



CITY OF KENTWOOD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

CITY OF KENTWOOD, MICHIGAN

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CITY OF KENTWOOD, MICHIGAN

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

December 10, 2007

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, as of and for the year ended June 30, 2007 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, 2007, 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 10, 2007, 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 3-14 and the pension information on pages 48-49 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, we offer readers of the City of Kentwood financial statements this narrative overview and analysis of the financial activities of the City of Kentwood for the fiscal year ended June 30, 2007. 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

- 2007 was a year of continued capital investment for the City. Projects included:
- Continuation of water and sewer system capital improvements using proceeds from the general obligation limited tax bonds sold on March 2, 2005;
- Commencement of engineering and right-of-way acquisition for the improvement of Kalamazoo Avenue – Phase I (from 52nd Street to 60th Street).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kentwood financial statements. The City of Kentwood 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 of Kentwood finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Kentwood 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 of Kentwood 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 of Kentwood 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 of Kentwood 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 15-17 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 of Kentwood 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 revenues, expenditures, and changes in fund balances are reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Kentwood maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police and Fire Millage Special Revenue Fund, Major Street Special Revenue Fund, Municipal Street Special Revenue Fund and General Projects Capital Projects Fund, each of which are considered to be major funds. Data from the other 13 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 of Kentwood 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 18-27 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 the 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 is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 28-30 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 of Kentwood'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 31 and 32 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 33-51 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 information. Required supplementary information regarding the pension information can be found on pages 52 and 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 54-77 of this report and continuing disclosure information can be found on pages 80-88.

Government-wide Financial Analysis

As noted earlier, 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 \$93,698,480 at the close of the most recent fiscal year.

By far the largest portion of the City of Kentwood'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 of Kentwood 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.

City of Kentwood Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets	\$ 58,530,103	\$ 61,250,633	\$ 6,653,207	\$ 5,793,227	\$ 65,183,310	\$ 67,043,680
Capital assets	46,895,522	45,722,391	7,967,854	8,433,214	54,863,376	54,155,605
Total assets	<u>105,425,625</u>	<u>106,973,024</u>	<u>14,621,061</u>	<u>14,226,441</u>	<u>121,046,686</u>	<u>121,199,465</u>
Long-term liabilities outstanding	22,281,814	23,450,530	-	-	22,281,814	23,450,530
Other liabilities	<u>3,489,175</u>	<u>5,461,096</u>	<u>577,217</u>	<u>822,199</u>	<u>4,066,392</u>	<u>6,283,295</u>
Total liabilities	<u>25,770,989</u>	<u>28,911,626</u>	<u>577,217</u>	<u>822,199</u>	<u>26,348,206</u>	<u>29,733,825</u>
Net assets:						
Invested in capital assets, net of related debt	27,556,981	25,859,462	7,967,854	8,433,214	35,524,835	34,292,676
Restricted	32,403,419	33,055,829	-	-	32,403,419	33,055,829
Unrestricted	<u>19,694,236</u>	<u>19,146,107</u>	<u>6,075,990</u>	<u>4,971,028</u>	<u>25,770,226</u>	<u>24,117,135</u>
Total net assets	<u>\$ 79,654,636</u>	<u>\$ 78,061,398</u>	<u>\$14,043,844</u>	<u>\$13,404,242</u>	<u>\$ 93,698,480</u>	<u>\$ 91,465,640</u>

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, 35% is invested in capital assets net of related debt, 40% is restricted for other purposes and 25% is unrestricted and available for general City operations.

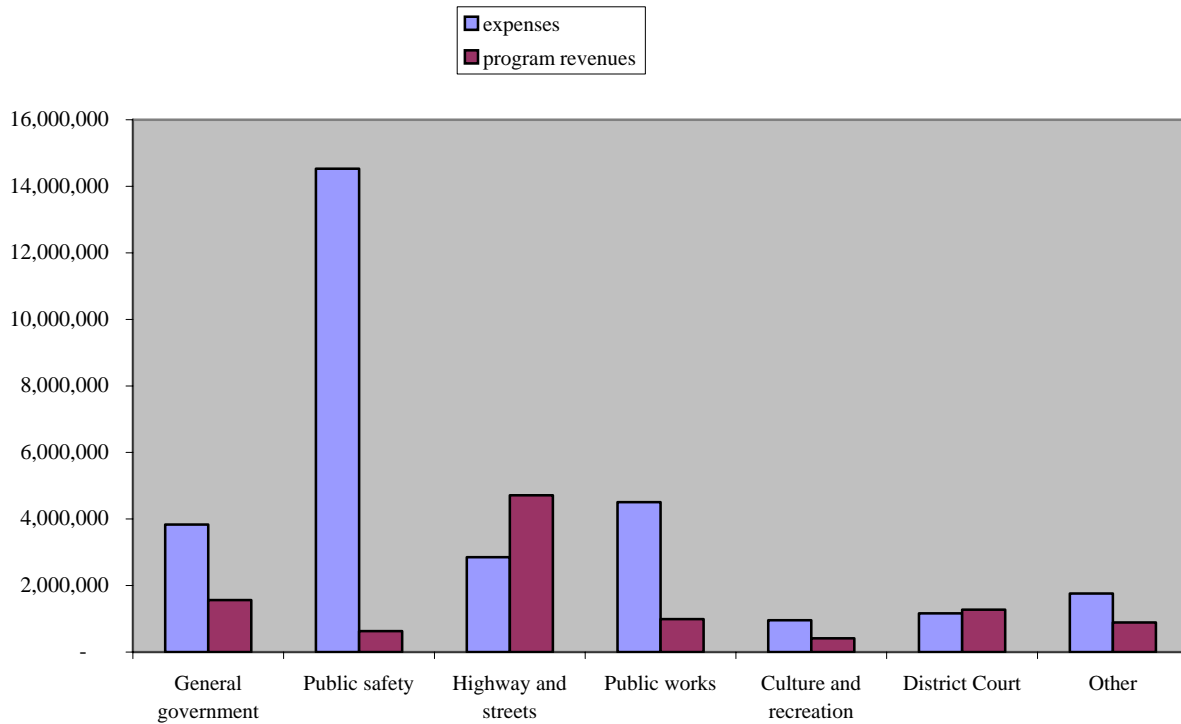
**City of Kentwood
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue:						
Program revenue:						
Charges for services	\$ 6,299,436	\$ 4,928,645	\$ 4,821,471	\$ 4,947,771	\$ 11,120,907	\$ 9,876,416
Operating grants and contributions	4,125,566	3,422,245	-	-	4,125,566	3,422,245
Operating grants and contributions	56,062	-	-	-	56,062	-
General revenue:						
Property taxes	14,852,581	14,471,813	-	-	14,852,581	14,471,813
State shared revenue	3,341,302	3,444,275	-	-	3,341,302	3,444,275
Other	1,640,383	858,469	323,540	84,738	1,963,923	943,207
Total revenue	30,315,330	27,125,447	5,145,011	5,032,509	35,460,341	32,157,956
Expenses:						
General government	3,833,754	3,676,706	-	-	3,833,754	3,676,706
Public safety	14,528,358	14,213,936	-	-	14,528,358	14,213,936
Highways	2,851,238	2,354,670	-	-	2,851,238	2,354,670
Public works	4,505,193	4,271,407	-	-	4,505,193	4,271,407
Engineering services	462,062	481,696	-	-	462,062	481,696
District court	1,161,442	1,215,490	-	-	1,161,442	1,215,490
Inspections	507,910	539,472	-	-	507,910	539,472
Culture and recreation	959,088	1,069,903	-	-	959,088	1,069,903
Interest on long-term debt	789,929	827,877	-	-	789,929	827,877
Indirect expense allocation	(516,694)	(570,048)	516,694	570,048	-	-
Sewer	-	-	2,208,968	2,496,262	2,208,968	2,496,262
Water	-	-	1,419,453	1,614,674	1,419,453	1,614,674
Total expenses	29,082,386	28,081,109	4,145,115	4,680,984	33,227,501	32,762,093
Transfers	360,294	447,968	(360,294)	(447,968)	-	-
Change in net assets	1,593,238	(507,694)	639,602	(96,443)	2,232,840	(604,137)
Net assets – beginning of year as restated	78,061,398	78,569,092	13,404,242	13,500,685	91,465,640	92,069,777
Net assets – end of year	<u>\$79,654,636</u>	<u>\$78,061,398</u>	<u>\$14,043,844</u>	<u>\$13,404,242</u>	<u>\$93,698,480</u>	<u>\$91,465,640</u>

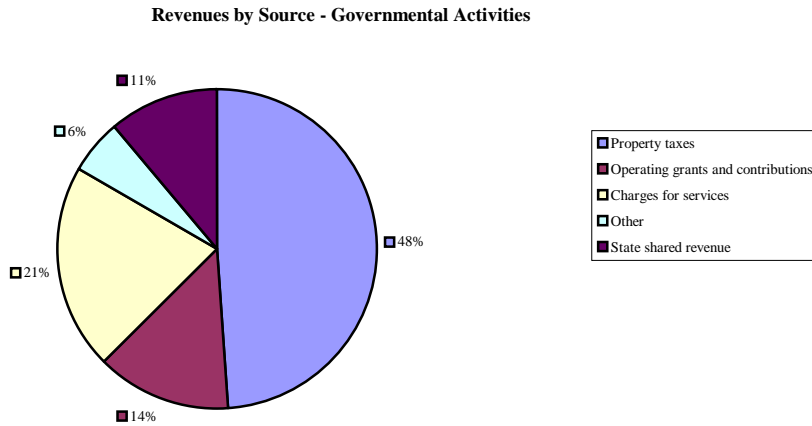
Governmental activities. Governmental activities increased the City's net assets by \$1,593,238. Key elements of this increase are as follows:

- The timing difference between construction of capital assets and depreciation of the assets over their estimated useful lives.
- A one-time capital cost contribution of \$1,095,800 from Kent County Road Commission toward Kalamazoo Avenue road improvements.

Expenses and Program Revenues - Governmental Activities



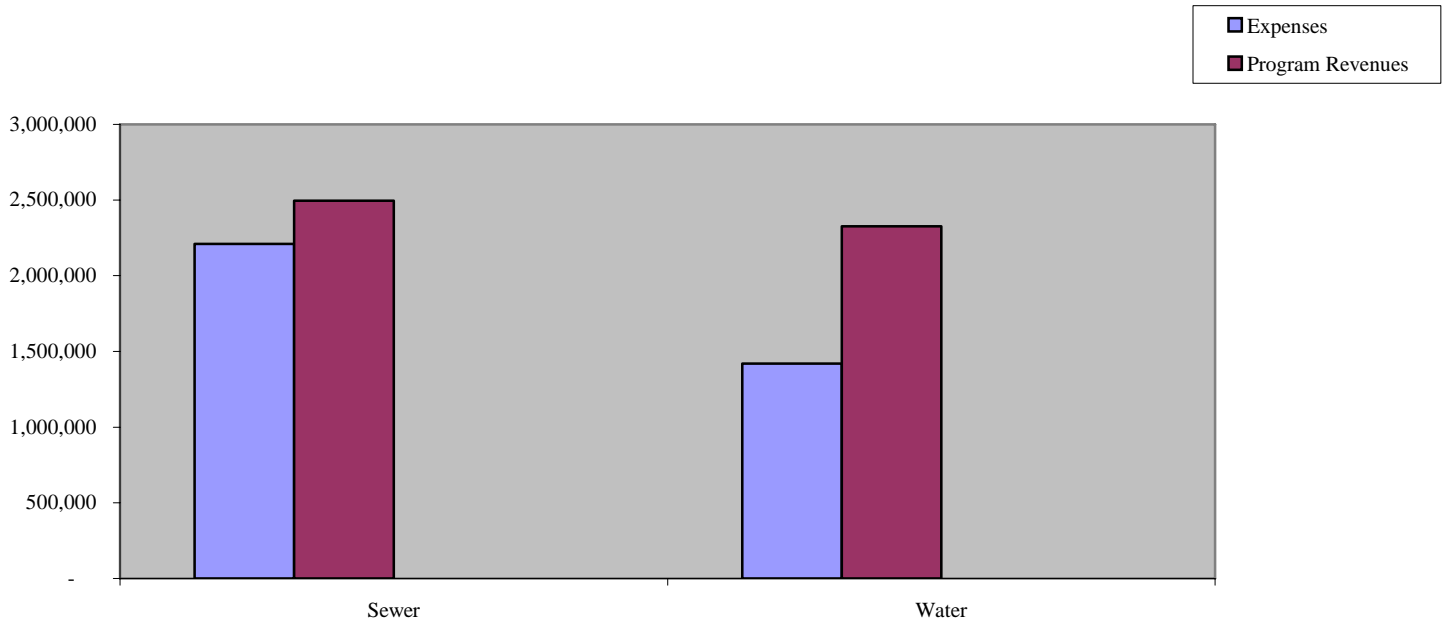
Revenues by Source - Governmental Activities



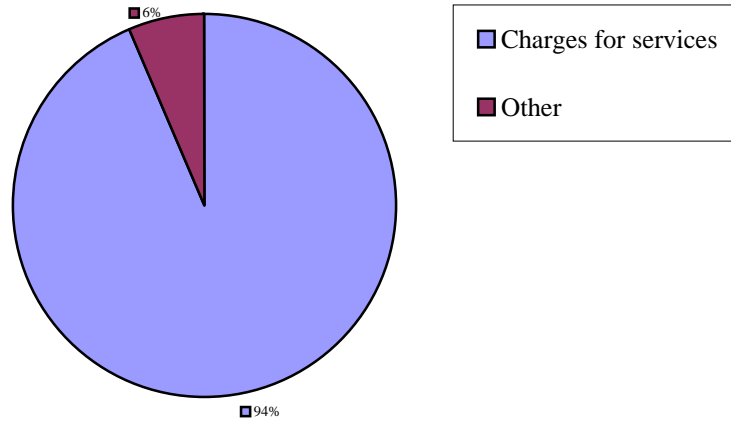
Business-type activities. Business-type activities increased the City's net assets by \$639,602. The key element of this increase was as follows:

- A decrease in contractual services expenses of \$587,817 due to rate and consumption decreases.

