



CITY OF KENTWOOD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

CITY OF KENTWOOD, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

November 30, 2010

Honorable Mayor and City Commissioners
Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Kentwood, Michigan* (the "City"), as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the City of Kentwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-15 and the pension and other postemployment benefits information on pages 61-64 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kentwood's basic financial statements. The combining and individual fund financial statements and schedules and the continuing disclosure filing are presented for purposes of additional analysis and are not a required part of the City of Kentwood's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF KENTWOOD

Management's Discussion and Analysis

As management of the City of Kentwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Kentwood for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

In anticipation of the City's first-ever drop in taxable property values and continuing reductions of state shared revenue, on October 28, 2009, the City Commission adopted significant amendments to the General Fund budget for the year ended June 30, 2010. These budget amendments resulted in the elimination of thirty-one (31) budgeted staff positions, including the layoff of nineteen (19) City employees.

In additional related action, on January 19, 2010, the City Commission adopted a resolution to place a millage question before the City's electors. On May 4, 2010, voters approved the addition of two mills to the City's dedicated police and fire millage, effective July 1, 2010. As promised during the millage campaign, the additional millage will allow the City to rehire five police officers, two fire fighters and one crime analyst.

2010 was also year of continued capital investment for the City. Projects included:

- Completion of construction for the improvement of Kalamazoo Avenue – Phase II (from 44th Street to 52nd Street);
- Continuation of construction of a new library using proceeds from the general obligation limited tax (GOLT) bonds sold on March 19, 2009;
- Commencement of engineering and construction of the improvement of Walma Avenue;

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 20-22 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 24-33 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 37 and 38 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 39-59 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis and required pension and other postemployment benefits information. Required supplementary information regarding the pension and other postemployment benefits information can be found on pages 61-64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and continuing disclosure information are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 65-100 of this report and continuing disclosure information can be found on pages 105-115.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kentwood, assets exceeded liabilities by \$100,586,866 at the close of the most recent fiscal year.

City of Kentwood's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 58,478,875	\$ 62,732,460	\$ 8,155,292	\$ 7,990,386	\$ 66,634,167	\$ 70,722,846
Capital assets, net	50,758,950	46,972,703	13,629,601	12,988,553	64,388,551	59,961,256
Total assets	109,237,825	109,705,163	21,784,893	20,978,939	131,022,718	130,684,102
Liabilities						
Long-term liabilities	26,356,489	28,185,268	-	-	26,356,489	28,185,268
Other liabilities	3,653,407	3,711,814	425,956	412,061	4,079,363	4,123,875
Total liabilities	30,009,896	31,897,082	425,956	412,061	30,435,852	32,309,143
Net assets						
Invested in capital assets, net of related debt	29,183,264	29,484,748	13,629,601	12,988,553	42,812,865	42,473,301
Restricted	32,181,613	29,613,989	-	-	32,181,613	29,613,989
Unrestricted	17,863,052	18,709,344	7,729,336	7,578,325	25,592,388	26,287,669
Total net assets	\$ 79,227,929	\$ 77,808,081	\$ 21,358,937	\$ 20,566,878	\$ 100,586,866	\$ 98,374,959

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

Net assets of governmental activities at year-end have been restricted primarily by funding sources for major, local and municipal streets, drains and street lighting. Of the net asset balance at year end, 37% is invested in capital assets net of related debt, 40% is restricted for other purposes and 23% is unrestricted and available for general City operations.

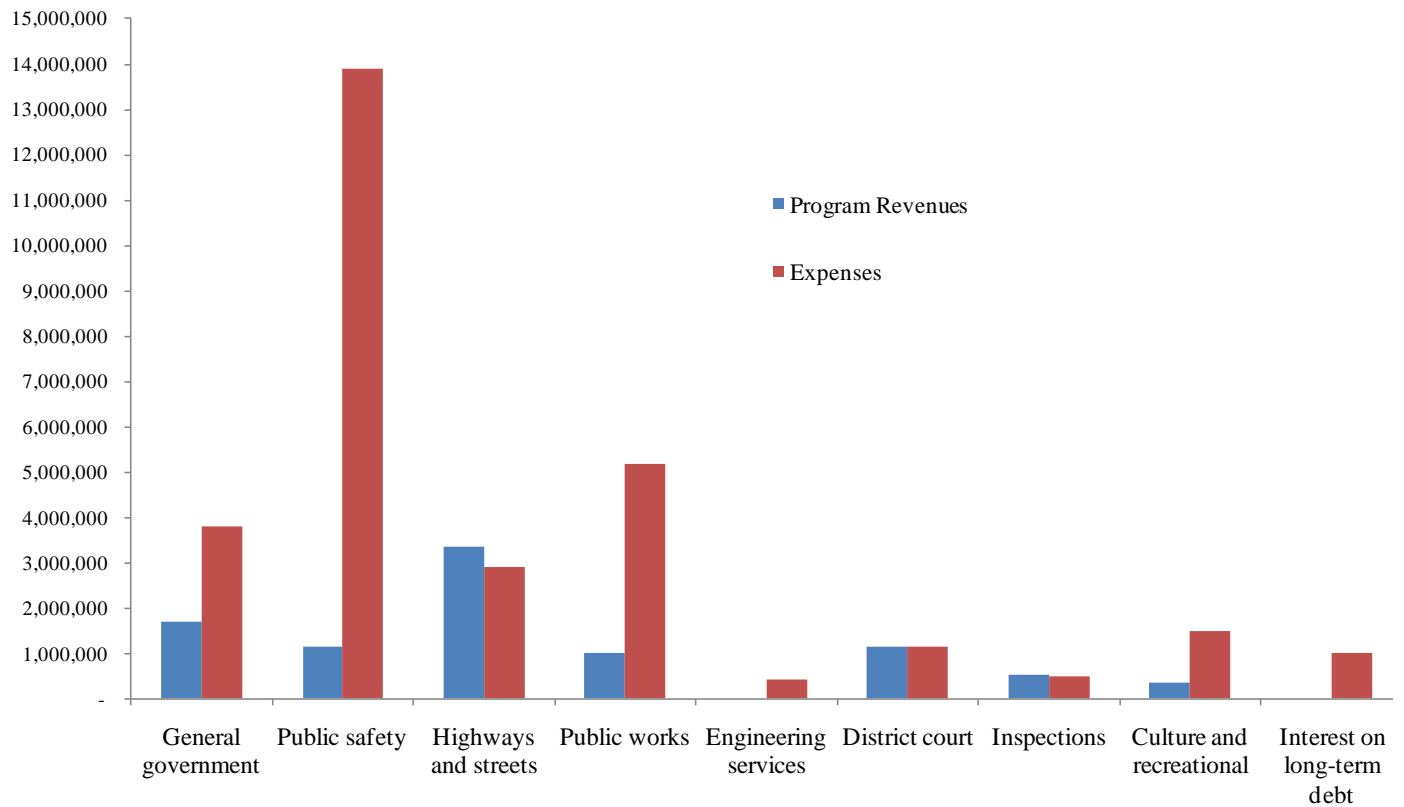
City of Kentwood's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 5,304,237	\$ 5,864,540	\$ 5,746,433	\$ 5,537,066	\$ 11,050,670	\$ 11,401,606
Operating grants and contributions	3,894,824	3,531,711	447,077	493,926	4,341,901	4,025,637
Capital grants and contributions	256,400	-	-	-	256,400	-
General revenues:						
Property taxes	16,475,860	16,038,558	-	-	16,475,860	16,038,558
State shared revenues	2,874,624	3,175,986	-	-	2,874,624	3,175,986
Gain on sale of capital assets	77,474	51,098	-	-	77,474	51,098
Other revenues	2,089,298	1,958,000	-	-	2,089,298	1,958,000
Total revenues	<u>30,972,717</u>	<u>30,619,893</u>	<u>6,193,510</u>	<u>6,030,992</u>	<u>37,166,227</u>	<u>36,650,885</u>
Expenses						
General government	3,803,909	4,105,495	-	-	3,803,909	4,105,495
Public safety	13,904,973	14,940,761	-	-	13,904,973	14,940,761
Highways and streets	2,911,992	3,136,743	-	-	2,911,992	3,136,743
Public works	5,190,793	4,746,198	-	-	5,190,793	4,746,198
Engineering services	413,751	510,233	-	-	413,751	510,233
District court	1,160,404	1,266,350	-	-	1,160,404	1,266,350
Inspections	492,267	502,957	-	-	492,267	502,957
Culture and recreation	1,487,090	1,016,886	-	-	1,487,090	1,016,886
Interest on long-term debt	1,012,006	806,983	-	-	1,012,006	806,983
Indirect expense allocation	(379,356)	(551,963)	379,356	551,963	-	-
Water	-	-	2,146,107	1,924,645	2,146,107	1,924,645
Sewer	-	-	2,431,028	2,483,765	2,431,028	2,483,765
Total expenses	<u>29,997,829</u>	<u>30,480,643</u>	<u>4,956,491</u>	<u>4,960,373</u>	<u>34,954,320</u>	<u>35,441,016</u>
Change in net assets before transfers	974,888	139,250	1,237,019	1,070,619	2,211,907	1,209,869
Transfers	444,960	(2,574,235)	(444,960)	2,574,235	-	-
Change in net assets	1,419,848	(2,434,985)	792,059	3,644,854	2,211,907	1,209,869
Net assets, beginning of year	<u>77,808,081</u>	<u>80,243,066</u>	<u>20,566,878</u>	<u>16,922,024</u>	<u>98,374,959</u>	<u>97,165,090</u>
Net assets, end of year	<u>\$ 79,227,929</u>	<u>\$ 77,808,081</u>	<u>\$ 21,358,937</u>	<u>\$ 20,566,878</u>	<u>\$ 100,586,866</u>	<u>\$ 98,374,959</u>

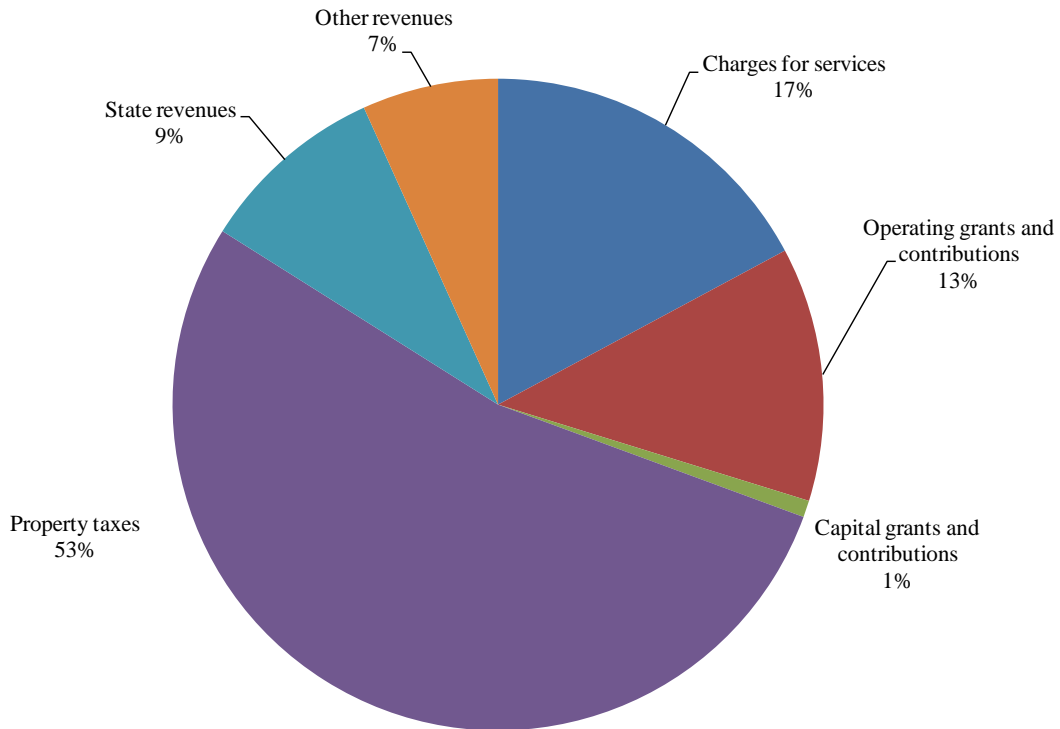
Governmental activities. Governmental activities increased the City’s net assets by \$1,419,848. Key elements of this increase are as follows:

- Collection of special assessments receivable and related interest income in the general projects capital projects fund.
- Accumulation of unexpended public safety appropriations in the police and fire millage special revenue fund for future use to provide police and fire services.

Expenses and Program Revenues - Governmental Activities



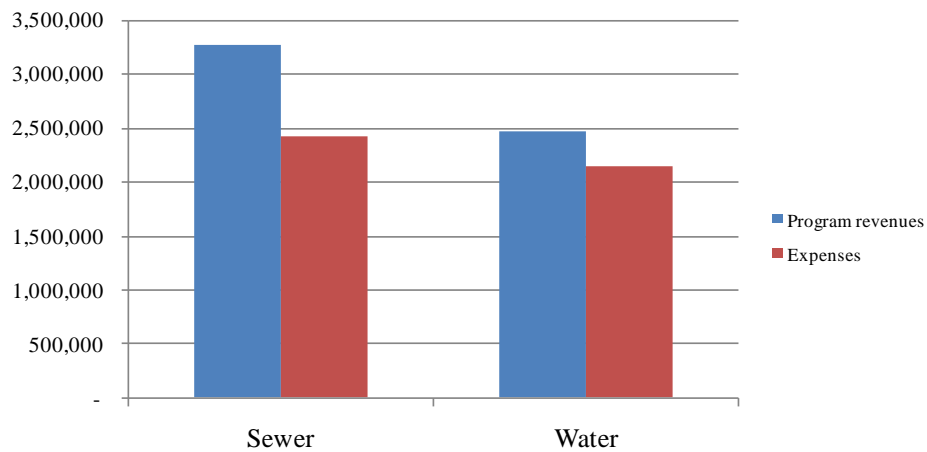
Revenues by Source - Governmental Activities



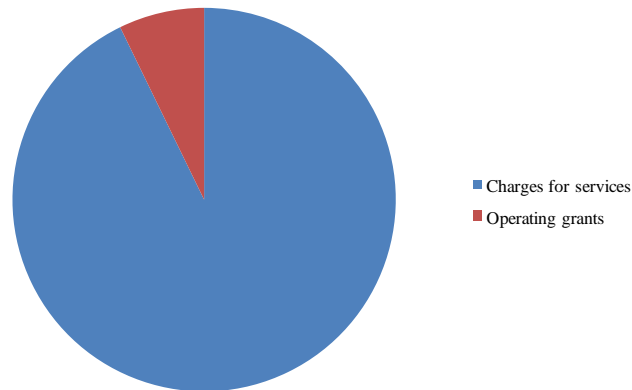
Business-type activities. Business-type activities increased the City's net assets by \$792,059. The key elements of this increase were as follows:

- Operating revenue and investment income that exceeded operating expenses and transfers out.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Kentwood's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Kentwood's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Kentwood's governmental funds reported combined ending fund balance of \$45,511,006, a decrease of \$3,314,703 compared with the prior year. This decrease was mainly related to the use of proceeds from general obligation limited tax bonds sold on March 19, 2009 for the construction of a new library, along with the use of resources held in the drains, street lighting, property & building and DPW equipment special revenue funds. This was offset in part by collections of special assessments receivable and related interest income in the general projects capital projects fund, the accumulation of unexpended public safety appropriations in the police and fire millage special revenue fund for future use to provide police and fire services, and the accumulation of assets for future costs in the streets, parks, library, and fire equipment special revenue funds.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,577,487 while total fund balance reached \$5,063,584. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 18 percent of total general fund expenditures and transfers out, while total fund balance represents 20 percent of that same amount.

The fund balance of the City of Kentwood's general fund increased by \$12,178 during the current fiscal year.

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

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$3,525,274 and \$4,204,062, respectively. The total changes in net assets for these funds were an increase of \$117,386 and \$674,673, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Kentwood's business-type activities.

