

***CITY OF KENTWOOD***

***CITY OF KENTWOOD, MICHIGAN***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2005***

# CITY OF KENTWOOD

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**REHMANN ROBSON**

*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

November 28, 2005

Honorable Mayor and City Commissioners  
Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan, as of and for the year ended June 30, 2005 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, 2005, 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 a report dated November 28, 2005, on our consideration of the City of Kentwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-14 and the pension information on pages 48-49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

## Management Discussion and Analysis

As management of the City of Kentwood, we offer readers of the City of Kentwood financial statements this narrative overview and analysis of the financial activities of the City of Kentwood for the fiscal year ended June 30, 2005. 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

- 2005 was a year of continued capital investment for the City. Projects include completion of the City Hall renovation project and initiation of water and sewer system capital improvements. The City Hall project is funded from the proceeds of general obligation limited tax bonds sold on October 1, 2003, and the water and sewer improvements are funded from the proceeds of general obligation limited tax bonds sold on March 2, 2005.

### Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 15-17 of this report.

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

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

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

The City of Kentwood maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police and Fire Millage, Drain, and Major Street Special Revenue Funds and General Projects Capital Projects Fund, each of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 18-25 of this report.

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-47 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis and required pension information. Required supplementary information regarding the pension information can be found on pages 48 and 49 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 50-68 of this report and continuing disclosure information can be found on pages 71-80.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kentwood, assets exceeded liabilities by \$83,065,192 at the close of the most recent fiscal year.

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

### City of Kentwood Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004	Total 2005	Total 2004
Current assets	\$59,849,213	\$58,267,687	\$ 5,285,151	\$ 5,557,964	\$65,134,364	\$63,825,651
Capital assets	40,006,937	36,956,214	8,899,690	9,074,618	48,906,627	46,030,832
Total assets	<u>99,856,150</u>	<u>95,223,901</u>	<u>14,184,841</u>	<u>14,632,582</u>	<u>114,040,991</u>	<u>109,856,483</u>
Long-term liabilities outstanding	24,616,288	20,225,849	-	-	24,616,288	20,225,849
Other liabilities	5,675,355	6,015,468	684,156	889,382	6,359,511	6,904,850
Total liabilities	<u>30,291,643</u>	<u>16,243,317</u>	<u>684,156</u>	<u>889,382</u>	<u>30,975,799</u>	<u>27,130,699</u>
Net assets:						
Invested in capital assets,						
net of related debt	21,314,975	22,811,995	8,899,690	9,074,618	30,214,665	31,886,613
Restricted	34,110,349	39,714,157	-	-	34,110,349	39,714,157
Unrestricted	14,139,183	6,456,432	4,600,995	4,668,582	18,740,178	11,125,014
<b>Total net assets</b>	<b><u>\$69,564,507</u></b>	<b><u>\$68,982,584</u></b>	<b><u>\$13,500,685</u></b>	<b><u>\$13,743,200</u></b>	<b><u>\$83,065,192</u></b>	<b><u>\$82,725,784</u></b>

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, 31% is invested in capital assets net of related debt, 49% is restricted for other purposes and 20% is unrestricted and available for general City operations.

**City of Kentwood  
Changes in Net Assets**

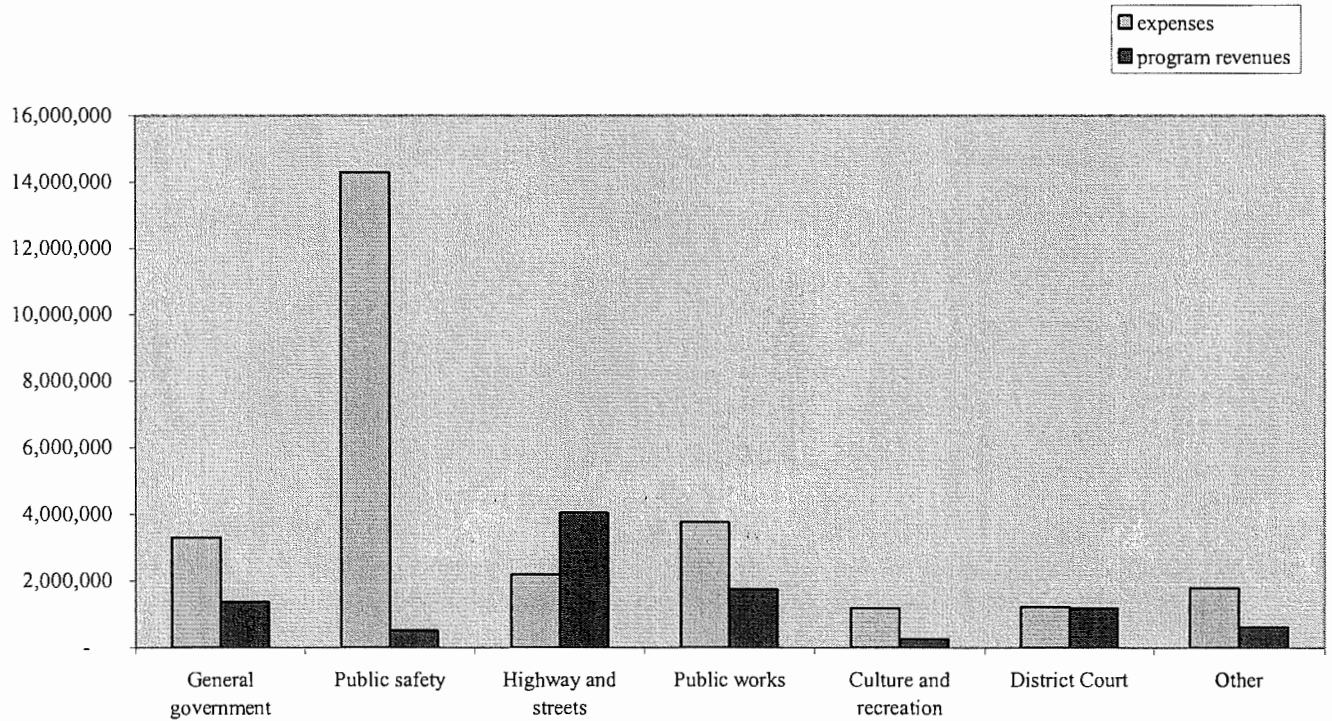
	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>	<b>Business-type Activities 2005</b>	<b>Business-type Activities 2004</b>	<b>Total 2005</b>	<b>Total 2004</b>
Revenue:						
Program revenue:						
Charges for services	\$ 6,237,641	\$ 4,572,526	\$4,321,688	\$4,202,161	\$10,559,329	\$ 8,774,687
Operating grants and contributions	3,519,072	3,755,810	-	-	3,519,072	3,755,810
General revenue:						
Property taxes	13,703,884	12,998,932	-	-	13,703,884	12,998,932
State shared revenue	3,483,182	3,521,716	-	-	3,483,182	3,521,716
Other	1,188,337	651,479	142,517	47,640	1,330,854	699,119
Total revenue	<u>28,132,116</u>	<u>25,500,463</u>	<u>4,464,205</u>	<u>4,249,801</u>	<u>32,596,321</u>	<u>29,750,264</u>
Governmental activities:						
General government	3,297,756	3,715,626	-	-	3,297,756	3,715,626
Public safety	14,288,841	13,686,039	-	-	14,288,841	13,686,039
Highways	2,194,769	2,721,444	-	-	2,194,769	2,721,444
Public works	3,760,383	2,623,655	-	-	3,760,383	2,623,655
Engineering services	502,492	419,639	-	-	502,492	419,639
District court	1,223,098	1,175,162	-	-	1,223,098	1,175,162
Inspections	570,423	548,459	-	-	570,423	548,459
Culture and recreation	1,186,747	1,114,487	-	-	1,186,747	1,114,487
Interest on long-term debt	722,016	596,505	-	-	722,016	596,505
Indirect expense allocation	(196,332)	(124,697)	196,332	124,697	-	-
Total expenses – governmental activities	<u>27,550,193</u>	<u>26,476,319</u>	<u>196,332</u>	<u>124,697</u>	<u>27,746,525</u>	<u>26,601,016</u>
Business-type activities:						
Sewer	-	-	2,293,431	2,467,996	2,293,431	2,246,796
Water	-	-	2,216,957	1,985,784	2,216,957	1,985,784
Total expenses - business-type activities	<u>-</u>	<u>-</u>	<u>4,510,388</u>	<u>4,453,780</u>	<u>4,510,388</u>	<u>4,453,780</u>
Total expenses	<u>27,550,193</u>	<u>26,476,319</u>	<u>4,706,720</u>	<u>4,578,477</u>	<u>32,256,913</u>	<u>31,054,796</u>
Change in net assets	581,923	(975,856)	(242,515)	(328,676)	339,408	(1,304,532)
Net assets – beginning of year	<u>68,982,584</u>	<u>69,958,440</u>	<u>13,743,200</u>	<u>14,017,876</u>	<u>82,725,784</u>	<u>84,030,316</u>
Net assets – end of year	<u><b>\$69,564,507</b></u>	<u><b>\$68,982,584</b></u>	<u><b>\$13,500,685</b></u>	<u><b>\$13,743,200</b></u>	<u><b>\$83,065,192</b></u>	<u><b>\$82,725,784</b></u>

**Governmental activities.** Governmental activities increased the City's net assets by \$581,923. Key elements of this increase are as follows:

- The timing difference between construction of capital assets and depreciation of the assets over their estimated useful lives.

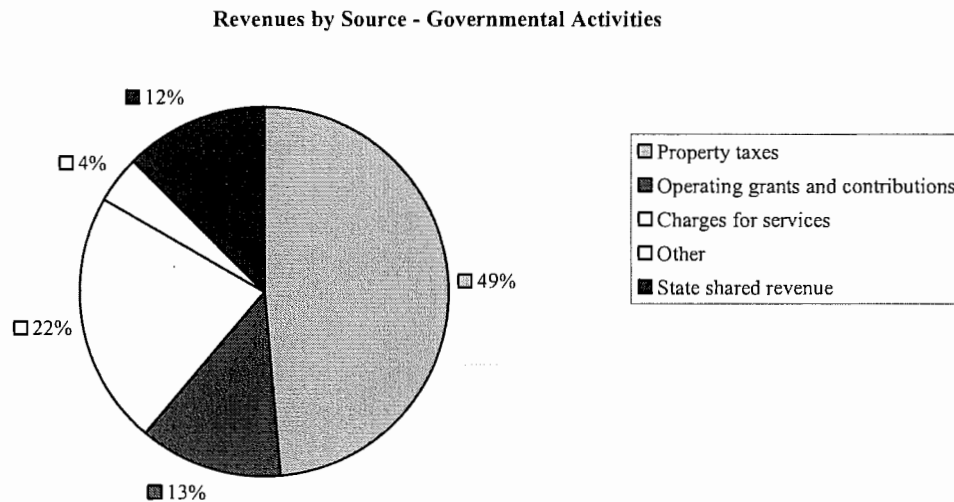
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**Expenses and Program Revenues - Governmental Activities**



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## Revenues by Source - Governmental Activities



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**Business-type activities.** Business-type activities decreased the City's net assets by \$242,515. Key elements of this decrease are as follows:

- Expenses increased 2.8%, or \$128,243, because of inflation.
- Increased maintenance and treatment costs for both water and sewer enterprises.

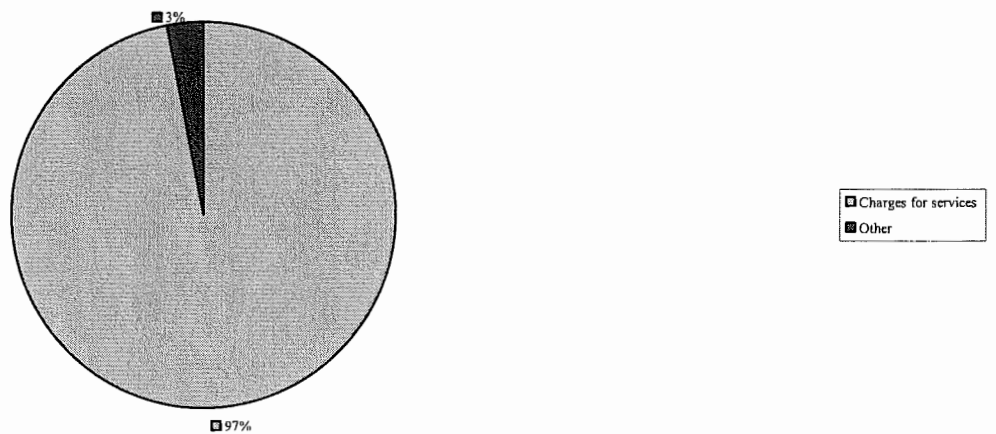
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## Expenses and Program Revenues - Business-type Activities



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## Revenues by Source - Business-type Activities



## **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Kentwood's governmental funds reported combined ending fund balance of \$53,448,992, an increase of \$1,414,177 compared with prior year. This increase was the result of a bond issue exceeding related expenditures during the year.

The general fund is the chief operating fund of the City of Kentwood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,200,839 while total fund balance reached \$5,038,360. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balance of the City of Kentwood's general fund increased by \$8,195 during the current fiscal year.

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

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$2,266,801 and \$2,334,194, respectively. The total changes in net assets for these funds were \$(271,815) and \$29,300, 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 mainly to provide additional funding for Department of Public Works facility and operating costs related to the assumption of street and sewer maintenance responsibilities from Kent County. The budgets for some other departments were amended to adjust for the timing of payroll, and for variations that occurred during the year.

## 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, 2005, amounts to \$48,906,627 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase in the City of Kentwood's investment in capital assets for the current fiscal year was \$2,875,795.

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

- Completion of the City Center (City Hall) Renovation
- Initiation of water and sewer system improvements.

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

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Land	\$ 2,124,960	\$ 60,949	\$ 2,185,909
Construction in progress	781,510	-	781,510
Building, equipment and infrastructure	<u>37,100,467</u>	<u>8,838,741</u>	<u>45,939,208</u>
<b>Total</b>	<b><u>\$40,006,937</u></b>	<b><u>\$8,899,690</u></b>	<b><u>\$48,906,627</u></b>

Additional information on the City of Kentwood capital assets can be found in note 5 on pages 41 and 42 of this report.

### Long-term debt.

### City of Kentwood Outstanding Obligations

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 22,140,000	\$ -	\$ 22,140,000
Other obligations	<u>2,476,288</u>	<u>-</u>	<u>2,476,288</u>
<b>Total</b>	<b><u>\$24,616,288</u></b>	<b><u>\$ -</u></b>	<b><u>\$24,616,288</u></b>

During the year the City issued new debt of \$5,000,000 and paid approximately \$885,000 of principal on bonds outstanding at July 1, 2004.

The City of Kentwood has a AA rating from both Standard & Poor's and Fitch. For the bond sale on March 2, 2005, it was beneficial to purchase bond insurance, which resulted in the bond issue being AAA rated with the insurance.