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 *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 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 \$45,649,608, a decrease of \$233,764 compared with prior year. This decrease was the result of continued use of Police and Fire Millage resources, street construction (in the Major and Local Street Funds), and drain maintenance (in the Drain Fund), which was largely offset by accumulation of assets for future costs in the Municipal Street, Parks, Landfill Remediation, Post Employment Benefits, Property and Building, DPW Equipment and Fire Equipment Funds.

The general fund is the chief operating fund of the City of Kentwood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,546,060 while total fund balance reached \$5,062,011. 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. Unreserved fund balance represents 19 percent of total general fund expenditures, while total fund balance represents 21 percent of that same amount.

The fund balance of the City of Kentwood's general fund increased by \$23,593 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 \$3,457,591 and \$2,618,399, respectively. The total changes in net assets for these funds were an increase of \$558,542 and \$81,060, 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 not amended during the fiscal year ended June 30, 2007.
- General Fund expenditure budget to actual variances are due to several factors including staffing vacancies (Information Technology, Planning and Zoning, Fire, and Inspections Departments); changes in employee benefits costs that were less than budgeted (all departments with personnel); variations in contractual services and supplies needed (Administrative, Assessments, Information Technology, Elections, Police, Public Works, District Court, and Recreation Departments); and changes in customer utilization of activities (Recreation Department)..

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, 2007, amounts to \$54,863,376 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase in the City of Kentwood's investment in capital assets for the current fiscal year was \$707,771.

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

- Completion of water system improvements, continuation of sewer system improvements, and continuation/commencement of street improvements.

City of Kentwood Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Land	\$ 2,275,360	\$ 60,949	\$ 2,336,309
Construction in progress	2,533,843	-	2,533,843
Building, equipment and infrastructure	<u>42,086,319</u>	<u>7,906,905</u>	<u>49,993,224</u>
Total	<u>\$46,895,522</u>	<u>\$7,967,854</u>	<u>\$54,863,376</u>

Additional information on the City of Kentwood capital assets can be found in Note 5 on pages 45 and 46 of this report.

Long-term debt.

City of Kentwood Outstanding Obligations

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$19,745,000	\$ -	\$19,745,000
Other obligations	<u>2,536,814</u>	<u>-</u>	<u>2,536,814</u>
Total	<u>\$22,281,814</u>	<u>\$ -</u>	<u>\$22,281,814</u>

During the year the City paid \$1,220,000 of principal on bonds outstanding at July 1, 2006.

As of the most recent rating on March 2, 2005, the City of Kentwood has a AA rating from both Standard & Poor's and Fitch.

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, 2007, the debt limitation for the City of Kentwood was \$221,951,470; the City's debt outstanding, net of \$4,455,000 of exempt self-supporting debt, was \$15,290,000, leaving a legal debt margin of \$206,661,470.

Additional information on the City of Kentwood long-term obligations can be found in Note 6 on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

Revenues

Property Taxes – The General Fund's budgeted property tax, its largest revenue source, is projected to increase 3.4%. 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 of 3.7%. The difference between the percentages was the result of construction, ownership transfers, personal property acquisitions and property value changes. The millage rate used to calculate tax billings changed from the prior year, based on the millage shift approved by voters on August 8, 2006.

State Shared Revenue – The General Fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2007 budget, is projected to decrease by \$108,700, or 3.14%. The FY 2008 budget includes state shared revenue calculated using current estimates provided by the State of Michigan, which includes \$263,267 categorized as statutory revenue sharing, reduced by 10% of the State-provided statutory revenue sharing amount in anticipation of further reductions.

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.

Expenditures

Although the General Fund expenditures are budgeted to increase 1.81%, additional factors were considered in the preparation of the budget, as follows:

- Compensation and employee benefits for City employees are estimated and included in the FY 2008 budget using provisions in completed collective bargaining agreements, and based on potential contract changes for unsettled collective bargaining agreements. Two of the City's collective bargaining agreements are settled for FY 2008. Negotiations with two of the four employee bargaining units commenced during FY 2007, with both contracts expiring on June 30, 2007, and were settled after adoption of the FY 2008 budget.

- Staffing changes (a net decrease of 2.30 full-time equivalents) have been included in the budget.
- The costs of pension and other post employment benefits have been included in the FY 2008 budget. The City funds these benefits based on actuarial valuations, rather than on a “pay-as-you-go” basis.
- The funding of the City’s capital needs, through transfers to the Property and Building Fund and Fire Equipment Fund, is included in the FY 2008 budget. The amount of transfer has fluctuated from year to year based upon availability of resources at the end of each year. The FY 2007 budget included \$865,000 for this purpose, while the amount budgeted for FY 2008 is \$695,000, which will be available for capital needs and/or use in future fiscal years to balance the General Fund budget.

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, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 44,772,251	\$ 5,640,379	\$ 50,412,630
Accounts receivable	1,442,849	1,012,564	2,455,413
Special assessments receivable	9,515,073	-	9,515,073
Loans receivable	328,774	-	328,774
Due from other governments	1,955,205	-	1,955,205
Prepaid items and other assets	515,951	264	516,215
Capital assets:			
Land	2,275,360	60,949	2,336,309
Construction in progress	2,533,843	-	2,533,843
Capital assets being depreciated, net	42,086,319	7,906,905	49,993,224
Total assets	<u>105,425,625</u>	<u>14,621,061</u>	<u>120,046,686</u>
Liabilities			
Accounts payable and accrued expenses	1,615,730	577,217	2,192,947
Accrued wages	272,124	-	272,124
Customer deposits	488,911	-	488,911
Due to other governments	998,945	-	998,945
Unearned revenue	113,465	-	113,465
Long-term liabilities:			
Due within one year	1,360,000	-	1,360,000
Due in more than one year	20,921,814	-	20,921,814
Total liabilities	<u>25,770,989</u>	<u>577,217</u>	<u>26,348,206</u>
Net assets			
Invested in capital assets, net of related debt	27,556,981	7,967,854	35,524,835
Restricted for:			
Police and fire millage	739,224	-	739,224
Major street	8,061,520	-	8,061,520
Local street	1,442,481	-	1,442,481
Municipal street	6,575,509	-	6,575,509
Economic development	914,377	-	914,377
Housing commission	217,538	-	217,538
Parks	1,035,604	-	1,035,604
Street lighting	2,405,008	-	2,405,008
Landfill remediation	1,306,139	-	1,306,139
Drains	5,225,492	-	5,225,492
Post employment benefits	1,283,440	-	1,283,440
Capital projects	3,197,087	-	3,197,087
Unrestricted	19,694,236	6,075,990	25,770,226
Total net assets	<u>\$ 79,654,636</u>	<u>\$ 14,043,844</u>	<u>\$ 93,698,480</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, 2007

<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>	<u>Capital Grants and Contributions</u>	
Governmental activities						
General government	\$ 3,833,754	\$ (793,387)	\$ 1,491,390	\$ 73,954	\$ -	\$ (1,475,023)
Public safety	14,528,358	463,621	479,051	149,267	-	(14,363,661)
Highways and streets	2,851,238	1,603,764	823,644	3,835,237	56,062	259,941
Public works	4,505,193	(1,816,646)	990,012	-	-	(1,698,535)
Engineering services	462,081	(262,768)	-	-	-	(199,313)
District court	1,161,482	78,039	1,218,999	57,575	-	37,053
Inspections	507,929	10,828	891,009	-	-	372,252
Culture and recreation	959,116	199,855	405,331	9,533	-	(744,107)
Interest on long-term debt	789,929	-	-	-	-	(789,929)
Total governmental activities	<u>29,599,080</u>	<u>(516,694)</u>	<u>6,299,436</u>	<u>4,125,566</u>	<u>56,062</u>	<u>(18,601,322)</u>
Business-type activities						
Water	1,419,453	407,103	2,326,777	-	-	500,221
Sewer	2,208,968	109,591	2,494,694	-	-	176,135
Total business-type activities	<u>3,628,421</u>	<u>516,694</u>	<u>4,821,471</u>	<u>-</u>	<u>-</u>	<u>676,356</u>
Total	<u>\$ 33,227,501</u>	<u>\$ -</u>	<u>\$ 11,120,907</u>	<u>\$ 4,125,566</u>	<u>\$ 56,062</u>	<u>\$ (17,924,966)</u>

(Continued)

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

CITY OF KENTWOOD, MICHIGAN

Statement of Activities (Continued)

For the Year Ended June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue	\$ (18,601,322)	\$ 676,356	\$ (17,924,966)
General revenues:			
Property taxes:			
General operating	5,708,779	-	5,708,779
Police and fire	7,690,850	-	7,690,850
Parks	202,342	-	202,342
Street lighting	339,834	-	339,834
Municipal street	607,250	-	607,250
Landfill remediation	303,526	-	303,526
State shared revenues	3,341,302	-	3,341,302
Gain on sale of capital assets	45,877	-	45,877
Interest earnings	1,119,469	323,540	1,443,009
Other general revenues	475,037	-	475,037
Transfers - internal activities	360,294	(360,294)	-
Total general revenues and transfers	<u>20,194,560</u>	<u>(36,754)</u>	<u>20,157,806</u>
Change in net assets	1,593,238	639,602	2,232,840
Net assets, beginning of year	<u>78,061,398</u>	<u>13,404,242</u>	<u>91,465,640</u>
Net assets, end of year	<u>\$ 79,654,636</u>	<u>\$ 14,043,844</u>	<u>\$ 93,698,480</u>

(Concluded)

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

CITY OF KENTWOOD, MICHIGAN

**Balance Sheet
Governmental Funds**

June 30, 2007

	<u>General Fund</u>	<u>Special Revenue</u>		
		<u>Police and Fire Millage</u>	<u>Major Street</u>	<u>Municipal Street</u>
Assets				
Cash and pooled investments	\$ 3,992,324	\$ 739,224	\$ 8,759,592	\$ 6,575,864
Accounts receivable	1,435,684	-	2,753	-
Special assessments receivable	-	-	-	-
Loans receivable	-	-	-	-
Due from other governments	1,164,775	-	431,557	-
Inventory	8,883	-	-	-
Prepaid items	507,068	-	-	-
Total assets	<u>\$ 7,108,734</u>	<u>\$ 739,224</u>	<u>\$ 9,193,902</u>	<u>\$ 6,575,864</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 410,201	\$ -	\$ 732,382	\$ 355
Accrued wages	272,124	-	-	-
Customer deposits	88,911	-	400,000	-
Due to other governments	995,874	-	-	-
Deferred revenue	279,613	-	-	-
Total liabilities	<u>2,046,723</u>	<u>-</u>	<u>1,132,382</u>	<u>355</u>
Fund balances				
Reserved for:				
Inventory	8,883	-	-	-
Prepaid items	507,068	-	-	-
Special revenue funds - noncurrent mortgage loans	-	-	-	-
Unreserved:				
Designated for parks and recreation	-	-	-	-
Undesignated, reported in:				
General fund	4,546,060	-	-	-
Special revenue funds	-	739,224	8,061,520	6,575,509
Capital projects funds	-	-	-	-
Total fund balances	<u>5,062,011</u>	<u>739,224</u>	<u>8,061,520</u>	<u>6,575,509</u>
Total liabilities and fund balances	<u>\$ 7,108,734</u>	<u>\$ 739,224</u>	<u>\$ 9,193,902</u>	<u>\$ 6,575,864</u>

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

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 863,236	\$ 23,820,711	\$ 44,750,951
-	4,412	1,442,849
9,133,134	381,939	9,515,073
-	328,774	328,774
-	358,873	1,955,205
-	-	8,883
-	-	507,068
<u>\$ 9,996,370</u>	<u>\$ 24,894,709</u>	<u>\$ 58,508,803</u>
\$ 126	\$ 260,187	\$ 1,403,251
-	-	272,124
-	-	488,911
-	3,071	998,945
<u>9,037,807</u>	<u>378,544</u>	<u>9,695,964</u>
<u>9,037,933</u>	<u>641,802</u>	<u>12,859,195</u>
-	-	8,883
-	-	507,068
-	207,400	207,400
-	419,649	419,649
-	-	4,546,060
-	20,980,749	36,357,002
<u>958,437</u>	<u>2,645,109</u>	<u>3,603,546</u>
<u>958,437</u>	<u>24,252,907</u>	<u>45,649,608</u>
<u>\$ 9,996,370</u>	<u>\$ 24,894,709</u>	<u>\$ 58,508,803</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, 2007

Fund balances - total governmental funds	\$ 45,649,608
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 (net)	46,895,522
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	9,416,351
Add - deferred delinquent personal property taxes receivable	166,148
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(1,208,280)
Deduct - landfill clean up and other costs	(1,328,534)
Deduct - bonds payable	(19,745,000)
Deduct - accrued interest on bonds payable	<u>(191,179)</u>
Net assets of governmental activities	<u><u>\$ 79,654,636</u></u>