General Fund Budgetary Highlights

- The general fund budget was amended by City Commission resolution three times during the fiscal year ended June 30, 2010. As noted in the Financial Highlights portion of this document, the most significant of these amendments were adopted on October 28, 2009, which included a \$518,600 reduction in the amount budgeted for stated shared revenue, and the elimination of thirty-one (31) budgeted staff positions, including the layoff of nineteen (19) City employees.
- General fund expenditure budget to actual variances are due to several factors including staffing vacancies and reassignments (Police, Fire, Inspections, Planning and Zoning, Public Works, Engineering, and Recreation); employee benefits costs that varied from amounts budgeted (all departments with personnel); variations in contractual services and supplies needed (Administrative, Information Technology, Elections, Police, Fire, Public Works, and District Court); and changes in customer utilization of activities (Recreation).

Capital Asset and Debt Administration

Capital assets. The City of Kentwood's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$64,388,551 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Continuation of library construction.
- Completion/commencement/continuation of street improvements activities.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,454,743	\$ 2,275,360	\$ 60,949	\$ 60,949	\$ 2,515,692	\$ 2,336,309
Construction in progress	6,646,577	2,509,810	422,881	349,559	7,069,458	2,859,369
Depreciable assets	41,657,630	42,187,533	13,145,771	12,578,045	54,803,401	54,765,578
Total	\$50,758,950	\$46,972,703	\$13,629,601	\$12,988,553	\$64,388,551	\$59,961,256

Additional information on the City of Kentwood's capital assets can be found in Note 5 on pages 50-52 of this report.

Long-term debt. The City’s long term debt totaled \$26,356,489 at June 30, 2010, all of which was reported in governmental activities. Business-type activities had no long-term debt.

City of Kentwood’s Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$23,570,000	\$25,185,000	\$ -	\$ -	\$23,570,000	\$25,185,000
Other obligations	2,786,489	2,971,678	-	-	2,786,489	2,971,678
Total	\$26,356,489	\$ 28,156,678	\$ -	\$ -	\$26,356,489	\$28,156,678

During the year the City paid \$1,615,000 of principal on bonds outstanding at July 1, 2009.

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

State statutes limit the amount of general obligation debt a government entity may issue to 10% of the entity’s total State Equalized Value. At June 30, 2010, the debt limitation for the City of Kentwood was \$227,562,664; the City’s debt outstanding, net of \$3,580,000 of exempt self-supporting debt, was \$19,990,000, leaving a legal debt margin of \$207,572,664.

Additional information on the City of Kentwood long-term obligations can be found in Note 6 on page 52-53 of this report.

Economic Factors and Next Year’s Budgets and Rates

At its initial adoption on June 1, 2010, the FY 2011 budget anticipated that total general fund revenues and expenditures would increase, as compared to the amended FY 2010 budget, by 3.21% and 2.39%, respectively. These changes were projected to result in a budget where revenues exceed expenditures by \$442,600. Further explanation of significant changes in the initially adopted budget is, as follows:

Revenues

Property taxes – The general fund's budgeted property tax, its largest revenue source, is projected to decrease for the first time, by -5.53%. The decrease in taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by the Consumer Price Index (CPI) of -0.3%. These percentages differed due to property values that decreased, or increased at less than the rate of the CPI.

State shared revenue – The general fund’s budgeted state shared revenue, its second largest revenue source, when compared to the FY 2010 original budget, is projected to decrease by \$589,200 (-17.53%), or by \$70,600 (-2.48%) when compared to the FY 2010 amended budget. The FY 2011 budget includes state shared revenue calculated using an estimate provided by the State of Michigan, which included \$16,618 categorized as statutory revenue sharing.

Transfer from other funds – This revenue was first budgeted in FY 2000 with the change to collect all of the police and fire millage in the police and fire millage fund. The amount transferred is calculated based on the Police and Fire Department budgets reduced by the contribution (\$4,928,400) the City was making toward police and fire operations at the time the April 1999 millage increase was adopted. With the additional dedicated police and fire millage approved by voters on May 4, 2010, the dedicated police and fire property tax revenue to be collected in FY 2011 is sufficient to cover Police and Fire Department budgets without general fund contributions in excess of \$4,928,400. In addition, at the end of FY 2011, it is anticipated that approximately \$2,000,000 will remain in the police and fire millage fund for future use. In FY 2011, this revenue includes \$50,000 of unexpended FY 2009 appropriations held in the property and building fund for use in a later budget year, and \$20,000 of State METRO Act money for funding of sidewalk snow plowing and sidewalk maintenance costs paid for by the general fund.

Expenditures

Compensation and employee benefits for City employees are estimated and included in the FY 2011 budget using provisions in completed collective bargaining agreements, and based on potential contract changes for two unsettled collective bargaining agreements. Two of the City's collective bargaining agreements are settled for FY 2011. Negotiations with the other two employee bargaining units commenced during FY 2010; the contracts that expired on June 30, 2010 were not settled at adoption of the FY 2010 budget. Since June 30, 2010, agreement has been reached through negotiations with both bargaining units.

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.

CITY OF KENTWOOD

BASIC FINANCIAL STATEMENTS

CITY OF KENTWOOD

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 44,875,179	\$ 6,977,324	\$ 51,852,503
Accounts receivable	1,539,195	1,167,778	2,706,973
Special assessments receivable	9,263,680	-	9,263,680
Loans receivable	293,453	-	293,453
Due from other governments	1,904,941	-	1,904,941
Other assets	602,427	10,190	612,617
Capital assets not being depreciated	9,101,320	483,830	9,585,150
Capital assets being depreciated, net	41,657,630	13,145,771	54,803,401
Total assets	109,237,825	21,784,893	131,022,718
Liabilities			
Accounts payable and accrued expenses	1,778,769	425,956	2,204,725
Accrued wages	447,772	-	447,772
Customer deposits	368,965	-	368,965
Due to other governments	985,523	-	985,523
Unearned revenue	72,378	-	72,378
Long-term liabilities:			
Due within one year	1,766,962	-	1,766,962
Due in more than one year	24,589,527	-	24,589,527
Total liabilities	30,009,896	425,956	30,435,852
Net assets			
Invested in capital assets, net of net of related debt	29,183,264	13,629,601	42,812,865
Restricted for:			
Police and fire millage	719,201	-	719,201
Streets	15,946,039	-	15,946,039
Economic development	980,809	-	980,809
Housing commission	202,115	-	202,115
Parks	1,474,161	-	1,474,161
Street lighting	1,792,295	-	1,792,295
Landfill remediation	1,961,597	-	1,961,597
Library	125,516	-	125,516
Drains	4,775,491	-	4,775,491
Capital projects	4,204,389	-	4,204,389
Unrestricted	17,863,052	7,729,336	25,592,388
Total net assets	\$ 79,227,929	\$ 21,358,937	\$ 100,586,866

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

CITY OF KENTWOOD, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2010

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities						
General government	\$ 3,799,746	\$ (536,840)	\$ 1,425,027	\$ 278,386	\$ -	\$ (1,559,493)
Public safety	13,904,973	192,367	375,721	753,423	-	(12,968,196)
Highways and streets	2,911,992	836,889	704,712	2,640,830	-	(403,339)
Public works	5,190,793	(755,661)	856,821	135,989	-	(3,442,322)
Engineering services	413,751	(312,811)	-	-	-	(100,940)
District court	1,160,404	41,498	1,095,717	58,063	-	(48,122)
Inspections	492,267	-	530,997	-	-	38,730
Culture and recreation	1,491,253	155,202	315,242	28,133	256,400	(1,046,680)
Interest on long-term debt	1,012,006	-	-	-	-	(1,012,006)
Total governmental activities	<u>30,377,185</u>	<u>(379,356)</u>	<u>5,304,237</u>	<u>3,894,824</u>	<u>256,400</u>	<u>(20,542,368)</u>
Business-type activities						
Water	2,146,107	243,166	2,468,134	228,078	-	306,939
Sewer	2,431,028	136,190	3,278,299	218,999	-	930,080
Total business-type activities	<u>4,577,135</u>	<u>379,356</u>	<u>5,746,433</u>	<u>447,077</u>	<u>-</u>	<u>1,237,019</u>
Total	<u>\$ 34,954,320</u>	<u>\$ -</u>	<u>\$ 11,050,670</u>	<u>\$ 4,341,901</u>	<u>\$ 256,400</u>	<u>\$ (19,305,349)</u>

(Continued)

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

CITY OF KENTWOOD, MICHIGAN

Statement of Activities (Concluded)

For the Year Ended June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue	\$ (20,542,368)	\$ 1,237,019	\$ (19,305,349)
General revenues:			
Property taxes:			
General operating	6,409,064	-	6,409,064
Police and fire	9,104,328	-	9,104,328
Other purposes	962,468	-	962,468
State shared revenues	2,874,624	-	2,874,624
Gain of sale of capital assets	77,474	-	77,474
Investment income	1,554,989	-	1,554,989
Other general revenues	534,309	-	534,309
Transfers - internal activities	444,960	(444,960)	-
	<u>21,962,216</u>	<u>(444,960)</u>	<u>21,517,256</u>
Total general revenues and transfers			
Change in net assets	1,419,848	792,059	2,211,907
Net assets, beginning of year, as restated	<u>77,808,081</u>	<u>20,566,878</u>	<u>98,374,959</u>
Net assets, end of year	<u>\$ 79,227,929</u>	<u>\$ 21,358,937</u>	<u>\$ 100,586,866</u>

(Concluded)

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

FUND FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

**Balance Sheet
Governmental Funds
June 30, 2010**

		<u>Special Revenue</u>	
	<u>General</u>	<u>Police and Fire</u>	<u>Major</u>
	<u>Fund</u>	<u>Millage</u>	<u>Streets</u>
		<u>Fund</u>	<u>Fund</u>
Assets			
Cash and pooled investments	\$ 4,136,312	\$ 719,201	\$ 9,885,556
Accounts receivable	1,514,681	-	15,426
Special assessments receivable	-	-	-
Loans receivable	-	-	-
Due from other governments	1,133,716	-	610,782
Inventory	11,023	-	-
Prepaid items	475,074	-	4,886
	<u>7,270,806</u>	<u>719,201</u>	<u>10,516,650</u>
Total assets			
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 326,947	\$ -	\$ 107,254
Accrued wages	447,772	-	-
Customer deposits	202,975	-	165,990
Due to other governments	982,452	-	-
Deferred revenue	247,076	-	-
	<u>2,207,222</u>	<u>-</u>	<u>273,244</u>
Total liabilities			
Fund balances			
Reserved for:			
Inventory	11,023	-	-
Prepaid items	475,074	-	4,886
Nonmajor special revenue funds - noncurrent mortgage loans	-	-	-
Unreserved:			
Designated for parks and recreation	-	-	-
Undesignated, reported in:			
General fund	4,577,487	-	-
Special revenue funds	-	719,201	10,238,520
Capital projects funds	-	-	-
	<u>5,063,584</u>	<u>719,201</u>	<u>10,243,406</u>
Total fund balances			
Total liabilities and fund balances			
	<u>\$ 7,270,806</u>	<u>\$ 719,201</u>	<u>\$ 10,516,650</u>

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

Capital Projects			
General Projects Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,076,776	\$ 2,824,406	\$ 23,202,597	\$ 44,844,848
1,000	-	8,088	1,539,195
8,987,892	-	275,788	9,263,680
-	-	293,453	293,453
-	-	160,443	1,904,941
-	-	-	11,023
-	-	2,679	482,639
<u>\$ 13,065,668</u>	<u>\$ 2,824,406</u>	<u>\$ 23,943,048</u>	<u>\$ 58,339,779</u>
\$ -	\$ 793,299	\$ 278,129	\$ 1,505,629
-	-	-	447,772
-	-	-	368,965
-	-	3,071	985,523
8,861,279	-	412,529	9,520,884
<u>8,861,279</u>	<u>793,299</u>	<u>693,729</u>	<u>12,828,773</u>
-	-	-	11,023
-	-	2,679	482,639
-	-	145,600	145,600
-	-	496,975	496,975
-	-	-	4,577,487
-	-	22,604,065	33,561,786
4,204,389	2,031,107	-	6,235,496
<u>4,204,389</u>	<u>2,031,107</u>	<u>23,249,319</u>	<u>45,511,006</u>
<u>\$ 13,065,668</u>	<u>\$ 2,824,406</u>	<u>\$ 23,943,048</u>	<u>\$ 58,339,779</u>

CITY OF KENTWOOD, MICHIGAN

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

June 30, 2010

Fund balances - total governmental funds \$ 45,511,006

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

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

Add - capital assets not being depreciated	9,101,320
Add - capital assets being depreciated, net	41,657,630

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

Add - deferred special assessments receivable	9,134,825
Add - deferred delinquent personal property taxes receivable	174,698
Add - deferred housing rehabilitation loans receivable	138,983
Add - deferred bond issuance costs, net	108,765

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

Deduct - bonds payable	(23,570,000)
Deduct - unamortized premium on bonds payable	(36,793)
Deduct - landfill clean up and other costs	(1,526,254)
Deduct - compensated absences payable	(1,223,442)
Deduct - accrued interest on bonds payable	(242,809)

Net assets of governmental activities \$ 79,227,929

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

CITY OF KENTWOOD

CITY OF KENTWOOD, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Special Revenue</u>	
		<u>Police and Fire Millage Fund</u>	<u>Major Streets Fund</u>
Revenue			
Taxes	\$ 6,402,253	\$ 9,104,328	\$ -
Special assessments	-	-	-
Intergovernmental	3,641,092	-	2,005,172
Licenses and permits	1,160,590	-	-
Charges for services	3,365,610	-	-
Fines and forfeitures	1,279,773	-	-
Investment income	337,093	220,005	489,645
Miscellaneous	190,215	-	132,583
	<u>16,376,626</u>	<u>9,324,333</u>	<u>2,627,400</u>
Total revenue			
Expenditures			
Current:			
General government	4,461,587	-	-
Public safety	13,531,662	20,000	-
Highways and streets	-	-	834,951
Public works	2,589,570	-	-
Engineering services	413,751	-	-
District court	1,201,902	-	-
Inspections	492,267	-	-
Culture and recreation	1,495,558	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	678,493
	<u>24,186,297</u>	<u>20,000</u>	<u>1,513,444</u>
Total expenditures			
Revenue (under) over expenditures	<u>(7,809,671)</u>	<u>9,304,333</u>	<u>1,113,956</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	-
Transfers in	9,451,632	-	583,950
Transfers out	(1,629,783)	(8,585,132)	-
	<u>7,821,849</u>	<u>(8,585,132)</u>	<u>583,950</u>
Total other financing sources (uses)			
Net change in fund balances	12,178	719,201	1,697,906
Fund balances, beginning of year, as restated	<u>5,051,406</u>	<u>-</u>	<u>8,545,500</u>
Fund balances, end of year	<u><u>\$ 5,063,584</u></u>	<u><u>\$ 719,201</u></u>	<u><u>\$ 10,243,406</u></u>

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

Capital Projects			
General Projects Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 962,468	\$ 16,469,049
897,591	-	-	897,591
-	-	872,281	6,518,545
-	-	21,839	1,182,429
-	-	1,175,705	4,541,315
-	-	-	1,279,773
537,998	333,687	1,434,900	3,353,328
-	35,000	16,962	374,760
<u>1,435,589</u>	<u>368,687</u>	<u>4,484,155</u>	<u>34,616,790</u>
-	-	97,563	4,559,150
-	-	15,000	13,566,662
-	-	1,442,454	2,277,405
-	-	647,909	3,237,479
-	-	-	413,751
-	-	-	1,201,902
-	-	-	492,267
-	-	39,200	1,534,758
-	-	1,615,000	1,615,000
-	-	1,032,097	1,032,097
420	6,102,220	1,752,680	8,533,813
<u>420</u>	<u>6,102,220</u>	<u>6,641,903</u>	<u>38,464,284</u>
<u>1,435,169</u>	<u>(5,733,533)</u>	<u>(2,157,748)</u>	<u>(3,847,494)</u>
-	-	87,831	87,831
-	250	2,735,876	12,771,708
-	-	(2,111,833)	(12,326,748)
-	250	711,874	532,791
<u>1,435,169</u>	<u>(5,733,283)</u>	<u>(1,445,874)</u>	<u>(3,314,703)</u>
<u>2,769,220</u>	<u>7,764,390</u>	<u>24,695,193</u>	<u>48,825,709</u>
<u>\$ 4,204,389</u>	<u>\$ 2,031,107</u>	<u>\$ 23,249,319</u>	<u>\$ 45,511,006</u>

CITY OF KENTWOOD, MICHIGAN
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (3,314,703)

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	7,386,066
Add - donated capital assets	256,400
Deduct - depreciation expense	(3,845,862)
Deduct - proceeds from sale of capital assets	(87,831)
Add - gain on disposal of capital assets	77,474

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

Deduct - change in deferred special assessments receivable	(888,175)
Add - change in deferred personal property taxes receivable	6,811
Add - change in deferred housing rehabilitation loans	11,350
Deduct - amortization of deferred bond issuance costs	(5,801)

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 debt	1,615,000
Add - amortization of premium on long-term debt	1,962
Add - change in landfill clean-up liability	69,374

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.

