



***CITY OF KENTWOOD, MICHIGAN***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2003***

# CITY OF KENTWOOD, MICHIGAN

## ELECTED AND APPOINTED OFFICIALS

---

### Elected Officials

Mayor

Richard L. Root

Commissioners

Sharon R. Brinks  
Richard V. Clanton  
Frank L. Cummings  
Jane B. McGookey  
James M. Penning  
Robert J. VanderLaan

City Clerk

Dan M. Kasunic

City Treasurer

Janet K. Hollinrake

District Court Judge

William G. Kelly

### Appointed Officials

Assessor

Deborah K. Ring

Chief of Police

Richard A. Mattice

Community Development Director

Terry E. Schweitzer

Court Clerk

Terry L. Dingman

Economic Development Coordinator

Lisa M. Golder

Engineer and Highway Administrator

Gordon P. Start

Finance Director

Thomas H. Chase

Fire Chief

James E. Carr

Human Resources Director

Robert P. Targosz

Public Works Director

Ronald K. Woods

Purchasing Agent

Philip D. Tietz

Recreation Director

Charles W. Ziesemer

# CITY OF KENTWOOD

## TABLE OF CONTENTS

---

	<b>PAGE</b>
<b>Independent Auditors' Report</b>	1-2
<b>Management Discussion and Analysis</b>	3-14
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16-17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police and Fire Millage Fund, Property and Building Fund, Drain Fund, and Major Street Fund	23-26
Statement of Net Assets – Enterprise Funds	27
Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Funds	28
Statement of Cash Flows – Enterprise Funds	29
Statements of Net Assets – Fiduciary Funds	30
Statement of Changes in Fiduciary Net Assets – Pension Trust and Private Purpose Trust	31
Notes to Financial Statements	32-48
<b>Required Supplementary Information</b>	49-50

(continued)

# CITY OF KENTWOOD

## TABLE OF CONTENTS

---

	<b>PAGE</b>
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
<b>General Fund</b>	
Schedule of Revenues – Budget and Actual	51
Schedule of Expenditures – Budget and Actual	52-55
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - DPW Equipment Fund	58
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Fire Equipment Fund	59
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Economic Development Fund	60
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Housing Commission Fund	61
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Parks Fund	62
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Street Lighting Fund	63
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Landfill Remediation Fund	64
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Municipal Street Fund	65
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Local Street Fund	66
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Post Employment Benefits Fund	67

(continued)

**CITY OF KENTWOOD**  
**TABLE OF CONTENTS (CONTINUED)**

---

	<b>PAGE</b>
<b>Fiduciary Funds (Continued):</b>	
Statement of Changes in Assets and Liabilities – Tax Collection Agency Fund	68
<b>Internal Control and Compliance</b>	
Independent Auditors’ Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	69
<b>Continuing Disclosure Filing</b>	70-78



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

## **INDEPENDENT AUDITORS' REPORT**

December 16, 2003

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, 2003 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for each major 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 a report dated December 16, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

As described in Note 11, the City adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and GASB Interpretation 6 as of July 1, 2002. This results in a change to the City's format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-14 and the pension information on pages 49-50 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 nonmajor 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 nonmajor 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 cursive script that reads "Lehmann Johnson".

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

## Management 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, 2003. 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

- 2003 was a year of significant capital investment for the City. Projects include completion of the justice center and initiation of the department of public works building project.
- The fire department added staff and purchased two fire trucks.

### 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*) 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, engineering services, public works, recreation and culture, 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 legally separate – (the building authority - component unit) – for which the City of Kentwood is financially accountable. Financial information for this *component unit* is blended with the City as both a capital projects and a 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation 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, property and building, drain, major street and capital projects fund, each of which are considered to be major funds. Data from the other 12 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 18-26 of this report.

***Proprietary funds.*** The City of Kentwood maintains 2 different proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Kentwood uses enterprise funds to account for its water and sewer activities.

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

The basic proprietary fund financial statements can be found on pages 27-29 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 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 30-31 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 32-48 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 and continuing disclosure information. Required supplementary information regarding the pension information can be found on pages 49 and 50 of this report and continuing disclosure information can be found on pages 71-79.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 51-69 of this report.

**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 \$84,269,716 at the close of the most recent fiscal year.

By far the largest portion of the City of Kentwood 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. [*Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.*]

**City of Kentwood  
Net Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$54,972,110	\$ 5,382,502	\$ 60,354,612
Capital assets	<u>31,229,339</u>	<u>9,397,213</u>	<u>40,626,552</u>
Total assets	<u>86,201,449</u>	<u>14,779,715</u>	<u>100,981,164</u>
Long-term liabilities outstanding	9,932,082	-	9,932,082
Other liabilities	<u>6,071,527</u>	<u>707,839</u>	<u>6,779,366</u>
Total liabilities	<u>16,003,609</u>	<u>707,839</u>	<u>16,711,448</u>
Net assets:			
Invested in capital assets, net			
of related debt	22,970,302	9,397,213	32,367,515
Restricted	32,676,769	-	32,676,769
Unrestricted	<u>14,550,769</u>	<u>4,674,663</u>	<u>19,225,432</u>
<b>Total net assets</b>	<b><u><u>\$70,197,840</u></u></b>	<b><u><u>\$14,071,876</u></u></b>	<b><u><u>\$ 84,269,716</u></u></b>

Net assets of governmental funds 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, 38% is invested in capital assets net of related debt, 39% is restricted for other purposes and 23% is unrestricted and available for general City operations.

**City of Kentwood  
Changes in Net Assets**

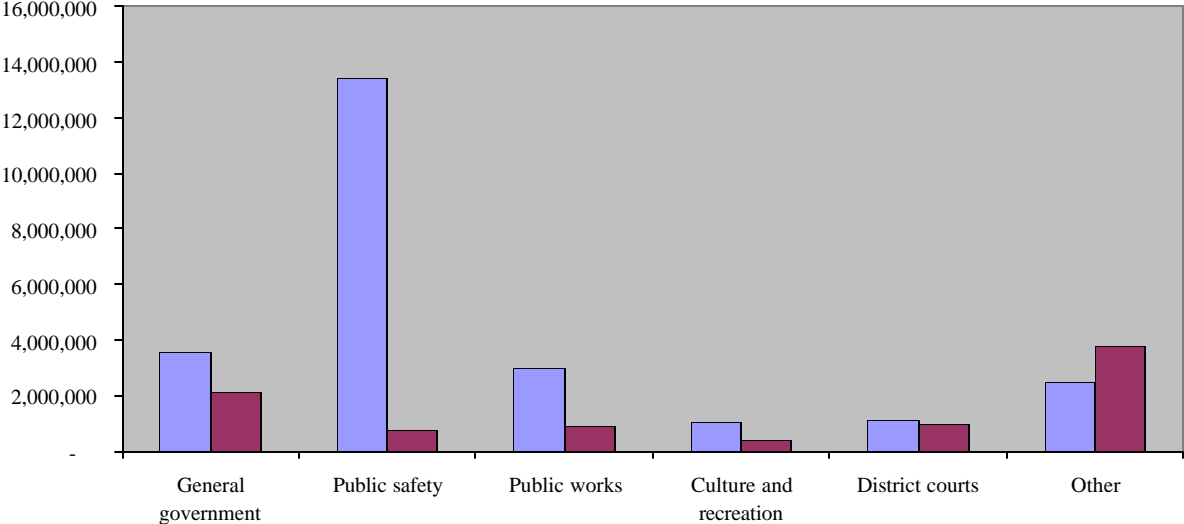
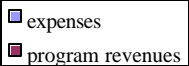
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 5,761,822	\$4,045,786	\$6,807,608
Operating grants and contributions	3,083,287	-	3,083,287
General revenue:			
Property taxes	13,126,371	-	13,126,371
State shared revenue	3,919,974	-	3,919,974
Other	1,444,782	190,342	1,635,124
Total revenue	<u>27,336,236</u>	<u>4,236,128</u>	<u>31,572,364</u>
Governmental activities:			
General government	3,555,389	-	3,555,389
Public safety	13,421,585	-	13,421,585
Highways	1,464,502	-	1,464,502
Public works	3,027,860	-	3,027,860
Engineering services	164,168	-	164,168
District court	1,148,104	-	1,148,104
Inspections	507,740	-	507,740
Culture and recreation	1,071,220	-	1,071,220
Interest on long-term debt	367,224	-	367,224
Total expenses – governmental activities	<u>24,727,792</u>	<u>-</u>	<u>24,727,792</u>
Business-type activities:			
Sewer	-	2,102,194	2,102,194
Water	-	1,822,548	1,822,548
Total expenses business-type activities	<u>-</u>	<u>3,924,742</u>	<u>3,924,742</u>
Change in net assets	2,608,444	311,386	2,919,830
Net assets – beginning of year	<u>67,589,396</u>	<u>13,589,396</u>	<u>81,349,886</u>
<b>Net assets – end of year</b>	<b><u><u>\$70,197,840</u></u></b>	<b><u><u>\$14,071,876</u></u></b>	<b><u><u>\$84,269,716</u></u></b>

**Governmental activities.** Governmental activities increased the City’s net assets by \$2,608,444, accounting for 89% percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Property taxes increased due to increased taxable values.
- The timing difference between construction of capital assets and depreciation of the assets over their estimated useful lives.

---

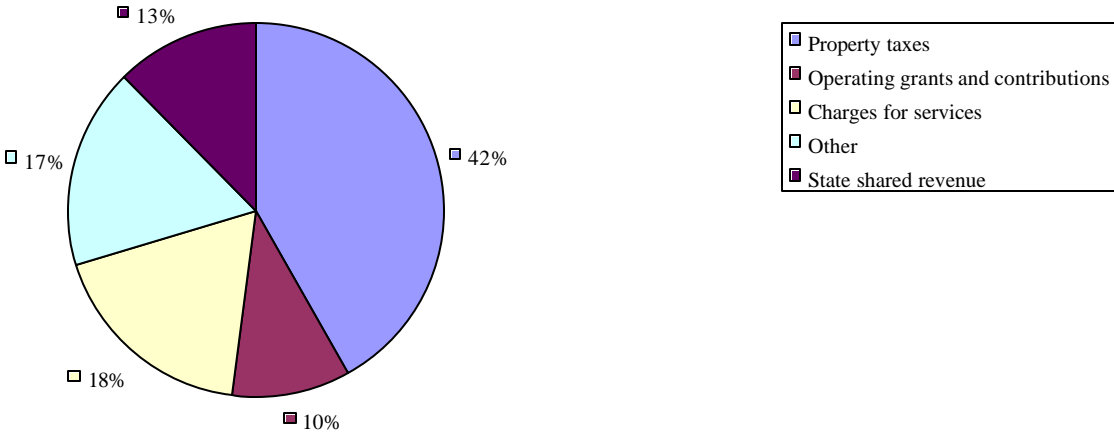
**Expenses and Program Revenues - Governmental Activities**



---

**Revenues by Source - Governmental Activities**

**Revenues by Source - Governmental Activities**



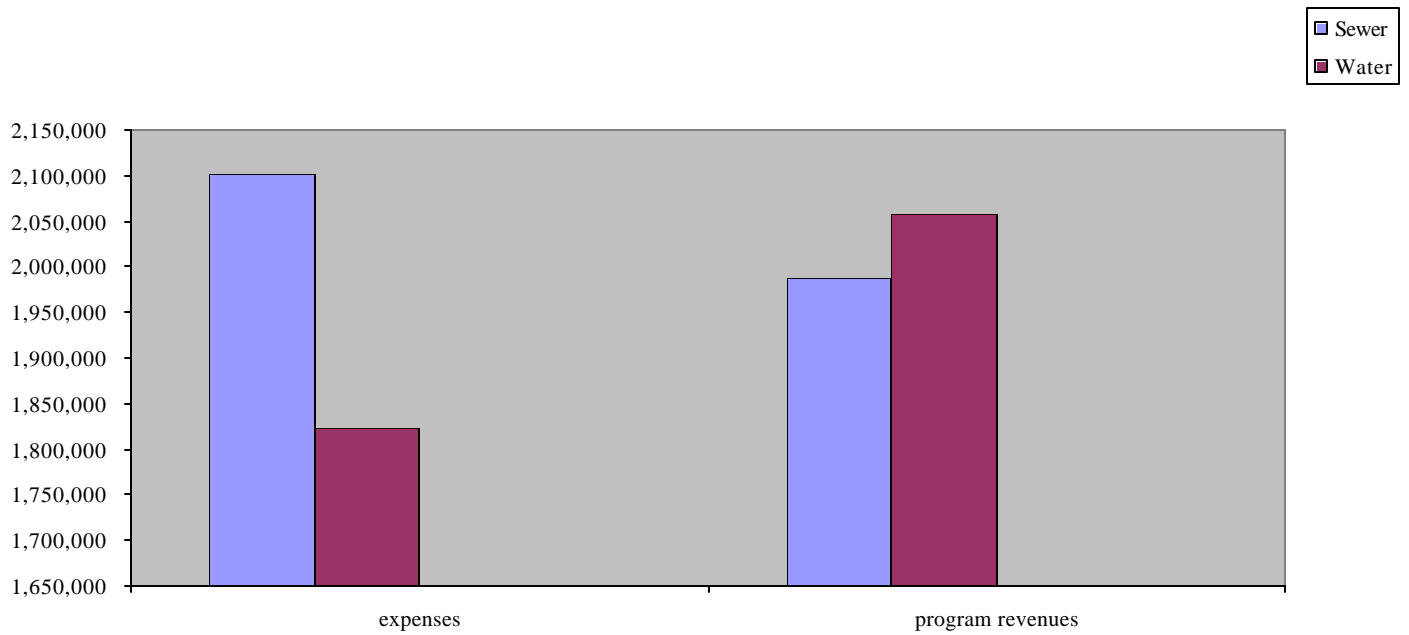
---

**Business-type activities.** Business-type activities increased the City’s net assets by \$311,386, accounting for a 11% percent of the total change in the government’s net assets for the current year. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 6%, or \$217,156, compared to the prior year. This is a result of increased fees for enterprise services affected by rate changes and fluctuations in usage.
- Expenses increased 3%, or \$101,895, because of inflation.