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

CITY OF KENTWOOD, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2007

	Special Revenue			
	General Fund	Police and Fire Millage	Major Street	Municipal Street
Revenues				
Taxes	\$ 6,081,507	\$ 7,690,850	\$ -	\$ 607,250
Special assessments	-	-	-	-
Intergovernmental	3,511,469	-	2,075,728	-
Licenses and permits	1,501,229	-	-	-
Charges for services	3,500,407	-	-	-
Fines and forfeits	1,440,161	-	-	-
Investment income	361,328	238,642	556,944	394,562
Application fees	-	-	-	-
Miscellaneous	121,336	-	1,150,972	-
Total revenues	16,517,437	7,929,492	3,783,644	1,001,812
Expenditures				
Current:				
General government	4,441,072	-	-	-
Public safety	13,833,104	20,000	-	-
Highways and streets	-	-	1,238,815	54,600
Public works	2,463,277	-	-	-
Engineering services	470,413	-	-	-
District court	1,239,521	-	-	-
Inspections	518,757	-	-	-
Culture and recreation	1,074,842	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	3,130,883	14,105
Total expenditures	24,040,986	20,000	4,369,698	68,705
Revenues over (under) expenditures	(7,523,549)	7,909,492	(586,054)	933,107
Other financing sources (uses)				
Sale of capital assets	23	-	-	-
Transfers in	8,847,119	-	98,152	-
Transfers out	(1,300,000)	(8,801,019)	-	(42,138)
Total other financing sources (uses)	7,547,142	(8,801,019)	98,152	(42,138)
Net change in fund balances	23,593	(891,527)	(487,902)	890,969
Fund balances, beginning of year	5,038,418	1,630,751	8,549,422	5,684,540
Fund balances, end of year	\$ 5,062,011	\$ 739,224	\$ 8,061,520	\$ 6,575,509

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

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>General Projects</u>		
\$ -	\$ 845,702	\$ 15,225,309
187,452	(10,850)	176,602
-	703,361	6,290,558
-	-	1,501,229
-	1,536,451	5,036,858
-	-	1,440,161
92,105	1,449,846	3,093,427
-	32,007	32,007
-	176,726	1,449,034
<u>279,557</u>	<u>4,733,243</u>	<u>34,245,185</u>
-	75,331	4,516,403
-	15,000	13,868,104
-	1,698,246	2,991,661
-	747,265	3,210,542
-	-	470,413
-	-	1,239,521
-	-	518,757
-	18,200	1,093,042
-	1,220,000	1,220,000
-	799,342	799,342
426	1,815,138	4,960,552
<u>426</u>	<u>6,388,522</u>	<u>34,888,337</u>
279,131	(1,655,279)	(643,152)
-	49,071	49,094
-	2,519,388	11,464,659
-	(961,208)	(11,104,365)
-	1,607,251	409,388
279,131	(48,028)	(233,764)
679,306	24,300,935	45,883,372
<u>\$ 958,437</u>	<u>\$ 24,252,907</u>	<u>\$ 45,649,608</u>

CITY OF KENTWOOD, MICHIGAN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (233,764)

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	4,534,454
Deduct - depreciation expense	(3,358,106)
Deduct - proceeds from sale of capital assets	(49,094)
Add - gain on disposal of capital assets	45,877

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 - decrease in special assessments receivable	(151,530)
Deduct - decrease in personal property taxes receivable	(372,728)

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.

Add - principal payments on long-term liabilities	1,220,000
Deduct - change in other long-term liabilities	(11,334)

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 - increase in compensated absences	(39,950)
Add - decrease in accrued interest payable	9,413

Change in net assets of governmental activities \$ 1,593,238

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

CITY OF KENTWOOD

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 6,042,500	\$ 6,081,507	\$ 39,007
Licenses and permits	1,188,200	1,501,229	313,029
Intergovernmental	3,636,500	3,511,469	(125,031)
Charges for services	3,873,000	3,500,407	(372,593)
Fines and forfeits	1,340,000	1,440,161	100,161
Investment income	230,000	361,328	131,328
Miscellaneous	97,800	121,336	23,536
	<u>16,408,000</u>	<u>16,517,437</u>	<u>109,437</u>
Expenditures			
Current:			
General government	4,549,600	4,441,072	(108,528)
Public safety	14,388,500	13,833,104	(555,396)
Engineering services	508,700	470,413	(38,287)
Public works	2,670,700	2,463,277	(207,423)
District court	1,323,900	1,239,521	(84,379)
Inspections	559,100	518,757	(40,343)
Culture and recreation	1,098,200	1,074,842	(23,358)
	<u>25,098,700</u>	<u>24,040,986</u>	<u>(1,057,714)</u>
Total expenditures	<u>25,098,700</u>	<u>24,040,986</u>	<u>(1,057,714)</u>
Revenues over (under) expenditures	<u>(8,690,700)</u>	<u>(7,523,549)</u>	<u>1,167,151</u>
Other financing sources (uses)			
Sale of capital assets	1,000	23	(977)
Transfers in	9,557,300	8,847,119	(710,181)
Transfers out	<u>(865,000)</u>	<u>(1,300,000)</u>	<u>(435,000)</u>
	<u>8,693,300</u>	<u>7,547,142</u>	<u>(1,146,158)</u>
Total other financing sources (uses)	<u>8,693,300</u>	<u>7,547,142</u>	<u>(1,146,158)</u>
Net change in fund balance	2,600	23,593	20,993
Fund balance, beginning of year	<u>5,038,418</u>	<u>5,038,418</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,041,018</u></u>	<u><u>\$ 5,062,011</u></u>	<u><u>\$ 20,993</u></u>

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

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Police and Fire Millage Fund**

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 7,688,900	\$ 7,688,900	\$ 7,690,850	\$ 1,950
Investment income	65,000	65,000	238,642	173,642
Total revenues	7,753,900	7,753,900	7,929,492	175,592
Expenditures				
Current:				
Administrative	20,000	20,000	20,000	-
Revenues over expenditures	7,733,900	7,733,900	7,909,492	175,592
Other financing (uses)				
Transfers out	(9,231,822)	(9,231,822)	(8,801,019)	430,803
Net change in fund balance	(1,497,922)	(1,497,922)	(891,527)	606,395
Fund balance, beginning of year	1,630,751	1,630,751	1,630,751	-
Fund balance, end of year	<u>\$ 132,829</u>	<u>\$ 132,829</u>	<u>\$ 739,224</u>	<u>\$ 606,395</u>

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

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Major Street Fund**

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 2,037,600	\$ 2,037,600	\$ 2,075,728	\$ 38,128
Investment income	250,000	250,000	556,944	306,944
Miscellaneous	<u>57,000</u>	<u>1,152,800</u>	<u>1,150,972</u>	<u>(1,828)</u>
Total revenues	<u>2,344,600</u>	<u>3,440,400</u>	<u>3,783,644</u>	<u>343,244</u>
Expenditures				
Current:				
Engineering	331,900	331,900	515,662	183,762
Administrative	183,300	183,300	181,800	(1,500)
Maintenance	430,000	430,000	408,735	(21,265)
Snow and ice removal	120,000	120,000	77,733	(42,267)
Traffic control	100,000	100,000	71,432	(28,568)
Miscellaneous	7,000	7,000	(16,547)	(23,547)
Capital outlay	<u>3,270,500</u>	<u>3,270,500</u>	<u>3,130,883</u>	<u>(139,617)</u>
Total expenditures	<u>4,442,700</u>	<u>4,442,700</u>	<u>4,369,698</u>	<u>(73,002)</u>
Revenues over (under) expenditures	(2,098,100)	(1,002,300)	(586,054)	416,246
Other financing sources				
Transfers in	<u>-</u>	<u>-</u>	<u>98,152</u>	<u>98,152</u>
Net change in fund balance	(2,098,100)	(1,002,300)	(487,902)	514,398
Fund balance, beginning of year	<u>8,549,422</u>	<u>8,549,422</u>	<u>8,549,422</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 6,451,322</u></u>	<u><u>\$ 7,547,122</u></u>	<u><u>\$ 8,061,520</u></u>	<u><u>\$ 514,398</u></u>

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

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Municipal Street Fund**

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 607,100	\$ 607,100	\$ 607,250	\$ 150
Investment income	150,000	150,000	394,562	244,562
Total revenues	<u>757,100</u>	<u>757,100</u>	<u>1,001,812</u>	<u>244,712</u>
Expenditures				
Current:				
Administrative	54,600	54,600	54,600	-
Capital outlay	35,000	35,000	14,105	(20,895)
Total expenditures	<u>89,600</u>	<u>89,600</u>	<u>68,705</u>	<u>(20,895)</u>
Revenues over expenditures	667,500	667,500	933,107	265,607
Other financing uses				
Transfers out	-	(752,200)	(42,138)	710,062
Net change in fund balance	667,500	(84,700)	890,969	975,669
Fund balance, beginning of year	<u>5,684,540</u>	<u>5,684,540</u>	<u>5,684,540</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 6,352,040</u></u>	<u><u>\$ 5,599,840</u></u>	<u><u>\$ 6,575,509</u></u>	<u><u>\$ 975,669</u></u>

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

CITY OF KENTWOOD, MICHIGAN

**Proprietary Funds
Statement of Net Assets**

June 30, 2007

	Business-type Activities - Enterprise Funds			Governmental
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Assets				
Current assets:				
Cash and pooled investments	\$ 3,262,692	\$ 2,377,687	\$ 5,640,379	\$ 21,300
Accounts receivable	480,434	532,130	1,012,564	-
Prepaid items	264	-	264	-
Total current assets	3,743,390	2,909,817	6,653,207	21,300
Noncurrent assets:				
Land	60,949	-	60,949	-
Capital assets being depreciated	10,864,270	12,488,574	23,352,844	-
Less accumulated depreciation	(6,336,413)	(9,109,526)	(15,445,939)	-
Total noncurrent assets	4,588,806	3,379,048	7,967,854	-
Total assets	8,332,196	6,288,865	14,621,061	21,300
Liabilities				
Current liabilities:				
Accounts payable	285,799	291,418	577,217	21,300
Net assets				
Invested in capital assets	4,588,806	3,379,048	7,967,854	-
Unrestricted	3,457,591	2,618,399	6,075,990	-
Total net assets	\$ 8,046,397	\$ 5,997,447	\$ 14,043,844	\$ -

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

CITY OF KENTWOOD, MICHIGAN

**Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets**

For the Year Ended June 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-insurance</u>
	<u>Fund</u>	<u>Fund</u>		<u>Fund</u>
Operating revenues	\$ 2,326,777	\$ 2,494,694	\$ 4,821,471	\$ 131,166
Operating expenses				
Administration	25,000	-	25,000	-
Contractual services	1,194,902	1,768,203	2,963,105	6,851
Depreciation	264,947	253,108	518,055	-
Claims	-	-	-	124,762
Supplies	179,420	141,780	321,200	-
Engineering	17,563	131,673	149,236	-
Utilities	71,427	5,424	76,851	-
Miscellaneous	59,604	32,064	91,668	-
Total operating expenses	1,812,863	2,332,252	4,145,115	131,613
Operating income (loss)	513,914	162,442	676,356	(447)
Nonoperating revenues				
Investment income	184,987	138,553	323,540	447
Net income (loss) before transfers	698,901	300,995	999,896	-
Other financing sources (uses)				
Transfers in	51,786	38,965	90,751	-
Transfers out	(192,145)	(258,900)	(451,045)	-
Total other financing sources (uses)	(140,359)	(219,935)	(360,294)	-
Change in net assets	558,542	81,060	639,602	-
Net assets, beginning of year	7,487,855	5,916,387	13,404,242	-
Net assets, end of year	<u>\$ 8,046,397</u>	<u>\$ 5,997,447</u>	<u>\$ 14,043,844</u>	<u>\$ -</u>

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

CITY OF KENTWOOD

Proprietary Funds Statement of Cash Flows

For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 2,314,989	\$ 2,415,834	\$ 4,730,823	\$ -
Receipts from interfund services provided	-	-	-	131,166
Payments to suppliers	<u>(1,519,190)</u>	<u>(2,353,117)</u>	<u>(3,872,307)</u>	<u>(110,313)</u>
Net cash provided by operating activities	<u>795,799</u>	<u>62,717</u>	<u>858,516</u>	<u>20,853</u>
Cash flows from non-capital financing activities				
Transfers in	51,786	38,965	90,751	-
Transfers (out)	<u>(192,145)</u>	<u>(258,900)</u>	<u>(451,045)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>(140,359)</u>	<u>(219,935)</u>	<u>(360,294)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(39,895)</u>	<u>(12,800)</u>	<u>(52,695)</u>	<u>-</u>
Cash flows from investing activities				
Interest earned on investments	<u>184,987</u>	<u>138,553</u>	<u>323,540</u>	<u>447</u>
Net increase (decrease) in cash and pooled investments	800,532	(31,465)	769,067	21,300
Cash and pooled investments, beginning of year	<u>2,462,160</u>	<u>2,409,152</u>	<u>4,871,312</u>	<u>-</u>
Cash and pooled investments, end of year	<u><u>\$ 3,262,692</u></u>	<u><u>\$ 2,377,687</u></u>	<u><u>\$ 5,640,379</u></u>	<u><u>\$ 21,300</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 513,914	\$ 162,442	\$ 676,356	\$ (447)
Depreciation expense	264,947	253,108	518,055	-
Changes in operating assets and liabilities which provided (used) cash:				
Accounts receivable	(11,788)	(78,860)	(90,648)	-
Prepaid items	(265)	-	(265)	-
Accounts payable	<u>28,991</u>	<u>(273,973)</u>	<u>(244,982)</u>	<u>21,300</u>
Net cash provided by operating activities	<u><u>\$ 795,799</u></u>	<u><u>\$ 62,717</u></u>	<u><u>\$ 858,516</u></u>	<u><u>\$ 20,853</u></u>

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

CITY OF KENTWOOD, MICHIGAN

Fiduciary Funds Statement of Net Assets

June 30, 2007

Assets	<u>Pension Trust Defined Benefit</u>	<u>Private Purpose Trust Special Assessment - Deferred Payback</u>	<u>Agency Fund Tax Collection</u>
Cash and pooled investments	\$ 1,407,148	\$ 136,509	\$ 700,057
Investments:			
Bonds	6,711,032	-	-
Equities	10,394,798	-	-
International	1,142,615	-	-
Special assessments receivable	-	432,415	-
Total assets	<u>19,655,593</u>	<u>568,924</u>	<u>\$ 700,057</u>
Liabilities			
Accounts payable	35,073	-	\$ -
Due to other governments	-	9,217	700,057
Payable to property owners	-	549,140	-
Total liabilities	<u>35,073</u>	<u>558,357</u>	<u>\$ 700,057</u>
Net assets			
Held in trust for employee benefits	19,620,520	-	
Unrestricted	-	10,567	
Total net assets	<u>\$ 19,620,520</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, 2007

	<u>Pension Trust</u>	<u>Private Purpose Trust</u>
	<u>Defined Benefit</u>	<u>Special Assessment - Deferred Payback</u>
Additions		
Contributions:		
Employer	\$ 800,000	\$ -
Plan participants	203,374	-
Total contributions	<u>1,003,374</u>	<u>-</u>
 Investment income	 <u>1,935,440</u>	 <u>-</u>
 Total additions	 <u>2,938,814</u>	 <u>-</u>
Deductions		
Distributions and benefit payments	609,038	-
Administrative expenses	<u>55,334</u>	<u>-</u>
 Total deductions	 <u>664,372</u>	 <u>-</u>
 Change in net assets	 2,274,442	 -
Net assets held in trust		
Beginning of year	<u>17,346,078</u>	<u>10,567</u>
 End of year	 <u><u>\$ 19,620,520</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, 2007

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 2007 financial statements using the fiscal year ended December 31, 2006.