Add - change in compensated absences	113,853
Add - change in accrued interest payable	23,930

Change in net assets of governmental activities \$ 1,419,848

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

CITY OF KENTWOOD, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Taxes	\$ 6,452,300	\$ 6,452,300	\$ 6,402,253	\$ (50,047)
Intergovernmental	3,516,000	3,625,200	3,641,092	15,892
Licenses and permits	1,237,800	1,137,800	1,160,590	22,790
Charges for services	3,728,900	3,721,100	3,365,610	(355,490)
Fines and forfeitures	1,465,000	1,465,000	1,279,773	(185,227)
Investment income	300,000	300,000	337,093	37,093
Miscellaneous	128,800	128,800	190,215	61,415
 Total revenue	 <u>16,828,800</u>	 <u>16,830,200</u>	 <u>16,376,626</u>	 <u>(453,574)</u>
Expenditures				
Current:				
General government	4,769,100	4,527,200	4,461,587	(65,613)
Public safety	15,475,200	14,457,600	13,531,662	(925,938)
Public works	2,782,500	2,707,100	2,589,570	(117,530)
Engineering services	513,700	393,900	413,751	19,851
District court	1,328,000	1,229,900	1,201,902	(27,998)
Inspections	525,300	513,300	492,267	(21,033)
Culture and recreation	1,111,400	1,651,700	1,495,558	(156,142)
 Total expenditures	 <u>26,505,200</u>	 <u>25,480,700</u>	 <u>24,186,297</u>	 <u>(1,294,403)</u>
 Revenue under expenditures	 <u>(9,676,400)</u>	 <u>(8,650,500)</u>	 <u>(7,809,671)</u>	 <u>840,829</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	300	300	-	(300)
Transfers in	10,219,200	10,219,200	9,451,632	(767,568)
Transfers out	(1,354,800)	(1,354,800)	(1,629,783)	(274,983)
 Total other financing sources (uses)	 <u>8,864,700</u>	 <u>8,864,700</u>	 <u>7,821,849</u>	 <u>(1,042,851)</u>
 Net change in fund balance	 (811,700)	 214,200	 12,178	 (202,022)
 Fund balance, beginning of year, as restated	 <u>5,051,406</u>	 <u>5,051,406</u>	 <u>5,051,406</u>	 <u>-</u>
 Fund balance, end of year	 <u><u>\$ 4,239,706</u></u>	 <u><u>\$ 5,265,606</u></u>	 <u><u>\$ 5,063,584</u></u>	 <u><u>\$ (202,022)</u></u>

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

CITY OF KENTWOOD, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Police and Fire Millage Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Taxes	\$ 9,189,200	\$ 9,189,200	\$ 9,104,328	\$ (84,872)
Investment income	<u>200,000</u>	<u>200,000</u>	<u>220,005</u>	<u>20,005</u>
Total revenue	9,389,200	9,389,200	9,324,333	(64,867)
Expenditures				
Current - public safety:				
Administrative	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenue over expenditures	9,369,200	9,369,200	9,304,333	(64,867)
Other financing uses				
Transfers out	<u>(9,369,200)</u>	<u>(9,369,200)</u>	<u>(8,585,132)</u>	<u>784,068</u>
Net change in fund balance	-	-	719,201	719,201
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 719,201</u></u>	<u><u>\$ 719,201</u></u>

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

CITY OF KENTWOOD, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Major Streets Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental	\$ 1,919,700	\$ 1,919,700	\$ 2,005,172	\$ 85,472
Investment income	300,000	300,000	489,645	189,645
Miscellaneous	10,000	10,000	132,583	122,583
	<u>2,229,700</u>	<u>2,229,700</u>	<u>2,627,400</u>	<u>397,700</u>
Expenditures				
Current - highways and streets:				
Engineering	300,000	300,000	293,712	(6,288)
Administrative	174,300	174,300	180,500	6,200
Maintenance	200,000	200,000	164,788	(35,212)
Snow and ice removal	110,000	110,000	7,375	(102,625)
Traffic control	105,000	105,000	76,133	(28,867)
Miscellaneous	136,600	136,600	112,443	(24,157)
Capital outlay	3,000,000	3,000,000	678,493	(2,321,507)
	<u>4,025,900</u>	<u>4,025,900</u>	<u>1,513,444</u>	<u>(2,512,456)</u>
Revenue (under) over expenditures	(1,796,200)	(1,796,200)	1,113,956	2,910,156
Other financing sources				
Transfers in	300,000	300,000	583,950	283,950
	<u>300,000</u>	<u>300,000</u>	<u>583,950</u>	<u>283,950</u>
Net change in fund balance	(1,496,200)	(1,496,200)	1,697,906	3,194,106
Fund balance, beginning of year	8,545,500	8,545,500	8,545,500	-
Fund balance, end of year	<u><u>\$ 7,049,300</u></u>	<u><u>\$ 7,049,300</u></u>	<u><u>\$ 10,243,406</u></u>	<u><u>\$ 3,194,106</u></u>

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

CITY OF KENTWOOD, MICHIGAN

Proprietary Funds

Statement of Net Assets

June 30, 2010

	Business-type Activities - Enterprise Funds			Governmental
	Water Fund	Sewer Fund	Total	Activities Self-insurance Fund
Assets				
Current assets:				
Cash and pooled investments	\$ 3,198,317	\$ 3,779,007	\$ 6,977,324	\$ 30,331
Accounts receivable	509,401	658,377	1,167,778	-
Prepaid items	10,083	107	10,190	-
Total current assets	<u>3,717,801</u>	<u>4,437,491</u>	<u>8,155,292</u>	<u>30,331</u>
Noncurrent assets:				
Capital assets, not being depreciated	483,830	-	483,830	-
Capital assets being depreciated, net	6,873,093	6,272,678	13,145,771	-
Total noncurrent assets	<u>7,356,923</u>	<u>6,272,678</u>	<u>13,629,601</u>	<u>-</u>
Total assets	<u>11,074,724</u>	<u>10,710,169</u>	<u>21,784,893</u>	<u>30,331</u>
Liabilities				
Current liabilities:				
Accounts payable	192,527	233,429	425,956	30,331
Net assets				
Invested in capital assets	7,356,923	6,272,678	13,629,601	-
Unrestricted	3,525,274	4,204,062	7,729,336	-
Total net assets	<u><u>\$ 10,882,197</u></u>	<u><u>\$ 10,476,740</u></u>	<u><u>\$ 21,358,937</u></u>	<u><u>\$ -</u></u>

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

CITY OF KENTWOOD, MICHIGAN
Proprietary Funds
Statement of Revenue, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	<u>Self-insurance Fund</u>
Operating revenue	\$ 2,468,134	\$ 3,278,299	\$ 5,746,433	\$ 171,146
Operating expenses				
Administration	25,000	-	25,000	-
Contractual services	1,555,085	1,958,667	3,513,752	7,816
Depreciation	354,760	324,011	678,771	-
Claims	-	-	-	163,358
Supplies	268,396	102,030	370,426	-
Engineering	7,777	136,190	143,967	-
Utilities	94,205	4,613	98,818	-
Miscellaneous	84,050	41,707	125,757	-
Total operating expenses	<u>2,389,273</u>	<u>2,567,218</u>	<u>4,956,491</u>	<u>171,174</u>
Operating income (loss)	78,861	711,081	789,942	(28)
Nonoperating revenue				
Investment income	<u>228,078</u>	<u>218,999</u>	<u>447,077</u>	<u>28</u>
Net income before transfers	306,939	930,080	1,237,019	-
Other financing uses				
Transfers out	<u>(189,553)</u>	<u>(255,407)</u>	<u>(444,960)</u>	<u>-</u>
Change in net assets	117,386	674,673	792,059	-
Net assets, beginning of year	<u>10,764,811</u>	<u>9,802,067</u>	<u>20,566,878</u>	<u>-</u>
Net assets, end of year	<u><u>\$ 10,882,197</u></u>	<u><u>\$ 10,476,740</u></u>	<u><u>\$ 21,358,937</u></u>	<u><u>\$ -</u></u>

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

CITY OF KENTWOOD, MICHIGAN
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			Governmental
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 2,446,793	\$ 3,236,534	\$ 5,683,327	\$ -
Receipts from interfund services provided	-	-	-	171,146
Payments to suppliers	<u>(2,080,427)</u>	<u>(2,184,389)</u>	<u>(4,264,816)</u>	<u>(178,498)</u>
Net cash provided by (used in) operating activities	<u>366,366</u>	<u>1,052,145</u>	<u>1,418,511</u>	<u>(7,352)</u>
Cash flows from non-capital financing activities				
Transfers out	<u>(189,553)</u>	<u>(255,407)</u>	<u>(444,960)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(748,101)</u>	<u>(571,718)</u>	<u>(1,319,819)</u>	<u>-</u>
Cash flows from investing activities				
Interest received on investments	<u>228,078</u>	<u>218,999</u>	<u>447,077</u>	<u>28</u>
Net (decrease) increase in cash and pooled investments	(343,210)	444,019	100,809	(7,324)
Cash and pooled investments, beginning of year	<u>3,541,527</u>	<u>3,334,988</u>	<u>6,876,515</u>	<u>37,655</u>
Cash and pooled investments, end of year	<u><u>\$ 3,198,317</u></u>	<u><u>\$ 3,779,007</u></u>	<u><u>\$ 6,977,324</u></u>	<u><u>\$ 30,331</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 78,861	\$ 711,081	\$ 789,942	\$ (28)
Adjustments to reconcile net income (loss) to net cash provided by by operating activities:				
Depreciation expense	354,760	324,011	678,771	-
Changes in operating assets and liabilities:				
Accounts receivable	(21,341)	(41,765)	(63,106)	-
Prepaid items	(1,072)	81	(991)	-
Accounts payable	<u>(44,842)</u>	<u>58,737</u>	<u>13,895</u>	<u>(7,324)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 366,366</u></u>	<u><u>\$ 1,052,145</u></u>	<u><u>\$ 1,418,511</u></u>	<u><u>\$ (7,352)</u></u>

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

CITY OF KENTWOOD, MICHIGAN

**Fiduciary Funds
Statement of Net Assets
June 30, 2010**

	Pension and Other Postemployment Benefit Trust Funds	Private Purpose Trust Special Assessment - Deferred Payback	Agency Fund Tax Collection
Assets			
Cash and pooled investments	\$ 166,352	\$ 138,272	\$ 87,121
Interest receivable	12,945	-	-
Investments:			
Certificates of deposit	480,000	-	-
Money market funds	2,547,081	-	-
Bonds	1,861,528	-	-
Equities	17,437,549	-	-
International equities	691,545	-	-
Special assessments receivable	-	338,386	-
Total assets	23,197,000	476,658	\$ 87,121
Liabilities			
Accounts payable	68,538	-	\$ -
Due to other governments	-	9,217	87,121
Payable to property owners	-	467,441	-
Total liabilities	68,538	476,658	\$ 87,121
Net assets			
Held in trust for pension and other postemployment benefits	23,128,462	-	
Unrestricted	-	-	
Total net assets	\$ 23,128,462	\$ -	

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

CITY OF KENTWOOD, MICHIGAN

Fiduciary Funds

Statement of Changes in Net Assets

For the Year Ended June 30, 2010

	Pension and Other Postemployment Benefit Trust Funds	Private Purpose Trust Special Assessment - Deferred Payback
Additions		
Contributions:		
Employer	\$ 1,468,499	\$ -
Plan participants	255,142	-
Total contributions	<u>1,723,641</u>	<u>-</u>
Investment income	<u>3,593,614</u>	<u>-</u>
Total additions	<u>5,317,255</u>	<u>-</u>
Deductions		
Distributions and benefit payments	608,209	10,567
Administrative expenses	<u>99,701</u>	<u>-</u>
Total deductions	<u>707,910</u>	<u>10,567</u>
Change in net assets	4,609,345	(10,567)
Net assets held in trust		
Beginning of year	<u>18,519,117</u>	<u>10,567</u>
End of year	<u><u>\$ 23,128,462</u></u>	<u><u>\$ -</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Reporting Entity

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

Blended Component Unit

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

Funds with Other Year Ends

The financial statements of the pension trust defined benefit fund have been included in the accompanying 2010 financial statements using the fiscal year ended December 31, 2009.

Government-wide and Fund Financial Statements

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

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

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, the current portion of special assessments receivable, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

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

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

The *internal service fund* accounts for the City's activities in the self-insured dental plan and charges costs provided to City departments on a cost-reimbursement basis.

The *pension trust fund* is used to record the activities of the City's defined benefit pension plan.

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

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for water and sewer services. Operating expenses for the enterprise fund include depreciation on capital assets and payments for services, wages and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Budgets and Budgetary Accounting

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

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

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

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

Encumbrances

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

Cash and Pooled Investments

For purposes of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

Investments

Investments are stated at fair value. For fair value, securities traded on a national exchange are valued at the last reported sales price. The net investment income reported includes the change in fair value of the investments from the beginning of the year to the end of the year.

Statutes authorize the City to invest in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Bankers acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Michigan Public Act 20 of 1943, as amended.

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

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accounts receivable is shown net of allowance for estimated uncollectibles. \$138,983 of the loans receivable, \$9,134,825 of special assessments receivable, and \$174,698 of delinquent personal property taxes receivable are not expected to be collected within one year.

Other Assets

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

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

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

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

Capital Assets

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

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

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

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, storage tanks and sewer mains	50
Water meters	20
Storage tank improvements	15
Transportation and other equipment	4-20
Public domain infrastructure	20-45

Deferred Revenue

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

Unavailable:	
Escrows for recreation department purposes	\$ 65,801
Litigation settlement (general fund)	6,577
Total unavailable	<u>72,378</u>
Unearned:	
City's portion of delinquent personal property taxes receivable (general fund)	174,698
Housing rehabilitation loans	138,983
Special assessments	9,134,825
Total unearned	<u>9,448,506</u>
	<u>\$ 9,520,884</u>

Compensated Absences

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

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Property Taxes

City summer property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before August 20. These summer tax bills include the City's own property taxes and taxes billed on behalf of other governmental entities. Real property taxes not collected as of March 1 are turned over to Kent County for collection. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

The City also acts as a collection agent for various governments for winter property taxes. Taxes collected on behalf of other governmental entities are paid to them periodically and are accounted for in an agency fund.

Risk Management and Benefits

The City is a member of the Michigan Municipal League Workers' Compensation Fund. Premiums from participants of the fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the fund and members against exceptionally large losses. No deductible is required for City claims.

The City is a member of the Michigan Municipal League Liability and Property Pool. Premiums from participants of the fund are arrived at through underwriting procedures administered by the Meadowbrook Insurance Group. The claims, administrative expenses and reinsurance are provided for by the premiums collected. Various deductibles are maintained to place the responsibility for small charges with the insured. Deductible examples: liability, \$5,000; blanket real and personal property including buildings, personal property and property in the open, \$5,000; and electronic data processing equipment, \$1,000.

The City has transferred the risk of loss associated with employee health care by purchasing health insurance from commercial insurance carriers. On October 1, 2006, the City established a self-funded dental plan using a third party administrator for claims processing.