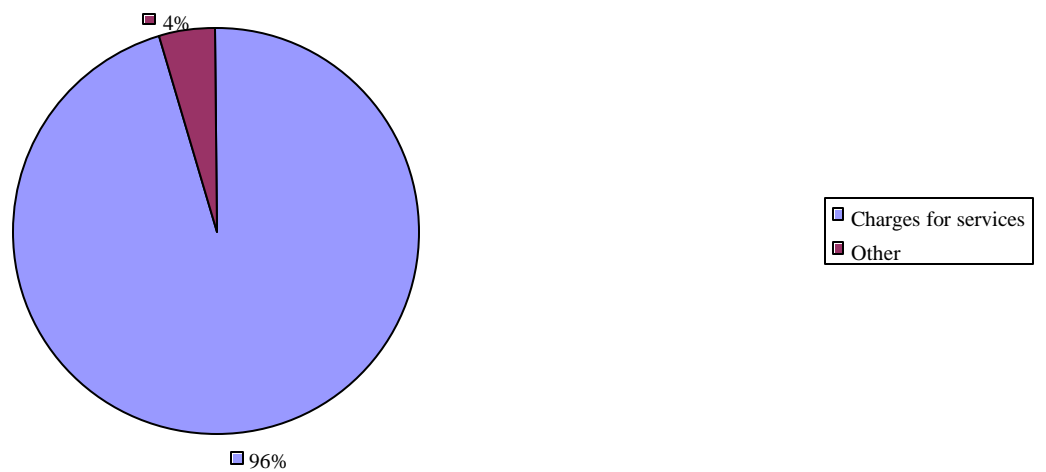
---

## 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 \$49,242,059, a decrease of \$1,444,715 compared with prior year. Approximately 77 percent or \$1,110,857 of this decrease was the result of the property and building fund expenses.

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 \$3,821,134 while total fund balance reached \$4,658,655. 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 23 percent of that same amount.

The fund balance of the City of Kentwood's general fund increased by \$28,307 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 \$2,462,952 and \$2,211,711, respectively. The total changes in net assets for these funds was \$334,189 and \$(22,803), 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**

- No differences between the original budget and the final amended budget occurred during 2003 because the budget was not amended.

**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, 2003, amounts to \$40,626,552 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Kentwood’s investment in capital assets for the current fiscal year was \$13,224,113.

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

- Completion of the Justice Center.
- Initiation of the Department of Public Works Building.

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

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
Land	\$ 1,995,309	\$ 60,949	\$ 2,056,258
Construction in progress	1,049,516	-	1,049,516
Building, equipment and infrastructure	28,184,514	9,336,264	37,520,778
<b>Total</b>	<b>\$31,229,339</b>	<b>\$9,397,213</b>	<b>\$40,626,552</b>

Additional information on the City of Kentwood capital assets can be found in note 5 on pages 40 and 41 of this report.

**Long-term debt.**

**City of Kentwood Outstanding Obligations**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General obligation bonds	\$ 8,550,000	\$ -	\$ 8,550,000
Other obligations	2,317,082	-	2,317,082
<b>Total</b>	<b>\$10,687,082</b>	<b>\$ -</b>	<b>\$10,867,082</b>

During the year the City issued no new debt and paid approximately \$700,000 of principal off on debt outstanding at July 1, 2002.

The City of Kentwood has a AA rating from both Standard & Poor's and Fitch. For the bond sale on October 1, 2003, it was beneficial to purchase bond insurance, which resulted in the bond issue being AAA rated with the insurance.

State statutes limit the amount of general obligation debt a government entity may issue to 10% of the entity's total State Equalized Value. The current debt limitation for the City of Kentwood is \$199,789,575.

At October 16, 2003, the closing date of the City of Kentwood, General Obligation Limited Tax Bonds, Series 2003, the City's debt outstanding was \$18,530,000, leaving a legal debt margin of \$181,259,575.

Additional information on the City of Kentwood long-term debt can be found in note 8 on pages 45 and 46 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 2.29%. The taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by State Law to the Consumer Price Index of 1.5%. The difference between 1.5% and 2.29% was the result of construction, ownership transfers and personal property acquisitions. The millage rate used to calculate property tax billings did not change from the prior year.

**State Shared Revenue** – The General Fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2003 budget, is projected to decrease 8.18%. This revenue, when compared to FY 2003 year-end estimate, is budgeted to decrease by 3.00%, as recommended by Governor Granholm. The FY 2004 budget is based on estimates provided by the State of Michigan.

**Transfer from Other Funds** – This revenue was first budgeted in FY 2000 with the change to collect of 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 1.32%, 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 2004 budget using provisions in completed collective bargaining agreements. One of the four employee bargaining unit agreements expired on June 30, 2002, and negotiations continue with this unit.
- Staffing changes (a net reduction of 3.305 full-time equivalents) have been included in the budget.
- The funding of the City's capital needs, through transfers to the Property and Building Fund and Fire Equipment escrow Fund, is included in the FY 2004 budget. The amount of transfer has fluctuated from year to year based upon availability of resources at the end of each year. The FY 2003 budget included \$600,000 for this purpose, while the amount budgeted for FY 2004 is \$330,000.

## **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**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>Assets</b>			
Cash and pooled investments	\$ 49,338,115	\$ 4,689,680	\$ 54,027,795
Accounts receivables	2,264,598	692,822	2,957,420
Special assessments receivable	652,813	-	652,813
Loans receivable	412,619	-	412,619
Due from other governments	1,828,799	-	1,828,799
Prepaid items and other assets	417,582	-	417,582
Inventory	7,478	-	7,478
Deposits	50,108	-	50,108
Capital assets, net			
Land	1,995,309	60,949	2,056,258
Construction in progress	1,049,516	-	1,049,516
Buildings, equipment and infrastructure, net	28,184,514	9,336,264	37,520,778
<b>Total assets</b>	<b>86,201,451</b>	<b>14,779,715</b>	<b>100,981,166</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	2,146,301	707,839	2,854,140
Customer deposits	189,173	-	189,173
Due to governments	1,846,426	-	1,846,426
Deferred revenue	332,592	-	332,592
Accrued wages	802,037	-	802,037
Noncurrent liabilities:			
Due within one year	755,000	-	755,000
Due in more than one year	9,932,082	-	9,932,082
<b>Total liabilities</b>	<b>16,003,611</b>	<b>707,839</b>	<b>16,711,450</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	22,970,302	9,397,213	32,367,515
Restricted for:			
Police and fire	5,304,083	-	5,304,083
Drains	8,333,498	-	8,333,498
Major Street	7,313,372	-	7,313,372
Economic development	873,780	-	873,780
Housing commission	219,299	-	219,299
Parks	617,403	-	617,403
Street lighting	2,380,527	-	2,380,527
Landfill remediation	315,693	-	315,693
Building authority debt	420	-	420
Building authority construction	633,362	-	633,362
Municipal streets	4,086,930	-	4,086,930
Local Steets	2,598,402	-	2,598,402
Unrestricted	14,550,769	4,674,663	19,225,432
<b>Total net assets</b>	<b>\$ 70,197,840</b>	<b>\$ 14,071,876</b>	<b>\$ 84,269,716</b>

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

**CITY OF KENTWOOD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Indirect Expense Allocation</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>
			<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
General government	4,226,730	(671,341)	2,100,469	33,114	- \$ (1,421,806)
Public safety	13,108,021	313,564	502,580	225,007	- (12,693,998)
Highways	935,780	528,722	468,100	2,642,048	- 1,645,646
Public works	3,171,388	(143,528)	851,849	25,259	- (2,150,752)
Engineering services	331,372	(167,204)	-	-	- (164,168)
District court	1,139,659	8,445	915,354	51,230	- (181,520)
Inspections	504,914	2,826	659,448	-	- 151,708
Culture and recreation	1,032,992	38,228	264,022	106,629	- (700,569)
Interest on long-term debt	367,224	-	-	-	- (367,224)
<b>Total governmental activities</b>	<b>24,818,080</b>	<b>(90,288)</b>	<b>5,761,822</b>	<b>3,083,287</b>	<b>- (15,882,683)</b>
Business-type activities:					
Sewer	2,092,194	10,000	1,987,123	-	- (115,071)
Water	1,742,260	80,288	2,058,663	-	- 236,115
<b>Total business-type activities</b>	<b>3,834,454</b>	<b>90,288</b>	<b>4,045,786</b>	<b>-</b>	<b>- 121,044</b>
<b>Total primary government</b>	<b>\$ 28,652,534</b>	<b>\$ -</b>	<b>\$ 9,807,608</b>	<b>\$ 3,083,287</b>	<b>\$ - (15,761,639)</b>

(Continued)

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

**CITY OF KENTWOOD**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (15,882,683)	\$ 121,044	\$ (15,761,639)
General revenues:			
Property taxes			
General operating	5,247,295	-	5,247,295
Police and fire	6,636,429	-	6,636,429
Parks	174,610	-	174,610
Street lighting	282,109	-	282,109
Municipal streets	524,014	-	524,014
Landfill remediation	261,914	-	261,914
State shared revenues	3,919,974	-	3,919,974
Gain on sale of capital assets	54,000	-	54,000
Interest earnings	885,207	190,342	1,075,549
Other general revenues	505,575	-	505,575
 Total general revenues, contributions and transfers	 18,491,127	 190,342	 18,681,469
 Change in net assets	 2,608,444	 311,386	 2,919,830
Net assets, beginning of year, as restated	67,589,396	13,760,490	81,349,886
<b>Net assets, end of year</b>	<b>\$ 70,197,840</b>	<b>\$ 14,071,876</b>	<b>\$ 84,269,716</b>

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

**CITY OF KENTWOOD**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2003**

<u>ASSETS</u>	SPECIAL REVENUE					
	GENERAL FUND	POLICE AND FIRE MILLAGE	PROPERTY AND BUILDING	DRAIN	MAJOR STREET	CAPITAL PROJECTS
Cash and pooled investment	\$ 4,511,065	\$ 5,304,083	\$ 6,013,390	\$ 8,522,997	\$ 7,007,863	\$ 3,545,267
Accounts receivable	2,259,327	-	-	5,271	-	-
Special assessments receivable	-	-	-	5,037	-	647,776
Mortgage loans receivable	-	-	-	-	-	-
Due from other governmental units	1,289,913	-	-	-	343,353	-
Prepays	417,342	-	-	240	-	-
Inventory	7,478	-	-	-	-	-
Deposits	-	-	-	-	50,108	-
<b>TOTAL ASSETS</b>	<b>\$ 8,485,125</b>	<b>\$ 5,304,083</b>	<b>\$ 6,013,390</b>	<b>\$ 8,533,545</b>	<b>\$ 7,401,324</b>	<b>\$ 4,193,043</b>
 <u>LIABILITIES AND FUND BALANCES</u>						
<b>LIABILITIES</b>						
Accounts payable	\$ 659,313	\$ -	\$ 768,655	\$ 196,976	\$ 87,952	\$ -
Customer deposits	189,173	-	-	-	-	-
Due to other governmental units	1,843,355	-	-	3,071	-	-
Deferred revenue	332,592	-	-	-	-	502,465
Accrued wages and compensated absences	802,037	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>3,826,470</b>	<b>-</b>	<b>768,655</b>	<b>200,047</b>	<b>87,952</b>	<b>502,465</b>
<b>FUND BALANCES</b>						
<b>Reserved</b>						
General fund - budget stabilization	837,521	-	-	-	-	-
Special revenue funds - noncurrent mortgage loans	-	-	-	-	-	-
<b>Unreserved</b>						
Designated for parks and recreation	-	-	379,920	-	-	-
<b>Undesignated, reported in:</b>						
General fund	3,821,134	-	-	-	-	-
Special revenue funds	-	5,304,083	4,864,815	8,333,498	7,313,372	-
Capital Project funds	-	-	-	-	-	3,690,578
Debt service funds	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>4,658,655</b>	<b>5,304,083</b>	<b>5,244,735</b>	<b>8,333,498</b>	<b>7,313,372</b>	<b>3,690,578</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,485,125</b>	<b>\$ 5,304,083</b>	<b>\$ 6,013,390</b>	<b>\$ 8,533,545</b>	<b>\$ 7,401,324</b>	<b>\$ 4,193,043</b>

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

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 14,433,450	\$ 49,338,115
-	2,264,598
-	652,813
412,619	412,619
195,533	1,828,799
-	417,582
-	7,478
-	50,108
<hr/>	
\$ 15,041,602	\$ 54,972,112

\$ 344,464	\$ 2,057,360
-	189,173
-	1,846,426
-	835,057
-	802,037
<hr/>	
344,464	5,730,053

-	837,521
218,785	218,785
-	379,920
-	3,821,134
13,837,121	39,652,889
640,812	4,331,390
420	420
<hr/>	
14,697,138	49,242,059
<hr/>	
\$ 15,041,602	\$ 54,972,112

