Total deductions	<u>1,006,798</u>
Change in net position	4,768,058
Net position, beginning of year	<u>30,139,213</u>
Net position, end of year	<u>\$ 34,907,271</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, 2014

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and pooled investments	\$ 499,108	\$ 75,029	\$ 574,137
Loans receivable	238,457	-	238,457
<b>Total assets</b>	<b>737,565</b>	<b>75,029</b>	<b>812,594</b>
<b>Liabilities</b>			
Accounts payable	9,291	-	9,291
Accrued liabilities	2,716	-	2,716
<b>Total liabilities</b>	<b>12,007</b>	<b>-</b>	<b>12,007</b>
<b>Net position</b>			
Unrestricted	\$ 725,558	\$ 75,029	\$ 800,587

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, 2014

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
Expenses			
Community and economic development	\$ 130,886	\$ -	\$ 130,886
Brownfield redevelopment	-	1,500	1,500
<b>Total expenses</b>	<b>130,886</b>	<b>1,500</b>	<b>132,386</b>
Program revenues			
Charges for services	21,908	-	21,908
Operating grants and contributions	8,000	-	8,000
<b>Total program revenues</b>	<b>29,908</b>	<b>-</b>	<b>29,908</b>
<b>Net (expense) revenue</b>	<b>(100,978)</b>	<b>(1,500)</b>	<b>(102,478)</b>
General revenues			
Property taxes	-	16,615	16,615
Unrestricted interest and dividends	12,119	1,647	13,766
Unrestricted change in market value of securities	2,122	289	2,411
<b>Total general revenues</b>	<b>14,241</b>	<b>18,551</b>	<b>32,792</b>
<b>Change in net position</b>	<b>(86,737)</b>	<b>17,051</b>	<b>(69,686)</b>
<b>Net position, beginning of year</b>	<b>812,295</b>	<b>57,978</b>	<b>870,273</b>
<b>Net position, end of year</b>	<b>\$ 725,558</b>	<b>\$ 75,029</b>	<b>\$ 800,587</b>

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

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## NOTES TO FINANCIAL STATEMENTS

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *City of Kentwood, Michigan* (the “City”), was incorporated in 1967 and operates under an elected Mayor-Commission form of government. The City provides the following services: public safety (police, 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. Because the board members are appointed by the City Commission, the City exercises effective control over the activity of the Brownfield Redevelopment Authority.

**Economic Development Corporation** - The Economic Development Corporation is governed by a board of up to 13 members 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. Because the board members are appointed by the City Commission, the City exercises effective control over the activity of the Economic Development Corporation.

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

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### Funds with Other Year Ends

The financial statements of the defined benefit pension trust fund have been included in the accompanying 2014 financial statements using the fiscal year ended December 31, 2013.

### 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 a 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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

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.

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 *2013 construction capital projects fund* accounts for proceeds of the drinking water revolving fund loan program through the federal government and Michigan Department of Environmental Quality. The loan is authorized in an amount up to \$6,250,000. Proceeds are recognized as the related expenditures are incurred.

The *general projects capital projects fund* accounts for resources restricted, committed or 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.



# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

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.

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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

*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 function 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.

### *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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

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).

### *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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial 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, water mains, storage tanks and sewer mains	40-50
Water meters	20
Storage tank improvements	15
Transportation and other equipment	4-20
Public domain infrastructure	20-50

### *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 160-240 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 8 to 12 hours per month of employment depending on bargaining unit. Unused accumulated sick leave, up to a maximum of 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. Unearned revenue reported in the major streets fund of \$700,000 relates to an initial payment received from the State of Michigan Department of Transportation for a construction project on 52nd Street that has not commenced.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### *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.

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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### *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.

## 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2014, 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
<b>General fund</b>			
Judicial - District Court	\$ 1,455,100	\$ 1,472,029	\$ 16,929
Public works - engineering	177,300	177,432	132
Transfers out	1,359,200	2,079,977	720,777
<b>Housing commission</b>			
Community and economic development	25,800	35,471	9,671
<b>Library fund</b>			
Transfers out	788,700	795,505	6,805

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### 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	\$ 55,389,570	\$ 77,837	\$ 574,137	\$ 56,041,544
Investments	-	35,248,304	-	35,248,304
Negative equity in pooled cash and investments	-	(198,266)	-	(198,266)
<b>Total deposits and investments</b>	<b>\$ 55,389,570</b>	<b>\$ 35,127,875</b>	<b>\$ 574,137</b>	<b>\$ 91,091,582</b>

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

Deposits (checking and savings accounts)	\$ 6,187,954
Petty cash	3,850
Certificates of deposit (due within one year)	719,577
Certificates of deposit (due in 1 to 5 years)	236,208
Investments - primary government	48,695,689
Investments - pension trust fund	32,180,205
Investments - other postemployment benefits trust fund	3,068,099
<b>Total deposits and investments</b>	<b>\$ 91,091,582</b>

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 06/30/2014	Pension Trust Fund at 12/31/2013	OPEB Trust Fund at 06/30/2014
No maturity	\$ 10,014,898	\$ 32,180,205	\$ 3,068,099
Less than 1 year	500,281	-	-
1 to 5 years	611,036	-	-
6 to 10 years	1,346,676	-	-
11 to 15 years	3,237,750	-	-
16 to 20 years	6,641,298	-	-
21 to 25 years	14,357,993	-	-
26 to 30 years	11,985,757	-	-
<b>Total</b>	<b>\$ 48,695,689</b>	<b>\$ 32,180,205</b>	<b>\$ 3,068,099</b>

*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, 2013, are summarized as follows:

	Primary Government at 06/30/2014	Pension Trust Fund at 12/31/2013	OPEB Trust Fund at 06/30/2014
Not rated	\$ -	\$ 2,199,217	\$ -
Not subject to credit risk	10,014,898	29,980,988	3,068,099
S&P AAA	38,680,791	-	-
<b>Total</b>	<b>\$ 48,695,689</b>	<b>\$ 32,180,205</b>	<b>\$ 3,068,099</b>

*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, \$3,196,330 of the City's bank balance of \$7,590,934 was exposed to custodial credit risk because it was uninsured and uncollateralized.



# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

*Custodial Credit Risk - Investments.* Following is a summary of the primary government and OPEB trust fund investments as of June 30, 2014 and pension trust fund investments as of December 31, 2013:

	Primary Government at 06/30/2014	Pension Trust Fund at 12/31/2013	OPEB Trust Fund at 06/30/2014
Money market funds	\$ -	\$ 2,199,217	\$ -
U.S. treasuries	500,570	-	-
U.S. agencies	38,180,221	-	-
Domestic fixed income mutual funds	10,014,898	9,507,258	3,068,099
International fixed income mutual funds	-	1,278,398	-
Domestic equity mutual funds	-	16,773,082	-
International equity mutual funds	-	2,068,535	-
Real estate investment trust funds	-	353,715	-
<b>Total</b>	<b>\$ 48,695,689</b>	<b>\$ 32,180,205</b>	<b>\$ 3,068,099</b>

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	7.90%
Vanguard 500 Index Fund - Signal Shares	6.26%
Ishares Core S&P 500 ETF	5.92%

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

*Foreign Currency Risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension trust mitigates foreign currency risk by requiring the portfolio to be broadly diversified by number of holdings, by geographic location and across industry sectors. Country exposures are monitored through a quarterly performance report. The pension trust's exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Pension Trust
International fixed income mutual funds	\$ 1,278,398
International equity mutual funds	<u>2,068,535</u>
<b>Total</b>	<b><u>\$ 3,346,933</u></b>

*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, 2014 are summarized as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Interest and dividends (realized)	\$ 1,436,030	\$ 161,214	\$ 1,035,863	\$ 13,766
Change in fair market value of securities (unrealized)	203,368	28,235	2,926,282	2,411
Less: interest on loans and special assessments	<u>(274,846)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total investment income</b>	<b><u>\$ 1,364,552</u></b>	<b><u>\$ 189,449</u></b>	<b><u>\$ 3,962,145</u></b>	<b><u>\$ 16,177</u></b>

## 4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Accounts	\$ 592,313	\$ 1,338,233	\$ -	\$ -
Taxes	184,925	-	-	-
Special assessments	3,849,870	-	-	-
Interest	106,688	-	13,154	-
Loans	266,439	-	-	238,457
Due from other governments	<u>2,142,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total receivables</b>	<b><u>\$ 7,142,961</u></b>	<b><u>\$ 1,338,233</u></b>	<b><u>\$ 13,154</u></b>	<b><u>\$ 238,457</u></b>

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

Of the total reported above, \$383,955 of the loans receivable, \$3,593,173 of special assessments receivable, and \$184,925 of delinquent personal property taxes receivable are not expected to be collected within one year.

Accounts receivable of governmental activities are reported net of an allowance of \$32,780 for potentially uncollectible balances.

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		\$ 3,593,173
Delinquent personal property taxes receivable		184,925
Housing rehabilitation loans receivable		<u>167,822</u>
 Total		 <u><u>\$ 3,945,920</u></u>

## 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	\$ 2,174,996	\$ 515,626	\$ 155,921	\$ 9,291
Accrued liabilities	646,957	-	-	2,716
Customer deposits	428,037	-	-	-
Due to other governments	3,278	-	766,900	-
Accrued interest on long-term debt	138,233	-	-	-
 Total	 <u><u>\$ 3,391,501</u></u>	 <u><u>\$ 515,626</u></u>	 <u><u>\$ 922,821</u></u>	 <u><u>\$ 12,007</u></u>

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### 6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2014 are as follows:

Transfers out	Transfers in					Totals
	General Fund	Major Streets Fund	2013 Construction Fund	Water Fund	Nonmajor Funds	
General fund	\$ -	\$ -	\$ -	\$ -	\$ 2,079,977	\$ 2,079,977
Police and fire millage fund	10,830,178	-	-	-	-	10,830,178
Major streets fund	-	-	-	-	1,315,000	1,315,000
2013 construction fund	-	-	-	318,200	-	318,200
Nonmajor governmental funds	265,593	117,800	-	-	1,204,044	1,587,437
Water fund	-	-	550	-	192,136	192,686
Sewer fund	-	-	-	-	251,108	251,108
<b>Totals</b>	<b>\$11,095,771</b>	<b>\$ 117,800</b>	<b>\$ 550</b>	<b>\$ 318,200</b>	<b>\$ 5,042,265</b>	<b>\$16,574,586</b>

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, 2014 was as follows:

	Beginning Balance*	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated					
Land	\$ 2,707,228	\$ 14,336	\$ -	\$ -	\$ 2,721,564
Construction in progress	762,254	1,407,515	-	(713,180)	1,456,589
	<u>3,469,482</u>	<u>1,421,851</u>	<u>-</u>	<u>(713,180)</u>	<u>4,178,153</u>
Capital assets, being depreciated:					
Land improvements	2,978,627	322,649	-	-	3,301,276
Buildings	32,353,880	-	(598,694)	-	31,755,186
Equipment	4,283,044	531,491	(58,009)	347,397	5,103,923
Vehicles	5,850,961	147,671	(317,387)	-	5,681,245
Infrastructure	51,133,618	2,021,429	-	365,783	53,520,830
	<u>96,600,130</u>	<u>3,023,240</u>	<u>(974,090)</u>	<u>713,180</u>	<u>99,362,460</u>
Less accumulated depreciation for:					
Land improvements	(1,291,223)	(127,452)	-	-	(1,418,675)
Buildings	(11,992,289)	(1,182,176)	598,694	-	(12,575,771)
Equipment	(2,772,322)	(428,100)	58,009	-	(3,142,413)
Vehicles	(4,127,754)	(415,460)	317,387	-	(4,225,827)
Infrastructure	(31,021,153)	(1,024,803)	-	-	(32,045,956)
	<u>(51,204,741)</u>	<u>(3,177,991)</u>	<u>974,090</u>	<u>-</u>	<u>(53,408,642)</u>
Capital assets being depreciated, net	<u>45,395,389</u>	<u>(154,751)</u>	<u>-</u>	<u>713,180</u>	<u>45,953,818</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$48,864,871</b></u>	<u><b>\$ 1,267,100</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$50,131,971</b></u>

