



CITY OF KENTWOOD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF KENTWOOD

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INDEPENDENT AUDITORS' REPORT

December 18, 2020

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, 2020, 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, 2020, 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 49 through 55 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 December 18, 2020 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 the effectiveness of the City's 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.

Uredexold 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, 2020.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2020 fiscal year as follows:

In fiscal year 2020, the City's 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, which increased approximately 14% from the previous fiscal year. State shared revenue, the City's second largest revenue source, decreased approximately 1% from the previous fiscal year related to flat state sales tax collections and the elimination of supplemental revenue sharing distributions.

Fiscal year 2020 was a year of continued capital investment for the City. Projects included:

- Road rehabilitation projects, including completion of two street reconstruction/rehabilitation projects and one sidewalk construction project; commencement and continuation of seven street replacement and rehabilitation projects, with a total investment of approximately \$4.6 million from City funds and grant sources;
- Receipt of 100+ acres of donated property for a new City park;
- Completion of Activities Center and two park improvements projects using Community Development Block Grant (CDBG) and City funds;
- Technology purchases; police, fire, inspections and public works vehicle and equipment purchases, including a truck-mounted sewer cleaner and two plow/dump trucks.

City of Kentwood Net Position

Governmental activities. Governmental activities increased the City's net position by \$5,974,313. Key elements of this increase are as follows:

- Infrastructure improvements partially funded by and federal grants;
- Collections of special assessments and related interest;
- Accumulation of unexpended resources in the police and fire millage, library, and major street special revenue funds, and the property and building capital projects fund for future operating and capital purchases needs;
- Spending of resources previously accumulated in the municipal street, parks, and drain special revenue funds, and the DPW equipment capital projects fund.

Business-type activities. Business-type activities increased the City's net position by \$672,953. Key elements of this increase are as follows:

- Operating revenue, grant 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 \$131,992,584 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>	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 57,418,316	\$ 54,717,496	\$13,504,807	\$13,151,514	\$ 70,923,123	\$ 67,869,010
Capital assets	63,114,922	58,441,252	16,823,771	17,004,800	79,938,693	75,446,052
Total assets	120,533,238	113,158,748	30,328,578	30,156,314	150,861,816	143,315,062
Deferred outflows of resources	455,189	2,553,062	-	-	455,189	2,553,062
Liabilities						
Current liabilities	3,974,951	2,750,588	1,093,983	669,672	5,068,934	3,420,260
Long-term liabilities	7,193,342	11,337,766	4,288,672	5,213,672	11,482,014	16,551,438
Total liabilities	11,168,293	14,088,354	5,382,655	5,883,344	16,550,948	19,971,698
Deferred inflows of resources	2,773,473	551,108	-	-	2,773,473	551,108
Net position						
Net investment in capital assets	55,360,101	55,358,154	12,270,099	11,791,128	67,630,200	67,149,282
Restricted	27,808,348	27,744,964	-	-	27,808,348	27,744,964
Unrestricted (deficit)	23,878,212	17,969,230	12,675,824	12,481,842	36,554,036	30,451,072
Total net position	\$107,046,661	\$101,072,348	\$24,945,923	\$24,272,970	\$131,992,584	\$125,345,318

By far the largest portion of the City's net position in the amount of 51% 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 21% 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 \$36,554,036 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, 2020, was \$51,453,677 while total cost of all programs and services was \$44,806,411. This results in an increase in net position of

\$6,647,266. 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>	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 4,099,808	\$ 4,639,308	\$ 6,582,938	\$ 6,435,615	\$ 10,682,746	\$ 11,074,923
Operating grants and contributions	8,151,999	9,741,536	231,053	305,359	8,383,052	10,046,895
Capital grants and contributions	5,315,068	173,949	-	-	5,315,068	173,949
General revenues						
Property taxes	19,512,309	19,124,359	-	-	19,512,309	19,124,359
Franchise fees	591,805	626,710	-	-	591,805	626,710
State shared revenues	4,378,144	4,373,343	-	-	4,378,144	4,373,343
Investment earnings (loss)	1,935,055	1,906,884	434,161	396,310	2,369,216	2,303,194
Other	215,941	110,150	5,396	-	221,337	110,150
Total revenues	44,200,129	40,696,239	7,253,548	7,137,284	51,453,677	47,833,523
Expenses						
Judicial	1,907,120	1,794,131	-	-	1,907,120	1,794,131
General government	4,538,297	4,242,146	-	-	4,538,297	4,242,146
Public safety	18,251,989	18,723,061	-	-	18,251,989	18,723,061
Public works	10,486,557	9,004,264	-	-	10,486,557	9,004,264
Community and economic development	477,227	463,648	-	-	477,227	463,648
Culture and recreation	2,504,989	3,334,961	-	-	2,504,989	3,334,961
Interest on long-term debt	59,637	238,106	-	-	59,637	238,106
Water	-	-	2,975,414	2,921,010	2,975,414	2,921,010
Sewer	-	-	3,605,181	3,555,005	3,605,181	3,555,005
Total expenses	38,225,816	37,800,317	6,580,595	6,476,015	44,806,411	44,276,332
Increase (decrease) in net position	5,974,313	2,895,922	672,953	661,269	6,647,266	3,557,191
Net position – beginning	101,072,348	98,176,426	24,272,970	23,611,501	125,345,318	121,787,927
Net position – ending	\$107,046,661	\$101,072,348	\$24,945,923	\$24,272,770	\$131,992,584	\$125,345,118

