



**CITY OF KENTWOOD, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

# CITY OF KENTWOOD, MICHIGAN

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# CITY OF KENTWOOD, MICHIGAN

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## INDEPENDENT AUDITORS' REPORT

December 9, 2009

Honorable Mayor and City Commissioners  
Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2009 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kentwood, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the City of Kentwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-13 and the pension and other postemployment benefits information on pages 51-53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kentwood'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 City of Kentwood's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken 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 express no opinion on it.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Kentwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Kentwood for the fiscal year ended June 30, 2009. 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

2009 was a year of continued capital investment for the City. Projects included:

- Completion of sewer system capital improvements using proceeds from the general obligation limited tax (GOLT) bonds sold on March 2, 2005;
- Completion of construction for the improvement of Kalamazoo Avenue – Phase I (from 52<sup>nd</sup> Street to 60<sup>th</sup> Street);
- Continuation of engineering, right-of-way acquisition and construction for the improvement of Kalamazoo Avenue – Phase II (from 44<sup>th</sup> Street to 52<sup>nd</sup> Street);
- Commencement of engineering and construction of a new library using proceeds from the GOLT bonds sold on March 19, 2009.

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

The government-wide financial statements include not only the City of Kentwood itself (known as the *primary government*), but also the legally separate City of Kentwood Building Authority – a component unit, for which the City of Kentwood is financially accountable. Financial information for this *component unit* is blended with the City debt service fund.

The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 17-25 of this report.

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

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.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

***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.

The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

**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. The notes to the financial statements can be found on pages 31-50 of this report.

**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 discussion and analysis and required pension and other postemployment benefits information. Required supplementary information regarding the pension and other postemployment benefits information can be found on pages 51-53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and continuing disclosure information are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54-80 of this report and continuing disclosure information can be found on pages 84-92.

## Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kentwood, assets exceeded liabilities by \$98,498,582 at the close of the most recent fiscal year.

### City of Kentwood's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and other assets	\$ 62,732,460	\$ 57,101,312	\$ 7,990,386	\$ 8,195,702	\$ 70,722,846	\$ 65,297,014
Capital assets, net	46,972,703	49,160,241	12,988,553	9,466,155	59,961,256	58,626,396
Total assets	109,705,163	106,261,553	20,978,939	17,661,857	130,684,102	123,923,410
<b>Liabilities</b>						
Long-term liabilities	28,061,645	21,045,366	-	-	28,061,645	21,045,366
Other liabilities	3,711,814	4,849,498	412,061	739,833	4,123,875	5,589,331
Total liabilities	31,773,459	25,894,864	412,061	739,833	32,185,520	26,634,697
<b>Net assets</b>						
Invested in capital assets, net of related debt	29,513,338	30,675,241	12,988,553	9,466,155	42,501,891	40,141,396
Restricted	29,613,989	29,902,763	-	-	29,613,989	29,902,763
Unrestricted	18,804,377	19,788,685	7,578,325	7,455,869	26,382,702	27,244,554
Total net assets	\$ 77,931,704	\$ 80,366,689	\$ 20,566,878	\$ 16,922,024	\$ 98,498,582	\$ 97,288,713

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

Net assets of governmental activities at year-end have been restricted primarily by funding sources for major, local and municipal streets, drains and street lighting. Of the net asset balance at year end, 43% is invested in capital assets net of related debt, 30% is restricted for other purposes and 27% is unrestricted and available for general City operations.

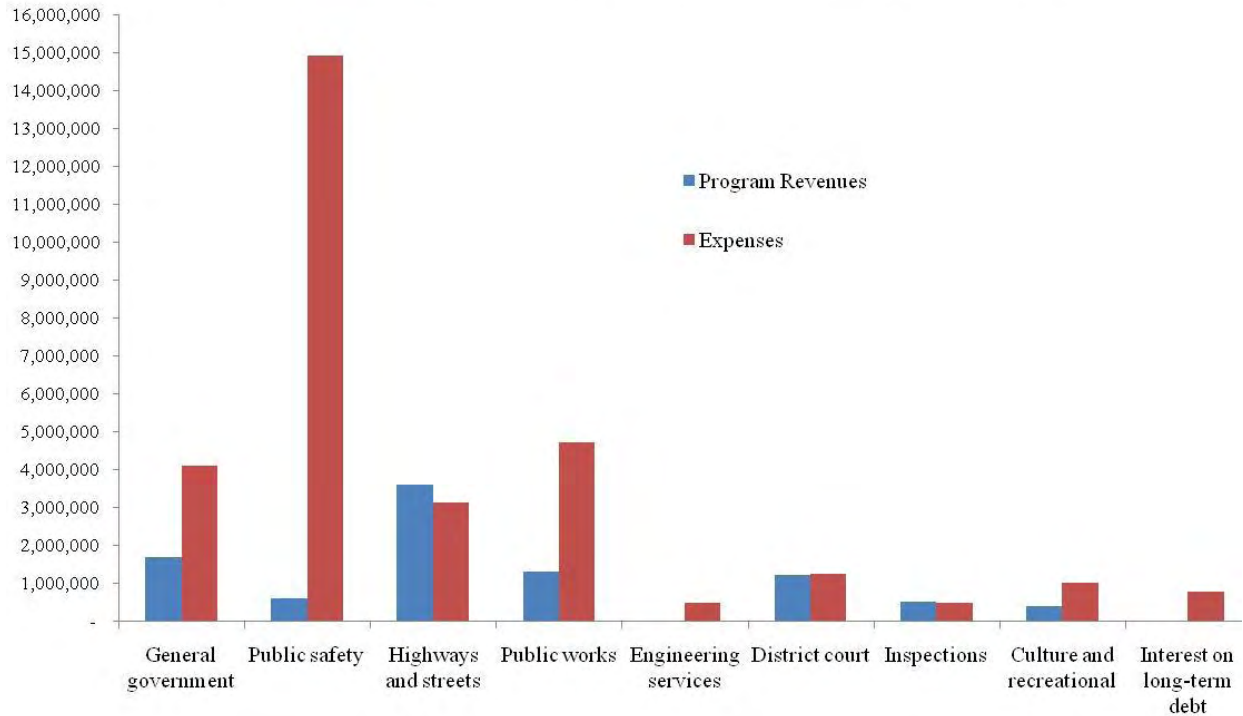
### City of Kentwood's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,864,540	\$ 7,316,920	\$ 5,537,066	\$ 5,528,673	\$ 11,401,606	\$ 12,845,593
Operating grants and contributions	3,531,711	3,149,512	493,926	-	4,025,637	3,149,512
General revenues:						
Property taxes	16,038,558	15,076,796	-	-	16,038,558	15,076,796
State shared revenues	3,175,986	3,354,831	-	-	3,175,986	3,354,831
Gain on sale of capital assets	51,098	-	-	-	51,098	-
Other revenues	1,958,000	2,759,163	-	471,529	1,958,000	3,230,692
<b>Total revenues</b>	<b>30,619,893</b>	<b>31,657,222</b>	<b>6,030,992</b>	<b>6,000,202</b>	<b>36,650,885</b>	<b>37,657,424</b>
<b>Expenses</b>						
General government	4,105,495	5,325,683	-	-	4,105,495	5,325,683
Public safety	14,940,761	14,534,437	-	-	14,940,761	14,534,437
Highways and streets	3,136,743	2,845,626	-	-	3,136,743	2,845,626
Public works	4,746,198	4,584,349	-	-	4,746,198	4,584,349
Engineering services	510,233	477,714	-	-	510,233	477,714
District court	1,266,350	1,258,163	-	-	1,266,350	1,258,163
Inspections	502,957	477,345	-	-	502,957	477,345
Culture and recreation	1,016,886	1,026,795	-	-	1,016,886	1,026,795
Interest on long-term debt	806,983	750,904	-	-	806,983	750,904
Indirect expense allocation	(551,963)	(468,043)	551,963	468,043	-	-
Water	-	-	1,924,645	1,890,396	1,924,645	1,890,396
Sewer	-	-	2,483,765	2,271,131	2,483,765	2,271,131
<b>Total expenses</b>	<b>30,480,643</b>	<b>30,812,973</b>	<b>4,960,373</b>	<b>4,629,570</b>	<b>35,441,016</b>	<b>35,442,543</b>
Change in net assets before transfers	139,250	844,249	1,070,619	1,370,632	1,209,869	2,214,881
<b>Transfers</b>	<b>(2,574,235)</b>	<b>(1,507,547)</b>	<b>2,574,235</b>	<b>1,507,547</b>	<b>-</b>	<b>-</b>
Change in net assets	(2,434,985)	(663,298)	3,644,854	2,878,179	1,209,869	2,214,881
Net assets, beginning of year	80,366,689	81,029,987	16,922,024	14,043,845	97,288,713	95,073,832
<b>Net assets, end of year</b>	<b>\$ 77,931,704</b>	<b>\$ 80,366,689</b>	<b>\$ 20,566,878</b>	<b>\$ 16,922,024</b>	<b>\$ 98,498,582</b>	<b>\$ 97,288,713</b>

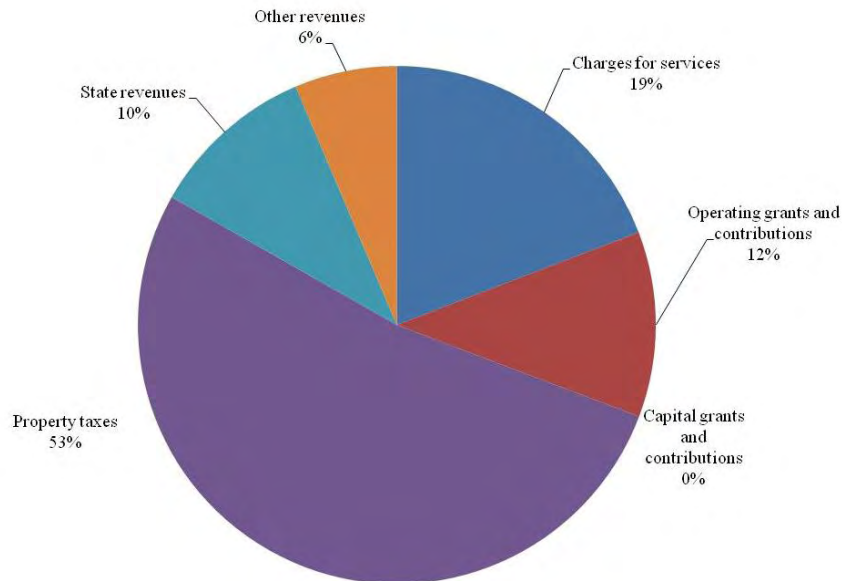
**Governmental activities.** Governmental activities decreased the City's net assets by \$2,434,985. Key elements of this decrease are as follows:

- The expenditures of 2005 capital improvement bonds being recorded in governmental activities, while the assets are capitalized in business-type activities.
- The use of the remaining fund balance in the police and fire millage special revenue fund to maintain police and fire service levels.

## Expenses and Program Revenues - Governmental Activities



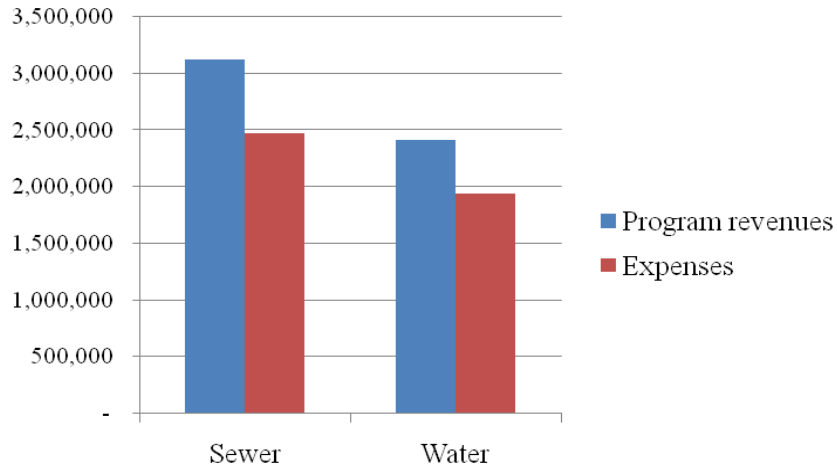
## Revenues by Source - Governmental Activities



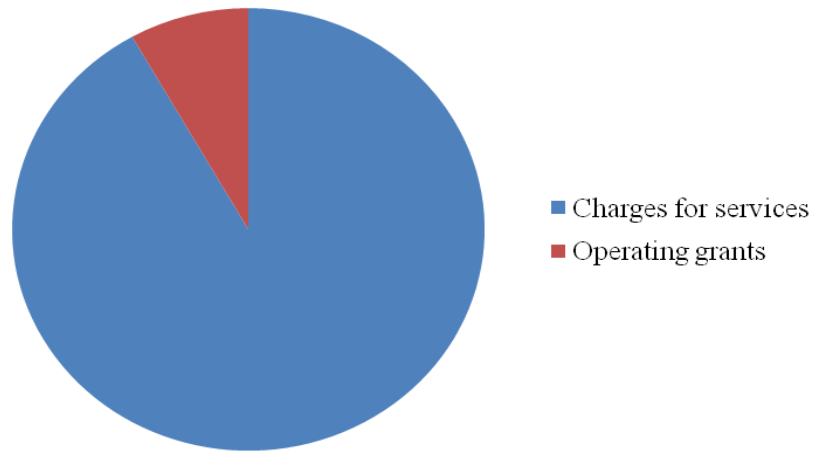
**Business-type activities.** Business-type activities increased the City’s net assets by \$3,644,854. The key elements of this increase were as follows:

- Capitalization of sewer system improvements funded by bonds sold in 2005.
- Operating revenue and investment income that exceeded operating expenses and transfers out.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



### Financial Analysis of the Government's Funds

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

*Governmental funds.* The focus of the City of Kentwood'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 of Kentwood's financing requirements. In particular, *unreserved 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 of Kentwood's governmental funds reported combined ending fund balance of \$48,854,299, an increase of \$6,723,711 compared with the prior year. This increase was mainly related to proceeds from general obligation limited tax bonds sold on March 19, 2009 for the construction of a new library. This was offset in part by the use of the remainder of accumulated police and fire millage resources, street construction (in the major and local streets funds funded in part by the municipal street fund) and the cost of street lighting, net of repayments of special assessments receivable in the general projects capital projects fund, and accumulation of assets for future costs in the DPW equipment, parks and landfill remediation special revenue funds.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,633,736 while total fund balance reached \$5,079,996. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 18 percent of total general fund expenditures and transfers out, while total fund balance represents 20 percent of that same amount.

The fund balance of the City of Kentwood's general fund increased by \$7,798 during the current fiscal year.

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

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$3,801,229 and \$3,777,096, respectively. The total changes in net assets for these funds were an increase of \$212,363 and \$3,432,491, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Kentwood's business-type activities.

### **General Fund Budgetary Highlights**

- The general fund budget was amended by City Commission resolution once during the fiscal year ended June 30, 2009.
- General fund expenditure budget to actual variances are due to several factors including staffing vacancies (Information Technology, Executive, Planning and Zoning, Police, Fire, Inspections and Recreation); employee benefits costs that varied from amounts budgeted (all departments with personnel); variations in contractual services and supplies needed (Administrative, Assessments, Information Technology, Elections, Police, Fire, Public Works, District Court, and Recreation); and changes in customer utilization of activities (Recreation).

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Kentwood's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$59,961,256 (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:

- Capitalization of sewer system and street improvements, continuation/commencement of street improvements, and commencement of library construction.