\* The beginning balance of governmental activities capital assets was restated (i.e., reduced) by \$1,224,000 to remove an asset that was included in error in prior years.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Business-type activities</b>					
<b>Capital assets, not being depreciated</b>					
Land	\$ 60,949	\$ -	\$ -	\$ -	\$ 60,949
Construction in progress	194,832	2,806,616	-	(138,773)	2,862,675
	<u>255,781</u>	<u>2,806,616</u>	<u>-</u>	<u>(138,773)</u>	<u>2,923,624</u>
<b>Capital assets, being depreciated:</b>					
Buildings	260,229	-	-	-	260,229
Equipment	2,270,996	88,940	-	-	2,359,936
Meters	1,317,663	26,420	-	-	1,344,083
Water mains	9,800,668	92,758	-	136,273	10,029,699
Sewer mains	16,795,245	-	-	-	16,795,245
Storage	3,107,058	423,475	-	2,500	3,533,033
	<u>33,551,859</u>	<u>631,593</u>	<u>-</u>	<u>138,773</u>	<u>34,322,225</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(176,275)	(9,314)	-	-	(185,589)
Equipment	(364,011)	(24,529)	-	-	(388,540)
Meters	(584,876)	(32,598)	-	-	(617,474)
Water mains	(5,330,861)	(284,066)	-	-	(5,614,927)
Sewer mains	(10,945,646)	(338,024)	-	-	(11,283,670)
Storage	(2,109,234)	(121,077)	-	-	(2,230,311)
	<u>(19,510,903)</u>	<u>(809,608)</u>	<u>-</u>	<u>-</u>	<u>(20,320,511)</u>
Capital assets being depreciated, net	<u>14,040,956</u>	<u>(178,015)</u>	<u>-</u>	<u>138,773</u>	<u>14,001,714</u>
<b>Business-type activities capital assets, net</b>	<u>\$14,296,737</u>	<u>\$ 2,628,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,925,338</u>

At June 30, 2014, the City had construction commitments related to various street, trail, sewer, and water projects totaling approximately \$4.0 million.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

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

Governmental activities	
General government	\$ 726,760
Public safety	556,249
Public works	1,480,026
Culture and recreation	<u>414,956</u>
<b>Total governmental activities</b>	<b><u>\$ 3,177,991</u></b>
Business-type activities	
Water	\$ 465,682
Sewer	<u>343,926</u>
<b>Total business-type activities</b>	<b><u>\$ 809,608</u></b>

## 8. LONG-TERM DEBT

The following is a summary of long-term debt of the City for the year ended June 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$18,445,000	\$ 2,869,235	\$ (1,890,000)	\$19,424,235	\$ 2,050,000
Unamortized premiums	73,707	-	(17,525)	56,182	17,525
Compensated absences	1,373,167	255,785	-	1,628,952	-
Landfill clean-up and other costs	<u>1,740,462</u>	<u>87,023</u>	<u>(68,386)</u>	<u>1,759,099</u>	<u>75,000</u>
<b>Total</b>	<b><u>\$21,632,336</u></b>	<b><u>\$ 3,212,043</u></b>	<b><u>\$ (1,975,911)</u></b>	<b><u>\$22,868,468</u></b>	<b><u>\$ 2,142,525</u></b>

### Bonds payable

2005 Capital Improvement Bonds, due in annual installments of \$265,000 to \$420,000 through 2020; interest payable semi-annually at 3.0 to 4.1 percent \$ 2,295,000

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 6,550,000

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 1,645,000

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

2013 Drinking Water Revolving Fund water main improvement loan (general obligation), due in annual installments of \$255,000 to \$375,000 through 2035; interest payable semi-annually at 2.0 percent. Loan authorized for up to \$6,250,000 2,869,235

**Total bonds payable** **\$19,424,235**

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

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

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, 2014 are as follows:

Governmental Activities		
Year Ended June 30,	Principal	Interest
2015	\$ 2,050,000	\$ 563,730
2016	2,360,000	524,216
2017	1,560,000	454,144
2018	1,605,000	415,724
2019	1,675,000	373,664
2020-2024	7,155,000	1,220,773
2025-2029	<u>3,019,235</u>	<u>414,876</u>
<b>Total</b>	<b><u>\$19,424,235</u></b>	<b><u>\$ 3,967,127</u></b>

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, 2014 was \$83,765,000.

## 9. FUND BALANCES

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	Capital Projects Funds	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 14,211	\$ -	\$ -	\$ -	\$ -	\$ 14,211
Prepays	460,522	-	-	-	60	460,582
<b>Total nonspendable</b>	<b><u>474,733</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>60</u></b>	<b><u>474,793</u></b>



# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

	General Fund	Police and Fire Millage	Major Streets	Capital Projects Funds	Nonmajor Funds	Total
Restricted for:						
Streets	\$ -	\$ -	\$ 6,943,949	\$ -	\$ 4,279,085	\$ 11,223,034
Police and fire services	-	7,565,023	-	-	-	7,565,023
Drug law enforcement	224,296	-	-	-	-	224,296
Housing activities	-	-	-	-	129,045	129,045
Fourth of July program	22,000	-	-	-	-	22,000
Park acquisition and improvements	-	-	-	-	1,485,038	1,485,038
Sponsorships	2,844	-	-	-	-	2,844
Street lighting	-	-	-	-	810,038	810,038
Landfill remediation	-	-	-	-	1,672,438	1,672,438
Drains	-	-	-	-	3,128,690	3,128,690
Library	-	-	-	-	949,696	949,696
Debt service	-	-	-	-	260,797	260,797
Capital projects	-	-	-	363,388	-	363,388
<b>Total restricted</b>	<b>249,140</b>	<b>7,565,023</b>	<b>6,943,949</b>	<b>363,388</b>	<b>12,714,827</b>	<b>27,836,327</b>
Assigned for:						
DPW equipment	-	-	-	-	1,814,959	1,814,959
Fire equipment	-	-	-	-	1,100,568	1,100,568
Police equipment	-	-	-	-	468,156	468,156
Capital projects	-	-	-	6,460,707	4,893,633	11,354,340
<b>Total assigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,460,707</b>	<b>8,277,316</b>	<b>14,738,023</b>
Unassigned	4,587,448	-	-	-	-	4,587,448
<b>Total fund balances - governmental funds</b>	<b>\$ 5,311,321</b>	<b>\$ 7,565,023</b>	<b>\$ 6,943,949</b>	<b>\$ 6,824,095</b>	<b>\$ 20,992,203</b>	<b>\$ 47,636,591</b>

## 10. NET INVESTMENT IN CAPITAL ASSETS

The composition of the City's net investment in capital assets as of June 30, 2014, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 4,178,153	\$ 2,923,624
Capital assets being depreciated, net	45,953,818	14,001,714
	<u>50,131,971</u>	<u>16,925,338</u>
Related debt:		
Total bonds payable	19,424,235	-
Net bond premiums	56,182	-
Deferred loss on advance refunding	(133,807)	-
Unexpended loan proceeds	(3)	-
	<u>19,346,607</u>	<u>-</u>
<b>Net investment in capital assets</b>	<b><u>\$30,785,364</u></b>	<b><u>\$16,925,338</u></b>

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### 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, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	31
Terminated members not yet receiving benefits	9
Active plan members	<u>55</u>
 Total membership	 <u><u>95</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.

*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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

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, 2013 was \$1,637,000.

Net pension obligation, beginning of year	\$ -
Annual required contribution/annual pension cost	1,637,000
Contribution made by the City	<u>(1,637,000)</u>
Net pension obligation, end of year	<u>\$ -</u>

*Funded Status and Funding Progress.* As of January 1, 2014, the date of the most recent actuarial valuation, the Plan was 90.1 percent funded. The actuarial accrued liability for benefits was \$34,945,217, and the actuarial value of assets was \$31,517,435, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,427,782. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,028,722 and the ratio of the UAAL to the covered payroll was 85.1 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, 2014. 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.

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 3 years. During the Plan year ended December 31, 2013, contributions totaling \$1,865,636 (\$1,637,000 employer and \$228,636 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
2011	\$ 1,120,000	100%	\$ -
2012	1,675,000	100%	-
2013	1,637,000	100%	-

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

### 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 \$794,369 was calculated using the employee compensation amount of \$8,869,758. City employees also made pre-tax mandatory contributions to the Plan totaling \$372,066, 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.

*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, 2014, the City contributed \$23,832 (\$74,414 for service cost associated with the current period, net of \$50,582 for amortization of the overfunded liability). Plan members receiving benefits contributed \$0 for postemployment health coverage.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

*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	\$ 23,832
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Net OPEB cost (expense)	23,832
Contributions made	(23,832)
	<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 2014 and the two preceding years were as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 82,796	100%	\$ -
2013	37,699	100%	-
2014	23,832	100%	-

*Funded Status and Funding Progress.* As of June 30, 2014, the date of the most recent actuarial valuation, the Plan was 131.1% funded. The actuarial accrued liability for benefits was \$1,882,093, and the actuarial value of assets was \$2,467,208, resulting in a negative unfunded actuarial accrued liability (UAAL) of \$585,115. The covered payroll (annual payroll of the active employees covered by the Plan) was \$12,226,872 and the ratio of the UAAL to the covered payroll was (4.8)%.

