



# **CITY OF KENTWOOD, MICHIGAN**

## **FINANCIAL STATEMENTS**

***FOR THE YEAR ENDED JUNE 30, 2018***



Vredeveld Haefner LLC  
CPAs and Consultants

# CITY OF KENTWOOD

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## INDEPENDENT AUDITORS' REPORT

November 16, 2018

Honorable Mayor and Members of the City Commission  
City of Kentwood, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan, (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the information on pages 51 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Uredexeld Haefner LLC*

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

# Management's Discussion and Analysis

As management of the City of Kentwood (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

## Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2018 fiscal year as follows:

In fiscal year 2018, the City's total taxable property values increased by approximately 3% due to changes in ad valorem taxable value. The City continues to receive State Essential Services Assessment distributions to offset the elimination of personal property taxes by State law. State shared revenue, the City's second largest revenue source, increased approximately 4% from the previous fiscal year related to higher state sales tax collections.

Fiscal year 2018 was a year of continued capital investment for the City. Projects included:

- Road rehabilitation projects, including commencement of Breton Avenue and Wing Avenue projects, completion of 32<sup>nd</sup> Street, 44<sup>th</sup> Street, and Andrew Street projects, and traffic signal improvements;
- Activities Center improvements using Community Development Block Grant (CDBG) and City funds;
- Technology purchases, and police, fire and public works vehicle and equipment purchases, including a dump truck and completion of a new fire engine.

## City of Kentwood Net Position

**Governmental activities.** Governmental activities increased the City's net position by \$3,303,024. Key elements of this increase are as follows:

- Infrastructure improvements partially funded by state and federal grants;
- Collections of special assessments and related interest;
- Accumulation of unexpended resources in the police and fire millage special revenue fund for future use to provide police and fire services, in the property and building and DPW equipment capital projects funds for future asset purchases, and in the major street fund for future road maintenance, construction, snow removal, etc.;
- Spending of resources previously accumulated in the municipal street, parks, drain, and library funds.

**Business-type activities.** Business-type activities increased the City's net position by \$596,636. Key elements of this increase are as follows:

- Operating revenue and investment income that exceeded operating expenses and bond interest expense;

## Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 City's net position changed during the most recent fiscal year. All changes in net position 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., uncollected revenues, earned but unused compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, culture and recreation, and community and economic development. The business-type activities of the City include the water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation (EDC) and Brownfield Redevelopment Authority for which the City is financially accountable. Information for these component units are reported separately from the financial information presented for the primary government itself.

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City'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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.



Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, police and fire millage, major streets, property and building and general projects funds which are considered major funds. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and all special revenue funds as required by state law. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate legal compliance.

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

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

**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 statement because the resource of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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.

**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 discussion and analysis, required pension and other post-employment benefit plan information and major funds budget and actual presentations. Supplemental information follows the required supplementary information and includes combining and individual fund statements and schedules.

## Government-wide Financial Analysis

**Statement of Net Position** As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$121,787,927 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

### City of Kentwood Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$59,564,600	\$56,588,948	\$12,120,100	\$10,927,161	\$ 71,684,700	\$ 67,516,109
Capital assets	56,463,830	54,878,608	17,829,954	18,631,933	74,293,784	73,510,541
<b>Total assets</b>	<b>116,028,430</b>	<b>111,467,556</b>	<b>29,950,054</b>	<b>29,559,094</b>	<b>145,978,484</b>	<b>141,026,650</b>
<b>Deferred outflows of resources</b>	<b>972,047</b>	<b>1,205,861</b>	<b>-</b>	<b>-</b>	<b>972,047</b>	<b>1,205,861</b>
<b>Liabilities</b>						
Current liabilities	2,812,773	2,369,395	474,881	40,557	3,287,654	2,409,952
Long-term liabilities	13,983,575	14,665,870	5,863,672	6,503,672	19,847,247	21,169,542
<b>Total liabilities</b>	<b>16,796,348</b>	<b>17,035,265</b>	<b>6,338,553</b>	<b>6,544,229</b>	<b>23,134,901</b>	<b>23,579,494</b>
<b>Deferred inflows of resources</b>	<b>2,027,703</b>	<b>764,750</b>	<b>-</b>	<b>-</b>	<b>12,027,703</b>	<b>764,750</b>
<b>Net position</b>						
Net investment in capital assets	47,588,347	45,063,879	11,966,282	12,128,261	59,554,629	57,192,140
Restricted	26,226,684	26,341,774	-	-	26,226,684	26,341,774
Unrestricted (deficit)	24,361,395	23,467,749	11,645,219	10,886,604	36,006,614	34,354,353
<b>Total net position</b>	<b>\$98,176,426</b>	<b>\$94,873,402</b>	<b>\$23,611,501</b>	<b>\$23,014,865</b>	<b>\$121,787,927</b>	<b>\$117,888,267</b>

By far the largest portion of the City's net position in the amount of 49% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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.

An additional portion of the City's net position in the amount of 22% represents resources that are subject to external restrictions on how they may be used. The City's remaining balance of unrestricted net position in the amount of \$36,006,614 may be used to meet the City's ongoing financial obligations.

**Statement of Activities** The City's total revenue for the fiscal year ended June 30, 2018, was \$44,067,822 while total cost of all programs and services was \$40,168,162. This results in an increase in net position of \$3,899,660. The following table presents a summary of the changes in net position for the years ended June 30.

### City of Kentwood Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$4,441,873	\$4,118,456	\$6,602,845	\$6,603,758	\$ 11,044,718	\$ 10,722,214
Operating grants and contributions	8,362,502	6,129,187	-	-	8,362,502	6,129,187
Capital grants and contributions	1,163,498	291,655	-	-	1,163,498	291,655
General revenues						
Property taxes	18,456,264	19,468,674	-	-	18,456,264	19,468,674
Franchise fees	650,641	679,843	-	-	650,641	679,843
State shared revenues	4,217,410	4,046,767	-	-	4,217,410	4,046,767
Investment earnings (loss)	80,464	246,933	14,496	44,194	94,960	291,127
Other	77,829	116,615	-	4,696	77,829	121,311
<b>Total revenues</b>	<b>37,450,481</b>	<b>35,098,130</b>	<b>6,617,341</b>	<b>6,652,648</b>	<b>44,067,822</b>	<b>41,750,778</b>
<b>Expenses</b>						
General government	5,245,376	4,801,177	-	-	5,245,376	4,801,177
Public safety	16,825,225	16,524,153	-	-	16,825,225	16,524,153
Public works	7,992,965	7,757,848	-	-	7,992,965	7,757,848
Community and economic development	435,990	444,068	-	-	435,990	444,068
Culture and recreation	3,318,383	2,764,213	-	-	3,318,383	2,764,213
Interest on long-term debt	329,518	348,657	-	-	329,518	348,657
Water	-	-	2,944,094	2,738,331	2,944,094	2,738,331
Sewer	-	-	3,076,611	2,667,707	3,076,611	2,667,707
<b>Total expenses</b>	<b>34,147,457</b>	<b>32,640,116</b>	<b>6,020,705</b>	<b>5,406,038</b>	<b>40,168,162</b>	<b>38,046,154</b>
<b>Increase (decrease) in net position</b>	<b>3,303,024</b>	<b>2,458,014</b>	<b>596,636</b>	<b>1,246,610</b>	<b>3,899,660</b>	<b>3,704,624</b>
<b>Net position – beginning</b>	<b>94,873,402</b>	<b>92,415,388</b>	<b>23,014,865</b>	<b>21,768,255</b>	<b>117,888,267</b>	<b>114,183,643</b>
<b>Net position – ending</b>	<b>\$98,176,426</b>	<b>\$94,873,402</b>	<b>\$23,611,501</b>	<b>\$23,014,865</b>	<b>\$121,787,927</b>	<b>\$117,888,267</b>

**Governmental Activities** The preceding table shows that the governmental activities increased the City's net position by \$3,303,024 during this fiscal year. The increase is primarily the result of operating and capital grants and contributions for road and building improvement projects.

**Business-type Activities** Business-type activities increased the City's net position by \$596,636 during the year. This increase is primarily the result of charges exceeding operating expense during the year.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52,001,228, an increase of \$1,637,137 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$5,993,247, an increase of \$108,935. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance totaled \$4,933,788 or 18% of total general fund expenditures and transfers out.

The police and fire millage fund is used to account for the receipt of property taxes restricted for expenditure on police and fire protection. The fund balance at the end of the year amounted to \$11,061,695, an increase of \$1,168,781 from the previous year.

The major streets fund is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended. The fund balance at the end of the year amounted to \$6,316,280, an increase of \$335,960 from the previous year.

The property and building capital projects fund is used to account for funds saved for the construction or purchase of equipment and buildings, which reduces City borrowing related to these asset purchases. The fund balance at the end of the year amounted to \$7,863,205, an increase of \$443,995 from the previous year.

The general projects capital projects fund is used to account for resources restricted, committed or assigned for future building and expansion projects. The fund balance at the end of the year amounted to \$9,555,089, an increase of \$558,594 from the previous year.

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

Unrestricted net position of the water and sewer funds at the end of the year amounted to \$3,949,309 and \$7,695,910, respectively. The water fund had an increase in net position for the year of \$672,063 while the sewer fund had a decrease of \$75,427. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## Budgetary Highlights

- The City Commission, by resolution, amended the general fund budget once during the fiscal year ended June 30, 2018, which were related to year-end estimates prepared during the FY 2019 budget process.
- General Fund revenue budget to actual variances are due to several factors including higher than budgeted revenue sharing distributions, federal and state grant revenues that vary with related costs; fee revenue that increased with improved economic activity; and decreased investment income and collections of fines and forfeitures.
- General fund expenditure budget to actual variances are due to several factors including staffing vacancies, rehires, reassignments and other changes; employee benefits costs that varied from amounts budgeted; variations in contractual services and supplies needed; and changes in customer utilization of activities.

## Capital Asset and Debt Administration

**Capital assets** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$74,293,784 (net of accumulated depreciation). Of this amount, \$56,463,830 was for its governmental activities and \$17,829,954 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant additions consisted of various street projects. Additional information on the City's capital assets can be found in Note 5 to these financial statements.

**Long-term debt** At the end of the current fiscal year, the City had total long-term debt, including compensated absences outstanding of \$19,847,247. Of this amount, \$13,983,575 was for governmental activities while \$5,863,672 was for business-type activities. The City has a AA/Stable bond rating from Standard & Poor's (affirmed April 21, 2014). Additional information on the City's long-term debt can be found in Note 9 to these financial statements.

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

The following economic factors were considered in preparing the City's budget for the 2018-2019 fiscal year:

- Property values are expected to increase by approximately 3.8%, which will continue to be supplemented by state essential services assessment distributions related to personal property taxation reform;
- State shared revenue is expected to increase by approximately 2.5%, based on MI Department of Treasury estimates;
- Compensation and employee benefits for City employees are estimated and included in the FY 2019 budget assuming full staffing for the entire year, and using provisions in completed collective bargaining agreements or anticipated changes for the bargaining unit in negotiations during the budgeting process. All four of the City's collective bargaining agreements are settled for FY 2019. Defined benefit pension and other post-employment benefit (OPEB) costs are calculated based on annual actuarial valuations.
- Transfers from police & fire millage fund – All police and fire operating costs are recorded in the general fund, while revenues from the City's dedicated police and fire millage is recorded in a separate fund. The amount transferred is calculated based on the Police and Fire Department budgets reduced by a fixed general fund contribution. Funding for police and fire capital purchases is transferred directly from the police & fire millage fund to the police equipment and fire equipment funds. The dedicated police and fire property tax revenue to be collected in FY 2019, and accumulated past collections and investment income, is sufficient to cover Police and Fire Department budgets and capital funding transfers without general fund contributions in excess of the specified amounts.

## Requests for Information

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

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF KENTWOOD**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Brownfield Redevelopment Authority
<b>Assets</b>					
Cash and pooled investments	\$ 49,899,415	\$ 10,543,970	\$ 60,443,385	\$ 625,976	\$ 77,546
Receivables					
Accounts	1,161,774	1,573,575	2,735,349	-	-
Special assessments	2,672,649	-	2,672,649	-	-
Interest	113,139	-	113,139	-	-
Loans	196,329	-	196,329	87,389	-
Due from other governments	2,880,794	-	2,880,794	-	-
Inventory	8,528	-	8,528	-	-
Prepaid items	739,331	2,555	741,886	-	-
Pension asset	840,133	-	840,133	-	-
Other post-employment benefits (OPEB) asset	1,052,508	-	1,052,508	-	-
Capital assets					
Land and construction in progress	5,939,688	66,891	6,006,579	-	-
Depreciable capital assets, net	50,524,142	17,763,063	68,287,205	-	-
<b>Total assets</b>	<b>116,028,430</b>	<b>29,950,054</b>	<b>145,978,484</b>	<b>713,365</b>	<b>77,546</b>
<b>Deferred outflows of resources</b>					
Loss on advance bond refundings	80,283	-	80,283	-	-
OPEB related	743	-	743	-	-
Pension related	891,021	-	891,021	-	-
<b>Total deferred outflows of resources</b>	<b>972,047</b>	<b>-</b>	<b>972,047</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Accounts payable	2,028,489	474,881	2,503,370	-	31,299
Customer deposits	569,153	-	569,153	-	-
Due to other governments	215,131	-	215,131	-	-
Noncurrent liabilities					
Due within one year	1,000,000	650,000	1,650,000	-	-
Due in more than one year	12,983,575	5,213,672	18,197,247	-	-
<b>Total liabilities</b>	<b>16,796,348</b>	<b>6,338,553</b>	<b>23,134,901</b>	<b>-</b>	<b>31,299</b>
<b>Deferred inflows of resources</b>					
OPEB related	428,297	-	428,297	-	-
Pension related	1,599,406	-	1,599,406	-	-
<b>Total deferred inflows of resources</b>	<b>2,027,703</b>	<b>-</b>	<b>2,027,703</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	47,588,347	11,966,282	59,554,629	-	-
Restricted for					
Police and fire services	11,061,695	-	11,061,695	-	-
Drug law enforcement	311,600	-	311,600	-	-
Public works activities	12,598,285	-	12,598,285	-	-
Community development	2,255,104	-	2,255,104	-	-
Unrestricted	24,361,395	11,645,219	36,006,614	713,365	46,247
<b>Total net position</b>	<b>\$ 98,176,426</b>	<b>\$ 23,611,501</b>	<b>\$ 121,787,927</b>	<b>\$ 713,365</b>	<b>\$ 46,247</b>