**CITY OF KENTWOOD**  
**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, 2003**

Fund balances - total governmental funds	\$ 49,242,059
--	---------------

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)	31,229,339
----------------------------	------------

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 - special assessments receivable	502,465
--------------------------------------	---------

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	(575,482)
Deduct - landfill clean up and other costs	(1,561,600)
Deduct - bonds payable	(8,550,000)
Deduct - accrued interest on bonds payable	(88,941)
	(9,776,023)

Net assets of governmental activities	\$ 70,197,840
---------------------------------------	---------------

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

**CITY OF KENTWOOD**

**STATEMENT OF REVENUES EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2003**

	SPECIAL REVENUE				
	GENERAL FUND	POLICE AND FIRE MILLAGE	PROPERTY		MAJOR STREET
			AND BUILDING	DRAIN	
<b>REVENUES</b>					
Special assessments	\$ -	\$ -	\$ -	\$ 10,291	\$ -
Taxes	5,241,292	6,636,429	-	-	-
Intergovernmental	4,150,487	-	-	-	1,988,164
Licenses and permits	1,180,933	-	-	-	-
Charges for services	2,171,665	-	-	-	-
Fines and forfeits	1,051,106	-	-	-	-
Investment income	301,336	329,465	230,447	359,596	293,715
Application fees	-	-	-	-	-
Miscellaneous	129,304	-	15,000	-	13,973
<b>TOTAL REVENUES</b>	<b>14,226,123</b>	<b>6,965,894</b>	<b>245,447</b>	<b>369,887</b>	<b>2,295,852</b>
<b>EXPENDITURES</b>					
Current					
General government	4,048,823	-	-	-	-
Public safety	12,071,126	20,000	-	-	-
Highways and streets	-	-	-	-	559,031
Engineering	334,168	-	-	-	-
Public works	1,238,456	-	-	673,464	-
District courts	1,148,104	-	-	-	-
Inspections	507,740	-	-	-	-
Culture and recreation	939,462	-	-	-	-
Capital outlay	-	-	2,237,716	15,281	1,865,385
Debt service					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>20,287,879</b>	<b>20,000</b>	<b>2,237,716</b>	<b>688,745</b>	<b>2,424,416</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,061,756)</b>	<b>6,945,894</b>	<b>(1,992,269)</b>	<b>(318,858)</b>	<b>(128,564)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	2,447	-	47,154	-	-
Transfers in	7,137,616	-	835,000	-	742
Transfers out	(1,050,000)	(7,137,616)	(742)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,090,063</b>	<b>(7,137,616)</b>	<b>881,412</b>	<b>-</b>	<b>742</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>28,307</b>	<b>(191,722)</b>	<b>(1,110,857)</b>	<b>(318,858)</b>	<b>(127,822)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>4,630,348</b>	<b>5,495,805</b>	<b>6,355,592</b>	<b>8,652,356</b>	<b>7,441,194</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,658,655</b>	<b>\$ 5,304,083</b>	<b>\$ 5,244,735</b>	<b>\$ 8,333,498</b>	<b>\$ 7,313,372</b>

CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 396,952	\$ 13,514	\$ 420,757
-	1,242,647	13,120,368
-	785,772	6,924,423
-	-	1,180,933
-	1,197,794	3,369,459
-	-	1,051,106
196,683	617,058	2,328,300
-	17,821	17,821
100,000	76,279	334,556
<u>693,635</u>	<u>3,950,885</u>	<u>28,747,723</u>
-	73,934	4,122,757
-	15,000	12,106,126
-	1,235,490	1,794,521
-	-	334,168
-	112,255	2,024,175
-	-	1,148,104
-	-	507,740
-	15,700	955,162
1,012	2,278,248	6,397,642
-	371,043	371,043
-	485,000	485,000
<u>1,012</u>	<u>4,586,670</u>	<u>30,246,438</u>
<u>692,623</u>	<u>(635,785)</u>	<u>(1,498,715)</u>
-	4,399	54,000
-	215,000	8,188,358
-	-	(8,188,358)
<u>-</u>	<u>219,399</u>	<u>54,000</u>
692,623	(416,386)	(1,444,715)
<u>2,997,955</u>	<u>15,113,524</u>	<u>50,686,774</u>
<u>\$ 3,690,578</u>	<u>\$ 14,697,138</u>	<u>\$ 49,242,059</u>

**CITY OF KENTWOOD**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**FOR THE YEAR ENDED JUNE 30, 2003**

Net change in fund balances - total governmental funds \$ (1,444,715)

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	6,496,832
Deduct - depreciation expense	(2,572,443)

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

Deduct - special assessment receipts	(210,114)
--------------------------------------	-----------

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	485,000
---	---------

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 - changes in compensated absences	(149,936)
Add - accrued interest	3,820

Change in net assets of governmental activities	\$ 2,608,444
---	--------------

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, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 5,319,200	\$ 5,319,200	\$ 5,241,292	\$ (77,908)
Licenses and permits	1,206,800	1,206,800	1,180,933	(25,867)
Intergovernmental	4,324,700	4,324,700	4,150,487	(174,213)
Charges for services	2,163,600	2,163,600	2,171,665	8,065
Fines and forfeits	1,187,000	1,187,000	1,051,106	(135,894)
Investment income	600,000	600,000	301,336	(298,664)
Miscellaneous	99,700	99,700	129,304	29,604
<b>TOTAL REVENUES</b>	<b>14,901,000</b>	<b>14,901,000</b>	<b>14,226,123</b>	<b>(674,877)</b>
EXPENDITURES				
Current				
General government	4,529,600	4,529,600	4,048,823	480,777
Public safety	12,769,300	12,769,300	12,071,126	698,174
Engineering	509,800	509,800	334,168	175,632
Public works	1,353,800	1,353,800	1,238,456	115,344
District courts	1,181,000	1,181,000	1,148,104	32,896
Inspections	553,100	553,100	507,740	45,360
Culture and recreation	1,134,300	1,134,300	939,462	194,838
<b>TOTAL EXPENDITURES</b>	<b>22,030,900</b>	<b>22,030,900</b>	<b>20,287,879</b>	<b>1,743,021</b>
REVENUES OVER (UNDER) EXPENDITURES	(7,129,900)	(7,129,900)	(6,061,756)	1,068,144
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	4,000	4,000	2,447	(1,553)
Transfers in	7,734,600	7,734,600	7,137,616	(596,984)
Transfers out	(600,000)	(600,000)	(1,050,000)	(450,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,138,600</b>	<b>7,138,600</b>	<b>6,090,063</b>	<b>(1,048,537)</b>
NET CHANGE IN FUND BALANCES	8,700	8,700	28,307	19,607
FUND BALANCES, BEGINNING OF YEAR	4,630,348	4,630,348	4,630,348	-
FUND BALANCES, END OF YEAR	\$ 4,639,048	\$ 4,639,048	\$ 4,658,655	\$ 19,607

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

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
POLICE AND FIRE MILLAGE FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 6,737,600	\$ 6,737,600	\$ 6,636,429	\$ (101,171)
Investment income	225,000	225,000	329,465	104,465
TOTAL REVENUES	6,962,600	6,962,600	6,965,894	3,294
EXPENDITURES				
Current				
Administration	20,000	20,000	20,000	-
REVENUES OVER EXPENDITURES	6,942,600	6,942,600	6,945,894	3,294
OTHER FINANCING (USES)				
Transfers out	(7,734,600)	(7,734,600)	(7,137,616)	596,984
NET CHANGE IN FUND BALANCES	(792,000)	(792,000)	(191,722)	600,278
FUND BALANCE, BEGINNING OF YEAR	5,495,805	5,495,805	5,495,805	-
FUND BALANCE, END OF YEAR	\$ 4,703,805	\$ 4,703,805	\$ 5,304,083	\$ 600,278

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

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
PROPERTY AND BUILDING FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Investment income	\$ 275,000	\$ 275,000	\$ 230,447	\$ (44,553)
Miscellaneous	-	-	15,000	15,000
<b>TOTAL REVENUES</b>	<b>275,000</b>	<b>275,000</b>	<b>245,447</b>	<b>(29,553)</b>
EXPENDITURES				
Capital outlay	4,517,000	4,517,000	2,237,716	2,279,284
<b>REVENUES (UNDER) EXPENDITURES</b>	<b>(4,242,000)</b>	<b>(4,242,000)</b>	<b>(1,992,269)</b>	<b>2,249,731</b>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	75,000	75,000	47,154	(27,846)
Transfers in	1,885,000	1,885,000	835,000	(1,050,000)
Transfers out	(651,000)	(651,000)	(742)	650,258
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,309,000</b>	<b>1,309,000</b>	<b>881,412</b>	<b>(427,588)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,933,000)</b>	<b>(2,933,000)</b>	<b>(1,110,857)</b>	<b>1,822,143</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>6,355,592</b>	<b>6,355,592</b>	<b>6,355,592</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,422,592</b>	<b>\$ 3,422,592</b>	<b>\$ 5,244,735</b>	<b>\$ 1,822,143</b>

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

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
DRAIN FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Special assessments	\$ -	\$ -	\$ 10,291	\$ 10,291
Investment income	425,000	425,000	359,596	(65,404)
<b>TOTAL REVENUES</b>	<b>425,000</b>	<b>425,000</b>	<b>369,887</b>	<b>(55,113)</b>
EXPENDITURES				
Current				
Engineering	41,700	41,700	81,500	(39,800)
Administrative	55,000	55,000	55,000	-
Maintenance	330,000	330,000	484,214	(154,214)
Miscellaneous	40,000	40,000	52,750	(12,750)
Capital outlay	10,000	10,000	15,281	(5,281)
<b>TOTAL EXPENDITURES</b>	<b>476,700</b>	<b>476,700</b>	<b>688,745</b>	<b>(212,045)</b>
REVENUES (UNDER) EXPENDITURES	(51,700)	(51,700)	(318,858)	(267,158)
OTHER FINANCING SOURCE				
Transfers out	(1,000,000)	(1,000,000)	-	1,000,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,051,700)</b>	<b>(1,051,700)</b>	<b>(318,858)</b>	<b>732,842</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>8,652,356</b>	<b>8,652,356</b>	<b>8,652,356</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 6,600,656</b>	<b>\$ 7,600,656</b>	<b>\$ 8,333,498</b>	<b>\$ 732,842</b>

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

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
MAJOR STREET FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Intergovernmental	\$ 2,015,200	\$ 2,015,200	\$ 1,988,164	\$ (27,036)
Investment income	325,000	325,000	293,715	\$ (31,285)
Miscellaneous	-	-	13,973	\$ 13,973
TOTAL REVENUES	2,340,200	2,340,200	2,295,852	(44,348)
EXPENDITURES				
Current				
Engineering	47,100	47,100	41,500	5,600
Administrative	160,000	160,000	178,900	(18,900)
Maintenance	210,000	210,000	123,953	86,047
Snow and ice removal	120,000	120,000	121,522	(1,522)
Traffic control	120,000	120,000	92,102	27,898
Miscellaneous	1,500	1,500	1,054	446
Capital outlay	2,500,000	2,500,000	1,865,385	634,615
TOTAL EXPENDITURES	3,158,600	3,158,600	2,424,416	734,184
REVENUES OVER EXPENDITURES	(818,400)	(818,400)	(128,564)	689,836
EXPENDITURES				
OTHER FINANCING SOURCE				
Transfers in	489,000	489,000	742	(488,258)
NET CHANGE IN FUND BALANCES	(329,400)	(329,400)	(127,822)	201,578
FUND BALANCE, BEGINNING OF YEAR	7,441,194	7,441,194	7,441,194	-
FUND BALANCE, END OF YEAR	\$ 7,111,794	\$ 7,111,794	\$ 7,313,372	\$ 201,578

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

**CITY OF KENTWOOD**  
**ENTERPRISE FUNDS**  
**STATEMENT OF NET ASSETS**

**JUNE 30, 2003**

<u>ASSETS</u>	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>			
Cash and pooled investments	\$ 2,292,534	\$ 2,397,146	\$ 4,689,680
Accounts receivable	340,723	352,099	692,822
<b>TOTAL CURRENT ASSETS</b>	<b>2,633,257</b>	<b>2,749,245</b>	<b>5,382,502</b>
<b>LONG-TERM ASSETS</b>			
Capital assets	10,369,690	12,433,709	22,803,399
Less: Accumulated depreciation	(5,300,410)	(8,105,776)	(13,406,186)
<b>NET LONG-TERM ASSETS</b>	<b>5,069,280</b>	<b>4,327,933</b>	<b>9,397,213</b>
<b>TOTAL ASSETS</b>	<b>7,702,537</b>	<b>7,077,178</b>	<b>14,779,715</b>
<u>LIABILITIES</u>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	170,305	537,534	707,839
<b>NET ASSETS</b>			
Investment in capital assets net of related debt	5,069,280	4,327,933	9,397,213
Unrestricted	2,462,952	2,211,711	4,674,663
<b>TOTAL NET ASSETS</b>	<b>\$ 7,532,232</b>	<b>\$ 6,539,644</b>	<b>\$ 14,071,876</b>