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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

*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, 2014 actuarial valuation (based on participant data as of December 31, 2013), the projected 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 8 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 <sup>1</sup>	OPEB Trust	Total
<b>Assets</b>			
Interest receivable	\$ 13,154	\$ -	\$ 13,154
Investments:			
Money market funds	2,199,217	-	2,199,217
Domestic fixed income mutual funds	9,507,258	3,068,099	12,575,357
International fixed income mutual funds	1,278,398	-	1,278,398
Domestic equity mutual funds	16,773,082	-	16,773,082
International equity mutual funds	2,068,535	-	2,068,535
Real estate investment trust funds	353,715	-	353,715
<b>Total assets</b>	<b>32,193,359</b>	<b>3,068,099</b>	<b>35,261,458</b>
<b>Liabilities</b>			
Negative equity in cash and pooled investments	\$ -	\$ 198,266	\$ 198,266
Accounts payable	155,921	-	155,921
<b>Total liabilities</b>	<b>155,921</b>	<b>198,266</b>	<b>354,187</b>
<b>Net position</b>			
Restricted for pension and other postemployment benefits	<u>\$ 32,037,438</u>	<u>\$ 2,869,833</u>	<u>\$ 34,907,271</u>

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

	Changes in Plan Net Position		
	Pension Trust <sup>1</sup>	OPEB Trust	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 1,637,000	\$ 23,832	\$ 1,660,832
Plan participants	228,636	-	228,636
Total contributions	<u>1,865,636</u>	<u>23,832</u>	<u>1,889,468</u>
Investment income:			
Net appreciation in fair value of securities	2,427,634	498,648	2,926,282
Interest	3,037	-	3,037
Dividends	1,032,826	-	1,032,826
Net change in fair value of investments	<u>3,463,497</u>	<u>498,648</u>	<u>3,962,145</u>
Investment expense	(109,740)	-	(109,740)
Net investment income	<u>3,353,757</u>	<u>498,648</u>	<u>3,852,405</u>
Other income	<u>32,983</u>	<u>-</u>	<u>32,983</u>
<b>Total additions</b>	<u>5,252,376</u>	<u>522,480</u>	<u>5,774,856</u>
<b>Deductions</b>			
Distributions and benefit payments	912,537	42,666	955,203
Administrative expenses	46,195	5,400	51,595
<b>Total deductions</b>	<u>958,732</u>	<u>48,066</u>	<u>1,006,798</u>
<b>Change in net position</b>	<u>4,293,644</u>	<u>474,414</u>	<u>4,768,058</u>
Net position, beginning of year	<u>27,743,794</u>	<u>2,395,419</u>	<u>30,139,213</u>
<b>Net position, end of year</b>	<u>\$ 32,037,438</u>	<u>\$ 2,869,833</u>	<u>\$ 34,907,271</u>

<sup>1</sup> 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,	
	2014	2013
Liability, beginning of year	\$ 30,000	\$ 29,455
Estimated claims incurred	163,014	167,201
Claim payments	<u>(167,014)</u>	<u>(166,656)</u>
<b>Liability, end of year</b>	<u>\$ 26,000</u>	<u>\$ 30,000</u>

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

The above liability represents an estimate of claims occurring on or before June 30 that will be paid after year-end.

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 is \$8,795,495, of which the City would be responsible for \$1,759,099. Expenditures of \$71,489 were incurred for landfill clean-up during fiscal year 2014. 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, 2014, the City has accounted for the \$1,759,099 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. RESTATEMENT

Beginning net position of governmental activities was decreased by \$1,224,000 to remove a capital asset that was included in error in prior years.





## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF KENTWOOD, MICHIGAN

## Required Supplementary Information

Single-employer Defined Benefit Pension Plan  
For the Year Ended December 31, 2013

### 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)
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%
2014	31,517,435	34,945,217	3,427,782	90.1%	4,028,722	85.1%

### Schedule of Employer Contributions

Plan Year Ended December 31,	Annual Required Contribution	Percentage Contributed
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%
2013	1,637,000	100.0%

# CITY OF KENTWOOD, MICHIGAN

## Required Supplementary Information

Single-employer Defined Benefit Other Postemployment Benefits Plan  
For the Year Ended June 30, 2014

### 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)
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%
2014	2,467,208	1,882,093	(585,115)	131.1%	12,226,872	-4.8%

### Schedule of Employer Contributions

Plan Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 82,796	100.0%
2013	37,699	100.0%
2014	23,832	100.0%

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

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## GENERAL FUND

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 5,571,900	\$ 5,571,900	\$ 5,518,505	\$ (53,395)
Intergovernmental:				
Local grants	9,000	9,000	1,233	(7,767)
State shared revenue	3,670,800	3,670,800	3,659,743	(11,057)
Judge's salary subsidy	45,700	45,700	45,724	24
Other State grants	69,000	69,000	80,157	11,157
Federal grants	1,089,900	1,089,900	753,472	(336,428)
Total intergovernmental	4,884,400	4,884,400	4,540,329	(344,071)
Licenses and permits:				
Permits and inspection fees	666,200	666,200	705,307	39,107
Local licenses	219,200	219,200	220,073	873
Franchise fees	620,000	620,000	635,137	15,137
State liquor licenses	22,000	22,000	21,509	(491)
Total licenses and permits	1,527,400	1,527,400	1,582,026	54,626
Charges for services:				
Tax collection fees	835,000	835,000	824,568	(10,432)
Recreation fees	262,900	262,900	239,767	(23,133)
Police, fire and library fees	204,000	204,000	273,508	69,508
Cemetery	40,000	40,000	39,121	(879)
Zoning fees	15,500	15,500	20,725	5,225
Passport fees	26,000	26,000	33,693	7,693
Rental income	53,000	53,000	56,368	3,368
Total charges for services	1,436,400	1,436,400	1,487,750	51,350
Fines and forfeitures:				
Court fines	1,200,000	1,200,000	1,232,462	32,462
Delinquent tax interest/penalties	125,000	125,000	97,072	(27,928)
Total fines and forfeitures	1,325,000	1,325,000	1,329,534	4,534
Investment income:				
Interest and dividends	130,000	130,000	125,318	(4,682)
Change in fair market value of securities	-	-	21,948	21,948
Total investment income	130,000	130,000	147,266	17,266

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues (concluded)</b>				
Miscellaneous:				
Insurance premium refunds	\$ 40,000	\$ 40,000	\$ 37,020	\$ (2,980)
Miscellaneous	62,600	62,600	224,465	161,865
Total miscellaneous	<u>102,600</u>	<u>102,600</u>	<u>261,485</u>	<u>158,885</u>
<b>Total revenues</b>	<u>14,977,700</u>	<u>14,977,700</u>	<u>14,866,895</u>	<u>(110,805)</u>
<b>Expenditures</b>				
Judicial - District Court:				
Legal fees	45,000	45,000	62,972	17,972
Training	2,600	2,600	1,165	(1,435)
Dues, fees and memberships	1,800	1,800	2,007	207
Employee benefits	310,200	310,200	291,603	(18,597)
Insurance	54,100	54,100	49,215	(4,885)
Repairs and maintenance	152,100	152,100	152,635	535
Contractual services	152,500	152,500	168,420	15,920
Salaries	696,400	696,400	699,493	3,093
Supplies	27,600	27,600	34,937	7,337
Utilities	2,000	2,000	1,368	(632)
Travel	1,000	1,000	1,104	104
Capital outlay	9,800	9,800	7,110	(2,690)
Total judicial - District Court	<u>1,455,100</u>	<u>1,455,100</u>	<u>1,472,029</u>	<u>16,929</u>
General government:				
Administrative:				
Auditing	22,300	22,300	23,000	700
Cable TV related costs	334,400	334,400	346,348	11,948
City commission	43,000	43,000	44,924	1,924
Community activities	5,000	5,000	4,858	(142)
Dues, fees and memberships	31,500	31,500	32,771	1,271
Employee benefits	50,400	50,400	34,799	(15,601)
Insurance	111,900	111,900	97,819	(14,081)
Legal fees	230,000	230,000	217,021	(12,979)
Repairs and maintenance	10,000	10,000	12,892	2,892
Office equipment	14,000	14,000	19,852	5,852
Office supplies	8,500	8,500	7,232	(1,268)

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (continued):				
Administrative (concluded):				
Contractual services	\$ 157,500	\$ 157,500	\$ 107,503	\$ (49,997)
Pension administration	9,000	9,000	5,964	(3,036)
Postage	50,000	50,000	45,738	(4,262)
Printing and publishing	20,000	20,000	31,390	11,390
Utilities	185,000	185,000	194,849	9,849
Supplies	17,000	17,000	16,599	(401)
Rent	857,700	857,700	858,205	505
Miscellaneous	23,000	23,000	12,130	(10,870)
Reimbursements from other funds	(1,315,100)	(1,315,100)	(1,364,300)	(49,200)
<b>Total administrative</b>	<b>865,100</b>	<b>865,100</b>	<b>749,594</b>	<b>(115,506)</b>
Assessor:				
Contractual services	18,000	18,000	8,217	(9,783)
Telephone	500	500	456	(44)
Dues, fees and memberships	3,000	3,000	3,047	47
Training	4,600	4,600	1,484	(3,116)
Employee benefits	126,700	126,700	89,308	(37,392)
Repairs and maintenance	6,700	6,700	6,194	(506)
Salaries	304,700	304,700	242,888	(61,812)
Supplies	4,800	4,800	2,582	(2,218)
Travel	200	200	54	(146)
<b>Total assessor</b>	<b>469,200</b>	<b>469,200</b>	<b>354,230</b>	<b>(114,970)</b>
Treasurer:				
Dues, fees and memberships	300	300	150	(150)
Training	1,600	1,600	2,830	1,230
Employee benefits	49,100	51,600	49,398	(2,202)
Insurance	1,800	1,800	1,603	(197)
Repairs and maintenance	100	100	-	(100)
Salaries	131,600	154,600	148,553	(6,047)
Supplies	22,500	22,500	19,024	(3,476)
Contractual services	5,200	5,200	5,179	(21)
Travel	600	600	708	108
<b>Total treasurer</b>	<b>212,800</b>	<b>238,300</b>	<b>227,445</b>	<b>(10,855)</b>

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Expenditures (continued)</b>				
General government (continued):				
Information technology:				
Dues, fees and memberships	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Training	10,800	10,800	2,409	(8,391)
Employee benefits	101,500	101,500	96,229	(5,271)
Repairs and maintenance	52,700	52,700	41,033	(11,667)
Contractual services	35,000	35,000	14,475	(20,525)
Salaries	251,400	251,400	253,173	1,773
Supplies	3,000	3,000	2,265	(735)
Travel	1,800	1,800	2,126	326
Utilities	4,400	4,400	3,888	(512)
Total information technology	<u>462,600</u>	<u>462,600</u>	<u>415,598</u>	<u>(47,002)</u>
City clerk:				
Dues, fees and memberships	400	400	580	180
Training	1,400	1,400	1,859	459
Employee benefits	32,600	32,600	30,131	(2,469)
Insurance	200	200	125	(75)
Contractual services	6,000	6,000	3,696	(2,304)
Salaries	156,800	156,800	155,092	(1,708)
Supplies	2,600	2,600	1,762	(838)
Travel	600	600	391	(209)
Total city clerk	<u>200,600</u>	<u>200,600</u>	<u>193,636</u>	<u>(6,964)</u>
Human resources:				
Dues, fees and memberships	2,500	2,500	1,905	(595)
Training	5,200	5,200	3,222	(1,978)
Employee benefits	49,200	49,200	36,077	(13,123)
Salaries	134,000	134,000	114,592	(19,408)
Supplies	1,300	1,300	1,334	34
Travel	600	600	153	(447)
Total human resources	<u>192,800</u>	<u>192,800</u>	<u>157,283</u>	<u>(35,517)</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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
General government (concluded):				
Accounting:				
Dues, fees and memberships	\$ 2,200	\$ 2,200	\$ 2,085	\$ (115)
Training	4,900	4,900	1,435	(3,465)
Employee benefits	136,800	136,800	129,209	(7,591)
Repairs and maintenance	14,500	14,500	11,810	(2,690)
Contractual services	20,000	20,000	-	(20,000)
Salaries	344,000	344,000	340,653	(3,347)
Supplies	4,000	4,000	2,402	(1,598)
Utilities	300	300	232	(68)
Travel	1,500	1,500	1,040	(460)
<b>Total accounting</b>	<b>528,200</b>	<b>528,200</b>	<b>488,866</b>	<b>(39,334)</b>
Executive:				
Training	4,000	4,000	2,358	(1,642)
Dues, fees and memberships	1,100	1,100	984	(116)
Employee benefits	55,400	69,600	66,714	(2,886)
Printing and publishing	4,900	4,900	1,551	(3,349)
Salaries	195,200	203,000	201,856	(1,144)
Supplies	52,600	52,600	55,633	3,033
Utilities	1,600	1,600	1,147	(453)
Travel	2,300	2,300	2,875	575
Miscellaneous	200	200	-	(200)
<b>Total executive</b>	<b>317,300</b>	<b>339,300</b>	<b>333,118</b>	<b>(6,182)</b>
Elections:				
Employee benefits	300	300	228	(72)
Internal charges	3,100	3,100	1,490	(1,610)
Repairs and maintenance	500	500	-	(500)
Contractual services	8,200	8,200	3,524	(4,676)
Salaries	24,500	24,500	15,687	(8,813)
Supplies	5,400	5,400	6,413	1,013
Travel	900	900	334	(566)
<b>Total elections</b>	<b>42,900</b>	<b>42,900</b>	<b>27,676</b>	<b>(15,224)</b>
<b>Total general government</b>	<b>3,291,500</b>	<b>3,339,000</b>	<b>2,947,446</b>	<b>(391,554)</b>