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



**CITY OF KENTWOOD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 5,245,376	\$ 2,546,951	\$ 426,289	\$ -	\$ (2,272,136)
Public safety	16,825,225	1,442,113	699,911	-	(14,683,201)
Public works	7,992,965	24,488	5,848,742	1,163,473	(956,262)
Community and economic development	435,990	34,010	-	-	(401,980)
Culture and recreation	3,318,383	394,311	1,387,560	-	(1,536,512)
Interest on long-term debt	<u>329,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(329,518)</u>
Total governmental activities	<u>34,147,457</u>	<u>4,441,873</u>	<u>8,362,502</u>	<u>1,163,473</u>	<u>(20,179,609)</u>
Business-type activities					
Water	2,944,094	3,612,279	-	-	668,185
Sewer	<u>3,076,611</u>	<u>2,990,566</u>	<u>-</u>	<u>-</u>	<u>(86,045)</u>
Total business-type activities	<u>6,020,705</u>	<u>6,602,845</u>	<u>-</u>	<u>-</u>	<u>582,140</u>
Total primary government	<u>\$ 40,168,162</u>	<u>\$ 11,044,718</u>	<u>\$ 8,362,502</u>	<u>\$ 1,163,473</u>	<u>\$ (19,597,469)</u>
Component units					
Economic Development Corporation	\$ 15,477	\$ 4,000	\$ 2,375	\$ -	\$ (9,102)
Brownfield Redevelopment Authority	<u>61,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,458)</u>
Total component units	<u>\$ 76,935</u>	<u>\$ 4,000</u>	<u>\$ 2,375</u>	<u>\$ -</u>	<u>\$ (70,560)</u>

(continued)

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

**CITY OF KENTWOOD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Primary Government			Component Units	
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>	Economic Development <u>Corporation</u>	Brownfield Redevelopment <u>Authority</u>
<b>Changes in net position</b>					
<b>Net (expense) revenue</b>	<u>\$ (20,179,609)</u>	<u>\$ 582,140</u>	<u>\$ (19,597,469)</u>	<u>\$ (9,102)</u>	<u>\$ (61,458)</u>
General revenues					
Property taxes					
General operating	5,780,571	-	5,780,571	-	-
Police and fire	12,004,915	-	12,004,915	-	-
Other purposes	670,778	-	670,778	-	(16,252)
Franchise fees	650,641	-	650,641	-	-
State shared revenues	4,217,410	-	4,217,410	-	-
Interest	80,489	14,496	94,985	944	166
Gain on sale of capital assets	22,334	-	22,334	-	-
Other general revenues	<u>55,495</u>	<u>-</u>	<u>55,495</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>23,482,633</u>	<u>14,496</u>	<u>23,497,129</u>	<u>944</u>	<u>(16,086)</u>
Change in net position	3,303,024	596,636	3,899,660	(8,158)	(77,544)
<b>Net position, beginning of year</b>	<u>94,873,402</u>	<u>23,014,865</u>	<u>117,888,267</u>	<u>721,523</u>	<u>123,791</u>
<b>Net position, end of year</b>	<u>\$ 98,176,426</u>	<u>\$ 23,611,501</u>	<u>\$ 121,787,927</u>	<u>\$ 713,365</u>	<u>\$ 46,247</u>

(concluded)

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

**CITY OF KENTWOOD**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2018**

	<b>Special Revenue Funds</b>			<b>Capital Projects</b>		<b>Nonmajor</b>	
	<b>General</b>	<b>Police and</b>	<b>Major</b>	<b>Property</b>	<b>General</b>	<b>Governmental</b>	
	<b>Fund</b>	<b>Fire Millage</b>	<b>Streets</b>	<b>and Building</b>	<b>Projects</b>	<b>Funds</b>	<b>Total</b>
<b>Assets</b>							
Cash and pooled investments	\$ 5,032,512	\$ 11,034,504	\$ 6,051,334	\$ 7,911,533	\$ 8,565,852	\$ 11,118,364	\$ 49,714,099
Accounts receivable	831,283	110,447	14,432	-	-	23,394	979,556
Special assessments receivable	-	-	-	-	2,672,649	-	2,672,649
Interest receivable	-	-	-	-	113,139	-	113,139
Loans receivable	-	-	-	-	-	196,329	196,329
Due from other governments	895,118	-	633,584	-	1,152,487	199,605	2,880,794
Inventory	8,528	-	-	-	-	-	8,528
Prepaid items	739,331	-	-	-	-	-	739,331
<b>Total assets</b>	<b>\$ 7,506,772</b>	<b>\$ 11,144,951</b>	<b>\$ 6,699,350</b>	<b>\$ 7,911,533</b>	<b>\$ 12,504,127</b>	<b>\$ 11,537,692</b>	<b>\$ 57,304,425</b>
<b>Liabilities, deferred inflows and fund balance</b>							
Negative equity in cash and pooled investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,277	\$ 10,277
Accounts payable	479,541	-	244,344	48,328	606,635	181,071	1,559,919
Accrued liabilities	351,683	-	-	-	-	-	351,683
Customer deposits	430,427	-	138,726	-	-	-	569,153
Due to other governments	212,060	-	-	-	-	3,071	215,131
<b>Total liabilities</b>	<b>1,473,711</b>	<b>-</b>	<b>383,070</b>	<b>48,328</b>	<b>606,635</b>	<b>194,419</b>	<b>2,706,163</b>
<b>Deferred inflows</b>							
Unavailable revenues	39,814	83,256	-	-	2,342,403	131,561	2,597,034
<b>Fund balances</b>							
Nonspendable							
Long term receivable	-	-	-	-	443,385	69,568	512,953
Inventory	8,528	-	-	-	-	-	8,528
Prepaid items	739,331	-	-	-	-	-	739,331
Restricted							
Streets	-	-	6,316,280	-	-	3,129,957	9,446,237
Police and Fire	-	11,061,695	-	-	-	-	11,061,695
Drains	-	-	-	-	-	3,152,048	3,152,048
Community development	-	-	-	-	-	2,255,104	2,255,104
Drug law enforcement	311,600	-	-	-	-	-	311,600
Assigned							
Capital projects	-	-	-	7,863,205	9,111,704	2,605,035	19,579,944
Unassigned	4,933,788	-	-	-	-	-	4,933,788
<b>Total fund balances</b>	<b>5,993,247</b>	<b>11,061,695</b>	<b>6,316,280</b>	<b>7,863,205</b>	<b>9,555,089</b>	<b>11,211,712</b>	<b>52,001,228</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 7,506,772</b>	<b>\$ 11,144,951</b>	<b>\$ 6,699,350</b>	<b>\$ 7,911,533</b>	<b>\$ 12,504,127</b>	<b>\$ 11,537,692</b>	<b>\$ 57,304,425</b>

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

## CITY OF KENTWOOD

### RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2018

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<b>Fund balances - governmental funds</b>	<b>\$ 52,001,228</b>
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Amounts reported for *governmental activities* in the statement of net position are different because

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

Add - capital assets not being depreciated	5,939,688
Add - capital assets being depreciated, net	50,524,142

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Add - deferred inflows for special assessments receivable	2,342,403
Add - deferred inflows for delinquent personal property taxes receivable	127,870
Add - deferred inflows for housing rehabilitation loans receivable	126,761

An internal service fund is used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service fund	337,102
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Certain items are not due and payable/receivable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(8,940,000)
Deduct - unamortized premiums on bonds payable	(15,766)
Deduct - landfill clean-up and other costs	(3,437,079)
Deduct - compensated absences payable	(1,590,730)
Deduct - accrued interest on bonds payable	(76,178)
Add - net OPEB asset	1,052,508
Deduct - deferred inflows related to OPEB	(428,297)
Add - deferred outflows related to OPEB	743
Deduct - net pension liability	840,133
Deduct - deferred inflows related to pensions	(1,599,406)
Add - deferred outflows related to pensions	891,021
Add - deferred loss on bond refunding	80,283

<b>Net position of governmental activities</b>	<b><u>\$ 98,176,426</u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF KENTWOOD**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds			Capital Projects		Nonmajor	
	General Fund	Police and Fire Millage	Major Streets	Property and Building	General Projects	Governmental Funds	Total
<b>Revenues</b>							
Taxes	\$ 5,773,187	\$ 11,989,472	\$ -	\$ -	\$ -	\$ 670,143	\$ 18,432,802
Special assessments	-	-	-	-	430,927	51	430,978
Intergovernmental							
Federal	1,484,251	-	-	-	-	24,347	1,508,598
State	4,561,397	460,110	3,808,770	-	-	1,295,738	10,126,015
Local	-	-	138,215	-	-	-	138,215
Licenses and permits	2,151,109	-	-	-	-	-	2,151,109
Charges for services	1,629,392	-	-	7,842	-	610,199	2,247,433
Fines and forfeitures	1,320,291	-	-	-	-	-	1,320,291
Interest	9,427	21,646	8,803	9,119	180,062	25,201	254,258
Miscellaneous	212,626	-	12,727	-	-	26,448	251,801
<b>Total revenues</b>	<u>17,141,680</u>	<u>12,471,228</u>	<u>3,968,515</u>	<u>16,961</u>	<u>610,989</u>	<u>2,652,127</u>	<u>36,861,500</u>
<b>Expenditures</b>							
Current							
Judicial	1,829,086	-	-	-	-	-	1,829,086
General government	2,833,860	-	-	-	-	-	2,833,860
Public safety	15,970,287	20,000	-	-	-	53,460	16,043,747
Highway and streets	-	-	3,487,517	-	-	2,090,555	5,578,072
Public works	1,785,458	-	-	-	-	445,935	2,231,393
Community and economic development	435,990	-	-	-	-	6,749	442,739
Culture and recreation	2,761,413	-	-	-	-	157,574	2,918,987
Debt service							
Principal	-	-	-	-	-	950,000	950,000
Interest	-	-	-	-	-	323,916	323,916
Capital outlay	-	-	-	920,147	52,395	1,122,355	2,094,897
<b>Total expenditures</b>	<u>25,616,094</u>	<u>20,000</u>	<u>3,487,517</u>	<u>920,147</u>	<u>52,395</u>	<u>5,150,544</u>	<u>35,246,697</u>
Revenues over (under) expenditures	<u>(8,474,414)</u>	<u>12,451,228</u>	<u>480,998</u>	<u>(903,186)</u>	<u>558,594</u>	<u>(2,498,417)</u>	<u>1,614,803</u>
<b>Other financing sources (uses)</b>							
Transfers in	10,871,287	-	334,962	1,346,000	-	2,764,066	15,316,315
Transfers out	(2,287,938)	(11,282,447)	(480,000)	-	-	(1,265,930)	(15,316,315)
Proceeds from sale of capital assets	-	-	-	1,181	-	21,153	22,334
<b>Total other financing sources (uses)</b>	<u>8,583,349</u>	<u>(11,282,447)</u>	<u>(145,038)</u>	<u>1,347,181</u>	<u>-</u>	<u>1,519,289</u>	<u>22,334</u>
Net changes in fund balances	108,935	1,168,781	335,960	443,995	558,594	(979,128)	1,637,137
<b>Fund balances, beginning of year</b>	<u>5,884,312</u>	<u>9,892,914</u>	<u>5,980,320</u>	<u>7,419,210</u>	<u>8,996,495</u>	<u>12,190,840</u>	<u>50,364,091</u>
<b>Fund balances, end of year</b>	<u>\$ 5,993,247</u>	<u>\$ 11,061,695</u>	<u>\$ 6,316,280</u>	<u>\$ 7,863,205</u>	<u>\$ 9,555,089</u>	<u>\$ 11,211,712</u>	<u>\$ 52,001,228</u>

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

## 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, 2018

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Net changes in fund balances - total governmental funds	\$ 1,637,137
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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 are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	5,943,322
Deduct - depreciation expense	(4,358,100)

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

Deduct - special assessment receipts	(332,208)
Add - increase in personal property taxes receivable	23,462
Deduct - increase in deferred housing rehabilitation loans	(21,700)

Issuance of bonds or notes provides current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or note 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 debt	950,000
Add - amortization of premium on long-term debt	2,627
Deduct - amortization of deferred loss on bond refunding	(13,381)
Deduct - increase in landfill clean-up liability	(584,503)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - Increase in compensated absences	(93,026)
Add - Decrease in long-term claims payable	75,000
Add - increase in deferred outflows related to OPEB	569
Deduct - increase in deferred inflows related to OPEB	(57,416)
Add - increase in net OPEB asset	193,009
Deduct - decrease in deferred outflows related to pensions	(221,002)
Deduct - increase in deferred inflows related to pensions	(1,205,537)
Add - decrease in net pension liability	1,172,330
Add - decrease in accrued interest payable	5,152

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Add - increase in net position from the internal service funds	<u>187,289</u>
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Change in net position of governmental activities	<u>\$ 3,303,024</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF KENTWOOD**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
<b>Assets</b>				
Current assets				
Cash and pooled investments	\$ 3,167,774	\$ 7,376,196	\$ 10,543,970	\$ 195,593
Accounts receivable	985,464	588,111	1,573,575	182,218
Prepaid items	2,555	-	2,555	-
Total current assets	4,155,793	7,964,307	12,120,100	377,811
Noncurrent assets				
Capital assets not being depreciated	66,891	-	66,891	-
Capital assets being depreciated, net	13,565,119	4,197,944	17,763,063	-
Total noncurrent assets	13,632,010	4,197,944	17,829,954	-
<b>Total assets</b>	<b>17,787,803</b>	<b>12,162,251</b>	<b>29,950,054</b>	<b>377,811</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	206,484	268,397	474,881	40,709
Due within one year	420,400	229,600	650,000	-
Total current liabilities	626,884	497,997	1,124,881	40,709
Noncurrent liabilities				
Due in more than one year	4,981,202	232,470	5,213,672	-
<b>Total liabilities</b>	<b>5,608,086</b>	<b>730,467</b>	<b>6,338,553</b>	<b>40,709</b>
<b>Net Position</b>				
Net investment in capital assets	8,230,408	3,735,874	11,966,282	-
Unrestricted	3,949,309	7,695,910	11,645,219	337,102
<b>Total net position</b>	<b>\$ 12,179,717</b>	<b>\$ 11,431,784</b>	<b>\$ 23,611,501</b>	<b>\$ 337,102</b>