State statutes limit the amount of general obligation debt a government entity may issue to 10% of the entity's total State Equalized Value. At March 23, 2005, the closing date of the City of Kentwood, Limited Tax General Obligation Bonds, Series 2005, the debt limitation for the City of Kentwood was \$205,118,855; the City's debt outstanding, net of \$5,000,000 of exempt self-supporting debt, was \$17,660,000, leaving a legal debt margin of \$187,458,855.

Additional information on the City of Kentwood long-term obligations can be found in note 8 on pages 46 and 47 of this report.

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

### **Revenues**

Property Taxes – The General Fund's budgeted property tax, its largest revenue source, is projected to increase 4.19%. The increase in taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by State Law to the Consumer Price Index of 2.3%. The difference between 2.3% and 4.19% in percentages was the result of construction, ownership transfers, personal property acquisitions and property value changes. The millage rate used to calculate property tax billings did not change from the prior year.

State Shared Revenue – The General Fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2005 budget, is projected to stay the same. The FY 2006 budget includes state shared revenue calculated using current estimates provided by the State of Michigan, which includes \$299,372 categorized as statutory revenue sharing.

Transfer from Other Funds – This revenue was first budgeted in FY 2000 with the change to collect of all of the police and fire millage in the Police and Fire Millage Fund. The amount transferred is calculated based on the Police and Fire Department budgets reduced by the contribution (\$4,928,400) the City was making toward police and fire operations at the time the April 1999 millage increase was adopted.

### **Expenditures**

Although the General Fund expenditures are budgeted to increase 6.18%, additional factors were considered in the preparation of the budget, as follows:

- Compensation and employee benefits for City employees are estimated and included in the FY 2006 budget using provisions in completed collective bargaining agreements. Two of the four employee bargaining unit agreements expired on June 30, 2005. Estimates of the additional payroll and employee benefit costs have been included in the FY 2006 budget. Negotiations with both bargaining units were completed subsequent to year-end.

- Staffing changes (a net decrease of 1.02 full-time equivalents) have been included in the budget.
- The costs of pension and other post employment benefits have been included in the FY 2006 budget. The City funds these benefits based on actuarial valuations, rather than on a “pay-as-you-go” basis.
- The funding of the City’s capital needs, through transfers to the Property and Building Fund and Fire Equipment Fund, is included in the FY 2006 budget. The amount of transfer has fluctuated from year to year based upon availability of resources at the end of each year. The FY 2005 budget included \$360,000 for this purpose, while the amount budgeted for FY 2006 is \$320,000.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Kentwood finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Thomas H. Chase, Finance Director, City of Kentwood, P.O. Box 8848, Kentwood, MI 49518-8848.

**CITY OF KENTWOOD**

**STATEMENT OF NET ASSETS**

JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Assets</b>			
Cash and pooled investments	\$ 51,767,972	\$ 4,406,119	\$ 56,174,091
Accounts receivable	3,808,547	879,032	4,687,579
Special assessments receivable	1,027,886	-	1,027,886
Loans receivable	280,226	-	280,226
Due from other governments	2,428,812	-	2,428,812
Prepaid items and other assets	527,388	-	527,388
Inventory	8,382	-	8,382
Capital assets, net			
Land	2,124,960	60,949	2,185,909
Construction in progress	781,510	-	781,510
Buildings, equipment and infrastructure, net	37,100,467	8,838,741	45,939,208
<b>Total assets</b>	<b>99,856,150</b>	<b>14,184,841</b>	<b>114,040,991</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,466,851	684,156	2,151,007
Customer deposits	193,496	-	193,496
Due to other governments	3,114,156	-	3,114,156
Unearned revenue	695,996	-	695,996
Accrued wages	204,856	-	204,856
Noncurrent liabilities:			
Due within one year	1,250,000	-	1,250,000
Due in more than one year	23,366,288	-	23,366,288
<b>Total liabilities</b>	<b>30,291,643</b>	<b>684,156</b>	<b>30,975,799</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	21,314,975	8,899,690	30,214,665
Restricted for:			
Police and fire	2,836,322	-	2,836,322
Drains	6,437,020	-	6,437,020
Major Street	9,776,308	-	9,776,308
Economic development	863,820	-	863,820
Housing commission	216,758	-	216,758
Parks	902,676	-	902,676
Street lighting	2,353,276	-	2,353,276
Landfill remediation	693,230	-	693,230
Municipal streets	5,198,295	-	5,198,295
Capital Projects	1,949,005	-	1,949,005
Local Streets	2,883,639	-	2,883,639
Unrestricted	14,139,183	4,600,995	18,740,178
<b>Total net assets</b>	<b>\$ 69,564,507</b>	<b>\$ 13,500,685</b>	<b>\$ 83,065,192</b>

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

**CITY OF KENTWOOD**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

<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>	
<b>Primary government</b>						
Governmental activities:						
General government	\$ 3,297,756	\$ (735,293)	\$ 1,298,161	\$ 82,189	\$ -	\$ (1,182,113)
Public safety	14,288,841	423,764	338,943	184,343	-	(14,189,319)
Highways and streets	2,194,769	814,507	1,285,223	2,755,490	-	1,031,437
Public works	3,760,383	(662,738)	1,314,452	436,642	-	(1,346,551)
Engineering services	502,492	(256,319)	-	-	-	(246,173)
District court	1,223,098	88,167	1,126,818	60,408	-	(124,039)
Inspections	570,423	11,269	614,912	-	-	33,220
Culture and recreation	1,186,747	120,311	259,132	-	-	(1,047,926)
Interest on long-term debt	722,016	-	-	-	-	(722,016)
Total governmental activities	<u>27,746,525</u>	<u>(196,332)</u>	<u>6,237,641</u>	<u>3,519,072</u>	<u>-</u>	<u>(17,793,480)</u>
Business-type activities:						
Sewer	2,293,431	56,300	2,309,697	-	-	(40,034)
Water	2,216,957	140,032	2,011,991	-	-	(344,998)
Total business-type activities	<u>4,510,388</u>	<u>196,332</u>	<u>4,321,688</u>	<u>-</u>	<u>-</u>	<u>(385,032)</u>
Total primary government	<u>\$ 32,256,913</u>	<u>\$ -</u>	<u>\$ 10,559,329</u>	<u>\$ 3,519,072</u>	<u>\$ -</u>	<u>\$ (18,178,512)</u>

(Continued)

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

**CITY OF KENTWOOD**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets</b>			
Net (expense)	\$ (17,793,480)	\$ (385,032)	\$ (18,178,512)
General revenues:			
Property taxes			
General operating	5,460,588	-	5,460,588
Police and fire	6,936,267	-	6,936,267
Parks	182,489	-	182,489
Street lighting	303,123	-	303,123
Municipal streets	547,671	-	547,671
Landfill remediation	273,746	-	273,746
State shared revenues	3,483,182	-	3,483,182
Gain on sale of capital assets	163,572	-	163,572
Interest earnings	605,665	142,517	748,182
Other general revenues	419,100	-	419,100
Total general revenues	<u>18,375,403</u>	<u>142,517</u>	<u>18,517,920</u>
Change in net assets	581,923	(242,515)	339,408
Net assets, beginning of year	<u>68,982,584</u>	<u>13,743,200</u>	<u>82,725,784</u>
Net assets, end of year	<u>\$ 69,564,507</u>	<u>\$ 13,500,685</u>	<u>\$ 83,065,192</u>

(Concluded)

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

**CITY OF KENTWOOD**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

<u>ASSETS</u>	<u>SPECIAL REVENUE</u>			
	<u>GENERAL FUND</u>	<u>POLICE AND FIRE MILLAGE</u>	<u>DRAIN</u>	<u>MAJOR STREET</u>
Cash and pooled investments	\$ 4,055,385	\$ 2,836,322	\$ 6,066,802	\$ 9,464,844
Accounts receivable	3,801,805	-	6,742	-
Special assessments receivable	-	-	4,086	-
Mortgage loans receivable	-	-	-	-
Due from other governmental units	1,239,154	-	568,818	334,489
Prepaid items	527,388	-	-	-
Inventory	8,382	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$ 9,632,114</b>	<b>\$ 2,836,322</b>	<b>\$ 6,646,448</b>	<b>\$ 9,799,333</b>
 <u>LIABILITIES AND FUND BALANCES</u>				
<b>LIABILITIES</b>				
Accounts payable	\$ 439,473	\$ -	\$ 155,205	\$ 23,025
Customer deposits	193,496	-	-	-
Due to other governmental units	3,059,933	-	54,223	-
Deferred revenue	695,996	-	-	-
Accrued wages	204,856	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4,593,754</b>	<b>-</b>	<b>209,428</b>	<b>23,025</b>
<b>FUND BALANCES</b>				
Reserved				
General fund - budget stabilization	837,521	-	-	-
Special revenue funds - noncurrent mortgage loans	-	-	-	-
Unreserved				
Designated for parks and recreation	-	-	-	-
Undesignated, reported in:				
General fund	4,200,839	-	-	-
Special revenue funds	-	2,836,322	6,437,020	9,776,308
Capital projects funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>5,038,360</b>	<b>2,836,322</b>	<b>6,437,020</b>	<b>9,776,308</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 9,632,114</b>	<b>\$ 2,836,322</b>	<b>\$ 6,646,448</b>	<b>\$ 9,799,333</b>

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

<u>CAPITAL PROJECTS</u>		
<u>GENERAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 3,174,811	\$ 26,169,808	\$ 51,767,972
-	-	3,808,547
1,023,800	-	1,027,886
-	280,226	280,226
-	286,351	2,428,812
-	-	527,388
-	-	8,382
<u>\$ 4,198,611</u>	<u>\$ 26,736,385</u>	<u>\$ 59,849,213</u>

\$ 262,758	\$ 374,980	\$ 1,255,441
-	-	193,496
-	-	3,114,156
936,276	-	1,632,272
-	-	204,856
<u>1,199,034</u>	<u>374,980</u>	<u>6,400,221</u>

-	-	837,521
-	264,600	264,600
-	393,075	393,075
-	-	4,200,839
-	20,306,687	39,356,337
2,999,577	5,397,043	8,396,620
<u>2,999,577</u>	<u>26,361,405</u>	<u>53,448,992</u>
<u>\$ 4,198,611</u>	<u>\$ 26,736,385</u>	<u>\$ 59,849,213</u>

*CITY OF KENTWOOD*

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

*JUNE 30, 2005*

Fund balances - total governmental funds	\$ 53,448,992
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	40,006,937
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 revenue on special assessments receivable	936,276
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(1,131,026)
Deduct - landfill clean up and other costs	(1,345,262)
Deduct - bonds payable	(22,140,000)
Deduct - accrued interest on bonds payable	<u>(211,410)</u>
Net assets of governmental activities	<u>\$ 69,564,507</u>

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

**CITY OF KENTWOOD**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

	SPECIAL REVENUE			
	GENERAL FUND	POLICE AND FIRE MILLAGE	DRAIN	MAJOR STREET
REVENUES				
Special assessments	\$ -	\$ -	\$ 17,641	\$ -
Taxes	5,454,774	6,936,267	-	-
Intergovernmental	3,696,031	-	436,642	2,067,995
Licenses and permits	1,156,885	-	-	-
Charges for services	2,904,673	-	-	-
Fines and forfeits	1,237,038	-	-	-
Investment income	158,353	186,600	203,867	272,812
Application fees	-	-	-	-
Miscellaneous	117,706	-	-	772,025
<b>TOTAL REVENUES</b>	<b>14,725,460</b>	<b>7,122,867</b>	<b>658,150</b>	<b>3,112,832</b>
EXPENDITURES				
Current				
General government	4,042,829	-	-	-
Public safety	13,608,367	20,000	-	-
Highways and streets	-	-	-	577,639
Engineering	504,773	-	-	-
Public works	1,837,368	-	1,401,291	-
District court	1,311,265	-	-	-
Inspections	581,692	-	-	-
Culture and recreation	1,152,682	-	-	-
Capital outlay	-	-	-	1,172,618
Debt service				
Interest	-	-	-	-
Principal	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>23,038,976</b>	<b>20,000</b>	<b>1,401,291</b>	<b>1,750,257</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,313,516)</b>	<b>7,102,867</b>	<b>(743,141)</b>	<b>1,362,575</b>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	295	-	-	-
Bonds issued	-	-	-	-
Premium on bonds	-	-	-	-
Transfers in	8,671,416	-	-	9,635
Transfers out	(350,000)	(8,671,416)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,321,711</b>	<b>(8,671,416)</b>	<b>-</b>	<b>9,635</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>8,195</b>	<b>(1,568,549)</b>	<b>(743,141)</b>	<b>1,372,210</b>
<b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b>	<b>5,030,165</b>	<b>4,404,871</b>	<b>7,180,161</b>	<b>8,404,098</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 5,038,360</b>	<b>\$ 2,836,322</b>	<b>\$ 6,437,020</b>	<b>\$ 9,776,308</b>

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

<u>CAPITAL PROJECTS</u>		
<u>GENERAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 652,520	\$ -	\$ 670,161
-	1,307,029	13,698,070
-	719,745	6,920,413
-	-	1,156,885
-	1,314,871	4,219,544
-	-	1,237,038
147,455	736,524	1,705,611
-	23,704	23,704
-	166,605	1,056,336
<u>799,975</u>	<u>4,268,478</u>	<u>30,687,762</u>
-	75,262	4,118,091
-	15,000	13,643,367
-	1,226,143	1,803,782
-	-	504,773
-	117,212	3,355,871
-	-	1,311,265
-	-	581,692
-	16,400	1,169,082
1,805,554	3,503,970	6,482,142
-	681,778	681,778
-	885,000	885,000
<u>1,805,554</u>	<u>6,520,765</u>	<u>34,536,843</u>
<u>(1,005,579)</u>	<u>(2,252,287)</u>	<u>(3,849,081)</u>
-	244,007	244,302
-	5,000,000	5,000,000
-	18,956	18,956
-	2,324,633	11,005,684
-	(1,984,268)	(11,005,684)
<u>-</u>	<u>5,603,328</u>	<u>5,263,258</u>
<u>(1,005,579)</u>	<u>3,351,041</u>	<u>1,414,177</u>
<u>4,005,156</u>	<u>23,010,364</u>	<u>52,034,815</u>
<u>\$ 2,999,577</u>	<u>\$ 26,361,405</u>	<u>\$ 53,448,992</u>

**CITY OF KENTWOOD**

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

***FOR THE YEAR ENDED JUNE 30, 2005***

Net change in fund balances - total governmental funds \$ 1,414,177

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

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

Add - capital outlay	6,150,944
Deduct - depreciation expense	(3,019,491)
Deduct - book value of disposal of capital assets	(80,730)

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

Add - increase in special assessments receivable	184,491
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	885,000
Deduct - issuance of bonds	(5,000,000)
Add - change in other long-term liabilities	16,338

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 - decrease in compensated absences	71,432
Deduct - increase in accrued interest payable	(40,238)