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Expenditures (continued)</b>				
<b>Public safety:</b>				
<b>Police:</b>				
Capital outlay	\$ 56,500	\$ 56,500	\$ 20,812	\$ (35,688)
Contractual services	393,400	393,400	406,909	13,509
Dues, fees and memberships	4,900	4,900	3,718	(1,182)
Employee benefits	2,999,800	2,999,800	2,805,516	(194,284)
Travel	381,900	381,900	325,881	(56,019)
Legal fees	220,600	220,600	220,468	(132)
Insurance	83,200	83,200	77,055	(6,145)
Repairs and maintenance	370,600	370,600	329,999	(40,601)
Salaries	5,631,300	5,631,300	5,194,629	(436,671)
Supplies	212,400	212,400	130,417	(81,983)
Utilities	187,900	187,900	146,004	(41,896)
Training	65,900	65,900	36,975	(28,925)
<b>Total police</b>	<b>10,608,400</b>	<b>10,608,400</b>	<b>9,698,383</b>	<b>(910,017)</b>
<b>Fire:</b>				
Capital outlay	28,800	28,800	30,952	2,152
Contractual services	141,200	141,200	130,410	(10,790)
Dues, fees and memberships	6,200	6,200	4,159	(2,041)
Training	25,400	25,400	12,370	(13,030)
Employee benefits	1,758,500	1,758,500	1,677,308	(81,192)
Travel	161,300	161,300	158,146	(3,154)
Insurance	48,500	48,500	44,623	(3,877)
Repairs and maintenance	59,700	59,700	31,516	(28,184)
Salaries	3,390,300	3,390,300	3,325,044	(65,256)
Supplies	106,100	106,100	85,340	(20,760)
Utilities	138,200	138,200	110,548	(27,652)
<b>Total fire</b>	<b>5,864,200</b>	<b>5,864,200</b>	<b>5,610,416</b>	<b>(253,784)</b>
<b>Inspections:</b>				
Dues, fees and memberships	2,700	2,700	657	(2,043)
Training	5,900	5,900	1,049	(4,851)
Employee benefits	134,500	134,500	121,391	(13,109)
Insurance	1,600	1,600	1,674	74
Contractual services	14,000	14,000	6,045	(7,955)
Repairs and maintenance	6,100	6,100	5,273	(827)

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (continued)				
Public safety (concluded):				
Inspections (concluded):				
Salaries	\$ 270,900	\$ 270,900	\$ 260,665	\$ (10,235)
Supplies	5,600	5,600	1,999	(3,601)
Utilities	2,000	2,000	656	(1,344)
Travel	26,500	26,500	3,564	(22,936)
Total inspections	<u>469,800</u>	<u>469,800</u>	<u>402,973</u>	<u>(66,827)</u>
Total public safety	<u>16,942,400</u>	<u>16,942,400</u>	<u>15,711,772</u>	<u>(1,230,628)</u>
Public works:				
Department of public works:				
Training	14,700	14,700	5,609	(9,091)
Dues, fees and memberships	500	500	199	(301)
Employee benefits	702,600	702,600	655,222	(47,378)
Insurance	19,600	19,600	20,592	992
Repairs and maintenance	65,800	65,800	17,529	(48,271)
Contractual services	192,800	192,800	98,538	(94,262)
Salaries	1,475,400	1,475,400	1,499,015	23,615
Supplies	139,300	139,300	98,144	(41,156)
Travel	226,000	226,000	227,267	1,267
Utilities	144,000	144,000	117,071	(26,929)
Miscellaneous	1,000	1,000	-	(1,000)
Reimbursements from other funds	(1,250,000)	(1,250,000)	(1,196,399)	53,601
Total department of public works	<u>1,731,700</u>	<u>1,731,700</u>	<u>1,542,787</u>	<u>(188,913)</u>
Engineering services:				
Training	2,300	2,300	464	(1,836)
Dues, fees and memberships	1,900	1,900	960	(940)
Employee benefits	102,100	102,100	92,858	(9,242)
Contractual services	5,000	5,000	55	(4,945)
Repairs and maintenance	4,500	4,500	2,523	(1,977)
Insurance	1,100	1,100	862	(238)
Salaries	324,300	324,300	269,652	(54,648)
Supplies	7,800	7,800	3,194	(4,606)

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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Expenditures (continued)</b>				
Public works (concluded):				
Engineering services (concluded):				
Travel	\$ 6,400	\$ 6,400	\$ 2,264	\$ (4,136)
Reimbursements from other funds	(278,100)	(278,100)	(195,400)	82,700
Total engineering services	<u>177,300</u>	<u>177,300</u>	<u>177,432</u>	<u>132</u>
Total public works	<u>1,909,000</u>	<u>1,909,000</u>	<u>1,720,219</u>	<u>(188,781)</u>
Community and economic development:				
Planning and zoning:				
Training	2,000	2,000	434	(1,566)
Dues, fees and memberships	1,700	1,700	1,655	(45)
Employee benefits	81,900	81,900	76,557	(5,343)
Internal charges	800	800	681	(119)
Contractual services	900	900	-	(900)
Salaries	191,000	191,000	191,077	77
Supplies	1,000	1,000	1,017	17
Travel	2,000	2,000	2,018	18
Total community and economic development	<u>281,300</u>	<u>281,300</u>	<u>273,439</u>	<u>(7,861)</u>
Culture and recreation:				
Recreation:				
Capital outlay	5,500	5,500	1,906	(3,594)
Training	5,500	5,500	1,767	(3,733)
Dues, fees and memberships	1,700	1,700	1,908	208
Employee benefits	167,600	167,600	127,124	(40,476)
Contractual services	74,100	74,100	52,099	(22,001)
Insurance	4,700	4,700	4,139	(561)
Repairs and maintenance	27,300	27,300	27,716	416
Salaries	1,247,000	1,247,000	988,423	(258,577)
Internal charges	47,600	47,600	39,944	(7,656)
Supplies	153,600	153,600	115,738	(37,862)
Travel	6,200	6,200	6,307	107
Utilities	24,700	24,700	32,272	7,572
Other	64,100	64,100	48,257	(15,843)
Total recreation	<u>1,829,600</u>	<u>1,829,600</u>	<u>1,447,600</u>	<u>(382,000)</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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Expenditures (concluded)				
Culture and recreation (concluded):				
Library:				
Capital outlay	\$ -	\$ -	\$ 1,430	\$ 1,430
Insurance	8,100	8,100	6,735	(1,365)
Repairs and maintenance	5,000	5,000	7,019	2,019
Contractual services	90,000	90,000	79,257	(10,743)
Internal charges	35,000	35,000	18,008	(16,992)
Supplies	15,000	15,000	14,268	(732)
Utilities	114,000	114,000	87,725	(26,275)
Total library	<u>267,100</u>	<u>267,100</u>	<u>214,442</u>	<u>(52,658)</u>
Total culture and recreation	<u>2,096,700</u>	<u>2,096,700</u>	<u>1,662,042</u>	<u>(434,658)</u>
Total expenditures	<u>25,976,000</u>	<u>26,023,500</u>	<u>23,786,947</u>	<u>(2,236,553)</u>
Revenues under expenditures	<u>(10,998,300)</u>	<u>(11,045,800)</u>	<u>(8,920,052)</u>	<u>2,125,748</u>
Other financing sources (uses)				
Transfers in	12,366,300	12,366,300	11,095,771	(1,270,529)
Transfers out	(1,359,200)	(1,359,200)	(2,079,977)	(720,777)
Insurance recoveries	-	-	93,330	93,330
Total other financing sources (uses)	<u>11,007,100</u>	<u>11,007,100</u>	<u>9,109,124</u>	<u>(1,897,976)</u>
Net change in fund balance	8,800	(38,700)	189,072	227,772
Fund balance, beginning of year	<u>5,122,249</u>	<u>5,122,249</u>	<u>5,122,249</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,131,049</u>	<u>\$ 5,083,549</u>	<u>\$ 5,311,321</u>	<u>\$ 227,772</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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 11,682,100	\$ 11,682,100	\$ 11,525,010	\$ (157,090)
Investment income:				
Interest and dividends	250,000	250,000	260,015	10,015
Change in market value of securities	-	-	45,539	45,539
Total investment income	250,000	250,000	305,554	55,554
Total revenues	11,932,100	11,932,100	11,830,564	(101,536)
<b>Expenditures</b>				
Public safety:				
Administrative	20,000	20,000	20,000	-
Revenues over expenditures	11,912,100	11,912,100	11,810,564	(101,536)
<b>Other financing uses</b>				
Transfers out	(11,864,200)	(11,864,200)	(10,830,178)	1,034,022
Net change in fund balance	47,900	47,900	980,386	932,486
Fund balance, beginning of year	6,584,637	6,584,637	6,584,637	-
Fund balance, end of year	\$ 6,632,537	\$ 6,632,537	\$ 7,565,023	\$ 932,486

# 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, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 2,152,700	\$ 2,152,700	\$ 2,471,834	\$ 319,134
Investment income:				
Interest and dividends	210,000	210,000	169,184	(40,816)
Change in market value of securities	-	-	29,631	29,631
Total investment income	210,000	210,000	198,815	(11,185)
Miscellaneous	5,000	5,000	9,606	4,606
<b>Total revenues</b>	<b>2,367,700</b>	<b>2,367,700</b>	<b>2,680,255</b>	<b>312,555</b>
<b>Expenditures</b>				
Highways and streets:				
Engineering	150,000	150,000	117,800	(32,200)
Administrative	193,800	193,800	211,000	17,200
Maintenance	366,400	915,000	849,299	(65,701)
Snow and ice removal	341,000	700,000	393,386	(306,614)
Traffic control	165,000	165,000	158,701	(6,299)
Miscellaneous	244,300	244,300	228,638	(15,662)
Capital outlay	800,000	400,000	432,315	32,315
<b>Total expenditures</b>	<b>2,260,500</b>	<b>2,768,100</b>	<b>2,391,139</b>	<b>(376,961)</b>
Revenues over (under) expenditures	107,200	(400,400)	289,116	689,516
<b>Other financing sources (uses)</b>				
Transfers in	160,000	160,000	117,800	(42,200)
Transfers out	(677,200)	(1,570,000)	(1,315,000)	255,000
<b>Total other financing sources (uses)</b>	<b>(517,200)</b>	<b>(1,410,000)</b>	<b>(1,197,200)</b>	<b>212,800</b>
Net change in fund balance	(410,000)	(1,810,400)	(908,084)	902,316
Fund balance, beginning of year	7,852,033	7,852,033	7,852,033	-
<b>Fund balance, end of year</b>	<b>\$ 7,442,033</b>	<b>\$ 6,041,633</b>	<b>\$ 6,943,949</b>	<b>\$ 902,316</b>