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

**CITY OF KENTWOOD**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	WATER	SEWER	TOTAL
OPERATING REVENUES	\$ 2,058,663	\$ 1,987,123	\$ 4,045,786
OPERATING EXPENSES			
Administration	32,977	23,719	56,696
Contractual services	1,095,659	1,669,590	2,765,249
Depreciation	243,296	248,674	491,970
Employee benefits	60,779	-	60,779
Salaries	187,567	-	187,567
Supplies	116,476	142,467	258,943
Engineering	5,000	10,000	15,000
Rent	4,200	-	4,200
Miscellaneous	6,926	-	6,926
Utilities	56,625	7,744	64,369
TOTAL OPERATING EXPENSES	1,809,505	2,102,194	3,911,699
OPERATING INCOME (LOSS)	249,158	(115,071)	134,087
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(13,043)	-	(13,043)
Investment income	98,074	92,268	190,342
TOTAL NONOPERATING REVENUES (EXPENSES)	85,031	92,268	177,299
CHANGE IN NET ASSETS	334,189	(22,803)	311,386
NET ASSETS, BEGINNING OF YEAR	7,198,043	6,562,447	13,760,490
NET ASSETS, END OF YEAR	\$ 7,532,232	\$ 6,539,644	\$ 14,071,876

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

**CITY OF KENTWOOD**

**ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2003**

	WATER FUND	SEWER FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 2,057,324	\$ 2,009,886	\$ 4,067,210
Payments to suppliers	(1,265,865)	(1,826,027)	(3,091,892)
Payments to employees	(248,346)	-	(248,346)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	543,113	183,859	726,972
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(22,762)	-	(22,762)
Principal paid on bonds	(215,000)	-	(215,000)
Interest and fiscal charges paid	(13,043)	-	(13,043)
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(250,805)	-	(250,805)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on investments	98,074	92,268	190,342
	<hr/>	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	390,382	276,127	666,509
CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR	1,902,152	2,121,019	4,023,171
	<hr/>	<hr/>	<hr/>
CASH AND POOLED INVESTMENTS, END OF YEAR	\$ 2,292,534	\$ 2,397,146	\$ 4,689,680
	<hr/>	<hr/>	<hr/>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 249,158	\$ (115,071)	\$ 134,087
Depreciation	243,296	248,674	491,970
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(1,339)	22,763	21,424
Accounts payable	54,215	27,493	81,708
Accrued interest payable	(2,217)	-	(2,217)
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 543,113	\$ 183,859	\$ 726,972
	<hr/>	<hr/>	<hr/>

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

**CITY OF KENTWOOD**

**FIDUCIARY FUNDS  
STATEMENTS OF NET ASSETS**

**JUNE 30, 2003**

<u>ASSETS</u>	DEFINED BENEFIT	PRIVATE PURPOSE TRUST SPECIAL ASSESSMENT - DEFERRED PAYBACK	AGENCY FUND TAX COLLECTION
Cash and pooled investments	\$ 105,987	\$ 125,792	\$ 165,129
Investments			
US government securities	2,148,473	-	-
Bonds	2,296,565	-	-
Equities	5,215,570	-	-
International	918,313	-	-
Special assessments receivable	-	424,141	-
<u>TOTAL ASSETS</u>	<u>10,684,908</u>	<u>549,933</u>	<u>\$ 165,129</u>
<u>LIABILITIES</u>			
Accounts payable	35,249	-	-
Due to other governmental units	-	9,217	165,129
Payable to property owners	-	530,315	-
<u>TOTAL LIABILITIES</u>	<u>35,249</u>	<u>539,532</u>	<u>\$ 165,129</u>
NET ASSETS			
Reserved for employee benefits	10,649,659	-	
Unreserved	-	10,401	
<u>TOTAL NET ASSETS</u>	<u>\$ 10,649,659</u>	<u>\$ 10,401</u>	

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

**CITY OF KENTWOOD**

**STATEMENT OF CHANGES IN NET ASSETS  
PENSION TRUST AND PRIVATE PURPOSE TRUST**

**FOR THE YEAR ENDED JUNE 30, 2003**

	DEFINED BENEFIT	PRIVATE PURPOSE TRUST SPECIAL ASSESSMENT - DEFERRED PAYBACK
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 710,000	-
Plan participants	194,221	-
Total contributions	904,221	-
Investment income	(966,782)	84
<b>TOTAL ADDITIONS</b>	<b>(62,561)</b>	<b>84</b>
<b>DEDUCTION</b>		
Distributions, expenses and benefit payments	746,432	-
Net increase (decrease)	(808,993)	84
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of year	11,458,652	10,317
End of year	\$ 10,649,659	\$ 10,401

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

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

---

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kentwood, Michigan (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, health and social services, culture and recreation, public improvements, planning and zoning, water and sewer and general administrative services.

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

#### *The Reporting Entity*

The accompanying financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. The City has no discretely presented component units.

#### *Blended Component Units*

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

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

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

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

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

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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. 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 real 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. 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 *Property and Building Fund* accounts for funds held for capital asset purchases and building and expansion projects.

The *Drain Fund* accounts for funds held for the construction and maintenance of storm-water collection systems.

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 *Capital Projects Fund* accounts for funds accumulated from bonded debt and special assessments for construction projects.

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.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 expendable trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

*Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital Projects Funds* account for the revenue and expenditures for significant construction projects.

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 provides funds for perpetual care of cemetery lots.

*Trust and Agency Funds* are used to account for assets held by the City in a trustee or agency capacity on behalf of outside parties, including other governments. These include a pension trust and agency funds.

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 standard 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.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expense 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.

#### *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.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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; there were no budget amendments made during the year.

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.

#### *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.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *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.

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

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

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

	<u>Years</u>
Buildings, equipment, water mains, meters, storage tanks and sewer mains	50
Storage tank improvements	15
Transportation 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 remain 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, \$0; blanket real and personal property including buildings, personal property and property in the open, \$1,000; and electronic data processing equipment, \$1,000.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Risk Management and Benefits (Continued)*

The City has transferred the risk of loss associated with employee health care by purchasing health insurance from commercial insurance carriers.

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

#### *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:

Local Law Enforcement Block Grant (General Fund)	\$ 17,147
City's portion of delinquent personal property taxes receivable (General Fund)	<u>315,445</u>
	<u><b>\$332,592</b></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 20 days. 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, 2003 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			
Transfers out	\$600,000	\$1,050,000	\$(450,000)
Housing Commission Fund			
Current expenditures	9,600	13,114	(3,514)

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

### 3. DEPOSITS AND INVESTMENTS

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

	Govern- mental Activities	Business- Type Activities	Fiduciary Funds			Total
			Pension Trust	Private- Purpose Trust	Agency Fund	
Cash and pooled investments	\$49,338,115	\$4,689,680	\$ 105,987	\$125,792	\$165,129	\$54,424,703
Investments	-	-	10,578,921	-	-	10,578,921
	<u>\$49,338,115</u>	<u>\$4,689,680</u>	<u>\$10,684,908</u>	<u>\$125,792</u>	<u>\$165,129</u>	<u>\$65,003,624</u>

#### *Deposits*

At year-end, the bank balance of the City's deposits, which consist of demand deposit accounts, were classified as to risk as follows:

Insured	\$ 119,438
Uninsured - uncollateralized	<u>1,158,952</u>
Deposits bank balance	1,278,390
Less: reconciling items	<u>(240,916)</u>
<b>Deposits - book balance</b>	<b><u>\$1,037,474</u></b>

#### *Investments*

Statutes authorize the City to invest in the following:

- ◆ Bond, 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 12/31/97.

The City's retirement system's investments are held in trust by two local banks. Michigan compiled law authorizes the systems to invest in stocks, bonds, certificates of deposits and authority of other investments.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

#### 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Consequently, two separate and distinct levels of authority exist for City investments. The City's investments are in accordance with statutory authority.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Fair value is the market value of securities held by the City.

The City's investments are in accordance with statutory authority as follows:

	Category at Market Value			Total Carrying/ Fair Value
	(1)	(2)	(3)	
Government securities	\$9,266,699	=====	=====	\$9,266,699
Uncategorized as to risk:				
Mutual funds				44,071,695
Money market mutual funds				10,627,756
<b>Total investments</b>				<b>\$63,966,150</b>

The City's investments in mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

#### 4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2003 are as follows:

	Transfers in by Fund					Total
	General Fund	Police and Fire Millage	Property and Building	Major Streets	Nonmajor	
Transfers out:						
General Fund	\$ -	\$ -	\$835,000	\$ -	\$215,000	\$1,050,000
Police and Fire Millage	7,137,616	-	-	-	-	7,137,616
Property and Building	-	-	-	742	-	742
Major Streets	-	-	-	-	-	-
Nonmajor	-	-	-	-	-	-
	\$7,137,616	\$ -	\$835,000	\$742	\$215,000	\$8,188,358

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**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**5. CAPITAL ASSETS**

The capital assets activities for the year are as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in process	\$ 6,704,519	\$ 1,049,516	\$(6,704,519)	\$ 1,049,516
Land	<u>1,723,562</u>	<u>271,747</u>	<u>-</u>	<u>1,995,309</u>
Total capital assets, not being depreciated	<u>8,428,081</u>	<u>1,321,263</u>	<u>(6,704,519)</u>	<u>3,044,825</u>
Capital assets, being depreciated:				
Land improvements	644,052	35,280	-	679,332
Buildings	7,929,063	8,264,309	-	16,193,372
Equipment	1,013,604	730,625	-	1,744,229
Vehicles	3,698,457	1,062,225	-	4,760,682
Infrastructure	<u>26,619,685</u>	<u>1,787,649</u>	<u>-</u>	<u>28,407,334</u>
Total capital assets, being depreciated	<u>39,904,861</u>	<u>11,880,088</u>	<u>-</u>	<u>51,784,949</u>
Less accumulated depreciation for:				
Land improvements	361,889	57,659	-	419,548
Buildings	4,042,895	544,642	-	4,587,537
Equipment	711,400	235,947	-	947,347
Vehicles	1,683,260	459,711	-	2,142,971
Infrastructure	<u>14,228,548</u>	<u>1,274,484</u>	<u>-</u>	<u>15,503,032</u>
Total accumulated depreciation	<u>21,027,992</u>	<u>2,572,443</u>	<u>-</u>	<u>23,600,435</u>
Net capital assets, being depreciated	<u>18,876,869</u>	<u>9,307,645</u>	<u>-</u>	<u>28,184,514</u>
Net governmental activities capital assets	<u>\$27,304,950</u>	<u>\$10,628,908</u>	<u>\$(6,704,519)</u>	<u>\$31,229,339</u>

**CITY OF KENTWOOD**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2003**

**5. CAPITAL ASSETS (CONTINUED)**

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 60,649	\$ -	\$ -	\$ 60,949
Capital assets, being depreciated:				
Buildings	216,229	-	-	216,229
Equipment	388,248	-	-	388,248
Meters	696,306	22,762	-	719,068
Water mains	6,510,568	-	-	6,510,568
Sewer mains	12,433,709	-	-	12,433,709
Storage	2,474,628	-	-	2,474,628
Total capital assets, being depreciated	<u>22,719,688</u>	<u>22,762</u>	<u>-</u>	<u>22,742,450</u>
Less accumulated depreciation for:				
Buildings	106,309	5,115	-	111,424
Equipment	190,882	9,183	-	200,065
Meters	342,340	16,470	-	358,810
Water mains	3,200,929	153,995	-	3,354,924
Sewer mains	7,857,102	248,674	-	8,105,776
Storage	1,216,654	58,533	-	1,275,187
Total accumulated depreciation	<u>(12,914,216)</u>	<u>(491,970)</u>	<u>-</u>	<u>(13,406,186)</u>
Net capital assets, being depreciated	<u>9,805,472</u>	<u>(469,208)</u>	<u>-</u>	<u>9,336,264</u>
Net business-type activities capital assets	<u>\$ 9,866,421</u>	<u>\$(469,208)</u>	<u>\$ -</u>	<u>\$ 9,397,213</u>

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

Governmental activities:	
General government	\$ 47,911
Public safety	1,058,006
Public works	1,350,468
Culture and recreation	116,058
Total depreciation expense - Governmental activities	<u>\$2,572,443</u>
Business-type activities:	
Sewer	\$248,674
Water	243,296
Total depreciation expense - Business-type activities	<u>\$491,970</u>

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

---

#### 6. 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, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	18
Terminated members not yet receiving benefits	9
Active plan members	<u>84</u>
	<u><u>111</u></u>

Benefits partially vest after five years of service and 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% 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% 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

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

#### 6. PENSION PLANS (CONTINUED)

##### *Contributions (Continued)*

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, 2002 was \$710,000.

Net pension obligation – beginning of year	\$ -
Annual required contribution/annual pension cost	710,000
Contribution made by the City	710,000
<b>Net pension obligation – end of the year</b>	<b>\$ -</b>

##### *Concentrations*

As of December 31, 2002, investments constituting 5% or more of plan assets are:

	<b>Percent of Total Market Value</b>
Huntington Funds:	
Intermediate Government Income Fund III	20.11
Growth Fund III	5.67
Russell Funds:	
Equity Q Fund Class I	11.34
Fixed Income I Mutual Fund	7.89
Equity I Class I Mutual Fund	5.65
Fifth Third Funds:	
Intermediate Bond Fund	9.28
Large Cap Core Fund	5.51

##### *Funding Status and Progress*

The annual required contribution was determined as part of an actuarial valuation of the Plan as of January 1, 2002. Significant actuarial assumptions used in determining the annual required contribution include (a) rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 5% per year attributable to inflation, and (c) additional cost-of-living salary increases of 3% per year.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

#### 6. PENSION PLANS (CONTINUED)

##### *Funding Status and Progress (Continued)*

The City's funding policy for periodic employer contributions 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 actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level dollar over an open period of nine years. During the Plan year ended December 31, 2002, contributions totaling \$904,221 (\$710,000 employer and \$194,221 employee) were made.