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, 2007

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, 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. That portion of special assessments expected to be collected within the next 12 months is considered to be susceptible to accrual and recorded as revenue. 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 Street 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 *Municipal Street Fund* accounts for funds specifically intended for the maintenance and construction of streets designated as municipal state aid streets.

The *General Projects Capital Projects Fund* accounts for funds accumulated from special assessments for construction projects.

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

The City reports the following major proprietary funds:

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

The *Sewer Fund* accounts for funds specifically intended for the operation, maintenance and capital improvements of the sewage disposal system, and retirement of 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 *Capital Projects Fund* accounts for the revenue and expenditures for significant construction projects.

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 *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, 2007

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. \$207,400 of the loans receivable and \$9,416,351 of special assessments receivable are not expected to be collected within one year.

Inventories and Prepaid Items

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

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

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 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 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.

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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 2 standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Bankers acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City's defined benefit retirement system'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.

Capital Assets

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

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

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

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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

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.

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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:

Escrows for recreation department purposes	\$ 90,070
Litigation settlement (General Fund)	20,199
Fire Prevention (General Fund)	3,196
City's portion of delinquent personal property taxes receivable (General Fund)	166,148
Special assessments	9,416,351
	<u>\$9,695,964</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 160-218.25 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.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2007 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			
Administrative	\$1,803,700	\$1,923,289	\$ 119,589
Culture & Recreation - Library	96,100	100,468	4,368
Transfers out	865,000	1,300,000	435,000
DPW Equipment Fund	233,800	243,206	9,406
Street Lighting Fund – Highways & Streets	390,600	414,578	23,978
Local Street Fund – Transfers out	-	242,277	242,277

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

3. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and pooled investments	\$44,772,251	\$5,640,379	\$ 2,243,714	\$52,656,344
Investments	-	-	18,248,445	18,248,445
Total deposits and investments	\$44,772,251	\$5,640,379	\$20,492,159	\$70,904,789

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

Deposits	\$ 2,335,555
Petty cash	1,700
Investments	68,567,534
Total deposits and investments	\$70,904,789

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

The City chooses to disclose its investments by specifically identifying each. As of year end, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Money Market Funds			
Huntington Money Market Fund IV	n/a	\$ 18,219	Not rated
Fifth Third Institutional MM Fund (D)	n/a	1,121,380	Not rated
Fifth Third Stable Value Fund for EB Plans	n/a	267,549	Not rated
Centennial Money Market	n/a	927,236	Not rated
U.S. Securities			
Federal National Mortgage Association	* 07/06/2007	1,000,110	Moody's AAA
Federal Home Loan Bank	* 12/28/2007	992,890	Moody's AAA
Federal Home Loan Mortgage Corporation	* 02/01/2008	554,061	Moody's AAA
Federal National Mortgage Association	* 07/14/2008	988,780	Moody's AAA
Government National Mortgage Association	* 09/15/2008	1,786	Moody's AAA
Government National Mortgage Association	* 09/15/2008	2,807	Moody's AAA
Government National Mortgage Association	* 09/15/2008	4,377	Moody's AAA
Government National Mortgage Association	* 09/15/2008	10,152	Moody's AAA
Federal Home Loan Bank	* 02/09/2009	984,060	Moody's AAA
Government National Mortgage Association	* 10/15/2009	9,804	Moody's AAA
Federal Home Loan Mortgage Corporation	* 11/01/2009	955,004	Moody's AAA

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

Investment	Maturity	Fair Value	Rating	
Federal Home Loan Bank	*	12/28/2009	\$ 975,060	Moody's AAA
Federal National Mortgage Association	*	05/10/2010	490,460	Moody's AAA
Government National Mortgage Association	*	09/15/2010	7,005	Moody's AAA
Government National Mortgage Association	*	12/20/2010	10,678	Moody's AAA
Government National Mortgage Association	*	07/20/2011	15,962	Moody's AAA
Federal Home Loan Mortgage Corporation	*	12/23/2011	975,920	Moody's AAA
Government National Mortgage Association	*	06/15/2012	25,580	Moody's AAA
Government National Mortgage Association	*	07/15/2016	41,502	Moody's AAA
Government National Mortgage Association	*	11/15/2016	3,731	Moody's AAA
Government National Mortgage Association	*	12/15/2016	22,519	Moody's AAA
Government National Mortgage Association	*	04/15/2017	31,513	Moody's AAA
Government National Mortgage Association	*	06/15/2017	8,879	Moody's AAA
Government National Mortgage Association	*	01/15/2018	810,377	Moody's AAA
Government National Mortgage Association	*	04/20/2018	257,235	Moody's AAA
Government National Mortgage Association	*	10/15/2018	247,522	Moody's AAA
Government National Mortgage Association	*	04/20/2019	750,086	Moody's AAA
Government National Mortgage Association	*	06/20/2021	1,051,553	Moody's AAA
Government National Mortgage Association	*	05/15/2023	403,368	Moody's AAA
Government National Mortgage Association	*	08/20/2023	1,174	Moody's AAA
Government National Mortgage Association	*	10/15/2023	835,840	Moody's AAA
Government National Mortgage Association	*	12/15/2023	564,361	Moody's AAA
Government National Mortgage Association	*	05/15/2024	323,992	Moody's AAA
Government National Mortgage Association	*	06/15/2024	822,396	Moody's AAA
Government National Mortgage Association	*	07/20/2024	1,462	Moody's AAA
Government National Mortgage Association	*	08/20/2024	4,825	Moody's AAA
Government National Mortgage Association	*	09/15/2024	352,438	Moody's AAA
Government National Mortgage Association	*	11/20/2024	2,752	Moody's AAA
Government National Mortgage Association	*	12/15/2024	6,409	Moody's AAA
Government National Mortgage Association	*	01/15/2025	3,460	Moody's AAA
Government National Mortgage Association	*	01/20/2025	746	Moody's AAA
Government National Mortgage Association	*	04/15/2025	30,431	Moody's AAA
Government National Mortgage Association	*	05/15/2025	66,944	Moody's AAA
Government National Mortgage Association	*	06/15/2025	10,133	Moody's AAA
Government National Mortgage Association	*	06/15/2025	1,035,600	Moody's AAA
Government National Mortgage Association	*	08/20/2025	87,683	Moody's AAA
Government National Mortgage Association	*	11/20/2025	7,091	Moody's AAA
Government National Mortgage Association	*	02/20/2026	31,922	Moody's AAA
Government National Mortgage Association	*	02/20/2026	34,515	Moody's AAA
Government National Mortgage Association	*	03/20/2026	38,164	Moody's AAA
Government National Mortgage Association	*	04/15/2026	146,310	Moody's AAA
Government National Mortgage Association	*	08/15/2026	7,206	Moody's AAA
Government National Mortgage Association	*	09/15/2026	22,775	Moody's AAA
Government National Mortgage Association	*	09/20/2026	21,498	Moody's AAA
Government National Mortgage Association	*	09/20/2026	15,791	Moody's AAA

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

Investment		Maturity	Fair Value	Rating
Government National Mortgage Association	*	12/15/2026	\$ 62,835	Moody's AAA
Government National Mortgage Association	*	12/20/2026	16,107	Moody's AAA
Government National Mortgage Association	*	01/15/2027	17,081	Moody's AAA
Government National Mortgage Association	*	01/20/2027	17,507	Moody's AAA
Government National Mortgage Association	*	03/15/2027	20,174	Moody's AAA
Government National Mortgage Association	*	03/20/2027	15,032	Moody's AAA
Government National Mortgage Association	*	04/15/2027	8,544	Moody's AAA
Government National Mortgage Association	*	08/20/2027	30,793	Moody's AAA
Government National Mortgage Association	*	11/20/2027	22,589	Moody's AAA
Government National Mortgage Association	*	12/15/2027	47,106	Moody's AAA
Government National Mortgage Association	*	01/15/2028	24,740	Moody's AAA
Government National Mortgage Association	*	02/20/2028	23,276	Moody's AAA
Government National Mortgage Association	*	11/15/2028	51,395	Moody's AAA
Government National Mortgage Association	*	11/15/2028	75,544	Moody's AAA
Government National Mortgage Association	*	11/15/2028	711,027	Moody's AAA
Government National Mortgage Association	*	01/15/2029	70,169	Moody's AAA
Government National Mortgage Association	*	01/15/2029	227,295	Moody's AAA
Government National Mortgage Association	*	02/15/2029	43,200	Moody's AAA
Government National Mortgage Association	*	03/15/2029	49,019	Moody's AAA
Government National Mortgage Association	*	05/20/2029	36,748	Moody's AAA
Government National Mortgage Association	*	08/20/2029	15,452	Moody's AAA
Government National Mortgage Association	*	08/20/2029	9,693	Moody's AAA
Government National Mortgage Association	*	09/20/2029	35,960	Moody's AAA
Government National Mortgage Association	*	10/15/2029	4,502	Moody's AAA
Government National Mortgage Association	*	01/20/2030	13,240	Moody's AAA
Government National Mortgage Association	*	02/15/2030	33,156	Moody's AAA
Government National Mortgage Association	*	10/15/2032	896,873	Moody's AAA
Government National Mortgage Association	*	10/15/2033	346,689	Moody's AAA
Government National Mortgage Association	*	11/15/2033	362,300	Moody's AAA
Government National Mortgage Association	*	01/15/2034	298,599	Moody's AAA
Government National Mortgage Association	*	02/20/2034	786,154	Moody's AAA
Government National Mortgage Association	*	05/20/2034	818,583	Moody's AAA
Government National Mortgage Association	*	05/20/2034	1,010,533	Moody's AAA
Government National Mortgage Association	*	06/20/2034	814,104	Moody's AAA
Government National Mortgage Association	*	07/20/2034	787,537	Moody's AAA
Government National Mortgage Association	*	08/20/2034	819,762	Moody's AAA
Government National Mortgage Association	*	11/20/2036	1,037,841	Moody's AAA

Bond and Equity Securities

Franklin Cust U.S. Government Class A Shares	n/a	22,214,848	Morningstar 3
Fifth Third Intermediate Bond Fund	n/a	1,698	Morningstar 3
Fifth Third Disciplined Large Value Fund	n/a	1,654,427	Morningstar 4
Pimco FDS Total Return Fund Institutional Class I #35	n/a	1,655,829	Morningstar 5
Goldman Sachs Mid-Cap Equity Fund Institutional Shares	n/a	640,029	Morningstar 5

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

Investment	Maturity	Fair Value	Rating
American Growth Fund of America	n/a	\$ 1,954,308	Morningstar 5
Royce Fund, Premier Series - Fund 265	n/a	388,361	Morningstar 4
American Euro Pac Growth Fund	n/a	363,512	Morningstar 4
Touchstone Mid-cap Growth - A	n/a	293,197	Morningstar 4
Huntington Mid Corp America Fund III	n/a	113,086	Morningstar 3
Huntington Growth Fund III	n/a	789,896	Morningstar 3
Huntington Short and Intermediate Fixed Income Fund III	n/a	899,611	Morningstar 2
Huntington Intermediate Government Income Fund-Fixed	n/a	2,581,659	Morningstar 3
Frank Russell Fixed Income I Class I	n/a	1,572,234	Morningstar 4
Frank Russell Equity I Fund Class I	n/a	1,132,461	Morningstar 4
Frank Russell Equity II Fund Class I	n/a	566,864	Morningstar 3
Frank Russell Real Estate Securities Fund - Class S	n/a	346,848	Morningstar 3
Frank Russell Equity Q Fund - Class I	n/a	2,151,809	Morningstar 4
Frank Russell International Fund - Class I	n/a	1,142,615	Morningstar 3
Total Investments		<u>\$68,567,534</u>	

* For these investments principal and interest is expected to be paid periodically through the identified maturity date.

Investments maturities are summarized as follows:

Time Until Maturity	Amount
No maturity	\$ 42,797,677
Less than 1 year	2,547,061
1-5 years	5,457,434
6-10 years	1,175,756
11-15 years	2,453,703
16-20 years	4,780,528
21-25 years	2,273,272
26-30 years	7,082,103
Total	<u>\$ 68,567,534</u>

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 are identified above for investments held at year end.

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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 each investment are identified above for investments held at year end with the exception of the Defined Benefit Plan assets, which are reported as of December 31, 2006.