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

**CITY OF KENTWOOD**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
<b>Operating revenues</b>	\$ 3,612,279	\$ 2,990,566	\$ 6,602,845	\$ 439,779
<b>Operating expense</b>				
Administration	25,000	-	25,000	-
Contractual services	1,719,491	2,380,253	4,099,744	13,655
Depreciation	550,877	343,465	894,342	-
Claims	-	-	-	238,924
Supplies	221,361	50,154	271,515	-
Engineering	34,167	208,308	242,475	-
Rent	40,000	-	40,000	-
Utilities	107,065	5,866	112,931	-
Miscellaneous	137,870	80,664	218,534	-
<b>Total operating expense</b>	<u>2,835,831</u>	<u>3,068,710</u>	<u>5,904,541</u>	<u>252,579</u>
Operating income (loss)	<u>776,448</u>	<u>(78,144)</u>	<u>698,304</u>	<u>187,200</u>
<b>Non-operating revenue (expense)</b>				
Interest income	3,878	10,618	14,496	89
Interest expense	<u>(108,263)</u>	<u>(7,901)</u>	<u>(116,164)</u>	<u>-</u>
<b>Total non-operating revenue (expense)</b>	<u>(104,385)</u>	<u>2,717</u>	<u>(101,668)</u>	<u>89</u>
Changes in net position	672,063	(75,427)	596,636	187,289
<b>Net position, beginning of year</b>	<u>11,507,654</u>	<u>11,507,211</u>	<u>23,014,865</u>	<u>149,813</u>
<b>Net position, end of year</b>	<u>\$ 12,179,717</u>	<u>\$ 11,431,784</u>	<u>\$ 23,611,501</u>	<u>\$ 337,102</u>

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



**CITY OF KENTWOOD**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 3,404,102	\$ 2,991,441	\$ 6,395,543	\$ -
Receipts from interfund services	-	-	-	257,561
Payments to suppliers	(2,112,116)	(2,459,453)	(4,571,569)	(231,870)
<b>Net cash provided by (used in) operating activities</b>	<u>1,291,986</u>	<u>531,988</u>	<u>1,823,974</u>	<u>25,691</u>
<b>Cash flows from capital and related financing activities</b>				
Principal paid on bonds	(413,270)	(226,730)	(640,000)	-
Interest expense	(110,014)	(7,901)	(117,915)	-
Acquisitions of capital assets	(92,363)	-	(92,363)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(615,647)</u>	<u>(234,631)</u>	<u>(850,278)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest income (loss)	<u>3,878</u>	<u>10,618</u>	<u>14,496</u>	<u>89</u>
Net increase (decrease) in cash and pooled investments	680,217	307,975	988,192	25,780
<b>Cash and pooled investments, beginning of year</b>	<u>2,487,557</u>	<u>7,068,221</u>	<u>9,555,778</u>	<u>169,813</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 3,167,774</u>	<u>\$ 7,376,196</u>	<u>\$ 10,543,970</u>	<u>\$ 195,593</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ 776,448	\$ (78,144)	698,304	\$ 187,200
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	550,877	343,465	894,342	-
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	(208,177)	875	(207,302)	(182,218)
Prepaid assets and other items	2,555	-	2,555	-
Accounts payable	170,283	265,792	436,075	20,709
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,291,986</u>	<u>\$ 531,988</u>	<u>\$ 1,823,974</u>	<u>\$ 25,691</u>

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

**CITY OF KENTWOOD**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2018**

	<b>Pension and OPEB Trust Funds</b>	<b><u>Agency Fund</u> Tax Collection</b>
<b>Assets</b>		
Cash and pooled investments	\$ -	\$ 86,461
Taxes receivable	-	612,835
Contributions receivable	7,081	-
Interest receivable	109,623	-
Investments		
Money market funds	601,277	-
Domestic fixed income mutual funds	12,464,912	-
International fixed income mutual funds	211,487	-
Domestic equity mutual funds	25,032,620	-
International equity mutual funds	543,379	-
Real estate investment trust funds	3,577,311	-
<b>Total assets</b>	<u>42,547,690</u>	<u>\$ 699,296</u>
<b>Liabilities</b>		
Negative equity in cash and pooled investments	468,469	\$ -
Accounts payable	23,363	-
Due to other governments	-	699,296
<b>Total liabilities</b>	<u>491,832</u>	<u>\$ 699,296</u>
<b>Net Position</b>		
Restricted for pension and other post-employment benefits	<u>\$ 42,055,858</u>	

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

**CITY OF KENTWOOD**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Pension and OPEB <u>Trust Funds</u></b>
<b>Additions</b>	
Contributions:	
Employer	\$ 769,000
Plan participants	193,005
Total contributions	<u>962,005</u>
Investment income:	
Net appreciation in fair value of securities	3,511,508
Interest	293,172
Dividends	336,248
	<u>4,140,928</u>
Investment expense	<u>(52,340)</u>
Net investment income	<u>4,088,588</u>
<b>Total additions</b>	<u>5,050,593</u>
<b>Deductions</b>	
Health insurance premiums and pension benefits	1,524,504
Administrative expenses	36,688
	<u>1,561,192</u>
<b>Total deductions</b>	<u>1,561,192</u>
Changes in net position	3,489,401
<b>Net position, beginning of year</b>	<u>38,566,457</u>
<b>Net position, end of year</b>	<u>\$ 42,055,858</u>

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

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Kentwood, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

These financial statements present the City and its component units, entities for which the City 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 are reported in a separate column in the financial statements to emphasize they are legally separate from the City.

#### ***Blended Component Units***

**Building Authority** – The Building Authority is governed by a Board that is appointed by the Kentwood City Commission. Its sole purpose is to finance and construct the City's public buildings. The Building Authority had no activity during the year. A separate report is not prepared for the Building Authority.

#### ***Discretely Presented Component Units***

The component unit columns in the government-wide financial statements include the financial data of the Brownfield Redevelopment Authority and the Economic Development Corporation. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

**Brownfield Redevelopment Authority** – The Brownfield Redevelopment Authority is governed by a Board that is appointed by the Kentwood City Commission. Its purpose is to facilitate the implementation of brownfield plans relating to the designation and treatment of brownfield sites, and to promote the revitalization of environmentally distressed areas in the City. The Board Members are appointed by the City Commission, the City exercises control over the activity of the Brownfield Redevelopment Authority.

**Economic Development Corporation** - The Economic Development Corporation is governed by a board of up to 13 members appointed by the Kentwood City Commission. Its purpose is to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Board Members are appointed by the City Commission, the City exercises control over the activity of the Economic Development Corporation.

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

The financial statements of the defined benefit pension trust fund have been included in the financial statements using the fiscal year ended December 31, 2017.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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.

### ***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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for, property taxes which uses a 60 day collection period, special assessments which uses a one year collection period and reimbursement-based grants and interest which uses a 6 month collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service fund is charges to City departments for self-insurance services. Operating expenses for the enterprise fund includes depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal fund includes the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *general fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *police and fire millage fund* accounts for funds generated by property tax collections restricted for expenditure on police and fire protection.

The *major streets fund* is used to account for the construction and maintenance of streets. Financing is provided by the City's share of the State's fuel and weight taxes.

The *property and building capital projects fund* accounts for the accumulation and utilization of funds for the construction and purchase of facilities and equipment.

The *general projects capital projects fund* accounts for resources restricted, committed or assigned for future capital projects. Inflows primarily consist of private donations, special assessments, and interfund transfers.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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The *Debt Service Fund* is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term debt.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction and purchase of governmental fund capital assets.

The *Internal Service Fund* is used to account for insurance coverage provided to the City departments and funds on a cost reimbursement basis.

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

The *Other Post-employment Benefits (OPEB) Trust Fund* is used to account for the operations of the other post-employment benefits plan which provides post-employment benefits to the City's employees.

The *Agency Funds* are used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

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

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted at the department level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budgets of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Commission. Thus the legal level of budgetary control is at the department (activity) level. Supplemental appropriations were necessary during the year.

# **CITY OF KENTWOOD**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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### ***Cash and Pooled Investments***

For the purpose 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 any time, similar to a demand deposit account.

### ***Investments***

Investments are stated at fair value at the balance sheet date.

City investment policy allows for all investment authorized by State statutes. State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. 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.
- f. 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.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City's defined benefit pension and OPEB plans are also allowed to invest in corporate debt and equity securities.

### ***Receivables/Due from Other Governments***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

### ***Special Assessments Receivable***

Special assessments receivable consist of long-term receivables from customers and benefited parties for various infrastructure improvement projects. Special assessments in governmental funds are recorded as revenue when due, not when levied. Estimated annual installments not yet available (due in more than one year) are reflected as deferred inflow in governmental funds. Special assessments are billed annually. Special assessments are recorded when levied on the government-wide and proprietary fund financial statements

### ***Prepaid Items***

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.



# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### ***Inventory***

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Inventory represents parts, materials, and supplies utilized in the various City operations.

### ***Capital Assets***

Capital assets, which include land, construction in progress, buildings, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

The capitalization threshold ranges from \$5,000 - \$25,000. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

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

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u><b>Years</b></u>
Buildings and improvements	40-50
Water meters	20
Storage tank improvements	15
Transportation and other equipment	4-20
Public domain infrastructure	20-50

### ***Unearned Revenue***

Funds report unearned revenue in connection with resources that have been received, but not yet earned.

### ***Compensated Absences***

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as another financing use. Issuance costs are reported as expenditures.

### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualifies for reporting in this category. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. The City has items that qualify for reporting in this category related to the net pension liability which are discussed in Note 6. The City also has items that qualify for reporting in this category related to the net OPEB liability as discussed in Note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category. One which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments and delinquent property taxes which are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has items that qualify for reporting in this category related to the net pension liability which are discussed in Note 6. The City has items that qualify for reporting in this category related to the net OPEB liability as discussed in Note 7.

# **CITY OF KENTWOOD**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2018**

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#### ***Net Position/Fund Balance***

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by charter, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the entity's governing board.
4. Assigned - the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

The City Commission has delegated the responsibility for making fund balance assignments to the Committee of the Whole.

#### ***Net Position and Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### ***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1. Summer taxes are levied July 1 and are due without penalty on or before August 20. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the agency fund. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

#### ***Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### *Interfund Transactions*

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Changes between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

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

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the department (activity) level.

During the year ended June 30, 2018, the City did incur expenditures in budgetary funds which were in excess of the amounts appropriated as follow;

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
<b>General Fund</b>			
General government			
Administrative	\$ 121,000	\$ 164,116	\$ (43,116)
Transfers out	1,058,300	2,287,938	(1,229,638)

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### 3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$60,453,662	\$703,522	\$ 86,461	\$61,243,645
Investments	-	-	42,430,986	42,430,986
Negative equity in pooled cash	(10,277)	-	(468,469)	(478,746)
	<u>\$60,443,385</u>	<u>\$703,522</u>	<u>\$42,048,978</u>	<u>\$103,195,885</u>

The cash and pooled investments making up the above balances are as follows:

Deposits	\$ 9,760,806
Investments	93,431,329
Petty cash	<u>3,750</u>
Total	<u>\$103,195,885</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

The ratings and maturity for investments held at year-end are summarized as follows:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Money market accounts	N/A	\$3,181,088	AAAm	S&P
Negotiable CDs	2023-2028	477,183	Unrated	N/A
Government Securities:				
GNMA Pools	2023-2048	25,812,868	Unrated	N/A
Treasury Notes	2018-2024	16,598,250	N/A	N/A
Fixed income Securities:				
Franklin US Gov't Securities fund	6.73 years	5,532,231	AAA	S&P
Domestic Corporate Bonds	2018-2029	12,464,912	See	Below
International Corporate Bonds	2019-2025	211,487	See	Below
Equity Securities:				
Vantagepoint MP Aggressive Fund	N/A	1,853,622	N/A	N/A
Vantagepoint MP Moderate Fund	N/A	598,389	N/A	N/A
American Core Realty Fund	N/A	2,368,708	N/A	N/A
Blackrock Midcap Equity Index Fund	N/A	8,861,807	N/A	N/A
American Strategic Value Realty Fund	N/A	396,142	N/A	N/A
Large cap domestic equities	N/A	12,527,691	N/A	N/A
Small and mid-cap domestic equities	N/A	1,191,111	N/A	N/A
International equities	N/A	543,379	N/A	N/A
Real estate equities	N/A	812,461	N/A	N/A
		<u>\$93,431,329</u>		

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

The S&P rating break down of the domestic and international bonds are as follows:

<u>Rating</u>	<u>Amount</u>
A	\$ 238,625
A-	790,875
A+	338,728
AA	127,387
AA-	621,236
AA+	7,365,610
AAA	111,973
BBB	1,660,861
BBB-	386,884
BBB+	1,003,655
Unrated	30,565
Total	<u>\$12,676,399</u>

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end.

- The money market accounts, Franklin US Government Securities Fund, large cap domestic equities, small and mid-cap domestic equities, international equities, real estate equities, GNMA pools, and negotiable CDs are valued using quoted market prices (Level 1 inputs).
- The treasury notes, domestic corporate bonds, international corporate bonds, and BlackRock Midcap Equity Index Fund, is valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The American Core Realty Fund and American Strategic Value Realty Fund has investments that report fair value based on significant unobservable inputs (Level 3 inputs).

The aforementioned investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

#### ***Investment and deposit risk***

***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, brokers/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$9,544,001 of the City's bank balance of \$9,798,364 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**Interest Rate Risk.** State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. It is the City's policy to reduce interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

**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 specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk.

**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 \$93,431,329 of investments, the City has custodial credit risk of \$70,639,342 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investments, \$22,791,986 is invested in mutual funds for which 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, 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. The rating for each investment, where applicable, is identified above for investments held at year end.

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension trust mitigates foreign currency risk by requiring the portfolio to be broadly diversified by number of holdings, by geographic location and across industry sectors. Country exposures are monitored through a quarterly performance report. Of the above investments, \$754,866 is exposure to foreign currency risk.