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

##### *Trend Information*

<u>Plan year ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$1,050,000	100%	\$ -
2001	765,000	100%	-
2002	710,000	100%	-

##### *Defined Contribution Plan*

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

Employees are eligible to participate immediately upon employment. The City contributes 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. Assets of the Plan are recorded in a pension trust fund. The Plan is administered by the ICMA Retirement Corporation.

The City's total payroll for the year ending June 30, 2003 was approximately \$11,555,175. The City's contribution of \$528,168 was calculated using the employee compensation amount of approximately \$6,064,500. City employees also made pre-tax mandatory contributions to the Plan totaling \$179,464, which was 0 – 4% of covered payroll and rolled in \$4,089 of assets from other plans.

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and plan participant contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

#### 7. POST-EMPLOYMENT BENEFITS

In addition to pension benefits, retirees receive an employer-paid benefit toward health insurance premiums for the retiree and spouse. The retiree benefit amount is determined by multiplying from \$6.00 to \$10.00 times the employee's years of continuous active service depending on bargaining unit. 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 11 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, 2003, the City incurred \$14,800 of post-employment benefits.

#### 8. LONG-TERM OBLIGATIONS

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

Long-term obligations are comprised of the following individual issues:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due within</u> <u>One Year</u>
Business-type activities					
1967 Water Supply System Refunding and Improvement Revenue Bonds, due in installments of \$35,000 to \$40,000 through 2003; interest rate at 4.90%.	\$ 40,000	\$ -	\$(40,000)	\$ -	\$ -
1988 Water Supply System Revenue Bonds, due in installments of \$25,000 to \$175,000 through 2003; interest at 7.20%-7.60%.	<u>175,000</u>	<u>-</u>	<u>(175,000)</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>215,000</u>	<u>-</u>	<u>(215,000)</u>	<u>-</u>	<u>-</u>
Governmental activities:					
2001 Building Authority Bonds, due in installments of \$540,000 to \$860,000 through 2016; interest at 3.0% to 4.70%.	9,035,000	-	(485,000)	8,550,000	505,000
Non-current portion of accrued vacation/compensated absences	425,546	149,936	-	575,482	-
Landfill clean-up and other costs	<u>1,561,600</u>	<u>-</u>	<u>-</u>	<u>1,561,600</u>	<u>75,000</u>
Total governmental activities	<u>11,022,146</u>	<u>149,936</u>	<u>(485,000)</u>	<u>10,687,082</u>	<u>755,000</u>
Total other long-term obligations	<u>\$11,237,146</u>	<u>\$149,936</u>	<u>\$(700,000)</u>	<u>\$10,687,082</u>	<u>\$755,000</u>

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

#### 8. LONG-TERM DEBT (CONTINUED)

The annual requirements to maturity on the long-term obligations outstanding (except accrued vacation/compensated absences and landfill clean-up) as June 30, 2003 are as follows:

Year Ended	Governmental		Total Requirements
	Principal	Interest	
2004	\$ 505,000	\$ 355,765	\$ 860,765
2005	520,000	338,848	858,848
2006	540,000	320,387	860,387
2007	565,000	300,407	865,407
2008	590,000	278,655	868,655
2009-2013	3,380,000	1,010,525	4,390,525
2014-2016	2,450,000	231,115	2,681,115
	<u>\$8,550,000</u>	<u>\$2,835,702</u>	<u>\$11,385,702</u>

#### 9. 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 \$6,558,000, of which the City would be responsible for \$1,311,600. Expenditures of \$73,755 were incurred for landfill clean-up during fiscal year 2003. 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, 2003, the City has accounted for the \$1,311,600.

##### **Commitments**

As of June 30, 2003, the City had entered into contracts for construction to the DPW facilities for \$5,408,404.

##### **Subsequent Event**

On October 16, 2003, the City issued \$9,980,000 of General Obligation Limited Tax Bonds to finance the renovations for the Department of Public Works Building and renovations to the existing City Hall.

On October 21, 2003 the Kentwood City Commission approved City Hall renovations of \$4,850,000.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2003

---

#### 10. 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.

#### 11. RESTATEMENTS

As of and for the year ended July 1, 2002, the City implemented the following Governmental Accounting Standards Board pronouncements:

##### Statements

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

##### Interpretation

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City is required to implement the new requirements no later than the fiscal year ending June 30, 2003.

The more significant of the changes required by the new standards include:

- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Budgetary schedules;
  - Notes to the basic financial statements

**CITY OF KENTWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

---

**11. RESTATEMENTS (CONTINUED)**

As a result of implementing these pronouncements for the fiscal year ended June 30, 2003, the following restatements were made to beginning net asset accounts:

*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balances of governmental funds as of June 30, 2002	\$50,686,774
Add: Governmental capital assets, including general fixed assets as of June 30, 2002	48,332,942
Deduct: Accumulated depreciation as of June 30, 2002 on above governmental capital assets	(21,027,992)
Deduct: Bonds payable as of June 30, 2002	(9,035,000)
Deduct: Compensated absences payable as of June 30, 2002	(425,546)
Deduct: Accrued interest on bonds as of June 30, 2002	(92,760)
Add: Special assessment receivables offset with deferred revenue on the fund statements	712,578
Deduct: Future landfill clean-up and other costs	<u>(1,561,600)</u>
<b>Governmental net assets, restated, as of July 1, 2002</b>	<b><u><u>\$67,589,396</u></u></b>

\* \* \* \* \*

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF KENTWOOD

## REQUIRED SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2003

---

### 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, 2003
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	8 years (based on \$850,000 employer contribution in June 2003)
Asset valuation method	Smoothed Market value
Actuarial assumptions:	
Retirement age	Later of age 65 or 5 <sup>th</sup> anniversary of participation for non-uniform participants; if a participant immediately retires from employment, age 60 and 10 years of service; age 55 for police-supervisory participants; earlier of age 50 with 15 years of service or 55 with 10 years of service for police-patrol participants; age 55 for firefighter participants
Investment rate of return	8% per year
Projected salary increases	5% per year
Mortality table	1983 Group Annuity Mortality Table, male and female rates
Turnover rates	Crocker-Sarason-Straight T-1
Disability table	64 OASDI
Marriage assumption	100% 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, 2003

### 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) Actuarial value of assets	(b) Actuarial accrued liability (AAL) ((a) + (c))	(c) Unfunded AAL (UAAL)	(d) Funded ratio ((a)/(b))	(e) Annual covered payroll	(f) UAAL as a percentag e of covered payroll ((c)/(e))
1/1/1994	\$ 7,351,491	\$10,259,953	\$2,908,462	71.7%	\$5,172,920	56.2%
1/1/1995	8,034,095	11,534,016	3,499,921	69.7%	5,528,316	63.3%
1/1/1996	10,304,736	14,758,885	4,454,149	69.8%	5,695,047	78.2%
1/1/1997	10,936,442	15,392,008	4,455,566	71.1%	6,242,286	71.4%
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%

### Schedule of Contributions

Plan year Ended December 31	Annual Required Contribution *	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed **
1993	\$ 525,000	\$128,686	\$ 525,000	\$ 653,686	100.00%
1994	600,000	142,192	600,000	742,192	100.00%
1995	676,709	173,544	676,709	850,253	100.00%
1996	750,000	186,341	750,000	936,341	100.00%
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%

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

## **GENERAL FUND**

**CITY OF KENTWOOD**

**SCHEDULE OF REVENUES - BUDGET (MODIFIED ACCRUAL  
BASIS) AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>TAXES</b>				
Tax revenues	\$ 5,319,200	\$ 5,319,200	\$ 5,241,292	\$ (77,908)
<b>LICENSES AND PERMITS</b>				
Permits and inspection fees	705,000	705,000	657,628	(47,372)
Local licenses	486,800	486,800	506,719	19,919
State liquor licenses	15,000	15,000	16,586	1,586
<b>TOTAL LICENSES AND PERMITS</b>	<b>1,206,800</b>	<b>1,206,800</b>	<b>1,180,933</b>	<b>(25,867)</b>
<b>INTERGOVERNMENTAL</b>				
State revenue sharing	4,151,200	4,151,200	3,925,480	(225,720)
State grants	87,500	87,500	110,206	22,706
Federal grants	86,000	86,000	114,801	28,801
<b>TOTAL INTERGOVERNMENTAL</b>	<b>4,324,700</b>	<b>4,324,700</b>	<b>4,150,487</b>	<b>(174,213)</b>
<b>CHARGES FOR SERVICES</b>				
Tax collection fees	700,000	700,000	755,874	55,874
Public works services	308,700	308,700	250,922	(57,778)
Recreation fees	339,600	339,600	215,348	(124,252)
Internal charges administration	380,000	380,000	461,700	81,700
Water Department - accounting and administrative charges	31,000	31,000	31,000	-
Engineering	118,900	118,900	170,000	51,100
Police, fire and library fees	165,700	165,700	175,480	9,780
Cemetery	37,000	37,000	34,285	(2,715)
Community development	-	-	-	-
Zoning fees	30,500	30,500	25,329	(5,171)
Mobile home fees	6,200	6,200	6,003	(197)
Judge's salary subsidy	46,000	46,000	45,724	(276)
<b>TOTAL CHARGES FOR SERVICES</b>	<b>2,163,600</b>	<b>2,163,600</b>	<b>2,171,665</b>	<b>8,065</b>
<b>FINES AND FORFEITS</b>				
Court fines	1,037,000	1,037,000	915,354	(121,646)
Delinquent tax - interest penalties	150,000	150,000	135,752	(14,248)
<b>TOTAL FINES AND FORFEITS</b>	<b>1,187,000</b>	<b>1,187,000</b>	<b>1,051,106</b>	<b>(135,894)</b>
<b>INVESTMENT INCOME</b>	<b>600,000</b>	<b>600,000</b>	<b>301,336</b>	<b>(298,664)</b>
<b>MISCELLANEOUS</b>				
Insurance premium refunds	35,000	35,000	38,895	3,895
Rental income	17,000	17,000	34,599	17,599
Miscellaneous	47,700	47,700	55,810	8,110
<b>TOTAL MISCELLANEOUS</b>	<b>99,700</b>	<b>99,700</b>	<b>129,304</b>	<b>29,604</b>
<b>TOTAL REVENUES</b>	<b>\$ 14,901,000</b>	<b>\$ 14,901,000</b>	<b>\$ 14,226,123</b>	<b>\$ (674,877)</b>

**CITY OF KENTWOOD**

**SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL  
BASIS) AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATIVE</b>				
Auditing	\$ 22,000	\$ 22,000	\$ 23,155	\$ (1,155)
Cable TV related costs	165,300	165,300	158,934	6,366
Capital outlay	70,000	70,000	100	69,900
City commission	36,800	36,800	36,212	588
Community activities	17,500	17,500	7,677	9,823
Dues, fees and memberships	76,900	76,900	72,490	4,410
Employee benefits	3,700	3,700	1,468	2,232
Increase in accrued compensated absences	-	-	44,149	(44,149)
Insurance	99,900	99,900	101,451	(1,551)
Legal fees	170,000	170,000	198,574	(28,574)
Repairs and maintenance	18,500	18,500	24,847	(6,347)
Office equipment	25,000	25,000	10,531	14,469
Office supplies	15,000	15,000	16,252	(1,252)
Contractual services	95,000	95,000	80,750	14,250
Pension administration	11,000	11,000	9,478	1,522
Postage	40,000	40,000	43,419	(3,419)
Printing and publishing	18,600	18,600	15,561	3,039
Utilities	152,000	152,000	145,607	6,393
Supplies	10,000	10,000	13,476	(3,476)
Training	500	500	105	395
Rent	856,100	856,100	856,043	57
Miscellaneous	26,800	26,800	31,837	(5,037)
<b>TOTAL ADMINISTRATIVE</b>	<b>1,930,600</b>	<b>1,930,600</b>	<b>1,892,116</b>	<b>38,484</b>
<b>ASSESSMENTS</b>				
Contractual services	7,500	7,500	5,990	1,510
Capital outlay	-	-	-	-
Dues, fees and memberships	1,400	1,400	1,158	242
Training	7,300	7,300	5,379	1,921
Employee benefits	95,700	95,700	100,589	(4,889)
Repairs and maintenance	600	600	-	600
Salaries	299,900	299,900	289,938	9,962
Supplies	7,100	7,100	5,436	1,664
Travel	2,600	2,600	2,214	386
<b>TOTAL ASSESSMENTS</b>	<b>422,100</b>	<b>422,100</b>	<b>410,704</b>	<b>11,396</b>
<b>TREASURER</b>				
Capital outlay	-	-	-	-
Dues, fees and memberships	500	500	569	(69)
Training	4,500	4,500	1,969	2,531
Employee benefits	55,200	55,200	53,611	1,589
Insurance	1,800	1,800	1,682	118
Internal charges	100	100	-	100
Repairs and maintenance	100	100	59	41
Salaries	132,500	132,500	132,800	(300)
Supplies	3,100	3,100	1,933	1,167
Contractual services	65,000	65,000	44,652	20,348
Travel	600	600	251	349
<b>TOTAL TREASURER</b>	<b>263,400</b>	<b>263,400</b>	<b>237,526</b>	<b>25,874</b>
<b>INFORMATION TECHNOLOGY</b>				
Capital outlay	7,500	7,500	3,691	3,809
Dues, fees and memberships	1,800	1,800	50	1,750
Training	13,500	13,500	6,113	7,387
Employee benefits	64,400	64,400	45,773	18,627
Repairs and maintenance	2,500	2,500	-	2,500
Contractual services	25,000	25,000	37,740	(12,740)
Salaries	185,800	185,800	136,226	49,574
Supplies	8,500	8,500	6,696	1,804
Travel	1,200	1,200	818	382
Utilities	4,400	4,400	4,206	194
<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>314,600</b>	<b>314,600</b>	<b>241,313</b>	<b>73,287</b>
<b>CITY CLERK</b>				
Capital outlay	800	800	-	800
Dues, fees and memberships	400	400	355	45
Training	2,500	2,500	1,406	1,094
Employee benefits	43,100	43,100	41,496	1,604
Insurance	200	200	124	76
Internal charges	-	-	-	-
Repairs and maintenance	500	500	-	500
Contractual services	15,000	15,000	438	14,562
Salaries	166,400	166,400	164,586	1,814
Supplies	3,800	3,800	2,446	1,354
Travel	500	500	495	5
<b>TOTAL CITY CLERK</b>	<b>233,200</b>	<b>233,200</b>	<b>211,346</b>	<b>21,854</b>