## NONMAJOR GOVERNMENTAL FUNDS

# CITY OF KENTWOOD, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue			
	Housing Commission	Parks	Street Lighting	Landfill Remediation
<b>Assets</b>				
Cash and pooled investments	\$ 30,675	\$ 1,527,521	\$ 844,625	\$ 1,694,144
Accounts receivable	-	1,716	500	7,076
Loans receivable	266,439	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>\$ 297,114</b>	<b>\$ 1,529,237</b>	<b>\$ 845,125</b>	<b>\$ 1,701,220</b>
<b>Liabilities</b>				
Accounts payable	\$ (23)	\$ 42,483	\$ 35,087	\$ 28,271
Accrued liabilities	270	-	-	-
Due to other governments	-	-	-	-
<b>Total liabilities</b>	<b>247</b>	<b>42,483</b>	<b>35,087</b>	<b>28,271</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	167,822	1,716	-	511
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	129,045	1,485,038	810,038	1,672,438
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>129,045</b>	<b>1,485,038</b>	<b>810,038</b>	<b>1,672,438</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 297,114</b>	<b>\$ 1,529,237</b>	<b>\$ 845,125</b>	<b>\$ 1,701,220</b>



Special Revenue					
Drain	Local Streets	Municipal Streets	Library	Federal Grant	Debt Service
\$ 3,128,506	\$ 607,778	\$ 3,778,849	\$ 950,913	\$ -	\$ 260,797
6,869	-	62	6,032	-	-
-	-	-	-	-	-
-	122,706	-	-	-	-
60	-	-	-	-	-
<u>\$ 3,135,435</u>	<u>\$ 730,484</u>	<u>\$ 3,778,911</u>	<u>\$ 956,945</u>	<u>\$ -</u>	<u>\$ 260,797</u>
\$ 3,614	\$ 230,248	\$ -	\$ 1,217	\$ -	\$ -
-	-	-	-	-	-
3,071	-	-	-	-	-
<u>6,685</u>	<u>230,248</u>	<u>-</u>	<u>1,217</u>	<u>-</u>	<u>-</u>
-	-	62	6,032	-	-
60	-	-	-	-	-
3,128,690	500,236	3,778,849	949,696	-	260,797
-	-	-	-	-	-
<u>3,128,750</u>	<u>500,236</u>	<u>3,778,849</u>	<u>949,696</u>	<u>-</u>	<u>260,797</u>
<u>\$ 3,135,435</u>	<u>\$ 730,484</u>	<u>\$ 3,778,911</u>	<u>\$ 956,945</u>	<u>\$ -</u>	<u>\$ 260,797</u>

continued...

# CITY OF KENTWOOD, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Capital Projects			
	Property and Building	DPW Equipment	Fire Equipment	Police Equipment
<b>Assets</b>				
Cash and pooled investments	\$ 4,907,671	\$ 1,818,841	\$ 1,117,707	\$ 467,487
Accounts receivable	-	-	-	-
Loans receivable	-	-	-	-
Due from other governments	-	-	-	31,008
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>\$ 4,907,671</b>	<b>\$ 1,818,841</b>	<b>\$ 1,117,707</b>	<b>\$ 498,495</b>
<b>Liabilities</b>				
Accounts payable	\$ 14,038	\$ 3,882	\$ 17,139	\$ 30,339
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
<b>Total liabilities</b>	<b>14,038</b>	<b>3,882</b>	<b>17,139</b>	<b>30,339</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	-	-	-
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	4,893,633	1,814,959	1,100,568	468,156
<b>Total fund balances</b>	<b>4,893,633</b>	<b>1,814,959</b>	<b>1,100,568</b>	<b>468,156</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,907,671</b>	<b>\$ 1,818,841</b>	<b>\$ 1,117,707</b>	<b>\$ 498,495</b>



Capital Projects	
Construction Fund	Totals
\$ -	\$ 21,135,514
-	22,255
-	266,439
-	153,714
-	60
<u>\$ -</u>	<u>\$ 21,577,982</u>
\$ -	\$ 406,295
-	270
-	3,071
<u>-</u>	<u>409,636</u>
-	176,143
-	60
-	12,714,827
-	8,277,316
<u>-</u>	<u>20,992,203</u>
<u>\$ -</u>	<u>\$ 21,577,982</u>

concluded

# CITY OF KENTWOOD, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2014

	Special Revenue			
	Housing Commission	Parks	Street Lighting	Landfill Remediation
<b>Revenues</b>				
Taxes	\$ -	\$ 183,715	\$ -	\$ 83
Special assessments	-	-	-	-
Intergovernmental	-	-	137,795	-
Charges for services	-	-	-	-
Investment income	2,981	43,095	24,726	46,241
Miscellaneous	440	-	500	-
<b>Total revenues</b>	<b>3,421</b>	<b>226,810</b>	<b>163,021</b>	<b>46,324</b>
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	-
Highways and streets	-	-	456,446	-
Public works	-	-	-	101,489
Community and economic development	35,471	-	-	-
Culture and recreation	-	282,346	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>35,471</b>	<b>282,346</b>	<b>456,446</b>	<b>101,489</b>
<b>Revenues over (under) expenditures</b>	<b>(32,050)</b>	<b>(55,536)</b>	<b>(293,425)</b>	<b>(55,165)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(16,800)	-
Proceeds from sale of capital assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(16,800)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(32,050)</b>	<b>(55,536)</b>	<b>(310,225)</b>	<b>(55,165)</b>
<b>Fund balances, beginning of year</b>	<b>161,095</b>	<b>1,540,574</b>	<b>1,120,263</b>	<b>1,727,603</b>
<b>Fund balances, end of year</b>	<b>\$ 129,045</b>	<b>\$ 1,485,038</b>	<b>\$ 810,038</b>	<b>\$ 1,672,438</b>



Special Revenue					
Drain	Local Streets	Municipal Streets	Library	Federal Grant	Debt Service
\$ -	\$ -	\$ 382	\$ 644,100	\$ -	\$ -
2,685	-	28,008	-	-	-
10,816	807,947	-	-	29,000	-
-	-	-	-	-	858,205
89,008	4,859	105,419	35,849	-	-
-	10,703	31	-	-	-
<u>102,509</u>	<u>823,509</u>	<u>133,840</u>	<u>679,949</u>	<u>29,000</u>	<u>858,205</u>
-	-	-	-	29,000	-
-	2,209,262	55,000	-	-	-
424,428	-	-	-	-	-
-	-	-	-	-	-
-	-	-	20,000	-	-
-	-	-	-	-	1,890,000
-	-	-	-	-	567,703
-	-	-	-	-	-
<u>424,428</u>	<u>2,209,262</u>	<u>55,000</u>	<u>20,000</u>	<u>29,000</u>	<u>2,457,703</u>
<u>(321,919)</u>	<u>(1,385,753)</u>	<u>78,840</u>	<u>659,949</u>	<u>-</u>	<u>(1,599,498)</u>
-	1,386,218	-	-	-	1,856,047
-	-	(189,018)	(795,505)	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,386,218</u>	<u>(189,018)</u>	<u>(795,505)</u>	<u>-</u>	<u>1,856,047</u>
(321,919)	465	(110,178)	(135,556)	-	256,549
<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>\$ 3,128,750</u>	<u>\$ 500,236</u>	<u>\$ 3,778,849</u>	<u>\$ 949,696</u>	<u>\$ -</u>	<u>\$ 260,797</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, 2014

	Capital Projects			
	Property and Building	DPW Equipment	Fire Equipment	Police Equipment
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	-	31,008
Charges for services	-	300,000	-	-
Investment income	114,135	52,948	31,599	3,522
Miscellaneous	115,882	-	-	-
<b>Total revenues</b>	<b>230,017</b>	<b>352,948</b>	<b>31,599</b>	<b>34,530</b>
<b>Expenditures</b>				
Current:				
Public safety	-	-	15,000	15,000
Highways and streets	-	-	-	-
Public works	-	20,000	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	616,988	252,329	483,208	236,425
<b>Total expenditures</b>	<b>616,988</b>	<b>272,329</b>	<b>498,208</b>	<b>251,425</b>
<b>Revenues over (under) expenditures</b>	<b>(386,971)</b>	<b>80,619</b>	<b>(466,609)</b>	<b>(216,895)</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,100,000	-	200,000	500,000
Transfers out	(530,376)	-	-	-
Proceeds from sale of capital assets	294,735	39,856	387	21,200
<b>Total other financing sources (uses)</b>	<b>864,359</b>	<b>39,856</b>	<b>200,387</b>	<b>521,200</b>
<b>Net change in fund balances</b>	<b>477,388</b>	<b>120,475</b>	<b>(266,222)</b>	<b>304,305</b>
<b>Fund balances, beginning of year</b>	<b>4,416,245</b>	<b>1,694,484</b>	<b>1,366,790</b>	<b>163,851</b>
<b>Fund balances, end of year</b>	<b>\$ 4,893,633</b>	<b>\$ 1,814,959</b>	<b>\$ 1,100,568</b>	<b>\$ 468,156</b>



Capital Projects	
Construction Fund	Totals
\$ -	\$ 828,280
-	30,693
-	1,016,566
-	1,158,205
-	554,382
55,738	183,294
<u>55,738</u>	<u>3,771,420</u>
-	59,000
-	2,720,708
-	545,917
-	35,471
-	302,346
-	1,890,000
-	567,703
-	1,588,950
-	<u>7,710,095</u>
55,738	<u>(3,938,675)</u>
-	5,042,265
(55,738)	(1,587,437)
-	356,178
<u>(55,738)</u>	<u>3,811,006</u>
-	(127,669)
-	<u>21,119,872</u>
<u>\$ -</u>	<u>\$ 20,992,203</u>

concluded

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Housing Commission Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Investment income:				
Interest and dividends	\$ 4,000	\$ 4,000	\$ 2,712	\$ (1,288)
Change in market value of securities	-	-	269	269
Total investment income	4,000	4,000	2,981	(1,019)
Miscellaneous	-	-	440	440
<b>Total revenues</b>	<b>4,000</b>	<b>4,000</b>	<b>3,421</b>	<b>(579)</b>
<b>Expenditures</b>				
Community and economic development:				
Administration	2,800	2,800	1,101	(1,699)
Employee benefits	1,200	1,200	2,638	1,438
Grant expenses	15,000	15,000	3,610	(11,390)
Salaries	6,300	6,300	6,213	(87)
Bad debts	-	-	21,849	21,849
Supplies	500	500	60	(440)
<b>Total expenditures</b>	<b>25,800</b>	<b>25,800</b>	<b>35,471</b>	<b>9,671</b>
Net change in fund balance	(21,800)	(21,800)	(32,050)	(10,250)
Fund balance, beginning of year	161,095	161,095	161,095	-
<b>Fund balance, end of year</b>	<b>\$ 139,295</b>	<b>\$ 139,295</b>	<b>\$ 129,045</b>	<b>\$ (10,250)</b>