**City of Kentwood's Capital Assets**  
(net of depreciation)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Land	\$ 2,275,360	\$ 2,275,360	\$ 60,949	\$ 60,949	\$ 2,336,309	\$ 2,336,309
Construction in progress	2,509,810	5,788,895	349,559	66,463	2,859,369	5,855,358
Depreciable assets	42,187,533	41,095,986	12,578,045	9,338,743	54,765,578	50,434,729
<b>Total</b>	<b>\$46,972,703</b>	<b>\$49,160,241</b>	<b>\$12,988,553</b>	<b>\$9,466,155</b>	<b>\$59,961,256</b>	<b>\$58,626,396</b>

Additional information on the City of Kentwood's capital assets can be found in Note 5 on pages 41-43 of this report.

**Long-term debt.**

**City of Kentwood's Long-term Debt**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
General obligation bonds	\$25,185,000	\$18,484,000	\$ -	\$ -	\$25,185,000	\$18,485,000
Other obligations	2,876,645	2,560,366	-	-	2,876,645	2,560,366
<b>Total</b>	<b>\$28,061,645</b>	<b>\$ 21,045,366</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$28,061,645</b>	<b>\$21,045,366</b>

During the year the City paid \$1,300,000 of principal on bonds outstanding at July 1, 2008 and issued 2009 Capital improvement bonds in the amount of \$8,000,000.

The City of Kentwood has a AA bond rating from both Standard & Poor's (affirmed February 17, 2009) and Fitch Ratings (affirmed July 2, 2009).

State statutes limit the amount of general obligation debt a government entity may issue to 10% of the entity's total State Equalized Value. At June 30, 2009, the debt limitation for the City of Kentwood was \$229,393,170; the City's debt outstanding, net of \$3,880,000 of exempt self-supporting debt, was \$21,305,000, leaving a legal debt margin of \$208,088,170.

Additional information on the City of Kentwood long-term obligations can be found in Note 6 on page 44-45 of this report.

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

At its initial adoption on May 19, 2009, the FY 2010 budget anticipated that total general fund revenues and expenditures would decrease and increase, as compared to the original FY 2009 budget, by -0.46% and 1.70%, respectively. These changes were projected to result in a budget where expenditures exceed revenues by \$811,700. 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 1.51%. The increase in taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by the Consumer Price Index (CPI) of 4.4%. These percentages differed due to property values that decreased, or increased at less than the rate of the CPI.

State shared revenue – The general fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2009 budget, was projected to decrease by \$6,300, or -0.19%. The FY 2010 budget includes state shared revenue calculated using an estimate provided by the State of Michigan, which included \$340,076 categorized as statutory revenue sharing.

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. The police and fire millage to be collected in FY 2010 is not sufficient by \$1,144,600 to cover Police and Fire Department budgets reduced by \$4,928,400. In FY 2010, this revenue includes \$500,000 of unexpended FY 2008 appropriations held in the property and building fund for use in a later budget year. It also includes \$350,000 transferred from funds available in the DPW Equipment Fund, to reduce FY 2010 use of fund balance in the general fund.

### **Expenditures**

Compensation and employee benefits for City employees are estimated and included in the FY 2010 budget using provisions in completed collective bargaining agreements, and based on potential contract changes for an unsettled collective bargaining agreement. Three of the City's collective bargaining agreements are settled for FY 2010. Negotiations with one employee bargaining unit commenced during FY 2008; the contract that expired on June 30, 2008 was not settled at adoption of the FY 2010 budget. Since June 30, 2009, agreement has been reached, through negotiation and P.A. 312 binding arbitration, with the bargaining unit.

### **Interim FY 2010 Budget Amendment**

Following initial adoption of the FY 2010 budget, based on an updated State of Michigan estimate, it was determined that state shared revenue distributions would be less than budgeted by \$518,637, or -15.4%, which includes \$0 categorized as statutory revenue sharing. Further, the City Assessor projected a decrease in the City's taxable value of 5 – 10% for 2010 (FY 2011). The combination of these changes added approximately \$2,120,000 to the projected \$2,250,000 FY 2011 budget shortfall.

On October 28, 2009, in anticipation of these revenue decreases, the City Commission reduced the FY 2010 general fund revenue and expenditures budgets by \$626,400 and \$1,662,900, respectively. These proactive changes, which included the reduction of approximately 30 budgeted staff positions, were projected to result in an amended FY 2010 budget where revenues exceed expenditures by \$224,800, and also reduce projected FY 2011 budget shortfalls. The City will continue to monitor projections of these and other revenues to determine whether or not additional immediate action is necessary.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Kentwood 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**

# CITY OF KENTWOOD, MICHIGAN

## Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 47,871,648	\$ 6,876,515	\$ 54,748,163
Accounts receivable	1,529,000	1,104,672	2,633,672
Special assessments receivable	10,150,848	-	10,150,848
Loans receivable	355,334	-	355,334
Due from other governments	2,257,278	-	2,257,278
Other assets	568,352	9,199	577,551
Capital assets not being depreciated	4,785,170	410,508	5,195,678
Capital assets being depreciated, net	42,187,533	12,578,045	54,765,578
<b>Total assets</b>	<u>109,705,163</u>	<u>20,978,939</u>	<u>130,684,102</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,875,128	412,061	2,287,189
Accrued wages	425,870	-	425,870
Customer deposits	345,476	-	345,476
Due to other governments	1,005,680	-	1,005,680
Unearned revenue	59,660	-	59,660
Long-term liabilities:			
Due within one year	1,691,962	-	1,691,962
Due in more than one year	26,369,683	-	26,369,683
<b>Total liabilities</b>	<u>31,773,459</u>	<u>412,061</u>	<u>32,185,520</u>
<b>Net assets</b>			
Invested in capital assets, net of net of related debt	29,513,338	12,988,553	42,501,891
Restricted for:			
Streets	15,359,042	-	15,359,042
Economic development	977,365	-	977,365
Housing commission	211,636	-	211,636
Parks	1,302,438	-	1,302,438
Street lighting	2,048,188	-	2,048,188
Landfill remediation	1,975,613	-	1,975,613
Drains	4,970,487	-	4,970,487
Capital projects	2,769,220	-	2,769,220
Unrestricted	18,804,377	7,578,325	26,382,702
<b>Total net assets</b>	<u>\$ 77,931,704</u>	<u>\$ 20,566,878</u>	<u>\$ 98,498,582</u>

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

**CITY OF KENTWOOD, MICHIGAN**

**Statement of Activities**

**For the Year Ended June 30, 2009**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental activities</b>					
General government	\$ 4,105,495	\$ (519,773)	\$ 1,502,582	\$ 193,996	\$ (1,889,144)
Public safety	14,940,761	292,703	452,273	167,433	(14,613,758)
Highways and streets	3,136,743	910,215	696,108	2,909,812	(441,038)
Public works	4,746,198	(1,185,343)	1,178,236	132,692	(2,249,927)
Engineering services	510,233	(280,320)	-	-	(229,913)
District court	1,266,350	62,187	1,170,227	58,094	(100,216)
Inspections	502,957	1,956	531,240	-	26,327
Culture and recreation	1,016,886	166,412	333,874	69,684	(779,740)
Interest on long-term debt	806,983	-	-	-	(806,983)
Total governmental activities	<u>31,032,606</u>	<u>(551,963)</u>	<u>5,864,540</u>	<u>3,531,711</u>	<u>(21,084,392)</u>
<b>Business-type activities</b>					
Water	1,924,645	317,723	2,415,633	276,492	449,757
Sewer	2,483,765	234,240	3,121,433	217,434	620,862
Total business-type activities	<u>4,408,410</u>	<u>551,963</u>	<u>5,537,066</u>	<u>493,926</u>	<u>1,070,619</u>
Total	<u>\$ 35,441,016</u>	<u>\$ -</u>	<u>\$ 11,401,606</u>	<u>\$ 4,025,637</u>	<u>\$ (20,013,773)</u>

(Continued)

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

**CITY OF KENTWOOD, MICHIGAN**

**Statement of Activities (Concluded)**

**For the Year Ended June 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (21,084,392)	\$ 1,070,619	\$ (20,013,773)
General revenues:			
Property taxes:			
General operating	6,418,555	-	6,418,555
Police and fire	9,083,815	-	9,083,815
Other purposes	536,188	-	536,188
State shared revenues	3,175,986	-	3,175,986
Gain of sale of capital assets	51,098	-	51,098
Investment income	1,437,570	-	1,437,570
Other general revenues	520,430	-	520,430
Transfers - internal activities	(2,574,235)	2,574,235	-
 Total general revenues and transfers	 18,649,407	 2,574,235	 21,223,642
 Change in net assets	 (2,434,985)	 3,644,854	 1,209,869
Net assets, beginning of year	80,366,689	16,922,024	97,288,713
<b>Net assets, end of year</b>	<b>\$ 77,931,704</b>	<b>\$ 20,566,878</b>	<b>\$ 98,498,582</b>

(Concluded)

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

**CITY OF KENTWOOD, MICHIGAN**

**Balance Sheet  
Governmental Funds  
June 30, 2009**

		<u>Special Revenue</u>	
	<u>General</u>	<u>Police and Fire</u>	<u>Major</u>
	<u>Fund</u>	<u>Millage</u>	<u>Streets</u>
		<u>Fund</u>	<u>Fund</u>
<b>Assets</b>			
Cash and pooled investments	\$ 4,420,746	\$ -	\$ 8,260,184
Accounts receivable	1,520,069	-	4,401
Special assessments receivable	-	-	-
Loans receivable	-	-	-
Due from other governments	1,047,158	-	1,083,350
Inventory	10,609	-	-
Prepaid items	435,651	-	4,312
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u>\$ 7,434,233</u>	<u>\$ -</u>	<u>\$ 9,352,247</u>
 <b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 518,725	\$ -	\$ 640,757
Accrued wages	425,870	-	-
Customer deposits	179,486	-	165,990
Due to other governments	1,002,609	-	-
Deferred revenue	227,547	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	<u>2,354,237</u>	<u>-</u>	<u>806,747</u>
 <b>Fund balances</b>			
Reserved for:			
Inventory	10,609	-	-
Prepaid items	435,651	-	4,312
Nonmajor special revenue funds - noncurrent mortgage loans	-	-	-
Unreserved:			
Designated for parks and recreation	-	-	-
Undesignated, reported in:			
General fund	4,633,736	-	-
Special revenue funds	-	-	8,541,188
Capital projects funds	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total fund balances</b>	<u>5,079,996</u>	<u>-</u>	<u>8,545,500</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,434,233</u>	<u>\$ -</u>	<u>\$ 9,352,247</u>

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

<b>Capital Projects</b>			
<b>General Projects Fund</b>	<b>Construction Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,646,058	\$ 7,879,532	\$ 24,627,473	\$ 47,833,993
-	-	4,530	1,529,000
9,872,817	-	278,031	10,150,848
-	-	355,334	355,334
-	-	126,770	2,257,278
-	-	-	10,609
-	-	3,214	443,177
<u>\$ 12,518,875</u>	<u>\$ 7,879,532</u>	<u>\$ 25,395,352</u>	<u>\$ 62,580,239</u>
\$ -	\$ 115,142	\$ 296,110	\$ 1,570,734
-	-	-	425,870
-	-	-	345,476
-	-	3,071	1,005,680
9,749,655	-	400,978	10,378,180
<u>9,749,655</u>	<u>115,142</u>	<u>700,159</u>	<u>13,725,940</u>
-	-	-	10,609
-	-	3,214	443,177
-	-	150,300	150,300
-	-	472,578	472,578
-	-	-	4,633,736
-	-	24,069,101	32,610,289
2,769,220	7,764,390	-	10,533,610
<u>2,769,220</u>	<u>7,764,390</u>	<u>24,695,193</u>	<u>48,854,299</u>
<u>\$ 12,518,875</u>	<u>\$ 7,879,532</u>	<u>\$ 25,395,352</u>	<u>\$ 62,580,239</u>

# CITY OF KENTWOOD, MICHIGAN

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2009

Fund balances - total governmental funds \$ 48,854,299

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

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

Add - capital assets not being depreciated	4,785,170
Add - capital assets being depreciated, net	42,187,533

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

Add - deferred special assessments receivable	10,023,000
Add - deferred delinquent personal property taxes receivable	167,887
Add - deferred housing rehabilitation loans receivable	127,633
Add - deferred bond issuance costs, net	114,566

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

Deduct - bonds payable	(25,185,000)
Deduct - unamortized premium on bonds payable	(38,755)
Deduct - landfill clean up and other costs	(1,595,628)
Deduct - compensated absences payable	(1,242,262)
Deduct - accrued interest on bonds payable	<u>(266,739)</u>

Net assets of governmental activities \$ 77,931,704

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

**CITY OF KENTWOOD, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	<b>Special Revenue</b>		
	<b>General Fund</b>	<b>Police and Fire Millage Fund</b>	<b>Major Streets Fund</b>
<b>Revenue</b>			
Taxes	\$ 6,393,382	\$ 9,083,815	\$ -
Special assessments	-	-	-
Intergovernmental	3,369,432	-	2,039,487
Licenses and permits	1,161,389	-	-
Charges for services	3,486,832	-	-
Fines and forfeits	1,349,848	-	-
Investment income	396,994	219,168	498,465
Miscellaneous	140,153	-	58,482
<b>Total revenue</b>	<b>16,298,030</b>	<b>9,302,983</b>	<b>2,596,434</b>
<b>Expenditures</b>			
Current:			
General government	4,721,634	-	-
Public safety	14,625,658	20,000	-
Highways and streets	-	-	1,389,502
Public works	2,665,637	-	-
Engineering services	510,233	-	-
District court	1,328,537	-	-
Inspections	504,913	-	-
Culture and recreation	1,053,836	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	1,745,656
<b>Total expenditures</b>	<b>25,410,448</b>	<b>20,000</b>	<b>3,135,158</b>
Revenues (under) over expenditures	(9,112,418)	9,282,983	(538,724)
<b>Other financing sources (uses)</b>			
Proceeds from sale of capital assets	-	-	-
Issuance of long-term debt	-	-	-
Premium on issuance of long-term debt	-	-	-
Transfers in	9,620,216	-	485,448
Transfers out	(500,000)	(9,603,716)	-
<b>Total other financing sources (uses)</b>	<b>9,120,216</b>	<b>(9,603,716)</b>	<b>485,448</b>
Net change in fund balances	7,798	(320,733)	(53,276)
Fund balances, beginning of year	5,072,198	320,733	8,598,776
<b>Fund balances, end of year</b>	<b>\$ 5,079,996</b>	<b>\$ -</b>	<b>\$ 8,545,500</b>

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

<b>Capital Projects</b>			
<b>General Projects Fund</b>	<b>Construction Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 536,188	\$ 16,013,385
285,363	-	29,867	315,230
-	-	895,610	6,304,529
-	-	15,659	1,177,048
-	-	1,220,305	4,707,137
-	-	-	1,349,848
569,405	29,366	1,723,813	3,437,211
-	-	247,489	446,124
<u>854,768</u>	<u>29,366</u>	<u>4,668,931</u>	<u>33,750,512</u>
-	-	61,901	4,783,535
-	-	15,000	14,660,658
-	-	1,304,963	2,694,465
-	-	516,721	3,182,358
-	-	-	510,233
-	-	-	1,328,537
-	-	-	504,913
-	-	19,100	1,072,936
-	-	1,300,000	1,300,000
-	-	719,939	719,939
-	116,500	-	116,500
<u>4,521</u>	<u>1,257,293</u>	<u>1,833,402</u>	<u>4,840,872</u>
<u>4,521</u>	<u>1,373,793</u>	<u>5,771,026</u>	<u>35,714,946</u>
<u>850,247</u>	<u>(1,344,427)</u>	<u>(1,102,095)</u>	<u>(1,964,434)</u>
-	-	51,098	51,098
-	8,000,000	-	8,000,000
-	39,409	-	39,409
-	303,226	1,672,497	12,081,387
-	(250)	(1,379,783)	(11,483,749)
<u>-</u>	<u>8,342,385</u>	<u>343,812</u>	<u>8,688,145</u>
850,247	6,997,958	(758,283)	6,723,711
<u>1,918,973</u>	<u>766,432</u>	<u>25,453,476</u>	<u>42,130,588</u>
<u>\$ 2,769,220</u>	<u>\$ 7,764,390</u>	<u>\$ 24,695,193</u>	<u>\$ 48,854,299</u>

**CITY OF KENTWOOD, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**

Net change in fund balances - total governmental funds \$ 6,723,711

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.