**CITY OF KENTWOOD**

**SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL  
BASIS) AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>GENERAL GOVERNMENT (CONTINUED)</b>				
<b>HUMAN RESOURCES</b>				
Dues, fees and memberships	\$ 300	\$ 300	\$ 25	\$ 275
Training	2,800	2,800	866	1,934
Employee benefits	30,300	30,300	31,798	(1,498)
Salaries	91,800	91,800	83,866	7,934
Supplies	500	500	166	334
Travel	800	800	391	409
<b>TOTAL HUMAN RESOURCES</b>	<b>126,500</b>	<b>126,500</b>	<b>117,112</b>	<b>9,388</b>
<b>ACCOUNTING</b>				
Capital outlay	2,000	2,000	180	1,820
Dues, fees and memberships	1,000	1,000	845	155
Training	4,900	4,900	1,506	3,394
Employee benefits	105,200	105,200	57,858	47,342
Repairs and maintenance	2,100	2,100	380	1,720
Contractual services	5,500	5,500	4,651	849
Salaries	281,100	281,100	190,503	90,597
Supplies	8,800	8,800	9,440	(640)
Utilities	500	500	-	500
Travel	1,800	1,800	837	963
<b>TOTAL ACCOUNTING</b>	<b>412,900</b>	<b>412,900</b>	<b>266,200</b>	<b>146,700</b>
<b>EXECUTIVE</b>				
Capital outlay	2,900	2,900	690	2,210
Training	4,500	4,500	1,886	2,614
Dues, fees and memberships	1,000	1,000	940	60
Employee benefits	65,300	65,300	61,210	4,090
Repairs and maintenance	500	500	-	500
Printing and publishing	20,000	20,000	11,976	8,024
Salaries	181,700	181,700	183,999	(2,299)
Supplies	5,200	5,200	4,062	1,138
Utilities	1,800	1,800	1,765	35
Travel	2,700	2,700	2,196	504
<b>TOTAL TREASURER</b>	<b>285,600</b>	<b>285,600</b>	<b>268,724</b>	<b>16,876</b>
<b>PLANNING AND ZONING</b>				
Capital outlay	4,000	4,000	-	4,000
Training	8,500	8,500	1,008	7,492
Dues, fees and memberships	2,900	2,900	2,393	507
Employee benefits	95,300	95,300	80,627	14,673
Internal charges	1,100	1,100	832	268
Repairs and maintenance	300	300	-	300
Contractual services	69,400	69,400	3,760	65,640
Salaries	302,500	302,500	272,323	30,177
Supplies	4,400	4,400	3,813	587
Travel	2,700	2,700	2,195	505
<b>TOTAL PLANNING AND ZONING</b>	<b>491,100</b>	<b>491,100</b>	<b>366,951</b>	<b>124,149</b>
<b>ELECTIONS</b>				
Capital outlay	700	700	780	(80)
Employee benefits	800	800	494	306
Internal charges	1,700	1,700	1,663	37
Repairs and maintenance	1,500	1,500	1,650	(150)
Contractual services	29,300	29,300	23,546	5,754
Salaries	9,000	9,000	5,042	3,958
Supplies	6,000	6,000	3,238	2,762
Travel	600	600	418	182
<b>TOTAL ELECTIONS</b>	<b>49,600</b>	<b>49,600</b>	<b>36,831</b>	<b>12,769</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>4,529,600</b>	<b>4,529,600</b>	<b>4,048,823</b>	<b>480,777</b>

**CITY OF KENTWOOD**

**SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL  
BASIS) AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>PUBLIC SAFETY</b>				
<b>POLICE</b>				
Capital outlay	\$ 82,500	\$ 82,500	\$ 42,076	\$ 40,424
Contractual services	243,700	243,700	218,823	24,877
Dues, fees and memberships	9,800	9,800	4,746	5,054
Employee benefits	1,862,800	1,862,800	1,957,990	(95,190)
Travel	252,700	252,700	198,335	54,365
Legal fees	180,000	180,000	197,483	(17,483)
Insurance	97,300	97,300	96,603	697
Repairs and maintenance	30,000	30,000	31,591	(1,591)
Salaries	5,027,000	5,027,000	4,763,812	263,188
Supplies	218,100	218,100	140,386	77,714
Utilities	170,500	170,500	139,057	31,443
Training	81,000	81,000	70,165	10,835
<b>TOTAL POLICE</b>	<b>8,255,400</b>	<b>8,255,400</b>	<b>7,861,067</b>	<b>394,333</b>
<b>FIRE</b>				
Capital outlay	48,000	48,000	38,691	9,309
Contractual services	135,400	135,400	109,888	25,512
Dues, fees and memberships	4,200	4,200	2,935	1,265
Training	35,900	35,900	23,371	12,529
Employee benefits	1,131,600	1,131,600	1,054,373	77,227
Travel	124,700	124,700	90,095	34,605
Insurance	34,700	34,700	34,084	616
Repairs and maintenance	27,800	27,800	17,935	9,865
Salaries	2,754,200	2,754,200	2,663,073	91,127
Supplies	109,400	109,400	88,391	21,009
Utilities	108,000	108,000	87,223	20,777
<b>TOTAL FIRE</b>	<b>4,513,900</b>	<b>4,513,900</b>	<b>4,210,059</b>	<b>303,841</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>12,769,300</b>	<b>12,769,300</b>	<b>12,071,126</b>	<b>698,174</b>
<b>ENGINEERING</b>				
Capital outlay	10,500	10,500	7,472	3,028
Training	2,000	2,000	4,338	(2,338)
Dues, fees and memberships	1,500	1,500	728	772
Employee benefits	137,200	137,200	77,162	60,038
Contractual services	7,500	7,500	879	6,621
Repairs and maintenance	300	300	496	(196)
Insurance	400	400	415	(15)
Salaries	342,500	342,500	236,332	106,168
Supplies	7,300	7,300	5,708	1,592
Travel	600	600	638	(38)
<b>TOTAL ENGINEERING</b>	<b>509,800</b>	<b>509,800</b>	<b>334,168</b>	<b>175,632</b>
<b>PUBLIC WORKS</b>				
Capital outlay	33,900	33,900	12,526	21,374
Training	2,500	2,500	735	1,765
Dues, fees and memberships	500	500	-	500
Employee benefits	355,200	355,200	302,957	52,243
Insurance	11,800	11,800	12,329	(529)
Repairs and maintenance	38,000	38,000	3,495	34,505
Contractual services	61,000	61,000	56,958	4,042
Salaries	758,900	758,900	730,960	27,940
Supplies	20,500	20,500	28,355	(7,855)
Travel	46,500	46,500	52,073	(5,573)
Utilities	23,000	23,000	38,054	(15,054)
Miscellaneous	2,000	2,000	14	1,986
<b>TOTAL PUBLIC WORKS</b>	<b>1,353,800</b>	<b>1,353,800</b>	<b>1,238,456</b>	<b>115,344</b>
<b>DISTRICT COURT</b>				
Legal Fees	50,000	50,000	49,758	242
Capital outlay	19,000	19,000	14,771	4,229
Training	6,200	6,200	2,380	3,820
Dues, fees and memberships	1,800	1,800	1,757	43
Employee benefits	236,700	236,700	230,173	6,527
Insurance	4,200	4,200	3,119	1,081
Repairs and maintenance	46,000	46,000	14,685	31,315

**CITY OF KENTWOOD**

**SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL  
BASIS) AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>DISTRICT COURT (CONTINUED)</b>				
Contractual services	\$ 118,800	\$ 118,800	\$ 146,642	\$ (27,842)
Salaries	658,000	658,000	647,389	10,611
Supplies	33,800	33,800	36,852	(3,052)
Utilities	5,000	5,000	245	4,755
Travel	1,500	1,500	333	1,167
<b>TOTAL DISTRICT COURT</b>	<b>1,181,000</b>	<b>1,181,000</b>	<b>1,148,104</b>	<b>32,896</b>
<b>INSPECTIONS</b>				
Capital outlay	500	500	-	500
Dues, fees and memberships	1,600	1,600	1,395	205
Training	6,700	6,700	3,240	3,460
Employee benefits	135,700	135,700	136,393	(693)
Insurance	2,700	2,700	2,989	(289)
Repairs and maintenance	1,600	1,600	33	1,567
Contractual services	1,000	1,000	-	1,000
Salaries	381,100	381,100	344,726	36,374
Supplies	11,000	11,000	9,463	1,537
Utilities	2,700	2,700	2,949	(249)
Travel	8,500	8,500	6,552	1,948
<b>TOTAL INSPECTIONS</b>	<b>553,100</b>	<b>553,100</b>	<b>507,740</b>	<b>45,360</b>
<b>CULTURE AND RECREATION</b>				
<b>RECREATION</b>				
Capital outlay	10,700	10,700	1,645	9,055
Training	6,500	6,500	7,546	(1,046)
Dues, fees and memberships	1,500	1,500	1,693	(193)
Employee benefits	157,000	157,000	136,493	20,507
Contractual services	97,400	97,400	51,033	46,367
Insurance	4,200	4,200	4,130	70
Repairs and maintenance	3,500	3,500	365	3,135
Salaries	531,100	531,100	494,157	36,943
Internal charges	23,000	23,000	6,916	16,084
Supplies	181,000	181,000	150,118	30,882
Travel	6,700	6,700	8,318	(1,618)
Utilities	28,500	28,500	21,678	6,822
<b>TOTAL RECREATION</b>	<b>1,051,100</b>	<b>1,051,100</b>	<b>884,092</b>	<b>167,008</b>
<b>LIBRARY</b>				
Capital outlay	4,900	4,900	1,603	3,297
Insurance	1,900	1,900	1,844	56
Repairs and maintenance	5,000	5,000	3,406	1,594
Contractual services	3,100	3,100	240	2,860
Internal charges	40,000	40,000	13,992	26,008
Supplies	6,000	6,000	8,269	(2,269)
Utilities	22,300	22,300	26,016	(3,716)
<b>TOTAL LIBRARY</b>	<b>83,200</b>	<b>83,200</b>	<b>55,370</b>	<b>27,830</b>
<b>TOTAL CULTURE AND RECREATION</b>	<b>1,134,300</b>	<b>1,134,300</b>	<b>939,462</b>	<b>194,838</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 22,030,900</b>	<b>\$ 22,030,900</b>	<b>\$ 20,287,879</b>	<b>\$ 1,743,021</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF KENTWOOD**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2003**

<u>ASSETS</u>	<u>SPECIAL REVENUE FUNDS</u>						
	DPW EQUIPMENT ESCROW	FIRE EQUIPMENT	ECONOMIC DEVELOPMENT	HOUSING COMMISSION	PARKS	STREET LIGHTING	
Cash and pooled investment	\$ 1,816,495	\$ 992,422	\$ 560,548	\$ 135,130	\$ 641,716	\$ 2,405,749	
Mortgage loans receivable	-	-	322,651	89,968	-	-	
Due from other governmental units	-	-	-	-	82,618	-	
<b>TOTAL ASSETS</b>	<b>\$ 1,816,495</b>	<b>\$ 992,422</b>	<b>\$ 883,199</b>	<b>\$ 225,098</b>	<b>\$ 724,334</b>	<b>\$ 2,405,749</b>	
<u>LIABILITIES AND FUND BALANCES</u>							
<b>LIABILITIES</b>							
Accounts payable	\$ 31,221	\$ -	\$ 9,419	\$ 5,799	\$ 106,931	\$ 25,222	
<b>FUND BALANCES</b>							
Reserved for mortgage loans receivable -							
Noncurrent portion	-	-	134,019	84,766	-	-	
Unreserved							
Undesignated	1,785,274	992,422	739,761	134,533	617,403	2,380,527	
<b>TOTAL FUND BALANCES</b>	<b>1,785,274</b>	<b>992,422</b>	<b>873,780</b>	<b>219,299</b>	<b>617,403</b>	<b>2,380,527</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,816,495</b>	<b>\$ 992,422</b>	<b>\$ 883,199</b>	<b>\$ 225,098</b>	<b>\$ 724,334</b>	<b>\$ 2,405,749</b>	

				DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
LANDFILL REMEDICATION	MUNICIPAL STREET	LOCAL STREET	POST EMPLOMENT BENEFITS	BUILDING AUTHORITY	BUILDING AUTHORITY	
\$ 342,363	\$ 4,086,930	\$ 2,617,239	\$ 193,626	\$ 420	\$ 640,812	\$ 14,433,450
-	-	-	-	-	-	412,619
-	-	112,915	-	-	-	195,533
\$ 342,363	\$ 4,086,930	\$ 2,730,154	\$ 193,626	\$ 420	\$ 640,812	\$ 15,041,602