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

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2010, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General fund:			
General government:			
Administrative	\$ 1,988,600	\$ 2,052,699	\$ 64,099
Treasurer	217,300	221,271	3,971
Engineering services	393,900	413,751	19,851
Transfers out	1,354,800	1,629,783	274,983
Landfill remediation fund	130,000	134,734	4,734

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and pooled investments	\$ 44,875,179	\$ 6,977,324	\$ 391,745	\$ 52,244,248
Investments	-	-	23,017,703	23,017,703
Total deposits and investments	\$ 44,875,179	\$ 6,977,324	\$ 23,409,448	\$ 75,261,951

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

Deposits (checking and savings accounts)	\$ 3,727,926
Certificates of deposit (due within one year)	480,000
Petty cash	3,500
Investments – primary government	48,512,823
Investments – pension trust fund	21,101,937
Investments – other postemployment benefits trust fund	1,435,765
Total deposits and investments	\$ 75,261,951

Deposits are in four (4) financial institutions located in Michigan.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 (summary of significant accounting policies). The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment held at year-end are summarized as follows:

	Primary Government at 06/30/2010	Pension Trust Fund at 12/31/2009	OPEB Trust Fund at 06/30/2010
No maturity	\$ 24,210,766	\$ 20,795,201	\$ 1,435,765
Less than 1 year	163	203,932	-
1 to 5 years	9,542	102,804	-
6 to 10 years	1,271,097	-	-
11 to 15 years	3,162,611	-	-
16 to 20 years	1,046,334	-	-
21 to 25 years	7,260,370	-	-
26 to 30 years	11,551,940	-	-
	\$ 48,512,823	\$ 21,101,937	\$ 1,435,765

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City's specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for investments held at year-end with the exception of the pension trust fund assets, which are reported as of December 31, 2009, are summarized as follows:

	Primary Government at 06/30/2010	Pension Trust Fund at 12/31/2009	OPEB Trust Fund at 06/30/2010
Not rated	\$ 4,937,610	\$ 8,759,170	\$ -
S&P AAA	43,575,213	1,687,934	-
S&P AA	-	1,791,317	-
S&P A	-	893,405	-
Morningstar 5 stars	-	2,449,508	1,435,765
Morningstar 4 stars	-	3,807,974	-
Morningstar 3 stars	-	1,381,953	-
Morningstar 2 stars	-	330,676	-
	\$ 48,512,823	\$ 21,101,937	\$ 1,435,765

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$1,683,853 of the City's bank balance of \$4,313,061 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. Following is a summary of the primary government and OPEB trust investments as of June 30, 2010 and pension trust fund investments as of December 31, 2009:

	Primary Government at 06/30/2010	Pension Trust Fund at 12/31/2009	OPEB Trust Fund at 06/30/2010
Money market funds	\$ 4,937,610	\$ 2,547,081	\$ -
U.S. agencies	24,302,057	-	-
Mutual funds	19,273,156	-	-
Bonds	-	1,861,528	-
Equity securities	-	16,001,783	1,435,765
International equities	-	691,545	-
	\$48,512,823	\$ 21,101,937	\$ 1,435,765

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the City's investment policy. Of the above mutual fund investments, the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments for the primary government as identified in Note 1 (summary of significant accounting policies), but does not limit concentration of credit risk. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of investments of the primary government were in mutual funds and U.S. government agencies, which are not subject to concentration of credit risk disclosures. The entire amount of investments reported in the OPEB trust fund are in a Vantage Point Long-term Growth Portfolio. More than 5 percent of the pension trust fund's investments are in certain assets, as follows:

Fifth Third Institutional Money Market Fund	9.00%
PIMCO Fund Institutional Class I	8.30%
American Funds Growth Fund Class A	7.66%
Vanguard Short Term Bond Index fund	6.87%
Fifth Third Disciplined Large Value Fund	6.56%
Vanguard 500 Index Fund – Investor Shares	6.47%

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension trust fund's exposure to foreign currency risk was limited to \$691,545 in international equity securities, denominated in U.S. dollars.

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2010 are as follows:

Transfers out	Transfers in				Totals
	General Fund	Major Streets Fund	Construction Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ -	\$ -	\$ 1,629,783	\$ 1,629,783
Police and fire millage fund	8,585,132	-	-	-	8,585,132
Nonmajor governmental funds	866,500	583,950	250	661,133	2,111,833
Water fund	-	-	-	189,553	189,553
Sewer fund	-	-	-	255,407	255,407
Totals	\$ 9,451,632	\$ 583,950	\$ 250	\$ 2,735,876	\$ 12,496,708

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

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

5. CAPITAL ASSETS

The capital assets activities for the year are as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,275,360	\$ 179,383	\$ -	\$ 2,454,743
Construction in progress	2,509,810	7,086,343	(2,949,576)	6,646,577
Total capital assets not being depreciated	4,785,170	7,265,726	(2,949,576)	9,101,320
Capital assets being depreciated:				
Land improvements	1,754,033	191,400	-	1,945,433
Buildings	26,034,492	-	-	26,034,492
Equipment	3,047,087	139,750	-	3,186,837
Vehicles	5,666,569	224,973	(444,909)	5,446,633
Infrastructure	44,855,556	2,770,193	-	47,625,749
Total capital assets being depreciated	81,357,737	3,326,316	(444,909)	84,239,144
Less accumulated depreciation for:				
Land improvements	(832,843)	(115,977)	-	(832,843)
Buildings	(7,873,821)	(962,970)	-	(7,873,821)
Equipment	(1,707,254)	(283,152)	-	(1,707,254)
Vehicles	(3,661,590)	(494,284)	434,552	(3,661,590)
Infrastructure	(25,094,696)	(1,989,479)	-	(25,094,696)
Total accumulated depreciation	(39,170,204)	(3,845,862)	434,552	(42,581,514)
Net capital assets being depreciated	42,187,533	(519,546)	(10,357)	41,657,630
Total governmental activities capital assets	\$ 46,972,703	\$ 6,746,180	\$ (2,959,933)	\$ 50,758,950

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

	Balance			Balance
	June 30, 2009	Additions	Deletions	June 30, 2010
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Construction in progress	349,559	73,322	-	422,881
Total capital assets not being depreciated	410,508	73,322	-	483,830
Capital assets being depreciated:				
Buildings	260,229	-	-	260,229
Equipment	2,228,196	42,800	-	2,270,996
Meters	844,282	12,096	-	856,378
Water mains	7,561,337	516,027	-	8,077,363
Sewer mains	15,619,608	571,718	-	16,191,326
Storage	2,650,079	103,856	-	2,753,935
Total capital assets being depreciated	29,163,731	1,246,497	-	30,410,228
Less accumulated depreciation for:				
Buildings	(144,381)	(7,095)	-	(151,476)
Equipment	(276,616)	(20,092)	-	(296,708)
Meters	(473,247)	(24,833)	-	(498,080)
Water mains	(4,358,094)	(216,404)	-	(4,574,498)
Sewer mains	(9,638,734)	(318,109)	-	(9,956,843)
Storage	(1,694,614)	(92,238)	-	(1,786,852)
Total accumulated depreciation	(16,585,686)	(678,771)	-	(17,264,457)
Net capital assets, being depreciated	12,578,045	567,726	-	13,145,771
Total business-type activities capital assets	\$ 12,988,553	\$ 641,048	\$ -	\$ 13,629,601

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

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

Governmental activities:	
General government	\$ 218,311
Highways and streets	1,961,887
Public safety	998,424
Public works	555,543
Culture and recreation	<u>111,697</u>
Total depreciation expense - Governmental activities	<u>\$ 3,845,862</u>
Business-type activities:	
Water	\$ 354,760
Sewer	<u>324,011</u>
Total depreciation expense - Business-type activities	<u>\$ 678,771</u>

At June 30, 2010, the City had outstanding construction commitments of approximately \$691,000 for the completion of the library building construction project. The project is included in construction in progress of governmental activities at year-end. The construction in progress in business-type activities is expected to be completed through issuance of State drinking water revolving fund bonds at a future date.

6. LONG-TERM DEBT

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within One Year
Governmental activities					
2001 Building Authority Bonds, due in installments of \$485,000 to \$860,000 through 2016; interest at 3.0% to 4.7%.	\$ 5,215,000	\$ -	\$ 645,000	\$ 4,570,000	\$ 675,000
2003 Capital Improvement Bonds, due in installments of \$365,000 to \$720,000 through 2024; interest at 2.0% to 4.4%.	8,090,000	-	405,000	7,685,000	420,000
2005 Capital Improvement Bonds, due in installments of \$265,000 to \$420,000 through 2020; interest at 3.0% to 4.1%.	3,880,000	-	300,000	3,580,000	310,000

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within One Year
2009 Capital Improvement Bonds, due in installments of \$265,000 to \$590,000 through 2029; interest at 2.5% to 5.0%.	\$ 8,000,000	\$ -	\$ 265,000	\$ 7,735,000	\$ 285,000
Subtotal installment debt	25,185,000	-	1,615,000	23,570,000	1,690,000
Unamortized bond premium	38,755	-	1,962	36,793	1,962
Compensated absences	1,337,295	-	113,853	1,223,442	-
Landfill clean-up and other costs	1,595,628	-	69,374	1,526,254	75,000
Total governmental activities	\$ 28,156,678	\$ -	\$ 1,800,189	26,356,489	\$ 1,766,962
Less: current portion				(1,766,962)	
Long-term portion				\$ 24,589,527	

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

The annual requirements to maturity on the long-term obligations outstanding (excluding unamortized bond premiums, compensated absences and landfill clean-up and other costs) as June 30, 2010 are as follows:

Year Ended	Governmental Activities		Total Requirements
	Principal	Interest	
2011	\$ 1,690,000	\$ 964,937	\$ 2,654,937
2012	1,745,000	904,400	2,649,400
2013	1,815,000	839,688	2,654,688
2014	1,885,000	769,666	2,654,666
2015	1,970,000	694,921	2,664,921
2016-2020	7,390,000	2,423,316	9,813,316
2021-2025	4,880,000	1,090,743	5,970,743
2026-2030	2,195,000	279,725	2,474,725
	\$23,570,000	\$ 7,967,396	\$ 31,537,396

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

7. PENSION PLANS

Defined Benefit Plan

Plan description. The City of Kentwood Employee Pension Plan (the "Plan") is a single employer defined benefit plan which covers some employees of the City. The Plan is administered by the City with some aspects of plan administration contracted to various specialists. All employees of the City, exclusive of those participating in the defined contribution plan, who are at least 21 years of age and having at least one year of service are eligible to participate in the Plan. A separate financial report for this plan is not issued. Membership of the Plan consisted of the following at January 1, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	29
Terminated members not yet receiving benefits	8
Active plan members	<u>63</u>
	<u><u>100</u></u>

Benefits partially vest after five years of service and vest 100% after ten years of service. Normal retirement is at age 50 to 60 depending on bargaining unit. However, the participant may elect early or late retirement (excluding police patrol participants, who are not permitted to make this election). Upon ten years of service, a participant is entitled to receive a benefit equal in value to a single life annuity on the participant's life with the annual retirement benefit equal to 2.6% to 2.7% of the participant's average annual compensation (highest five of last ten years compensation) multiplied by the number of years of service, not to exceed Internal Revenue Service 415 limits. The maximum retirement benefit is 75% to 80% of final average compensation. The Plan also provides death benefits as determined by the Plan document. The Plan also provides police and fire participants with duty-related disability benefits as specified by the Plan document.

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

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

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

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

Current rates of employee contributions are 6% of compensation for police participants, 7% 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, 2009 was \$1,290,000.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Net pension obligation – beginning of year	\$	-
Annual required contribution/annual pension cost		1,290,000
Contribution made by the City		<u>1,290,000</u>
Net pension obligation – end of the year	\$	<u>-</u>

Funded Status and Funding Progress. As of January 1, 2010, the date of the most recent actuarial valuation, the Plan was 85 percent funded. The actuarial accrued liability for benefits was \$25,389,795, and the actuarial value of assets was \$21,594,882, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,794,913. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,503,758 and the ratio of the UAAL to the covered payroll was 84 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability.

The annual required contribution was determined as part of an actuarial valuation of the Plan as of January 1, 2010. Significant actuarial assumptions used in determining the annual required contribution include (a) rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4% per year attributable to inflation, and (c) additional cost-of-living salary increases of 3% per year.

The City’s funding policy for periodic employer contributions are at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age normal actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level dollar over an open period of ten years. During the Plan year ended December 31, 2009, contributions totaling \$1,545,142 (\$1,290,000 employer and \$255,142 employee) were made.

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

Plan year ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 880,000	100%	\$ -
2008	895,000	100%	-
2009	1,290,000	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.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

Employees are eligible to participate immediately upon employment. The City contributes 8 – 12% of each participant’s compensation to the Plan. The City’s contributions are partially vested after two years of service and 100% vested after seven years of service. The Plan provisions and contribution amounts were established by City Commission, based on collective bargaining agreements, and may be amended by City Commission. The Plan is administered by the ICMA Retirement Corporation.

The City’s total payroll for the year ending June 30, 2010 was \$12,467,075. The City’s contribution of \$726,627 was calculated using the employee compensation amount of \$8,019,910. City employees also made pre-tax mandatory contributions to the Plan totaling \$319,723, which was 0 – 6% of covered payroll.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan description. The City of Kentwood, Michigan Post-Retirement Medical Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the City of Kentwood. In addition to the retirement benefits described above, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the collective bargaining agreements, retirees receive an employer-paid benefit toward health insurance premiums for the retiree and spouse. The retiree benefit amount is determined by multiplying \$12.00-\$13.50 by the employee’s years of continuous active service. Upon the death of the employee or spouse, the employer’s contribution will be reduced by 25%. The employer’s contributions cease when the employee becomes eligible for Medicare benefits. The Plan is included as an other postemployment benefits trust fund in the City’s financial statements; a stand-alone financial report of the Plan has not been issued.

Funding policy. The contribution requirements of Plan members and the City are established and may be amended by the City’s Commission, subject to provisions of collective bargaining agreements. The required contribution is based on actuarially determined financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the year ended June 30, 2010, the City contributed \$178,499 to the Plan, including \$69,725 for current service cost, and an additional \$108,774 to amortize the unfunded actuarial liability. Plan members receiving benefits contributed \$0 for postemployment health coverage.

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

Annual required contribution	\$ 178,499
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Net OPEB cost (expense)	178,499
Contributions made	(178,499)
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ -

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Three-Year Trend Information – OPEB

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 132,981	100	\$ -
6/30/2009	90,611	100	-
6/30/2010	178,499	100	-

Funded status and funding progress. As of June 30, 2010, the date of the most recent actuarial valuation, the Plan was 96.2% funded. The actuarial accrued liability for benefits was \$1,616,948, and the actuarial value of assets was \$1,554,927, resulting in an unfunded actuarial accrued liability (UAAL) of \$62,021. The covered payroll (annual payroll of the active employees covered by the Plan) was \$11,811,397 and the ratio of the UAAL to the covered payroll was 0.50%.

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

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

In the June 30, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include: (a) a rate of return on investments of 6.5%; (b) a discount rate of 6.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 3 years on a closed basis. The liability added related to benefit changes is amortized over the term of the applicable collective bargaining agreement.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

9. SELF INSURANCE

Beginning in October 2006, the City was self-insured for dental coverage on a pay-as-you-go basis. The self-insurance program is administered by a third party administrator. Dental benefits are paid out of the internal service fund. Changes in the estimated liability are as follows:

	<u>2010</u>	<u>2009</u>
Liability, beginning of year	\$ 37,655	\$ 36,414
Estimated claims incurred	163,358	176,939
Claim payments	<u>(170,682)</u>	<u>(175,698)</u>
Liability, end of year	<u>\$ 30,331</u>	<u>\$ 37,655</u>

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

10. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Landfill

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

Kent County and the EPA have negotiated a settlement to clean up the landfill over a 30-year period. On August 6, 1991, the City Commission approved an arrangement with the County whereby the City would be responsible for 20% of the total clean-up costs as a result of its prior operation of the landfill. The current present value estimate of remaining clean-up costs over the next 16 years is \$7,631,269, of which the City would be responsible for \$1,526,254. Expenditures of \$134,069 were incurred for landfill clean-up during fiscal year 2010. Under the plan developed by the EPA, contaminated groundwater and leachate is being pumped out, treated and the soil-and-clay cap, which covers the dump, is being maintained. Fencing has also been installed around the site.