Add - capital outlay	4,710,731
Deduct - transfer of construction in progress to enterprise fund	(3,171,873)
Deduct - depreciation expense	(3,726,396)
Deduct - proceeds from sale of capital assets	(51,098)
Add - gain on disposal of capital assets	51,098

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.

Deduct - change in deferred special assessments receivable	(136,487)
Add - change in deferred personal property taxes receivable	25,173
Add - change in deferred housing rehabilitation loans	127,633
Deduct - amortization of deferred bond issuance costs	(1,934)

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

Deduct - issuance of long-term debt	(8,000,000)
Deduct - premium on issuance of long-term debt	(39,409)
Add - deferred bond issuance costs	116,500
Add - principal payments on long-term debt	1,300,000
Add - amortization of premium on long-term debt	654
Deduct - change in landfill clean-up liability	(265,572)

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.

Deduct - change in compensated absences	(11,952)
Deduct - change in accrued interest payable	(85,764)

Change in net assets of governmental activities \$ (2,434,985)

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

**CITY OF KENTWOOD, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Taxes	\$ 6,306,400	\$ 6,306,400	\$ 6,393,382	\$ 86,982
Intergovernmental	3,519,300	3,519,300	3,369,432	(149,868)
Licenses and permits	1,185,300	1,185,300	1,161,389	(23,911)
Charges for services	4,015,100	4,015,100	3,486,832	(528,268)
Fines and forfeits	1,450,000	1,450,000	1,349,848	(100,152)
Investment income	250,000	250,000	396,994	146,994
Miscellaneous	130,000	130,000	140,153	10,153
Total revenue	<u>16,856,100</u>	<u>16,856,100</u>	<u>16,298,030</u>	<u>(558,070)</u>
<b>Expenditures</b>				
Current:				
General government	4,901,400	4,918,500	4,721,634	(196,866)
Public safety	15,443,000	15,443,000	14,625,658	(817,342)
Public works	2,858,400	2,858,400	2,665,637	(192,763)
Engineering services	519,000	519,000	510,233	(8,767)
District court	1,357,700	1,357,700	1,328,537	(29,163)
Inspections	538,900	538,900	504,913	(33,987)
Culture and recreation	1,125,000	1,125,000	1,053,836	(71,164)
Total expenditures	<u>26,743,400</u>	<u>26,760,500</u>	<u>25,410,448</u>	<u>(1,350,052)</u>
Revenue under expenditures	<u>(9,887,300)</u>	<u>(9,904,400)</u>	<u>(9,112,418)</u>	<u>791,982</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Transfers in	10,317,100	10,337,100	9,620,216	(716,884)
Transfers out	(650,000)	(650,000)	(500,000)	150,000
Total other financing sources (uses)	<u>9,668,100</u>	<u>9,688,100</u>	<u>9,120,216</u>	<u>(567,884)</u>
Net change in fund balance	(219,200)	(216,300)	7,798	224,098
Fund balance, beginning of year	<u>5,072,198</u>	<u>5,072,198</u>	<u>5,072,198</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,852,998</u></u>	<u><u>\$ 4,855,898</u></u>	<u><u>\$ 5,079,996</u></u>	<u><u>\$ 224,098</u></u>

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

**CITY OF KENTWOOD, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Police and Fire Millage Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Taxes	\$ 9,039,800	\$ 9,039,800	\$ 9,083,815	\$ 44,015
Investment income	225,000	225,000	219,168	(5,832)
Total revenue	9,264,800	9,264,800	9,302,983	38,183
<b>Expenditures</b>				
Current - public safety:				
Administrative	20,000	20,000	20,000	-
Revenue over expenditures	9,244,800	9,244,800	9,282,983	38,183
<b>Other financing uses</b>				
Transfers out	(9,667,124)	(9,667,124)	(9,603,716)	63,408
Net change in fund balance	(422,324)	(422,324)	(320,733)	101,591
Fund balance, beginning of year	422,324	422,324	320,733	(101,591)
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF KENTWOOD, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Major Streets Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Intergovernmental	\$ 1,997,200	\$ 1,997,200	\$ 2,039,487	\$ 42,287
Investment income	300,000	300,000	498,465	198,465
Miscellaneous	10,000	10,000	58,482	48,482
	<u>2,307,200</u>	<u>2,307,200</u>	<u>2,596,434</u>	<u>289,234</u>
<b>Expenditures</b>				
Current - highways and streets:				
Engineering	400,000	400,000	491,415	91,415
Administrative	175,000	175,000	183,600	8,600
Maintenance	406,000	406,000	393,996	(12,004)
Snow and ice removal	102,000	102,000	130,554	28,554
Traffic control	100,000	100,000	77,660	(22,340)
Miscellaneous	372,700	372,700	112,277	(260,423)
Capital outlay	3,000,000	3,000,000	1,745,656	(1,254,344)
	<u>4,555,700</u>	<u>4,555,700</u>	<u>3,135,158</u>	<u>(1,420,542)</u>
Revenue under expenditures	(2,248,500)	(2,248,500)	(538,724)	1,709,776
<b>Other financing sources</b>				
Transfers in	300,000	300,000	485,448	185,448
Net change in fund balance	(1,948,500)	(1,948,500)	(53,276)	1,895,224
Fund balance, beginning of year	8,598,776	8,598,776	8,598,776	-
<b>Fund balance, end of year</b>	<u>\$ 6,650,276</u>	<u>\$ 6,650,276</u>	<u>\$ 8,545,500</u>	<u>\$ 1,895,224</u>

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

**CITY OF KENTWOOD, MICHIGAN**

**Proprietary Funds  
Statement of Net Assets  
June 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>	<b>Activities Self-insurance Fund</b>
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 3,541,527	\$ 3,334,988	\$ 6,876,515	\$ 37,655
Accounts receivable	488,060	616,612	1,104,672	-
Prepaid items	9,011	188	9,199	-
Total current assets	<u>4,038,598</u>	<u>3,951,788</u>	<u>7,990,386</u>	<u>37,655</u>
Noncurrent assets:				
Capital assets, not being depreciated	410,508	-	410,508	-
Capital assets being depreciated, net	6,553,074	6,024,971	12,578,045	-
Total noncurrent assets	<u>6,963,582</u>	<u>6,024,971</u>	<u>12,988,553</u>	<u>-</u>
Total assets	<u>11,002,180</u>	<u>9,976,759</u>	<u>20,978,939</u>	<u>37,655</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	237,369	174,692	412,061	37,655
<b>Net assets</b>				
Invested in capital assets	6,963,582	6,024,971	12,988,553	-
Unrestricted	3,801,229	3,777,096	7,578,325	-
<b>Total net assets</b>	<u><u>\$ 10,764,811</u></u>	<u><u>\$ 9,802,067</u></u>	<u><u>\$ 20,566,878</u></u>	<u><u>\$ -</u></u>

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

**CITY OF KENTWOOD, MICHIGAN**  
**Proprietary Funds**  
**Statement of Revenue, Expenses and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2009**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u> <u>Activities</u>
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>	<u>Self-insurance</u> <u>Fund</u>
<b>Operating revenue</b>	\$ 2,415,633	\$ 3,121,433	\$ 5,537,066	\$ 185,810
<b>Operating expenses</b>				
Administration	25,000	-	25,000	-
Contractual services	1,530,224	2,125,834	3,656,058	9,021
Depreciation	312,554	286,435	598,989	-
Claims	-	-	-	176,939
Supplies	208,015	123,727	331,742	-
Engineering	20,218	134,827	155,045	-
Utilities	87,467	4,058	91,525	-
Miscellaneous	58,890	43,124	102,014	-
Total operating expenses	<u>2,242,368</u>	<u>2,718,005</u>	<u>4,960,373</u>	<u>185,960</u>
Operating (loss) income	173,265	403,428	576,693	(150)
<b>Nonoperating revenue</b>				
Investment income	<u>276,492</u>	<u>217,434</u>	<u>493,926</u>	<u>150</u>
Net income before transfers and capital contributions	<u>449,757</u>	<u>620,862</u>	<u>1,070,619</u>	<u>-</u>
<b>Other financing uses</b>				
Transfers out	<u>(237,394)</u>	<u>(360,244)</u>	<u>(597,638)</u>	<u>-</u>
<b>Capital contributions</b>	<u>-</u>	<u>3,171,873</u>	<u>3,171,873</u>	<u>-</u>
Change in net assets	212,363	3,432,491	3,644,854	-
Net assets, beginning of year	<u>10,552,448</u>	<u>6,369,576</u>	<u>16,922,024</u>	<u>-</u>
<b>Net assets, end of year</b>	<u>\$10,764,811</u>	<u>\$ 9,802,067</u>	<u>\$ 20,566,878</u>	<u>\$ -</u>

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

**CITY OF KENTWOOD, MICHIGAN**

**Proprietary Funds**

**Statement of Cash Flows**

**For the Year Ended June 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>	<b>Self-insurance Fund</b>
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 2,451,582	\$ 3,093,816	\$ 5,545,398	\$ -
Receipts from interfund services provided	-	-	-	185,810
Payments to suppliers	(1,883,949)	(2,813,258)	(4,697,207)	(184,719)
Net cash provided by operating activities	<u>567,633</u>	<u>280,558</u>	<u>848,191</u>	<u>1,091</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers out	(237,394)	(360,244)	(597,638)	-
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(935,488)	(14,026)	(949,514)	-
<b>Cash flows from investing activities</b>				
Interest received on investments	276,492	217,434	493,926	150
Net increase in cash and pooled investments	(328,757)	123,722	(205,035)	1,241
Cash and pooled investments, beginning of year	3,870,284	3,211,266	7,081,550	36,414
<b>Cash and pooled investments, end of year</b>	<u>\$ 3,541,527</u>	<u>\$ 3,334,988</u>	<u>\$ 6,876,515</u>	<u>\$ 37,655</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 173,265	\$ 403,428	\$ 576,693	\$ (150)
Adjustments to reconcile net income (loss) to net cash provided by by operating activities:				
Depreciation expense	312,554	286,435	598,989	-
Changes in operating assets and liabilities:				
Accounts receivable	35,949	(27,617)	8,332	-
Prepaid items	(7,991)	(60)	(8,051)	-
Accounts payable	53,856	(381,628)	(327,772)	1,241
<b>Net cash provided by operating activities</b>	<u>\$ 567,633</u>	<u>\$ 280,558</u>	<u>\$ 848,191</u>	<u>\$ 1,091</u>

**Non-cash transactions**

The sewer fund received capital contributions of \$3,171,873 of assets constructed with the proceeds of general obligation bonds, accounted for in governmental funds.

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

**CITY OF KENTWOOD, MICHIGAN**

**Fiduciary Funds  
Statement of Net Assets  
June 30, 2009**

	<b>Pension and Other Postemployment Benefit Trust Funds</b>	<b>Private Purpose Trust Special Assessment - Deferred Payback</b>	<b>Agency Fund Tax Collection</b>
<b>Assets</b>			
Cash and pooled investments	\$ 2,197,014	\$ 148,840	\$ 32,735
Interest receivable	21,860	-	-
Investments:			
U.S. government agencies	658,298	-	-
Bonds	5,850,466	-	-
Equities	9,276,249	-	-
International equities	550,039	-	-
Special assessments receivable	-	338,386	-
<b>Total assets</b>	<u>18,553,926</u>	<u>487,226</u>	<u>\$ 32,735</u>
<b>Liabilities</b>			
Accounts payable	34,809	-	\$ -
Due to other governments	-	9,217	32,735
Payable to property owners	-	467,442	-
<b>Total liabilities</b>	<u>34,809</u>	<u>476,659</u>	<u>\$ 32,735</u>
<b>Net assets</b>			
Held in trust for pension and other postemployment benefits	18,519,117	-	
Unrestricted	-	10,567	
<b>Total net assets</b>	<u>\$ 18,519,117</u>	<u>\$ 10,567</u>	

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

**CITY OF KENTWOOD, MICHIGAN**

**Fiduciary Funds**

**Statement of Changes in Net Assets**

**For the Year Ended June 30, 2009**

	<b>Pension and Other Postemployment Benefit Trust Funds</b>	<b>Private Purpose Trust Special Assessment - Deferred Payback</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 985,611	\$ -
Plan participants	233,181	-
Total contributions	<u>1,218,792</u>	<u>-</u>
Investment loss	<u>(4,726,631)</u>	<u>-</u>
Total additions	<u>(3,507,839)</u>	<u>-</u>
<b>Deductions</b>		
Distributions and benefit payments	417,079	-
Administrative expenses	<u>62,686</u>	<u>-</u>
Total deductions	<u>479,765</u>	<u>-</u>
Change in net assets	(3,987,604)	-
<b>Net assets held in trust</b>		
Beginning of year	<u>22,506,721</u>	<u>10,567</u>
<b>End of year</b>	<u><u>\$ 18,519,117</u></u>	<u><u>\$ 10,567</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### *The Reporting Entity*

The accompanying financial statements present the City (the primary government) and its component unit, an entity 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. The City has no discretely presented component units.

#### *Blended Component Unit*

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.

#### **Funds with Other Year Ends**

The financial statements of the Pension Trust Defined Benefit Fund have been included in the accompanying 2009 financial statements using the fiscal year ended December 31, 2008.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 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.

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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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

### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

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 accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *police and fire millage fund* accounts for funds generated by property tax collections specifically intended for police and fire protection.

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

The *general projects capital projects fund* accounts for funds accumulated from special assessments for construction projects.

The *construction capital projects fund* accounts for the expenditure of funds on bonded construction projects.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for revenue from specific revenue sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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### ***Budgets and Budgetary Accounting***

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

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

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

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

### ***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not a legal requirement of the City and is not employed.

### ***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.

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 2 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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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- ◆ 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 Michigan Public Act 20 of 1943, as amended.

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

### *Receivables and Payables*

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 activity are reported in the government-wide financial statements as "internal balances."

Accounts receivable is shown net of allowance for estimated uncollectibles. \$277,933 of the loans receivable, \$10,023,000 of special assessments receivable, and \$167,887 of delinquent personal property taxes receivable are not expected to be collected within one year.

### *Other Assets*

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

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

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

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

### *Capital Assets*

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

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

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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:

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

### *Deferred Revenue*

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

Unavailable:

Escrows for recreation department purposes	\$ 53,083
Litigation settlement (general fund)	<u>6,577</u>
Total unavailable	59,660

Unearned:

City's portion of delinquent personal property taxes receivable (general fund)	167,887
Housing rehabilitation loans	127,633
Special assessments	<u>10,023,000</u>
Total unearned	<u>10,318,520</u>
	<u><u>\$ 10,378,180</u></u>

### *Compensated Absences*

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

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

### *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.

### *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.

### *Subsequent Events*

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2009, the most recent statement of net assets presented herein, through the auditors' report date, the date these financial statements were available to be issued. No significant such events or transactions were identified.