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Parks Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 186,100	\$ 186,100	\$ 183,715	\$ (2,385)
Intergovernmental	386,000	386,000	-	(386,000)
Investment income:				
Interest and dividends	30,000	30,000	36,672	6,672
Change in market value of securities	-	-	6,423	6,423
Total investment income	30,000	30,000	43,095	13,095
<b>Total revenues</b>	<b>602,100</b>	<b>602,100</b>	<b>226,810</b>	<b>(375,290)</b>
<b>Expenditures</b>				
Culture and recreation:				
Administration	17,200	17,200	16,500	(700)
Contracted services	-	-	12,111	12,111
Capital outlay	720,000	720,000	253,735	(466,265)
<b>Total expenditures</b>	<b>737,200</b>	<b>737,200</b>	<b>282,346</b>	<b>(454,854)</b>
Net change in fund balance	(135,100)	(135,100)	(55,536)	79,564
Fund balance, beginning of year	1,540,574	1,540,574	1,540,574	-
<b>Fund balance, end of year</b>	<b>\$ 1,405,474</b>	<b>\$ 1,405,474</b>	<b>\$ 1,485,038</b>	<b>\$ 79,564</b>

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual  
 Street Lighting Special Revenue Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 137,795	\$ 7,795
Investment income:				
Interest and dividends	30,000	30,000	21,041	(8,959)
Change in market value of securities	-	-	3,685	3,685
Total investment income	30,000	30,000	24,726	(5,274)
Miscellaneous	-	-	500	500
<b>Total revenues</b>	<b>160,000</b>	<b>160,000</b>	<b>163,021</b>	<b>3,021</b>
<b>Expenditures</b>				
Highways and streets:				
Administration	30,000	30,000	30,000	-
Utilities	420,000	435,000	426,346	(8,654)
Miscellaneous	5,000	5,000	100	(4,900)
<b>Total expenditures</b>	<b>455,000</b>	<b>470,000</b>	<b>456,446</b>	<b>(13,554)</b>
Revenues (under) over expenditures	(295,000)	(310,000)	(293,425)	16,575
<b>Other financing uses</b>				
Transfers out	(20,000)	(20,000)	(16,800)	3,200
<b>Net change in fund balance</b>	<b>(315,000)</b>	<b>(330,000)</b>	<b>(310,225)</b>	<b>19,775</b>
Fund balance, beginning of year	1,120,263	1,120,263	1,120,263	-
<b>Fund balance, end of year</b>	<b>\$ 805,263</b>	<b>\$ 790,263</b>	<b>\$ 810,038</b>	<b>\$ 19,775</b>

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Landfill Remediation Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 83	\$ 83
Investment income:				
Interest and dividends	40,000	40,000	39,349	(651)
Change in market value of securities	-	-	6,892	6,892
Total investment income	40,000	40,000	46,241	6,241
<b>Total revenues</b>	<b>40,000</b>	<b>40,000</b>	<b>46,324</b>	<b>6,324</b>
<b>Expenditures</b>				
Public works:				
Administration	30,000	30,000	30,000	-
Landfill expense	100,000	100,000	71,489	(28,511)
<b>Total expenditures</b>	<b>130,000</b>	<b>130,000</b>	<b>101,489</b>	<b>(28,511)</b>
<b>Net change in fund balance</b>	<b>(90,000)</b>	<b>(90,000)</b>	<b>(55,165)</b>	<b>34,835</b>
Fund balance, beginning of year	1,727,603	1,727,603	1,727,603	-
<b>Fund balance, end of year</b>	<b>\$ 1,637,603</b>	<b>\$ 1,637,603</b>	<b>\$ 1,672,438</b>	<b>\$ 34,835</b>

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Drain Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 2,685	\$ 2,685
Intergovernmental	-	-	10,816	10,816
Investment income:				
Interest and dividends	90,000	90,000	75,806	(14,194)
Change in market value of securities	-	-	13,202	13,202
Total investment income	90,000	90,000	89,008	(992)
<b>Total revenues</b>	<b>90,000</b>	<b>90,000</b>	<b>102,509</b>	<b>12,509</b>
<b>Expenditures</b>				
Public works:				
Engineering	123,900	123,900	109,309	(14,591)
Administration	70,500	70,500	60,030	(10,470)
Maintenance	515,000	515,000	199,158	(315,842)
Miscellaneous	35,000	35,000	7,239	(27,761)
Capital outlay	500,000	500,000	48,692	(451,308)
<b>Total expenditures</b>	<b>744,400</b>	<b>744,400</b>	<b>424,428</b>	<b>(368,664)</b>
<b>Net change in fund balance</b>	<b>(654,400)</b>	<b>(654,400)</b>	<b>(321,919)</b>	<b>381,173</b>
Fund balance, beginning of year	3,450,669	3,450,669	3,450,669	-
<b>Fund balance, end of year</b>	<b>\$ 2,796,269</b>	<b>\$ 2,796,269</b>	<b>\$ 3,128,750</b>	<b>\$ 381,173</b>



# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual  
Local Streets Special Revenue Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 716,400	\$ 716,400	\$ 807,947	\$ 91,547
Investment income:				
Interest and dividends	10,000	10,000	4,135	(5,865)
Change in market value of securities	-	-	724	724
Total investment income	10,000	10,000	4,859	(5,141)
Miscellaneous	12,000	12,000	10,703	(1,297)
<b>Total revenues</b>	<b>738,400</b>	<b>738,400</b>	<b>823,509</b>	<b>85,109</b>
<b>Expenditures</b>				
Highways and streets:				
Engineering	135,200	135,200	147,018	11,818
Administration	64,500	64,500	67,100	2,600
Maintenance	675,000	1,175,000	1,109,079	(65,921)
Snow and ice removal	215,000	350,000	224,010	(125,990)
Traffic control	3,700	3,700	7,221	3,521
Miscellaneous	34,700	34,700	32,566	(2,134)
Capital outlay	352,500	622,500	622,268	(232)
<b>Total expenditures</b>	<b>1,480,600</b>	<b>2,385,600</b>	<b>2,209,262</b>	<b>(176,338)</b>
Revenues under expenditures	(742,200)	(1,647,200)	(1,385,753)	261,447
Other financing sources				
Transfers in	742,200	1,635,000	1,386,218	(248,782)
<b>Net change in fund balance</b>	<b>-</b>	<b>(12,200)</b>	<b>465</b>	<b>12,665</b>
Fund balance, beginning of year	499,771	499,771	499,771	-
<b>Fund balance, end of year</b>	<b>\$ 499,771</b>	<b>\$ 487,571</b>	<b>\$ 500,236</b>	<b>\$ 12,665</b>

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual  
Municipal Streets Special Revenue Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 382	\$ 382
Special assessments	-	-	28,008	28,008
Investment income:				
Interest and dividends	100,000	100,000	89,708	(10,292)
Change in market value of securities	-	-	15,711	15,711
Total investment income	100,000	100,000	105,419	5,419
Miscellaneous	-	-	31	31
<b>Total revenues</b>	<b>100,000</b>	<b>100,000</b>	<b>133,840</b>	<b>33,840</b>
<b>Expenditures</b>				
Highways and streets:				
Administration	55,000	55,000	55,000	-
Revenue over expenditures	45,000	45,000	78,840	33,840
Other financing uses				
Transfers out	(225,000)	(225,000)	(189,018)	35,982
<b>Net change in fund balance</b>	<b>(180,000)</b>	<b>(180,000)</b>	<b>(110,178)</b>	<b>69,822</b>
Fund balance, beginning of year	3,889,027	3,889,027	3,889,027	-
<b>Fund balance, end of year</b>	<b>\$ 3,709,027</b>	<b>\$ 3,709,027</b>	<b>\$ 3,778,849</b>	<b>\$ 69,822</b>

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Library Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 652,900	\$ 652,900	\$ 644,100	\$ (8,800)
Investment income:				
Interest and dividends	20,000	20,000	30,506	10,506
Change in market value of securities	-	-	5,343	5,343
Total investment income	20,000	20,000	35,849	15,849
Total revenues	672,900	672,900	679,949	7,049
<b>Expenditures</b>				
Culture and recreation:				
Administration	20,000	20,000	20,000	-
Revenues over expenditures	652,900	652,900	659,949	7,049
<b>Other financing uses</b>				
Transfers out	(788,700)	(788,700)	(795,505)	(6,805)
Net change in fund balance	(135,800)	(135,800)	(135,556)	244
Fund balance, beginning of year	1,085,252	1,085,252	1,085,252	-
Fund balance, end of year	\$ 949,452	\$ 949,452	\$ 949,696	\$ 244

# CITY OF KENTWOOD, MICHIGAN

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

Budget and Actual

Federal Grant Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 39,000	\$ 50,000	\$ 29,000	\$ (21,000)
Expenditures				
Public safety	39,000	50,000	29,000	(21,000)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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# 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, 2014

	2013 Construction	General Projects	Nonmajor Funds	
			Property and Building	Debt Service
<b>Revenues</b>				
Special assessments	\$ -	\$ 358,428	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	858,205
Investment income:				
Interest and dividends	-	409,515	97,125	-
Change in market value of securities	-	23,866	17,010	-
Total investment income	-	433,381	114,135	-
Miscellaneous	-	-	115,882	-
<b>Total revenues</b>	<b>-</b>	<b>791,809</b>	<b>230,017</b>	<b>858,205</b>
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	1,890,000
Interest	-	-	-	567,703
Bond issuance costs	24,150	-	-	-
Capital outlay	2,527,432	-	616,988	-
<b>Total expenditures</b>	<b>2,551,582</b>	<b>-</b>	<b>616,988</b>	<b>2,457,703</b>
Revenues over (under) expenditures	(2,551,582)	791,809	(386,971)	(1,599,498)
<b>Other financing sources (uses)</b>				
Transfers in	550	-	1,100,000	1,856,047
Transfers out	(318,200)	-	(530,376)	-
Proceeds from the sale of capital assets	-	-	294,735	-
Issuance of long term debt	2,869,235	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,551,585</b>	<b>-</b>	<b>864,359</b>	<b>1,856,047</b>
Net change in fund balances	3	791,809	477,388	256,549
Fund balances, beginning of year, as restated	-	6,032,283	4,416,245	4,248
Fund balances, end of year	\$ 3	\$ 6,824,092	\$ 4,893,633	\$ 260,797

Nonmajor Funds				
DPW Equipment	Fire Equipment	Police Equipment	Construction Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ 358,428
-	-	31,008	-	31,008
300,000	-	-	-	1,158,205
45,057	26,890	2,997	-	581,584
7,891	4,709	525	-	54,001
52,948	31,599	3,522	-	635,585
-	-	-	55,738	171,620
352,948	31,599	34,530	55,738	2,354,846
-	15,000	15,000	-	30,000
20,000	-	-	-	20,000
-	-	-	-	1,890,000
-	-	-	-	567,703
-	-	-	-	24,150
252,329	483,208	236,425	-	4,116,382
272,329	498,208	251,425	-	6,648,235
80,619	(466,609)	(216,895)	55,738	(4,293,389)
-	200,000	500,000	-	3,656,597
-	-	-	(55,738)	(904,314)
39,856	387	21,200	-	356,178
-	-	-	-	2,869,235
39,856	200,387	521,200	(55,738)	5,977,696
120,475	(266,222)	304,305	-	1,684,307
1,694,484	1,366,790	163,851	-	13,677,901
\$ 1,814,959	\$ 1,100,568	\$ 468,156	\$ -	\$ 15,362,208