The City is to cover these costs using assets accumulated from a 15 year millage that was approved by voters in November 1994, which has since expired. As of June 30, 2010, the City has accounted for the \$1,526,254 in the government-wide financial statements.

11. FEDERAL FUNDING

The City is an indirect beneficiary of federal funds that are expended directly by the State of Michigan and Kent County. These expenditures are included in the single audit for those entities, respectively. In addition, the City was reimbursed by another local government for personnel services incurred in administration of a federal award. The City was determined to have a vendor relationship with the pass-through agency. Because the City expended less than \$500,000 in directly administered federal awards, no single audit was required for the year ended June 30, 2010.

CITY OF KENTWOOD, MICHIGAN

Notes to Financial Statements

12. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City.

13. RESTATEMENTS

For the year ended June 30, 2010, the City revised its methodology for calculating accruals related to wages and compensated absences. This resulted in a decrease in beginning fund balance of the general fund of \$28,590 and a decrease in beginning net assets of governmental activities \$123,623.

* * * * *

CITY OF KENTWOOD

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENTWOOD, MICHIGAN
Required Supplementary Information
For the Year Ended June 30, 2010

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, 2010
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	6 years (based on \$1,290,000 employer contribution in June 2009)
Asset valuation method	Actuarially smoothed market value
Actuarial assumptions:	
Retirement age	Later of age 65 or 5 th anniversary of participation for non-uniform participants; if a participant immediately retires from employment, age 60 with 10 years of service for non-uniform participants; earlier of 55 with 10 years of service for police participants, or age 53 with 15 years of services for police-supervisory participants; or age 50 with 15 years of service for police-patrol participants; age 55 for firefighter participants.
Investment rate of return	7.5% per year
Projected salary increases	4% per year
Mortality table	RP-2000 Mortality Table with Projection Scale AA (sex distinct)
Turnover rates	Crocker-Sarason-Straight T-1
Disability table	100% 1964 Old Age, Survivor and Disability Insurance
Marriage assumption	90% of all active participants are assumed to be married
Cost-of-living adjustments:	
Basic benefits	None
Maximum salary increases	3% per year
Maximum benefit increases	3% per year

CITY OF KENTWOOD, MICHIGAN
Required Supplementary Information (Continued)
For the Year Ended June 30, 2010

Defined Benefit Pension Plan (concluded)

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

Schedule of Funding Progress

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL)	(c) Unfunded AAL (UAAL) (b) – (a)	(d) Funded ratio ((a)/(b))	(e) Covered Payroll	(f) UAAL as a percentage of covered payroll ((c)/(e))
1/1/2005	\$15,702,758	\$18,606,907	\$2,904,149	84.4%	\$5,347,504	54.3%
1/1/2006	17,380,075	20,916,988	3,536,913	83.1%	5,261,799	67.2%
1/1/2007	19,655,594	23,791,750	4,136,156	82.6%	5,061,348	81.7%
1/1/2008	21,057,646	25,141,606	4,083,960	83.7%	5,090,347	80.2%
1/1/2009	17,257,117	21,308,452	4,051,335	80.9%	4,933,079	82.1%
1/1/2010	21,594,882	25,389,795	3,794,913	85.1%	4,503,758	84.3%

Schedule of Contributions

Plan year Ended December 31	Annual Required Contribution *	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed **
2004	\$ 870,000	\$ 202,448	\$ 870,000	\$ 1,072,448	100.0%
2005	770,000	201,135	770,000	980,135	100.0%
2006	800,000	203,374	800,000	1,003,374	100.0%
2007	880,000	198,539	880,000	1,078,539	100.0%
2008	895,000	233,181	895,000	1,128,181	100.0%
2009	1,290,000	255,142	1,290,000	1,545,142	100.0%

CITY OF KENTWOOD, MICHIGAN
Required Supplementary Information (Concluded)
For the Year Ended June 30, 2010

Other Postemployment Benefits Plan

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

Schedule of Funding Progress

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL)	(c) Unfunded AAL (UAAL) (b) – (a)	(d) Funded ratio ((a)/(b))	(e) Covered Payroll	(f) UAAL as a percentage of covered payroll ((c)/(e))
06/30/2008	\$ 1,485,329	\$ 1,499,026	\$ 13,697	99.1%	\$12,693,981	0.1%
06/30/2009	1,294,089	1,597,191	303,102	81.0%	12,893,659	2.4%
06/30/2010	1,554,927	1,616,948	62,021	96.2%	11,811,397	0.5%

Schedule of Contributions

Plan year Ended June 30	Annual Required Contribution *	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed **
2008	\$ 132,981	\$ -	\$ 132,981	\$ 132,981	100.0%
2009	90,611	-	90,611	90,611	100.0%
2010	178,499	-	178,499	178,499	100.0%

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

CITY OF KENTWOOD

GENERAL FUND

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Taxes	\$ 6,452,300	\$ 6,452,300	\$ 6,402,253	\$ (50,047)
Intergovernmental				
Local grants	9,000	9,000	706	(8,294)
State shared revenue	3,361,000	2,842,400	2,874,624	32,224
State grants	106,000	106,000	103,717	(2,283)
Federal grants	40,000	667,800	662,045	(5,755)
Total intergovernmental	3,516,000	3,625,200	3,641,092	15,892
Licenses and permits				
Permits and inspection fees	627,500	527,500	432,497	(95,003)
Local licenses	590,300	590,300	705,827	115,527
State liquor licenses	20,000	20,000	22,266	2,266
Total licenses and permits	1,237,800	1,137,800	1,160,590	22,790
Charges for services				
Tax collection fees	940,000	940,000	911,482	(28,518)
Public works services	1,200,000	1,200,000	1,076,017	(123,983)
Recreation fees	420,500	412,700	224,910	(187,790)
Internal charges - administration	512,500	512,500	512,400	(100)
Water department - accounting and administrative charges	31,000	31,000	31,000	-
Engineering	283,000	283,000	312,811	29,811
Police, fire and library fees	203,200	203,200	158,126	(45,074)
Cemetery	38,000	38,000	51,131	13,131
Zoning fees	25,500	25,500	11,310	(14,190)
Passport fees	29,500	29,500	30,699	1,199
Judge's salary subsidy	45,700	45,700	45,724	24
Total charges for services	3,728,900	3,721,100	3,365,610	(355,490)
Fines and forfeitures				
Court fines	1,315,000	1,315,000	1,095,717	(219,283)
Delinquent tax - interest penalties	150,000	150,000	184,056	34,056
Total fines and forfeitures	1,465,000	1,465,000	1,279,773	(185,227)
Investment income	300,000	300,000	337,093	37,093
Miscellaneous				
Insurance premium refunds	30,000	30,000	-	(30,000)
Rental income	45,000	45,000	49,135	4,135
Miscellaneous	53,800	53,800	141,080	87,280
Total miscellaneous	128,800	128,800	190,215	61,415
Total revenue	16,828,800	16,830,200	16,376,626	(453,574)

continued....

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Expenditures				
General government				
Administrative:				
Auditing	\$ 26,300	\$ 26,300	\$ 21,650	\$ (4,650)
Cable TV related costs	196,500	196,500	257,945	61,445
City commission	40,200	40,200	40,026	(174)
Community activities	3,500	3,500	2,533	(967)
Dues, fees and memberships	28,900	28,900	28,189	(711)
Employee benefits	98,100	98,100	72,195	(25,905)
Insurance	130,800	130,800	118,834	(11,966)
Legal fees	265,000	265,000	242,978	(22,022)
Repairs and maintenance	7,000	7,000	13,430	6,430
Office equipment	30,000	30,000	33,500	3,500
Office supplies	9,000	9,000	6,943	(2,057)
Contractual services	92,000	92,000	82,300	(9,700)
Pension administration	9,000	9,000	10,103	1,103
Postage	48,000	48,000	35,433	(12,567)
Printing and publishing	20,000	20,000	14,082	(5,918)
Utilities	124,000	124,000	143,934	19,934
Supplies	16,500	16,500	13,493	(3,007)
Rent	875,800	875,800	875,705	(95)
Miscellaneous	11,300	(32,000)	39,426	71,426
	<u>2,031,900</u>	<u>1,988,600</u>	<u>2,052,699</u>	<u>64,099</u>
Total administrative				
Assessments:				
Contractual services	18,000	18,000	10,260	(7,740)
Telephone	600	600	516	(84)
Dues, fees and memberships	1,300	1,300	1,797	497
Training	4,800	4,800	2,211	(2,589)
Employee benefits	101,100	101,100	103,326	2,226
Repairs and maintenance	8,400	8,400	2,982	(5,418)
Salaries	298,700	298,700	267,151	(31,549)
Supplies	3,900	3,900	3,376	(524)
Travel	2,500	2,500	645	(1,855)
Miscellaneous	-	(25,600)	-	25,600
	<u>439,300</u>	<u>413,700</u>	<u>392,264</u>	<u>(21,436)</u>
Total assessments				

continued...

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Expenditures (continued)				
General government (continued)				
Treasurer:				
Dues, fees and memberships	\$ 500	\$ 500	\$ 472	\$ (28)
Training	1,500	1,500	938	(562)
Employee benefits	61,000	61,000	62,815	1,815
Insurance	2,000	2,000	1,833	(167)
Repairs and maintenance	100	100	-	(100)
Salaries	139,500	139,500	130,626	(8,874)
Supplies	22,800	22,800	19,055	(3,745)
Contractual services	4,400	4,400	4,832	432
Travel	500	500	700	200
Miscellaneous	-	(15,000)	-	15,000
Total treasurer	<u>232,300</u>	<u>217,300</u>	<u>221,271</u>	<u>3,971</u>
Information technology:				
Dues, fees and memberships	500	500	-	(500)
Training	9,000	9,000	409	(8,591)
Employee benefits	92,300	92,300	72,589	(19,711)
Repairs and maintenance	50,500	50,500	50,186	(314)
Contractual services	47,500	47,500	24,611	(22,889)
Salaries	221,000	221,000	190,596	(30,404)
Supplies	4,100	4,100	1,256	(2,844)
Travel	1,800	1,800	1,042	(758)
Utilities	5,800	5,800	4,705	(1,095)
Miscellaneous	-	(43,500)	-	43,500
Total information technology	<u>432,500</u>	<u>389,000</u>	<u>345,394</u>	<u>(43,606)</u>
City clerk:				
Dues, fees and memberships	400	400	260	(140)
Training	1,100	1,100	1,045	(55)
Employee benefits	46,100	46,100	30,478	(15,622)
Insurance	200	200	143	(57)
Contractual services	5,000	5,000	3,409	(1,591)
Salaries	152,700	152,700	148,469	(4,231)
Supplies	3,000	3,000	2,184	(816)
Travel	600	600	488	(112)
Total city clerk	<u>209,100</u>	<u>209,100</u>	<u>186,476</u>	<u>(22,624)</u>

continued....

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Expenditures (continued)				
General government (continued)				
Human resources:				
Dues, fees and memberships	\$ 500	\$ 2,000	\$ 330	\$ (1,670)
Training	2,200	2,200	1,260	(940)
Employee benefits	32,900	32,900	31,518	(1,382)
Contractual services	7,500	10,000	7,500	(2,500)
Salaries	103,900	103,900	106,257	2,357
Supplies	2,100	2,100	1,229	(871)
Travel	300	300	223	(77)
Miscellaneous	-	(1,200)	-	1,200
Total human resources	<u>149,400</u>	<u>152,200</u>	<u>148,317</u>	<u>(3,883)</u>
Accounting:				
Dues, fees and memberships	1,100	1,100	1,390	290
Training	1,800	1,800	2,477	677
Employee benefits	129,600	136,600	124,782	(11,818)
Repairs and maintenance	12,000	12,000	10,722	(1,278)
Contractual services	1,500	1,500	165	(1,335)
Salaries	361,300	361,300	347,307	(13,993)
Supplies	4,500	4,500	2,898	(1,602)
Utilities	400	400	164	(236)
Travel	1,800	1,800	1,270	(530)
Miscellaneous	-	(25,500)	-	25,500
Total accounting	<u>514,000</u>	<u>495,500</u>	<u>491,175</u>	<u>(4,325)</u>
Executive:				
Training	3,000	3,000	2,434	(566)
Dues, fees and memberships	1,200	1,200	731	(469)
Employee benefits	62,900	62,900	59,720	(3,180)
Printing and publishing	20,000	20,000	3,327	(16,673)
Salaries	182,400	182,400	178,997	(3,403)
Supplies	3,000	3,000	1,393	(1,607)
Utilities	1,800	1,800	1,642	(158)
Travel	2,500	2,500	2,109	(391)
Miscellaneous	1,000	(13,800)	-	13,800
Total executive	<u>277,800</u>	<u>263,000</u>	<u>250,353</u>	<u>(12,647)</u>

continued....

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Expenditures (continued)				
General government (concluded)				
Planning and zoning:				
Training	\$ 3,400	\$ 3,400	\$ 1,458	\$ (1,942)
Dues, fees and memberships	2,800	2,800	2,245	(555)
Employee benefits	121,300	110,600	90,223	(20,377)
Internal charges	800	800	688	(112)
Repairs and maintenance	200	200	-	(200)
Contractual services	900	10,900	12,434	1,534
Salaries	306,400	290,400	237,684	(52,716)
Supplies	3,000	3,000	1,447	(1,553)
Travel	4,400	4,400	2,744	(1,656)
Miscellaneous	-	(58,300)	-	58,300
	<u>443,200</u>	<u>368,200</u>	<u>348,923</u>	<u>(19,277)</u>
Elections:				
Employee benefits	300	300	132	(168)
Internal charges	3,100	3,100	1,060	(2,040)
Repairs and maintenance	500	500	-	(500)
Contractual services	28,900	28,900	16,140	(12,760)
Salaries	1,800	1,800	1,320	(480)
Supplies	4,000	4,000	5,427	1,427
Travel	1,000	1,000	636	(364)
Miscellaneous	-	(9,000)	-	9,000
	<u>39,600</u>	<u>30,600</u>	<u>24,715</u>	<u>(5,885)</u>
Total general government	<u>4,769,100</u>	<u>4,527,200</u>	<u>4,461,587</u>	<u>(65,613)</u>
Public safety				
Police:				
Capital outlay	23,700	23,700	2,639	(21,061)
Contractual services	246,300	246,300	268,243	21,943
Dues, fees and memberships	6,800	6,800	3,533	(3,267)
Employee benefits	2,636,800	2,636,800	2,458,365	(178,435)
Travel	422,300	422,300	307,023	(115,277)
Legal fees	220,000	220,000	189,530	(30,470)
Insurance	98,400	98,400	86,793	(11,607)
Repairs and maintenance	159,600	159,600	109,023	(50,577)
Salaries	5,746,800	5,746,800	4,940,015	(806,785)

continued....

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Expenditures (continued)				
Public safety (concluded)				
Police (concluded):				
Supplies	\$ 151,200	\$ 151,200	\$ 112,766	\$ (38,434)
Utilities	209,500	209,500	214,853	5,353
Training	61,800	61,800	30,166	(31,634)
Miscellaneous	-	(711,400)	-	711,400
	<u>9,983,200</u>	<u>9,271,800</u>	<u>8,722,949</u>	<u>(548,851)</u>
Total police				
Fire:				
Capital outlay	34,800	34,800	26,535	(8,265)
Contractual services	146,300	146,300	115,471	(30,829)
Dues, fees and memberships	3,700	3,700	3,435	(265)
Training	19,800	19,800	4,562	(15,238)
Employee benefits	1,410,600	1,410,600	1,249,820	(160,780)
Travel	164,400	164,400	122,287	(42,113)
Insurance	44,900	44,900	43,181	(1,719)
Repairs and maintenance	58,900	58,900	35,886	(23,014)
Salaries	3,364,400	3,364,400	3,013,049	(351,351)
Supplies	108,200	108,200	85,123	(23,077)
Utilities	136,000	136,000	109,364	(26,636)
Miscellaneous	-	(306,200)	-	306,200
	<u>5,492,000</u>	<u>5,185,800</u>	<u>4,808,713</u>	<u>(377,087)</u>
Total fire				
Total public safety	<u>15,475,200</u>	<u>14,457,600</u>	<u>13,531,662</u>	<u>(925,938)</u>
Public works				
Training	5,100	5,100	5,045	(55)
Dues, fees and memberships	500	500	141	(359)
Employee benefits	710,600	710,600	671,288	(39,312)
Insurance	18,000	18,000	17,190	(810)
Repairs and maintenance	88,000	88,000	25,686	(62,314)
Contractual services	51,500	51,500	81,094	29,594
Salaries	1,537,700	1,537,700	1,490,313	(47,387)
Supplies	116,100	116,100	94,542	(21,558)
Travel	162,000	162,000	132,024	(29,976)
Utilities	91,000	91,000	72,247	(18,753)
Miscellaneous	2,000	(73,400)	-	73,400
	<u>2,782,500</u>	<u>2,707,100</u>	<u>2,589,570</u>	<u>(117,530)</u>
Total public works				

continued....