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

During the year ended June 30, 2009 the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General fund:			
General government – administrative	\$ 2,070,600	\$ 2,109,171	\$ 38,571
General government – library	102,300	102,716	416
DPW equipment fund	372,900	404,887	31,987
Housing commission fund	16,100	21,622	5,522

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

### 3. DEPOSITS AND INVESTMENTS

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and pooled investments	\$ 47,871,648	\$ 6,876,515	\$ 2,378,589	\$ 57,126,752
Investments	-	-	16,335,052	16,335,052
<b>Total deposits and investments</b>	<b>\$ 47,871,648</b>	<b>\$ 6,876,515</b>	<b>\$ 18,713,641</b>	<b>\$ 73,461,804</b>

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

Deposits (checking and savings accounts)	\$ 9,869,304
Petty cash	3,500
Investments – primary government	45,086,490
Investments – pension trust fund	17,235,257
Investments – other postemployment benefits trust fund	1,267,253
<b>Total deposits and investments</b>	<b>\$73,461,804</b>

Deposits are in two (2) financial institutions located in Michigan.

#### *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:

	<b>Primary Government at 06/30/2009</b>	<b>Pension Trust Fund at 12/31/2008</b>	<b>OPEB Trust Fund at 06/30/2009</b>
No maturity	\$ 19,638,925	\$ 16,576,959	\$ 1,267,253
Less than 1 year	7,696	250,860	-
1 to 5 years	22,989	407,438	-
6 to 10 years	826,371	-	-
11 to 15 years	1,738,819	-	-
16 to 20 years	3,165,954	-	-
21 to 25 years	584,416	-	-
26 to 30 years	19,101,320	-	-
	<b>\$ 45,086,490</b>	<b>\$ 17,235,257</b>	<b>\$ 1,267,253</b>

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

*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, 2008, are summarized as follows:

	<b>Primary Government at 06/30/2009</b>	<b>Pension Trust Fund at 12/31/2008</b>	<b>OPEB Trust Fund at 06/30/2009</b>
Not rated	\$ -	\$ 2,335,333	\$ -
S&P AAA	45,086,490	862,314	-
S&P AA	-	105,655	-
S&P A	-	94,881	-
S&P A-	-	96,167	-
Morningstar 5 stars	-	2,569,712	1,267,253
Morningstar 4 stars	-	4,137,838	-
Morningstar 3 stars	-	6,399,750	-
Morningstar 2 stars	-	633,607	-
	<b><u>\$ 45,086,490</u></b>	<b><u>\$ 17,235,257</u></b>	<b><u>\$ 1,267,253</u></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, \$5,387,409 of the City's bank balance of \$9,901,131 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

*Custodial Credit Risk – Investments.* Following is a summary of the primary government and OPEB trust investments as of June 30, 2009 and pension trust fund investments as of December 31, 2008:

	<b>Primary Government at 06/30/2009</b>	<b>Pension Trust Fund at 12/31/2008</b>	<b>OPEB Trust Fund at 06/30/2009</b>
Money market funds	\$ -	\$ 2,167,458	\$ -
U.S. agencies	25,447,565	658,298	-
Mutual funds	19,638,925	-	-
Bonds	-	5,850,466	-
Equity securities	-	8,008,996	1,267,253
International investments	-	550,039	-
	<b><u>\$ 45,086,490</u></b>	<b><u>\$ 17,235,257</u></b>	<b><u>\$ 1,267,253</u></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 agencies, which are not subject to concentration of credit risk disclosures. The entire amount of investments reported in the OPEB trust fund are in a Vantage Point Long-term Growth Portfolio. More than 5 percent of the pension trust fund's investments are in certain assets, as follows:

Huntington Intermediation Government Income Fund III	16.64%
Russell Funds Fixed Income Mutual Fund	9.00%
Fifth Third Institutional Money Market Fund	8.97%
Fifth Third Discipline Large Value Fund	8.30%
American Funds Growth Fund Class A	9.21%
PIMCO Fund Institutional Class I	8.26%

*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 fund's exposure to foreign currency risk was limited to \$550,039 in international equity securities, denominated in U.S. dollars.

**CITY OF KENTWOOD, MICHIGAN**

**Notes to Financial Statements**

**For the Year Ended June 30, 2009**

**4. INTERFUND TRANSACTIONS**

Transfers in and out for the year ended June 30, 2009 are as follows:

<b>Transfers out</b>	<b>Transfers in</b>				<b>Totals</b>
	<b>General Fund</b>	<b>Major Streets Fund</b>	<b>Construction Fund</b>	<b>Nonmajor Governmental Funds</b>	
General fund	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000
Police and fire millage fund	9,603,716	-	-	-	9,603,716
Construction fund	-	-	-	250	250
Nonmajor governmental funds	16,500	485,448	-	877,835	1,379,783
Water fund	-	-	237,077	317	237,394
Sewer fund	-	-	66,149	294,095	360,244
<b>Totals</b>	<b>\$ 9,620,216</b>	<b>\$ 485,448</b>	<b>\$ 303,226</b>	<b>\$ 1,672,497</b>	<b>\$ 12,081,387</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.

**5. CAPITAL ASSETS**

The capital assets activities for the year are as follows:

	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2009</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,275,360	\$ -	\$ -	\$ 2,275,360
Construction in progress	5,788,895	4,453,976	(7,733,061)	2,509,810
Total capital assets not being depreciated	8,064,255	4,453,976	(7,733,061)	4,785,170
Capital assets being depreciated:				
Land improvements	1,330,236	444,225	(20,428)	1,754,033
Buildings	25,949,520	84,972	-	26,034,492
Equipment	2,820,322	304,045	(77,280)	3,047,087
Vehicles	5,455,860	420,300	(209,591)	5,666,569
Infrastructure	41,291,155	3,564,401	-	44,855,556
Total capital assets being depreciated	76,847,093	4,817,943	(307,299)	81,357,737

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2009</b>
<b>Governmental activities (concluded)</b>				
Less accumulated depreciation for:				
Land improvements	\$ (758,115)	\$ (95,156)	\$ 20,428	\$ (832,843)
Buildings	(6,894,939)	(978,882)	-	(7,873,821)
Equipment	(1,531,493)	(253,041)	77,280	(1,707,254)
Vehicles	(3,302,978)	(568,203)	209,591	(3,661,590)
Infrastructure	(23,263,582)	(1,831,114)	-	(25,094,696)
Total accumulated depreciation	(35,751,107)	(3,726,396)	307,299	(39,170,204)
Net capital assets being depreciated	41,095,986	1,091,547	-	42,187,533
<b>Total governmental activities capital assets</b>	<b>\$ 49,160,241</b>	<b>\$ 5,545,523</b>	<b>\$ (7,733,061)</b>	<b>\$ 46,972,703</b>
	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2009</b>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Construction in progress	66,463	283,096	-	349,559
Total capital assets not being depreciated	127,412	283,096	-	410,508
Capital assets being depreciated:				
Buildings	260,229	-	-	260,229
Equipment	2,228,196	-	-	2,228,196
Meters	836,794	7,488	-	844,282
Water mains	6,916,433	644,904	-	7,561,337
Sewer mains	12,433,709	3,185,899	-	15,619,608
Storage	2,650,079	-	-	2,650,079
Total capital assets being depreciated	25,325,440	3,838,291	-	29,163,731

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

	<b>Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance</b>
	<b>June 30, 2008</b>			<b>June 30, 2009</b>
<b>Business-type activities (concluded)</b>				
Less accumulated depreciation for:				
Buildings	\$ (138,130)	\$ (6,251)	\$ -	\$ (144,381)
Equipment	(258,212)	(18,404)	-	(276,616)
Meters	(451,368)	(21,879)	-	(473,247)
Water mains	(4,167,436)	(190,658)	-	(4,358,094)
Sewer mains	(9,358,201)	(280,533)	-	(9,638,734)
Storage	(1,613,350)	(81,264)	-	(1,694,614)
	(15,986,697)	(598,989)	-	(16,585,686)
Total accumulated depreciation				
Net capital assets, being depreciated	9,338,743	3,239,302	-	12,578,045
<b>Total business-type activities capital assets</b>	<b>\$ 9,466,155</b>	<b>\$ 3,522,398</b>	<b>\$ -</b>	<b>\$ 12,988,553</b>

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

Governmental activities:	
General government	\$ 190,040
Highways and streets	1,804,432
Public safety	1,042,867
Public works	578,695
Culture and recreation	110,362
Total depreciation expense - Governmental activities	\$ 3,726,396
Business-type activities:	
Water	\$ 312,554
Sewer	286,435
Total depreciation expense - Business-type activities	\$ 598,989

At June 30, 2009, the City had outstanding construction commitments of approximately \$362,000, and \$2,615,000 for the completion of the Kalamazoo Street project and the Library Building Construction project, respectively. Both projects are included in construction in progress of governmental activities at year-end. The construction in progress in business-type activities is expected to be completed through issuance of drinking water revolving bonds at a future time.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

### 6. LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due</u> <u>within</u> <u>One Year</u>
<b>Governmental activities</b>					
2001 Building Authority Bonds, due in installments of \$485,000 to \$860,000 through 2016; interest at 3.0% to 4.7%.	\$ 5,830,000	\$ -	\$ 615,000	\$ 5,215,000	\$ 645,000
2003 Capital Improvement Bonds, due in installments of \$365,000 to \$720,000 through 2024; interest at 2.0% to 4.4%.	8,485,000	-	395,000	8,090,000	405,000
2005 Capital Improvement Bonds, due in installments of \$265,000 to \$420,000 through 2020; interest at 3.0% to 4.1%.	4,170,000	-	290,000	3,880,000	300,000
2009 Capital Improvement Bonds, due in installments of \$265,000 to \$590,000 through 2029; interest at 2.5% to 5.0%.	-	8,000,000	-	8,000,000	265,000
Subtotal installment debt	18,485,000	8,000,000	1,300,000	25,185,000	1,615,000
Unamortized bond premium	-	39,409	654	38,755	1,962
Compensated absences	1,230,310	11,952	-	1,242,262	-
Landfill clean-up and other costs	1,330,056	265,572	-	1,595,628	75,000
<b>Total governmental activities</b>	<b><u>\$ 21,045,366</u></b>	<b><u>\$ 8,316,933</u></b>	<b><u>\$ 1,300,654</u></b>	<b><u>28,061,645</u></b>	<b><u>\$1,691,962</u></b>
Less: current portion				<u>1,691,962</u>	
<b>Long-term portion</b>				<b><u>\$ 26,369,683</u></b>	

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

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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 June 30, 2009 are as follows:

Year Ended	Governmental Activities		Total
	Principal	Interest	Requirements
2010	\$ 1,615,000	\$ 1,031,122	\$ 2,646,122
2011	1,690,000	964,937	2,654,937
2012	1,745,000	904,400	2,649,400
2013	1,815,000	839,688	2,654,688
2014	1,885,000	769,666	2,654,666
2015-2019	7,950,000	2,747,374	10,697,374
2020-2024	5,830,000	1,331,281	7,161,281
2025-2029	2,655,000	410,050	3,065,050
	<b>\$ 25,185,000</b>	<b>\$ 8,998,518</b>	<b>\$34,183,518</b>

### 7. 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, 2009, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	24
Terminated members not yet receiving benefits	8
Active plan members	69
	<b>101</b>

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 this election). Upon ten years of service, a participant is entitled to receive a benefit equal in value to a single life annuity on the participant’s life with the annual retirement benefit equal to 2.5% 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.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

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

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

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

Current rates of employee contributions are 5% of compensation for police participants, 6% for firefighter participants, and 3% 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, 2008 was \$895,000.

Net pension obligation – beginning of year	\$	-
Annual required contribution/annual pension cost		895,000
Contribution made by the City		895,000
<b>Net pension obligation – end of the year</b>	<b>\$</b>	<b>-</b>

*Funded Status and Funding Progress.* The funded status of the Plan as of January 1, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/09	\$ 17,257,117	\$ 21,308,452	\$ 4,051,335	81%	\$ 4,933,079	82%

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, 2009. Significant actuarial assumptions used in determining the annual required contribution include (a) rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4% per year attributable to inflation, and (c) additional cost-of-living salary increases of 3% per year.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

The City's funding policy for periodic employer contributions are at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age normal actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level dollar over an open period of ten years. During the Plan year ended December 31, 2008, contributions totaling \$1,128,181 (\$895,000 employer and \$233,181 employee) were made.

The actuarial value of assets has been determined utilizing as 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
2006	\$ 800,000	100%	\$ -
2007	880,000	100%	-
2008	895,000	100%	-

### Defined Contribution Plan

The City of Kentwood Defined Contribution Pension Plan provides pension benefits for substantially 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 total payroll for the year ending June 30, 2009 was \$13,311,384. The City's contribution of \$760,360 was calculated using the employee compensation amount of \$8,466,627. City employees also made pre-tax mandatory contributions to the Plan totaling \$329,414, which was 0 – 6% of covered payroll.

## 8. SELF INSURANCE

Beginning in October 2006, the City was 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:

	<u>2009</u>	<u>2008</u>
Liability, beginning of year	\$ 36,414	\$ 21,300
Estimated claims incurred	176,939	163,689
Claim payments	(175,698)	(148,575)
<b>Liability, end of year</b>	<b>\$ 37,655</b>	<b>\$ 36,414</b>

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

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

### 9. 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, 2009, the City contributed \$90,611 to the Plan, including \$68,566 for current service cost, and an additional \$22,045 to amortize the unfunded actuarial liability. Plan members receiving benefits contributed \$0 for postemployment health coverage.

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

Annual required contribution	\$ 90,611
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Net OPEB cost (expense)	90,611
Contributions made	(90,611)
	<hr/>
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
	<hr/>
Net OPEB obligation, end of year	<u>\$ -</u>

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements For the Year Ended June 30, 2009

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

### Three-Year Trend Information – OPEB

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2007	\$ 320,793	100%	\$ -
06/30/2008	132,981	100	-
06/30/2009	90,611	100	-

*Funded status and funding progress.* As of June 30, 2009, the date of the most recent actuarial valuation, the Plan was 81% funded. The actuarial accrued liability for benefits was \$1,597,161, and the actuarial value of assets was \$1,294,089, resulting in an unfunded actuarial accrued liability (UAAL) of \$303,102. The covered payroll (annual payroll of the active employees covered by the Plan) was \$12,893,659 and the ratio of the UAAL to the covered payroll was 2.4%.

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

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

In the June 30, 2009 actuarial valuation, the entry age 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 4 years on a closed basis. The liability added related to benefit changes is amortized over the term of the applicable collective bargaining agreement.

# CITY OF KENTWOOD, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2009

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### 10. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

#### *Landfill*

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

Kent County and the EPA have negotiated a settlement to clean up the landfill over a 30-year period. On August 6, 1991, the City Commission approved an arrangement with the County whereby the City would be responsible for 20% of the total clean-up costs as a result of its prior operation of the landfill. The current present value estimate of remaining clean-up costs over the next 16 years is \$7,978,140, of which the City would be responsible for \$1,595,628. Expenditures of \$70,253 were incurred for landfill clean-up during fiscal year 2009. 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, 2009, the City has accounted for the \$1,595,628 in the government-wide financial statements.

### 11. FEDERAL FUNDING

The City is an indirect beneficiary of federal funds that are expended directly by the State of Michigan and Kent County. These expenditures are included in the single audit for those entities, respectively. Because the City expended less than \$500,000 in directly administered federal awards, no single audit was required for the year ended June 30, 2009.