\$ 26,670	\$ -	\$ 131,752	\$ -	\$ -	\$ 7,450	\$ 344,464
-----------	------	------------	------	------	----------	------------

-	-	-	-	-	-	218,785
---	---	---	---	---	---	---------

315,693	4,086,930	2,598,402	193,626	420	633,362	14,478,353
---------	-----------	-----------	---------	-----	---------	------------

315,693	4,086,930	2,598,402	193,626	420	633,362	14,697,138
---------	-----------	-----------	---------	-----	---------	------------

\$ 342,363	\$ 4,086,930	\$ 2,730,154	\$ 193,626	\$ 420	\$ 640,812	\$ 15,041,602
------------	--------------	--------------	------------	--------	------------	---------------

**CITY OF KENTWOOD**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2003**

**SPECIAL REVENUE FUNDS**

	DPW EQUIPMENT	FIRE EQUIPMENT	ECONOMIC DEVELOPMENT	HOUSING COMMISSION	PARKS	STREET LIGHTING
<b>REVENUES</b>						
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	174,610	282,109
Intergovernmental	-	-	-	-	106,629	-
Charges for services	148,701	-	-	-	-	-
Investment income	72,514	36,832	40,195	6,606	33,024	103,214
Application fees	-	-	17,821	-	-	-
Miscellaneous	-	-	-	22,553	-	-
<b>TOTAL REVENUES</b>	<b>221,215</b>	<b>36,832</b>	<b>58,016</b>	<b>29,159</b>	<b>314,263</b>	<b>385,323</b>
<b>EXPENDITURES</b>						
Current						
General government	-	-	60,820	13,114	-	-
Public safety	-	15,000	-	-	-	-
Highways and streets	-	-	-	-	-	330,019
Public works	15,000	-	-	-	-	-
Culture and recreation	-	-	-	-	15,700	-
Capital outlay	132,791	631,364	-	-	370,659	-
Debt service						
Interest expense	-	-	-	-	-	-
Principal	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>147,791</b>	<b>646,364</b>	<b>60,820</b>	<b>13,114</b>	<b>386,359</b>	<b>330,019</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>73,424</b>	<b>(609,532)</b>	<b>(2,804)</b>	<b>16,045</b>	<b>(72,096)</b>	<b>55,304</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	-	4,399	-	-	-	-
Operating transfers in	-	215,000	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>219,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>73,424</b>	<b>(390,133)</b>	<b>(2,804)</b>	<b>16,045</b>	<b>(72,096)</b>	<b>55,304</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,711,850</b>	<b>1,382,555</b>	<b>876,584</b>	<b>203,254</b>	<b>689,499</b>	<b>2,325,223</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,785,274</b>	<b>\$ 992,422</b>	<b>\$ 873,780</b>	<b>\$ 219,299</b>	<b>\$ 617,403</b>	<b>\$ 2,380,527</b>

				DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
LANDFILL REMEDICATION	MUNICIPAL STREET	LOCAL STREET	POST EMPLOMENT BENEFITS	BUILDING AUTHORITY	BUILDING AUTHORITY	
\$ -	\$ 13,514	\$ -	\$ -	\$ -	\$ -	\$ 13,514
261,914	524,014	-	-	-	-	1,242,647
25,259	-	653,884	-	-	-	785,772
-	-	-	193,050	856,043	-	1,197,794
14,656	163,740	106,686	576	18	38,997	617,058
-	-	-	-	-	-	17,821
-	600	53,126	-	-	-	76,279
301,829	701,868	813,696	193,626	856,061	38,997	3,950,885
-	-	-	-	-	-	73,934
-	-	-	-	-	-	15,000
-	47,100	858,371	-	-	-	1,235,490
97,255	-	-	-	-	-	112,255
-	-	-	-	-	-	15,700
-	-	-	-	-	1,143,434	2,278,248
-	-	-	-	371,043	-	371,043
-	-	-	-	485,000	-	485,000
97,255	47,100	858,371	-	856,043	1,143,434	4,586,670
204,574	654,768	(44,675)	193,626	18	(1,104,437)	(635,785)
-	-	-	-	-	-	4,399
-	-	-	-	-	-	215,000
-	-	-	-	-	-	219,399
204,574	654,768	(44,675)	193,626	18	(1,104,437)	(416,386)
111,119	3,432,162	2,643,077	-	402	1,737,799	15,113,524
\$ 315,693	\$ 4,086,930	\$ 2,598,402	\$ 193,626	\$ 420	\$ 633,362	\$ 14,697,138

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
DPW EQUIPMENT FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>BUDGET AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>AMOUNT</u>	<u>POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for services - internal	\$ 125,000	\$ 125,000	\$ 148,701	\$ 23,701
Investment income	75,000	75,000	72,514	(2,486)
TOTAL REVENUES	<u>200,000</u>	<u>200,000</u>	<u>221,215</u>	<u>21,215</u>
EXPENDITURES				
Current				
Administration	15,000	15,000	15,000	-
Capital outlay	153,000	153,000	132,791	20,209
TOTAL EXPENDITURES	<u>168,000</u>	<u>168,000</u>	<u>147,791</u>	<u>20,209</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>32,000</u>	<u>32,000</u>	<u>73,424</u>	<u>41,424</u>
EXPENDITURES				
OTHER FINANCING SOURCES				
Sale of capital assets	5,000	5,000	-	(5,000)
Transfers out	(500,000)	(500,000)	-	500,000
TOTAL OTHER FINANCING SOURCES	<u>(495,000)</u>	<u>(495,000)</u>	<u>-</u>	<u>495,000</u>
NET CHANGE IN FUND BALANCES	(463,000)	(463,000)	73,424	536,424
FUND BALANCE, BEGINNING OF YEAR	<u>1,711,850</u>	<u>1,711,850</u>	<u>1,711,850</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,248,850</u>	<u>\$ 1,248,850</u>	<u>\$ 1,785,274</u>	<u>\$ 536,424</u>

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
FIRE EQUIPMENT FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Investment income	\$ 35,000	\$ 35,000	\$ 36,832	\$ 1,832
EXPENDITURES				
Current				
Administration	15,000	15,000	15,000	-
Capital outlay	947,000	947,000	631,364	315,636
TOTAL EXPENDITURES	962,000	962,000	646,364	315,636
REVENUES OVER (UNDER) EXPENDITURES	(927,000)	(927,000)	(609,532)	66,991
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	4,399	4,399
Transfers in	215,000	215,000	215,000	-
TOTAL OTHER FINANCING SOURCES	215,000	215,000	219,399	4,399
NET CHANGE IN FUND BALANCES	(712,000)	(712,000)	(390,133)	71,390
FUND BALANCE, BEGINNING OF YEAR	1,382,555	1,382,555	1,382,555	-
FUND BALANCE, END OF YEAR	\$ 670,555	\$ 670,555	\$ 992,422	\$ 321,867

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
ECONOMIC DEVELOPMENT FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Investment income	\$ 40,000	\$ 40,000	\$ 40,195	195
Application fees	20,000	20,000	17,821	(2,179)
Miscellaneous	20,000	20,000	-	(20,000)
TOTAL REVENUES	80,000	80,000	58,016	(21,984)
EXPENDITURES				
Current				
Administration	3,700	3,700	4,700	(1,000)
Employee benefits	2,800	2,800	2,054	746
Contractual services	17,200	17,200	15,822	1,378
Salaries	14,100	14,100	13,696	404
Miscellaneous	75,900	75,900	24,548	51,352
TOTAL EXPENDITURES	113,700	113,700	60,820	52,880
NET CHANGE IN FUND BALANCES	(33,700)	(33,700)	(2,804)	30,896
FUND BALANCE, BEGINNING OF YEAR	876,584	876,584	876,584	-
FUND BALANCE, END OF YEAR	\$ 842,884	\$ 842,884	\$ 873,780	\$ 30,896

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
HOUSING COMMISSION FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Investment income	\$ 6,000	\$ 6,000	\$ 6,606	\$ 606
Miscellaneous	-	-	22,553	22,553
TOTAL REVENUES	6,000	6,000	29,159	23,159
EXPENDITURES				
Current				
Administration	1,400	1,400	2,845	(1,445)
Employee benefits	1,100	1,100	996	104
Grant expenses	-	-	2,617	(2,617)
Salaries	4,300	4,300	6,293	(1,993)
Supplies	2,800	2,800	363	2,437
TOTAL EXPENDITURES	9,600	9,600	13,114	(3,514)
NET CHANGE IN FUND BALANCES	(3,600)	(3,600)	16,045	19,645
FUND BALANCE, BEGINNING OF YEAR	203,254	203,254	203,254	-
FUND BALANCE, END OF YEAR	\$ 199,654	\$ 199,654	\$ 219,299	\$ 19,645

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
PARKS FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 177,200	\$ 177,200	\$ 174,610	\$ (2,590)
Intergovernmental	133,000	133,000	106,629	(26,371)
Investment income	30,000	30,000	33,024	3,024
TOTAL REVENUES	340,200	340,200	314,263	(25,937)
EXPENDITURES				
Current				
Administration	15,000	15,000	15,700	(700)
Capital outlay	390,000	390,000	370,659	19,341
TOTAL EXPENDITURES	405,000	405,000	386,359	18,641
NET CHANGE IN FUND BALANCES	(64,800)	(64,800)	(72,096)	(7,296)
FUND BALANCE, BEGINNING OF YEAR	689,499	689,499	689,499	-
FUND BALANCE, END OF YEAR	\$ 624,699	\$ 624,699	\$ 617,403	\$ (7,296)

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
STREET LIGHTING FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 284,800	\$ 284,800	\$ 282,109	\$ (2,691)
Investment income	120,000	120,000	103,214	(16,786)
TOTAL REVENUES	404,800	404,800	385,323	(19,477)
EXPENDITURES				
Current				
Administrative	24,000	24,000	25,300	(1,300)
Utilities	325,000	325,000	304,165	20,835
Maintenance	1,500	1,500	-	1,500
Miscellaneous	10,000	10,000	554	9,446
TOTAL EXPENDITURES	360,500	360,500	330,019	30,481
NET CHANGE IN FUND BALANCES	44,300	44,300	55,304	11,004
FUND BALANCE, BEGINNING OF YEAR	2,325,223	2,325,223	2,325,223	-
FUND BALANCE, END OF YEAR	\$ 2,369,523	\$ 2,369,523	\$ 2,380,527	\$ 11,004

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
LANDFILL REMEDIATION FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 265,900	\$ 265,900	\$ 261,914	\$ (3,986)
Intergovernmental	30,000	30,000	25,259	(4,741)
Investment income	7,000	7,000	14,656	7,656
TOTAL REVENUES	302,900	302,900	301,829	(1,071)
EXPENDITURES				
Current				
Administration	22,000	22,000	23,500	(1,500)
Landfill expense	92,000	92,000	73,755	18,245
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	114,000	114,000	97,255	16,745
NET CHANGE IN FUND BALANCES	188,900	188,900	204,574	15,674
FUND BALANCE, BEGINNING OF YEAR	111,119	111,119	111,119	-
FUND BALANCE, END OF YEAR	\$ 300,019	\$ 300,019	\$ 315,693	\$ 15,674

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
MUNICIPAL STREET FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Special assessments	\$ -	\$ -	\$ 13,514	\$ 13,514
Taxes	531,900	531,900	524,014	(7,886)
Investment income	135,000	135,000	163,740	28,740
Miscellaneous	-	-	600	600
TOTAL REVENUES	666,900	666,900	701,868	34,968
EXPENDITURES				
Current				
Administrative	43,000	43,000	47,100	(4,100)
Maintenance	5,000	5,000	-	5,000
Engineering	200,000	200,000	-	200,000
TOTAL EXPENDITURES	248,000	248,000	47,100	200,900
NET CHANGE IN FUND BALANCES	418,900	418,900	654,768	235,868
FUND BALANCE, BEGINNING OF YEAR	3,432,162	3,432,162	3,432,162	-
FUND BALANCE, END OF YEAR	\$ 3,851,062	\$ 3,851,062	\$ 4,086,930	\$ 235,868

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
LOCAL STREET FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Intergovernmental	\$ 663,900	\$ 663,900	\$ 653,884	\$ (10,016)
Investment income	120,000	120,000	106,686	(13,314)
Miscellaneous	15,000	15,000	53,126	38,126
TOTAL REVENUES	798,900	798,900	813,696	14,796
EXPENDITURES				
Current				
Engineering	10,000	10,000	25,500	(15,500)
Administrative	52,000	52,000	58,800	(6,800)
Maintenance	450,000	450,000	580,243	(130,243)
Snow and ice removal	180,000	180,000	173,591	6,409
Traffic control	50,000	50,000	18,071	31,929
Miscellaneous	2,000	2,000	2,166	(166)
Capital outlay	162,000	162,000	-	162,000
TOTAL EXPENDITURES	906,000	906,000	858,371	47,629
REVENUE OVER (UNDER) EXPENDITURES	(107,100)	(107,100)	(44,675)	62,425
OTHER FINANCING SOURCE				
Transfers in	162,000	162,000	-	(162,000)
NET CHANGE IN FUND BALANCES	54,900	54,900	(44,675)	(99,575)
FUND BALANCE, BEGINNING OF YEAR	2,643,077	2,643,077	2,643,077	-
FUND BALANCE, END OF YEAR	\$ 2,697,977	\$ 2,697,977	\$ 2,598,402	\$ (99,575)

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
POST EMPLOYMENT BENEFITS**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Charges for services - internal	\$ -	\$ -	\$ 193,050	\$ (193,050)
Investment income	-	-	576	(576)
TOTAL REVENUES	-	-	193,626	(193,626)
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	193,626	193,626
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 193,626	\$ 193,626

## **FIDUCIARY FUNDS**

**CITY OF KENTWOOD**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TAX COLLECTION AGENCY FUND**

**FOR THE YEAR ENDED JUNE 30, 2003**

	BALANCE			BALANCE		
	JULY 1, 2002	ADDITIONS	DEDUCTIONS	JUNE 30, 2003		
<u>ASSETS</u>						
Cash	\$ 23,394	\$ 75,988,169	\$ (75,846,434)	\$ 165,129		
<u>LIABILITY</u>						
Due to other governmental units	\$ 23,394	\$ 75,988,169	\$ (75,846,434)	\$ 165,129		

**INTERNAL CONTROL  
AND  
COMPLIANCE**



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

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

December 16, 2003

Honorable Mayor and City Commissioners  
City of Kentwood, Michigan

We have audited the financial statements of the City of Kentwood, Michigan, as of and for the year ended June 30, 2003 and have issued our report thereon dated December 16, 2003. 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.