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, \$2,772,452 of the City’s bank balance of \$2,972,452 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. 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 but does not limit concentration of credit risk 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 concentration of credit risk. All investments held at year end are reported above with the exception of the Defined Benefit Plan assets which are reported as of December 31, 2006.

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2007 are as follows:

	Transfers In	Transfers Out
Governmental activities:		
General fund	\$ 8,847,119	\$ 1,300,000
Police and fire millage fund	-	8,801,019
Major street	98,152	-
Municipal street	-	42,138
Nonmajor governmental funds	2,519,388	961,208
Business-type activities:		
Water fund	51,786	192,145
Sewer fund	38,965	258,900
Total	\$11,464,659	\$11,464,659

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

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

5. CAPITAL ASSETS

The capital assets activities for the year are as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 2,275,360	\$ -	\$ -	\$ 2,275,360
Construction in process	3,329,182	1,746,497	2,541,836	2,533,843
Total capital assets, not being depreciated	<u>5,604,542</u>	<u>1,746,497</u>	<u>2,541,836</u>	<u>4,809,203</u>
Capital assets, being depreciated:				
Land improvements	984,238	185,998	-	1,170,236
Buildings	24,435,518	1,514,002	-	25,949,520
Equipment	1,515,572	278,587	10,066	1,784,093
Vehicles	5,508,571	294,530	267,448	5,535,653
Infrastructure	37,160,306	3,056,676	-	40,216,982
Total capital assets, being depreciated	<u>69,604,205</u>	<u>5,329,793</u>	<u>277,514</u>	<u>74,656,484</u>
Less accumulated depreciation for:				
Land improvements	602,359	76,827	-	679,186
Buildings	4,944,967	976,438	-	5,921,405
Equipment	1,231,727	186,063	10,066	1,407,724
Vehicles	2,810,539	467,108	264,231	3,013,416
Infrastructure	19,896,764	1,651,670	-	21,548,434
Total accumulated depreciation	<u>29,486,356</u>	<u>3,358,106</u>	<u>274,297</u>	<u>32,570,165</u>
Net capital assets, being depreciated	<u>40,117,849</u>	<u>1,971,687</u>	<u>(3,217)</u>	<u>42,086,319</u>
Net governmental activities capital assets	<u>\$45,722,391</u>	<u>\$ 3,718,184</u>	<u>\$(2,545,053)</u>	<u>\$ 46,895,522</u>

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Capital assets, being depreciated:				
Buildings	260,229	-	-	260,229
Equipment	450,014	25,850	-	475,864
Meters	793,585	26,845	-	820,430
Water mains	6,712,533	-	-	6,712,533
Sewer mains	12,433,709	-	-	12,433,709
Storage	2,650,079	-	-	2,650,079
Total capital assets, being depreciated	23,300,149	52,695	-	23,352,844
Less accumulated depreciation for:				
Buildings	127,105	5,299	-	132,404
Equipment	230,355	10,598	-	240,953
Meters	412,783	18,546	-	431,329
Water mains	3,831,191	161,617	-	3,992,808
Sewer mains	8,856,419	253,108	-	9,109,527
Storage	1,470,031	68,887	-	1,538,918
Total accumulated depreciation	14,927,884	518,055	-	15,445,939
Net capital assets, being depreciated	8,372,265	465,360	-	7,906,905
Net business-type activities capital assets	\$ 8,433,214	\$ 465,360	\$ -	\$ 7,967,854

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

Governmental activities:	
General government	\$ 178,333
Highways and streets	1,622,261
Public safety	973,560
Public works	518,023
Culture and recreation	65,929
Total depreciation expense - Governmental activities	\$3,358,106
Business-type activities:	
Water	\$264,947
Sewer	253,108
Total depreciation expense - Business-type activities	\$518,055

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

6. LONG-TERM OBLIGATIONS

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

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due within One Year</u>
Governmental activities					
2001 Building Authority Bonds, due in installments of \$540,000 to \$860,000 through 2016; interest at 3.0% to 4.7%.	\$ 6,985,000	\$ -	\$ 565,000	\$ 6,420,000	\$ 590,000
2003 Capital Improvement Bonds, due in installments of \$365,000 to \$720,000 through 2023; interest at 2.0% to 4.4%.	9,245,000	-	375,000	8,870,000	385,000
2005 Capital Improvement Bonds, due in installments of \$265,000 to \$420,000 through 2020; interest at 4.0% to 4.1%.	<u>4,735,000</u>	<u>-</u>	<u>280,000</u>	<u>4,455,000</u>	<u>285,000</u>
Subtotal installment debt	20,965,000		1,220,000	19,745,000	1,260,000
Accrued vacation/ compensated absences	1,168,330	39,950	-	1,208,280	-
Landfill clean-up and other costs	<u>1,317,200</u>	<u>71,637</u>	<u>60,303</u>	<u>1,328,534</u>	<u>100,000</u>
Total other long-term obligations	<u>\$23,450,530</u>	<u>\$111,587</u>	<u>\$(1,280,303)</u>	22,281,814	<u>\$1,360,000</u>
Less: current portion				<u>(1,360,000)</u>	
Long-term portion				<u>\$20,921,814</u>	

Accrued vacation/compensated absences are generally liquidated from the general fund. Landfill clean-up and other costs are generally liquidated from the landfill remediation fund.

The annual requirements to maturity on the long-term obligations outstanding (except accrued vacation/compensated absences and landfill clean-up) as June 30, 2007 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 1,260,000	\$ 760,383	\$ 2,020,383
2008	1,300,000	718,964	2,018,964
2009	1,350,000	674,723	2,024,723
2010	1,405,000	626,659	2,031,659
2011	1,455,000	574,672	2,029,672
2012-2016	7,365,000	1,951,769	9,316,769
2017-2021	4,215,000	720,161	4,935,161
2022-2023	<u>1,395,000</u>	<u>62,033</u>	<u>1,457,033</u>
	<u>\$19,745,000</u>	<u>\$6,089,364</u>	<u>\$25,834,364</u>

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

7. PENSION PLANS

Defined Benefit Plan

The City of Kentwood Employee Pension Plan (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, working more than 1,300 hours 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, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	20
Terminated members not yet receiving benefits	8
Active plan members	<u>76</u>
	<u><u>104</u></u>

Benefits partially vest after five years of service and vest 100% after ten years of service. Normal retirement is at age 50 to 60 depending on bargaining unit. However, the participant may elect early or late retirement. 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 2.6% 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 77% of final average compensation. The Plan also provides death benefits as determined by the Plan document. The Plan also provides police and fire participants with duty-related disability benefits as specified by the Plan document.

Summary of Significant Accounting Policies

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

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

Contributions

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

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

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

Current rates of employee contributions are 4% of compensation for police –supervisory participants, 5% of compensation for police-patrol participants, 4% 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, 2006 was \$800,000.

Net pension obligation – beginning of year	\$ -
Annual required contribution/annual pension cost	800,000
Contribution made by the City	800,000
Net pension obligation – end of the year	\$ -

Funding Status and Progress

The annual required contribution was determined as part of an actuarial valuation of the Plan as of January 1, 2007. 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.

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, 2006, contributions totaling \$1,003,374 (\$800,000 employer and \$203,374 employee) were made.

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

Trend Information

Plan year ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$870,000	100%	\$ -
2005	770,000	100%	-
2006	800,000	100%	-

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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 7 – 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, 2007 was approximately \$12,937,300. The City's contribution of approximately \$696,900 was calculated using the employee compensation amount of approximately \$7,913,500. City employees also made pre-tax mandatory contributions to the Plan totaling approximately \$279,400, which was 0 – 5% 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>2007</u>
Liability, beginning of year	\$ -
Estimated claims incurred	124,762
Claim payments	<u>(103,462)</u>
Liability, end of year	<u>\$ 21,300</u>

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.

9. POST-EMPLOYMENT BENEFITS

In addition to pension benefits, 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 times 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 City has 7 participants that are eligible to receive benefits. The benefits are financed through transfers to a special revenue fund in amounts determined using actuarial calculations. During the fiscal year ended June 30, 2007, the City incurred approximately \$13,000 of post-employment benefit costs.

CITY OF KENTWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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. Recent 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 40-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 35 years is \$6,642,671, of which the City would be responsible for \$1,328,534. Expenditures of \$60,303 were incurred for landfill clean-up during fiscal year 2007. Under the plan developed by the EPA, contaminated groundwater and leachate would be pumped out, treated and the soil-and-clay cap, which covers the dump, would be upgraded. Fencing would also be installed around the site.

The City is to cover these costs with a 15 year millage that was approved by voters in November 1994. As of June 30, 2007, the City has accounted for the \$1,328,534 in the government-wide financial statements.

11. 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. Amounts reserved for losses related to legal actions have been included as other obligations in the financial statements.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENTWOOD

REQUIRED SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2007

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, 2007
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	10 years (based on \$880,000 employer contribution in June 2007)
Asset valuation method	Market value
Actuarial assumptions:	
Retirement age	Later of age 65 or 5 th 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 54 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	64 OASDI
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

REQUIRED SUPPLEMENTARY INFORMATION SECTION (CONTINUED)

JUNE 30, 2007

Defined Benefit Pension 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))
1/1/1998	\$ 9,451,645	\$14,116,249	\$4,664,604	67.0%	\$5,597,182	83.3%
1/1/1999	10,430,308	15,326,356	4,896,048	68.1%	6,462,913	75.8%
1/1/2000	12,421,649	17,283,537	4,861,888	71.9%	7,109,449	68.4%
1/1/2001	11,006,422	14,174,019	3,167,597	77.7%	5,616,123	56.4%
1/1/2002	11,480,298	14,610,616	3,130,318	78.6%	4,845,396	64.6%
1/1/2003	10,684,908	13,973,826	3,288,918	76.5%	5,119,257	64.2%
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	23,791,750	4,136,156	82.6%	5,061,348	81.7%

Schedule of Contributions

Plan year Ended December 31	Annual Required Contribution *	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed **
1997	\$ 800,000	\$ 202,951	\$ 800,000	\$ 1,002,951	100.00%
1998	860,000	207,153	860,000	1,067,153	100.00%
1999	950,000	227,384	950,000	1,177,384	100.00%
2000	1,050,000	231,951	1,050,000	1,281,951	100.00%
2001	765,000	202,710	765,000	967,710	100.00%
2002	710,000	194,221	710,000	904,221	100.00%
2003	850,000	199,289	850,000	1,049,289	100.00%
2004	870,000	202,448	870,000	1,072,448	100.00%
2005	770,000	210,135	770,000	980,135	100.00%
2006	800,000	203,374	800,000	1,003,374	100.00%

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

GENERAL FUND

CITY OF KENTWOOD, MICHIGAN

**Schedule of Revenues
Budget and Actual
General Fund**

For the Year Ended June 30, 2007

	Original/ Final Budget	Actual Amount	Variance with Final Budget
Taxes	\$ 6,042,500	\$ 6,081,507	\$ 39,007
Licenses and permits			
Permits and inspection fees	642,000	885,767	243,767
Local licenses	526,700	593,294	66,594
State liquor licenses	19,500	22,168	2,668
Total licenses and permits	1,188,200	1,501,229	313,029
Intergovernmental			
Local grants	8,300	9,049	749
State shared revenue	3,460,800	3,341,302	(119,498)
State grants	114,000	105,748	(8,252)
Federal grants	53,400	55,370	1,970
Total intergovernmental	3,636,500	3,511,469	(125,031)
Charges for services			
Tax collection fees	882,600	902,706	20,106
Public works services	1,447,200	1,117,223	(329,977)
Recreation fees	384,300	290,513	(93,787)
Internal charges administration	501,500	495,700	(5,800)
Water department - accounting and administrative charges	31,000	31,000	-
Engineering	276,600	271,100	(5,500)
Police, fire and library fees	200,600	244,378	43,778
Cemetery	40,000	50,692	10,692
Zoning fees	43,500	20,906	(22,594)
Passport fees	20,000	30,465	10,465
Judge's salary subsidy	45,700	45,724	24
Total charges for services	3,873,000	3,500,407	(372,593)
Fines and forfeits			
Court fines	1,200,000	1,218,999	18,999
Delinquent tax - interest penalties	140,000	221,162	81,162
Total fines and forfeits	1,340,000	1,440,161	100,161
Investment income	230,000	361,328	131,328
Miscellaneous			
Insurance premium refunds	30,000	29,858	(142)
Rental income	35,000	44,743	9,743
Miscellaneous	32,800	46,735	13,935
Total miscellaneous	97,800	121,336	23,536
Total revenues	\$ 16,408,000	\$ 16,517,437	\$ 109,437