### 12. 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.

\* \* \* \* \*

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF KENTWOOD, MICHIGAN**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2009**

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**Defined Benefit Pension Plan**

\* The Annual Required Contribution (ARC) is the contribution required from the employer for the given year.

\*\*The percentage of the ARC actually contributed by the employer for the given year.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation Date	January 1, 2009
Actuarial cost method	Entry Age Normal, Frozen Initial Liability (normal costs are allocated as a level percentage of pay)
Amortization method	Level dollar, open
Remaining amortization period	7 years (based on \$1,290,000 employer contribution in June 2009)
Asset valuation method	Market value
Actuarial assumptions:	
Retirement age	Later of age 65 or 5 <sup>th</sup> anniversary of participation for non-uniform participants; if a participant immediately retires from employment, age 60 with 10 years of service for non-uniform participants; earlier of 55 with 10 years of service for police participants, or age 53 with 15 years of services for police-supervisory participants; or age 50 with 15 years of service for police-patrol participants; age 55 for firefighter participants.
Investment rate of return	7.5% per year
Projected salary increases	4% per year
Mortality table	RP-2000 Mortality Table with Projection Scale AA (sex distinct)
Turnover rates	Crocker-Sarason-Straight T-1
Disability table	100% 1964 Old Age, Survivor and Disability Insurance
Marriage assumption	90% of all active participants are assumed to be married
Cost-of-living adjustments:	
Basic benefits	None
Maximum salary increases	3% per year
Maximum benefit increases	3% per year

**CITY OF KENTWOOD, MICHIGAN**  
**Required Supplementary Information (Continued)**  
**For the Year Ended June 30, 2009**

*Defined Benefit Pension Plan (concluded)*

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

**Schedule of Funding Progress**

Actuarial valuation date	(a) Market value of assets	(b) Actuarial accrued liability (AAL)	(c) Unfunded AAL (UAAL) (b) – (a)	(d) Funded ratio ((a)/(b))	(e) Covered Payroll	(f) UAAL as a percentage of covered payroll ((c)/(e))
1/1/2004	\$13,592,995	\$16,754,125	\$3,161,130	81.1%	\$5,163,925	61.2%
1/1/2005	15,702,758	18,606,907	2,904,149	84.4%	5,347,504	54.3%
1/1/2006	17,380,075	20,916,988	3,536,913	83.1%	5,261,799	67.2%
1/1/2007	19,655,594	23,791,747	4,136,153	82.6%	5,061,348	81.7%
1/1/2008	21,057,646	25,141,606	4,083,960	83.7%	5,090,347	80.2%
1/1/2009	17,257,117	21,308,452	4,051,335	80.9%	4,933,079	82.1%

**Schedule of Contributions**

Plan year Ended December 31	Annual Required Contribution *	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed **
2006	\$ 800,000	\$ 203,374	\$ 800,000	\$ 1,003,374	100.00%
2007	880,000	198,539	880,000	1,078,539	100.00%
2008	895,000	233,181	895,000	1,128,181	100.00%

**CITY OF KENTWOOD, MICHIGAN**  
**Required Supplementary Information (Concluded)**  
**For the Year Ended June 30, 2009**

***Other Postemployment Benefits Plan***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

**Schedule of Funding Progress**

Actuarial valuation date	(a) Market value of assets	(b) Actuarial accrued liability (AAL)	(c) Unfunded AAL (UAAL) (b) – (a)	(d) Funded ratio ((a)/(b))	(e) Covered Payroll	(f) UAAL as a percentage of covered payroll ((c)/(e))
06/30/2007	\$ 1,283,439	\$ 1,639,119	\$ 355,680	78.3%	\$12,338,199	2.9%
06/30/2008	1,485,329	1,499,026	13,697	99.1%	12,693,981	0.1%
06/30/2009	1,597,191	1,294,089	303,102	81.0%	12,893,659	2.4%

**Schedule of Contributions**

Plan year Ended June 30	Annual Required Contribution *	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed **
2007	\$ 320,793	\$ -	\$ 320,793	\$ 320,793	100.00%
2008	132,981	-	132,981	132,981	100.00%
2009	90,611	-	90,611	90,611	100.00%

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

## **GENERAL FUND**

**CITY OF KENTWOOD, MICHIGAN**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
<b>Taxes</b>	\$ 6,306,400	\$ 6,306,400	\$ 6,393,382	\$ 86,982
<b>Intergovernmental</b>				
Local grants	9,000	9,000	13,643	4,643
State shared revenue	3,367,300	3,367,300	3,175,986	(191,314)
State grants	103,000	103,000	119,467	16,467
Federal grants	40,000	40,000	60,336	20,336
Total intergovernmental	<u>3,519,300</u>	<u>3,519,300</u>	<u>3,369,432</u>	<u>(149,868)</u>
<b>Licenses and permits</b>				
Permits and inspection fees	628,500	628,500	500,482	(128,018)
Local licenses	536,800	536,800	639,744	102,944
State liquor licenses	20,000	20,000	21,163	1,163
Total licenses and permits	<u>1,185,300</u>	<u>1,185,300</u>	<u>1,161,389</u>	<u>(23,911)</u>
<b>Charges for services</b>				
Tax collection fees	925,000	925,000	903,314	(21,686)
Public works services	1,523,100	1,523,100	1,167,911	(355,189)
Recreation fees	401,400	401,400	244,886	(156,514)
Internal charges administration	494,500	494,500	498,500	4,000
Water department - accounting and administrative charges	31,000	31,000	31,000	-
Engineering	282,700	282,700	280,320	(2,380)
Police, fire and library fees	211,700	211,700	234,165	22,465
Cemetery	42,000	42,000	39,459	(2,541)
Zoning fees	28,000	28,000	9,564	(18,436)
Passport fees	30,000	30,000	31,989	1,989
Judge's salary subsidy	45,700	45,700	45,724	24
Total charges for services	<u>4,015,100</u>	<u>4,015,100</u>	<u>3,486,832</u>	<u>(528,268)</u>
<b>Fines and forfeits</b>				
Court fines	1,250,000	1,250,000	1,170,227	(79,773)
Delinquent tax - interest penalties	200,000	200,000	179,621	(20,379)
Total fines and forfeits	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,349,848</u>	<u>(100,152)</u>
<b>Investment income</b>	<u>250,000</u>	<u>250,000</u>	<u>396,994</u>	<u>146,994</u>
<b>Miscellaneous</b>				
Insurance premium refunds	30,000	30,000	31,015	1,015
Rental income	45,000	45,000	50,729	5,729
Miscellaneous	55,000	55,000	58,409	3,409
Total miscellaneous	<u>130,000</u>	<u>130,000</u>	<u>140,153</u>	<u>10,153</u>
<b>Total revenue</b>	<u>16,856,100</u>	<u>16,856,100</u>	<u>16,298,030</u>	<u>(558,070)</u>

continued....

**CITY OF KENTWOOD, MICHIGAN**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Expenditures</b>				
<b>General government</b>				
Administrative:				
Auditing	\$ 26,300	\$ 26,300	\$ 23,650	\$ (2,650)
Cable TV related costs	174,500	174,500	218,950	44,450
City commission	42,200	42,200	39,799	(2,401)
Community activities	3,500	3,500	2,296	(1,204)
Dues, fees and memberships	32,500	32,500	28,666	(3,834)
Employee benefits	103,600	103,600	79,498	(24,102)
Insurance	130,200	130,200	121,408	(8,792)
Legal fees	265,000	265,000	353,764	88,764
Repairs and maintenance	7,000	7,000	4,461	(2,539)
Office equipment	36,200	36,200	34,624	(1,576)
Office supplies	10,000	10,000	10,653	653
Contractual services	104,400	104,400	99,155	(5,245)
Pension administration	9,000	9,000	849	(8,151)
Postage	55,000	55,000	43,538	(11,462)
Printing and publishing	35,500	35,500	16,368	(19,132)
Utilities	135,000	135,000	124,402	(10,598)
Supplies	17,500	17,500	15,257	(2,243)
Rent	870,400	870,400	870,305	(95)
Miscellaneous	12,800	12,800	21,528	8,728
<b>Total administrative</b>	<u>2,070,600</u>	<u>2,070,600</u>	<u>2,109,171</u>	<u>38,571</u>
Assessments:				
Contractual services	20,000	20,000	8,824	(11,176)
Telephone	1,800	1,800	1,447	(353)
Dues, fees and memberships	1,700	1,700	790	(910)
Training	6,100	6,100	5,050	(1,050)
Employee benefits	97,000	97,000	105,225	8,225
Repairs and maintenance	12,000	12,000	5,520	(6,480)
Salaries	282,600	282,600	283,063	463
Supplies	4,600	4,600	2,994	(1,606)
Travel	2,500	2,500	1,969	(531)
<b>Total assessments</b>	<u>428,300</u>	<u>428,300</u>	<u>414,882</u>	<u>(13,418)</u>
Treasurer:				
Dues, fees and memberships	500	500	392	(108)
Training	3,000	3,000	1,251	(1,749)
Employee benefits	57,900	57,900	61,995	4,095
Insurance	1,900	1,900	1,832	(68)
Repairs and maintenance	100	100	-	(100)
Salaries	138,800	138,800	136,780	(2,020)
Supplies	21,000	21,000	21,260	260
Contractual services	6,000	6,000	4,360	(1,640)
Travel	500	500	847	347
<b>Total treasurer</b>	<u>229,700</u>	<u>229,700</u>	<u>228,717</u>	<u>(983)</u>

continued...

**CITY OF KENTWOOD, MICHIGAN**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
Information technology:				
Dues, fees and memberships	\$ 800	\$ 800	\$ -	\$ (800)
Training	12,500	12,500	6,523	(5,977)
Employee benefits	91,300	91,300	79,527	(11,773)
Repairs and maintenance	47,000	47,000	36,293	(10,707)
Contractual services	49,500	49,500	27,971	(21,529)
Salaries	227,000	227,000	213,019	(13,981)
Supplies	5,200	5,200	2,665	(2,535)
Travel	2,000	2,000	1,924	(76)
Utilities	6,200	6,200	6,282	82
Total information technology	<u>441,500</u>	<u>441,500</u>	<u>374,204</u>	<u>(67,296)</u>
City clerk:				
Dues, fees and memberships	300	300	420	120
Training	2,000	2,000	2,319	319
Employee benefits	43,200	43,200	42,066	(1,134)
Insurance	200	200	142	(58)
Repairs and maintenance	-	-	100	100
Contractual services	5,300	5,300	4,846	(454)
Salaries	150,100	150,100	146,739	(3,361)
Supplies	3,200	3,200	2,664	(536)
Travel	600	600	567	(33)
Total city clerk	<u>204,900</u>	<u>204,900</u>	<u>199,863</u>	<u>(5,037)</u>
Human resources:				
Dues, fees and memberships	600	600	895	295
Training	3,000	3,000	3,558	558
Employee benefits	31,800	31,800	30,746	(1,054)
Contractual services	500	8,000	7,500	(500)
Salaries	104,900	104,900	102,060	(2,840)
Supplies	1,900	1,900	1,545	(355)
Travel	300	300	196	(104)
Total human resources	<u>143,000</u>	<u>150,500</u>	<u>146,500</u>	<u>(4,000)</u>
Accounting:				
Dues, fees and memberships	1,500	1,500	1,025	(475)
Training	2,300	2,300	1,870	(430)
Employee benefits	120,900	120,900	123,448	2,548
Repairs and maintenance	12,500	12,500	9,270	(3,230)
Contractual services	2,500	2,500	68	(2,432)
Salaries	364,400	364,400	360,779	(3,621)
Supplies	5,800	5,800	5,257	(543)
Utilities	500	500	218	(282)
Travel	2,000	2,000	1,500	(500)
Total accounting	<u>512,400</u>	<u>512,400</u>	<u>503,435</u>	<u>(8,965)</u>

continued....

**CITY OF KENTWOOD, MICHIGAN**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Expenditures (continued)</b>				
<b>General government (concluded)</b>				
Executive:				
Capital outlay	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Training	3,500	3,500	1,651	(1,849)
Dues, fees and memberships	1,400	1,400	1,273	(127)
Employee benefits	63,000	63,000	57,656	(5,344)
Printing and publishing	20,000	20,000	22,506	2,506
Salaries	195,500	195,500	183,729	(11,771)
Supplies	3,000	3,000	5,518	2,518
Utilities	1,800	1,800	1,516	(284)
Travel	3,000	3,000	2,924	(76)
Total executive	<u>292,200</u>	<u>292,200</u>	<u>276,773</u>	<u>(15,427)</u>
Planning and zoning:				
Training	4,600	4,600	2,357	(2,243)
Dues, fees and memberships	3,600	3,600	2,492	(1,108)
Employee benefits	135,200	135,200	111,390	(23,810)
Internal charges	800	800	730	(70)
Repairs and maintenance	200	200	-	(200)
Contractual services	2,500	2,500	596	(1,904)
Salaries	367,200	367,200	287,090	(80,110)
Supplies	3,300	3,300	2,328	(972)
Travel	4,300	4,300	4,512	212
Total planning and zoning	<u>521,700</u>	<u>521,700</u>	<u>411,495</u>	<u>(110,205)</u>
Elections:				
Employee benefits	400	400	591	191
Internal charges	3,000	3,000	1,627	(1,373)
Repairs and maintenance	500	500	100	(400)
Contractual services	44,700	49,500	42,228	(7,272)
Salaries	2,800	6,400	5,703	(697)
Supplies	4,500	5,700	5,102	(598)
Travel	1,200	1,200	1,243	43
Total elections	<u>57,100</u>	<u>66,700</u>	<u>56,594</u>	<u>(10,106)</u>
Total general government	<u>4,901,400</u>	<u>4,918,500</u>	<u>4,721,634</u>	<u>(196,866)</u>

continued....

**CITY OF KENTWOOD, MICHIGAN**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Expenditures (continued)</b>				
<b>Public safety</b>				
Police:				
Capital outlay	\$ 37,700	\$ 37,700	\$ 34,977	\$ (2,723)
Contractual services	315,000	315,000	303,207	(11,793)
Dues, fees and memberships	9,000	9,000	2,312	(6,688)
Employee benefits	2,599,800	2,599,800	2,584,309	(15,491)
Travel	439,100	439,100	424,743	(14,357)
Legal fees	220,000	220,000	227,510	7,510
Insurance	91,500	91,500	91,241	(259)
Repairs and maintenance	63,000	63,000	41,152	(21,848)
Salaries	5,770,500	5,770,500	5,334,847	(435,653)
Supplies	179,000	179,000	116,863	(62,137)
Utilities	182,000	182,000	212,430	30,430
Training	77,500	77,500	57,896	(19,604)
Total police	<u>9,984,100</u>	<u>9,984,100</u>	<u>9,431,487</u>	<u>(552,613)</u>
Fire:				
Capital outlay	38,400	38,400	33,985	(4,415)
Contractual services	143,300	143,300	110,643	(32,657)
Dues, fees and memberships	3,700	3,700	3,134	(566)
Training	19,000	19,000	12,335	(6,665)
Employee benefits	1,396,900	1,396,900	1,320,263	(76,637)
Travel	165,700	165,700	154,075	(11,625)
Insurance	44,500	44,500	43,084	(1,416)
Repairs and maintenance	58,100	58,100	29,505	(28,595)
Salaries	3,340,900	3,340,900	3,265,778	(75,122)
Supplies	118,400	118,400	107,478	(10,922)
Utilities	130,000	130,000	113,891	(16,109)
Total fire	<u>5,458,900</u>	<u>5,458,900</u>	<u>5,194,171</u>	<u>(264,729)</u>
Total public safety	<u>15,443,000</u>	<u>15,443,000</u>	<u>14,625,658</u>	<u>(817,342)</u>
<b>Public works</b>				
Training	8,700	8,700	4,868	(3,832)
Dues, fees and memberships	1,500	1,500	338	(1,162)
Employee benefits	699,600	699,600	698,974	(626)
Insurance	18,500	18,500	16,875	(1,625)
Repairs and maintenance	114,600	114,600	29,039	(85,561)
Contractual services	66,500	66,500	42,375	(24,125)
Salaries	1,519,000	1,519,000	1,533,563	14,563
Supplies	130,500	130,500	111,731	(18,769)
Travel	180,000	180,000	148,046	(31,954)
Utilities	116,500	116,500	79,828	(36,672)
Miscellaneous	3,000	3,000	-	(3,000)
Total public works	<u>2,858,400</u>	<u>2,858,400</u>	<u>2,665,637</u>	<u>(192,763)</u>

continued....