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Expenditures (continued)				
Engineering services				
Training	\$ 2,000	\$ 2,000	\$ 2,333	\$ 333
Dues, fees and memberships	1,600	1,600	935	(665)
Employee benefits	121,200	121,200	100,054	(21,146)
Contractual services	5,000	5,000	790	(4,210)
Repairs and maintenance	4,100	4,100	630	(3,470)
Insurance	1,200	1,200	996	(204)
Salaries	366,700	366,700	300,427	(66,273)
Supplies	5,500	5,500	3,959	(1,541)
Travel	6,400	6,400	3,627	(2,773)
Miscellaneous	-	(119,800)	-	119,800
Total engineering services	<u>513,700</u>	<u>393,900</u>	<u>413,751</u>	<u>19,851</u>
District court				
Legal fees	50,000	50,000	45,915	(4,085)
Training	3,200	3,200	1,537	(1,663)
Dues, fees and memberships	1,600	1,600	1,785	185
Employee benefits	282,800	282,800	270,991	(11,809)
Insurance	2,900	2,900	3,151	251
Repairs and maintenance	80,200	80,200	57,810	(22,390)
Contractual services	116,600	116,600	86,468	(30,132)
Salaries	749,900	749,900	696,688	(53,212)
Supplies	20,400	20,400	27,516	7,116
Utilities	19,500	19,500	8,870	(10,630)
Travel	900	900	1,171	271
Miscellaneous	-	(98,100)	-	98,100
Total district court	<u>1,328,000</u>	<u>1,229,900</u>	<u>1,201,902</u>	<u>(27,998)</u>
Inspections				
Dues, fees and memberships	2,000	2,000	2,327	327
Training	5,900	5,900	2,823	(3,077)
Employee benefits	141,900	157,900	145,807	(12,093)
Insurance	1,600	1,600	2,691	1,091
Contractual services	-	-	2,254	2,254
Repairs and maintenance	2,900	2,900	3,547	647
Salaries	348,600	348,600	321,393	(27,207)
Supplies	6,400	6,400	2,645	(3,755)
Utilities	2,700	2,700	1,980	(720)
Travel	13,300	13,300	6,800	(6,500)
Miscellaneous	-	(28,000)	-	28,000
Total inspections	<u>525,300</u>	<u>513,300</u>	<u>492,267</u>	<u>(21,033)</u>

continued...

CITY OF KENTWOOD, MICHIGAN
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Concluded)
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Expenditures (concluded)				
Culture and recreation				
Recreation:				
Capital outlay	\$ 8,000	\$ 8,000	\$ 1,331	\$ (6,669)
Training	4,000	4,000	16,850	12,850
Dues, fees and memberships	1,000	1,000	930	(70)
Employee benefits	144,900	203,800	180,591	(23,209)
Contractual services	89,800	94,300	79,410	(14,890)
Insurance	4,500	4,500	4,370	(130)
Repairs and maintenance	5,300	5,300	5,824	524
Salaries	464,300	959,200	846,207	(112,993)
Internal charges	73,200	73,200	64,943	(8,257)
Supplies	152,300	196,400	152,013	(44,387)
Travel	7,600	9,800	7,300	(2,500)
Utilities	22,000	22,000	29,898	7,898
Miscellaneous	-	(64,300)	-	64,300
Total recreation	<u>976,900</u>	<u>1,517,200</u>	<u>1,389,667</u>	<u>(127,533)</u>
Library:				
Insurance	7,300	7,300	1,416	(5,884)
Repairs and maintenance	-	-	525	525
Contractual services	400	400	11,386	10,986
Internal charges	69,500	69,500	51,059	(18,441)
Supplies	12,000	12,000	5,446	(6,554)
Utilities	45,300	45,300	36,059	(9,241)
Total library	<u>134,500</u>	<u>134,500</u>	<u>105,891</u>	<u>(28,609)</u>
Total culture and recreation	<u>1,111,400</u>	<u>1,651,700</u>	<u>1,495,558</u>	<u>(156,142)</u>
Total expenditures	<u>26,505,200</u>	<u>25,480,700</u>	<u>24,186,297</u>	<u>(1,294,403)</u>
Revenue under expenditures	<u>(9,676,400)</u>	<u>(8,650,500)</u>	<u>(7,809,671)</u>	<u>840,829</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	300	300	-	(300)
Transfers in	10,219,200	10,219,200	9,451,632	(767,568)
Transfers out	<u>(1,354,800)</u>	<u>(1,354,800)</u>	<u>(1,629,783)</u>	<u>(274,983)</u>
Total other financing sources (uses)	<u>8,864,700</u>	<u>8,864,700</u>	<u>7,821,849</u>	<u>(1,042,851)</u>
Net change in fund balance	(811,700)	214,200	12,178	(202,022)
Fund balance, beginning of year, as restated	<u>5,051,406</u>	<u>5,051,406</u>	<u>5,051,406</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,239,706</u>	<u>\$ 5,265,606</u>	<u>\$ 5,063,584</u>	<u>\$ (202,022)</u>

CITY OF KENTWOOD

NONMAJOR GOVERNMENTAL FUNDS

CITY OF KENTWOOD, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue			
	DPW Equipment	Fire Equipment	Economic Development	Housing Commission
Assets				
Cash and pooled investments	\$ 1,490,533	\$ 1,441,277	\$ 868,875	\$ 162,508
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Loans receivable	-	-	114,734	178,719
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 1,490,533	\$ 1,441,277	\$ 983,609	\$ 341,227
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 3,717	\$ -	\$ 2,800	\$ 129
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	138,983
Total liabilities	3,717	-	2,800	139,112
Fund balances				
Reserved for:				
Prepaid items	-	-	-	-
Noncurrent mortgage loans	-	-	107,100	38,500
Unreserved:				
Designated for parks and recreation	-	-	-	-
Undesignated	1,486,816	1,441,277	873,709	163,615
Total fund balances	1,486,816	1,441,277	980,809	202,115
Total liabilities and fund balances	\$ 1,490,533	\$ 1,441,277	\$ 983,609	\$ 341,227

Special Revenue

<u>Parks</u>	<u>Street Lighting</u>	<u>Landfill Remediation</u>	<u>Drain</u>	<u>Local Streets</u>	<u>Municipal Streets</u>
\$ 1,474,161	\$ 1,796,445	\$ 1,992,757	\$ 4,776,799	\$ 889,324	\$ 4,890,775
-	-	3,436	4,652	-	-
-	-	-	275,788	-	-
-	-	-	-	-	-
-	-	-	-	104,111	-
-	-	-	523	2,156	-
<u>\$ 1,474,161</u>	<u>\$ 1,796,445</u>	<u>\$ 1,996,193</u>	<u>\$ 5,057,762</u>	<u>\$ 995,591</u>	<u>\$ 4,890,775</u>
\$ -	\$ 4,150	\$ 34,596	\$ 5,654	\$ 183,733	\$ -
-	-	-	3,071	-	-
-	-	-	273,546	-	-
-	4,150	34,596	282,271	183,733	-
-	-	-	523	2,156	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,474,161</u>	<u>1,792,295</u>	<u>1,961,597</u>	<u>4,774,968</u>	<u>809,702</u>	<u>4,890,775</u>
<u>1,474,161</u>	<u>1,792,295</u>	<u>1,961,597</u>	<u>4,775,491</u>	<u>811,858</u>	<u>4,890,775</u>
<u>\$ 1,474,161</u>	<u>\$ 1,796,445</u>	<u>\$ 1,996,193</u>	<u>\$ 5,057,762</u>	<u>\$ 995,591</u>	<u>\$ 4,890,775</u>

CITY OF KENTWOOD, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds (Concluded)
June 30, 2010

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Property and Building</u>	<u>Library</u>		
Assets				
Cash and pooled investments	\$ 3,293,627	\$ 125,516	\$ -	\$ 23,202,597
Accounts receivable	-	-	-	8,088
Special assessments receivable	-	-	-	275,788
Loans receivable	-	-	-	293,453
Due from other governments	56,332	-	-	160,443
Prepaid items	-	-	-	2,679
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 3,349,959</u></u>	<u><u>\$ 125,516</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,943,048</u></u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 43,350	\$ -	\$ -	\$ 278,129
Due to other governments	-	-	-	3,071
Deferred revenue	-	-	-	412,529
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>43,350</u>	<u>-</u>	<u>-</u>	<u>693,729</u>
Fund balances				
Reserved for:				
Prepaid items	-	-	-	2,679
Noncurrent mortgage loans	-	-	-	145,600
Unreserved:				
Designated for parks and recreation	496,975	-	-	496,975
Undesignated	2,809,634	125,516	-	22,604,065
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,306,609</u>	<u>125,516</u>	<u>-</u>	<u>23,249,319</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 3,349,959</u></u>	<u><u>\$ 125,516</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,943,048</u></u>

CITY OF KENTWOOD

CITY OF KENTWOOD, MICHIGAN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	DPW Equipment	Fire Equipment	Economic Development	Housing Commission
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	21,839	-
Charges for services	300,000	-	-	-
Investment income	100,357	75,952	59,397	10,073
Miscellaneous	-	-	-	177
	<u>400,357</u>	<u>75,952</u>	<u>81,236</u>	<u>10,250</u>
Total revenue				
	<u>400,357</u>	<u>75,952</u>	<u>81,236</u>	<u>10,250</u>
Expenditures				
Current:				
General government	-	-	77,792	19,771
Public safety	-	15,000	-	-
Highways and streets	-	-	-	-
Public works	20,000	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	207,139	62,141	-	-
	<u>227,139</u>	<u>77,141</u>	<u>77,792</u>	<u>19,771</u>
Total expenditures				
	<u>227,139</u>	<u>77,141</u>	<u>77,792</u>	<u>19,771</u>
Revenue over (under) expenditures	<u>173,218</u>	<u>(1,189)</u>	<u>3,444</u>	<u>(9,521)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	7,624	7,348	-	-
Transfers in	-	200,000	-	-
Transfers out	(350,000)	-	-	-
	<u>(342,376)</u>	<u>207,348</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
	<u>(342,376)</u>	<u>207,348</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(169,158)	206,159	3,444	(9,521)
Fund balances, beginning of year	<u>1,655,974</u>	<u>1,235,118</u>	<u>977,365</u>	<u>211,636</u>
Fund balances, end of year	<u>\$ 1,486,816</u>	<u>\$ 1,441,277</u>	<u>\$ 980,809</u>	<u>\$ 202,115</u>

Special Revenue

Parks	Street Lighting	Landfill Remediation	Drain	Local Streets	Municipal Streets
\$ 213,187	\$ -	\$ -	\$ -	\$ -	\$ 59
9,940	135,989	-	-	635,658	-
-	-	-	-	-	-
-	-	-	-	-	-
87,922	115,029	120,718	297,911	65,967	313,479
-	-	-	268	16,365	152
<u>311,049</u>	<u>251,018</u>	<u>120,718</u>	<u>298,179</u>	<u>717,990</u>	<u>313,690</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	490,411	-	-	897,043	55,000
-	-	134,734	493,175	-	-
19,200	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
120,126	-	-	-	895,660	1,174
<u>139,326</u>	<u>490,411</u>	<u>134,734</u>	<u>493,175</u>	<u>1,792,703</u>	<u>56,174</u>
<u>171,723</u>	<u>(239,393)</u>	<u>(14,016)</u>	<u>(194,996)</u>	<u>(1,074,713)</u>	<u>257,516</u>
-	-	-	-	-	-
-	-	-	-	39,484	-
-	(16,500)	-	-	-	(333,196)
<u>-</u>	<u>(16,500)</u>	<u>-</u>	<u>-</u>	<u>39,484</u>	<u>(333,196)</u>
171,723	(255,893)	(14,016)	(194,996)	(1,035,229)	(75,680)
<u>1,302,438</u>	<u>2,048,188</u>	<u>1,975,613</u>	<u>4,970,487</u>	<u>1,847,087</u>	<u>4,966,455</u>
<u>\$ 1,474,161</u>	<u>\$ 1,792,295</u>	<u>\$ 1,961,597</u>	<u>\$ 4,775,491</u>	<u>\$ 811,858</u>	<u>\$ 4,890,775</u>

CITY OF KENTWOOD, MICHIGAN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Concluded)
For the Year Ended June 30, 2010