Change in net assets of governmental activities \$ 581,923

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

**CITY OF KENTWOOD**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>REVENUES</b>				
Taxes	\$ 5,547,900	\$ 5,547,900	\$ 5,454,774	\$ (93,126)
Licenses and permits	1,326,300	1,326,300	1,156,885	(169,415)
Intergovernmental	3,681,100	3,681,100	3,696,031	14,931
Charges for services	2,979,600	2,979,600	2,904,673	(74,927)
Fines and forfeits	1,345,000	1,345,000	1,237,038	(107,962)
Investment income	250,000	250,000	158,353	(91,647)
Miscellaneous	112,100	112,100	117,706	5,606
<b>TOTAL REVENUES</b>	<b>15,242,000</b>	<b>15,242,000</b>	<b>14,725,460</b>	<b>(516,540)</b>
<b>EXPENDITURES</b>				
Current				
General government	4,591,800	4,706,800	4,042,829	663,971
Public safety	13,964,300	13,964,300	13,608,367	355,933
Engineering	539,600	539,600	504,773	34,827
Public works	1,677,500	1,802,500	1,837,368	(34,868)
District court	1,248,400	1,248,400	1,311,265	(62,865)
Inspections	603,500	603,500	581,692	21,808
Culture and recreation	1,164,500	1,174,500	1,152,682	21,818
<b>TOTAL EXPENDITURES</b>	<b>23,789,600</b>	<b>24,039,600</b>	<b>23,038,976</b>	<b>1,000,624</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,547,600)</b>	<b>(8,797,600)</b>	<b>(8,313,516)</b>	<b>484,084</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	2,500	2,500	295	(2,205)
Transfers in	8,908,500	8,908,500	8,671,416	(237,084)
Transfers out	(360,000)	(110,000)	(350,000)	(240,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,551,000</b>	<b>8,801,000</b>	<b>8,321,711</b>	<b>(479,289)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,400</b>	<b>3,400</b>	<b>8,195</b>	<b>4,795</b>
<b>FUND BALANCE, BEGINNING OF YEAR, as restated</b>	<b>5,030,165</b>	<b>5,030,165</b>	<b>5,030,165</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,033,565</b>	<b>\$ 5,033,565</b>	<b>\$ 5,038,360</b>	<b>\$ 4,795</b>

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

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
POLICE AND FIRE MILLAGE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 7,053,600	\$ 7,053,600	\$ 6,936,267	\$ (117,333)
Investment income	150,000	150,000	186,600	36,600
TOTAL REVENUES	7,203,600	7,203,600	7,122,867	(80,733)
EXPENDITURES				
Current				
Administrative	20,000	20,000	20,000	-
REVENUES OVER EXPENDITURES	7,183,600	7,183,600	7,102,867	(80,733)
OTHER FINANCING (USES)				
Transfers out	(8,908,500)	(8,908,500)	(8,671,416)	237,084
NET CHANGE IN FUND BALANCE	(1,724,900)	(1,724,900)	(1,568,549)	156,351
FUND BALANCE, BEGINNING OF YEAR	4,404,871	4,404,871	4,404,871	-
FUND BALANCE, END OF YEAR	\$ 2,679,971	\$ 2,679,971	\$ 2,836,322	\$ 156,351

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

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DRAIN FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
REVENUES				
Special assessments	\$ -	\$ -	\$ 17,641	\$ 17,641
Intergovernmental	-	-	436,642	436,642
Investment income	225,000	225,000	203,867	(21,133)
TOTAL REVENUES	225,000	225,000	658,150	433,150
EXPENDITURES				
Current				
Engineering	122,500	122,500	191,862	(69,362)
Administrative	55,000	55,000	55,378	(378)
Maintenance	1,456,200	1,456,200	1,140,087	316,113
Miscellaneous	20,000	20,000	13,964	6,036
TOTAL EXPENDITURES	1,653,700	1,653,700	1,401,291	252,409
NET CHANGE IN FUND BALANCE	(1,428,700)	(1,428,700)	(743,141)	685,559
FUND BALANCE, BEGINNING OF YEAR	7,180,161	7,180,161	7,180,161	-
FUND BALANCE, END OF YEAR	\$ 5,751,461	\$ 5,751,461	\$ 6,437,020	\$ 685,559

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

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**MAJOR STREET FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental	\$ 2,110,400	\$ 2,110,400	\$ 2,067,995	\$ (42,405)
Investment income	200,000	200,000	272,812	72,812
Miscellaneous	15,000	15,000	772,025	757,025
TOTAL REVENUES	2,325,400	2,325,400	3,112,832	787,432
EXPENDITURES				
Current				
Engineering	64,000	64,000	195,285	(131,285)
Administrative	189,900	189,900	186,100	3,800
Maintenance	400,000	400,000	138,990	261,010
Snow and ice removal	120,000	120,000	3,648	116,352
Traffic control	110,000	110,000	25,375	84,625
Miscellaneous	2,900	2,900	28,241	(25,341)
Capital outlay	5,843,000	5,843,000	1,172,618	4,670,382
TOTAL EXPENDITURES	6,729,800	6,729,800	1,750,257	4,979,543
REVENUES OVER (UNDER) EXPENDITURES	(4,404,400)	(4,404,400)	1,362,575	5,766,975
OTHER FINANCING SOURCE				
Transfers in	2,085,000	2,085,000	9,635	(2,075,365)
NET CHANGE IN FUND BALANCE	(2,319,400)	(2,319,400)	1,372,210	3,691,610
FUND BALANCE, BEGINNING OF YEAR	8,404,098	8,404,098	8,404,098	-
FUND BALANCE, END OF YEAR	\$ 6,084,698	\$ 6,084,698	\$ 9,776,308	\$ 3,691,610

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

**CITY OF KENTWOOD**

**ENTERPRISE FUNDS  
STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

<u>ASSETS</u>	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>			
Cash and pooled investments	\$ 2,014,082	\$ 2,392,037	\$ 4,406,119
Accounts receivable	439,152	439,880	879,032
<b>TOTAL CURRENT ASSETS</b>	<b>2,453,234</b>	<b>2,831,917</b>	<b>5,285,151</b>
<b>LONG-TERM ASSETS</b>			
Land	60,949	-	60,949
Capital assets	10,777,853	12,474,127	23,251,980
Less: Accumulated depreciation	(5,808,593)	(8,604,646)	(14,413,239)
<b>NET LONG-TERM ASSETS</b>	<b>5,030,209</b>	<b>3,869,481</b>	<b>8,899,690</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>7,483,443</u></b>	<b><u>6,701,398</u></b>	<b><u>14,184,841</u></b>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	186,433	497,723	684,156
<b><u>NET ASSETS</u></b>			
Investment in capital assets	5,030,209	3,869,481	8,899,690
Unrestricted	2,266,801	2,334,194	4,600,995
<b><u>TOTAL NET ASSETS</u></b>	<b><u>\$ 7,297,010</u></b>	<b><u>\$ 6,203,675</u></b>	<b><u>\$ 13,500,685</u></b>

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

**CITY OF KENTWOOD**

**ENTERPRISE FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
OPERATING REVENUES	<u>\$ 2,011,991</u>	<u>\$ 2,309,697</u>	<u>\$ 4,321,688</u>
OPERATING EXPENSES			
Administration	32,177	5,966	38,143
Contractual services	1,377,434	1,871,115	3,248,549
Depreciation	258,811	250,196	509,007
Employee benefits	137,511	-	137,511
Salaries	314,825	-	314,825
Supplies	155,219	144,007	299,226
Engineering	11,180	56,300	67,480
Miscellaneous	7,922	17,328	25,250
Utilities	61,910	4,819	66,729
TOTAL OPERATING EXPENSES	<u>2,356,989</u>	<u>2,349,731</u>	<u>4,706,720</u>
OPERATING INCOME (LOSS)	(344,998)	(40,034)	(385,032)
NONOPERATING REVENUES			
Investment income	<u>73,183</u>	<u>69,334</u>	<u>142,517</u>
CHANGE IN NET ASSETS	(271,815)	29,300	(242,515)
NET ASSETS, BEGINNING OF YEAR	<u>7,568,825</u>	<u>6,174,375</u>	<u>13,743,200</u>
NET ASSETS, END OF YEAR	<u>\$ 7,297,010</u>	<u>\$ 6,203,675</u>	<u>\$ 13,500,685</u>

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

**CITY OF KENTWOOD**

**ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	WATER FUND	SEWER FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,984,819	\$ 2,263,320	\$ 4,248,139
Payments to suppliers	(1,717,665)	(2,221,959)	(3,939,624)
Payments to employees	(452,336)	-	(452,336)
Net cash provided by (used in) operating activities	(185,182)	41,361	(143,821)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(293,661)	(40,418)	(334,079)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on investments	73,183	69,334	142,517
 <b>NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS</b>			
	(405,660)	70,277	(335,383)
 <b>CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR</b>			
	2,419,742	2,321,760	4,741,502
 <b>CASH AND POOLED INVESTMENTS, END OF YEAR</b>			
	\$ 2,014,082	\$ 2,392,037	\$ 4,406,119
 <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ (344,998)	\$ (40,034)	\$ (385,032)
Depreciation	258,811	250,196	509,007
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(27,172)	(46,377)	(73,549)
Prepaid items	10,979	-	10,979
Accounts payable	(82,802)	(122,424)	(205,226)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (185,182)</b>	<b>\$ 41,361</b>	<b>\$ (143,821)</b>

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

**CITY OF KENTWOOD**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	PENSION TRUST DEFINED BENEFIT	PRIVATE PURPOSE TRUST SPECIAL ASSESSMENT - DEFERRED PAYBACK	AGENCY FUND TAX COLLECTION
<u>ASSETS</u>			
Cash and pooled investments	\$ 1,250,335	\$ 179,085	\$ 652,267
Investments			
Bonds	5,563,870	-	-
Equities	8,109,115	-	-
International	779,438	-	-
Special assessments receivable	-	389,818	-
<u>TOTAL ASSETS</u>	<u>15,702,758</u>	<u>568,903</u>	<u>\$ 652,267</u>
 <u>LIABILITIES</u>			
Accounts payable	31,333	-	-
Due to other governmental units	-	9,217	652,267
Payable to property owners	-	549,140	-
<u>TOTAL LIABILITIES</u>	<u>31,333</u>	<u>558,357</u>	<u>\$ 652,267</u>
 <u>NET ASSETS</u>			
Reserved for employee benefits	15,671,425	-	
Unreserved	-	10,546	
<u>TOTAL NET ASSETS</u>	<u>\$ 15,671,425</u>	<u>\$ 10,546</u>	

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

**CITY OF KENTWOOD**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	DEFINED BENEFIT	PRIVATE PURPOSE TRUST SPECIAL ASSESSMENT - DEFERRED PAYBACK
ADDITIONS		
Contributions:		
Employer	\$ 870,000	\$ -
Plan participants	202,448	-
Total contributions	1,072,448	-
Investment income	1,310,955	42
TOTAL ADDITIONS	2,383,403	42
DEDUCTION		
Distributions, expenses and benefit payments	269,556	-
Net increase	2,113,847	42
NET ASSETS HELD IN TRUST		
Beginning of year	13,557,578	10,504
End of year	\$ 15,671,425	\$ 10,546

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

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kentwood, Michigan (City), was incorporated in 1967 and operates under an elected Mayor-Commission form of government. The City provides the following services: public safety (police and fire), highways and streets, sanitation, 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.

#### **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.

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

**CITY OF KENTWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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

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

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

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. That portion of special assessments expected to be collected within the next 12 months is considered to be susceptible to accrual and recorded as revenue. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Police and Fire Millage Fund* accounts for funds generated by property tax collections specifically intended for police and fire protection.

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

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

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

The City reports the following major proprietary funds:

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

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

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

Additionally, the City reports the following fund types:

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

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

*The Capital Projects Fund* accounts for the revenue and expenditures for significant construction projects.

The *Pension Trust Fund* is used to record the activities of the City's defined benefit pension plan.

The *Private Purpose Trust Fund* is used to record the activity of collecting special assessments which are payable to other entities and which may revert to the City based on time limits established in various agreements.

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

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

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

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

#### ***Receivables and Payables***

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

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

Accounts receivable is shown net of allowance for estimated uncollectibles.

**CITY OF KENTWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Inventories and Prepaid Items***

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

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

***Budgets and Budgetary Accounting***

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

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

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

Appropriations are authorized by resolution at the department level for the General Fund and at the fund level for Special Revenue Funds. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. All unexpended appropriations lapse at year-end.

***Encumbrances***

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

***Cash and Pooled Investments***

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

***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:

- ◆ Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

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

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

#### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The capitalization threshold ranges from \$10,000 - \$25,000. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Infrastructure has been recorded since 2003, the year the City implemented GASB Statement No. 34.

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

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

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

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

#### *Property Taxes*

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

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

**CITY OF KENTWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Risk Management and Benefits***

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

The City is a member of the Michigan Municipal League Liability and Property Pool. Premiums from participants of the fund are arrived at through underwriting procedures administered by the Meadowbrook Insurance Group. The claims, administrative expenses and reinsurance are provided for by the premiums collected. Various deductibles are maintained to place the responsibility for small charges with the insured. Deductible examples: liability, \$0; blanket real and personal property including buildings, personal property and property in the open, \$1,000; and electronic data processing equipment, \$1,000.

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

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

***Deferred Revenue***

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

Escrows for recreation department purposes	\$ 63,920
Local Law Enforcement Block Grants (General Fund)	7,175
Fire Prevention (General Fund)	1,600
City's portion of delinquent personal property taxes receivable (General Fund)	530,075
Cable Franchise Fees (General Fund)	93,226
Special assessments	936,276
	<b>\$1,632,272</b>

***Compensated Absences***

City employees are granted vacation days in varying amounts based on length of service. Employees must use earned vacation time within 12 months from their last anniversary date with a maximum carryover of 20 days. Upon termination, discharge, retirement or death, employees are paid for unused vacation time at the current rate.

Sick leave is accumulated at the rate of from 8 to 12 hours per month of employment depending on bargaining unit. Unused accumulated sick leave, up to a maximum of from 90 to 150 days at a rate of from \$1.00 to \$1.50 per day times the years of continuous service, is paid to employees who meet specified years of service and who die, retire or terminate in good standing based on bargaining unit.

These liabilities are included on the government-wide financial statements.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

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

During the year ended June 30, 2005 the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<b>Total Appropriations</b>	<b>Amount of Expenditures</b>	<b>Budget Variance</b>
General Fund			
Public works	\$1,802,500	\$1,837,368	\$ (34,868)
District court	1,248,400	1,311,265	(62,865)
Library	91,300	106,343	(15,043)
Transfers out	110,000	350,000	(240,000)
Housing Commission Fund	11,200	14,645	(3,445)
Street Lighting Fund	363,900	364,889	(989)

#### 3. DEPOSITS AND INVESTMENTS

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Fiduciary Activities</b>	<b>Total</b>
Cash and pooled investments	\$51,767,972	\$4,406,119	\$ 2,081,687	\$58,255,778
Investments	-	-	14,452,423	14,452,423
<b>Total deposits and investments</b>	<b>\$51,767,972</b>	<b>\$4,406,119</b>	<b>\$16,534,110</b>	<b>\$72,708,201</b>

These deposits are in two (2) financial institutions located in Michigan.