**CITY OF KENTWOOD, MICHIGAN**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Expenditures (continued)</b>				
<b>Engineering services</b>				
Training	\$ 2,500	\$ 2,500	\$ 1,006	\$ (1,494)
Dues, fees and memberships	1,400	1,400	1,336	(64)
Employee benefits	118,900	118,900	115,037	(3,863)
Contractual services	5,000	5,000	-	(5,000)
Repairs and maintenance	4,100	4,100	4,629	529
Insurance	1,200	1,200	1,446	246
Salaries	369,400	369,400	375,100	5,700
Supplies	11,400	11,400	5,362	(6,038)
Travel	5,100	5,100	6,317	1,217
Total engineering services	<u>519,000</u>	<u>519,000</u>	<u>510,233</u>	<u>(8,767)</u>
<b>District court</b>				
Legal fees	50,000	50,000	59,443	9,443
Training	4,200	4,200	1,197	(3,003)
Dues, fees and memberships	1,800	1,800	1,739	(61)
Employee benefits	279,600	279,600	292,031	12,431
Insurance	2,600	2,600	2,759	159
Repairs and maintenance	67,100	67,100	81,846	14,746
Contractual services	177,200	177,200	110,833	(66,367)
Salaries	729,700	729,700	730,780	1,080
Supplies	25,000	25,000	29,203	4,203
Utilities	19,500	19,500	17,717	(1,783)
Travel	1,000	1,000	989	(11)
Total district court	<u>1,357,700</u>	<u>1,357,700</u>	<u>1,328,537</u>	<u>(29,163)</u>
<b>Inspections</b>				
Dues, fees and memberships	900	900	875	(25)
Training	7,500	7,500	2,393	(5,107)
Employee benefits	137,200	137,200	143,739	6,539
Insurance	2,400	2,400	2,190	(210)
Repairs and maintenance	3,300	3,300	2,048	(1,252)
Salaries	364,900	364,900	337,820	(27,080)
Supplies	6,600	6,600	4,464	(2,136)
Utilities	2,700	2,700	2,205	(495)
Travel	13,400	13,400	9,179	(4,221)
Total inspections	<u>538,900</u>	<u>538,900</u>	<u>504,913</u>	<u>(33,987)</u>

continued....

**CITY OF KENTWOOD, MICHIGAN**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund (Concluded)**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Expenditures (concluded)</b>				
<b>Culture and recreation</b>				
Recreation:				
Capital outlay	\$ 12,000	\$ 12,000	\$ 9,473	\$ (2,527)
Training	5,000	5,000	5,403	403
Dues, fees and memberships	1,000	1,000	513	(487)
Employee benefits	158,700	158,700	137,618	(21,082)
Contractual services	86,600	86,600	86,276	(324)
Insurance	3,500	3,500	4,257	757
Repairs and maintenance	5,300	5,300	5,761	461
Salaries	485,700	485,700	445,988	(39,712)
Internal charges	73,200	73,200	88,925	15,725
Supplies	159,800	159,800	132,664	(27,136)
Travel	6,900	6,900	10,254	3,354
Utilities	25,000	25,000	23,988	(1,012)
Total recreation	<u>1,022,700</u>	<u>1,022,700</u>	<u>951,120</u>	<u>(71,580)</u>
Library:				
Insurance	1,400	1,400	1,210	(190)
Repairs and maintenance	5,000	5,000	765	(4,235)
Contractual services	300	300	280	(20)
Internal charges	52,100	52,100	58,387	6,287
Supplies	9,000	9,000	6,959	(2,041)
Utilities	34,500	34,500	35,115	615
Total library	<u>102,300</u>	<u>102,300</u>	<u>102,716</u>	<u>416</u>
Total culture and recreation	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,053,836</u>	<u>(71,164)</u>
Total expenditures	<u>26,743,400</u>	<u>26,760,500</u>	<u>25,410,448</u>	<u>(1,350,052)</u>
Revenue under expenditures	<u>(9,887,300)</u>	<u>(9,904,400)</u>	<u>(9,112,418)</u>	<u>791,982</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Transfers in	10,317,100	10,337,100	9,620,216	(716,884)
Transfers out	(650,000)	(650,000)	(500,000)	150,000
Total other financing sources (uses)	<u>9,668,100</u>	<u>9,688,100</u>	<u>9,120,216</u>	<u>(567,884)</u>
Net change in fund balance	(219,200)	(216,300)	7,798	224,098
Fund balance, beginning of year	<u>5,072,198</u>	<u>5,072,198</u>	<u>5,072,198</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,852,998</u></u>	<u><u>\$ 4,855,898</u></u>	<u><u>\$ 5,079,996</u></u>	<u><u>\$ 224,098</u></u>

## **NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF KENTWOOD, MICHIGAN**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009**

	<b>Special Revenue</b>			
	<b>DPW Equipment</b>	<b>Fire Equipment</b>	<b>Economic Development</b>	<b>Housing Commission</b>
<b>Assets</b>				
Cash and pooled investments	\$ 1,671,061	\$ 1,235,118	\$ 790,852	\$ 170,560
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Loans receivable	-	-	186,548	168,786
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>\$ 1,671,061</b>	<b>\$ 1,235,118</b>	<b>\$ 977,400</b>	<b>\$ 339,346</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 15,087	\$ -	\$ 35	\$ 77
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	127,633
<b>Total liabilities</b>	<b>15,087</b>	<b>-</b>	<b>35</b>	<b>127,710</b>
<b>Fund balances</b>				
Reserved for:				
Prepaid items	-	-	-	-
Noncurrent mortgage loans	-	-	114,700	35,600
Unreserved:				
Designated for parks and recreation	-	-	-	-
Undesignated	1,655,974	1,235,118	862,665	176,036
<b>Total fund balances</b>	<b>1,655,974</b>	<b>1,235,118</b>	<b>977,365</b>	<b>211,636</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,671,061</b>	<b>\$ 1,235,118</b>	<b>\$ 977,400</b>	<b>\$ 339,346</b>

**Special Revenue Funds**

<b>Parks</b>	<b>Street Lighting</b>	<b>Landfill Remediation</b>	<b>Drain</b>	<b>Local Streets</b>	<b>Municipal Streets</b>
\$ 1,349,869	\$ 2,082,704	\$ 1,997,092	\$ 4,990,918	\$ 1,820,612	\$ 4,966,455
-	-	-	4,530	-	-
-	-	-	278,031	-	-
-	-	-	-	-	-
-	-	-	-	104,129	-
-	-	-	627	2,587	-
<u>\$ 1,349,869</u>	<u>\$ 2,082,704</u>	<u>\$ 1,997,092</u>	<u>\$ 5,274,106</u>	<u>\$ 1,927,328</u>	<u>\$ 4,966,455</u>
\$ 47,431	\$ 34,516	\$ 21,479	\$ 27,203	\$ 80,241	\$ -
-	-	-	3,071	-	-
-	-	-	273,345	-	-
<u>47,431</u>	<u>34,516</u>	<u>21,479</u>	<u>303,619</u>	<u>80,241</u>	<u>-</u>
-	-	-	627	2,587	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,302,438</u>	<u>2,048,188</u>	<u>1,975,613</u>	<u>4,969,860</u>	<u>1,844,500</u>	<u>4,966,455</u>
<u>1,302,438</u>	<u>2,048,188</u>	<u>1,975,613</u>	<u>4,970,487</u>	<u>1,847,087</u>	<u>4,966,455</u>
<u>\$ 1,349,869</u>	<u>\$ 2,082,704</u>	<u>\$ 1,997,092</u>	<u>\$ 5,274,106</u>	<u>\$ 1,927,328</u>	<u>\$ 4,966,455</u>

**CITY OF KENTWOOD, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Concluded)**  
**June 30, 2009**

	<b>Special Revenue Property and Building</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and pooled investments	\$ 3,552,232	\$ -	\$ 24,627,473
Accounts receivable	-	-	4,530
Special assessments receivable	-	-	278,031
Loans receivable	-	-	355,334
Due from other governments	22,641	-	126,770
Prepaid items	-	-	3,214
	<b>Total assets</b>	<b>\$ -</b>	<b>\$ 25,395,352</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 70,041	\$ -	\$ 296,110
Due to other governments	-	-	3,071
Deferred revenue	-	-	400,978
	<b>Total liabilities</b>	<b>-</b>	<b>700,159</b>
<b>Fund balances</b>			
Reserved for:			
Prepaid items	-	-	3,214
Noncurrent mortgage loans	-	-	150,300
Unreserved:			
Designated for parks and recreation	472,578	-	472,578
Undesignated	3,032,254	-	24,069,101
	<b>Total fund balances</b>	<b>-</b>	<b>24,695,193</b>
	<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 25,395,352</b>

**CITY OF KENTWOOD, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2009**

	<b>Special Revenue</b>			
	<b>DPW Equipment</b>	<b>Fire Equipment</b>	<b>Economic Development</b>	<b>Housing Commission</b>
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Licenses and permits	-	-	15,659	-
Charges for services	350,000	-	-	-
Investment income	124,596	85,366	62,193	12,712
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>474,596</b>	<b>85,366</b>	<b>77,852</b>	<b>12,712</b>
<b>Expenditures</b>				
Current:				
General government	-	-	40,279	21,622
Public safety	-	15,000	-	-
Highways and streets	-	-	-	-
Public works	20,000	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	384,887	100,613	-	-
<b>Total expenditures</b>	<b>404,887</b>	<b>115,613</b>	<b>40,279</b>	<b>21,622</b>
Revenue over (under) expenditures	69,709	(30,247)	37,573	(8,910)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	30,730	5,949	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>30,730</b>	<b>5,949</b>	<b>-</b>	<b>-</b>
Net change in fund balances	100,439	(24,298)	37,573	(8,910)
Fund balances, beginning of year	1,555,535	1,259,416	939,792	220,546
<b>Fund balances, end of year</b>	<b>\$ 1,655,974</b>	<b>\$ 1,235,118</b>	<b>\$ 977,365</b>	<b>\$ 211,636</b>

**Special Revenue**

<u>Parks</u>	<u>Street Lighting</u>	<u>Landfill Remediation</u>	<u>Drain</u>	<u>Local Streets</u>	<u>Municipal Streets</u>
\$ 212,859	\$ -	\$ 319,289	\$ -	\$ -	\$ 4,040
-	-	-	29,867	-	-
69,684	132,692	-	-	644,815	-
-	-	-	-	-	-
-	-	-	-	-	-
87,928	144,907	130,910	347,105	119,682	376,571
-	-	-	-	19,479	225,510
<u>370,471</u>	<u>277,599</u>	<u>450,199</u>	<u>376,972</u>	<u>783,976</u>	<u>606,121</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	451,939	-	-	798,024	55,000
-	-	98,953	397,768	-	-
19,100	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>137,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,624</u>	<u>281,042</u>
<u>156,600</u>	<u>451,939</u>	<u>98,953</u>	<u>397,768</u>	<u>949,648</u>	<u>336,042</u>
<u>213,871</u>	<u>(174,340)</u>	<u>351,246</u>	<u>(20,796)</u>	<u>(165,672)</u>	<u>270,079</u>
-	-	-	-	-	-
-	17,232	-	-	5,631	-
-	(16,500)	-	-	-	(507,994)
<u>-</u>	<u>732</u>	<u>-</u>	<u>-</u>	<u>5,631</u>	<u>(507,994)</u>
213,871	(173,608)	351,246	(20,796)	(160,041)	(237,915)
<u>1,088,567</u>	<u>2,221,796</u>	<u>1,624,367</u>	<u>4,991,283</u>	<u>2,007,128</u>	<u>5,204,370</u>
<u>\$ 1,302,438</u>	<u>\$ 2,048,188</u>	<u>\$ 1,975,613</u>	<u>\$ 4,970,487</u>	<u>\$ 1,847,087</u>	<u>\$ 4,966,455</u>