### 4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2018 are as follows:

	Transfers out				
	General Fund	Police and Fire Millage	Major Streets	Nonmajor Governmental	Total
General fund	\$ -	\$10,632,447	\$ -	\$238,840	\$10,871,287
Major Streets fund	-	-	-	334,962	334,962
Property and Building fund	1,346,000	-	-	-	1,346,000
Nonmajor funds	941,938	650,000	480,000	692,128	2,764,066
<b>Total</b>	<b>\$2,287,938</b>	<b>\$11,282,447</b>	<b>\$480,000</b>	<b>\$1,265,930</b>	<b>\$15,316,315</b>

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

#### 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,729,454	\$ -	\$ -	\$ 2,729,454
Construction in progress	4,259,859	3,850,348	4,899,973	3,210,234
Total capital assets, not being depreciated	6,989,313	3,850,348	4,899,973	5,939,688
<b>Capital assets, being depreciated</b>				
Buildings	32,773,247	888,242	-	33,661,489
Land improvements	3,912,767	-	-	3,912,767
Equipment	6,532,008	196,740	-	6,728,748
Vehicles	7,844,430	1,020,259	225,329	8,639,360
Infrastructure	60,746,692	4,887,706	-	65,634,398
Total capital assets, being depreciated	111,809,144	6,992,947	225,329	118,576,762
Less accumulated depreciation for				
Buildings	16,193,105	1,261,250	-	17,454,355
Land improvements	1,910,895	170,509	-	2,081,404
Equipment	4,790,468	545,521	-	5,335,989
Vehicles	5,024,529	641,613	225,329	5,440,813
Infrastructure	36,000,852	1,739,207	-	37,740,059
Total accumulated depreciation	63,919,849	4,358,100	225,329	68,052,620
<b>Net capital assets, being depreciated</b>	47,889,295	2,634,847	-	50,524,142
<b>Governmental Activities capital assets, net</b>	<b>\$54,878,608</b>	<b>\$6,485,195</b>	<b>\$4,899,973</b>	<b>\$56,463,830</b>



# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Construction in progress	215,295	92,363	301,716	5,942
Total capital assets, not being depreciated	276,244	92,363	301,716	66,891
<b>Capital assets being depreciated</b>				
Building	260,229	-	-	260,229
Equipment	2,365,756	-	-	2,365,756
Meters	1,488,644	-	-	1,488,644
Water mains	16,634,975	301,716	-	16,936,691
Sewer mains	16,795,244	-	-	16,795,244
Storage	3,709,987	-	-	3,709,987
Total capital assets, being depreciated	41,254,835	301,716	-	41,556,551
Less accumulated depreciation for				
Building	197,939	4,116	-	202,055
Equipment	689,290	59,309	-	748,599
Meters	915,509	57,238	-	972,747
Water mains	6,239,433	324,336	-	6,563,769
Sewer mains	12,291,387	335,905	-	12,627,292
Storage	2,565,588	113,438	-	2,679,026
Total accumulated depreciation	22,899,146	894,342	-	23,793,488
<b>Net capital assets, being depreciated</b>	18,355,689	(592,626)	-	17,763,063
<b>Business-type Activities capital assets, net</b>	<b>\$18,631,933</b>	<b>\$(500,263)</b>	<b>\$301,716</b>	<b>\$17,829,954</b>

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

<b>Governmental Activities</b>	
General government	\$ 848,241
Public safety	780,032
Public works and streets	2,132,139
Culture and recreation	597,688
	<hr/>
<b>Total depreciation expense - governmental activities</b>	<b>\$4,358,100</b>
	<hr/>
<b>Business-type Activities</b>	
Water	\$550,877
Sewer	343,465
	<hr/>
<b>Total depreciation expense – business-type activities</b>	<b>\$894,342</b>
	<hr/>

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### 6. PENSION PLANS

#### Defined Benefit Plan

##### ***Plan Description***

The City of Kentwood Employee Pension Plan (the Plan) is a single employer defined benefit pension plan providing retirement and disability benefits to a portion of certain current and past City employees. The Plan is included as a pension trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

##### ***Benefits provided***

Benefits provided include plans with multipliers ranging from 2.6 to 2.7 of final average compensation. 50% vested after 5 years graded to 100% after 10 years. Normal retirement age is age 50 to 65 with early retirement at 45 to 50 with 10 years of service. Final average compensation is calculated based on the highest 5 of the last 10 years of service. The plan is closed to new participants.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2017):

Active plan members	42
Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled but not yet receiving benefits	<u>7</u>
Total	<u><u>88</u></u>

##### ***Contributions***

The City of Kentwood Employee Pension Plan was established and is being funded under the authority of the City Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is that employees will contribute a fixed portion of their pay at rates specified in the plan document, and the employer will contribute any remaining required amounts as determined by an annual actuarial valuation. Current rates of employee contributions are 6% of compensation for police-patrol participants, 6.5% of compensation for police-supervisory participants, 7% for firefighter participants, and 4% for KGEA and 62-B District Court participants. 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.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **Net Pension Liability**

The employer's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (2.74% 2016-2017)

Salary Increases: 2.5%

Investment rate of return: 6.5%, net of investment expense, including inflation

As set forth in IRS Regulations for 2017 (1.430(h)(3)) for Non-annuitants, separately for males and females as well as annuitants and non-annuitants. Based on RP-2014 Tables with Scale MP-2016.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study performed with the actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Equity	55%	7.5%
Fixed Income	35%	2.5%
Commercial Real Estate	10%	4.5%

The City, as plan sponsor and investment fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long term rate of return of 6.5%.

Discount rate. The discount rate used to measure the total pension liability is 6.5%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by projected assets (the "depletion date"), projected benefits were discounted to a discount rate reflecting a 20 years AA/Aa tax exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. A discount rate is used of determine the Total Pension Liability. June 30, 2018 is the fourth year of required compliance with GASB 67, since the discount rate stayed the same as the prior year rate, there is no change in the discount rate to disclose.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 12/31/16	\$ 36,925,657	\$ 36,593,460	\$ 332,197
Changes for the Year:			
Service cost	397,526	-	397,526
Interest	2,382,811	-	2,382,811
Change in benefits	-	-	-
Differences between expected and actual experience	242,663	-	242,663
Change in assumptions	635,996	-	635,996
Contributions : employer	-	769,000	(769,000)
Contributions: employee	-	193,005	(193,005)
Net investment income	-	3,994,375	(3,994,375)
Benefit payments, including refunds	(1,329,108)	(1,329,108)	-
Administrative expense	-	(6,740)	6,740
Other changes	-	(118,314)	118,314
Net changes	2,329,888	3,502,218	(1,172,330)
Balance at 12/31/17	\$ 39,255,545	\$ 40,095,678	\$ (840,133)

#### **Sensitivity of the Net Pension Liability to changes in the discount rate.**

The following presents the net pension liability of the employer, calculated using the discount rate of 6.5%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (5.5%) or 1% higher (7.5%) than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total pension liability	\$44,043,629	\$39,255,545	\$35,250,631
Fiduciary net position	(40,095,678)	(40,095,678)	(40,095,678)
Net pension liability (asset)	\$ 3,947,951	\$ (840,133)	\$(4,845,047)

#### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2018 the employer recognized pension expense of \$613,208. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$176,069	\$ 364,832
Change in assumptions	355,952	-
Excess(deficit) investment returns	-	1,234,574
Contributions subsequent to the Measurement date*	359,000	-
Total	\$891,021	\$1,599,406

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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\* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2019.

Amounts reported as deferred outflows and inflows of resources related to pensions (excluding subsequent contributions) will be recognized in pension expense as follows:

2019	\$ 197,270
2020	(275,834)
2021	(632,159)
2022	(356,662)
2023	-
Thereafter	-
	<hr/>
Total	<u><u>\$(1,067,385)</u></u>

#### Defined Contribution Plan

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

Employees are eligible to participate immediately upon employment. The City contributes 8 – 12% of each participant's compensation to the Plan. The City's contributions are partially vested after from two to four 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 contribution of \$1,070,079 was calculated using the employee compensation amount of \$11,473,543. City employees also made pre-tax mandatory contributions to the Plan totaling \$490,995, which was 0 – 8% of covered payroll.

#### 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

##### Defined Benefit Plan

###### **Plan Description**

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. The Plan is included as an other post-employment benefits trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

###### **Benefits provided**

In accordance with the collective bargaining agreements, retirees receive an employer-paid benefit toward health insurance premiums for the retiree and spouse. The retiree benefit amount is determined by multiplying \$13.50 by the employee's years of continuous active service. Upon the death of the employee or spouse, the employer's contribution will be reduced by 25%. The employer's contributions cease when the employee becomes eligible for Medicare benefits.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2018):

Retirees and beneficiaries receiving benefits	11
Active plan members	53
Total	64

#### **Contributions**

The Plan was established and is being funded under the authority of the City Commission and under agreements with unions representing various classes of employees. The Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation. There are no long term contracts for contributions to the Plan. The plan has no legally required reserves.

#### **Net OPEB Liability**

The employer's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual actuarial valuation as of that date.

The total OPEB liability in the June 30, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.00%

Salary Increases: 2.5%

Investment rate of return: 6.5%, net of investment expense, including inflation

Healthcare cost trend rates: Not applicable the benefit at retirement is fixed

As set forth in IRS Regulations for 2018 (1.430(h)(3)), separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables with Scale AA.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study performed with the actuarial valuation.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Equity	70%	7.82%
Fixed Income	30%	3.9%

The City, as plan sponsor and investment fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long-term rate of return of 6.5%.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

Concentrations. The Plan is invested 24% in VT II Model Portfolio Moderate and 76% in VT II Model Portfolio Aggressive.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 10.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan participants. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for the June 30, 2017 liability was 6.5% as well.

#### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at 6/30/17	\$1,121,607	\$1,981,106	\$(859,499)
Changes for the Year:			
Service cost	14,710	-	14,710
Interest	67,510	-	67,510
Change in benefits	-	-	-
Differences between expected and actual experience	(80,711)	-	(80,711)
Change in assumptions	700	-	700
Contributions : employer	-	-	-
Contributions: employee	-	-	-
Net investment income	-	200,918	(200,918)
Benefit payments, including refunds	(195,396)	(195,396)	-
Administrative expense	-	(5,700)	5,700
Other changes	-	-	-
Net changes	(193,187)	(178)	(193,009)
Balance at 6/30/18	\$928,420	\$1,980,928	\$(1,052,508)

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

#### Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 6.5%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (5.5%) or 1% higher (7.5%) than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	\$999,650	\$928,420	\$864,790
Fiduciary net position	1,980,928	1,980,928	1,980,928
Net OPEB liability (asset)	<u>\$ (981,278)</u>	<u>\$ (1,052,508)</u>	<u>\$(1,116,138)</u>
Plan fiduciary position as a percentage of the total OPEB liability	198.2%	213.4%	229.1%

#### Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The Net OPEB liability is not affected by changes in the healthcare cost trend rates because the benefit is a fixed amount.

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018 the employer recognized OPEB expense of \$(136,162). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$252,880
Change in assumptions	743	-
Excess(deficit) investment returns	<u>-</u>	<u>175,417</u>
Total	<u>\$743</u>	<u>\$428,297</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$(101,660)
2020	(101,660)
2021	(101,660)
2022	(64,121)
2023	(48,420)
Thereafter	<u>(10,033)</u>
Total	<u>\$(427,554)</u>



# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### Defined Contribution Plan

The City of Kentwood retiree health care plan (the Plan) provides post-retirement health care benefits to certain employees contributing to the plan based on employment agreements. The assets of the plan are held in trust for employees. The City does not contribute to the plan. The plan is administered by the ICMA Retirement Corporation.

### 8. CONDENSED FINANCIAL INFORMATION - PENSION AND OPEB PLANS

#### Statement of Net Position

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Total</b>
<b>Assets</b>			
Contributions receivable	\$ 7,081	\$ -	\$ 7,081
Interest receivable	109,623	-	109,623
Investments			
Money market funds	601,277	-	601,277
Domestic fixed income mutual funds	12,464,912	-	12,464,912
International fixed income mutual funds	211,487	-	211,487
Domestic equity mutual funds	22,580,608	2,452,012	25,032,620
International equity mutual funds	543,379	-	543,379
Real estate investment trust funds	3,577,311	-	3,577,311
<b>Total assets</b>	<b>40,095,678</b>	<b>2,452,012</b>	<b>42,547,690</b>
<b>Liabilities</b>			
Negative equity in cash and pooled investments	-	468,469	468,469
Accounts payable	20,749	2,614	23,363
<b>Total liabilities</b>	<b>20,749</b>	<b>471,083</b>	<b>491,832</b>
<b>Net position</b>			
Restricted for pension and other post-employment benefits	\$40,074,929	\$1,980,929	\$42,055,858

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### Statement of Changes in Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
<b>Additions</b>			
Contributions			
Employer	\$ 769,000	\$ -	\$ 769,000
Employee	193,005	-	193,005
Total Contributions	962,005	-	962,005
Investment income			
Change in investment fair value	3,310,590	200,918	3,511,508
Interest	293,172	-	293,172
Dividends	336,248	-	336,248
Total investment income	3,940,010	200,918	4,140,928
Investment expense	(52,340)	-	(52,340)
Net investment income	3,887,670	200,918	4,088,588
<b>Total Additions</b>	4,849,675	200,918	5,050,593
<b>Deductions</b>			
Benefits	1,329,108	195,396	1,524,504
Administrative expense	30,988	5,700	36,688
<b>Total deductions</b>	1,360,096	201,096	1,561,192
Change in net position	3,489,579	(178)	3,489,401
<b>Net position, beginning of year</b>	36,585,350	1,981,107	38,566,457
<b>Net position, end of year</b>	<u>\$40,074,929</u>	<u>\$1,980,929</u>	<u>\$42,055,858</u>

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

### 9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2018:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
2009 Capital Improvement Bonds, due in annual installments of \$265,000 to \$590,000 through 2029; interest payable semi-annually at 2.5 to 5.0%	\$ 5,550,000	\$ -	\$ 360,000	\$ 5,190,000	\$ 400,000
2013 General Obligation Refunding Bonds, due in annual installments of \$570,000 to \$660,000 through 2024; interest payable semi-annually at 0.6 to 2.05%	4,340,000	-	590,000	3,750,000	600,000
<b>Total bonds payable</b>	<b>9,890,000</b>	<b>-</b>	<b>950,000</b>	<b>8,940,000</b>	<b>1,000,000</b>
Unamortized premiums	18,393	-	2,627	15,766	-
Compensated absences	1,497,704	93,026	-	1,590,730	-
Claims payable	75,000	-	75,000	-	-
Landfill clean-up and other costs	2,852,576	584,503	-	3,437,079	-
<b>Total Governmental Activities</b>	<b>\$14,333,673</b>	<b>\$677,529</b>	<b>\$1,027,627</b>	<b>\$13,983,575</b>	<b>\$1,000,000</b>
<b>Business-type Activities</b>					
2013 Drinking Water Revolving Fund water main improvement bonds (general obligation), due in annual installments of \$255,000 to \$348,672 through 2035; interest payable semi-annually at 2.0%.	\$5,303,672	\$ -	\$245,000	\$5,058,672	\$250,000
2015 Refunding Bonds; due in annual installments of 390,000 to \$405,000 through 2020; interest payable semi-annually at 1.25%	1,200,000	-	395,000	805,000	400,000
<b>Total Business-type Activities</b>	<b>\$6,503,672</b>	<b>\$ -</b>	<b>\$640,000</b>	<b>\$5,863,672</b>	<b>\$650,000</b>

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2018 are as follows:

<b>Year Ended June 30</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 1,000,000	\$ 301,410	\$ 650,000	\$ 108,736
2020	1,000,000	275,867	660,000	98,687
2021	1,025,000	247,637	265,000	88,424
2022	1,055,000	220,354	270,000	83,074
2023	1,080,000	191,058	275,000	77,624
2024-2028	3,190,000	539,263	1,450,000	302,866
2029-2033	590,000	29,500	1,605,000	150,315
2034-2035	-	-	688,672	13,860
<b>Total</b>	<b>\$8,940,000</b>	<b>\$1,805,089</b>	<b>\$5,863,672</b>	<b>\$ 923,586</b>

The City is a party to certain agreements relating to the Economic Development Corporation bond issues. The agreements provide that the bonds are self-liquidating revenue bonds and no obligation to the City. The bonds are collateralized by the assets constructed with bond proceeds and are guaranteed by the recipient corporation. The amount of such bonds outstanding at year end was \$79,930,000

## 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance and participates in the Michigan Municipal Liability and Property Pool (the Pool). The City is covered for property and liability coverage through the pool. The City's contributions to the Pool are combined with other member contributions to provide members with coverage for property and liability claims. Funds not needed to pay claims or maintain reserves are either distributed to the members or credited toward future contributions. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant changes in insurance coverage from the prior year.