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>	<b>Rating</b>
<b>U.S. Government Securities (Continued)</b>			
Government National Mortgage Association	*	12/15/2006	\$ 3,094
Government National Mortgage Association	*	6/15/2007	12,085
Government National Mortgage Association	*	7/15/2008	6,397
Government National Mortgage Association	*	9/15/2008	20,792
Government National Mortgage Association	*	9/15/2008	14,123
Government National Mortgage Association	*	9/15/2008	26,848
Government National Mortgage Association	*	10/15/2009	23,429
Government National Mortgage Association	*	3/15/2009	33,814

**CITY OF KENTWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
<b>U.S. Government Securities (Continued)</b>			
Federal Home Loan Mortgage Corporation	2/1/2008	\$ 991,119	Moody's AAA
Government National Mortgage Association	*	21,910	Moody's AAA
Government National Mortgage Association II	*	25,747	Moody's AAA
Government National Mortgage Association II	*	25,159	Moody's AAA
Government National Mortgage Association	*	49,084	Moody's AAA
Government National Mortgage Association	*	18,216	Moody's AAA
Federal National Mortgage Association Note	7/6/2007	994,090	Moody's AAA
Government National Mortgage Association	*	29,611	Moody's AAA
Government National Mortgage Association	*	25,956	Moody's AAA
Government National Mortgage Association	*	11,159	Moody's AAA
Government National Mortgage Association II	*	2,175	Moody's AAA
Government National Mortgage Association	*	111,225	Moody's AAA
Government National Mortgage Association II	*	2,324	Moody's AAA
Government National Mortgage Association II	*	6,628	Moody's AAA
Government National Mortgage Association II	*	59,958	Moody's AAA
Government National Mortgage Association II	*	29,210	Moody's AAA
Government National Mortgage Association II	*	32,893	Moody's AAA
Government National Mortgage Association II	*	42,362	Moody's AAA
Government National Mortgage Association II	*	48,903	Moody's AAA
Government National Mortgage Association	*	590,213	Moody's AAA
Government National Mortgage Association	*	105,538	Moody's AAA
Government National Mortgage Association	*	78,893	Moody's AAA
Government National Mortgage Association	*	8,156	Moody's AAA
Government National Mortgage Association	*	12,681	Moody's AAA
Federal National Mortgage Association	5/1/2010	625,099	Moody's AAA
Government National Mortgage Association	*	3,873	Moody's AAA
Government National Mortgage Association II	*	1,606	Moody's AAA
Government National Mortgage Association II	*	5,404	Moody's AAA
Government National Mortgage Association II	*	41,889	Moody's AAA
Federal Home Loan Mortgage Corporation	11/1/2009	1,401,022	Moody's AAA
Government National Mortgage Association II	*	26,591	Moody's AAA
Government National Mortgage Association II	*	64,995	Moody's AAA
Government National Mortgage Association II	*	68,860	Moody's AAA
Government National Mortgage Association II	*	113,119	Moody's AAA
Federal Home Loan Bank Bond	12/28/2007	992,490	Moody's AAA
Government National Mortgage Association II	*	27,519	Moody's AAA
Government National Mortgage Association	*	42,237	Moody's AAA
Government National Mortgage Association	*	56,687	Moody's AAA
Government National Mortgage Association	*	45,647	Moody's AAA
Government National Mortgage Association II	*	18,194	Moody's AAA
Government National Mortgage Association	*	28,121	Moody's AAA
Government National Mortgage Association	*	233,458	Moody's AAA
Government National Mortgage Association	*	95,467	Moody's AAA
Government National Mortgage Association	*	327,098	Moody's AAA
Government National Mortgage Association	*	96,693	Moody's AAA
Government National Mortgage Association	*	75,381	Moody's AAA

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Investment</u>		<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
<b>U.S. Government Securities (Continued)</b>				
Government National Mortgage Association	*	4/15/2029	\$ 28,547	Moody's AAA
Government National Mortgage Association II	*	10/20/2025	8,247	Moody's AAA
Government National Mortgage Association	*	5/15/2008	96,745	Moody's AAA
Government National Mortgage Association	*	4/15/2027	19,368	Moody's AAA
Government National Mortgage Association	*	12/15/2027	101,266	Moody's AAA
Government National Mortgage Association	*	1/15/2028	40,478	Moody's AAA
Government National Mortgage Association	*	6/15/2012	35,953	Moody's AAA
Government National Mortgage Association	*	3/15/2027	22,589	Moody's AAA
Government National Mortgage Association II	*	3/20/2027	25,476	Moody's AAA
Government National Mortgage Association	*	4/15/2025	31,908	Moody's AAA
Federal National Mortgage Association Note		7/14/2008	995,990	Moody's AAA
Government National Mortgage Association II	*	11/20/2025	13,608	Moody's AAA
Government National Mortgage Association II	*	9/20/2026	39,876	Moody's AAA
Government National Mortgage Association II	*	3/20/2026	72,541	Moody's AAA
Government National Mortgage Association II	*	9/20/2029	68,862	Moody's AAA
Government National Mortgage Association	*	1/15/2027	18,393	Moody's AAA
Government National Mortgage Association II	*	8/20/2029	30,366	Moody's AAA
Government National Mortgage Association	*	12/15/2029	13,200	Moody's AAA
Government National Mortgage Association	*	10/15/2029	47,129	Moody's AAA
Government National Mortgage Association II		4/20/2018	440,348	Moody's AAA
Federal Home Loan Bank Bond		2/9/2009	997,350	Moody's AAA
Federal Home Loan Bank Bond		12/28/2009	993,830	Moody's AAA
Federal Home Loan Mortgage Corporation Medium Term Note		12/23/2011	999,660	Moody's AAA
Government National Mortgage Association		8/15/2007	10,475	Moody's AAA
<b>Mutual Funds</b>				
Franklin Custodian Funds Inc. U.S. Government Class A Shares		N/A	14,087,096	Morningstar 3
Oppenheimer LTD Term Government Funds Class A Shares		N/A	17,416,283	Morningstar 2
<b>Bonds and Equities</b>				
Fifth Third Intermediate Bond Fund		N/A	1,183,430	Morningstar 1
Fifth Third Disciplined Large Value Fund		N/A	971,104	Morningstar 3
Goldman Sachs Mid-Cap Equity Fund		N/A	381,423	Morningstar 5
American Growth Fund Class A		N/A	980,602	Morningstar 1
Royce Fund Total Return Fund		N/A	477,757	Morningstar 2
Templeton Funds Inc Foreign Fund Class A		N/A	382,203	Morningstar 2
Touchstone Emerging Growth Fund - A		N/A	369,390	Morningstar 4
Huntington Mid Corp America Fund III		N/A	97,195	Morningstar 4
Huntington Growth Fund III		N/A	856,690	Morningstar 4
Huntington Short and Intermediate Fixed Income Fund III		N/A	777,816	Morningstar 2

**CITY OF KENTWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
<b>U.S. Government Securities (Continued)</b>			
Huntington Intermediate Government Income Fund III	N/A	\$2,238,263	Morningstar 3
Frank Russell Fixed Income I Class I	N/A	1,364,360	Morningstar 4
Frank Russell Equity I Fund - Class I	N/A	970,292	Morningstar 3
Frank Russell Equity II Fund - Class I	N/A	485,354	Morningstar 3
Frank Russell International fund - Class I	N/A	779,438	Morningstar 4
Frank Russell Real Estate Securities Fund - Class S	N/A	293,831	Morningstar 3
Frank Russell Equity Q Fund - Class I	N/A	1,843,275	Morningstar 4

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

***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 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

***Credit Risk.*** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City's specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

***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, \$11,682,648 of the City's bank balance of \$11,882,648 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

***Concentration of Credit Risk.*** State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

### 4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2005 are as follows:

	Transfers in by Fund			Total
	General Fund	Major Streets	Nonmajor	
Transfers out:				
General Fund	\$ -	\$ -	\$ 350,000	\$ 350,000
Police and Fire Millage	8,671,416	-	-	8,671,416
Nonmajor	-	9,635	1,974,633	1,984,268
	\$8,671,416	\$9,635	\$2,324,633	\$11,005,684

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

### 5. CAPITAL ASSETS

The capital assets activities for the year are as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,124,960	\$ -	\$ -	\$ 2,124,960
Construction in process	2,521,705	781,510	2,521,705	781,510
Total capital assets, not being depreciated	4,646,665	781,510	2,521,705	2,906,470
Capital assets, being depreciated:				
Land improvements	860,806	-	-	860,806
Buildings	19,546,806	4,448,369	-	23,995,175
Equipment	1,500,838	96,561	43,814	1,553,585
Vehicles	4,975,374	775,887	329,430	5,421,831
Infrastructure	29,514,045	2,570,322	-	32,084,367
Total capital assets, being depreciated	56,397,869	7,891,139	373,244	63,915,764
Less accumulated depreciation for:				
Land improvements	451,461	77,460	-	528,921
Buildings	3,153,159	858,788	-	4,011,947
Equipment	950,838	176,365	33,210	1,093,993
Vehicles	2,637,033	455,429	259,304	2,833,158
Infrastructure	16,895,829	1,451,449	-	18,347,278
Total accumulated depreciation	24,088,320	3,019,491	292,514	26,815,297
Net capital assets, being depreciated	32,309,549	4,871,648	80,730	37,100,467
Net governmental activities capital assets	\$36,956,214	\$5,653,158	\$2,602,435	\$40,006,937

**CITY OF KENTWOOD**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 60,649	\$ -	\$ -	\$ 60,949
Capital assets, being depreciated:				
Buildings	216,229	37,185	-	253,414
Equipment	388,248	58,472	-	446,720
Meters	719,068	36,764	-	755,832
Water mains	6,510,568	201,658	-	6,712,226
Sewer mains	12,433,709	-	-	12,433,709
Storage	2,650,079	-	-	2,650,079
<b>Total capital assets, being depreciated</b>	<u>22,917,901</u>	<u>334,079</u>	<u>-</u>	<u>23,251,980</u>
Less accumulated depreciation for:				
Buildings	116,672	5,176	-	121,848
Equipment	209,489	10,352	-	219,841
Meters	376,265	18,117	-	394,382
Water mains	3,512,964	157,875	-	3,670,839
Sewer mains	8,354,450	250,196	-	8,604,646
Storage	1,334,392	67,291	-	1,401,683
<b>Total accumulated depreciation</b>	<u>13,904,232</u>	<u>509,007</u>	<u>-</u>	<u>14,413,239</u>
<b>Net capital assets, being depreciated</b>	<u>9,013,669</u>	<u>(174,928)</u>	<u>-</u>	<u>8,838,741</u>
<b>Net business-type activities capital assets</b>	<u>\$ 9,074,618</u>	<u>\$(174,928)</u>	<u>\$ -</u>	<u>\$ 8,899,690</u>

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

Governmental activities:	
General government	\$ 121,877
Highways and streets	1,428,718
Public safety	1,009,825
Public works	333,542
Culture and recreation	<u>125,529</u>
<b>Total depreciation expense -     Governmental activities</b>	<u>\$3,019,491</u>
Business-type activities:	
Sewer	\$250,196
Water	<u>258,811</u>
<b>Total depreciation expense -     Business-type activities</b>	<u>\$509,007</u>

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

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### 6. PENSION PLANS

#### *Defined Benefit Plan*

The City of Kentwood Employee Pension Plan (Plan) is a single employer defined benefit plan which covers some employees of the City. The Plan is administered by the City with some aspects of plan administration contracted to various specialists. All Employees of the City, exclusive of those participating in the defined contribution plan, who are at least 21 years of age, working more than 1,300 hours and having at least one year of service are eligible to participate in the Plan. A separate financial report for this plan is not issued. Membership of the Plan consisted of the following at January 1, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	20
Terminated members not yet receiving benefits	9
Active plan members	<u>80</u>
	<u>109</u>

Benefits partially vest after five years of service and vest 100% after ten years of service. Normal retirement is at age 50 to 60 depending on bargaining unit. However, the participant may elect early or late retirement. Upon ten years of service, a participant is entitled to receive a benefit equal in value to a single life annuity on the participant's life with the annual retirement benefit equal to 2.5% to 2.6% of the participant's average annual compensation (highest five of last ten years compensation) multiplied by the number of years of service, not to exceed Internal Revenue Service 415 limits. The maximum retirement benefit is 75% of final average compensation. The Plan also provides death benefits as determined by the Plan document. The Plan also provides police and fire participants with duty-related disability benefits as specified by the Plan document.

#### *Summary of Significant Accounting Policies*

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

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

#### *Contributions*

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

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

**CITY OF KENTWOOD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Current rates of employee contributions are 4% of compensation for police –supervisory participants, 5% of compensation for police-patrol participants, 4% for firefighter participants, and 3% for participants who are members of Kentwood General Employees Association (KGEA) and the 62-B District Court. The Plan does not permit or require other participant contributions. The Plan also calls for the City to contribute amounts sufficient to fund the Plan in accordance with minimum funding standards of the Internal Revenue Code. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves. The annual required contribution for the City during the plan year ended December 31, 2004 was \$870,000.

Net pension obligation – beginning of year	\$ -
Annual required contribution/annual pension cost	870,000
Contribution made by the City	<u>870,000</u>
<b>Net pension obligation – end of the year</b>	<b><u>\$ -</u></b>

***Concentrations***

As of December 31, 2004, investments constituting 5% or more of plan assets are:

	<b>Percent of Total Market Value</b>
Huntington Funds:	
Intermediate Government Income Fund III	14.25
Growth Fund III	5.46
Russell Funds:	
Equity Q Fund Class I	11.74
Fixed Income I Mutual Fund	8.70
Equity I Class I Mutual Fund	6.19
Fifth Third Funds:	
Institutional Money Market Fund	7.63
Intermediate Bond Fund	7.54
Disciplined Large Value Fund	6.18
American Funds:	
Growth Fund Class A	6.24

***Funding Status and Progress***

The annual required contribution was determined as part of an actuarial valuation of the Plan as of January 1, 2005. Significant actuarial assumptions used in determining the annual required contribution include (a) rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 5% per year attributable to inflation, and (c) additional cost-of-living salary increases of 3% per year.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

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 actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level dollar over an open period of nine years. During the Plan year ended December 31, 2004, contributions totaling \$1,072,448 (\$870,000 employer and \$202,448 employee) were made.

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

#### *Trend Information*

<u>Plan year ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$710,000	100%	\$ -
2003	850,000	100%	-
2004	870,000	100%	-

#### *Defined Contribution Plan*

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

Employees are eligible to participate immediately upon employment. The City contributes 7 – 12% of each participant's compensation to the Plan. The City's contributions are partially vested after two years of service and 100% vested after seven years of service. The Plan provisions and contribution amounts were established by City Commission, based on collective bargaining agreements, and may be amended by City Commission. The Plan is administered by the ICMA Retirement Corporation.

The City's total payroll for the year ending June 30, 2005 was approximately \$13,555,700. The City's contribution of approximately \$672,900 was calculated using the employee compensation amount of approximately \$7,655,300. City employees also made pre-tax mandatory contributions to the Plan totaling approximately \$229,600, which was 0 – 4.25% of covered payroll and rolled in approximately \$36,000 of assets from other plans.