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Property and Building</u>	<u>Library</u>		
Revenue				
Taxes	\$ -	\$ 749,222	\$ -	\$ 962,468
Intergovernmental	90,694	-	-	872,281
Licenses and permits	-	-	-	21,839
Charges for services	-	-	875,705	1,175,705
Investment income	169,902	18,193	-	1,434,900
Miscellaneous	-	-	-	16,962
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,962</u>
Total revenue	<u>260,596</u>	<u>767,415</u>	<u>875,705</u>	<u>4,484,155</u>
Expenditures				
Current:				
General government	-	-	-	97,563
Public safety	-	-	-	15,000
Highways and streets	-	-	-	1,442,454
Public works	-	-	-	647,909
Culture and recreation	-	20,000	-	39,200
Debt service:				
Principal	-	-	1,615,000	1,615,000
Interest	-	-	1,032,097	1,032,097
Capital outlay	466,440	-	-	1,752,680
	<u>466,440</u>	<u>-</u>	<u>-</u>	<u>1,752,680</u>
Total expenditures	<u>466,440</u>	<u>20,000</u>	<u>2,647,097</u>	<u>6,641,903</u>
Revenue over (under) expenditures	<u>(205,844)</u>	<u>747,415</u>	<u>(1,771,392)</u>	<u>(2,157,748)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	72,859	-	-	87,831
Transfers in	725,000	-	1,771,392	2,735,876
Transfers out	(790,238)	(621,899)	-	(2,111,833)
	<u>7,621</u>	<u>(621,899)</u>	<u>1,771,392</u>	<u>711,874</u>
Total other financing sources (uses)	<u>7,621</u>	<u>(621,899)</u>	<u>1,771,392</u>	<u>711,874</u>
Net change in fund balances	(198,223)	125,516	-	(1,445,874)
Fund balances, beginning of year	<u>3,504,832</u>	<u>-</u>	<u>-</u>	<u>24,695,193</u>
Fund balances, end of year	<u>\$ 3,306,609</u>	<u>\$ 125,516</u>	<u>\$ -</u>	<u>\$ 23,249,319</u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
DPW Equipment Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Charges for services - internal	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Investment income	65,000	65,000	100,357	35,357
Total revenue	<u>365,000</u>	<u>365,000</u>	<u>400,357</u>	<u>35,357</u>
Expenditures				
Current - public works:				
Administration	20,000	20,000	20,000	-
Capital outlay	389,500	389,500	207,139	(182,361)
Total expenditures	<u>409,500</u>	<u>409,500</u>	<u>227,139</u>	<u>(182,361)</u>
Revenue (under) over expenditures	<u>(44,500)</u>	<u>(44,500)</u>	<u>173,218</u>	<u>217,718</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	5,000	5,000	7,624	2,624
Transfers out	(350,000)	(350,000)	(350,000)	-
Total other financing sources (uses)	<u>(345,000)</u>	<u>(345,000)</u>	<u>(342,376)</u>	<u>2,624</u>
Net change in fund balance	(389,500)	(389,500)	(169,158)	220,342
Fund balance, beginning of year	<u>1,655,974</u>	<u>1,655,974</u>	<u>1,655,974</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,266,474</u></u>	<u><u>\$ 1,266,474</u></u>	<u><u>\$ 1,486,816</u></u>	<u><u>\$ 220,342</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Fire Equipment Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Investment income	\$ 60,000	\$ 60,000	\$ 75,952	\$ 15,952
Expenditures				
Current - public safety:				
Administration	15,000	15,000	15,000	-
Capital outlay	113,500	113,500	62,141	(51,359)
Total expenditures	128,500	128,500	77,141	(51,359)
Revenue under expenditures	(68,500)	(68,500)	(1,189)	67,311
Other financing sources				
Proceeds from sale of capital assets	-	-	7,348	7,348
Transfers in	200,000	200,000	200,000	-
Total other financing sources	200,000	200,000	207,348	7,348
Net change in fund balance	131,500	131,500	206,159	74,659
Fund balance, beginning of year	1,235,118	1,235,118	1,235,118	-
Fund balance, end of year	<u><u>\$ 1,366,618</u></u>	<u><u>\$ 1,366,618</u></u>	<u><u>\$ 1,441,277</u></u>	<u><u>\$ 74,659</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Economic Development Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 21,839	\$ 6,839
Investment income	50,000	50,000	59,397	9,397
Total revenue	<u>65,000</u>	<u>65,000</u>	<u>81,236</u>	<u>16,236</u>
Expenditures				
Current - general government:				
Administration	6,000	6,000	3,300	(2,700)
Employee benefits	3,500	14,100	13,580	(520)
Contractual services	59,400	59,400	11,472	(47,928)
Salaries	20,100	36,100	39,859	3,759
Miscellaneous	6,900	7,000	9,581	2,581
Total expenditures	<u>95,900</u>	<u>122,600</u>	<u>77,792</u>	<u>(44,808)</u>
Net change in fund balance	(30,900)	(57,600)	3,444	61,044
Fund balance, beginning of year	<u>977,365</u>	<u>977,365</u>	<u>977,365</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 946,465</u></u>	<u><u>\$ 919,765</u></u>	<u><u>\$ 980,809</u></u>	<u><u>\$ 61,044</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Housing Commission Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Investment income	\$ 10,000	\$ 10,000	\$ 10,073	\$ 73
Miscellaneous	-	-	177	177
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>10,250</u>	<u>250</u>
Expenditures				
Current - general government:				
Administration	2,700	2,700	2,200	(500)
Employee benefits	1,200	1,200	786	(414)
Grant expenses	5,000	25,000	11,350	(13,650)
Salaries	6,000	6,000	5,352	(648)
Supplies	2,300	2,300	83	(2,217)
Total expenditures	<u>17,200</u>	<u>37,200</u>	<u>19,771</u>	<u>(17,429)</u>
Net change in fund balance	(7,200)	(27,200)	(9,521)	17,679
Fund balance, beginning of year	<u>211,636</u>	<u>211,636</u>	<u>211,636</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 204,436</u></u>	<u><u>\$ 184,436</u></u>	<u><u>\$ 202,115</u></u>	<u><u>\$ 17,679</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Parks Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Taxes	\$ 214,900	\$ 214,900	\$ 213,187	\$ (1,713)
Intergovernmental	288,000	288,000	9,940	(278,060)
Investment income	50,000	50,000	87,922	37,922
Total revenue	<u>552,900</u>	<u>552,900</u>	<u>311,049</u>	<u>(241,851)</u>
Expenditures				
Current - culture and recreation:				
Administration	19,300	19,300	19,200	(100)
Capital outlay	795,000	795,000	120,126	(674,874)
Total expenditures	<u>814,300</u>	<u>814,300</u>	<u>139,326</u>	<u>(674,974)</u>
Net change in fund balance	(261,400)	(261,400)	171,723	433,123
Fund balance, beginning of year	<u>1,302,438</u>	<u>1,302,438</u>	<u>1,302,438</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,041,038</u></u>	<u><u>\$ 1,041,038</u></u>	<u><u>\$ 1,474,161</u></u>	<u><u>\$ 433,123</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Street Lighting Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 135,989	\$ 5,989
Investment income	75,000	75,000	115,029	40,029
Total revenue	<u>205,000</u>	<u>205,000</u>	<u>251,018</u>	<u>46,018</u>
Expenditures				
Current - highways and streets:				
Administration	30,000	30,000	30,000	-
Utilities	430,000	460,000	460,316	316
Property tax refunds	-	-	6	6
Miscellaneous	5,000	5,000	89	(4,911)
Total expenditures	<u>465,000</u>	<u>495,000</u>	<u>490,411</u>	<u>(4,589)</u>
Revenue under expenditures	(260,000)	(290,000)	(239,393)	50,607
Other financing uses				
Transfers out	-	-	(16,500)	(16,500)
Net change in fund balance	(260,000)	(290,000)	(255,893)	34,107
Fund balance, beginning of year	<u>2,048,188</u>	<u>2,048,188</u>	<u>2,048,188</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,788,188</u></u>	<u><u>\$ 1,758,188</u></u>	<u><u>\$ 1,792,295</u></u>	<u><u>\$ 34,107</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Landfill Remediation Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Investment income	\$ 77,000	\$ 77,000	\$ 120,718	\$ 43,718
Expenditures				
Current - public works:				
Administration	30,000	30,000	30,000	-
Landfill expense	100,000	100,000	104,069	4,069
Property tax refunds	-	-	665	665
Total expenditures	<u>130,000</u>	<u>130,000</u>	<u>134,734</u>	<u>4,734</u>
Net change in fund balance	(53,000)	(53,000)	(14,016)	38,984
Fund balance, beginning of year	<u>1,975,613</u>	<u>1,975,613</u>	<u>1,975,613</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,922,613</u></u>	<u><u>\$ 1,922,613</u></u>	<u><u>\$ 1,961,597</u></u>	<u><u>\$ 38,984</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Drain Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Investment income	\$ 175,000	\$ 175,000	\$ 297,911	\$ 122,911
Miscellaneous	-	-	268	268
Total revenue	<u>175,000</u>	<u>175,000</u>	<u>298,179</u>	<u>123,179</u>
Expenditures				
Current - public works:				
Engineering	173,300	173,300	92,920	(80,380)
Administration	70,000	70,000	60,635	(9,365)
Maintenance	600,000	600,000	323,278	(276,722)
Miscellaneous	30,000	30,000	16,342	(13,658)
Total expenditures	<u>873,300</u>	<u>873,300</u>	<u>493,175</u>	<u>(380,125)</u>
Net change in fund balance	(698,300)	(698,300)	(194,996)	503,304
Fund balance, beginning of year	<u>4,970,487</u>	<u>4,970,487</u>	<u>4,970,487</u>	-
Fund balance, end of year	<u><u>\$ 4,272,187</u></u>	<u><u>\$ 4,272,187</u></u>	<u><u>\$ 4,775,491</u></u>	<u><u>\$ 503,304</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Local Streets Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenue				
Intergovernmental	\$ 640,800	\$ 640,800	\$ 635,658	\$ (5,142)
Investment income	60,000	60,000	65,967	5,967
Miscellaneous	15,000	15,000	16,365	1,365
Total revenue	<u>715,800</u>	<u>715,800</u>	<u>717,990</u>	<u>2,190</u>
Expenditures				
Current - highways and streets:				
Engineering	120,000	150,000	134,384	(15,616)
Administration	60,300	60,300	57,200	(3,100)
Maintenance	405,000	405,000	545,506	140,506
Snow and ice removal	350,000	350,000	147,364	(202,636)
Traffic control	20,000	20,000	5,983	(14,017)
Miscellaneous	9,200	9,200	6,606	(2,594)
Capital outlay	300,000	1,000,000	895,660	(104,340)
Total expenditures	<u>1,264,500</u>	<u>1,994,500</u>	<u>1,792,703</u>	<u>(201,797)</u>
Revenue under expenditures	(548,700)	(1,278,700)	(1,074,713)	203,987
Other financing sources				
Transfers in	20,000	750,000	39,484	(710,516)
Net change in fund balance	(528,700)	(528,700)	(1,035,229)	(506,529)
Fund balance, beginning of year	<u>1,847,087</u>	<u>1,847,087</u>	<u>1,847,087</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,318,387</u></u>	<u><u>\$ 1,318,387</u></u>	<u><u>\$ 811,858</u></u>	<u><u>\$ (506,529)</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Municipal Streets Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Taxes	\$ -	\$ -	\$ 59	\$ 59
Investment income	180,000	180,000	313,479	133,479
Miscellaneous	-	-	152	152
Total revenue	<u>180,000</u>	<u>180,000</u>	<u>313,690</u>	<u>133,690</u>
Expenditures				
Current - highways and streets:				
Administration	55,000	55,000	55,000	-
Capital outlay	35,000	35,000	1,174	(33,826)
Total expenditures	<u>90,000</u>	<u>90,000</u>	<u>56,174</u>	<u>(33,826)</u>
Revenue over expenditures	90,000	90,000	257,516	167,516
Other financing uses				
Transfers out	<u>(320,000)</u>	<u>(1,050,000)</u>	<u>(333,196)</u>	<u>716,804</u>
Net change in fund balance	(230,000)	(960,000)	(75,680)	884,320
Fund balance, beginning of year	<u>4,966,455</u>	<u>4,966,455</u>	<u>4,966,455</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,736,455</u></u>	<u><u>\$ 4,006,455</u></u>	<u><u>\$ 4,890,775</u></u>	<u><u>\$ 884,320</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Property and Building Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental	\$ -	\$ -	\$ 90,694	\$ 90,694
Investment income	-	125,000	169,902	44,902
Total revenue	-	125,000	260,596	135,596
Expenditures				
Capital outlay	1,974,500	1,974,500	466,440	(1,508,060)
Revenue under expenditures	(1,974,500)	(1,849,500)	(205,844)	1,643,656
Other financing sources (uses)				
Proceeds from sale of capital assets	25,000	25,000	72,859	47,859
Transfers in	450,000	450,000	725,000	275,000
Transfers out	(500,000)	(500,000)	(790,238)	(290,238)
Total other financing sources (uses)	(25,000)	(25,000)	7,621	32,621
Net change in fund balance	(1,999,500)	(1,874,500)	(198,223)	1,676,277
Fund balance, beginning of year	3,504,832	3,504,832	3,504,832	-
Fund balance, end of year	<u><u>\$ 1,505,332</u></u>	<u><u>\$ 1,630,332</u></u>	<u><u>\$ 3,306,609</u></u>	<u><u>\$ 1,676,277</u></u>

CITY OF KENTWOOD, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Library Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 753,600	\$ 753,600	\$ 749,222	\$ (4,378)
Investment income	<u>2,500</u>	<u>2,500</u>	<u>18,193</u>	<u>15,693</u>
Total revenues	756,100	756,100	767,415	11,315
Expenditures				
Current - culture and recreation:				
Administration	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenue over expenditures	736,100	736,100	747,415	11,315
Other financing uses				
Transfers out	<u>(622,000)</u>	<u>(622,000)</u>	<u>(621,899)</u>	<u>101</u>
Net change in fund balance	114,100	114,100	125,516	11,416
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 114,100</u></u>	<u><u>\$ 114,100</u></u>	<u><u>\$ 125,516</u></u>	<u><u>\$ 11,416</u></u>

FIDUCIARY FUNDS

CITY OF KENTWOOD, MICHIGAN
Combining Statement of Net Assets
Pension and Other Postemployment Benefits Trust Funds
June 30, 2010

	<u>Pension Trust ¹</u>	<u>OPEB Trust</u>	
	<u>Defined Benefit</u>	<u>Postemployment Benefits</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ -	\$ 166,352	\$ 166,352
Interest receivable	12,945	-	12,945
Investments:			
Certificates of deposit	480,000	-	480,000
Money market funds	2,547,081	-	2,547,081
Bonds	1,861,528	-	1,861,528
Equities	16,001,783	1,435,766	17,437,549
International equities	691,545	-	691,545
Total assets	21,594,882	1,602,118	23,197,000
Liabilities			
Accounts payable	67,199	1,339	68,538
Net assets			
Held in trust for pension and other postemployment benefits	<u>\$ 21,527,683</u>	<u>\$ 1,600,779</u>	<u>\$ 23,128,462</u>

¹ presented on a December 31, 2009 fiscal year

CITY OF KENTWOOD, MICHIGAN
Combining Statement of Changes in Net Assets
Pension and Other Postemployment Benefits Trust Funds
For the Year Ended June 30, 2010

	<u>Pension Trust ¹</u>	<u>OPEB Trust</u>	
	<u>Defined Benefit</u>	<u>Postemployment Benefits</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 1,290,000	\$ 178,499	\$ 1,468,499
Plan participants	255,142	-	255,142
Total contributions	<u>1,545,142</u>	<u>178,499</u>	<u>1,723,641</u>
Investment income	<u>3,425,101</u>	<u>168,513</u>	<u>3,593,614</u>
Total additions	<u>4,970,243</u>	<u>347,012</u>	<u>5,317,255</u>
Deductions			
Distributions and benefit payments	573,940	34,269	608,209
Administrative expenses	<u>93,648</u>	<u>6,053</u>	<u>99,701</u>
Total deductions	<u>667,588</u>	<u>40,322</u>	<u>707,910</u>
Change in net assets	4,302,655	306,690	4,609,345
Net assets held in trust			
Beginning of year	<u>17,225,028</u>	<u>1,294,089</u>	<u>18,519,117</u>
End of year	<u><u>\$ 21,527,683</u></u>	<u><u>\$ 1,600,779</u></u>	<u><u>\$ 23,128,462</u></u>

¹ presented on a December 31, 2009 fiscal year

CITY OF KENTWOOD, MICHIGAN
Fiduciary Fund
Statement of Changes in Assets and Liabilities
Tax Collection Fund
For the Year Ended June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Assets				
Cash and pooled investments	\$ 32,735	\$ 90,457,722	\$ (90,403,336)	\$ 87,121
Liabilities				
Due to other governments	\$ 32,735	\$ 90,457,722	\$ (90,403,336)	\$ 87,121

**INTERNAL CONTROL
AND
COMPLIANCE**

CITY OF KENTWOOD

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

November 30, 2010

Honorable Mayor and
City Commissioners
City of Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Kentwood, Michigan*, as of and for the year ended June 30, 2010 and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described below, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Finding 2010-1 – Internal Controls over Utility Billing and Receipting

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

Condition: A single employee is responsible for generating utility bills and receipting collections of such amounts. In addition, this employee has full access to the utilities receivable subsidiary ledger and the ability to post adjustments to customer accounts. The billing register is not subject to a documented supervisory review,

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

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

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

View of Responsible Officials: To provide for separation of duties between utility billing and receipting of related collections, Finance Department staff has evaluated available banking services. Use of electronic deposit performed by the Treasurer's Department was implemented in June 2010, and implementation of a remote lockbox is scheduled for the first quarter of 2011. Supervisory review of the billing register will be evaluated for implementation.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Kentwood in a separate letter dated November 30, 2010.

The City of Kentwood's response to the finding identified in our audit is described above. We did not audit the City of Kentwood's response and, accordingly, we express no opinion on it.

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



Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2010*

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

Effective July 1, 2009 the annual filing of audited financial statements, along with an issuer's Continuing Disclosure Undertaking, is no longer accepted by the Nationally Recognized Municipal Securities Information Repositories ("NRMSIR's")(Bloomberg Municipal Repository, DPC Data, Interactive Data and Standard & Poor's Securities Evaluations). The Municipal Securities Rulemaking Board (the "MSRB") received approval from the Securities and Exchange Commission (the "SEC") to launch operations of the continuing disclosure service of the MSRB's Electronic Municipal Market Access system ("EMMA"). The sole NRMSIR shall be the MSRB, through the operation of EMMA.