**CITY OF KENTWOOD, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Concluded)**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue Property and Building</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenue</b>			
Taxes	\$ -	\$ -	\$ 536,188
Special assessments	-	-	29,867
Intergovernmental	48,419	-	895,610
Licenses and permits	-	-	15,659
Charges for services	-	870,305	1,220,305
Investment income	231,843	-	1,723,813
Miscellaneous	2,500	-	247,489
	<u>282,762</u>	<u>870,305</u>	<u>4,668,931</u>
Total revenue			
<b>Expenditures</b>			
Current:			
General government	-	-	61,901
Public safety	-	-	15,000
Highways and streets	-	-	1,304,963
Public works	-	-	516,721
Culture and recreation	-	-	19,100
Debt service:			
Principal	-	1,300,000	1,300,000
Interest	-	719,939	719,939
Capital outlay	777,736	-	1,833,402
	<u>777,736</u>	<u>2,019,939</u>	<u>5,771,026</u>
Total expenditures			
Revenue over (under) expenditures	<u>(494,974)</u>	<u>(1,149,634)</u>	<u>(1,102,095)</u>
<b>Other financing sources (uses)</b>			
Proceeds from sale of capital assets	14,419	-	51,098
Transfers in	500,000	1,149,634	1,672,497
Transfers out	(855,289)	-	(1,379,783)
	<u>(340,870)</u>	<u>1,149,634</u>	<u>343,812</u>
Total other financing sources (uses)			
Net change in fund balances	(835,844)	-	(758,283)
Fund balances, beginning of year	4,340,676	-	25,453,476
<b>Fund balances, end of year</b>	<u>\$ 3,504,832</u>	<u>\$ -</u>	<u>\$ 24,695,193</u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**DPW Equipment Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Charges for services - internal	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Investment income	<u>80,000</u>	<u>80,000</u>	<u>124,596</u>	<u>44,596</u>
Total revenue	<u>430,000</u>	<u>430,000</u>	<u>474,596</u>	<u>44,596</u>
<b>Expenditures</b>				
Current - public works:				
Administration	20,000	20,000	20,000	-
Capital outlay	<u>252,900</u>	<u>352,900</u>	<u>384,887</u>	<u>31,987</u>
Total expenditures	<u>272,900</u>	<u>372,900</u>	<u>404,887</u>	<u>31,987</u>
Revenue over expenditures	157,100	57,100	69,709	12,609
<b>Other financing sources</b>				
Proceeds from sale of capital assets	<u>5,000</u>	<u>5,000</u>	<u>30,730</u>	<u>25,730</u>
Net change in fund balance	162,100	62,100	100,439	38,339
Fund balance, beginning of year	<u>1,555,535</u>	<u>1,555,535</u>	<u>1,555,535</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,717,635</u></u>	<u><u>\$ 1,617,635</u></u>	<u><u>\$ 1,655,974</u></u>	<u><u>\$ 38,339</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Fire Equipment Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Investment income	\$ 40,000	\$ 40,000	\$ 85,366	\$ 45,366
<b>Expenditures</b>				
Current - public safety:				
Administration	15,000	15,000	15,000	-
Capital outlay	<u>577,500</u>	<u>577,500</u>	<u>100,613</u>	<u>(476,887)</u>
Total expenditures	<u>592,500</u>	<u>592,500</u>	<u>115,613</u>	<u>(476,887)</u>
Revenue under expenditures	<u>(552,500)</u>	<u>(552,500)</u>	<u>(30,247)</u>	<u>522,253</u>
<b>Other financing sources</b>				
Proceeds from sale of capital assets	-	-	5,949	5,949
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources	<u>200,000</u>	<u>200,000</u>	<u>5,949</u>	<u>(194,051)</u>
Net change in fund balance	(352,500)	(352,500)	(24,298)	328,202
Fund balance, beginning of year	<u>1,259,416</u>	<u>1,259,416</u>	<u>1,259,416</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 906,916</u></u>	<u><u>\$ 906,916</u></u>	<u><u>\$ 1,235,118</u></u>	<u><u>\$ 328,202</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Economic Development Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 15,659	\$ (9,341)
Investment income	45,000	45,000	62,193	17,193
Total revenue	<u>70,000</u>	<u>70,000</u>	<u>77,852</u>	<u>7,852</u>
<b>Expenditures</b>				
Current - general government:				
Administration	5,800	5,800	5,800	-
Employee benefits	3,100	3,100	2,893	(207)
Contractual services	59,400	59,400	9,200	(50,200)
Salaries	17,900	17,900	21,094	3,194
Miscellaneous	2,700	2,700	1,292	(1,408)
Total expenditures	<u>88,900</u>	<u>88,900</u>	<u>40,279</u>	<u>(48,621)</u>
Net change in fund balance	(18,900)	(18,900)	37,573	56,473
Fund balance, beginning of year	<u>939,792</u>	<u>939,792</u>	<u>939,792</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 920,892</u></u>	<u><u>\$ 920,892</u></u>	<u><u>\$ 977,365</u></u>	<u><u>\$ 56,473</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Housing Commission Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Investment income	\$ 7,000	\$ 7,000	\$ 12,712	\$ 5,712
<b>Expenditures</b>				
Current - general government:				
Administration	2,500	2,500	2,300	(200)
Employee benefits	1,200	1,200	876	(324)
Grant expenses	-	3,700	12,242	8,542
Salaries	5,400	5,400	5,927	527
Supplies	3,300	3,300	277	(3,023)
Total expenditures	<u>12,400</u>	<u>16,100</u>	<u>21,622</u>	<u>5,522</u>
Net change in fund balance	(5,400)	(9,100)	(8,910)	190
Fund balance, beginning of year	<u>220,546</u>	<u>220,546</u>	<u>220,546</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 215,146</u></u>	<u><u>\$ 211,446</u></u>	<u><u>\$ 211,636</u></u>	<u><u>\$ 190</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Parks Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Taxes	\$ 211,900	\$ 211,900	\$ 212,859	\$ 959
Intergovernmental	550,000	550,000	69,684	(480,316)
Investment income	45,000	45,000	87,928	42,928
Miscellaneous	100,000	100,000	-	(100,000)
Total revenue	<u>906,900</u>	<u>906,900</u>	<u>370,471</u>	<u>(536,429)</u>
<b>Expenditures</b>				
Current - culture and recreation:				
Administration	19,000	19,000	19,100	100
Capital outlay	1,047,000	1,047,000	137,500	(909,500)
Total expenditures	<u>1,066,000</u>	<u>1,066,000</u>	<u>156,600</u>	<u>(909,400)</u>
Net change in fund balance	(159,100)	(159,100)	213,871	372,971
Fund balance, beginning of year	<u>1,088,567</u>	<u>1,088,567</u>	<u>1,088,567</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 929,467</u></u>	<u><u>\$ 929,467</u></u>	<u><u>\$ 1,302,438</u></u>	<u><u>\$ 372,971</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Street Lighting Fund**  
**For the Year Ended June 30, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget</b>
<b>Revenue</b>				
Intergovernmental	\$ -	\$ 130,000	\$ 132,692	\$ 2,692
Investment income	73,100	73,100	144,907	71,807
Total revenue	<u>73,100</u>	<u>203,100</u>	<u>277,599</u>	<u>74,499</u>
<b>Expenditures</b>				
Current - highways and streets:				
Administrative	31,000	31,000	31,000	-
Utilities	417,200	417,200	420,559	3,359
Property tax refunds	-	-	380	380
Miscellaneous	5,000	5,000	-	(5,000)
Total expenditures	<u>453,200</u>	<u>453,200</u>	<u>451,939</u>	<u>(1,261)</u>
Revenue under expenditures	<u>(380,100)</u>	<u>(250,100)</u>	<u>(174,340)</u>	<u>75,760</u>
<b>Other financing sources (uses)</b>				
Transfers in	75,000	75,000	17,232	(57,768)
Transfers out	-	(20,000)	(16,500)	3,500
Total other financing sources (uses)	<u>75,000</u>	<u>55,000</u>	<u>732</u>	<u>(54,268)</u>
Net change in fund balance	(305,100)	(195,100)	(173,608)	21,492
Fund balance, beginning of year	<u>2,221,796</u>	<u>2,221,796</u>	<u>2,221,796</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,916,696</u></u>	<u><u>\$ 2,026,696</u></u>	<u><u>\$ 2,048,188</u></u>	<u><u>\$ 21,492</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Landfill Remediation Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Taxes	\$ 318,000	\$ 318,000	\$ 319,289	\$ 1,289
Investment income	<u>65,000</u>	<u>65,000</u>	<u>130,910</u>	<u>65,910</u>
Total revenue	<u>383,000</u>	<u>383,000</u>	<u>450,199</u>	<u>67,199</u>
<b>Expenditures</b>				
Current - public works:				
Administration	28,600	28,600	28,700	100
Landfill expense	<u>100,000</u>	<u>100,000</u>	<u>70,253</u>	<u>(29,747)</u>
Total expenditures	<u>128,600</u>	<u>128,600</u>	<u>98,953</u>	<u>(29,647)</u>
Net change in fund balance	254,400	254,400	351,246	96,846
Fund balance, beginning of year	<u>1,624,367</u>	<u>1,624,367</u>	<u>1,624,367</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,878,767</u></u>	<u><u>\$ 1,878,767</u></u>	<u><u>\$ 1,975,613</u></u>	<u><u>\$ 96,846</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Drain Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ 29,867	\$ 29,867
Investment income	150,000	150,000	347,105	197,105
Total revenue	<u>150,000</u>	<u>150,000</u>	<u>376,972</u>	<u>226,972</u>
<b>Expenditures</b>				
Current - public works:				
Engineering	173,800	173,800	141,187	(32,613)
Administrative	62,000	62,000	68,212	6,212
Maintenance	482,000	482,000	182,799	(299,201)
Miscellaneous	80,000	80,000	5,570	(74,430)
Total expenditures	<u>797,800</u>	<u>797,800</u>	<u>397,768</u>	<u>(400,032)</u>
Net change in fund balance	(647,800)	(647,800)	(20,796)	627,004
Fund balance, beginning of year	<u>4,991,283</u>	<u>4,991,283</u>	<u>4,991,283</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,343,483</u></u>	<u><u>\$ 4,343,483</u></u>	<u><u>\$ 4,970,487</u></u>	<u><u>\$ 627,004</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Local Streets Fund**  
**For the Year Ended June 30, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget</b>
<b>Revenue</b>				
Intergovernmental	\$ 670,800	\$ 670,800	\$ 644,815	\$ (25,985)
Investment income	50,000	50,000	119,682	69,682
Miscellaneous	140,000	15,000	19,479	4,479
Total revenue	<u>860,800</u>	<u>735,800</u>	<u>783,976</u>	<u>48,176</u>
<b>Expenditures</b>				
Current - highways and streets:				
Engineering	406,200	406,200	92,878	(313,322)
Administrative	62,000	62,000	58,000	(4,000)
Maintenance	530,000	530,000	314,132	(215,868)
Snow and ice removal	350,000	350,000	325,293	(24,707)
Traffic control	20,000	20,000	585	(19,415)
Miscellaneous	8,400	8,400	7,136	(1,264)
Capital outlay	210,000	210,000	151,624	(58,376)
Total expenditures	<u>1,586,600</u>	<u>1,586,600</u>	<u>949,648</u>	<u>(636,952)</u>
Revenue under expenditures	<u>(725,800)</u>	<u>(850,800)</u>	<u>(165,672)</u>	<u>685,128</u>
<b>Other financing sources (uses)</b>				
Transfers in	200,000	200,000	5,631	(194,369)
Transfers out	(125,000)	-	-	-
Total other financing sources (uses)	<u>75,000</u>	<u>200,000</u>	<u>5,631</u>	<u>(194,369)</u>
Net change in fund balance	(650,800)	(650,800)	(160,041)	490,759
Fund balance, beginning of year	<u>2,007,128</u>	<u>2,007,128</u>	<u>2,007,128</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,356,328</u></u>	<u><u>\$ 1,356,328</u></u>	<u><u>\$ 1,847,087</u></u>	<u><u>\$ 490,759</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Municipal Streets Fund**  
**For the Year Ended June 30, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 1,500	\$ 1,500	\$ 4,040	\$ 2,540
Investment income	300,000	300,000	376,571	76,571
Miscellaneous	-	-	225,510	225,510
Total revenue	<u>301,500</u>	<u>301,500</u>	<u>606,121</u>	<u>304,621</u>
<b>Expenditures</b>				
Current - highways and streets:				
Administrative	55,000	55,000	55,000	-
Capital outlay	35,000	285,000	281,042	(3,958)
Total expenditures	<u>90,000</u>	<u>340,000</u>	<u>336,042</u>	<u>(3,958)</u>
Revenue over expenditures	211,500	(38,500)	270,079	308,579
<b>Other financing uses</b>				
Transfers out	<u>(500,000)</u>	<u>(770,000)</u>	<u>(507,994)</u>	<u>262,006</u>
Net change in fund balance	(288,500)	(808,500)	(237,915)	570,585
Fund balance, beginning of year	<u>5,204,370</u>	<u>5,204,370</u>	<u>5,204,370</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,915,870</u></u>	<u><u>\$ 4,395,870</u></u>	<u><u>\$ 4,966,455</u></u>	<u><u>\$ 570,585</u></u>

**CITY OF KENTWOOD, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Property and Building Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 48,419	\$ 48,419
Investment income	110,000	110,000	231,843	121,843
Miscellaneous	-	-	2,500	2,500
	<u>110,000</u>	<u>110,000</u>	<u>282,762</u>	<u>172,762</u>
<b>Expenditures</b>				
Capital outlay	<u>2,045,300</u>	<u>2,045,300</u>	<u>777,736</u>	<u>(1,267,564)</u>
Revenue under expenditures	<u>(1,935,300)</u>	<u>(1,935,300)</u>	<u>(494,974)</u>	<u>1,440,326</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	25,000	25,000	14,419	(10,581)
Transfers in	450,000	450,000	500,000	50,000
Transfers out	<u>(1,355,000)</u>	<u>(1,355,000)</u>	<u>(855,289)</u>	<u>499,711</u>
Total other financing sources (uses)	<u>(880,000)</u>	<u>(880,000)</u>	<u>(340,870)</u>	<u>539,130</u>
Net change in fund balance	(2,815,300)	(2,815,300)	(835,844)	1,979,456
Fund balance, beginning of year	<u>4,340,676</u>	<u>4,340,676</u>	<u>4,340,676</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,525,376</u></u>	<u><u>\$ 1,525,376</u></u>	<u><u>\$ 3,504,832</u></u>	<u><u>\$ 1,979,456</u></u>

## **FIDUCIARY FUNDS**

**CITY OF KENTWOOD, MICHIGAN**  
**Combining Statement of Net Assets**  
**Pension and Other Postemployment Benefits Trust Funds**  
**June 30, 2009**

	<u>Pension Trust <sup>1</sup> Defined Benefit</u>	<u>OPEB Trust Postemployment Benefits</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 2,167,458	\$ 29,556	\$ 2,197,014
Interest receivable	21,860	-	21,860
Investments:			
U.S. government agencies	658,298	-	658,298
Bonds	5,850,466	-	5,850,466
Equities	8,008,996	1,267,253	9,276,249
International equities	550,039	-	550,039
<b>Total assets</b>	<b>17,257,117</b>	<b>1,296,809</b>	<b>18,553,926</b>
<b>Liabilities</b>			
Accounts payable	32,089	2,720	34,809
<b>Net assets</b>			
Held in trust for pension and other postemployment benefits	<u>\$ 17,225,028</u>	<u>\$ 1,294,089</u>	<u>\$ 18,519,117</u>

<sup>1</sup> presented on a December 31, 2008 fiscal year

**CITY OF KENTWOOD, MICHIGAN**  
**Combining Statement of Changes in Net Assets**  
**Pension and Other Postemployment Benefits Trust Funds**  
**For the Year Ended June 30, 2009**

	<b>Pension Trust <sup>1</sup></b>	<b>OPEB Trust</b>	
	<b>Defined Benefit</b>	<b>Postemployment Benefits</b>	<b>Total</b>
<b>Additions</b>			
Contributions:			
Employer	\$ 895,000	\$ 90,611	\$ 985,611
Plan participants	233,181	-	233,181
Total contributions	<u>1,128,181</u>	<u>90,611</u>	<u>1,218,792</u>
Investment loss	<u>(4,470,292)</u>	<u>(256,339)</u>	<u>(4,726,631)</u>
Total additions (excess of net investment loss over contributions)	<u>(3,342,111)</u>	<u>(165,728)</u>	<u>(3,507,839)</u>
<b>Deductions</b>			
Distributions and benefit payments	394,364	22,715	417,079
Administrative expenses	<u>59,888</u>	<u>2,798</u>	<u>62,686</u>
Total deductions	<u>454,252</u>	<u>25,513</u>	<u>479,765</u>
Change in net assets	(3,796,363)	(191,241)	(3,987,604)
<b>Net assets held in trust</b>			
Beginning of year	<u>21,021,391</u>	<u>1,485,330</u>	<u>22,506,721</u>
<b>End of year</b>	<u><u>\$ 17,225,028</u></u>	<u><u>\$ 1,294,089</u></u>	<u><u>\$ 18,519,117</u></u>

<sup>1</sup> presented on a December 31, 2008 fiscal year

**CITY OF KENTWOOD, MICHIGAN**  
**Fiduciary Fund**  
**Statement of Changes in Assets and Liabilities**  
**Tax Collection Fund**  
**For the Year Ended June 30, 2009**

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Assets</b>				
Cash and pooled investments	\$ 637,689	\$ 88,493,097	\$ (89,098,051)	\$ 32,735
<b>Liabilities</b>				
Due to other governments	\$ 637,689	\$ 88,493,097	\$ (89,098,051)	\$ 32,735

**INTERNAL CONTROL  
AND  
COMPLIANCE**

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

December 9, 2009

Honorable Mayor and City Commissioners  
City of Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Kentwood, Michigan*, as of and for the year ended June 30, 2009 and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

**Finding 2009-1 – Material Audit Adjustments**

**Criteria:** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition:** During our audit, we identified a material adjustment, which was approved by management, to correct a deposit balance in the major streets fund. In addition, we proposed significant, but not material, adjustments to correct amounts due from the State in the general fund, and to capitalize additional assets in the water fund.