# CITY OF KENTWOOD

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2005

#### 7. POST-EMPLOYMENT BENEFITS

In addition to pension benefits, retirees receive an employer-paid benefit toward health insurance premiums for the retiree and spouse. The retiree benefit amount is determined by multiplying from \$10.00 to \$12.00 times the employee's years of continuous active service depending on bargaining unit. Upon the death of the employee or spouse, the employer's contribution will be reduced by 25%. The employer's contributions cease when the employee becomes eligible for Medicare benefits. The City has 8 participants that are eligible to receive benefits. The benefits are financed through transfers to a special revenue fund in amounts determined using actuarial calculations. During the fiscal year ended June 30, 2005, the City incurred approximately \$11,200 of post-employment benefit costs.

#### 8. LONG-TERM OBLIGATIONS

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

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>	<u>Due within One Year</u>
<b>Governmental activities:</b>					
2001 Building Authority Bonds, due in installments of \$540,000 to \$860,000 through 2016; interest at 3.0% to 4.7%.	\$ 8,045,000	\$ -	\$ 520,000	\$ 7,525,000	\$ 540,000
2003 Capital Improvement Bonds, due in installments of \$365,000 to \$720,000 through 2023; interest at 2.0% to 4.4%.	9,980,000	-	365,000	9,615,000	370,000
2005 General Obligation Bonds, due in installments of \$265,000 to \$420,000 through 2020; interest at 4.0% to 4.1%.	-	5,000,000	-	5,000,000	265,000
Non-current portion of accrued vacation/compensated absences	1,202,458	-	71,432	1,131,026	-
Landfill clean-up and other costs	<u>1,361,600</u>	<u>39,884</u>	<u>56,222</u>	<u>1,345,262</u>	<u>75,000</u>
Total governmental activities	<u>20,589,058</u>	<u>5,039,884</u>	<u>(1,012,654)</u>	<u>24,616,288</u>	<u>1,250,000</u>
<b>Total other long-term obligations</b>	<b><u>\$20,589,058</u></b>	<b><u>\$5,039,884</u></b>	<b><u>\$(1,012,654)</u></b>	<b><u>\$24,616,288</u></b>	<b><u>\$1,250,000</u></b>

**CITY OF KENTWOOD**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

The annual requirements to maturity on the long-term obligations outstanding (except accrued vacation/compensated absences and landfill clean-up) as June 30, 2005 are as follows:

<u>Year Ended</u>	<u>Governmental</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2006	\$ 1,175,000	\$ 837,969	\$ 2,012,969
2007	1,220,000	798,616	2,018,616
2008	1,260,000	760,383	2,020,383
2009	1,300,000	718,965	2,018,965
2010	1,350,000	674,725	2,024,725
2011-2015	7,600,000	2,572,877	10,172,877
2016-2020	5,560,000	1,124,905	6,684,905
2021-2023	<u>2,675,000</u>	<u>237,522</u>	<u>2,912,522</u>
	<u>\$22,140,000</u>	<u>\$7,725,962</u>	<u>\$29,865,962</u>

**9. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

*Landfill*

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

Kent County and the EPA have negotiated a settlement to clean up the landfill over a 40-year period. On August 6, 1991, the City Commission approved an arrangement with the County whereby the City would be responsible for 20% of the total clean-up costs as a result of its prior operation of the landfill. The current present value estimate of remaining clean-up costs over the next 35 years is \$6,726,308, of which the City would be responsible for \$1,345,262. Expenditures of \$97,212 were incurred for landfill clean-up during fiscal year 2005. Under the plan developed by the EPA, contaminated groundwater and leachate would be pumped out, treated and the soil-and-clay cap, which covers the dump, would be upgraded. Fencing would also be installed around the site.

The City is to cover these costs with a 15 year millage that was approved by voters in November 1994. As of June 30, 2005, the City has accounted for the \$1,345,262 in the government-wide financial statements.

**10. LITIGATION**

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have been included as other obligations in the financial statements.

**11. PRIOR PERIOD ADJUSTMENT**

Beginning fund balance of the general fund was increased by \$363,209 to properly eliminate accrued compensated absences in the general fund in accordance with GASB interpretation 6.

\* \* \* \* \*

# CITY OF KENTWOOD

## REQUIRED SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2005

### 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, 2005
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	12 years (based on \$770,000 employer contribution in June 2005)
Asset valuation method	Smoothed Market value
Actuarial assumptions:	
Retirement age	Later of age 65 or 5 <sup>th</sup> anniversary of participation for non-uniform participants; if a non-uniform participant immediately retires from employment, Age 60 with 10 years of service; earlier of 55 with 10 years of service for police participants, or age 54 with 15 years of services for police-supervisory participants; or age 50 with 15 years of service for police-patrol participants; age 55 for firefighter participants
Investment rate of return	8% per year
Projected salary increases	5% per year
Mortality table	1983 Group Annuity Mortality Table, male and female rates
Turnover rates	Crocker-Sarason-Straight T-1
Disability table	64 OASDI
Marriage assumption	100% of all active participants are assumed to be married
Cost-of-living adjustments:	
Basic benefits	None
Maximum salary increases	3% per year
Maximum benefit increases	3% per year

**CITY OF KENTWOOD**

**REQUIRED SUPPLEMENTARY INFORMATION SECTION  
(CONTINUED)**

**JUNE 30, 2005**

**Defined Benefit Pension Plan**

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

**Schedule of Funding Progress**

<b>Actuarial valuation date</b>	<b>(a) Actuarial value of assets</b>	<b>(b) Actuarial liability (AAL) ((a) + (c))</b>	<b>(c) Unfunded AAL (UAAL)</b>	<b>(d) Funded ratio ((a)/(b))</b>	<b>(e) Annual Covered Payroll</b>	<b>(f) UAAL as a percentage of covered payroll ((c)/(e))</b>
1/1/1996	\$10,304,736	\$14,758,885	\$4,454,149	69.8%	\$5,695,047	78.2%
1/1/1997	10,936,442	15,392,008	4,455,566	71.1%	6,242,286	71.4%
1/1/1998	9,451,645	14,116,249	4,664,604	67.0%	5,597,182	83.3%
1/1/1999	10,430,308	15,326,356	4,896,048	68.1%	6,462,913	75.8%
1/1/2000	12,421,649	17,283,537	4,861,888	71.9%	7,109,449	68.4%
1/1/2001	11,006,422	14,174,019	3,167,597	77.7%	5,616,123	56.4%
1/1/2002	11,480,298	14,610,616	3,130,318	78.6%	4,845,396	64.6%
1/1/2003	10,684,908	13,973,826	3,288,918	76.5%	5,119,257	64.2%
1/1/2004	13,592,995	16,754,125	3,161,130	81.1%	5,163,925	61.2%
1/1/2005	15,702,758	18,606,907	2,904,149	84.4%	5,347,504	54.3%

**Schedule of Contributions**

<b>Plan year Ended December 31</b>	<b>Annual Required Contribution *</b>	<b>Contribution from Employees</b>	<b>Contribution from Employer</b>	<b>Total Amount Contributed</b>	<b>Employer Percentage Contributed **</b>
1995	\$ 676,709	\$173,544	\$ 676,709	\$ 850,253	100.00%
1996	750,000	186,341	750,000	936,341	100.00%
1997	800,000	202,951	800,000	1,002,951	100.00%
1998	860,000	207,153	860,000	1,067,153	100.00%
1999	950,000	227,384	950,000	1,177,384	100.00%
2000	1,050,000	231,951	1,050,000	1,281,951	100.00%
2001	765,000	202,710	765,000	967,710	100.00%
2002	710,000	194,221	710,000	904,221	100.00%
2003	850,000	199,289	850,000	1,049,289	100.00%
2004	870,000	202,448	870,000	1,072,448	100.00%

**CITY OF KENTWOOD**

**SCHEDULE OF REVENUES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
<b>TAXES</b>				
Tax revenues	\$ 5,547,900	\$ 5,547,900	\$ 5,454,774	\$ (93,126)
<b>TOTAL TAX REVENUES</b>	<u>5,547,900</u>	<u>5,547,900</u>	<u>5,454,774</u>	<u>(93,126)</u>
<b>LICENSES AND PERMITS</b>				
Permits and inspection fees	788,500	788,500	613,312	(175,188)
Local licenses	521,800	521,800	523,984	2,184
State liquor licenses	16,000	16,000	19,589	3,589
<b>TOTAL LICENSES AND PERMITS</b>	<u>1,326,300</u>	<u>1,326,300</u>	<u>1,156,885</u>	<u>(169,415)</u>
<b>INTERGOVERNMENTAL</b>				
Local grants	-	-	13,822	13,822
State revenue sharing	3,526,300	3,526,300	3,483,182	(43,118)
State grants	99,800	99,800	98,863	(937)
Federal grants	55,000	55,000	100,164	45,164
<b>TOTAL INTERGOVERNMENTAL</b>	<u>3,681,100</u>	<u>3,681,100</u>	<u>3,696,031</u>	<u>14,931</u>
<b>CHARGES FOR SERVICES</b>				
Tax collection fees	770,000	770,000	807,351	37,351
Public works services	700,100	700,100	784,738	84,638
Recreation fees	344,000	344,000	219,082	(124,918)
Internal charges administration	488,700	488,700	482,700	(6,000)
Water Department - accounting and administrative charges	31,000	31,000	31,000	-
Engineering	295,600	295,600	290,400	(5,200)
Police, fire and library fees	190,400	190,400	152,253	(38,147)
Cemetery	41,000	41,000	41,263	263
Zoning fees	47,000	47,000	27,308	(19,692)
Mobile home fees	6,100	6,100	5,814	(286)
Passport fees	20,000	20,000	17,040	(2,960)
Judge's salary subsidy	45,700	45,700	45,724	24
<b>TOTAL CHARGES FOR SERVICES</b>	<u>2,979,600</u>	<u>2,979,600</u>	<u>2,904,673</u>	<u>(74,927)</u>
<b>FINES AND FORFEITS</b>				
Court fines	1,200,000	1,200,000	1,126,818	(73,182)
Delinquent tax - interest penalties	145,000	145,000	110,220	(34,780)
<b>TOTAL FINES AND FORFEITS</b>	<u>1,345,000</u>	<u>1,345,000</u>	<u>1,237,038</u>	<u>(107,962)</u>
<b>INVESTMENT INCOME</b>	<u>250,000</u>	<u>250,000</u>	<u>158,353</u>	<u>(91,647)</u>
<b>MISCELLANEOUS</b>				
Insurance premium refunds	40,000	40,000	28,523	(11,477)
Rental income	30,000	30,000	38,286	8,286
Miscellaneous	42,100	42,100	50,897	8,797
<b>TOTAL MISCELLANEOUS</b>	<u>112,100</u>	<u>112,100</u>	<u>117,706</u>	<u>5,606</u>
<b>TOTAL REVENUES</b>	<u>\$ 15,242,000</u>	<u>\$ 15,242,000</u>	<u>\$ 14,725,460</u>	<u>\$ (516,540)</u>

**CITY OF KENTWOOD**

**SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATIVE</b>				
Auditing	\$ 21,100	\$ 21,100	\$ 21,945	\$ (845)
Cable TV related costs	165,200	165,200	158,765	6,435
Capital outlay	-	-	-	-
City commission	48,000	48,000	34,494	13,506
Community activities	7,500	7,500	2,000	5,500
Dues, fees and memberships	84,200	84,200	50,002	34,198
Employee benefits	30,300	30,300	41,161	(10,861)
Decrease in accrued payroll	-	-	(436,441)	436,441
Insurance	122,300	122,300	114,084	8,216
Legal fees	225,000	225,000	238,688	(13,688)
Repairs and maintenance	21,000	21,000	2,146	18,854
Office equipment	14,500	14,500	7,372	7,128
Office supplies	14,000	14,000	9,680	4,320
Contractual services	28,800	28,800	12,181	16,619
Pension administration	10,800	10,800	7,079	3,721
Postage	45,000	45,000	45,551	(551)
Printing and publishing	18,800	18,800	19,878	(1,078)
Utilities	150,000	150,000	135,652	14,348
Supplies	12,000	12,000	18,416	(6,416)
Training	-	-	-	-
Rent	858,900	858,900	850,011	8,889
Miscellaneous	8,100	8,100	9,901	(1,801)
<b>TOTAL ADMINISTRATIVE</b>	<b>1,885,500</b>	<b>1,885,500</b>	<b>1,342,565</b>	<b>542,935</b>
<b>ASSESSMENTS</b>				
Contractual services	10,100	10,100	34,331	(24,231)
Capital outlay	2,500	2,500	2,660	(160)
Dues, fees and memberships	1,600	1,600	1,404	196
Training	6,000	6,000	2,448	3,552
Employee benefits	126,600	126,600	108,499	18,101
Repairs and maintenance	600	600	100	500
Salaries	306,100	306,100	276,981	29,119
Supplies	6,000	6,000	6,633	(633)
Travel	2,200	2,200	1,397	803
<b>TOTAL ASSESSMENTS</b>	<b>461,700</b>	<b>461,700</b>	<b>434,453</b>	<b>27,247</b>
<b>TREASURER</b>				
Dues, fees and memberships	600	600	562	38
Training	3,000	3,000	2,184	816
Employee benefits	64,300	64,300	67,558	(3,258)
Insurance	1,800	1,800	1,645	155
Internal charges	100	100	-	100
Repairs and maintenance	100	100	-	100
Salaries	142,500	142,500	149,140	(6,640)
Supplies	13,600	13,600	1,241	12,359
Contractual services	10,000	10,000	22,408	(12,408)
Travel	400	400	156	244
Budget adjustment	-	10,000	-	10,000
<b>TOTAL TREASURER</b>	<b>236,400</b>	<b>246,400</b>	<b>244,894</b>	<b>1,506</b>
<b>INFORMATION TECHNOLOGY</b>				
Capital outlay	-	-	(388)	388
Dues, fees and memberships	1,000	1,000	948	52
Training	13,500	13,500	494	13,006
Employee benefits	69,900	69,900	64,621	5,279
Repairs and maintenance	20,500	20,500	27,571	(7,071)
Contractual services	38,000	38,000	57,680	(19,680)
Salaries	176,700	176,700	167,288	9,412
Supplies	5,500	5,500	5,931	(431)
Travel	2,000	2,000	1,534	466
Utilities	5,100	5,100	6,990	(1,890)
Budget adjustment	-	10,000	-	10,000
<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>332,200</b>	<b>342,200</b>	<b>332,669</b>	<b>9,531</b>
<b>CITY CLERK</b>				
Capital outlay	-	-	226	(226)
Dues, fees and memberships	400	400	214	186
Training	1,000	1,000	1,167	(167)
Employee benefits	50,600	50,600	58,049	(7,449)
Insurance	200	200	182	18
Repairs and maintenance	500	500	-	500
Contractual services	8,000	8,000	16,717	(8,717)
Salaries	178,400	178,400	182,003	(3,603)
Supplies	2,500	2,500	2,301	199
Travel	400	400	324	76
Budget adjustment	-	30,000	-	30,000
<b>TOTAL CITY CLERK</b>	<b>242,000</b>	<b>272,000</b>	<b>261,183</b>	<b>10,817</b>