The EMMA website is www.emma.msrb.org

STATE INFORMATION DEPOSITORY (SID)

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

MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

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

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

CUSIP Numbers (attach additional sheet if necessary):

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

* * *

Number of pages of attached information:

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

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

CAFR: (a) include does not include Annual Financial Information
(b) Audited? Yes No

Annual Financial Information: Audited? Yes No
 Operating Data

Fiscal Period Covered: June 30, 2010

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

* * *

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

Signature: 

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

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

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

Voice Telephone Number: (616) 698-9610

**City of Kentwood
Taxable Value
Fiscal Years Ended or Ending June 30, 2007 Through 2011**

Assessed Value as of December 31	Year of State Equalization And Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem Taxable Value (1)	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198(2)	Total Taxable Value	Percent Increase (Decrease) From Prior Year
2005	2006	2007	\$1,998,526,213	\$ 32,448,810	\$2,030,975,023	4.83%
2006	2007	2008	2,058,184,649	43,597,259	2,101,781,908	3.49
2007	2008	2009	2,084,515,373	46,130,000	2,130,645,373	1.37
2008	2009	2010	2,109,722,640	42,112,032	2,151,834,672	0.99
2009	2010	2011	1,997,126,776	38,767,550	2,035,894,326	(5.39)

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2011 (3)..... \$44,987

(1) Includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2011, the Taxable Value of property qualified for the benefits of the Zones program totaled \$9,130,219. Excludes the value of qualified property under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended, "New Personal Property Exemption" available to eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan. The 100% property tax exemption continues for new acquisitions until the expiration date set by the local governmental unit. For the fiscal year ending June 30, 2011, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$5,426,500.

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

(3) 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, 2007 Through 2011**

Use	Fiscal Years Ended or Ending June 30				
	2007	2008	2008	2010	2011
Commercial	\$ 621,903,122	\$ 640,061,677	\$ 657,328,452	\$ 688,219,612	\$ 709,554,719
Industrial.....	524,650,493	538,284,963	541,592,941	539,699,660	473,204,929
Residential	864,258,198	903,060,168	911,013,280	890,414,800	817,775,278
Utility.....	20,163,210	20,375,100	20,710,700	33,500,600	35,359,400
	<u>\$ 2,030,975,023</u>	<u>\$ 2,101,781,908</u>	<u>\$ 2,130,645,373</u>	<u>\$ 2,151,834,672</u>	<u>\$ 2,035,894,326</u>

Class	Fiscal Years Ended or Ending June 30				
	2007	2008	2009	2010	2011
Real Property.....	\$ 1,747,546,913	\$ 1,816,496,308	\$ 1,834,513,623	\$ 1,842,109,637	\$ 1,714,310,698
Personal Property.....	283,428,110	285,285,600	296,131,750	309,725,035	321,583,628
	<u>\$ 2,030,975,023</u>	<u>\$ 2,101,781,908</u>	<u>\$ 2,130,645,373</u>	<u>\$ 2,151,834,672</u>	<u>\$ 2,035,894,326</u>

Source: City of Kentwood

**City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2007 Through 2011**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV (1)	SEV of Property Granted Tax Abatement <u>Under Act 198 (2)</u>	Total SEV	Percent Increase (Decrease) From Prior Year
2005	2006	2007	\$2,154,463,200	\$65,051,500	\$2,219,514,700	3.86%
2006	2007	2008	2,194,290,650	87,211,600	2,281,502,250	2.79
2007	2008	2009	2,201,671,700	92,260,000	2,293,931,700	0.54
2008	2009	2010	2,191,387,535	84,239,100	2,275,626,635	(0.80)
2009	2010	2011	2,045,480,100	77,535,100	2,123,015,200	(6.71)

Per Capita Total SEV for the Fiscal Year Ending June 30, 2011 (3)..... \$46,912

(1) Includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2011, the SEV of the property qualified for the benefits of the Zones program totaled \$9,134,900. Excludes the value of qualified property under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended, "New Personal Property Exemption" available to eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan. The 100% property tax exemption continues for new acquisitions until the expiration date set by the local governmental unit. For the fiscal year ending June 30, 2011, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$5,426,500.

(2) See "Tax Abatement" herein.

(3) 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, 2007 Through 2011**

Use	Fiscal Years Ended or Ending June 30				
	2007	2008	2009	2010	2011
Commercial.....	\$ 664,869,000	\$ 681,904,950	\$ 698,405,400	\$ 726,254,435	\$ 735,089,300
Industrial	577,269,900	601,596,700	604,540,900	595,615,100	520,274,700
Residential.....	957,209,300	977,625,500	970,274,700	920,256,500	832,291,800
Utility.....	20,166,500	20,375,100	20,710,700	33,500,600	35,359,400
	<u>\$ 2,219,514,700</u>	<u>\$2,281,502,250</u>	<u>\$2,293,931,700</u>	<u>\$2,275,626,635</u>	<u>\$2,123,015,200</u>
Class	2007	2008	2009	2010	2011
Real Property	\$ 1,915,717,200	\$1,970,327,950	\$1,967,758,700	\$1,937,800,200	\$1,775,093,600
Personal Property.....	303,797,500	311,174,300	326,173,000	337,826,435	347,921,600
	<u>\$ 2,219,514,700</u>	<u>\$2,281,502,250</u>	<u>\$2,293,931,700</u>	<u>\$2,275,626,635</u>	<u>\$2,123,015,200</u>

Source: City of Kentwood

Tax Abatement

The City's SEV and Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198, Public Acts of Michigan, 1974 ("Act 198" or the "Act"), as amended. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under the Act entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the SEV level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the State plus none, 1/2 or all of the state tax rate (as determined by the State Treasurer).

The City has established goals, objectives and procedures to provide the opportunity for industrial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. Most abatements have been for new industrial facilities. The SEV of properties which have been granted tax abatement under the Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$77,535,100 for the fiscal year ending June 30, 2011. The IFT Taxes paid on these properties is equivalent to AdValorem Taxes paid on \$38,767,550 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

The City's SEV and Taxable Value includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zonesthrough the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2011, the SEV and equivalent Taxable Value of property qualified for the benefits of the Zones program totaled \$9,134,900 and \$9,130,219, respectively.

The City's Brownfield Redevelopment Authority was established and incorporated by resolution, pursuant to the provisions of Act 381, Public Acts of Michigan, 1996 ("Act 381"), as amended, adopted by the City Commission on December 6, 2005. Act 381 authorizes the Authority to undertake a broad range of improvement activities intended to promote the revitalization of environmentally distressed areas. These activities include, but are not necessarily limited to, baseline environmental assessments, due care activities, additional response activities, infrastructure improvements, demolition, lead or asbestos abatement and site preparation. The Authority Board is comprised of the board of directors of the Economic Development Corporation of the City of Kentwood appointed by the City Commission. The Authority Board prepared the original Brownfield Plan adopted by the City Commission on September 2, 2008 (the "Brownfield Plan"). The Authority has the responsibility for carrying out and overseeing the Brownfield Plan. Tax increment financing permits the Authority to capture tax revenues attributable to increase in value of real and personal property on the Eligible Property. The initial taxable value of the Eligible Property was \$1,408,100 (the "Initial Taxable Value"). The current taxable value of the Eligible Property has increased to \$2,277,000. The amount by which the current taxable value exceeds the Initial Taxable Value in any one year is captured taxable value (the "Captured Taxable Value"). The 2011 Captured Taxable Value is \$868,900.

New to the 2010 City assessment roll is a "New Personal Property Exemption" under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended. Eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan may be eligible for this exemption on personal property brought into Michigan after the date of approval for exemption. The exemption continues for new acquisitions until the expiration date set by the local governmental unit. This is a 100% property tax exemption. One exemption has been granted, exempting \$5,426,500 in SEV and TV from the rolls. These amounts are not included in the ad valorem totals for the fiscal year ending June 30, 2011.

**City of Kentwood
Maximum Operating Tax Rates
Fiscal Year Ending June 30, 2011**

Millage <u>Classification</u>	Millage <u>Authorized</u>	Cumulative Millage <u>Reduction Fraction</u>	Maximum <u>Allowable Millage</u>
General Operating (1)	3.0000	0.9983	2.9946
Police and Fire (1).....	6.2620	1.0000	6.2620
Parks (2).....	0.1000	0.9983	0.0998
Library Purposes (6).....	0.3500	1.0000	0.3500

**City of Kentwood
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2007 Through 2011**

Levy <u>July 1</u>	Fiscal Years Ended or Ending <u>June 30</u>	General <u>Operating (1)</u>	Police <u>and Fire (1)</u>	<u>Parks (2)</u>	Landfill <u>Remediation (3)</u>	<u>Library (4)</u>	<u>Total (5)</u>
2006	2007	\$2.9946	\$3.7932	\$0.0998	\$0.1497	\$0.0000	\$7.5318
2007	2008	2.9946	4.2620	0.0998	0.1497	0.0000	7.5061
2008	2009	2.9946	4.2620	0.0998	0.1497	0.0000	7.5061
2009	2010	2.9946	4.2620	0.0998	0.0000	0.3500	7.7064
2010	2011	2.9946	6.2620	0.0998	0.0000	0.3500	9.7064

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

- (1) Authorized by the City Charter. On August 8, 2006, the City's electorate approved a 0.4688 mill increase to the Police and Fire Millage effective July 1, 2007. On May 4, 2010, the City's electorate approved a 2.0000 mill increase to the Police and Fire Millage effective July 1, 2010.
- (2) Authorized by the City's electorate through 2013 levy.
- (3) Authorized by the City's electorate through 2008 levy.
- (4) On August 5, 2008, the City's electorate approved 0.3500 mills for Library Purposes effective July 1, 2009.
- (5) For the fiscal year ended June 30, 2007, the Total includes a millage for streets and bridges and street lighting of 0.2995 and 0.1950, respectively. On August 8, 2006, the City's electorate discontinued these millages effective July 1, 2007.

Source: City of Kentwood

City of Kentwood
Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2006 Through 2010

<u>Governmental Unit</u>	Fiscal Years Ended or Ending June 30				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City of Kentwood.....	\$7.5318	\$7.5318	\$7.5061	\$7.5061	\$7.7064
County of Kent.....	5.3140	5.3940	5.3940	5.3940	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2)	5.8742	6.2000	6.0000	5.8400	6.1000
KentIntermediateSchool District	4.6453	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority	0.9500	0.9500	0.9500	1.1200	1.1200
KentDistrict Library Authority	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$32.9818</u>	<u>\$33.4326</u>	<u>\$33.2069</u>	<u>\$33.2169</u>	<u>\$33.6772</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2006 Through 2010

<u>Governmental Unit</u>	Fiscal Years Ended or Ending June 30				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City of Kentwood.....	\$7.5318	\$7.5318	\$7.5061	\$7.5061	\$7.7064
County of Kent.....	5.3140	5.3940	5.3940	5.3940	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2)	23.8742	24.2000	24.0000	23.8400	24.1000
KentIntermediateSchool District	4.6453	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Authority	0.9500	0.9500	0.9500	1.1200	1.1200
KentDistrict Library Authority	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$50.9818</u>	<u>\$51.4326</u>	<u>\$51.2069</u>	<u>\$51.2169</u>	<u>\$51.6772</u>

(1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal residence includes all unoccupied property classified as agricultural or residential adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Principal residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-principal residence* is property not included in the above definition.

(2) The Kentwood Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. The lowest and highest non-principal residence millage rates for the other overlapping school districts for the fiscal year ending June 30, 2010 ranged from \$23.9000 to \$26.0500 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, 2007 Through 2011**

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>
2006	2007	\$ 15,188,009	\$ 14,818,324	97.6%
2007	2008	15,680,756	15,280,232	97.4
2008	2009	15,888,927	15,460,134	97.3
2009	2010	16,503,449	16,058,860	97.3
2010	2011	19,685,331	(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, 2011**

<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 Value	Percent of <u>Total (2)</u>
PR Woodland LTD Partner ...	Shopping Center	\$ 56,864,631	\$ 0	\$ 56,864,631	2.79%
Steelcase Corporation	Office Furniture	44,584,928	0	44,584,928	2.19
Holland Home	Senior Housing	38,082,164	0	38,082,164	1.87
Lacks Industries, Inc.	Automotive Supplier .	22,596,300	3,963,100	26,559,400	1.30
MichCon	Utility.....	19,481,554	0	19,481,554	0.96
Knoll North America.	Office Furniture	17,396,800	323,300	17,720,100	0.87
Consumers Energy	Utility.....	17,384,064	0	17,384,064	0.85
Woodland Creek Apts.....	Apartment Housing ...	15,580,538	0	15,580,538	0.77
Hearthside Food Solutions...	Food.....	14,576,900	0	14,576,900	0.72
Advance Packaging Corp.....	Packaging.....	<u>2,532,618</u>	<u>7,348,150</u>	<u>9,880,768</u>	<u>0.49</u>
		<u>\$249,080,497</u>	<u>\$ 11,634,550</u>	<u>\$260,715,047</u>	<u>12.81%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$2,035,894,326 which is the City's Total Taxable Value for the fiscal year ended June 30, 2011. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement" herein.

Source: City of Kentwood

City of Kentwood
Revenues From the State of Michigan
Fiscal Years Ended or Ending June 30, 2007 Through 2011

	Fiscal Years Ended or Ending June 30				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (2)</u>
State Sales Tax	\$ 3,341,302	\$ 3,354,831	\$ 3,175,986	\$ 2,874,624	\$ 2,771,800
Liquor License Fees	<u>22,168</u>	<u>20,198</u>	<u>21,163</u>	<u>22,266</u>	<u>21,000</u>
Total Revenues From the State of Michigan	<u>\$ 3,363,470</u>	<u>\$ 3,375,029</u>	<u>\$ 3,197,149</u>	<u>\$ 2,896,890</u>	<u>\$ 2,792,800</u>
Percent of General Fund Revenue.....	13.26%	13.12%	12.34%	11.22%	10.00%

(1) As estimated

(2) As budgeted.

Source: City of Kentwood

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of November 10, 2010.

Debt Limit (1)	\$ 212,301,520
Debt Outstanding	\$23,150,000
Less: Exempt Debt	<u>3,580,000</u>
Legal Debt Margin	<u>\$ 192,731,520</u>

(1) 10% of \$2,123,015,200 which is the City's Total SEV for the fiscal year ending June 30, 2011. Includes the SEV of property granted tax abatement under Act 198.

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

Debt Statement

The following table reflects a breakdown of the City’s direct and overlapping debt as of November 2, 2010 including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City’s General Fund.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Bonds:			
Dated October 16, 2003 (4).....	\$ 7,265,000	\$ 0	\$7,265,000
Dated March 23, 2005 (4).....	3,580,000	3,580,000	0
Dated March 19, 2009.....	7,735,000	0	7,735,000
Building Authority Bonds:			
Dated June 1, 2001 (LT).....	<u>4,570,000</u>	<u>0</u>	<u>5,215,000</u>
Total.....	<u>\$ 23,150,000</u>	<u>\$ 3,580,000</u>	<u>\$ 19,570,000</u>
Per Capita Net City Direct Debt (1)			\$432.44
Percent of Net Direct Debt to Total SEV (2).....			0.92%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	Percent of <u>Gross</u>	<u>City Share</u>
Kentwood School District.....	\$ 82,626,000	70.55%	\$ 58,292,643
Caledonia School District.....	116,315,116	12.41	14,434,706
Forest Hills School District.....	211,135,000	6.39	13,491,527
Kelloggsville School District.....	12,005,000	36.06	4,329,003
Kent County.....	178,955,000	9.60	17,179,680
Grand Rapids Community College.....	<u>52,655,000</u>	9.33	<u>4,912,712</u>
Total Overlapping Debt.....	<u>\$ 805,931,116</u>		<u>\$ 112,640,271</u>
Total Direct & Overlapping Debt	<u>\$ 829,081,116</u>		<u>\$ 132,210,271</u>
Per Capita Net Overlapping Debt (1)			\$2,489.01
Percent of Net Overlapping Debt to Total SEV (2).....			5.30%
Per Capita Net Direct and Overlapping Debt (1).....			\$2,921.45
Percent of Net Direct and Overlapping Debt to Total SEV (2).....			6.22%

- (1) Based on the City’s 2000 Census of 45,255.
- (2) Based on \$2,123,015,200 which is the City’s Total SEV for the fiscal year ending June 30, 2011. Includes the SEV of property granted tax abatement under Act 198.
- (3) Overlapping debt is the portion of another taxing unit’s debt for which property taxpayers of the City are liable in addition to debt issued by the City.
- (4) The City issued general obligation limited tax bonds that were insured by Ambac. The rating of Ambac and the issues insured by Ambac have been lowered or removed by one or all of the nationally recognized statistical rating organizations.

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

CITY OF KENTWOOD