The City manages its workers compensation risk by participating in the Michigan Municipal League Workers' Compensation Fund (MMLWCF), a public entity risk pool providing workers compensation coverage to its participating members. The City pays an annual premium to MMLWCF for its workers compensation coverage. The MMLWCF is self-sustaining through member premiums and provides statutory workers compensation coverage to its member by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The City has transferred the risk of loss associated with employee health care by purchasing health insurance from commercial insurance carriers. On October 1, 2006, the City established a self-funded dental plan using a third party administrator for claims processing. On July 1, 2015, the City established a self-funded vision plan using a third party administrator for claims processing.

# CITY OF KENTWOOD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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The change in the claims liability for the year ended June 30, 2018 was as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2017	\$36,000	\$182,949	\$198,949	\$20,000
2018	20,000	233,654	233,654	20,000

#### 11. CONTINGENT LIABILITIES

##### Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

##### Litigation

In the normal course of its operations, the City has become a party in various legal actions, including property tax 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 not been included as a liability in the financial statements.

##### Landfill remediation

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

Kent County and the EPA have negotiated a settlement to clean up the landfill over a 30-year period. On August 6, 1991, the City Commission approved an arrangement with the County whereby the City would be responsible for 20% of the total clean-up costs as a result of its prior operation of the landfill. The current present value estimate of remaining clean-up costs is \$17,185,395 of which the City would be responsible for \$3,437,079. No expenditures were paid by the City for landfill clean-up during fiscal year 2017. Under the plan developed by the EPA, contaminated groundwater and leachate is being pumped out, treated and the soil-and-clay cap, which covers the dump, is being maintained. Fencing has also been installed around the site.

The City is to cover these costs using assets accumulated from a 15 year millage that was approved by voters in November 1994, which has since expired. More recently, Kent County has established funding for County and City costs based on fees charged through waste haulers. In spite of this, because the City is still party to the EPA agreement, as of June 30, 2018, the City has accounted for the \$3,437,079 liability in the government-wide financial statements.

# **CITY OF KENTWOOD**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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### **12. Tax Abatements**

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Abatement) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Abatement (IFT) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year the City abated property tax revenues of approximately \$310,000

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year the City abated property tax revenues of approximately \$10,000.

The City entered into a property tax abatement agreement with a local organization to provide housing for Low Income Persons and Families and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the State Housing Development Authority Act of 1966 (1966 PA 346, as amended, MCL 125.1401, et seq, MSA 116.11-4(1), et seq). Under the agreement the organization pays 12% of annual shelter rent in lieu of taxes or the ad valorem property taxes whichever is smaller. The agreement is approved for a term dependent on the status of outstanding loans, participation in Low income housing tax credits, and rehabilitation of the property.

For the year the City abated property tax revenues of approximately \$90,000.

The City entered into property tax abatements agreements with a local businesses under the New Personal Property Exemption Act, PA 328 of 1998, as amended, affords a 100% property tax exemption for specific businesses located within eligible distressed communities. The property must be located within an established Industrial Development District. Exemptions are approved for a term of 12 years as determined by the local unit of government and the taxable value is exempted for the duration of the certificate.

For the year the City abated property tax revenues of approximately \$210,000.

# **CITY OF KENTWOOD**

## ***NOTES TO THE FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2018***

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### **13. SUBSEQUENT EVENTS**

On July 18, 2018 the City transferred approximately \$735,000 for 53 participants from the City's defined benefit post-employment medical (OPEB) plan to the City's ICMA Retirement Health Savings (IRC HRA decanted contribution) Plan.

### **14. COMMITMENTS**

At year end the City has outstanding construction commitments of approximately \$2,000,000 related to street projects.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF KENTWOOD**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes	\$ 5,748,700	\$ 5,748,700	\$ 5,773,187	\$ 24,487
Intergovernmental				
Federal	1,326,200	1,486,200	1,484,251	(1,949)
State	4,318,600	4,318,600	4,561,397	242,797
Licenses and permits	1,880,500	1,880,500	2,151,109	270,609
Charges for services	1,599,900	1,599,900	1,629,392	29,492
Fines and forfeitures	1,432,200	1,432,200	1,320,291	(111,909)
Interest	100,000	100,000	9,427	(90,573)
Miscellaneous	207,100	207,100	212,626	5,526
<b>Total revenues</b>	<b>16,613,200</b>	<b>16,773,200</b>	<b>17,141,680</b>	<b>368,480</b>
<b>Expenditures</b>				
Current				
Judicial	1,884,900	1,884,900	1,829,086	55,814
General government	3,016,000	3,036,000	2,833,860	202,140
Public safety	17,518,200	17,518,200	15,970,287	1,547,913
Public works	2,209,800	2,209,800	1,785,458	424,342
Community and economic development	448,400	448,400	435,990	12,410
Culture and recreation	2,754,100	2,914,100	2,761,413	152,687
<b>Total expenditures</b>	<b>27,831,400</b>	<b>28,011,400</b>	<b>25,616,094</b>	<b>2,395,306</b>
Revenues over (under) expenditures	(11,218,200)	(11,238,200)	(8,474,414)	2,763,786
<b>Other financing source (uses)</b>				
Transfers in	12,280,500	12,300,500	10,871,287	(1,429,213)
Transfers out	(1,038,300)	(1,058,300)	(2,287,938)	(1,229,638)
<b>Total other financing sources (uses)</b>	<b>11,242,200</b>	<b>11,242,200</b>	<b>8,583,349</b>	<b>(2,658,851)</b>
Net changes in fund balance	24,000	4,000	108,935	104,935
<b>Fund balance, beginning of year</b>	<b>5,884,312</b>	<b>5,884,312</b>	<b>5,884,312</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 5,908,312</b>	<b>\$ 5,888,312</b>	<b>\$ 5,993,247</b>	<b>\$ 104,935</b>

# CITY OF KENTWOOD

## **POLICE AND FIRE MILLAGE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 12,023,300	\$ 12,023,300	\$ 11,989,472	\$ (33,828)
Intergovernmental				
State	480,000	480,000	460,110	(19,890)
Interest income	<u>225,000</u>	<u>225,000</u>	<u>21,646</u>	<u>(203,354)</u>
<b>Total revenues</b>	12,728,300	12,728,300	12,471,228	(257,072)
<b>Expenditures</b>				
Current				
Public safety	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	12,708,300	12,708,300	12,451,228	(257,072)
<b>Other financing source (uses)</b>				
Transfers out	<u>(12,995,600)</u>	<u>(12,995,600)</u>	<u>(11,282,447)</u>	<u>1,713,153</u>
Net changes in fund balance	(287,300)	(287,300)	1,168,781	1,456,081
<b>Fund balance, beginning of year</b>	<u>9,892,914</u>	<u>9,892,914</u>	<u>9,892,914</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 9,605,614</u>	<u>\$ 9,605,614</u>	<u>\$ 11,061,695</u>	<u>\$ 1,456,081</u>

# CITY OF KENTWOOD

## MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental				
State	\$ 3,368,500	\$ 3,368,500	\$ 3,808,770	\$ 440,270
Local	-	-	138,215	138,215
Interest	115,000	115,000	8,803	(106,197)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>12,727</u>	<u>6,727</u>
<b>Total revenues</b>	3,489,500	3,489,500	3,968,515	479,015
<b>Expenditures</b>				
Current				
Highways and streets	<u>4,085,300</u>	<u>4,085,300</u>	<u>3,487,517</u>	<u>597,783</u>
Revenues over (under) expenditures	<u>(595,800)</u>	<u>(595,800)</u>	<u>480,998</u>	<u>1,076,798</u>
<b>Other financing source (uses)</b>				
Transfers in	360,000	360,000	334,962	(25,038)
Transfers out	<u>(1,330,000)</u>	<u>(1,330,000)</u>	<u>(480,000)</u>	<u>850,000</u>
<b>Total other financing sources (uses)</b>	<u>(970,000)</u>	<u>(970,000)</u>	<u>(145,038)</u>	<u>824,962</u>
Net changes in fund balance	(1,565,800)	(1,565,800)	335,960	1,901,760
<b>Fund balance, beginning of year</b>	<u>5,980,320</u>	<u>5,980,320</u>	<u>5,980,320</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,414,520</u>	<u>\$ 4,414,520</u>	<u>\$ 6,316,280</u>	<u>\$ 1,901,760</u>

# CITY OF KENTWOOD

## **DEFINED BENEFIT PENSION PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION LIABILITY AND RELATED RATIOS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 397,526	\$ 465,982	\$ 493,973	\$ 531,938
Interest	2,382,811	2,281,778	2,220,086	2,191,420
Difference between expected and actual experience	242,663	110,834	(620,506)	(111,933)
Changes in assumptions	635,996	37,808	47,478	44,304
Benefit payments including employee refunds	(1,329,108)	(1,218,071)	(1,109,797)	(3,429,435)
<b>Net change in total pension liability</b>	<b>2,329,888</b>	<b>1,678,331</b>	<b>1,031,234</b>	<b>(773,706)</b>
<b>Total pension liability, beginning of year</b>	<b>36,925,657</b>	<b>35,247,326</b>	<b>34,216,092</b>	<b>34,989,798</b>
<b>Total pension liability, end of year</b>	<b>\$ 39,255,545</b>	<b>\$ 36,925,657</b>	<b>\$ 35,247,326</b>	<b>\$ 34,216,092</b>
<b>Plan Fiduciary Net Position</b>				
Contributions-employer	\$ 769,000	\$ 1,332,000	\$ 1,560,000	\$ 1,584,000
Contributions-employee	193,005	203,295	215,759	226,857
Net Investment income	3,994,375	3,338,577	317,455	1,700,506
Benefit payments including employee refunds	(1,329,108)	(1,218,071)	(1,109,797)	(3,429,435)
Administrative expense	(6,740)	(18,366)	(19,039)	(106,528)
Other	(118,314)	(16,648)	(160,465)	-
<b>Net change in plan fiduciary net position</b>	<b>3,502,218</b>	<b>3,620,787</b>	<b>803,913</b>	<b>(24,600)</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>36,593,460</b>	<b>32,972,673</b>	<b>32,168,760</b>	<b>32,193,360</b>
<b>Plan fiduciary net position, end of year</b>	<b>\$ 40,095,678</b>	<b>\$ 36,593,460</b>	<b>\$ 32,972,673</b>	<b>\$ 32,168,760</b>
<b>Employer net pension liability</b>	<b>\$ (840,133)</b>	<b>\$ 332,197</b>	<b>\$ 2,274,653</b>	<b>\$ 2,047,332</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>102%</b>	<b>99%</b>	<b>94%</b>	<b>94%</b>
<b>Covered employee payroll</b>	<b>\$ 3,158,622</b>	<b>\$ 3,219,099</b>	<b>\$ 3,454,626</b>	<b>\$ 3,765,640</b>
<b>Employer's net pension liability as a percentage of covered employee payroll</b>	<b>-27%</b>	<b>10%</b>	<b>66%</b>	<b>54%</b>

**Notes to schedule:**

Above data is based on a December 31 measurement date.

# CITY OF KENTWOOD

## **DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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Fiscal Year end	Actuarial determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
12/31/2014	\$ 1,584,000	\$ 1,584,000	\$ -	\$ 3,765,640	42%
12/31/2015	1,560,000	1,560,000	-	3,454,626	45%
12/31/2016	1,332,000	1,332,000	-	3,219,099	41%
12/31/2017	769,000	769,000	-	3,158,622	24%

**Notes to schedule**

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	2.5%
Investment rate of return	6.5%
Retirement age	Varies depending on plan adoption
Mortality	RP-2014 tables with Scale MP-2016

## **SCHEDULE OF INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2018**

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	Annual money-weighted rate of return net of investment expense
12/31/2014	5.4%
12/31/2015	1.0%
12/31/2016	9.5%
12/31/2017	10.1%

Above investment returns are based on a measurement date of December 31.

# CITY OF KENTWOOD

## **DEFINED BENEFIT OPEB PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>		
Service cost	\$ 14,710	\$ 45,288
Interest	67,510	117,298
Difference between expected and actual experience	(80,711)	(257,508)
Changes in assumptions	700	203
Benefit payments including employee refunds	(195,396)	(1,095,208)
Other	-	283
<b>Net change in total OPEB liability</b>	<u>(193,187)</u>	<u>(1,189,644)</u>
<b>Total OPEB liability, beginning of year</b>	<u>1,121,607</u>	<u>2,311,251</u>
<b>Total OPEB liability, end of year</b>	<u><u>\$ 928,420</u></u>	<u><u>\$ 1,121,607</u></u>
<b>Plan Fiduciary Net Position</b>		
Net investment income	\$ 200,918	\$ 330,921
Benefit payments including employee refunds	(195,396)	(1,095,208)
Administrative expense	<u>(5,700)</u>	<u>(5,600)</u>
<b>Net change in plan fiduciary net position</b>	<u>(178)</u>	<u>(769,887)</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>1,981,106</u>	<u>2,750,993</u>
<b>Plan fiduciary net position, end of year</b>	<u><u>\$ 1,980,928</u></u>	<u><u>\$ 1,981,106</u></u>
<b>Employer net OPEB liability (asset)</b>	<u><u>\$ (1,052,508)</u></u>	<u><u>\$ (859,499)</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	213%	177%
<b>Covered employee payroll</b>	\$ 3,535,978	\$ 4,171,386
<b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	-30%	-21%

**Notes to schedule:**

Above data is based on a June 30 measurement date.

# CITY OF KENTWOOD

## **DEFINED BENEFIT OPEB PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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Fiscal Year end	Actuarial determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2017	\$ -	\$ -	\$ -	\$ 4,171,386	0%
6/30/2018	-	-	-	3,535,978	0%

### Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	7 years
Asset valuation method	Market value
Inflation	2.00%
Salary increases	2.50%
Investment rate of return	6.50%
Retirement age	Varies depending on plan adoption
Mortality	RP-2000 tables with Scale AA

## **SCHEDULE OF INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2018**

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	Annual money-weighted rate of return net of investment expense
6/30/2017	19.7%
6/30/2018	10.9%

Above returns are based on a measurement date of June 30.