CITY OF KENTWOOD, MICHIGAN

Schedule of Expenditures Budget and Actual General Fund

For the Year Ended June 30, 2007

	Original/ Final Budget	Actual Amount	Variance with Final Budget
General government			
Administrative			
Auditing	\$ 24,500	\$ 23,000	\$ (1,500)
Cable TV related costs	170,800	189,508	18,708
City commission	38,000	35,758	(2,242)
Community activities	3,500	4,913	1,413
Dues, fees and memberships	36,500	27,737	(8,763)
Employee benefits	34,600	18,836	(15,764)
Insurance	112,000	108,653	(3,347)
Legal fees	215,000	262,219	47,219
Repairs and maintenance	4,500	6,708	2,208
Office equipment	10,000	26,188	16,188
Office supplies	10,000	10,228	228
Contractual services	15,000	80,164	65,164
Pension administration	8,900	8,399	(501)
Postage	60,000	48,723	(11,277)
Printing and publishing	23,600	18,104	(5,496)
Utilities	140,000	162,995	22,995
Supplies	18,500	14,325	(4,175)
Rent	866,000	865,658	(342)
Miscellaneous	12,300	11,173	(1,127)
Total administrative	<u>1,803,700</u>	<u>1,923,289</u>	<u>119,589</u>
Assessments			
Contractual services	79,400	8,985	(70,415)
Telephone	-	1,159	1,159
Dues, fees and memberships	1,800	1,377	(423)
Training	6,000	4,676	(1,324)
Employee benefits	107,800	95,325	(12,475)
Repairs and maintenance	3,600	6,380	2,780
Salaries	287,400	285,508	(1,892)
Supplies	6,500	4,309	(2,191)
Travel	2,200	1,003	(1,197)
Total assessments	<u>494,700</u>	<u>408,722</u>	<u>(85,978)</u>
Treasurer			
Dues, fees and memberships	500	487	(13)
Training	3,000	3,087	87
Employee benefits	70,700	66,238	(4,462)
Insurance	1,600	1,550	(50)
Repairs and maintenance	100	-	(100)
Salaries	148,900	146,655	(2,245)
Supplies	19,000	18,133	(867)
Contractual services	5,000	7,393	2,393
Travel	300	426	126
Total treasurer	<u>249,100</u>	<u>243,969</u>	<u>(5,131)</u>
Information technology			
Dues, fees and memberships	1,000	458	(542)
Training	6,000	1,030	(4,970)
Employee benefits	67,100	54,618	(12,482)
Repairs and maintenance	31,000	37,044	6,044
Contractual services	45,000	11,583	(33,417)
Salaries	187,800	162,059	(25,741)
Supplies	5,000	7,537	2,537
Travel	1,500	2,260	760
Utilities	6,000	5,734	(266)
Total information technology	<u>350,400</u>	<u>282,323</u>	<u>(68,077)</u>

(Continued)

CITY OF KENTWOOD, MICHIGAN

**Schedule of Expenditures
Budget and Actual
General Fund**

**For the Year Ended June 30, 2007
(Continued)**

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
General government (continued)			
City clerk			
Dues, fees and memberships	\$ 300	\$ 220	\$ (80)
Training	800	1,250	450
Employee benefits	45,300	43,409	(1,891)
Insurance	200	120	(80)
Repairs and maintenance	200	-	(200)
Contractual services	4,500	6,527	2,027
Salaries	148,500	142,212	(6,288)
Supplies	2,700	1,593	(1,107)
Travel	400	460	60
	<hr/>	<hr/>	<hr/>
Total city clerk	202,900	195,791	(7,109)
 Human resources			
Dues, fees and memberships	300	330	30
Training	2,500	1,262	(1,238)
Employee benefits	32,700	29,388	(3,312)
Contractual services	500	128	(372)
Salaries	97,800	95,587	(2,213)
Supplies	1,300	1,152	(148)
Travel	200	319	119
	<hr/>	<hr/>	<hr/>
Total human resources	135,300	128,166	(7,134)
 Accounting			
Dues, fees and memberships	1,400	1,460	60
Training	2,200	1,634	(566)
Employee benefits	121,900	111,358	(10,542)
Repairs and maintenance	22,600	24,055	1,455
Contractual services	5,000	379	(4,621)
Salaries	334,400	344,988	10,588
Supplies	7,500	4,797	(2,703)
Utilities	800	367	(433)
Travel	1,800	1,119	(681)
	<hr/>	<hr/>	<hr/>
Total accounting	497,600	490,157	(7,443)
 Executive			
Capital outlay	1,000	-	(1,000)
Training	3,500	2,944	(556)
Dues, fees and memberships	1,200	1,319	119
Employee benefits	62,100	56,860	(5,240)
Printing and publishing	18,000	16,576	(1,424)
Salaries	170,100	172,113	2,013
Supplies	3,000	2,321	(679)
Utilities	1,000	543	(457)
Travel	2,500	2,636	136
	<hr/>	<hr/>	<hr/>
Total executive	262,400	255,312	(7,088)

(Continued)

CITY OF KENTWOOD, MICHIGAN

**Schedule of Expenditures
Budget and Actual
General Fund**

**For the Year Ended June 30, 2007
(Continued)**

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
General government (continued)			
Planning and zoning			
Training	\$ 3,200	\$ 1,659	\$ (1,541)
Dues, fees and memberships	3,800	2,174	(1,626)
Employee benefits	140,700	126,112	(14,588)
Repairs and maintenance	200	92	(108)
Contractual services	5,500	1,500	(4,000)
Salaries	345,700	336,432	(9,268)
Supplies	2,900	1,945	(955)
Travel	3,900	3,167	(733)
Total planning and zoning	<u>505,900</u>	<u>473,081</u>	<u>(32,819)</u>
Elections			
Employee benefits	300	346	46
Internal charges	2,800	3,317	517
Repairs and maintenance	200	-	(200)
Contractual services	39,000	28,163	(10,837)
Salaries	1,900	4,070	2,170
Supplies	2,000	3,317	1,317
Travel	1,400	1,049	(351)
Total elections	<u>47,600</u>	<u>40,262</u>	<u>(7,338)</u>
Total general government	<u>4,549,600</u>	<u>4,441,072</u>	<u>(108,528)</u>
Public safety			
Police			
Capital outlay	23,200	103,487	80,287
Contractual services	248,300	264,592	16,292
Dues, fees and memberships	6,600	6,768	168
Employee benefits	2,342,900	2,267,467	(75,433)
Travel	391,700	404,539	12,839
Legal fees	200,000	213,938	13,938
Insurance	98,100	90,519	(7,581)
Repairs and maintenance	59,800	41,614	(18,186)
Salaries	5,407,900	5,375,228	(32,672)
Supplies	262,000	94,850	(167,150)
Utilities	167,000	165,065	(1,935)
Training	72,500	44,503	(27,997)
Total police	<u>9,280,000</u>	<u>9,072,570</u>	<u>(207,430)</u>
Fire			
Capital outlay	26,800	31,871	5,071
Contractual services	118,500	107,110	(11,390)
Dues, fees and memberships	3,700	2,600	(1,100)
Training	16,400	14,203	(2,197)
Employee benefits	1,300,600	1,184,065	(116,535)
Travel	149,800	139,667	(10,133)
Insurance	37,600	42,070	4,470
Repairs and maintenance	32,700	23,672	(9,028)
Salaries	3,205,700	3,012,654	(193,046)
Supplies	104,100	98,984	(5,116)
Utilities	112,600	103,638	(8,962)
Total fire	<u>5,108,500</u>	<u>4,760,534</u>	<u>(347,966)</u>
Total public safety	<u>14,388,500</u>	<u>13,833,104</u>	<u>(555,396)</u>

CITY OF KENTWOOD, MICHIGAN

**Schedule of Expenditures
Budget and Actual
General Fund**

**For the Year Ended June 30, 2007
(Continued)**

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Engineering services			
Capital outlay	\$ -	\$ 2,557	\$ 2,557
Training	2,600	679	(1,921)
Dues, fees and memberships	1,100	798	(302)
Employee benefits	128,400	111,721	(16,679)
Contractual services	5,000	-	(5,000)
Repairs and maintenance	2,000	-	(2,000)
Salaries	353,100	349,689	(3,411)
Supplies	11,400	3,713	(7,687)
Travel	5,100	1,256	(3,844)
Total engineering	<u>508,700</u>	<u>470,413</u>	<u>(38,287)</u>
Public works			
Training	7,000	2,510	(4,490)
Dues, fees and memberships	1,000	-	(1,000)
Employee benefits	685,300	619,733	(65,567)
Insurance	28,500	21,907	(6,593)
Repairs and maintenance	73,900	15,993	(57,907)
Contractual services	82,000	29,204	(52,796)
Salaries	1,439,000	1,417,629	(21,371)
Supplies	89,500	133,894	44,394
Travel	145,000	148,404	3,404
Utilities	116,500	73,293	(43,207)
Miscellaneous	3,000	710	(2,290)
Total public works	<u>2,670,700</u>	<u>2,463,277</u>	<u>(207,423)</u>
District court			
Legal Fees	30,000	48,612	18,612
Training	3,700	1,457	(2,243)
Dues, fees and memberships	1,700	1,910	210
Employee benefits	297,700	268,835	(28,865)
Insurance	2,300	2,640	340
Repairs and maintenance	62,800	62,632	(168)
Contractual services	185,100	126,880	(58,220)
Salaries	713,600	701,418	(12,182)
Supplies	26,000	24,662	(1,338)
Utilities	-	123	123
Travel	1,000	352	(648)
Total district court	<u>1,323,900</u>	<u>1,239,521</u>	<u>(84,379)</u>
Inspections			
Dues, fees and memberships	1,100	1,260	160
Training	6,700	4,573	(2,127)
Employee benefits	151,700	130,373	(21,327)
Insurance	3,900	4,699	799
Repairs and maintenance	1,600	1,590	(10)
Salaries	370,900	360,064	(10,836)
Supplies	9,400	3,529	(5,871)
Utilities	2,700	1,519	(1,181)
Travel	11,100	11,150	50
Total inspections	<u>559,100</u>	<u>518,757</u>	<u>(40,343)</u>

(Continued)

CITY OF KENTWOOD, MICHIGAN

**Schedule of Expenditures
Budget and Actual
General Fund**

**For the Year Ended June 30, 2007
(Concluded)**

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Culture and recreation			
Recreation			
Capital outlay	\$ 11,000	\$ 6,566	\$ (4,434)
Training	3,000	5,984	2,984
Dues, fees and memberships	1,000	1,861	861
Employee benefits	161,300	148,792	(12,508)
Contractual services	86,000	75,541	(10,459)
Insurance	5,000	3,404	(1,596)
Repairs and maintenance	500	5,477	4,977
Salaries	458,500	441,908	(16,592)
Internal charges	73,200	115,847	42,647
Supplies	173,700	140,705	(32,995)
Travel	7,400	6,650	(750)
Utilities	21,500	21,639	139
	<hr/>	<hr/>	<hr/>
Total recreation	1,002,100	974,374	(27,726)
	<hr/>	<hr/>	<hr/>
Library			
Insurance	1,300	1,195	(105)
Repairs and maintenance	5,000	1,678	(3,322)
Contractual services	300	63	(237)
Internal charges	48,200	55,048	6,848
Supplies	11,300	10,331	(969)
Utilities	30,000	32,153	2,153
	<hr/>	<hr/>	<hr/>
Total library	96,100	100,468	4,368
	<hr/>	<hr/>	<hr/>
Total culture and recreation	1,098,200	1,074,842	(23,358)
	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 25,098,700	\$ 24,040,986	\$ (1,057,714)
	<hr/>	<hr/>	<hr/>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

CITY OF KENTWOOD, MICHIGAN

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2007

	Special Revenue Funds				
	DPW Equipment	Fire Equipment	Economic Development	Housing Commission	Parks
Assets					
Cash and pooled investments	\$ 1,760,941	\$ 1,200,987	\$ 632,320	\$ 170,782	\$ 1,035,604
Accounts receivable	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Loans receivable	-	-	282,057	46,717	-
Due from other governments	-	-	-	-	-
Total assets	\$ 1,760,941	\$ 1,200,987	\$ 914,377	\$ 217,499	\$ 1,035,604
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 19,838	\$ -	\$ -	\$ (39)	\$ -
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	19,838	-	-	(39)	-
Fund balances					
Reserved for Loans receivable - noncurrent portion	-	-	164,900	42,500	-
Unreserved					
Designated for parks and recreation	-	-	-	-	-
Undesignated	1,741,103	1,200,987	749,477	175,038	1,035,604
Total fund balances	1,741,103	1,200,987	914,377	217,538	1,035,604
Total liabilities and fund balances	\$ 1,760,941	\$ 1,200,987	\$ 914,377	\$ 217,499	\$ 1,035,604

<u>Street Lighting</u>	<u>Landfill Remediation</u>	<u>Drain</u>	<u>Local Street</u>	<u>Post Employment Benefits</u>	<u>Property and Building</u>
\$ 2,436,665	\$ 1,321,198	\$ 5,266,403	\$ 1,218,142	\$ 1,284,012	\$ 4,840,368
-	-	4,412	-	-	-
-	-	381,939	-	-	-
-	-	-	-	-	-
-	-	-	358,873	-	-
<u>\$ 2,436,665</u>	<u>\$ 1,321,198</u>	<u>\$ 5,652,754</u>	<u>\$ 1,577,015</u>	<u>\$ 1,284,012</u>	<u>\$ 4,840,368</u>
\$ 31,657	\$ 15,059	\$ 45,647	\$ 134,534	\$ 572	\$ 4,739
-	-	3,071	-	-	-
-	-	378,544	-	-	-
<u>31,657</u>	<u>15,059</u>	<u>427,262</u>	<u>134,534</u>	<u>572</u>	<u>4,739</u>
-	-	-	-	-	-
-	-	-	-	-	419,649
<u>2,405,008</u>	<u>1,306,139</u>	<u>5,225,492</u>	<u>1,442,481</u>	<u>1,283,440</u>	<u>4,415,980</u>
<u>2,405,008</u>	<u>1,306,139</u>	<u>5,225,492</u>	<u>1,442,481</u>	<u>1,283,440</u>	<u>4,835,629</u>
<u>\$ 2,436,665</u>	<u>\$ 1,321,198</u>	<u>\$ 5,652,754</u>	<u>\$ 1,577,015</u>	<u>\$ 1,284,012</u>	<u>\$ 4,840,368</u>