**CITY OF KENTWOOD**

**SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>GENERAL GOVERNMENT (CONTINUED)</b>				
<b>HUMAN RESOURCES</b>				
Dues, fees and memberships	\$ 100	\$ 100	\$ 330	\$ (230)
Training	2,800	2,800	3,342	(542)
Employee benefits	36,200	36,200	36,672	(472)
Salaries	95,300	95,300	116,389	(21,089)
Supplies	300	300	1,752	(1,452)
Travel	500	500	148	352
Contingency		35,000	-	35,000
<b>TOTAL HUMAN RESOURCES</b>	<b>135,200</b>	<b>170,200</b>	<b>158,633</b>	<b>11,567</b>
<b>ACCOUNTING</b>				
Dues, fees and memberships	2,200	2,200	980	1,220
Training	5,100	5,100	1,404	3,696
Employee benefits	107,700	107,700	108,433	(733)
Repairs and maintenance	25,100	25,100	22,560	2,540
Contractual services	5,000	5,000	5,932	(932)
Salaries	282,900	282,900	300,314	(17,414)
Supplies	10,900	10,900	8,510	2,390
Utilities	500	500	618	(118)
Travel	2,000	2,000	1,089	911
Budget adjustment	-	10,000	-	10,000
<b>TOTAL ACCOUNTING</b>	<b>441,400</b>	<b>451,400</b>	<b>449,840</b>	<b>1,560</b>
<b>EXECUTIVE</b>				
Capital outlay	1,000	1,000	741	259
Training	4,000	4,000	2,356	1,644
Dues, fees and memberships	1,000	1,000	1,403	(403)
Employee benefits	72,700	72,700	67,526	5,174
Printing and publishing	18,000	18,000	16,352	1,648
Salaries	194,700	194,700	163,651	31,049
Supplies	3,800	3,800	4,434	(634)
Utilities	1,200	1,200	1,057	143
Travel	2,800	2,800	2,584	216
<b>TOTAL EXECUTIVE</b>	<b>299,200</b>	<b>299,200</b>	<b>260,104</b>	<b>39,096</b>
<b>PLANNING AND ZONING</b>				
Training	5,400	5,400	2,233	3,167
Dues, fees and memberships	3,200	3,200	2,800	400
Employee benefits	121,500	121,500	128,066	(6,566)
Internal charges	1,900	1,900	650	1,250
Repairs and maintenance	200	200	393	(193)
Contractual services	13,400	13,400	26,717	(13,317)
Salaries	332,700	332,700	336,351	(3,651)
Supplies	4,400	4,400	3,096	1,304
Travel	3,300	3,300	2,785	515
Budget adjustment	-	20,000	-	20,000
<b>TOTAL PLANNING AND ZONING</b>	<b>486,000</b>	<b>506,000</b>	<b>503,091</b>	<b>2,909</b>
<b>ELECTIONS</b>				
Capital outlay	200	200	150	50
Employee benefits	1,200	1,200	443	757
Internal charges	2,100	2,100	4,314	(2,214)
Repairs and maintenance	1,700	1,700	319	1,381
Contractual services	49,000	49,000	37,930	11,070
Salaries	12,000	12,000	5,080	6,920
Supplies	5,000	5,000	6,054	(1,054)
Travel	1,000	1,000	1,107	(107)
<b>TOTAL ELECTIONS</b>	<b>72,200</b>	<b>72,200</b>	<b>55,397</b>	<b>16,803</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>4,591,800</b>	<b>4,706,800</b>	<b>4,042,829</b>	<b>663,971</b>

CITY OF KENTWOOD

SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>PUBLIC SAFETY</b>				
<b>POLICE</b>				
Capital outlay	\$ 21,500	\$ 21,500	\$ 28,589	\$ (7,089)
Contractual services	250,200	250,200	245,884	4,316
Dues, fees and memberships	8,000	8,000	9,368	(1,368)
Employee benefits	2,262,500	2,262,500	2,148,624	113,876
Travel	324,700	324,700	365,309	(40,609)
Legal fees	180,000	180,000	203,695	(23,695)
Insurance	109,100	109,100	104,817	4,283
Repairs and maintenance	43,000	43,000	31,605	11,395
Salaries	5,373,600	5,373,600	5,331,225	42,375
Supplies	269,400	269,400	103,555	165,845
Utilities	177,000	177,000	138,933	38,067
Training	80,600	80,600	52,571	28,029
<b>TOTAL POLICE</b>	<b>9,099,600</b>	<b>9,099,600</b>	<b>8,764,175</b>	<b>335,425</b>
<b>FIRE</b>				
Capital outlay	17,700	17,700	10,152	7,548
Contractual services	124,900	124,900	102,499	22,401
Dues, fees and memberships	4,700	4,700	3,784	916
Training	30,900	30,900	16,870	14,030
Employee benefits	1,293,300	1,293,300	1,221,711	71,589
Travel	120,100	120,100	142,895	(22,795)
Insurance	37,100	37,100	33,260	3,840
Repairs and maintenance	35,200	35,200	23,223	11,977
Salaries	2,970,700	2,970,700	3,078,984	(108,284)
Supplies	120,100	120,100	117,811	2,289
Utilities	110,000	110,000	93,003	16,997
<b>TOTAL FIRE</b>	<b>4,864,700</b>	<b>4,864,700</b>	<b>4,844,192</b>	<b>20,508</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>13,964,300</b>	<b>13,964,300</b>	<b>13,608,367</b>	<b>355,933</b>
<b>ENGINEERING</b>				
Capital outlay	4,600	4,600	4,377	223
Training	6,000	6,000	872	5,128
Dues, fees and memberships	1,000	1,000	919	81
Employee benefits	131,200	131,200	127,867	3,333
Contractual services	10,000	10,000	17,569	(7,569)
Repairs and maintenance	2,200	2,200	245	1,955
Insurance	1,300	1,300	462	838
Salaries	366,700	366,700	344,640	22,060
Supplies	11,500	11,500	6,321	5,179
Travel	5,100	5,100	1,501	3,599
<b>TOTAL ENGINEERING</b>	<b>539,600</b>	<b>539,600</b>	<b>504,773</b>	<b>34,827</b>
<b>PUBLIC WORKS</b>				
Capital outlay	8,000	8,000	3,095	4,905
Training	4,500	4,500	3,398	1,102
Dues, fees and memberships	500	500	219	281
Employee benefits	440,200	440,200	451,365	(11,165)
Insurance	20,800	20,800	19,132	1,668
Repairs and maintenance	30,000	30,000	19,759	10,241
Contractual services	75,000	75,000	73,673	1,327
Salaries	925,400	925,400	1,007,641	(82,241)
Supplies	41,500	41,500	69,711	(28,211)
Travel	73,000	73,000	100,222	(27,222)
Utilities	56,600	56,600	86,427	(29,827)
Miscellaneous	2,000	2,000	2,726	(726)
Budget adjustment	-	125,000	-	125,000
<b>TOTAL PUBLIC WORKS</b>	<b>1,677,500</b>	<b>1,802,500</b>	<b>1,837,368</b>	<b>(34,868)</b>
<b>DISTRICT COURT</b>				
Legal Fees	50,000	50,000	58,257	(8,257)
Capital outlay	1,300	1,300	437	863
Training	5,200	5,200	2,469	2,731
Dues, fees and memberships	1,700	1,700	1,703	(3)
Employee benefits	273,300	273,300	286,212	(12,912)
Insurance	2,700	2,700	2,767	(67)
Repairs and maintenance	61,200	61,200	70,644	(9,444)

**CITY OF KENTWOOD**

**SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
<b>DISTRICT COURT (CONTINUED)</b>				
Contractual services	\$ 122,800	\$ 122,800	\$ 145,554	\$ (22,754)
Salaries	690,200	690,200	719,585	(29,385)
Supplies	34,000	34,000	22,714	11,286
Utilities	5,000	5,000	-	5,000
Travel	1,000	1,000	923	77
<b>TOTAL DISTRICT COURT</b>	<b>1,248,400</b>	<b>1,248,400</b>	<b>1,311,265</b>	<b>(62,865)</b>
<b>INSPECTIONS</b>				
Dues, fees and memberships	1,100	1,100	885	215
Training	6,700	6,700	2,939	3,761
Employee benefits	168,300	168,300	164,668	3,632
Insurance	5,700	5,700	5,059	641
Repairs and maintenance	1,600	1,600	1,525	75
Contractual services	1,500	1,500	-	1,500
Salaries	397,900	397,900	391,662	6,238
Supplies	8,900	8,900	4,677	4,223
Utilities	2,700	2,700	1,653	1,047
Travel	9,100	9,100	8,624	476
<b>TOTAL INSPECTIONS</b>	<b>603,500</b>	<b>603,500</b>	<b>581,692</b>	<b>21,808</b>
<b>CULTURE AND RECREATION</b>				
<b>RECREATION</b>				
Capital outlay	6,000	6,000	4,927	1,073
Training	3,000	3,000	5,000	(2,000)
Dues, fees and memberships	1,500	1,500	1,285	215
Employee benefits	173,400	173,400	184,081	(10,681)
Contractual services	75,900	75,900	62,116	13,784
Insurance	4,500	4,500	4,906	(406)
Repairs and maintenance	3,000	3,000	3,475	(475)
Salaries	552,600	552,600	540,715	11,885
Internal charges	32,700	32,700	43,476	(10,776)
Supplies	198,100	198,100	165,188	32,912
Travel	9,500	9,500	11,322	(1,822)
Utilities	23,000	23,000	19,848	3,152
<b>TOTAL RECREATION</b>	<b>1,083,200</b>	<b>1,083,200</b>	<b>1,046,339</b>	<b>36,861</b>
<b>LIBRARY</b>				
Capital outlay	3,400	3,400	256	3,144
Insurance	1,400	1,400	1,252	148
Repairs and maintenance	3,000	3,000	17,652	(14,652)
Contractual services	300	300	288	12
Internal charges	38,600	38,600	47,396	(8,796)
Supplies	8,900	8,900	8,424	476
Utilities	25,700	25,700	31,075	(5,375)
Budget adjustment	-	10,000	-	10,000
<b>TOTAL LIBRARY</b>	<b>81,300</b>	<b>91,300</b>	<b>106,343</b>	<b>(15,043)</b>
<b>TOTAL CULTURE AND RECREATION</b>	<b>1,164,500</b>	<b>1,174,500</b>	<b>1,152,682</b>	<b>21,818</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 23,789,600</b>	<b>\$ 24,039,600</b>	<b>\$ 23,038,976</b>	<b>\$ 1,000,624</b>

**CITY OF KENTWOOD**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

<u>ASSETS</u>	SPECIAL REVENUE FUNDS					
	DPW EQUIPMENT	FIRE EQUIPMENT	ECONOMIC DEVELOPMENT	HOUSING COMMISSION	PARKS	STREET LIGHTING
Cash and pooled investment	\$ 1,225,983	\$ 1,088,080	\$ 654,726	\$ 149,801	\$ 894,414	\$ 2,380,648
Mortgage loans receivable	-	-	209,094	71,132	-	-
Due from other governmental units	-	-	-	-	8,262	-
<b>TOTAL ASSETS</b>	<b>\$ 1,225,983</b>	<b>\$ 1,088,080</b>	<b>\$ 863,820</b>	<b>\$ 220,933</b>	<b>\$ 902,676</b>	<b>\$ 2,380,648</b>
 <u>LIABILITIES AND FUND BALANCES</u>						
<b>LIABILITIES</b>						
Accounts payable	\$ 31	\$ 164,164	\$ -	\$ 4,175	\$ -	\$ 27,372
<b>TOTAL LIABILITIES</b>	<b>31</b>	<b>164,164</b>	<b>-</b>	<b>4,175</b>	<b>-</b>	<b>27,372</b>
<b>FUND BALANCES</b>						
Reserved for mortgage loans receivable - Noncurrent portion	-	-	196,700	67,900	-	-
Unreserved						
Designated for parks and recreation	-	-	-	-	-	-
Undesignated	1,225,952	923,916	667,120	148,858	902,676	2,353,276
<b>TOTAL FUND BALANCES</b>	<b>1,225,952</b>	<b>923,916</b>	<b>863,820</b>	<b>216,758</b>	<b>902,676</b>	<b>2,353,276</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,225,983</b>	<b>\$ 1,088,080</b>	<b>\$ 863,820</b>	<b>\$ 220,933</b>	<b>\$ 902,676</b>	<b>\$ 2,380,648</b>

LANDFILL REMEDATION	MUNICIPAL STREET	LOCAL STREET	POST EMPLOYMENT BENEFITS	PROPERTY AND BUILDING	CAPITAL PROJECTS FUND CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 715,512	\$ 5,198,295	\$ 2,644,493	\$ 606,966	\$ 5,070,922	\$ 5,539,968	\$ -	\$ 26,169,808
-	-	-	-	-	-	-	280,226
-	-	245,839	-	32,250	-	-	286,351
<u>\$ 715,512</u>	<u>\$ 5,198,295</u>	<u>\$ 2,890,332</u>	<u>\$ 606,966</u>	<u>\$ 5,103,172</u>	<u>\$ 5,539,968</u>	<u>\$ -</u>	<u>\$ 26,736,385</u>

\$ 22,282	\$ -	\$ 6,693	\$ 5,391	\$ 1,947	\$ 142,925	\$ -	\$ 374,980
22,282	-	6,693	5,391	1,947	142,925	-	374,980

-	-	-	-	-	-	-	264,600
-	-	-	-	393,075	-	-	393,075
693,230	5,198,295	2,883,639	601,575	4,708,150	5,397,043	-	25,703,730
693,230	5,198,295	2,883,639	601,575	5,101,225	5,397,043	-	26,361,405
<u>\$ 715,512</u>	<u>\$ 5,198,295</u>	<u>\$ 2,890,332</u>	<u>\$ 606,966</u>	<u>\$ 5,103,172</u>	<u>\$ 5,539,968</u>	<u>\$ -</u>	<u>\$ 26,736,385</u>