**Cause:** This condition was the result of an oversight by management in recording adjustments needed only at year-end, and capitalizing a construction project in progress.

**Effect:** As a result of this condition, the City’s accounting records were initially misstated by amounts material to the financial statements.

**Recommendation:** Management has already reviewed and approved the proposed adjustments, and their effect is included in the financial statements. No further action is required at this time.

**View of Responsible Officials:** This finding is related to an escrow provided by a property owner in connection with a two-part project for construction on private property in concert with adjacent public street construction. Finance Department staff will make inquiries of Engineering Department staff to identify and properly record the second part of this project and similar future projects.

#### **Finding 2009-2 – Internal Controls over Utility Billing and Receipting**

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

**Condition:** A single employee is responsible for generating utility bills and receipting collections of such amounts. In addition, this employee has full access to the utilities receivable subsidiary ledger and the ability to post adjustments to customer accounts. The billing register is not subject to a documented supervisory review, nor are manual adjustments to customer accounts consistently approved in writing.

**Cause:** This condition is primarily the result of the limited size of the staff at the City’s Department of Public Works.

**Effect:** As a result of this condition, the City is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected and corrected by management on a timely basis.

**Recommendation:** While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible. Whenever possible, this review should be documented and retained as evidence of the control.

## **Finding 2009-2 – Internal Controls over Utility Billing and Receipting (Concluded)**

**View of Responsible Officials:** To provide for separation of duties between utility billing and receipting of related collections, Finance Department staff will evaluate available banking services, such as use of a remote lockbox and electronic deposits performed by Treasurer Department staff. Consistent review and approval of billing and meter reading adjustments has been implemented since June 30, 2009. Supervisory review of the billing register will be evaluated for implementation.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City of Kentwood in a separate letter dated December 9, 2009.

The City of Kentwood, Michigan's responses to the findings identified in our audit are described above. We did not audit the City of Kentwood, Michigan's responses and, accordingly, we express not opinion on them.

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



# Continuing Disclosure Filing

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



*Fiscal Year Ended  
June 30, 2009*

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. X 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, 2009

\*Financial information should not be filed with the MSRB

\*\*\*

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

Signature: Thomas H. Chase

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

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, 2006 Through 2010**

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	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase (Decrease) From Prior Year
2004	2005	2006	\$1,900,923,141	\$36,543,162	\$1,937,466,303	4.19%
2005	2006	2007	1,998,526,213	32,448,810	2,030,975,023	4.83
2006	2007	2008	2,058,184,649	43,597,259	2,101,781,908	3.49
2007	2008	2009	2,084,515,373	46,130,000	2,130,645,373	1.37
2008	2009	2010	2,109,722,640	42,112,032	2,151,834,672	0.99
Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2010 (2).....						\$47,549

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

(2) Based on the City's 2000 Census of 45,255.

Source: City of Kentwood

**City of Kentwood  
Total Taxable Value by Use and Class  
Fiscal Years Ended or Ending June 30, 2006 Through 2010**

Use	Fiscal Years Ended or Ending June 30				
	2006	2007	2008	2009	2010
Commercial .....	\$ 569,006,384	\$ 621,903,122	\$ 640,061,677	\$ 657,328,452	\$ 688,219,612
Industrial.....	519,919,013	524,650,493	538,284,963	541,592,941	539,699,660
Residential.....	818,775,227	864,258,198	903,060,168	911,013,280	890,414,800
Utility .....	<u>29,765,679</u>	<u>20,163,210</u>	<u>20,375,100</u>	<u>20,710,700</u>	<u>33,500,600</u>
	<u>\$ 1,937,466,303</u>	<u>\$ 2,030,975,023</u>	<u>\$ 2,101,781,908</u>	<u>\$ 2,130,645,373</u>	<u>\$ 2,151,834,672</u>
Class	2006	2007	2008	2009	2010
Real Property.....	\$ 1,640,326,624	\$ 1,747,546,913	\$ 1,816,496,308	\$ 1,834,513,623	\$ 1,842,109,637
Personal Property .....	<u>297,139,679</u>	<u>283,428,110</u>	<u>285,285,600</u>	<u>296,131,750</u>	<u>309,725,035</u>
	<u>\$ 1,937,466,303</u>	<u>\$ 2,030,975,023</u>	<u>\$ 2,101,781,908</u>	<u>\$ 2,130,645,373</u>	<u>\$ 2,151,834,672</u>

Source: City of Kentwood

**City of Kentwood  
State Equalized Valuation  
Fiscal Years Ended or Ending June 30, 2006 Through 2010**

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	SEV of Property Granted Tax Abatement Under Act 198 (1)	Total SEV	Percent Increase (Decrease) From Prior Year
2004	2005	2006	\$2,064,614,200	\$72,510,262	\$2,137,124,462	4.19%
2005	2006	2007	2,154,463,200	65,051,500	2,219,514,700	3.86
2006	2007	2008	2,194,290,650	87,211,600	2,281,502,250	2.79
2007	2008	2009	2,201,671,700	92,260,000	2,293,931,700	0.54
2008	2009	2010	2,191,387,535	84,239,100	2,275,626,635	(0.80)
Per Capita Total SEV for the Fiscal Year Ending June 30, 2010 (2) .....						\$50,285

(1) See "Tax Abatement" herein.

(2) Based on the City's 2000 Census of 45,255.

Source: City of Kentwood

**City of Kentwood  
Total SEV by Use and Class  
Fiscal Years Ended or Ending June 30, 2006 Through 2010**

Use	Fiscal Years Ended or Ending June 30				
	2006	2007	2008	2009	2010
Commercial .....	\$ 617,443,200	\$ 664,869,000	\$ 681,904,950	\$ 698,405,400	\$ 726,254,435
Industrial .....	573,907,562	577,269,900	601,596,700	604,540,900	595,615,100
Residential .....	914,897,800	957,209,300	977,625,500	970,274,700	920,256,500
Utility .....	<u>30,875,900</u>	<u>20,166,500</u>	<u>20,375,100</u>	<u>20,710,700</u>	<u>33,500,600</u>
	<u>\$ 2,137,124,462</u>	<u>\$2,219,514,700</u>	<u>\$2,281,502,250</u>	<u>\$2,293,931,700</u>	<u>\$2,275,626,635</u>
Class	2006	2007	2008	2009	2010
Real Property .....	\$ 1,818,333,062	\$1,915,717,200	\$1,970,327,950	\$1,967,758,700	\$1,937,800,200
Personal Property ....	<u>318,791,400</u>	<u>303,797,500</u>	<u>311,174,300</u>	<u>326,173,000</u>	<u>337,826,435</u>
	<u>\$ 2,137,124,462</u>	<u>\$2,219,514,700</u>	<u>\$2,281,502,250</u>	<u>\$2,293,931,700</u>	<u>\$2,275,626,635</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 (the "Act"). The Act was designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under the Act entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the SEV level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating

purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the State plus none, 1/2 or all of the state tax rate (as determined by the State Treasurer).

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial 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 \$84,224,065 for the fiscal year ending June 30, 2010. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$42,112,032 of Taxable Value at the full tax rate (the “Equivalent Taxable Value”). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

The City’s SEV and Taxable Value includes the value of qualified property located within the City’s Tool & Die Renaissance Zones (the “Zones”) which was 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, 2010, the SEV and equivalent Taxable Value of property qualified for the benefits of the Zones program totaled \$5,281,500 and \$5,216,867, respectively.

In 2008, the City established a Brownfield tax increment financing district, with no recapture this year.

**City of Kentwood  
Maximum Operating Tax Rates  
Fiscal Year Ending June 30, 2010**

<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).....	4.2620	1.0000	4.2620
Parks (2).....	0.1000	0.9983	0.0998
Library Purposes (6).....	0.3500	1.0000	0.3500

**City of Kentwood  
Property Tax Rates  
Fiscal Years Ended or Ending June 30, 2006 Through 2010**

Fiscal Years Ended or		General	Police	Landfill			
<u>Levy July 1</u>	<u>Ending June 30</u>	<u>Operating (1)</u>	<u>and Fire (1)</u>	<u>Remediation (3)</u>	<u>Library (4)</u>	<u>Total (5)</u>	
2005	2006	\$2.9946	\$3.7932	\$0.0998	\$0.1497	\$0.0000	\$7.5318
2006	2007	2.9946	3.7932	0.0998	0.1497	0.0000	7.5318
2007	2008	2.9946	4.2620	0.0998	0.1497	0.0000	7.5061
2008	2009	2.9946	4.2620	0.0998	0.1497	0.0000	7.5061
2009	2010	2.9946	4.2620	0.0998	0.0000	0.3500	7.7064

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

- (1) Authorized by the City Charter. On August 8, 2006, the City’s electorate approved a 0.4688 mill increase to the Police and Fire Millage effective July 1, 2007.
- (2) Authorized by the City’s electorate through 2013 levy.
- (3) Authorized by the City’s electorate through 2008 levy.
- (4) On August 5, 2008, the City’s electorate approved 0.3500 mills for Library Purposes effective July 1, 2009.
- (5) For fiscal years ended June 30, 2006 and 2007, the Total includes a millage for streets and bridges and street lighting of 0.2995 and 0.1950, respectively. The same millage applied to both years. On August 8, 2006, the City’s electorate discontinued these millages effective July 1, 2007.

Source: City of Kentwood

**City of Kentwood**  
**Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2005 Through 2009**

<u>Governmental Unit</u>	Fiscal Years Ended or Ending June 30				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City of Kentwood .....	\$7.5318	\$7.5318	\$7.5318	\$7.5061	\$7.5061
County of Kent .....	5.3140	5.3140	5.3940	5.3940	5.3940
State of Michigan .....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2) .....	5.6922	5.8742	6.2000	6.0000	5.8400
Kent Intermediate School District .....	4.5333	4.6453	4.6903	4.6903	4.6903
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority .....	0.9500	0.9500	0.9500	0.9500	1.1200
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>\$32.6878</u>	<u>\$32.9818</u>	<u>\$33.4326</u>	<u>\$33.2069</u>	<u>\$33.2169</u>

**City of Kentwood**  
**Non-Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2005 Through 2009**

<u>Governmental Unit</u>	Fiscal Years Ended or Ending June 30				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City of Kentwood .....	\$7.5318	\$7.5318	\$7.5318	\$7.5061	\$7.5061
County of Kent .....	5.3140	5.3140	5.3940	5.3940	5.3940
State of Michigan .....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2) .....	23.6922	23.8742	24.2000	24.0000	23.8400
Kent Intermediate School District .....	4.5333	4.6453	4.6903	4.6903	4.6903
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority .....	0.9500	0.9500	0.9500	0.9500	1.1200
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>\$50.6878</u>	<u>\$50.9818</u>	<u>\$51.4326</u>	<u>\$51.2069</u>	<u>\$51.2169</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 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, 2009 ranged from \$23.5000 to \$25.5000 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, 2006 Through 2010**

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>
2005	2006	\$ 14,493,155	\$ 14,180,442	97.8%
2006	2007	15,188,009	14,818,324	97.6
2007	2008	15,680,756	15,280,232	97.4
2008	2009	15,888,927	15,460,134	97.3
2009	2010	16,506,940	(In collection process)	

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

**City of Kentwood  
Ten Largest Taxpayers  
Fiscal Year Ending June 30, 2010**

<u>Taxpayers</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	Total Taxable <u>Value</u>	Percent of <u>Total (2)</u>
PR Woodland LTD Partner...	Shopping Center.....	\$ 58,712,930	\$ 0	\$ 58,712,930	2.73%
Steelcase Corporation .....	Office Furniture.....	48,453,392	0	48,453,392	2.25
Lacks Industries, Inc. ....	Automotive Supplier .	43,361,878	4,702,950	48,064,828	2.23
Holland Home .....	Senior Housing.....	40,365,672	0	40,365,672	1.88
Knoll, Inc. ....	Office Furniture.....	18,967,300	333,950	19,301,250	0.90
MichCon .....	Utility .....	18,054,566	0	18,054,566	0.84
Roskam Baking Co.....	Food .....	16,546,045	0	16,546,045	0.77
Consumers Energy .....	Utility .....	16,277,682	0	16,277,682	0.76
Woodland Creek Apts.....	Apartment Housing ...	15,636,102	0	15,636,102	0.73
Advance Packaging Corp.....	Packaging.....	2,596,296	8,049,250	10,645,546	0.49
		<u>\$278,971,863</u>	<u>\$ 13,086,150</u>	<u>\$292,058,013</u>	<u>13.58%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$2,151,834,672 which is the City's Total Taxable Value for the fiscal year ended June 30, 2010. 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, 2006 Through 2010**

	Fiscal Years Ended or Ending June 30				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (2)</u>
State Sales Tax .....	\$ 3,444,275	\$ 3,341,302	\$ 3,354,831	\$ 3,175,986	\$ 3,361,000
Liquor License Fees .....	<u>20,018</u>	<u>22,168</u>	<u>20,198</u>	<u>21,163</u>	<u>20,000</u>
Total Revenues From the State of Michigan .....	<u>\$ 3,464,293</u>	<u>\$ 3,363,470</u>	<u>\$ 3,375,029</u>	<u>\$ 3,197,149</u>	<u>\$ 3,381,000</u>
Percent of General Fund Revenue .....	14.31%	13.26%	13.12%	12.34%	12.50%

(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 November 2, 2009.

Debt Limit (1) .....	\$ 229,393,170
Debt Outstanding.....	\$24,780,000
Less: Exempt Debt.....	<u>3,880,000</u>
Legal Debt Margin.....	<u>\$208,493,170</u>

(1) 10% of \$2,293,931,700 which is the City's Total SEV for the fiscal year ending June 30, 2009. 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 November 2, 2009 including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City’s General Fund.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Bonds:			
Dated October 16, 2003 .....	\$ 7,685,000	\$ 0	\$ 7,685,000
Dated March 23, 2005 .....	3,880,000	3,880,000	0
Dated March 19, 2009 .....	8,000,000	0	8,000,000
Building Authority Bonds:			
Dated June 1, 2001 (LT) .....	<u>5,215,000</u>	<u>0</u>	<u>5,215,000</u>
Total .....	<u>\$ 24,780,000</u>	<u>\$ 3,880,000</u>	<u>\$ 20,900,000</u>
Per Capita Net City Direct Debt (1) .....			\$461.83
Percent of Net Direct Debt to Total SEV (2).....			0.91%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	Percent of <u>Gross</u>	<u>City Share</u>
Kentwood School District .....	\$ 88,727,000	69.94%	\$ 62,055,664
Caledonia School District.....	120,162,210	11.58	13,914,784
Forest Hills School District .....	205,735,000	6.37	13,105,320
Kelloggsville School District .....	13,860,000	36.37	5,040,882
Kent County .....	126,790,000	9.67	12,260,593
Grand Rapids Community College.....	<u>56,280,000</u>	9.41	<u>5,295,948</u>
Total Overlapping Debt.....	<u>\$ 611,554,210</u>		<u>\$ 111,673,191</u>
Total Direct & Overlapping Debt .....	<u>\$ 636,334,210</u>		<u>\$ 132,573,191</u>
Per Capita Net Overlapping Debt (1) .....			\$2,467.64
Percent of Net Overlapping Debt to Total SEV (2).....			4.87%
Per Capita Net Direct and Overlapping Debt (1).....			\$2,929.47
Percent of Net Direct and Overlapping Debt to Total SEV (2) .....			5.78%

(1) Based on the City’s 2000 Census of 45,255.  
(2) Based on \$2,293,931,700 which is the City’s Total SEV for the fiscal year ending June 30, 2009. 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.  
Source: Municipal Advisory Council of Michigan and City of Kentwood.