### Notes to Required Supplementary Information

#### Basis of Accounting

Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principals (GAAP).

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

# CITY OF KENTWOOD

## GENERAL FUND DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes	\$ 5,748,700	\$ 5,748,700	\$ 5,773,187	\$ 24,487
Intergovernmental				
Federal grants	1,326,200	1,486,200	1,484,251	(1,949)
Other state grants	320,000	320,000	298,263	(21,737)
Judge's salary subsidy	45,700	45,700	45,724	24
State shared revenue	3,952,900	3,952,900	4,217,410	264,510
Total intergovernmental	5,644,800	5,804,800	6,045,648	240,848
Licenses and permits				
Permits and inspection fees	897,000	897,000	1,204,415	307,415
Local licenses	275,500	275,500	270,651	(4,849)
Franchise fees	685,000	685,000	650,641	(34,359)
State liquor licenses	23,000	23,000	25,402	2,402
Total licenses and permits	1,880,500	1,880,500	2,151,109	270,609
Charges for services				
Tax collection fees	825,000	825,000	900,514	75,514
Recreation fees	287,400	287,400	204,058	(83,342)
Police, fire and library fees	247,000	247,000	236,853	(10,147)
Cemetery	50,000	50,000	54,525	4,525
Zoning fees	13,000	13,000	34,010	21,010
Passport fees	42,500	42,500	54,805	12,305
Rental income	135,000	135,000	144,627	9,627
Total charges for services	1,599,900	1,599,900	1,629,392	29,492
Fines and forfeitures				
Court fines	1,332,200	1,332,200	1,162,985	(169,215)
Delinquent tax interest/penalties	100,000	100,000	157,306	57,306
Total fines and forfeitures	1,432,200	1,432,200	1,320,291	(111,909)
Interest income	100,000	100,000	9,427	(90,573)
Miscellaneous				
Insurance premium refunds	32,000	32,000	27,659	(4,341)
Miscellaneous	175,100	175,100	184,967	9,867
Total miscellaneous	207,100	207,100	212,626	5,526
<b>Total revenues</b>	<b>16,613,200</b>	<b>16,773,200</b>	<b>17,141,680</b>	<b>368,480</b>

(continued)

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# CITY OF KENTWOOD

## GENERAL FUND DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Expenditures</b>				
Current				
Judicial - District Court	\$ 1,884,900	\$ 1,884,900	\$ 1,829,086	\$ 55,814
General government				
Administrative	121,000	121,000	164,116	(43,116)
Assessor	463,600	463,600	436,005	27,595
Treasurer	256,800	256,800	249,362	7,438
Information technology	565,700	585,700	518,467	67,233
City clerk	268,100	268,100	238,747	29,353
Human resources	221,300	221,300	216,537	4,763
Accounting	650,600	650,600	599,933	50,667
Executive	425,600	425,600	386,056	39,544
Elections	43,300	43,300	24,637	18,663
Total general government	3,016,000	3,036,000	2,833,860	202,140
Public safety				
Police	10,884,800	10,884,800	9,745,580	1,139,220
Fire	6,071,400	6,071,400	5,701,852	369,548
Inspections	562,000	562,000	522,855	39,145
Total public safety	17,518,200	17,518,200	15,970,287	1,547,913
Public works				
Department of public works	2,067,100	2,067,100	1,661,137	405,963
Engineering services	142,700	142,700	124,321	18,379
Total public works	2,209,800	2,209,800	1,785,458	424,342
Community and economic development				
Planning and zoning	448,400	448,400	435,990	12,410
Culture and recreation				
Recreation	2,444,000	2,604,000	2,499,626	104,374
Library	310,100	310,100	261,787	48,313
Total culture and recreation	2,754,100	2,914,100	2,761,413	152,687
<b>Total expenditures</b>	<b>27,831,400</b>	<b>28,011,400</b>	<b>25,616,094</b>	<b>2,395,306</b>
Revenues under expenditures	(11,218,200)	(11,238,200)	(8,474,414)	2,763,786
<b>Other financing sources (uses)</b>				
Transfers in	12,280,500	12,300,500	10,871,287	(1,429,213)
Transfers out	(1,038,300)	(1,058,300)	(2,287,938)	(1,229,638)
<b>Total other financing sources (uses)</b>	<b>11,242,200</b>	<b>11,242,200</b>	<b>8,583,349</b>	<b>(2,658,851)</b>
<b>Net change in fund balance</b>	<b>24,000</b>	<b>4,000</b>	<b>108,935</b>	<b>104,935</b>
Fund balance, beginning of year	5,884,312	5,884,312	5,884,312	-
<b>Fund balance, end of year</b>	<b>\$ 5,908,312</b>	<b>\$ 5,888,312</b>	<b>\$ 5,993,247</b>	<b>\$ 104,935</b>

(concluded)

**CITY OF KENTWOOD**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2018**

	<b>Special Revenue</b>					
	<b>Housing Commission</b>	<b>Parks</b>	<b>Street Lighting</b>	<b>Landfill Remediation</b>	<b>Drain</b>	<b>Local Streets</b>
<b>Assets</b>						
Cash and pooled investments	\$ 85,557	\$ 1,427,425	\$ 109,221	\$ 1,427,105	\$ 1,748,539	\$ 369,517
Receivables						
Accounts	2,424	234	-	5,925	8,638	-
Loans	196,329	-	-	-	-	-
Due from other governments	-	-	-	-	-	189,328
<b>Total assets</b>	<b>284,310</b>	<b>1,427,659</b>	<b>109,221</b>	<b>1,433,030</b>	<b>1,757,177</b>	<b>558,845</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Negative equity in cash and pooled investments	-	-	-	-	-	-
Accounts payable	-	9,395	33,525	1,966	33,122	60,786
Due to other governments	-	-	-	-	3,071	-
<b>Total liabilities</b>	<b>-</b>	<b>9,395</b>	<b>33,525</b>	<b>1,966</b>	<b>36,193</b>	<b>60,786</b>
<b>Deferred inflows</b>						
Unavailable revenues	126,761	147	-	-	-	-
<b>Fund balances</b>						
NonSpendable						
Long-term receivable	69,568	-	-	-	-	-
Restricted						
Streets	-	-	75,696	-	-	498,059
Solid waste/drains	-	-	-	1,431,064	1,720,984	-
Community development	87,981	1,418,117	-	-	-	-
Assigned						
Capital projects	-	-	-	-	-	-
<b>Total fund balances</b>	<b>157,549</b>	<b>1,418,117</b>	<b>75,696</b>	<b>1,431,064</b>	<b>1,720,984</b>	<b>498,059</b>
<b>Total liabilities and fund balances</b>	<b>\$ 284,310</b>	<b>\$ 1,427,659</b>	<b>\$ 109,221</b>	<b>\$ 1,433,030</b>	<b>\$ 1,757,177</b>	<b>\$ 558,845</b>

Special Revenue			Debt Service	Capital Projects			Total
Municipal Streets	Library	Federal Grant		DPW Equipment	Fire Equipment	Police Equipment	
\$ 2,556,202	\$ 747,486	\$ -	\$ -	\$ 1,629,355	\$ 507,553	\$ 510,404	\$ 11,118,364
-	6,173	-	-	-	-	-	23,394
-	-	-	-	-	-	-	196,329
-	-	10,277	-	-	-	-	199,605
<u>2,556,202</u>	<u>753,659</u>	<u>10,277</u>	<u>-</u>	<u>1,629,355</u>	<u>507,553</u>	<u>510,404</u>	<u>11,537,692</u>
-	-	10,277	-	-	-	-	10,277
-	-	-	-	10,103	13,071	19,103	181,071
-	-	-	-	-	-	-	3,071
-	-	10,277	-	10,103	13,071	19,103	194,419
-	4,653	-	-	-	-	-	131,561
-	-	-	-	-	-	-	69,568
2,556,202	-	-	-	-	-	-	3,129,957
-	-	-	-	-	-	-	3,152,048
-	749,006	-	-	-	-	-	2,255,104
-	-	-	-	1,619,252	494,482	491,301	2,605,035
<u>2,556,202</u>	<u>749,006</u>	<u>-</u>	<u>-</u>	<u>1,619,252</u>	<u>494,482</u>	<u>491,301</u>	<u>11,211,712</u>
<u>\$ 2,556,202</u>	<u>\$ 753,659</u>	<u>\$ 10,277</u>	<u>\$ -</u>	<u>\$ 1,629,355</u>	<u>\$ 507,553</u>	<u>\$ 510,404</u>	<u>\$ 11,537,692</u>

**CITY OF KENTWOOD**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue					
	<u>Housing</u>		<u>Street</u>	<u>Landfill</u>		<u>Local</u>
	<u>Commission</u>	<u>Parks</u>	<u>Lighting</u>	<u>Remediation</u>	<u>Drain</u>	<u>Streets</u>
<b>Revenues</b>						
Taxes	\$ -	\$ 87	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Intergovernmental revenues						
Federal	-	-	-	-	-	-
State	-	-	163,019	-	-	1,107,002
Charges for services	-	-	-	-	-	-
Interest income	6,230	2,378	166	2,162	3,402	502
Miscellaneous	14,687	-	-	-	-	11,761
<b>Total revenues</b>	<u>20,917</u>	<u>2,465</u>	<u>163,185</u>	<u>2,162</u>	<u>3,402</u>	<u>1,119,265</u>
<b>Expenditures</b>						
Current						
Public safety	-	-	-	-	-	-
Streets	-	-	414,201	-	-	1,656,354
Public works	-	-	-	10,000	420,935	-
Community and economic development	6,749	-	-	-	-	-
Culture and recreation	-	137,574	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
<b>Total expenditures</b>	<u>6,749</u>	<u>137,574</u>	<u>414,201</u>	<u>10,000</u>	<u>420,935</u>	<u>1,656,354</u>
Revenues over (under) expenditures	<u>14,168</u>	<u>(135,109)</u>	<u>(251,016)</u>	<u>(7,838)</u>	<u>(417,533)</u>	<u>(537,089)</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	290,000	-	-	550,150
Transfers out	-	-	(38,500)	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>251,500</u>	<u>-</u>	<u>-</u>	<u>550,150</u>
Net changes in fund balances	14,168	(135,109)	484	(7,838)	(417,533)	13,061
<b>Fund balances, beginning of year</b>	<u>143,381</u>	<u>1,553,226</u>	<u>75,212</u>	<u>1,438,902</u>	<u>2,138,517</u>	<u>484,998</u>
<b>Fund balances, end of year</b>	<u>\$ 157,549</u>	<u>\$ 1,418,117</u>	<u>\$ 75,696</u>	<u>\$ 1,431,064</u>	<u>\$ 1,720,984</u>	<u>\$ 498,059</u>

Special Revenue			Debt Service	Capital Projects			Total
Municipal Streets	Library	Federal Grant		DPW Equipment	Fire Equipment	Police Equipment	
\$ -	\$ 670,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670,143
51	-	-	-	-	-	-	51
-	-	23,460	-	-	887	-	24,347
-	25,717	-	-	-	-	-	1,295,738
-	-	-	-	610,199	-	-	610,199
4,845	1,953	-	-	2,499	503	561	25,201
-	-	-	-	-	-	-	26,448
4,896	697,726	23,460	-	612,698	1,390	561	2,652,127
-	-	23,460	-	-	15,000	15,000	53,460
20,000	-	-	-	-	-	-	2,090,555
-	-	-	-	15,000	-	-	445,935
-	-	-	-	-	-	-	6,749
-	20,000	-	-	-	-	-	157,574
-	-	-	950,000	-	-	-	950,000
-	-	-	323,916	-	-	-	323,916
-	-	-	-	488,045	311,477	322,833	1,122,355
20,000	20,000	23,460	1,273,916	503,045	326,477	337,833	5,150,544
(15,104)	677,726	-	(1,273,916)	109,653	(325,087)	(337,272)	(2,498,417)
-	-	-	1,273,916	-	325,000	325,000	2,764,066
(405,112)	(822,318)	-	-	-	-	-	(1,265,930)
-	-	-	-	7,905	1,346	11,902	21,153
(405,112)	(822,318)	-	1,273,916	7,905	326,346	336,902	1,519,289
(420,216)	(144,592)	-	-	117,558	1,259	(370)	(979,128)
2,976,418	893,598	-	-	1,501,694	493,223	491,671	12,190,840
\$ 2,556,202	\$ 749,006	\$ -	\$ -	\$ 1,619,252	\$ 494,482	\$ 491,301	\$ 11,211,712



# CITY OF KENTWOOD

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Interest income	\$ 2,700	\$ 2,700	\$ 6,230	\$ 3,530
Miscellaneous	-	-	14,687	14,687
<b>Total revenues</b>	<u>2,700</u>	<u>2,700</u>	<u>20,917</u>	<u>18,217</u>
<b>Expenditures</b>				
Current				
Community and economic development				
Administration	1,000	1,000	1,000	-
Grant expenses	5,000	5,000	-	5,000
Supplies	<u>500</u>	<u>6,200</u>	<u>5,749</u>	<u>451</u>
<b>Total expenditures</b>	<u>6,500</u>	<u>12,200</u>	<u>6,749</u>	<u>5,451</u>
Net changes in fund balance	(3,800)	(9,500)	14,168	23,668
<b>Fund balance, beginning of year</b>	<u>143,381</u>	<u>143,381</u>	<u>143,381</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 139,581</u>	<u>\$ 133,881</u>	<u>\$ 157,549</u>	<u>\$ 23,668</u>

# CITY OF KENTWOOD

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes	\$ (2,000)	\$ (2,000)	\$ 87	\$ 2,087
Intergovernmental				
State	142,500	142,500	-	(142,500)
Interest income	<u>30,000</u>	<u>30,000</u>	<u>2,378</u>	<u>(27,622)</u>
<b>Total revenues</b>	<u>170,500</u>	<u>170,500</u>	<u>2,465</u>	<u>(168,035)</u>
<b>Expenditures</b>				
Current				
Culture and recreation				
Administration	20,000	20,000	20,000	-
Capital outlay	<u>680,000</u>	<u>680,000</u>	<u>117,574</u>	<u>562,426</u>
<b>Total expenditures</b>	<u>700,000</u>	<u>700,000</u>	<u>137,574</u>	<u>562,426</u>
Net changes in fund balance	(529,500)	(529,500)	(135,109)	394,391
<b>Fund balance, beginning of year</b>	<u>1,553,226</u>	<u>1,553,226</u>	<u>1,553,226</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,023,726</u>	<u>\$ 1,023,726</u>	<u>\$ 1,418,117</u>	<u>\$ 394,391</u>