CITY OF KENTWOOD

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

FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS					
	DPW EQUIPMENT	FIRE EQUIPMENT	ECONOMIC DEVELOPMENT	HOUSING COMMISSION	PARKS	STREET LIGHTING
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 182,489	\$ 303,123
Intergovernmental	-	-	-	-	-	-
Charges for services	188,653	-	-	-	-	-
Investment income	43,977	32,548	28,139	4,690	26,855	76,699
Application fees	-	-	23,704	-	-	-
Miscellaneous	-	-	-	13,552	-	-
TOTAL REVENUES	232,630	32,548	51,843	18,242	209,344	379,822
EXPENDITURES						
Current						
General government	-	-	38,341	14,645	-	-
Public safety	-	15,000	-	-	-	-
Highways and streets	-	-	-	-	-	364,889
Public works	20,000	-	-	-	-	-
Culture and recreation	-	-	-	-	16,400	-
Capital outlay	291,646	284,791	-	-	5,833	-
Debt service						
Interest expense	-	-	-	-	-	-
Principal	-	-	-	-	-	-
TOTAL EXPENDITURES	311,646	299,791	38,341	14,645	22,233	364,889
REVENUES OVER (UNDER) EXPENDITURES	(79,016)	(267,243)	13,502	3,597	187,111	14,933
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	59,657	12,896	-	-	-	-
Bond issue	-	-	-	-	-	-
Premium on bonds	-	-	-	-	-	-
Transfers in	-	100,000	-	-	-	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	59,657	112,896	-	-	-	-
NET CHANGE IN FUND BALANCE	(19,359)	(154,347)	13,502	3,597	187,111	14,933
FUND BALANCES, BEGINNING OF YEAR	1,245,311	1,078,263	850,318	213,161	715,565	2,338,343
FUND BALANCES, END OF YEAR	\$ 1,225,952	\$ 923,916	\$ 863,820	\$ 216,758	\$ 902,676	\$ 2,353,276

LANDFILL REMEDATION	MUNICIPAL STREET	LOCAL STREET	POST EMPLOYMENT BENEFITS	PROPERTY AND BUILDING	CAPITAL PROJECTS FUND CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 273,746	\$ 547,671	\$ -	\$ -	\$ -	\$ -	\$ -	1,307,029
-	-	687,495	-	32,250	-	-	719,745
-	-	-	276,207	-	-	850,011	1,314,871
22,006	157,228	87,433	9,272	118,693	120,567	8,417	736,524
-	-	-	-	-	-	-	23,704
-	1,500	151,453	-	100	-	-	166,605
295,752	706,399	926,381	285,479	151,043	120,567	858,428	4,268,478
-	-	-	22,276	-	-	-	75,262
-	-	-	-	-	-	-	15,000
-	49,300	811,954	-	-	-	-	1,226,143
97,212	-	-	-	-	-	-	117,212
-	-	-	-	-	-	-	16,400
-	28,688	11,381	-	525,564	2,356,067	-	3,503,970
-	-	-	-	-	-	681,778	681,778
-	-	-	-	-	-	885,000	885,000
97,212	77,988	823,335	22,276	525,564	2,356,067	1,566,778	6,520,765
198,540	628,411	103,046	263,203	(374,521)	(2,235,500)	(708,350)	(2,252,287)
-	-	-	-	171,454	-	-	244,007
-	-	-	-	-	5,000,000	-	5,000,000
-	-	-	-	-	18,956	-	18,956
-	-	-	-	1,517,194	-	707,439	2,324,633
-	-	-	-	(717,074)	(1,267,194)	-	(1,984,268)
-	-	-	-	971,574	3,751,762	707,439	5,603,328
198,540	628,411	103,046	263,203	597,053	1,516,262	(911)	3,351,041
494,690	4,569,884	2,780,593	338,372	4,504,172	3,880,781	911	23,010,364
\$ 693,230	\$ 5,198,295	\$ 2,883,639	\$ 601,575	\$ 5,101,225	\$ 5,397,043	\$ -	\$ 26,361,405

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Charges for services - internal	\$ 150,000	\$ 150,000	\$ 188,653	\$ 38,653
Investment income	40,000	40,000	43,977	3,977
TOTAL REVENUES	190,000	190,000	232,630	42,630
EXPENDITURES				
Current				
Administration	20,000	20,000	20,000	-
Capital outlay	351,700	351,700	291,646	60,054
TOTAL EXPENDITURES	371,700	371,700	311,646	60,054
REVENUES OVER (UNDER) EXPENDITURES	(181,700)	(181,700)	(79,016)	102,684
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	5,000	59,657	54,657
Transfers out	(30,000)	(30,000)	-	30,000
TOTAL OTHER FINANCING SOURCES	(25,000)	(25,000)	59,657	84,657
NET CHANGE IN FUND BALANCE	(206,700)	(206,700)	(19,359)	187,341
FUND BALANCE, BEGINNING OF YEAR	1,245,311	1,245,311	1,245,311	-
FUND BALANCE, END OF YEAR	\$ 1,038,611	\$ 1,038,611	\$ 1,225,952	\$ 187,341

**CITY OF KENTWOOD**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Investment income	\$ 20,000	\$ 20,000	\$ 32,548	\$ 12,548
EXPENDITURES				
Current				
Administration	15,000	15,000	15,000	-
Capital outlay	557,000	557,000	284,791	272,209
TOTAL EXPENDITURES	572,000	572,000	299,791	272,209
REVENUES OVER (UNDER) EXPENDITURES	(552,000)	(552,000)	(267,243)	66,991
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	12,896	12,896
Transfers in	-	-	100,000	100,000
TOTAL OTHER FINANCING SOURCES	-	-	112,896	112,896
NET CHANGE IN FUND BALANCE	(552,000)	(552,000)	(154,347)	179,887
FUND BALANCE, BEGINNING OF YEAR	1,078,263	1,078,263	1,078,263	-
FUND BALANCE, END OF YEAR	\$ 526,263	\$ 526,263	\$ 923,916	\$ 397,653

*CITY OF KENTWOOD*

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

*FOR THE YEAR ENDED JUNE 30, 2005*

	<u>BUDGET AMOUNT</u>		<u>ACTUAL AMOUNT</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>		
REVENUES				
Investment income	\$ 35,000	\$ 35,000	\$ 28,139	\$ (6,861)
Application fees	23,000	23,000	23,704	704
TOTAL REVENUES	<u>58,000</u>	<u>58,000</u>	<u>51,843</u>	<u>(6,157)</u>
EXPENDITURES				
Current				
Administration	4,900	4,900	4,717	183
Employee benefits	2,900	2,900	2,851	49
Contractual services	12,200	12,200	8,425	3,775
Salaries	19,200	19,200	19,250	(50)
Miscellaneous	26,100	26,100	3,098	23,002
TOTAL EXPENDITURES	<u>65,300</u>	<u>65,300</u>	<u>38,341</u>	<u>26,959</u>
NET CHANGE IN FUND BALANCE	(7,300)	(7,300)	13,502	20,802
FUND BALANCE, BEGINNING OF YEAR	<u>850,318</u>	<u>850,318</u>	<u>850,318</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 843,018</u>	<u>\$ 843,018</u>	<u>\$ 863,820</u>	<u>\$ 20,802</u>

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**HOUSING COMMISSION FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
REVENUES				
Investment income	\$ 6,000	\$ 6,000	\$ 4,690	\$ (1,310)
Miscellaneous	-	-	13,552	13,552
TOTAL REVENUES	6,000	6,000	18,242	12,242
EXPENDITURES				
Current				
Administration	2,700	2,700	2,580	120
Employee benefits	1,100	1,100	945	155
Grant expenses	-	-	4,232	(4,232)
Salaries	4,900	4,900	5,908	(1,008)
Supplies	2,500	2,500	980	1,520
TOTAL EXPENDITURES	11,200	11,200	14,645	(3,445)
NET CHANGE IN FUND BALANCE	(5,200)	(5,200)	3,597	8,797
FUND BALANCE, BEGINNING OF YEAR	213,161	213,161	213,161	-
FUND BALANCE, END OF YEAR	\$ 207,961	\$ 207,961	\$ 216,758	\$ 8,797

*CITY OF KENTWOOD*

*SPECIAL REVENUE FUND*

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE*

*BUDGET AND ACTUAL*

*PARKS FUND*

*FOR THE YEAR ENDED JUNE 30, 2005*

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 185,500	\$ 185,500	\$ 182,489	\$ (3,011)
Intergovernmental	300,000	300,000	-	(300,000)
Investment income	30,000	30,000	26,855	(3,145)
TOTAL REVENUES	515,500	515,500	209,344	(306,156)
EXPENDITURES				
Current				
Administration	16,600	16,600	16,400	200
Capital outlay	650,000	650,000	5,833	644,167
TOTAL EXPENDITURES	666,600	666,600	22,233	644,367
NET CHANGE IN FUND BALANCE	(151,100)	(151,100)	187,111	338,211
FUND BALANCE, BEGINNING OF YEAR	715,565	715,565	715,565	-
FUND BALANCE, END OF YEAR	\$ 564,465	\$ 564,465	\$ 902,676	\$ 338,211

*CITY OF KENTWOOD*

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

*FOR THE YEAR ENDED JUNE 30, 2005*

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 306,500	\$ 306,500	\$ 303,123	\$ (3,377)
Investment income	75,000	75,000	76,699	1,699
TOTAL REVENUES	381,500	381,500	379,822	(1,678)
EXPENDITURES				
Current				
Administrative	27,400	27,400	27,300	100
Utilities	325,000	325,000	336,242	(11,242)
Maintenance	1,500	1,500	-	1,500
Miscellaneous	10,000	10,000	1,347	8,653
TOTAL EXPENDITURES	363,900	363,900	364,889	(989)
NET CHANGE IN FUND BALANCE	17,600	17,600	14,933	(2,667)
FUND BALANCE, BEGINNING OF YEAR	2,338,343	2,338,343	2,338,343	-
FUND BALANCE, END OF YEAR	\$ 2,355,943	\$ 2,355,943	\$ 2,353,276	\$ (2,667)

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**LANDFILL REMEDIATION FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 278,300	\$ 278,300	\$ 273,746	\$ (4,554)
Investment income	12,000	12,000	22,006	10,006
TOTAL REVENUES	290,300	290,300	295,752	5,452
EXPENDITURES				
Current				
Administration	24,900	24,900	24,600	300
Landfill expense	92,000	92,000	72,612	19,388
TOTAL EXPENDITURES	116,900	116,900	97,212	19,688
NET CHANGE IN FUND BALANCE	173,400	173,400	198,540	25,140
FUND BALANCE, BEGINNING OF YEAR	494,690	494,690	494,690	-
FUND BALANCE, END OF YEAR	\$ 668,090	\$ 668,090	\$ 693,230	\$ 25,140

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL  
MUNICIPAL STREET FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 556,900	\$ 556,900	\$ 547,671	\$ (9,229)
Investment income	80,000	80,000	157,228	77,228
Miscellaneous	-	-	1,500	1,500
TOTAL REVENUES	636,900	636,900	706,399	69,499
EXPENDITURES				
Current				
Administrative	49,900	49,900	49,300	600
Capital outlay	-	-	28,688	(28,688)
TOTAL EXPENDITURES	49,900	49,900	77,988	(28,088)
REVENUES OVER EXPENDITURES	587,000	587,000	628,411	41,411
OTHER FINANCING USES				
Transfers out	(1,668,000)	(1,668,000)	-	1,668,000
NET CHANGE IN FUND BALANCE	(1,081,000)	(1,081,000)	628,411	1,709,411
FUND BALANCE, BEGINNING OF YEAR	4,569,884	4,569,884	4,569,884	-
FUND BALANCE, END OF YEAR	\$ 3,488,884	\$ 3,488,884	\$ 5,198,295	\$ 1,709,411

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**LOCAL STREET FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental	\$ 695,100	\$ 695,100	\$ 687,495	\$ (7,605)
Investment income	75,000	75,000	87,433	12,433
Miscellaneous	355,000	355,000	151,453	(203,547)
TOTAL REVENUES	1,125,100	1,125,100	926,381	(198,719)
EXPENDITURES				
Current				
Engineering	46,700	46,700	105,200	(58,500)
Administrative	62,500	62,500	61,900	600
Maintenance	350,000	350,000	377,978	(27,978)
Snow and ice removal	180,000	180,000	255,465	(75,465)
Traffic control	40,000	40,000	2,736	37,264
Miscellaneous	5,200	5,200	8,675	(3,475)
Capital outlay	404,000	404,000	11,381	392,619
TOTAL EXPENDITURES	1,088,400	1,088,400	823,335	265,065
REVENUE OVER (UNDER) EXPENDITURES	36,700	36,700	103,046	66,346
OTHER FINANCING SOURCE				
Transfers in	78,000	78,000	-	(78,000)
NET CHANGE IN FUND BALANCE	114,700	114,700	103,046	(11,654)
FUND BALANCE, BEGINNING OF YEAR	2,780,593	2,780,593	2,780,593	-
FUND BALANCE, END OF YEAR	\$ 2,895,293	\$ 2,895,293	\$ 2,883,639	\$ (11,654)

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**POST EMPLOYMENT BENEFITS FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	AMENDED		POSITIVE (NEGATIVE)
REVENUES				
Charges for services - internal	\$ 87,400	\$ 87,400	\$ 276,207	\$ (188,807)
Investment income	4,000	4,000	9,272	(5,272)
TOTAL REVENUES	91,400	91,400	285,479	(194,079)
EXPENDITURES				
Current				
Contractual Services	-	20,000	11,090	8,910
Benefits	15,000	15,000	11,186	3,814
TOTAL EXPENDITURES	15,000	35,000	22,276	12,724
NET CHANGE IN FUND BALANCE	76,400	56,400	263,203	206,803
FUND BALANCE, BEGINNING OF YEAR	338,372	338,372	338,372	-
FUND BALANCE, END OF YEAR	\$ 414,772	\$ 394,772	\$ 601,575	\$ 206,803

**CITY OF KENTWOOD**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
PROPERTY AND BUILDING FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 32,250	\$ 32,250
Investment income	230,000	230,000	118,693	(111,307)
Miscellaneous	-	-	100	100
TOTAL REVENUES	230,000	230,000	151,043	(78,957)
EXPENDITURES				
Capital outlay	1,255,400	1,255,400	525,564	729,836
REVENUES OVER(UNDER) EXPENDITURES	(1,025,400)	(1,025,400)	(374,521)	650,879
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	50,000	50,000	171,454	121,454
Transfers in	390,000	390,000	1,517,194	1,127,194
Transfers out	(1,202,200)	(1,202,200)	(717,074)	485,126
TOTAL OTHER FINANCING SOURCES (USES)	(762,200)	(762,200)	971,574	1,733,774
NET CHANGE IN FUND BALANCES	(1,787,600)	(1,787,600)	597,053	2,384,653
FUND BALANCE, BEGINNING OF YEAR	4,504,172	4,504,172	4,504,172	-
FUND BALANCE, END OF YEAR	\$ 2,716,572	\$ 2,716,572	\$ 5,101,225	\$ 2,384,653

**CITY OF KENTWOOD**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

	BALANCE			BALANCE
	JULY 1, 2004	ADDITIONS	DEDUCTIONS	JUNE 30, 2005
<u>ASSETS</u>				
Cash	\$ 278,385	\$ 80,812,465	\$ (80,438,583)	\$ 652,267
<u>LIABILITY</u>				
Due to other governmental units	\$ 278,385	\$ 80,812,465	\$ (80,438,583)	\$ 652,267



REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**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 28, 2005

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, 2005 and have issued our report thereon dated November 28, 2005. 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, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

*Compliance and Other Matters*

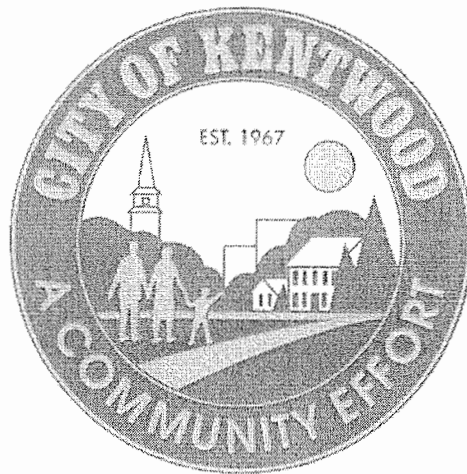
As part of obtaining reasonable assurance about whether the City of Kentwood, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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*.