CITY OF KENTWOOD, MICHIGAN

**Combining Balance Sheet
Nonmajor Governmental Funds (Continued)**

June 30, 2007

	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u> <u>Construction Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and pooled investments	\$ -	\$ 2,653,289	\$ 23,820,711
Accounts receivable	-	-	4,412
Special assessments receivable	-	-	381,939
Loans receivable	-	-	328,774
Due from other governments	-	-	358,873
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ 2,653,289</u>	<u>\$ 24,894,709</u>
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	\$ 8,180	\$ 260,187
Due to other governments	-	-	3,071
Deferred revenue	-	-	378,544
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>8,180</u>	<u>641,802</u>
 Fund balances			
Reserved for Loans receivable - noncurrent portion	-	-	207,400
Unreserved			
Designated for parks and recreation	-	-	419,649
Undesignated	-	2,645,109	23,625,858
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>-</u>	<u>2,645,109</u>	<u>24,252,907</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,653,289</u>	<u>\$ 24,894,709</u>

CITY OF KENTWOOD, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds**

For the Year Ended June 30, 2007

	Special Revenue Funds				
	DPW Equipment	Fire Equipment	Economic Development	Housing Commission	Parks
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 202,342
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	9,533
Application fees	-	-	32,007	-	-
Charges for services	350,000	-	-	-	-
Investment income	112,193	56,120	49,906	10,262	63,301
Miscellaneous	-	-	-	3,353	34,263
Total revenues	462,193	56,120	81,913	13,615	309,439
Expenditures					
Current:					
General government	-	-	37,905	18,956	-
Public safety	-	15,000	-	-	-
Highways and streets	-	-	-	-	-
Public works	20,000	-	-	-	-
Culture and recreation	-	-	-	-	18,200
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	223,206	-	-	-	170,683
Total expenditures	243,206	15,000	37,905	18,956	188,883
Revenues over (under) expenditures	218,987	41,120	44,008	(5,341)	120,556
Other financing sources (uses)					
Sale of capital assets	7,839	-	-	-	-
Transfers in	-	200,000	-	-	2,775
Transfers out	-	-	-	-	-
Total other financing sources (uses)	7,839	200,000	-	-	2,775
Net change in fund balances	226,826	241,120	44,008	(5,341)	123,331
Fund balances, beginning of year	1,514,277	959,867	870,369	222,879	912,273
Fund balances, end of year	\$ 1,741,103	\$ 1,200,987	\$ 914,377	\$ 217,538	\$ 1,035,604

Street Lighting	Landfill Remediation	Drain	Local Street	Post Employment Benefits	Property and Building
\$ 339,834	\$ 303,526	\$ -	\$ -	\$ -	\$ -
-	-	(10,850)	-	-	-
-	-	-	675,883	-	17,945
-	-	-	-	-	-
-	-	-	-	320,793	-
154,580	79,381	336,417	116,306	53,859	218,100
-	-	-	139,110	-	-
<u>494,414</u>	<u>382,907</u>	<u>325,567</u>	<u>931,299</u>	<u>374,652</u>	<u>236,045</u>
-	-	-	-	18,470	-
-	-	-	-	-	-
414,578	-	-	1,283,668	-	-
-	87,603	639,662	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	685,608	-	599,587
<u>414,578</u>	<u>87,603</u>	<u>639,662</u>	<u>1,969,276</u>	<u>18,470</u>	<u>599,587</u>
<u>79,836</u>	<u>295,304</u>	<u>(314,095)</u>	<u>(1,037,977)</u>	<u>356,182</u>	<u>(363,542)</u>
-	-	-	-	-	41,232
-	-	57,536	-	-	1,104,828
-	-	-	(242,277)	-	(159,799)
-	-	57,536	(242,277)	-	986,261
79,836	295,304	(256,559)	(1,280,254)	356,182	622,719
<u>2,325,172</u>	<u>1,010,835</u>	<u>5,482,051</u>	<u>2,722,735</u>	<u>927,258</u>	<u>4,212,910</u>
<u>\$ 2,405,008</u>	<u>\$ 1,306,139</u>	<u>\$ 5,225,492</u>	<u>\$ 1,442,481</u>	<u>\$ 1,283,440</u>	<u>\$ 4,835,629</u>

CITY OF KENTWOOD, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)**

For the Year Ended June 30, 2007

	<u>Debt Service Fund</u>	<u>Capital Projects Fund Construction Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	\$ -	\$ -	\$ 845,702
Special assessments	-	-	(10,850)
Intergovernmental	-	-	703,361
Application fees	-	-	32,007
Charges for services	865,658	-	1,536,451
Investment income	-	199,421	1,449,846
Miscellaneous	-	-	176,726
	<hr/>	<hr/>	<hr/>
Total revenues	865,658	199,421	4,733,243
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
General government	-	-	75,331
Public safety	-	-	15,000
Highways and streets	-	-	1,698,246
Public works	-	-	747,265
Culture and recreation	-	-	18,200
Debt service:			
Principal	1,220,000	-	1,220,000
Interest	799,342	-	799,342
Capital outlay	-	136,054	1,815,138
	<hr/>	<hr/>	<hr/>
Total expenditures	2,019,342	136,054	6,388,522
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(1,153,684)	63,367	(1,655,279)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Sale of capital assets	-	-	49,071
Transfers in	1,153,684	565	2,519,388
Transfers out	-	(559,132)	(961,208)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	1,153,684	(558,567)	1,607,251
	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	(495,200)	(48,028)
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	-	3,140,309	24,300,935
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 2,645,109</u>	<u>\$ 24,252,907</u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
DPW Equipment Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Charges for services - internal	\$ 158,400	\$ 350,000	\$ 191,600
Investment income	<u>40,000</u>	<u>112,193</u>	<u>72,193</u>
Total revenues	<u>198,400</u>	<u>462,193</u>	<u>263,793</u>
Expenditures			
Current:			
Administration	20,000	20,000	-
Capital outlay	<u>213,800</u>	<u>223,206</u>	<u>9,406</u>
Total expenditures	<u>233,800</u>	<u>243,206</u>	<u>9,406</u>
Revenues over (under) expenditures	(35,400)	218,987	254,387
Other financing sources			
Sale of capital assets	<u>5,000</u>	<u>7,839</u>	<u>2,839</u>
Net change in fund balance	(30,400)	226,826	257,226
Fund balance, beginning of year	<u>1,514,277</u>	<u>1,514,277</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,483,877</u></u>	<u><u>\$ 1,741,103</u></u>	<u><u>\$ 257,226</u></u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Fire Equipment Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Investment income	<u>\$ 25,000</u>	<u>\$ 56,120</u>	<u>\$ 31,120</u>
Expenditures			
Current:			
Administration	15,000	15,000	-
Capital outlay	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
Total expenditures	<u>50,000</u>	<u>15,000</u>	<u>(35,000)</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>41,120</u>	<u>66,120</u>
Other financing sources			
Transfers in	<u>50,000</u>	<u>200,000</u>	<u>150,000</u>
Net change in fund balance	25,000	241,120	216,120
Fund balance, beginning of year	<u>959,867</u>	<u>959,867</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 984,867</u></u>	<u><u>\$ 1,200,987</u></u>	<u><u>\$ 216,120</u></u>

CITY OF KENTWOOD, MICHIGAN

Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Economic Development Fund

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Investment income	\$ 10,000	\$ 49,906	\$ 39,906
Application fees	<u>15,000</u>	<u>32,007</u>	<u>17,007</u>
Total revenues	<u>25,000</u>	<u>81,913</u>	<u>56,913</u>
Expenditures			
Current:			
Administration	5,600	5,100	(500)
Employee benefits	2,900	2,780	(120)
Contractual services	58,400	8,400	(50,000)
Salaries	17,100	18,996	1,896
Miscellaneous	<u>14,500</u>	<u>2,629</u>	<u>(11,871)</u>
Total expenditures	<u>98,500</u>	<u>37,905</u>	<u>(60,595)</u>
Net change in fund balance	(73,500)	44,008	117,508
Fund balance, beginning of year	<u>870,369</u>	<u>870,369</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 796,869</u></u>	<u><u>\$ 914,377</u></u>	<u><u>\$ 117,508</u></u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Housing Commission Fund**

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues				
Investment income	\$ 5,000	\$ 5,000	\$ 10,262	\$ 5,262
Miscellaneous	-	-	3,353	3,353
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>13,615</u>	<u>8,615</u>
Expenditures				
Current:				
Administration	2,400	2,400	2,400	-
Employee benefits	1,100	1,100	839	(261)
Grant expenses	-	10,000	9,932	(68)
Salaries	5,200	5,200	5,490	290
Supplies	3,300	3,300	295	(3,005)
Total expenditures	<u>12,000</u>	<u>22,000</u>	<u>18,956</u>	<u>(3,044)</u>
Net change in fund balance	(7,000)	(17,000)	(5,341)	11,659
Fund balance, beginning of year	<u>222,879</u>	<u>222,879</u>	<u>222,879</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 215,879</u></u>	<u><u>\$ 205,879</u></u>	<u><u>\$ 217,538</u></u>	<u><u>\$ 11,659</u></u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Parks Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 202,300	\$ 202,342	\$ 42
Intergovernmental	524,500	9,533	(514,967)
Investment income	25,000	63,301	38,301
Miscellaneous	-	34,263	34,263
	<u>751,800</u>	<u>309,439</u>	<u>(442,361)</u>
Expenditures			
Current:			
Administration	18,200	18,200	-
Capital outlay	923,000	170,683	(752,317)
	<u>941,200</u>	<u>188,883</u>	<u>(752,317)</u>
Total expenditures			
	<u>941,200</u>	<u>188,883</u>	<u>(752,317)</u>
Revenues over (under) expenditures	(189,400)	120,556	309,956
Other financing sources			
Transfers in	-	2,775	2,775
	<u>-</u>	<u>2,775</u>	<u>2,775</u>
Net change in fund balance	(189,400)	123,331	312,731
Fund balance, beginning of year	912,273	912,273	-
	<u>912,273</u>	<u>912,273</u>	<u>-</u>
Fund balance, end of year	<u>\$ 722,873</u>	<u>\$ 1,035,604</u>	<u>\$ 312,731</u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Lighting Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 340,400	\$ 339,834	\$ (566)
Investment income	<u>70,000</u>	<u>154,580</u>	<u>84,580</u>
Total revenues	<u>410,400</u>	<u>494,414</u>	<u>84,014</u>
Expenditures			
Current:			
Administrative	30,600	30,500	(100)
Utilities	355,000	384,364	29,364
Miscellaneous	<u>5,000</u>	<u>(286)</u>	<u>(5,286)</u>
Total expenditures	<u>390,600</u>	<u>414,578</u>	<u>23,978</u>
Net change in fund balance	19,800	79,836	60,036
Fund balance, beginning of year	<u>2,325,172</u>	<u>2,325,172</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,344,972</u>	<u>\$ 2,405,008</u>	<u>\$ 60,036</u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Landfill Remediation Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 303,400	\$ 303,526	\$ 126
Investment income	<u>30,000</u>	<u>79,381</u>	<u>49,381</u>
Total revenues	<u>333,400</u>	<u>382,907</u>	<u>49,507</u>
Expenditures			
Current:			
Administration	27,300	27,300	-
Landfill expense	<u>75,000</u>	<u>60,303</u>	<u>(14,697)</u>
Total expenditures	<u>102,300</u>	<u>87,603</u>	<u>(14,697)</u>
Net change in fund balance	231,100	295,304	64,204
Fund balance, beginning of year	<u>1,010,835</u>	<u>1,010,835</u>	<u>-</u>
Fund balance, end of year	<u><u>\$1,241,935</u></u>	<u><u>\$ 1,306,139</u></u>	<u><u>\$ 64,204</u></u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Drain Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Special assessments	\$ -	\$ (10,850)	\$ (10,850)
Investment income	200,000	336,417	136,417
Total revenues	<u>200,000</u>	<u>325,567</u>	<u>125,567</u>
Expenditures			
Current:			
Engineering	157,700	150,237	(7,463)
Administrative	60,000	60,000	-
Maintenance	1,000,000	374,249	(625,751)
Miscellaneous	30,000	55,176	25,176
Total expenditures	<u>1,247,700</u>	<u>639,662</u>	<u>(608,038)</u>
Revenues (under) expenditures	(1,047,700)	(314,095)	733,605
Other financing sources			
Transfers in	-	57,536	57,536
Net change in fund balance	(1,047,700)	(256,559)	733,605
Fund balance, beginning of year	<u>5,482,051</u>	<u>5,482,051</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,434,351</u></u>	<u><u>\$ 5,225,492</u></u>	<u><u>\$ 791,141</u></u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Local Street Fund**

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 718,600	\$ 718,600	\$ 675,883	\$ (42,717)
Investment income	80,000	80,000	116,306	36,306
Miscellaneous	150,000	150,000	139,110	(10,890)
Total revenues	<u>948,600</u>	<u>948,600</u>	<u>931,299</u>	<u>(17,301)</u>
Expenditures				
Current:				
Engineering	344,800	370,800	99,119	(271,681)
Administrative	64,600	64,600	60,800	(3,800)
Maintenance	575,000	720,000	844,503	124,503
Snow and ice removal	250,000	340,000	275,791	(64,209)
Traffic control	20,000	20,000	216	(19,784)
Miscellaneous	8,400	8,400	3,239	(5,161)
Capital outlay	10,000	760,000	685,608	(74,392)
Total expenditures	<u>1,272,800</u>	<u>2,283,800</u>	<u>1,969,276</u>	<u>(314,524)</u>
Revenues over (under) expenditures	<u>(324,200)</u>	<u>(1,335,200)</u>	<u>(1,037,977)</u>	<u>297,223</u>
Other financing sources (uses)				
Transfers in	-	710,000	-	(710,000)
Transfers out	-	-	(242,277)	(242,277)
Total other financing sources (uses)	<u>-</u>	<u>710,000</u>	<u>(242,277)</u>	<u>(952,277)</u>
Net change in fund balance	(324,200)	(625,200)	(1,280,254)	(655,054)
Fund balance, beginning of year	<u>2,722,735</u>	<u>2,722,735</u>	<u>2,722,735</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,398,535</u></u>	<u><u>\$ 2,097,535</u></u>	<u><u>\$ 1,442,481</u></u>	<u><u>\$ (655,054)</u></u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Post Employment Benefits Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Charges for services - internal	\$ 339,300	\$ 320,793	\$ (18,507)
Investment income	<u>25,000</u>	<u>53,859</u>	<u>28,859</u>
Total revenues	<u>364,300</u>	<u>374,652</u>	<u>10,352</u>
Expenditures			
Current:			
Contractual Services	10,000	5,261	(4,739)
Benefits	<u>15,000</u>	<u>13,209</u>	<u>(1,791)</u>
Total expenditures	<u>25,000</u>	<u>18,470</u>	<u>(6,530)</u>
Net change in fund balance	339,300	356,182	16,882
Fund balance, beginning of year	<u>927,258</u>	<u>927,258</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,266,558</u></u>	<u><u>\$ 1,283,440</u></u>	<u><u>\$ 16,882</u></u>