# CITY OF KENTWOOD

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental				
State	\$ 165,000	\$ 165,000	\$ 163,019	\$ (1,981)
Interest income	5,000	5,000	166	(4,834)
<b>Total revenues</b>	<u>170,000</u>	<u>170,000</u>	<u>163,185</u>	<u>(6,815)</u>
<b>Expenditures</b>				
Current				
Streets				
Administration	20,000	20,000	20,000	-
Utilities	420,000	420,000	392,288	27,712
Miscellaneous	-	-	1,913	(1,913)
<b>Total expenditures</b>	<u>440,000</u>	<u>440,000</u>	<u>414,201</u>	<u>25,799</u>
Revenues over (under) expenditures	<u>(270,000)</u>	<u>(270,000)</u>	<u>(251,016)</u>	<u>18,984</u>
<b>Other financing source (uses)</b>				
Transfers in	290,000	310,000	290,000	(20,000)
Transfers out	(20,000)	(40,000)	(38,500)	1,500
<b>Total other financing sources (uses)</b>	<u>270,000</u>	<u>270,000</u>	<u>251,500</u>	<u>(18,500)</u>
Net changes in fund balance	-	-	484	484
<b>Fund balance, beginning of year</b>	<u>75,212</u>	<u>75,212</u>	<u>75,212</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 75,212</u>	<u>\$ 75,212</u>	<u>\$ 75,696</u>	<u>\$ 484</u>

# CITY OF KENTWOOD

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

FOR THE YEAR ENDED JUNE 30, 2018

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	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Interest income	\$ 30,000	\$ 30,000	\$ 2,162	\$ (27,838)
<b>Expenditures</b>				
Current				
Public works				
Administration	10,000	10,000	10,000	-
Net changes in fund balance	20,000	20,000	(7,838)	(27,838)
<b>Fund balance, beginning of year</b>	<u>1,438,902</u>	<u>1,438,902</u>	<u>1,438,902</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,458,902</u>	<u>\$ 1,458,902</u>	<u>\$ 1,431,064</u>	<u>\$ (27,838)</u>

# CITY OF KENTWOOD

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

***FOR THE YEAR ENDED JUNE 30, 2018***

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	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Interest income	\$ 50,000	\$ 50,000	\$ 3,402	\$ (46,598)
<b>Expenditures</b>				
Current				
Public works				
Engineering	142,000	142,000	170,359	(28,359)
Administration	20,000	20,000	20,000	-
Maintenance	268,000	268,000	226,077	41,923
Miscellaneous	12,000	12,000	4,499	7,501
Capital outlay	<u>280,000</u>	<u>280,000</u>	<u>-</u>	<u>280,000</u>
<b>Total expenditures</b>	<u>722,000</u>	<u>722,000</u>	<u>420,935</u>	<u>301,065</u>
Net changes in fund balance	(672,000)	(672,000)	(417,533)	254,467
<b>Fund balance, beginning of year</b>	<u>2,138,517</u>	<u>2,138,517</u>	<u>2,138,517</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,466,517</u>	<u>\$ 1,466,517</u>	<u>\$ 1,720,984</u>	<u>\$ 254,467</u>

# CITY OF KENTWOOD

## LOCAL STREETS SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental				
State	\$ 1,072,500	\$ 1,072,500	\$ 1,107,002	\$ 34,502
Interest income	5,000	5,000	502	(4,498)
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>11,761</u>	<u>(239)</u>
<b>Total revenues</b>	<u>1,089,500</u>	<u>1,089,500</u>	<u>1,119,265</u>	<u>29,765</u>
<b>Expenditures</b>				
Current				
Streets				
Engineering	227,100	227,100	188,433	38,667
Administration	88,500	88,500	88,500	-
Maintenance	820,000	820,000	448,796	371,204
Snow and ice removal	208,000	208,000	175,272	32,728
Traffic control	10,000	10,000	-	10,000
Miscellaneous	33,300	33,300	34,636	(1,336)
Capital outlay	<u>1,171,600</u>	<u>1,171,600</u>	<u>720,717</u>	<u>450,883</u>
<b>Total expenditures</b>	<u>2,558,500</u>	<u>2,558,500</u>	<u>1,656,354</u>	<u>902,146</u>
Revenues over (under) expenditures	(1,469,000)	(1,469,000)	(537,089)	931,911
<b>Other financing source (uses)</b>				
Transfers in	<u>1,470,000</u>	<u>1,470,000</u>	<u>550,150</u>	<u>(919,850)</u>
Net changes in fund balance	1,000	1,000	13,061	12,061
<b>Fund balance, beginning of year</b>	<u>484,998</u>	<u>484,998</u>	<u>484,998</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 485,998</u>	<u>\$ 485,998</u>	<u>\$ 498,059</u>	<u>\$ 12,061</u>

# CITY OF KENTWOOD

## MUNICIPAL STREETS SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 51	\$ 51
Interest income	<u>50,000</u>	<u>50,000</u>	<u>4,845</u>	<u>(45,155)</u>
<b>Total revenues</b>	50,000	50,000	4,896	(45,104)
<b>Expenditures</b>				
Current				
Streets				
Administration	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	30,000	30,000	(15,104)	(45,104)
<b>Other financing source (uses)</b>				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(405,112)</u>	<u>94,888</u>
Net changes in fund balance	(470,000)	(470,000)	(420,216)	49,784
<b>Fund balance, beginning of year</b>	<u>2,976,418</u>	<u>2,976,418</u>	<u>2,976,418</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,506,418</u>	<u>\$ 2,506,418</u>	<u>\$ 2,556,202</u>	<u>\$ 49,784</u>

# CITY OF KENTWOOD

## **LIBRARY SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes	\$ 669,600	\$ 669,600	\$ 670,056	\$ 456
Intergovernmental				
State	30,000	30,000	25,717	(4,283)
Interest income	<u>25,000</u>	<u>25,000</u>	<u>1,953</u>	<u>(23,047)</u>
<b>Total revenues</b>	724,600	724,600	697,726	(26,874)
<b>Expenditures</b>				
Current				
Culture and recreation				
Administration	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	704,600	704,600	677,726	(26,874)
<b>Other financing source (uses)</b>				
Transfers out	<u>(870,700)</u>	<u>(870,700)</u>	<u>(822,318)</u>	<u>48,382</u>
Net changes in fund balance	(166,100)	(166,100)	(144,592)	21,508
<b>Fund balance, beginning of year</b>	<u>893,598</u>	<u>893,598</u>	<u>893,598</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 727,498</u>	<u>\$ 727,498</u>	<u>\$ 749,006</u>	<u>\$ 21,508</u>



# CITY OF KENTWOOD

## **FEDERAL GRANT SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

---

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Intergovernmental revenues				
Federal	\$ 50,000	\$ 50,000	\$ 23,460	\$ (26,540)
<b>Expenditures</b>				
Current				
Public safety	<u>50,000</u>	<u>50,000</u>	<u>23,460</u>	<u>26,540</u>
Net changes in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# CITY OF KENTWOOD

## ECONOMIC DEVELOPMENT CORPORATION BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2018

---

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
<b>Assets</b>			
Cash and pooled investments	\$ 625,976	\$ -	\$ 625,976
Loans receivable	<u>87,389</u>	<u>-</u>	<u>87,389</u>
<b>Total assets</b>	<u>713,365</u>	<u>-</u>	<u>713,365</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>			
Unassigned	<u>713,365</u>		
<b>Total fund balance</b>	<u>713,365</u>		
<b>Total liabilities and fund balance</b>	<u>\$ 713,365</u>		
<b>Net position</b>			
Unrestricted			<u>713,365</u>
<b>Total net position</b>			<u>\$ 713,365</u>

# CITY OF KENTWOOD

## ***ECONOMIC DEVELOPMENT CORPORATION STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES***

***FOR THE YEAR ENDED JUNE 30, 2018***

---

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
<b>Revenues</b>			
Charges	\$ 4,000	\$ -	\$ 4,000
Operating grants	2,375	-	2,375
Interest income	<u>944</u>	<u>-</u>	<u>944</u>
<b>Total revenues</b>	7,319	-	7,319
<b>Expenditures</b>			
Current			
Community and economic development	<u>15,477</u>	<u>-</u>	<u>15,477</u>
Net changes in fund balances	(8,158)	8,158	-
Change in net position		(8,158)	(8,158)
<b>Fund balances/net position, beginning of year</b>	<u>721,523</u>	<u>-</u>	<u>721,523</u>
<b>Fund balances/net position, end of year</b>	<u>\$ 713,365</u>	<u>\$ -</u>	<u>\$ 713,365</u>

# CITY OF KENTWOOD

## **BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION**

**JUNE 30, 2018**

---

	Brownfield Redevelopment Authority <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
<b>Assets</b>			
Cash and pooled investments	\$ 77,546	\$ -	\$ 77,546
<b>Total assets</b>	<u>77,546</u>	<u>-</u>	<u>77,546</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	<u>31,299</u>	<u>-</u>	<u>31,299</u>
<b>Total liabilities</b>	<u>31,299</u>	<u>-</u>	<u>31,299</u>
<b>Fund balance</b>			
Unassigned	<u>46,247</u>		
<b>Total fund balance</b>	<u>46,247</u>		
<b>Total liabilities and fund balance</b>	<u>\$ 77,546</u>		
<b>Net position</b>			
Unrestricted			<u>46,247</u>
<b>Total net position</b>			<u>\$ 46,247</u>

# CITY OF KENTWOOD

## **BROWNFIELD REDEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

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	Brownfield Redevelopment Authority <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
<b>Revenues</b>			
Taxes	\$ (16,252)	\$ -	\$ (16,252)
Interest income	<u>166</u>	<u>-</u>	<u>166</u>
<b>Total revenues</b>	(16,086)	-	(16,086)
<b>Expenditures</b>			
Current			
Brownfield redevelopment	<u>61,458</u>	<u>-</u>	<u>61,458</u>
Net changes in fund balances	(77,544)	77,544	
Change in net position		(77,544)	(77,544)
<b>Fund balances/net position, beginning of year</b>	<u>123,791</u>	<u>-</u>	<u>123,791</u>
<b>Fund balances/net position, end of year</b>	<u>\$ 46,247</u>	<u>\$ -</u>	<u>\$ 46,247</u>

## **INTERNAL CONTROL AND COMPLIANCE**



## Vredeveld Haefner LLC

CPAs and Consultants  
10302 20<sup>th</sup> Avenue  
Grand Rapids, MI 49534  
Fax (616) 828-0307

Douglas J. Vredeveld, CPA  
(616) 446-7474  
Peter S. Haefner, CPA  
(616) 460-9388

### **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 16, 2018

Honorable Mayor and Members of the City Commission  
City of Kentwood, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan, (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vredendael Haefner LLC*



# Continuing Disclosure Filing

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



*Fiscal Year Ended  
June 30, 2018*

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

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

**The EMMA website is [www.emma.msrb.org](http://www.emma.msrb.org)**

STATE INFORMATION DEPOSITORY (SID)

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

## MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

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

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

**CUSIP Numbers** (attach additional sheet if necessary):

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

\* \* \*

Number of pages of attached information:

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

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-Payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security
7. ☐ Modifications to rights of securities holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities
11. ☐ Rating changes
12. ☐ Failure to provide annual financial information as required
13. ☐ Other material event notice (specify) New Bond Issue
14. ☒ 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, 2018

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

\* \* \*

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

Signature: Thomas H. Chase

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

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

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

Voice Telephone Number: (616) 698-9610

**City of Kentwood**  
**Taxable Value**  
**Fiscal Years Ended or Ending June 30, 2015 Through 2019**

Assessed Value as of <u>December 31</u>	Year of State Equalization And Tax Levy	City's Fiscal Years Ended or Ending <u>June 30</u>	Ad Valorem Taxable Value (1)	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (2)	Total Taxable Value	Percent Increase (Decrease) From Prior Year
2013	2014	2015	\$1,846,355,216	\$ 55,379,665	\$1,901,714,881	1.94%
2014	2015	2016	1,908,775,584	55,780,324	1,964,555,908	3.30
2015	2016	2017	1,842,024,946	37,637,345	1,879,662,291	(4.32)
2016	2017	2018	1,894,714,015	32,445,732	1,927,159,747	2.53
2017	2018	2019	1,969,364,642	27,727,194	1,997,091,836	3.63

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2019 (3)..... \$41,002

(1) Includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2019, the Taxable Value of property qualified for the benefits of the Zones program totaled \$0. Excludes the value of qualified property under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended, "New Personal Property Exemption" available to eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan. The 100% property tax exemption continues for new acquisitions until the expiration date set by the local governmental unit. For the fiscal year ending June 30, 2019, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$21,442,600. Also included are Brownfield parcels with a base taxable value totaling \$5,649,453, current value of \$5,782,053 and "captured" Taxable Value of \$132,600. Also included are County Land Bank Sold properties with a base taxable value totaling \$77,900, current value of \$113,828 and "captured" Taxable Value of \$35,928. Effective December 31, 2015, pursuant to the provisions of Act 92, Public Acts of Michigan, 2014, "Eligible Manufacturing Personal Property" commenced a six-year phase-in period to exempt it from taxation. A portion of the resulting reduction in property tax revenue may be replaced from State collections of Essential Services Assessments.

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

(3) Based on the City's 2010 Census of 48,707.