*Compliance*

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the City of Kentwood, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

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

# Continuing Disclosure Filing

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



*Fiscal Year Ended  
June 30, 2003*

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

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

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

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
E-mail: NRMSIR@FTID.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 REPOSITORY

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

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

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

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

CUSIP Numbers (attach additional sheet if necessary):

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

\* \* \*

Number of pages of attached information:

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

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

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

(b) Audited? Yes  No

Annual Financial Information: Audited? Yes  No

Operating Data

Fiscal Period Covered: June 30, 2003

\*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: 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, 2000 Through 2004**

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 Acts 198 and 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
1998	1999	2000	\$1,458,170,451	\$43,637,203	\$1,501,807,654	7.35%
1999	2000	2001	1,532,989,027	36,853,198	1,569,842,225	4.53
2000	2001	2002	1,636,140,691	40,206,860	1,676,347,551	6.78
2001	2002	2003	1,734,711,536	41,556,871	1,776,268,407	5.96
2002	2003	2004	1,774,165,427	42,814,362	1,816,979,789	2.29
Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2004 (2) .....						\$40,149.81

(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, 2000 Through 2004**

Use	Fiscal Years Ended or Ending June 30				
	2000	2001	2002	2003	2004
Commercial.....	\$ 433,054,531	\$ 447,961,679	\$ 481,268,446	\$ 524,438,362	\$ 529,557,569
Industrial.....	459,314,818	476,910,690	507,961,354	519,716,228	519,737,982
Residential.....	587,101,505	622,006,456	663,299,551	707,509,717	742,337,138
Utility .....	<u>22,336,800</u>	<u>22,963,400</u>	<u>23,818,200</u>	<u>24,604,100</u>	<u>25,347,100</u>
	<u>\$ 1,501,807,654</u>	<u>\$ 1,569,842,225</u>	<u>\$ 1,676,347,551</u>	<u>\$ 1,776,268,407</u>	<u>\$ 1,816,979,789</u>
Class	2000	2001	2002	2003	2004
Real Property .....	\$ 1,206,409,486	\$ 1,277,494,868	\$ 1,364,435,176	\$ 1,460,649,368	\$ 1,512,523,223
Personal Property .....	<u>295,317,168</u>	<u>292,347,357</u>	<u>311,912,375</u>	<u>315,619,039</u>	<u>304,456,566</u>
	<u>\$ 1,501,807,654</u>	<u>\$ 1,569,842,225</u>	<u>\$ 1,676,347,551</u>	<u>\$ 1,776,268,407</u>	<u>\$ 1,816,979,789</u>

Source: City of Kentwood

**City of Kentwood  
State Equalized Valuation  
Fiscal Years Ended or Ending June 30, 2000 Through 2004**

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 Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
1998	1999	2000	\$1,569,584,580	\$87,345,600	\$1,656,930,180	8.69%
1999	2000	2001	1,656,553,302	72,702,700	1,730,105,702	4.42
2000	2001	2002	1,761,925,101	80,168,400	1,842,093,501	6.47
2001	2002	2003	1,866,638,401	82,812,800	1,949,451,201	5.83
2002	2003	2004	1,915,569,451	85,326,300	1,997,895,751	2.48
Per Capita Total SEV for the Fiscal Year Ending June 30, 2003 (2).....						\$44,147.50

(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, 2000 Through 2004**

Use	Fiscal Years Ended or Ending June 30				
	2000	2001	2002	2003	2004
Commercial .....	\$ 488,299,300	\$ 502,869,002	\$ 530,775,701	\$ 567,597,101	\$ 568,411,601
Industrial .....	520,609,980	528,880,100	566,100,000	579,327,700	577,289,450
Residential .....	625,684,100	674,543,500	721,399,600	777,922,300	826,847,600
Utility .....	22,336,800	22,963,400	23,818,200	24,604,100	25,347,100
	<u>\$ 1,656,930,180</u>	<u>\$ 1,729,256,002</u>	<u>\$ 1,842,093,501</u>	<u>\$ 1,949,451,201</u>	<u>\$ 1,997,895,751</u>

Class	Fiscal Years Ended or Ending June 30				
	2000	2001	2002	2003	2004
Real Property.....	\$ 1,336,454,180	\$ 1,413,616,000	\$ 1,503,937,200	\$ 1,607,417,300	\$ 1,666,668,350
Personal Property.....	320,476,000	315,640,002	338,156,301	342,033,901	331,227,401
	<u>\$ 1,656,930,180</u>	<u>\$ 1,729,256,002</u>	<u>\$ 1,842,093,501</u>	<u>\$ 1,949,451,201</u>	<u>\$ 1,997,895,751</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 or Act 255 (the "Acts"). The Acts were 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 Acts, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial 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 or commercial facilities exemption certificate granted under either of the Acts 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 or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under Act 198 or Act 255 there exists separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT 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 or CFT 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). Act 255 expired as an effective statute of the State of Michigan on June 30, 1986 and tax abatements granted to commercial facilities under Act 255 have expired.

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 and commercial 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 \$85,326,300 for the fiscal year ending June 30, 2004. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$42,814,362 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.

**City of Kentwood  
Maximum Operating Tax Rates  
Fiscal Year Ending June 30, 2004**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
General Operating (1).....	3.0000	0.9983	2.9946
Police and Fire (1).....	3.8000	0.9983	3.7932
Parks (2).....	0.1000	0.9983	0.0998
Streets and Bridges (2).....	0.3000	0.9983	0.2995
Landfill Remediation (3).....	0.1500	0.9983	0.1497
Street Lighting (4).....	0.5000	1.0000	0.5000

- (1) Authorized by the City Charter.  
 (2) Authorized by the City's electorate through 2014.  
 (3) Authorized by the City's electorate through 2009.  
 (4) Special assessment on all real property within the City approved annually by the City Commission.  
 Source: City of Kentwood

**City of Kentwood  
Property Tax Rates  
Fiscal Years Ended or Ending June 30, 2000 Through 2004**

Fiscal Years Ended or		General	Police	Streets and	Landfill	Street	Total
<u>Levy July 1</u>	<u>Ending June 30</u>	<u>Operating (1)</u>	<u>and Fire (1)</u>	<u>Bridges (2)</u>	<u>Remediation (3)</u>	<u>Lighting (4)</u>	
1999	2000	\$2.9946	\$3.7932	\$0.0998	\$0.2995	\$0.1497	\$7.5318
2000	2001	2.9946	3.7932	0.0998	0.2995	0.1497	7.5318
2001	2002	2.9946	3.7932	0.0998	0.2995	0.1497	7.5318
2002	2003	2.9946	3.7932	0.0998	0.2995	0.1497	7.5318
2003	2004	2.9946	3.7932	0.0998	0.2995	0.1497	7.5318

- (1) Authorized by the City Charter.  
 (2) Authorized by the City's electorate through 2014.  
 (3) Authorized by the City's electorate through 2009.  
 (4) Special assessment on all real property within the City approved annually by the City Commission.  
 Source: City of Kentwood

**City of Kentwood**  
**Homestead (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 1999 Through 2003**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
City of Kentwood.....	\$5.5450	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent.....	5.3664	5.3551	5.3340	5.3230	5.3140
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2) .....	5.3979	5.3979	5.3951	5.3951	5.3922
Kent Intermediate School					
District .....	3.8784	3.8625	3.8430	3.8299	3.8192
Grand Rapids Community					
College.....	1.8276	1.8201	1.8109	1.8049	1.8000
Interurban Transit Authority .....	0.0000	0.0000	0.7500	0.7300	0.7480
Kentwood District Library					
Authority .....	<u>0.6800</u>	<u>0.6431</u>	<u>0.8400</u>	<u>0.8787</u>	<u>0.8769</u>
Total.....	<u>\$28.6953</u>	<u>\$30.6015</u>	<u>\$31.5048</u>	<u>\$31.4934</u>	<u>\$31.4821</u>

**City of Kentwood**  
**Non-Homestead (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 1999 Through 2003**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
City of Kentwood.....	\$5.5450	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent.....	5.3664	5.3551	5.3340	5.3230	5.3140
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2) .....	23.3979	23.3979	23.3951	23.3951	23.3922
Kent Intermediate School					
District .....	3.8784	3.8625	3.8430	3.8299	3.8192
Grand Rapids Community					
College.....	1.8276	1.8201	1.8109	1.8049	1.8000
Interurban Transit Authority .....	0.0000	0.0000	0.7500	0.7300	0.7480
Kentwood District Library					
Authority .....	<u>0.6800</u>	<u>0.6431</u>	<u>0.8400</u>	<u>0.8787</u>	<u>0.8769</u>
Total.....	<u>\$46.6953</u>	<u>\$48.6105</u>	<u>\$49.5048</u>	<u>\$49.4934</u>	<u>\$49.4821</u>

- (1) *Homestead* 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. Homestead 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. Homestead 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. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-homestead* 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-homestead millage rates for the other overlapping school districts for the fiscal year ending June 30, 2003 ranged from \$23.50 to \$25.55 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, 2000 Through 2004**

July 1 <u>Levy</u>	Fiscal Years Ended or Ending <u>June 30</u>	<u>Tax Levy</u>	Collections to March 1 <u>Following Levy</u>	Percent <u>Collected</u>
1999	2000	\$ 11,207,180	\$ 10,791,753	96.3%
2000	2001	11,761,554	11,500,890	97.8
2001	2002	12,574,081	12,275,774	97.6
2002	2003	13,316,321	12,954,846	97.3
2003	2004	13,619,195	(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, 2004**

<u>Taxpayers</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	Total Taxable <u>Value</u>	Percent of <u>Total (2)</u>
Steelcase Corporation (3).....	Office Furniture .....	\$102,990,214	\$ 0	\$102,990,214	5.67%
Bosch Corporation (4) .....	Automotive Supplier	48,193,100	11,973,700	60,166,800	3.31
Woodland Mall.....	Shopping Center.....	41,396,932	0	41,396,932	2.28
Lacks Industries, Inc.....	Automotive Supplier .	30,327,421	5,533,700	35,861,121	1.97
Knoll North America .....	Office Supplier.....	23,003,100	983,950	23,987,050	1.32
Robert Grooters Devel. Co. ....	Real Estate.....	20,907,318	0	20,907,318	1.15
Meridian Automotive .....	Automotive Supplier .	18,269,928	217,500	18,487,428	1.02
Auto Cam Corporation.....	Automotive Supplier.	16,249,869	724,250	16,974,119	0.93
Consumers Energy .....	Utility .....	16,892,405	0	16,892,405	0.93
Fifth Third Bank, Michigan....	Financial Institution...	<u>14,613,058</u>	<u>0</u>	<u>14,613,058</u>	<u>0.80</u>
		<u>\$332,843,345</u>	<u>\$ 19,433,100</u>	<u>\$352,276,445</u>	<u>19.38%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$1,816,979,789 which is the City's Total Taxable Value for the fiscal year ended June 30, 2004. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement" herein.

(3) Steelcase, Inc. has filed real and personal property assessment appeals. The outcome and the impact of the appeals on the City's operating revenues and revenues available to pay debt service on the Bonds is unknown.

(4) In February 2003 Bosch Corporation announced that it will be closing its Kentwood facilities by year's end.

Source: City of Kentwood

**City of Kentwood**  
**Revenues From the State of Michigan**  
**Fiscal Years Ended or Ending June 30, 2000 Through 2004**

	Fiscal Years Ended or Ending June 30				
	2000	2001	2002	2003	2004 (2)
State Sales Tax.....	\$ 3,394,666	\$ 4,078,474	\$ 4,018,692	\$ 3,919,974	\$ 3,808,900
Liquor License Fees.....	<u>14,343</u>	<u>16,146</u>	<u>17,404</u>	<u>16,586</u>	<u>16,000</u>
Total Revenues From the State of Michigan.....	<u>\$ 3,409,009</u>	<u>\$ 4,094,620</u>	<u>\$ 4,036,096</u>	<u>\$ 3,936,560</u>	<u>\$ 3,824,900</u>
Percent of General Fund Revenue.....	21.53%	21.19%	20.40%	18.42%	16.55%

(1) As estimated

(2) As budgeted.

Source: City of Kentwood

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of October 16, 2003.

Debt Limit (1) .....	\$ 199,789,575
Debt Outstanding.....	\$18,530,000
Less: Exempt Debt.....	<u>0</u>
Legal Debt Margin .....	<u>\$ 181,259,575</u>

(1) 10% of \$1,997,895,751 which is the City's Total SEV for the fiscal year ending June 30, 2004. Includes the SEV of property granted tax abatement under Act 198.

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