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.

*Rehmann Robson*

Continuing Disclosure Filing

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



*Fiscal Year Ended*  
*June 30, 2005*

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

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

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

FT Interactive Data  
Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, NY 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
E-mail: NRMSIR@interactivedata.com

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

STATE INFORMATION DEPOSITORY (SID)

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

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

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

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

CUSIP Numbers (attach additional sheet if necessary):

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

\*\*\*

Number of pages of attached information:

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

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

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

(b) Audited? Yes  No

Annual Financial Information: Audited? Yes  No

Operating Data

Fiscal Period Covered: June 30, 2005

\*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, 2002 Through 2006**

Assessed Value as of December 31	Year of State Equalization And Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
2000	2001	2002	\$1,636,140,691	\$40,206,860	\$1,676,347,551	6.78%
2001	2002	2003	1,734,711,536	41,556,871	1,776,268,407	5.96
2002	2003	2004	1,774,165,427	42,814,362	1,816,979,789	2.29
2003	2004	2005	1,826,173,501	33,394,953	1,859,568,454	2.34
2004	2005	2006	1,900,923,141	36,543,162	1,937,466,303	4.19
Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2006 (2) .....						\$42,812

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

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

Source: City of Kentwood

**City of Kentwood  
Total Taxable Value by Use and Class  
Fiscal Years Ended or Ending June 30, 2002 Through 2006**

Use	Fiscal Years Ended or Ending June 30				
	2002	2003	2004	2005	2006
Commercial.....	\$ 481,268,446	\$ 524,438,362	\$ 529,557,569	\$ 537,146,512	\$ 569,006,384
Industrial .....	507,961,354	519,716,228	519,737,982	512,709,964	519,919,013
Residential .....	663,299,551	707,509,717	742,337,138	781,242,073	818,775,227
Utility.....	23,818,200	24,604,100	25,347,100	28,469,905	29,765,679
	<u>\$ 1,676,347,551</u>	<u>\$ 1,776,268,407</u>	<u>\$ 1,816,979,789</u>	<u>\$ 1,859,568,454</u>	<u>\$ 1,937,466,303</u>
Class	2002	2003	2004	2005	2006
Real Property .....	\$ 1,364,435,176	\$ 1,460,649,368	\$ 1,512,523,223	\$ 1,572,016,649	\$ 1,640,326,624
Personal Property .....	311,912,375	315,619,039	304,456,566	287,551,805	297,139,679
	<u>\$ 1,676,347,551</u>	<u>\$ 1,776,268,407</u>	<u>\$ 1,816,979,789</u>	<u>\$ 1,859,568,454</u>	<u>\$ 1,937,466,303</u>

Source: City of Kentwood

**City of Kentwood  
State Equalized Valuation  
Fiscal Years Ended or Ending June 30, 2002 Through 2006**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
2000	2001	2002	\$1,761,925,101	\$80,168,400	\$1,842,093,501	6.47%
2001	2002	2003	1,866,638,401	82,812,800	1,949,451,201	5.83
2002	2003	2004	1,915,569,451	85,326,300	1,997,895,751	2.48
2003	2004	2005	1,984,700,850	66,487,700	2,051,188,550	2.67
2004	2005	2006	2,064,614,200	72,510,262	2,137,124,462	4.19
Per Capita Total SEV for the Fiscal Year Ending June 30, 2006 (2) .....						\$47,224

(1) See "Tax Abatement" herein.

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

Source: City of Kentwood

**City of Kentwood  
Total SEV by Use and Class  
Fiscal Years Ended or Ending June 30, 2002 Through 2006**

Use	Fiscal Years Ended or Ending June 30				
	2002	2003	2004	2005	2006
Commercial .....	\$ 530,775,701	\$ 567,597,101	\$ 568,411,601	\$ 582,210,200	\$ 617,443,200
Industrial .....	566,100,000	579,327,700	577,289,450	565,033,900	573,907,562
Residential .....	721,399,600	777,922,300	826,847,600	873,766,450	914,897,800
Utility .....	23,818,200	24,604,100	25,347,100	30,178,000	30,875,900
	<u>\$ 1,842,093,501</u>	<u>\$ 1,949,451,201</u>	<u>\$ 1,997,895,751</u>	<u>\$ 2,051,188,550</u>	<u>\$ 2,137,124,462</u>

Class	Fiscal Years Ended or Ending June 30				
	2002	2003	2004	2005	2006
Real Property .....	\$ 1,503,937,200	\$ 1,607,417,300	\$ 1,666,668,350	\$ 1,743,215,950	\$ 1,818,333,062
Personal Property .....	338,156,301	342,033,901	331,227,401	307,972,600	318,791,400
	<u>\$ 1,842,093,501</u>	<u>\$ 1,949,451,201</u>	<u>\$ 1,997,895,751</u>	<u>\$ 2,051,188,550</u>	<u>\$ 2,137,124,462</u>

Source: City of Kentwood

**Tax Abatement**

The City's SEV and Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198 or Act 255 (the "Acts"). The Acts were designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Acts, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial or commercial facilities exemption certificate granted under either of the Acts entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under Act 198 or Act 255 there exists separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the SEV level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT or CFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied.

For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the State plus none, 1/2 or all of the state tax rate (as determined by the State Treasurer). Act 255 expired as an effective statute of the State of Michigan on June 30, 1986 and tax abatements granted to commercial facilities under Act 255 have expired.

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial and commercial firms. Most abatements have been for new industrial facilities. The SEV of properties which have been granted tax abatement under the Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$72,510,262 for the fiscal year ending June 30, 2006. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$36,543,162 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**City of Kentwood  
Maximum Operating Tax Rates  
Fiscal Year Ending June 30, 2006**

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

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

**City of Kentwood  
Property Tax Rates  
Fiscal Years Ended or Ending June 30, 2002 Through 2006**

Levy <u>July 1</u>	Fiscal Years Ended or <u>Ending June 30</u>	<u>General Operating (1)</u>	<u>Police and Fire (1)</u>	<u>Parks (2)</u>	<u>Streets and Bridges (2)</u>	<u>Landfill Remediation (3)</u>	<u>Street Lighting (4)</u>	<u>Total</u>
2001	2002	\$2.9946	\$3.7932	\$0.0998	\$0.2995	\$0.1497	\$0.1950	\$7.5318
2002	2003	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2003	2004	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2004	2005	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2005	2006	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318

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

**City of Kentwood**  
**Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2001 Through 2005**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
City of Kentwood.....	\$7.5318	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent.....	5.3340	5.3230	5.3140	5.3140	5.3140
State of Michigan.....	6.0000	6.0000	6.0000	5.0000	6.0000
Kentwood Public Schools (2) .....	5.3951	5.3951	5.3922	5.3922	5.6922
Kent Intermediate School District.....	3.8430	3.8299	3.8192	3.7903	4.5333
Grand Rapids Community College .....	1.8109	1.8049	1.8000	1.7865	1.7865
Interurban Transit Authority .....	0.7500	0.7300	0.7480	0.7603	0.9500
Kent District Library Authority ..	<u>0.8400</u>	<u>0.8787</u>	<u>0.8769</u>	<u>0.8710</u>	<u>0.8800</u>
Total .....	<u>\$31.5048</u>	<u>\$31.4934</u>	<u>\$31.4821</u>	<u>\$30.4461</u>	<u>\$32.6878</u>

**City of Kentwood**  
**Non-Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2001 Through 2005**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
City of Kentwood.....	\$7.5318	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent.....	5.3340	5.3230	5.3140	5.3140	5.3140
State of Michigan.....	6.0000	6.0000	6.0000	5.0000	6.0000
Kentwood Public Schools (2) .....	23.3951	23.3951	23.3922	23.3922	23.6922
Kent Intermediate School District.....	3.8430	3.8299	3.8192	3.7903	4.5333
Grand Rapids Community College .....	1.8109	1.8049	1.8000	1.7865	1.7865
Interurban Transit Authority .....	0.7500	0.7300	0.7480	0.7603	0.9500
Kent District Library Authority ..	<u>0.8400</u>	<u>0.8787</u>	<u>0.8769</u>	<u>0.8710</u>	<u>0.8800</u>
Total .....	<u>\$49.5048</u>	<u>\$49.4934</u>	<u>\$49.4821</u>	<u>\$48.4461</u>	<u>\$50.6878</u>

- (1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Principal residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-principal residence* is property not included in the above definition.
- (2) The Kentwood Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. The lowest and highest non-principal residence millage rates for the other overlapping school districts for the fiscal year ending June 30, 2005 ranged from \$23.5000 to \$25.5424 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, 2002 Through 2006**

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>
2001	2002	\$ 12,574,081	\$ 12,275,774	97.6%
2002	2003	13,316,321	12,954,846	97.3
2003	2004	13,593,459	13,256,712	97.5
2004	2005	13,882,659	13,582,113	97.8
2005	2006	14,502,015	(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, 2006**

<u>Taxpayers</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	Total Taxable <u>Value</u>	Percent of <u>Total (2)</u>
Steelcase Corporation.....	Office Furniture .....	\$ 82,582,423	\$ 2,782,300	\$ 85,364,723	4.41%
Woodland Mall.....	Shopping Center .....	36,836,192	0	36,836,192	1.90
Lacks Industries, Inc.....	Automotive Supplier.	17,723,367	15,054,700	32,778,067	1.69
Meridian Automotive .....	Automotive Supplier.	25,160,687	255,600	25,416,287	1.31
Holland Home .....	Senior Housing .....	24,460,422	0	24,460,422	1.26
Knoll North America.....	Office Furniture .....	20,511,000	3,330,700	23,841,700	1.23
Robert Grooters Devel. Co. ...	Real Estate .....	21,634,169	0	21,634,169	1.12
Consumers Energy.....	Utility.....	18,771,672	0	18,771,672	0.97
Auto Cam Corporation.....	Automotive Supplier.	13,591,418	2,424,100	16,015,518	0.83
Fifth Third Bank.....	Financial Institution..	13,960,716	0	13,960,716	0.72
		<u>\$275,232,066</u>	<u>\$ 23,847,400</u>	<u>\$299,079,466</u>	<u>15.44%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$1,937,466,303 which is the City's Total Taxable Value for the fiscal year ended June 30, 2006. 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, 2002 Through 2006**

	Fiscal Years Ended or Ending June 30				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (2)</u>
State Sales Tax .....	\$ 4,018,692	\$ 3,919,974	\$ 3,523,668	\$ 3,483,182	\$ 3,494,300
Liquor License Fees .....	<u>17,404</u>	<u>16,586</u>	<u>20,235</u>	<u>19,589</u>	<u>17,500</u>
Total Revenues From the State of Michigan.....	<u>\$ 4,036,096</u>	<u>\$ 3,936,560</u>	<u>\$ 3,543,903</u>	<u>\$ 3,502,771</u>	<u>\$ 3,511,800</u>
 Percent of General Fund Revenue .....	 20.40%	 18.42%	 16.56%	 14.96%	 13.70%

(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 March 2, 2005.

Debt Limit (1) .....	\$ 205,118,855
Debt Outstanding .....	\$22,660,000
Less: Exempt Debt .....	<u>5,000,000</u>
Legal Debt Margin .....	<u>\$ 187,458,855</u>

(1) 10% of \$2,051,188,550 which is the City's Total SEV for the fiscal year ending June 30, 2005. 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 March 2, 2005 including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City’s General Fund.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Bonds:			
Dated March 23, 2005.....	\$ 5,000,000	\$ 5,000,000	\$ 0
Dated October 16, 2003 .....	9,615,000	0	9,615,000
Building Authority Bonds:			
Dated June 1, 2001 (LT) .....	<u>8,045,000</u>	<u>0</u>	<u>8,045,000</u>
Total.....	<u>\$ 22,660,000</u>	<u>\$ 5,000,000</u>	<u>\$ 17,660,000</u>
Per Capita Net City Direct Debt (2).....			\$390.23
Percent of Net Direct Debt to Total SEV (3) .....			0.86%

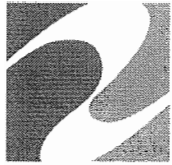
<u>Overlapping Debt (3)</u>	<u>Gross</u>	Percent of <u>Gross</u>	<u>City Share</u>
Kentwood School District.....	\$ 115,345,000	69.91%	\$ 80,637,690
Caledonia School District .....	100,180,880	15.66	15,688,326
Forest Hills School District.....	205,170,000	6.04	12,392,268
Kelloggsville School District.....	19,225,000	36.80	7,074,800
Kent County.....	86,945,000	10.22	8,885,779
Grand Rapids Community College.....	<u>60,195,000</u>	9.95	<u>5,989,403</u>
Total Overlapping Debt .....	<u>\$ 587,060,880</u>		<u>\$ 130,668,266</u>
Total Direct & Overlapping Debt .....	<u>\$ 609,720,880</u>		<u>\$ 148,328,266</u>
Per Capita Net Overlapping Debt (1).....			\$2,887.38
Percent of Net Overlapping Debt to Total SEV (2) .....			6.37%
Per Capita Net Direct and Overlapping Debt (1).....			\$3,277.61
Percent of Net Direct and Overlapping Debt to Total SEV (2).....			7.23%

(1) Based on the City’s 2000 Census of 45,255.

(2) Based on \$2,051,188,550 which is the City’s Total SEV for the fiscal year ending June 30, 2005. Includes the SEV of property granted tax abatement under Act 198.

(3) Overlapping debt is the portion of another taxing unit’s debt for which property taxpayers of the City are liable in addition to debt issued by the City.

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



# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

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November 28, 2005

Honorable Mayor and City Commissioners  
Kentwood, Michigan

In planning and performing our audit of the financial statements of the City of Kentwood for the year ended June 30, 2005, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of opportunities for strengthening controls and addressing new accounting issues and future financial reporting requirements. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated November 28, 2005 on the financial statements of the City of Kentwood.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations.

Sincerely,

## MEMORANDUM

**TO:** City of Kentwood Mayor and City Commission  
**FROM:** Rehmann Robson  
**DATE:** November 28, 2005  
**REGARDING:** City operating activities

### **NEW ACCOUNTING STANDARD**

The Governmental Accounting Standards Board recently issued Statement No. 43 *Financial Reporting for Post Employment Benefit Plans other Than Pension Plans*. Statement No. 43 will become effective for the City for fiscal year 2007-2008 and will require additional disclosure, an actuarial evaluation of those employee benefits granted to retirees and additional expenditure recognition in the government-wide financial statements. We have discussed this new statement with your staff and we will be working with your staff to implement this new accounting standard.