Source: City of Kentwood

**City of Kentwood**  
**Total Taxable Value by Use and Class**  
**Fiscal Years Ended or Ending June 30, 2015 Through 2019**

	Fiscal Years Ended or Ending June 30				
Use	2015	2016	2017	2018	2019
Commercial.....	\$ 710,953,585	\$ 730,378,942	\$ 726,100,857	\$ 753,634,582	\$ 777,101,207
Industrial .....	386,689,140	405,737,489	307,359,068	302,646,904	309,759,405
Residential.....	769,780,556	792,343,477	810,483,066	835,755,961	874,314,624
Utility .....	<u>34,291,600</u>	<u>36,096,000</u>	<u>35,719,300</u>	<u>35,122,300</u>	<u>35,916,600</u>
	<u>\$ 1,901,714,881</u>	<u>\$ 1,964,555,908</u>	<u>\$ 1,879,662,291</u>	<u>\$ 1,927,159,747</u>	<u>\$ 1,997,091,836</u>
Class	2015	2016	2017	2018	2019
Real Property .....	\$ 1,550,447,831	\$ 1,591,107,408	\$ 1,620,239,591	\$ 1,669,856,247	\$ 1,732,117,336
Personal Property .....	<u>351,267,050</u>	<u>373,448,500</u>	<u>259,422,700</u>	<u>257,303,500</u>	<u>264,974,500</u>
	<u>\$ 1,901,714,881</u>	<u>\$ 1,964,555,908</u>	<u>\$ 1,879,662,291</u>	<u>\$ 1,927,159,747</u>	<u>\$ 1,997,091,836</u>

Source: City of Kentwood

**City of Kentwood**  
**State Equalized Valuation**  
**Fiscal Years Ended or Ending June 30, 2015 Through 2019**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending <u>June 30</u>	Ad Valorem SEV (1)	SEV of Property Granted Tax Abatement Under Act 198 (2)	Total SEV	Percent Increase (Decrease) From <u>Prior Year</u>
2013	2014	2015	\$1,910,006,200	\$ 111,789,900	\$2,021,796,100	3.24%
2014	2015	2016	2,034,798,800	113,135,600	2,147,934,400	6.24
2015	2016	2017	2,024,804,000	76,564,900	2,101,368,900	(2.17)
2016	2017	2018	2,177,360,300	67,569,300	2,244,929,600	6.83
2017	2018	2019	2,266,967,000	59,191,100	2,326,158,100	3.62

Per Capita Total SEV for the Fiscal Year Ending June 30, 2019 (3)..... \$47,758

- (1) Includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2019, the SEV of the property qualified for the benefits of the Zones program totaled \$0. Excludes the value of qualified property under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended, "New Personal Property Exemption" available to eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan. The 100% property tax exemption continues for new acquisitions until the expiration date set by the local governmental unit. For the fiscal year ending June 30, 2019, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$21,442,600. Also included are Brownfield parcels with a current SEV of \$5,782,053. Also included are County Land Bank Sold properties with a base taxable value totaling \$77,900, current value of \$124,800 and "captured" Taxable Value of \$46,900. Effective December 31, 2015, pursuant to the provisions of Act 92, Public Acts of Michigan, 2014, "Eligible Manufacturing Personal Property" commenced a six-year phase-in period to exempt it from taxation. A portion of the resulting reduction in property tax revenue may be replaced from State collections of Essential Services Assessments.

(2) See "Tax Abatement" herein.

(3) Based on the City's 2010 Census of 48,707.

Source: City of Kentwood

**City of Kentwood**  
**Total SEV by Use and Class**  
**Fiscal Years Ended or Ending June 30, 2015 Through 2019**

	Fiscal Years Ended or Ending June 30				
<u>Use</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Commercial.....	\$ 735,262,100	\$ 779,996,300	\$ 786,875,200	\$ 851,113,200	\$ 887,602,600
Industrial .....	453,259,600	476,116,900	355,176,000	354,155,500	363,043,300
Residential .....	798,982,800	855,755,200	923,598,400	1,004,538,600	1,039,595,600
Utility .....	<u>34,291,600</u>	<u>36,096,000</u>	<u>35,719,300</u>	<u>35,122,300</u>	<u>35,916,600</u>
	<u>\$2,021,796,100</u>	<u>\$2,147,934,400</u>	<u>\$2,101,368,900</u>	<u>\$2,244,929,600</u>	<u>\$2,326,158,100</u>
<u>Class</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Real Property .....	\$1,626,486,900	\$1,729,914,700	\$1,816,790,700	\$1,972,116,000	\$2,052,898,300
Personal Property ....	<u>395,309,200</u>	<u>418,019,700</u>	<u>284,578,200</u>	<u>272,813,600</u>	<u>273,259,800</u>
	<u>\$2,021,796,100</u>	<u>\$2,147,934,400</u>	<u>\$2,101,368,900</u>	<u>\$2,244,929,600</u>	<u>\$2,326,158,100</u>

Source: City of Kentwood

## Tax Abatement

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

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

The City has established goals, objectives and procedures to provide the opportunity for industrial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. Most abatements have been for new industrial facilities. The SEV of properties which have been granted tax abatement under the Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$55,494,388 for the fiscal year ending June 30, 2019. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$27,727,194 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. Personal property components of IFT certificates will not expire until the equipment is exempt as "eligible manufacturing personal property" (if applicable).

The City's SEV and Taxable Value includes the value of qualified property located within the City's Tool & Die and Renewable Energy Renaissance Zones (the "Zones") which were created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zones through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2019, the SEV and equivalent Taxable Value of property qualified for the benefits of the Zones program totaled \$0 and \$0, respectively.

The City's Brownfield Redevelopment Authority was established and incorporated by resolution, pursuant to the provisions of Act 381, Public Acts of Michigan, 1996 ("Act 381"), as amended, adopted by the City Commission on December 6, 2005. Act 381 authorizes the Authority to undertake a broad range of improvement activities intended to promote the revitalization of environmentally distressed areas. These activities include, but are not necessarily limited to, baseline environmental assessments, due care activities, additional response activities, infrastructure improvements, demolition, lead or asbestos abatement and site preparation. The Authority Board is comprised of the board of directors of the Economic Development Corporation of the City of Kentwood appointed by the City Commission. The Authority Board prepared the original Brownfield Plan adopted by the City Commission on September 2, 2008 (the "Brownfield Plan"). The Authority has the responsibility for carrying out and overseeing the Brownfield Plan. Tax increment financing permits the Authority to capture tax revenues attributable to increase in value of real and personal property on the Eligible Property. The initial taxable value of the Eligible Property was \$5,649,453 (the "Initial Taxable Value"). The current taxable value of the Eligible Property has increased to \$5,782,053. The amount by which the current taxable value exceeds the Initial Taxable Value in any one year is captured taxable value (the "Captured Taxable Value"). The 2018 Captured Taxable Value is \$132,600.

Starting with the 2010 City assessment roll is a "New Personal Property Exemption" under Act 328, Public Acts of Michigan, 1998 ("Act 328"), as amended. Eligible businesses engaged in manufacturing, mining, research and development, wholesale trade, or office operations bringing either new or additional business to the State of Michigan may be eligible for this exemption on personal property brought into Michigan after the date of approval for exemption. The exemption continues for new acquisitions until the expiration date set by the local governmental unit. This is a 100% property tax exemption. One exemption has been granted, exempting \$21,442,600 in SEV and TV from the rolls. These amounts are not included

in the ad valorem totals for the fiscal year ending June 30, 2019. This exemption will continue past the December 2015 expiration date indefinitely until all equipment is exempted as “eligible manufacturing personal property”.

**City of Kentwood  
Maximum Operating Tax Rates  
Fiscal Year Ending June 30, 2019**

<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) .....	6.2620	1.0000	6.2620
Library Purposes (3) .....	0.3500	1.0000	0.3500

**City of Kentwood  
Property Tax Rates  
Fiscal Years Ended or Ending June 30, 2015 Through 2019**

<u>Levy July 1</u>	<u>Fiscal Years Ended or Ending June 30</u>	<u>General Operating (1)</u>	<u>Police and Fire (1)</u>	<u>Library (2)</u>	<u>Total</u>
2014	2015	\$2.9946	\$6.2620	\$0.3500	\$9.6066
2015	2016	2.9946	6.2620	0.3500	9.6066
2016	2017	2.9946	6.2620	0.3500	9.6066
2017	2018	2.9946	6.2620	0.3500	9.6066
2018	2019	2.9946	6.2620	0.3500	9.6066

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

(1) Authorized by the City Charter. On August 8, 2006, the City’s electorate approved a 0.4688 mill increase to the Police and Fire Millage effective July 1, 2007. On May 4, 2010, the City’s electorate approved a 2.0000 mill increase to the Police and Fire Millage effective July 1, 2010.

(2) On August 5, 2008, the City’s electorate approved 0.3500 mills for Library Purposes effective July 1, 2009.

Source: City of Kentwood

**City of Kentwood**  
**Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2014 Through 2018**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Kentwood.....	\$9.7064	\$9.6066	\$9.6066	\$9.6066	\$9.6066
County of Kent.....	5.3940	5.6196	5.6196	6.0596	6.0518
State of Michigan .....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	6.5000	6.2000	5.1000	5.8500	5.8500
Kent Intermediate School District.....	4.6903	4.6903	4.7903	4.7903	5.6694
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7788
Interurban Transit Authority .....	1.4700	1.4700	1.4700	1.4688	1.4632
Kent District Library Authority...	<u>0.8800</u>	<u>1.2800</u>	<u>1.2800</u>	<u>1.2800</u>	<u>1.2774</u>
Total .....	<u>\$36.4272</u>	<u>\$36.6530</u>	<u>\$35.6530</u>	<u>\$36.8418</u>	<u>\$37.6972</u>

**City of Kentwood**  
**Non-Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2014 Through 2018**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Kentwood.....	\$9.7064	\$9.6066	\$9.6066	\$9.6066	\$9.6066
County of Kent.....	5.3940	5.6196	5.6196	6.0596	6.0518
State of Michigan .....	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	24.5000	24.2000	23.1000	23.8500	23.8500
Kent Intermediate School District.....	4.6903	4.6903	4.7903	4.7903	5.6694
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7788
Interurban Transit Authority .....	1.4700	1.4700	1.4700	1.4688	1.4632
Kent District Library Authority...	<u>0.8800</u>	<u>1.2800</u>	<u>1.2800</u>	<u>1.2800</u>	<u>1.2774</u>
Total .....	<u>\$54.4272</u>	<u>\$54.6530</u>	<u>\$53.6530</u>	<u>\$54.8418</u>	<u>\$55.6972</u>

- (1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal residence includes all unoccupied property classified as agricultural or residential adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Principal residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-principal residence* is property not included in the above definition.
- (2) The Kentwood Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. The lowest and highest non-principal residence millage rates for the other overlapping school districts for the fiscal year ending June 30, 2018 ranged from \$24.9588 to \$26.6000 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, 2015 Through 2019**

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>
2014	2015	\$ 18,165,622	\$ 17,930,808	98.7%
2015	2016	18,704,247	18,502,650	98.9
2016	2017	17,950,915	17,754,359	98.9
2017	2018	18,698,800	18,512,338	99.0
2018	2019	19,135,707	(In collection process)	

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

**City of Kentwood**  
**Ten Largest Taxpayers**  
**Fiscal Year Ending June 30, 2019**

<u>Taxpayers</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	<u>Total Taxable Value</u>	Percent of <u>Total (2)</u>
PR Woodland LTD Partner....	Shopping Center .....	\$ 68,872,846	\$ 0	\$ 68,872,846	3.45%
Hearthside Food Solutions....	Food .....	40,302,988	4,239,174	44,542,162	2.23
Holland Home.....	Senior Housing .....	36,019,589	0	36,019,589	1.80
Lacks Industries, Inc.....	Automotive Supplier.	26,206,218	4,120,560	30,326,778	1.52
TEG Woodland Creek LLC...	Multi-family Housing	30,085,791	0	30,085,791	1.51
Consumers Energy.....	Utility .....	23,354,378	0	23,354,378	1.17
Roskam Baking Co. ....	Food .....	21,762,283	96,288	21,858,571	1.09
Old Farm Shores LLC .....	Multi-family Housing	18,589,759	0	18,589,759	0.93
Steelcase Corporation .....	Office Furniture .....	17,003,477	0	17,003,477	0.85
Green Castle Properties LLC	Automotive Dealer....	16,380,836	0	16,380,836	0.82
		<u>\$298,578,165</u>	<u>\$ 8,456,021</u>	<u>\$307,034,186</u>	<u>15.37%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$1,997,091,836 which is the City's Total Taxable Value for the fiscal year ended June 30, 2019. 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, 2015 Through 2019**

	Fiscal Years Ended or Ending June 30				
	2015	2016	2017	2018	2018 (2)
State Sales Tax.....	\$ 3,834,061	\$ 3,815,770	\$ 4,046,767	\$ 4,217,410	\$ 4,242,900
Liquor License Fees.....	<u>22,963</u>	<u>23,540</u>	<u>26,711</u>	<u>25,402</u>	<u>24,000</u>
Total Revenues From the State of Michigan .....	<u>\$ 3,857,024</u>	<u>\$ 3,839,310</u>	<u>\$ 4,073,478</u>	<u>\$ 4,242,812</u>	<u>\$ 4,266,900</u>
Percent of General Fund Revenue.....	12.71%	12.70%	13.43%	13.66%	12.89%

(1) As estimated

(2) As budgeted.

Source: City of Kentwood

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of October 2, 2018.

Debt Limit (1) .....	\$ 232,615,810
Debt Outstanding.....	\$13,953,672
Less: Exempt Debt.....	<u>5,613,672</u>
Legal Debt Margin.....	<u>\$ 224,275,810</u>

(1) 10% of \$2,326,158,100 which is the City's Total SEV for the fiscal year ending June 30, 2019. 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 October 2, 2018 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 June 18, 2013 .....	\$ 3,150,000	\$ 0	\$ 3,150,000
Dated May 5, 2015 (4).....	805,000	805,000	0
Dated March 19, 2009 .....	5,190,000	0	5,190,000
Dated September 17, 2013 .....	<u>4,808,672</u>	<u>4,808,672</u>	<u>0</u>
Total .....	<u>\$ 13,953,672</u>	<u>\$ 5,613,672</u>	<u>\$ 8,340,000</u>
Per Capita Net City Direct Debt (1) .....			\$171.23
Percent of Net Direct Debt to Total SEV (2).....			0.36%
<u>Overlapping Debt (3)</u>	<u>Gross</u>	Percent of <u>Gross</u>	<u>City Share</u>
Kentwood School District .....	\$ 60,165,000	69.51%	\$ 41,820,692
Caledonia School District.....	114,372,736	10.13	11,585,958
Forest Hills School District .....	119,270,000	6.22	7,418,594
Kelloggsville School District .....	30,405,000	36.64	11,140,392
Kent County .....	130,875,000	8.71	11,399,213
Grand Rapids Community College .....	<u>40,145,000</u>	8.43	<u>3,384,224</u>
Total Overlapping Debt .....	<u>\$ 495,232,736</u>		<u>\$ 86,749,073</u>
Total Direct & Overlapping Debt.....	<u>\$ 509,186,408</u>		<u>\$ 95,089,073</u>
Per Capita Net Overlapping Debt (1) .....			\$1,781.04
Percent of Net Overlapping Debt to Total SEV (2).....			3.73%
Per Capita Net Direct and Overlapping Debt (1).....			\$1,952.27
Percent of Net Direct and Overlapping Debt to Total SEV (2) .....			4.09%

(1) Based on the City's 2010 Census of 48,707.

(2) Based on \$2,326,158,100 which is the City's Total SEV for the fiscal year ending June 30, 2019. Includes the SEV of property granted tax abatement under Act 198.

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

(4) The City issued general obligation limited tax bonds that were insured by Ambac. The rating of Ambac and the issues insured by Ambac have been lowered or removed by one or all of the nationally recognized statistical rating organizations.

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