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## AGENCY FUND

# CITY OF KENTWOOD, MICHIGAN

## Statement of Changes in Fiduciary Assets and Liabilities

Tax Collection Fund

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Assets</b>				
Cash and pooled investments	\$ 37,617	\$ 83,529,654	\$ (83,489,434)	\$ 77,837
Taxes receivable	830,513	-	(141,450)	689,063
<b>Total assets</b>	<u>\$ 868,130</u>	<u>\$ 83,529,654</u>	<u>\$ (83,630,884)</u>	<u>\$ 766,900</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 868,130</u>	<u>\$ 83,529,654</u>	<u>\$ (83,630,884)</u>	<u>\$ 766,900</u>

## SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

October 14, 2014

Honorable Mayor and  
City Commissioners  
City of Kentwood, Michigan

We have audited 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, Michigan* (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 14, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



# CITY OF KENTWOOD, MICHIGAN

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership:				
FY 2012	16.607	Direct	-n/a-	\$ 3,359
FY 2013	16.607	Direct	-n/a-	2,160
				<u>5,519</u>
Edward Byrne Memorial Justice Assistance Grant:				
Metropolitan Enforcement Team	16.738	GR	2013-DJ-BX-0109	18,432
Justice Assistance Grant	16.738	Direct	2011-DJ-BX-2924	16,000
Justice Assistance Grant	16.738	Direct	2013-DJ-BX-0244	15,008
				<u>49,440</u>
<b>Total U.S. Department of Justice</b>				<u>54,959</u>
<b>U.S. Department of Transportation</b>				
State and Community Highway Safety	20.600	WYO	-n/a-	<u>29,000</u>
<b>U.S. Environmental Protection Agency</b>				
Drinking Water Revolving Fund Loan Program	66.468	MDEQ	7281-01	<u>2,303,132</u>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program	95.001	GR	-n/a-	<u>1,276</u>
<b>U.S. Department of Homeland Security</b>				
Disaster Assistance Grant	97.036	MSP	DR-4121-MI	<u>10,816</u>
Assistance to Firefighters Grant (non-cash assistance)	97.044	GR	-n/a-	<u>185,975</u>
Homeland Security Grant (non-cash assistance)	97.067	KC	-n/a-	22,750
Homeland Security Grant (non-cash assistance)	97.067	OC	-n/a-	11,983
				<u>34,733</u>
<b>Total U.S. Department of Homeland Security</b>				<u>231,524</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 2,619,891</u>

See notes to schedule of expenditures of federal awards.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Kentwood, Michigan (the "City") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### 3. OTHER FEDERAL REVENUE

The City is an indirect beneficiary of federal funds that are administered directly by the Michigan Department of Transportation and Kent County. These expenditures (which totaled \$1,109,333 and \$261,483, respectively, for the fiscal year ended June 30, 2014) are included in the single audits for the governmental entities administering the programs.

### 4. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
GR	City of Grand Rapids, Michigan
KC	Kent County, Michigan
MDEQ	Michigan Department of Environmental Quality
MSP	Michigan State Police
OC	Ottawa County, Michigan
WYO	City of Wyoming, Michigan



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

October 14, 2014

Honorable Mayor and  
City Commissioners  
City of 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, Michigan* (the "City"), as of and for the year ended June 30, 2014, 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 14, 2014.

#### 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-FS-01, -02 to be material weaknesses.

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.

#### 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-FS-03.

#### 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 questioned costs. 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 the responses.

#### 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.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 14, 2014

Honorable Mayor and  
City Commissioners  
City of Kentwood, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *City of Kentwood, Michigan* (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2014. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-SA-01. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### *Report on Internal Control Over Compliance*

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rehmann Loborn LLC*

# CITY OF KENTWOOD, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?   yes  X  none reported

Noncompliance material to financial statements noted?  X  yes   no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?   yes  X  no

Significant deficiency(ies) identified?   yes  X  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?  X  yes   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water Revolving Fund Loan Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

# CITY OF KENTWOOD, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-FS-01 - Material Audit Adjustments and Prior Period Restatement

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining the City's accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. In connection with our audit, we identified and proposed an adjustment to correct deferred inflows of resources and revenue for the long-term portion of special assessments receivable. In addition, material corrections were made to the City's capital asset records, including a restatement to beginning net position to remove an asset that was inadvertently recorded twice.

Cause. This condition was the result of a formula error in the spreadsheet used by management to calculate the year-end adjustment to deferred inflows for long-term special assessments. The capital asset related adjustments have been addressed separately in finding 2014-FS-02.

Effect. As a result of this condition, the City's accounting records were initially misstated by amounts that were quantitatively material to certain opinion units.

Recommendation. Management has already taken appropriate corrective action by reviewing the proposed adjustments and posting the amounts to the City's accounting records. The audited financial statements are reflective of these adjustments.

View of Responsible Officials. Regarding special assessments: The errors noted were found in the audit work paper spreadsheet used to calculate the year-end general ledger adjustment of long-term special assessments receivables. On September 16, 2014, the City Commission approved purchase of the BS&A Special Assessments module. This will move the City from a manually-maintained recordkeeping system to an automated one integrated with the City's accounting records. Regarding capital assets: Following completion of the audit, using audited capital asset data, the City has started the process to re-implement the BS&A Fixed Asset module. This will move the City from a manually-maintained spreadsheet-based system to an automated one integrated with the City's accounting records. The issues raised in this and other findings will be considered during the implementation process.

# CITY OF KENTWOOD, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-FS-02 - Internal Controls over Capital Asset Accounting

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining capital asset records which contain all information necessary to accurately report these items in the financial statements. These records should be updated at least once per year, calculate depreciation expense using allowable methodology, consider year end accruals in recording additions, and include any capital contributions (i.e., non-cash assistance).

Condition. The capital asset records provided by the City contained a variety of errors and omissions: (1) a certain asset sold during the year was not removed from the capital asset records; (2) capital contributions of assets constructed on behalf of the City totaling approximately \$698,000 were initially omitted from the capital asset records; (3) construction costs that were invoiced after year end for work completed in fiscal year 2014 were not factored into total construction in progress; (4) bond issuance costs related to the Drinking Water Revolving Fund project were initially capitalized in the water fund; (5) equipment approved for purchase in the water and sewer funds were initially expensed in the DPW capital projects fund and capitalized in governmental activities; (6) capital asset records for the water and sewer funds are currently maintained at a summary level and depreciation expense is calculated for groups of assets with similar useful lives; (7) an asset was capitalized in both governmental and business-type activities, resulting in a restatement of beginning net position.

Cause. This condition appears to be the result of various oversights in accumulating the necessary information to update the capital asset records.

Effect. As a result of this condition, the City's capital asset records were initially misstated by amounts material to the financial statements. By not maintaining depreciation detail at the individual asset level, the City is unable to account for disposals and evaluate the reasonableness of remaining useful lives.

Recommendation. We recommend that the City evaluate its current process for identifying capital asset additions (including both costs that run through the general ledger and amounts that are constructed by other entities on behalf of the City). This may involve coordination with other departments or entities to obtain the necessary information and ensure appropriate cut-off. The detail records for the water and sewer funds should be modified to report depreciation by individual asset. When historical data is not available, it would be acceptable to group the assets by class (i.e., equipment, infrastructure, vehicles) and year of acquisition, the level of detail presented in the audited financial statements.

View of Responsible Officials. As mentioned in the response to Financial Statement Finding 2014-FS-01, the City has started the process to re-implement the BS&A Fixed Asset module. This will change the capital asset accounting process, removing it from year-end work, and making it part of the routine throughout the year. But this alone will not eliminate all future similar occurrences, as differences in interpretation and human error still exist. As part of the module re-implementation, the City will also identify available water and sewer fund records to create detail records for these assets.



# CITY OF KENTWOOD, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-FS-02 - Internal Controls over Capital Asset Accounting (Concluded)

View of Responsible Officials (Concluded). The City is considering grant management changes to improve communication, which will help identify capital assets received that have not run through the City's purchasing process. Regarding the accounting treatment of bond issuance costs, when the City issues bonds, City staff will research current practice and consult with the auditors, prior to starting the audit, to determine how to properly account for these costs.

# CITY OF KENTWOOD, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-FS-03 - Timely Remittance of Tax Collections to Other Governments

Finding Type. Material Noncompliance.

Criteria. Section 43(3)(a) of Public Act 206 (the General Property Tax Act) requires that property taxes collected on behalf of other governments be disbursed within 10 business days after the first and fifteenth day of each month. The amount distributed should be timely and include all tax collections within the applicable period.

Condition. While the City did make timely distributions of tax collections throughout the year, several of the distributions were incomplete, resulting in material balances held by the City until tax settlement with the County in the spring.

Cause. A spreadsheet was used as the basis for accumulating information on property tax collections for other local units and determining the amount of disbursements. At times, the spreadsheet did not agree to the general ledger, the official accounting records of the City. In addition, the City intentionally accumulated IFT taxes collected, and excluded them from the period distributions to other governments.

Effect. As a result of this condition, the City was not in compliance with State law relating to the timely remittance of funds collected on behalf of other entities. At the time of the annual settlement with the County, it appears that all amounts were ultimately disbursed.

Recommendation. We recommend that the City review its process for ensuring timely and complete remittance of property tax collections to other governments. If the City determines that a spreadsheet is useful in this process, the spreadsheet should be reconciled to the general ledger with each tax distribution. When the amount disbursed does not agree to the general ledger, written evidence should be retained to document the appropriateness of the situation.

View of Responsible Officials. The City has already started the process to update its tax disbursement procedures. Both the Finance Department and City Treasurer are committed to full compliance with Section 43(3)(a) of Michigan Public Act 206 of 1893, as amended.

# CITY OF KENTWOOD, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2014-SA-01 - Loan Draws in Advance of Immediate Cash Needs

Finding Type. Immaterial Noncompliance.

Program. Drinking Water Revolving Fund Loan Program; U.S. Environmental Protection Agency; CFDA Number 66.468; Passed-through the Michigan Department of Environmental Quality; Award Number 7281-01.

Criteria. The OMB Circular A-133 Compliance Supplement requires grantees to request funds under reimbursement-based grants in order to minimize the amount of time between receipt of funds and disbursement to the related vendors, contractors, and/or subrecipients. The City's grant agreement requires that loan draws be disbursed within 5 days of receipt. Cash draw requests should be subject to review and approval by an independent employee prior to submission in order to minimize errors and ensure that the amount being requested agrees to the underlying accounting records.

Condition. We selected 2 of the 6 loan draws requested during the year for testing. In one instance, the loan proceeds were not disbursed until 35 days after the receipt of funds.

Cause. This condition appears to be the result of an oversight in timing the draw of loan proceeds to correspond with the disbursement to vendors/contractors.

Effect. As a result of this condition, the City was, at times, in possession of federal funds in excess of its immediate cash needs.

Questioned Costs. No costs were required to be questioned as a result of this condition as the loan proceeds were ultimately disbursed and we noted no unallowable expenditures.