CITY OF KENTWOOD, MICHIGAN

**Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Property and Building Fund**

For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ 17,945	\$ 17,945
Investment income	100,000	218,100	118,100
Total revenues	100,000	236,045	136,045
Expenditures			
Capital outlay	1,840,000	599,587	(1,240,413)
Revenues over (under) expenditures	(1,740,000)	(363,542)	1,376,458
Other financing sources (uses)			
Sale of capital assets	25,000	41,232	16,232
Transfers in	815,000	1,104,828	289,828
Transfers out	(555,000)	(159,799)	395,201
Total other financing sources (uses)	285,000	986,261	701,261
Net change in fund balance	(1,455,000)	622,719	2,077,719
Fund balance, beginning of year	4,212,910	4,212,910	-
Fund balance, end of year	<u>\$ 2,757,910</u>	<u>\$ 4,835,629</u>	<u>\$ 2,077,719</u>

CITY OF KENTWOOD

Fiduciary Fund Statement of Changes in Assets and Liabilities Tax Collection Fund

For the Year Ended June 30, 2007

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Assets				
Cash and pooled investments	<u>\$ 729,662</u>	<u>\$ 89,754,920</u>	<u>\$ (89,784,525)</u>	<u>\$ 700,057</u>
Liabilities				
Due to other governments	<u>\$ 729,662</u>	<u>\$ 89,754,920</u>	<u>\$ (89,784,525)</u>	<u>\$ 700,057</u>

**INTERNAL CONTROL
AND
COMPLIANCE**



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

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 10, 2007

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, 2007 and have issued our report thereon dated December 10, 2007. 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.

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.

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Kentwood in a separate letter dated December 10, 2007.

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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2007*

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

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

STATE INFORMATION DEPOSITORY (SID)

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

MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

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

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

CUSIP Numbers (attach additional sheet if necessary):

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

* * *

Number of pages of attached information:

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

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

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

(b) Audited? Yes No

Annual Financial Information: Audited? Yes No

Operating Data

Fiscal Period Covered: June 30, 2007

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

* * *

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

Signature: _____

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

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

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

Voice Telephone Number: (616) 698-9610

**City of Kentwood
Taxable Value
Fiscal Years Ended or Ending June 30, 2004 Through 2008**

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 Over Prior Year
2002	2003	2004	\$1,774,165,427	\$42,814,362	\$1,816,979,789	2.29%
2003	2004	2005	1,826,173,501	33,394,953	1,859,568,454	2.34
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
Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2008 (2)						\$46,443

(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, 2004 Through 2008**

Use	Fiscal Years Ended or Ending June 30				
	2004	2005	2006	2007	2008
Commercial	\$ 529,557,569	\$ 537,146,512	\$ 569,006,384	\$ 621,903,122	\$ 640,061,677
Industrial.....	519,737,982	512,709,964	519,919,013	524,650,493	538,284,963
Residential.....	742,337,138	781,242,073	818,775,227	864,258,198	903,060,168
Utility	25,347,100	28,469,905	29,765,679	20,163,210	20,375,100
	<u>\$ 1,816,979,789</u>	<u>\$1,859,568,454</u>	<u>\$ 1,937,466,303</u>	<u>\$ 2,030,975,023</u>	<u>\$ 2,101,781,908</u>
Class	2004	2005	2006	2007	2008
Real Property.....	\$ 1512,523,223	\$1,572,016,649	\$ 1,640,326,624	\$ 1,747,546,913	\$ 1,816,496,308
Personal Property	304,456,566	287,551,805	297,139,679	283,428,110	285,285,600
	<u>\$ 1,816,979,789</u>	<u>\$1,859,568,454</u>	<u>\$ 1,937,466,303</u>	<u>\$ 2,030,975,023</u>	<u>\$ 2,101,781,908</u>

Source:City of Kentwood

**City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2004 Through 2008**

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 Over Prior Year
2002	2003	2004	\$1,915,569,451	\$85,326,300	\$1,997,895,751	2.48%
2003	2004	2005	1,984,700,850	66,487,700	2,051,188,550	2.67
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
Per Capita Total SEV for the Fiscal Year Ending June 30, 2008 (2)						\$50,414

(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, 2003 Through 2007**

Use	Fiscal Years Ended or Ending June 30				
	2004	2005	2006	2007	2008
Commercial	\$ 568,411,601	\$ 582,210,200	\$ 617,443,200	\$ 664,869,000	\$ 681,904,950
Industrial	577,289,450	565,033,900	573,907,562	577,269,900	601,596,700
Residential	826,847,600	873,766,450	914,897,800	957,209,300	977,625,500
Utility	<u>25,347,100</u>	<u>30,178,000</u>	<u>30,875,900</u>	<u>20,166,500</u>	<u>20,375,100</u>
	<u>\$ 1,997,895,751</u>	<u>\$2,051,188,550</u>	<u>\$2,137,124,462</u>	<u>\$2,219,514,700</u>	<u>\$2,281,502,250</u>
Class	2004	2005	2006	2007	2008
Real Property	\$ 1,666,668,350	\$1,743,215,950	\$1,818,333,062	\$1,915,717,200	\$1,970,327,950
Personal Property	<u>331,227,401</u>	<u>307,972,600</u>	<u>318,791,400</u>	<u>303,797,500</u>	<u>311,174,300</u>
	<u>\$ 1,997,895,751</u>	<u>\$2,051,188,550</u>	<u>\$2,137,124,462</u>	<u>\$2,219,514,700</u>	<u>\$2,281,502,250</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 \$87,194,518 for the fiscal year ending June 30, 2008. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$43,497,259 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 Zone (the "Zone") 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 Zone through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2008, the SEV and equivalent Taxable Value of property qualified for the benefits of the Zone program totaled \$9,204,900 and \$8,633,427, respectively.

**City of Kentwood
Maximum Operating Tax Rates
Fiscal Year Ending June 30, 2008**

Millage Classification	Millage Authorized	Cumulative Millage Reduction Fraction	Maximum Allowable Millage
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
Landfill Remediation (4).....	0.1500	0.9983	0.1497

**City of Kentwood
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2004 Through 2008**

Levy July 1	Fiscal Years Ended or Ending June 30	General Operating (1)	Police and Fire (1)	Parks (2)	Streets and Bridges (3)	Landfill Remediation (4)	Street Lighting (5)	Total
2003	2004	\$2.9946	\$3.7932	\$0.0998	\$0.2995	\$0.1497	\$0.1950	\$7.5318
2004	2005	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2005	2006	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2006	2007	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2007	2008	2.9946	4.2620	0.0998	0.0000	0.1497	0.0000	7.5061

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 2014.
- (3) Originally authorized by City's electorate through 2014. On August 8, 2006, the City's electorate discontinued this millage effective July 1, 2007.
- (4) Authorized by the City's electorate through 2009.
- (5) Special assessment on all real property within the City approved annually by the City Commission. On August 8, 2006, the City's electorate discontinued this millage 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, 2003 Through 2007

<u>Governmental Unit</u>	Fiscal Years Ended or Ending June 30				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City of Kentwood	\$7.5318	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent	5.3140	5.3140	5.3140	5.3140	5.3940
State of Michigan	6.0000	5.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	5.3922	5.3922	5.6922	5.8742	6.2000
Kent Intermediate School District	3.8192	3.7903	4.5333	4.6453	4.6903
Grand Rapids Community College.....	1.8000	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority.....	0.7480	0.7603	0.9500	0.9500	0.9500
Kent District Library Authority ...	<u>0.8769</u>	<u>0.8710</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$31.4821</u>	<u>\$30.4461</u>	<u>\$32.6878</u>	<u>\$32.9818</u>	<u>\$33.4326</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2003 Through 2007

<u>Governmental Unit</u>	Fiscal Years Ended or Ending June 30				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City of Kentwood	\$7.5318	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent	5.3140	5.3140	5.3140	5.3140	5.3940
State of Michigan	6.0000	5.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	23.3922	23.3922	23.6922	23.8742	24.2000
Kent Intermediate School District	3.8192	3.7903	4.5333	4.6453	4.6903
Grand Rapids Community College.....	1.8000	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority.....	0.7480	0.7603	0.9500	0.9500	0.9500
Kent District Library Authority ...	<u>0.8769</u>	<u>0.8710</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$49.4821</u>	<u>\$48.4461</u>	<u>\$50.6878</u>	<u>\$50.9818</u>	<u>\$51.4326</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, 2007 ranged from \$23.5000 to \$25.3000 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, 2004 Through 2008**

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>	<u>Percent Collected</u>
2003	2004	\$ 13,593,459	\$ 13,256,712	97.4%
2004	2005	13,882,659	13,582,113	97.8
2005	2006	14,493,155	14,180,442	97.8
2006	2007	15,188,009	14,818,324	97.6
2007	2008	15,713,306	(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, 2008**

<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>	<u>Total Taxable Value</u>	<u>Percent of Total (2)</u>
Woodland Mall	Shopping Center.....	\$ 69,910,500	\$ 0	\$ 69,910,500	3.33%
Steelcase Corporation	Office Furniture.....	51,158,870	1,213,000	52,371,870	2.49
Lacks Industries, Inc.	Automotive Supplier .	23,553,836	11,051,000	34,604,836	1.65
Holland Home	Senior Housing.....	27,791,557	0	27,791,557	1.32
Meridian Automotive	Automotive Supplier .	17,060,467	2,401,400	19,461,867	0.93
Fifth Third Bank.....	Financial Institution ..	15,776,115	0	15,776,115	0.75
Consumers Energy	Utility	15,221,115	0	15,221,115	0.72
Woodland Creek Apts.....	Apartment Housing ...	14,640,668	0	14,640,668	0.70
Autocam.....	Automotive Supplier..	11,857,000	1,782,000	13,639,000	0.65
X-Rite.....	Machinery	<u>5,966,600</u>	<u>5,798,100</u>	<u>11,764,700</u>	<u>0.56</u>
		<u>\$252,936,728</u>	<u>\$ 22,245,500</u>	<u>\$275,182,228</u>	<u>13.10%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$2,101,781,908 which is the City's Total Taxable Value for the fiscal year ended June 30, 2008. 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, 2004 Through 2008

	Fiscal Years Ended or Ending June 30				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 (2)</u>
State Sales Tax	\$ 3,523,668	\$ 3,483,182	\$ 3,444,275	\$ 3,341,302	\$ 3,352,100
Liquor License Fees	<u>20,235</u>	<u>19,589</u>	<u>20,018</u>	<u>22,168</u>	<u>20,000</u>
Total Revenues From the State of Michigan	<u>\$ 3,543,903</u>	<u>\$ 3,502,771</u>	<u>\$ 3,464,293</u>	<u>\$ 3,363,470</u>	<u>\$ 3,372,100</u>
Percent of General Fund Revenue	16.56%	14.96%	14.31%	13.26%	12.68%

(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 June 30, 2007.

Debt Limit (1)	\$ 221,951,470
Debt Outstanding.....	\$19,745,000
Less: Exempt Debt.....	<u>4,455,000</u>
Legal Debt Margin.....	<u>\$206,661,470</u>

(1) 10% of \$2,219,514,700 which is the City's Total SEV for the fiscal year ending June 30, 2007. 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 June 30, 2007 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 March 23, 2005	\$ 4,455,000	\$ 4,455,000	\$ 0
Dated October 16, 2003	8,870,000	0	8,870,000
Building Authority Bonds:			
Dated June 1, 2001 (LT)	<u>6,420,000</u>	<u>0</u>	<u>6,420,000</u>
Total	<u>\$ 19,745,000</u>	<u>\$ 4,455,000</u>	<u>\$ 15,290,000</u>
Per Capita Net City Direct Debt (1)			\$337.86
Percent of Net Direct Debt to Total SEV (2)			0.69%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Percent of Gross</u>	<u>City Share</u>
Kentwood School District	\$ 100,039,000	69.49%	\$ 69,517,101
Caledonia School District	123,402,627	12.86	15,869,578
Forest Hills School District	226,050,000	6.39	14,444,595
Kelloggsville School District	17,190,000	37.11	6,379,209
Kent County	128,415,000	9.86	12,661,719
Grand Rapids Community College	<u>51,245,000</u>	9.60	<u>4,919,520</u>
Total Overlapping Debt	<u>\$ 646,341,627</u>		<u>\$ 123,791,722</u>
Total Direct & Overlapping Debt	<u>\$ 666,086,627</u>		<u>\$ 139,081,722</u>
Per Capita Net Overlapping Debt (1)			\$2,735.43
Percent of Net Overlapping Debt to Total SEV (2)			5.58%
Per Capita Net Direct and Overlapping Debt (1)			\$3,073.29
Percent of Net Direct and Overlapping Debt to Total SEV (2)			6.27%

(1) Based on the City’s 2000 Census of 45,255.
(2) Based on \$2,219,514,700 which is the City’s Total SEV for the fiscal year ending June 30, 2007. 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.