Recommendation. We recommend that cash draws be subjected to independent review and approval prior to submission. Either the preparer or reviewer of the draw request should be able to generate general ledger expenditure reports to determine whether the amount being requested agrees to the underlying accounting records and whether the amounts have been (or will soon be) disbursed to vendors/contractors. The loan draw paperwork should be signed/initialed and dated as evidence of the review process and retained for audit purposes.

View of Responsible Officials. For this grant, the City has instituted an independent review process for future loan draw requests, including comparison to related accounting records. Similar and additional changes to City-wide grant management practices are being considered.

## CITY OF KENTWOOD, MICHIGAN

### Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2014

#### Finding 2013-FS-01 - Internal Controls over Cash Receipting at Decentralized Locations

In certain decentralized departments, financial activities were being tracked outside of the general ledger with only summary information provided to the Finance Department for posting to the accounting records. In two of the three departments visited during the 2013 audit, there was no independent review of the ancillary system report to the bank deposit and/or the transmittal advice provided to the City Treasurer. Since that time, management performed an internal review of controls in place at each decentralized department that accepts cash receipts, re-enforcing and redesigning the controls when necessary. Corrective action has been taken in this specific department by reviewing and redesigning internal controls. This finding has not been repeated.



# Continuing Disclosure Filing

## **City of Kentwood** County of Kent, State of Michigan



*Fiscal Year Ended  
June 30, 2014*

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](http://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](mailto: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, 2014

\*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, 2011 Through 2015**

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
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)
2013	2014	2015	1,846,355,216	55,379,665	1,901,714,881	1.94

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2015 (3).....\$39,044

(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, 2015, the Taxable Value of property qualified for the benefits of the Zones program totaled \$6,269,581. 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, 2015, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$33,144,900. Also included are Brownfield parcels with a base taxable value totaling \$1,534,500, current value of \$2,562,232 and "captured" Taxable Value of \$1,027,732. Also included are County Land Bank Sold properties with a base taxable value totaling \$133,200, current value of \$134,200 and "captured" Taxable Value of \$1,000.

(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, 2011 Through 2015**

Use	Fiscal Years Ended or Ending June 30				
	2011	2012	2013	2014	2015
Commercial .....	\$ 709,554,719	\$ 738,446,402	\$ 713,136,145	\$ 699,739,769	\$ 710,953,585
Industrial.....	473,204,929	798,455,858	754,113,385	377,189,836	386,689,140
Residential.....	817,775,278	34,028,600	34,096,800	754,396,689	769,780,556
Utility .....	35,359,400	\$ 1,953,817,940	\$ 1,890,429,998	34,123,000	34,291,600
	<u>\$ 2,035,894,326</u>			<u>\$ 1,865,449,294</u>	<u>\$ 1,901,714,881</u>
Class	2011	2012	2013	2014	2015
Real Property .....	\$ 1,714,310,698	\$ 1,628,493,340	\$ 1,545,812,198	\$ 1,530,774,244	\$ 1,550,447,831
Personal Property .....	321,583,628	325,324,600	344,617,800	334,675,050	351,267,050
	<u>\$ 2,035,894,326</u>	<u>\$ 1,953,817,940</u>	<u>\$ 1,890,429,998</u>	<u>\$ 1,865,449,294</u>	<u>\$ 1,901,714,881</u>

Source:City of Kentwood



**City of Kentwood  
State Equalized Valuation  
Fiscal Years Ended or Ending June 30, 2011 Through 2015**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV (1)	SEV of Property Granted Tax Abatement Under Act 198 (2)	Total SEV	Percent Increase (Decrease) From Prior Year
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)
2013	2014	2015	1,910,006,200	111,789,900	2,021,796,100	3.24

Per Capita Total SEV for the Fiscal Year Ending June 30, 2015 (3) ..... \$41,509

(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, 2015, the SEV of the property qualified for the benefits of the Zones program totaled \$6,282,400. 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, 2015, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$33,144,900. Also included are Brownfield parcels with a current SEV of \$2,564,500. Also included are County Land Bank Sold properties with a base taxable value totaling \$133,200, current value of \$134,200 and "captured" Taxable Value of \$1,000.

(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, 2011 Through 2015**

Use	Fiscal Years Ended or Ending June 30				
	2011	2012	2013	2013	2014
Commercial .....	\$ 735,089,300	\$ 756,896,800	\$ 734,437,350	\$ 722,142,700	\$ 735,262,100
Industrial .....	520,274,700	425,386,000	441,657,500	430,502,200	453,259,600
Residential .....	832,291,800	814,416,500	761,364,100	771,560,800	798,982,800
Utility .....	<u>35,359,400</u>	<u>34,028,600</u>	<u>34,096,800</u>	<u>34,123,000</u>	<u>34,291,600</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>	<u>\$2,021,796,100</u>

Class	Fiscal Years Ended or Ending June 30				
	2011	2012	2013	2013	2014
Real Property .....	\$1,775,093,600	\$1,677,983,600	\$1,589,879,950	\$1,584,263,700	\$1,626,486,900
Personal Property ....	<u>347,921,600</u>	<u>352,744,300</u>	<u>381,675,800</u>	<u>374,065,000</u>	<u>395,309,200</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>	<u>\$2,021,796,100</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 \$111,789,900 for the fiscal year ending June 30, 2015. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$55,379,665 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. Personal property components of IFT certificates will not expire until the equipment is exempt as "eligible manufacturing personal property" (if applicable).

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, 2015, the SEV and equivalent Taxable Value of property qualified for the benefits of the Zones program totaled \$6,282,400 and \$6,269,581, 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 \$1,534,500 (the "Initial Taxable Value"). The current taxable value of the Eligible Property has increased to \$2,562,232. 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 2015 Captured Taxable Value is \$1,027,732. These sums include the second brownfield established in 2013.

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 \$33,144,900 in SEV and TV from the rolls. These amounts are not included in the ad valorem totals for the fiscal year ending June 30, 2015. This exemption will continue past the December 2015 expiration date indefinitely until all equipment is exempted as "eligible manufacturing personal property".

**City of Kentwood  
Maximum Operating Tax Rates  
Fiscal Year Ending June 30, 2015**

<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
Library Purposes (3).....	0.3500	1.0000	0.3500

**City of Kentwood  
Property Tax Rates  
Fiscal Years Ended or Ending June 30, 2011 Through 2015**

<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>
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
2014	2015	2.9946	6.2620	0.0000	0.3500	9.6066

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, 2010 Through 2014**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Kentwood .....	\$7.7064	\$9.7064	\$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).....	6.1000	6.1000	6.1000	6.3000	6.5000
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	1.2900	1.4100	1.4700
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>\$33.6772</u>	<u>\$35.6772</u>	<u>\$35.8472</u>	<u>\$36.1672</u>	<u>\$36.4272</u>

**City of Kentwood**  
**Non-Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2010 Through 2014**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Kentwood .....	\$7.7064	\$9.7064	\$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).....	24.1000	24.1000	24.1000	24.3000	24.5000
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	1.2900	1.4100	1.4700
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>\$51.6772</u>	<u>\$53.6772</u>	<u>\$53.8472</u>	<u>\$54.1672</u>	<u>\$54.4272</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, 2014 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, 2011 Through 2015**

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>
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	18,025,271	17,779,273	98.6
2014	2015	18,208,314	(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, 2015**

<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.....	\$ 60,046,701	\$ 0	\$ 60,046,701	3.16%
Lacks Industries, Inc. ....	Automotive Supplier .	44,868,295	7,041,112	51,909,407	2.73
Steelcase Corporation .....	Office Furniture.....	34,167,266	0	34,167,266	1.80
Holland Home .....	Senior Housing.....	32,267,282	0	32,267,282	1.70
Hearthside Food Solutions....	Food .....	19,271,032	4,693,550	23,964,582	1.26
Roskam Baking Co. ....	Food .....	17,881,270	2,584,800	20,466,070	1.08
Consumers Energy .....	Utility .....	19,764,002	0	19,764,002	1.04
Autocam Corp. ....	Automotive Supplier .	15,983,996	3,385,301	19,369,297	1.02
DTE Gas Co. ....	Utility .....	16,886,891	0	16,886,891	0.89
ConAgra Foods, Inc.....	Food.....	4,658,700	6,044,950	10,703,650	0.56
		<u>\$265,795,435</u>	<u>\$ 23,749,713</u>	<u>\$289,545,148</u>	<u>15.24%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$1,901,714,881 which is the City's Total Taxable Value for the fiscal year ended June 30, 2015. 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, 2011 Through 2015**

	Fiscal Years Ended or Ending June 30				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (2)</u>
State Sales Tax .....	\$ 3,286,020	\$ 3,497,621	\$ 3,542,834	\$ 3,659,743	\$ 3,781,400
Liquor License Fees .....	<u>21,925</u>	<u>21,465</u>	<u>21,508</u>	<u>21,509</u>	<u>21,500</u>
Total Revenues From the State of Michigan .....	<u>\$ 3,307,945</u>	<u>\$ 3,519,086</u>	<u>\$ 3,564,300</u>	<u>\$ 3,681,252</u>	<u>\$ 3,802,900</u>
 Percent of General Fund Revenue .....	12.12%	12.60%	12.77%	12.78%	12.33%

(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, 2014.

Debt Limit (1) .....	\$ 202,179,610
Debt Outstanding.....	\$22,235,000
Less: Exempt Debt.....	<u>8,545,000</u>
Legal Debt Margin.....	<u>\$ 188,489,610</u>

(1) 10% of \$2,021,796,100 which is the City's Total SEV for the fiscal year ending June 30, 2015. 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, 2014 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 .....	\$ 5,495,000	\$ 0	\$ 5,495,000
Dated March 23, 2005 (4).....	2,295,000	2,295,000	0
Dated March 19, 2009 .....	6,550,000	0	6,550,000
Dated September 17, 2013.....	6,250,000	6,250,000	0
Building Authority Bonds:			
Dated February 24, 2011 (LT).....	<u>1,645,000</u>	<u>0</u>	<u>1,645,000</u>
	<u>\$ 22,235,000</u>	<u>\$ 8,545,000</u>	<u>\$ 13,690,000</u>
Total .....			
Per Capita Net City Direct Debt (1) .....			\$281.07
Percent of Net Direct Debt to Total SEV (2).....			0.68%
		Percent of	
<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Gross</u>	<u>City Share</u>
Kentwood School District .....	\$ 54,485,000	69.97%	\$ 38,074,118
Caledonia School District.....	137,728,312	11.46	15,783,665
Forest Hills School District .....	183,485,000	6.34	11,632,949
Kelloggsville School District .....	3,510,000	37.00	1,298,700
Kent County .....	120,805,000	9.12	11,017,416
Grand Rapids Community College.....	<u>61,295,000</u>	8.85	<u>5,424,608</u>
Total Overlapping Debt.....	<u>\$ 561,308,312</u>		<u>\$ 83,231,456</u>
Total Direct & Overlapping Debt .....	<u>\$ 583,543,312</u>		<u>\$ 96,921,456</u>
Per Capita Net Overlapping Debt (1) .....			\$1,708.82
Percent of Net Overlapping Debt to Total SEV (2).....			4.12%
Per Capita Net Direct and Overlapping Debt (1).....			\$1,989.89
Percent of Net Direct and Overlapping Debt to Total SEV (2) .....			4.79%

(1) Based on the City’s 2010 Census of 48,707.  
(2) Based on \$2,021,796,100 which is the City’s Total SEV for the fiscal year ending June 30, 2015. 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.