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$5,974,313 during this fiscal year. The increase is primarily the result of operations, and capital grants and contributions for road and parks improvement projects.

Business-type Activities Business-type activities increased the City's net position by \$672,953 during the year. This increase is primarily the result of operating revenue, grant revenue and investment income that exceeded operating expenses and bond interest expense.

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 \$49,639,082, an increase of \$1,016,400 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 \$6,102,192, an increase of \$16,769. 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 \$5,427,248 or approximately 19% 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 \$14,082,087, an increase of \$1,786,543 from the previous year.

The major streets fund is used to account 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 \$7,413,206, an increase of \$96,063 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 \$7,377,673, an increase of \$461,928 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 \$6,494,148, an increase of \$787,648 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 to \$4,607,177 and \$8,068,647 respectively. The water fund had an increase in net position for the year of \$606,593 while the sewer fund had an increase of \$66,360. 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, 2020, which was related to year-end estimates prepared during the FY 2021 budget process.
- General Fund revenue budget to actual variances are due to several factors including lower than budgeted revenue sharing and lower than budgeted State Essential Services Assessment distributions, federal and state grant revenues that vary with related costs; fee revenue that changes with economic activity; increased investment income and decreased 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, 2020, amounted to \$79,938,693 (net of accumulated depreciation). Of this amount, \$63,114,922 was for its governmental type activities and \$16,823,771 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 and parks 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 \$11,482,014. Of this amount, \$7,193,342 was for governmental activities while \$4,288,672 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 2020-2021 fiscal year:

- Property values are expected to increase by approximately 1.6%, which will continue to be supplemented by state essential services assessment distributions related to personal property taxation reform;
- State shared revenue was originally expected to increase by approximately 1.9%, based on early MI Department of Treasury estimates, was reduced by \$1,070,000, or approximately 22%, along with other revenue and corresponding expenditure budget reductions, in recognition of potential changes in economic conditions related to the COVID-19 pandemic;
- Compensation and employee benefits for City employees are estimated and included in the FY 2021 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 2021. 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 2021, 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, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Brownfield Redevelopment Authority
Assets					
Cash and pooled investments	\$ 49,127,854	\$ 11,967,507	\$ 61,095,361	\$ 705,686	\$ 98,248
Receivables					
Accounts	761,580	1,485,391	2,246,971	2,420	-
Special assessments	1,703,357	-	1,703,357	-	-
Interest	72,029	-	72,029	-	-
Loans	164,481	-	164,481	44,264	-
Due from other governments	1,946,638	46,941	1,993,579	-	-
Inventory	26,208	-	26,208	-	-
Prepaid items	804,536	4,968	809,504	-	-
Net pension asset	1,518,219	-	1,518,219	-	-
Net OPEB asset	1,293,414	-	1,293,414	-	-
Capital assets					
Land and construction in progress	8,000,828	625,428	8,626,256	-	-
Depreciable capital assets, net	55,114,094	16,198,343	71,312,437	-	-
Total assets	120,533,238	30,328,578	150,861,816	752,370	98,248
Deferred outflows of resources					
Loss on advance bond refundings	53,521	-	53,521	-	-
OPEB related	481	-	481	-	-
Pension related	401,187	-	401,187	-	-
Total deferred outflows of resources	455,189	-	455,189	-	-
Liabilities					
Accounts payable	2,820,586	828,983	3,649,569	233	26,559
Customer deposits	307,263	-	307,263	-	-
Due to other governments	232,102	-	232,102	-	-
Current portion of long-term debt	615,000	265,000	880,000	-	-
Noncurrent liabilities					
Long-term debt	7,193,342	4,288,672	11,482,014	-	-
Total liabilities	11,168,293	5,382,655	16,550,948	233	26,559
Deferred inflows of resources					
OPEB related	202,761	-	202,761	-	-
Pension related	2,570,712	-	2,570,712	-	-
Total deferred inflows of resources	2,773,473	-	2,773,473	-	-
Net Position					
Net investment in capital assets	55,360,101	12,270,099	67,630,200	-	-
Restricted for					
Police and fire services	14,082,087	-	14,082,087	-	-
Drug law enforcement	254,900	-	254,900	-	-
Public works activities	12,211,770	-	12,211,770	-	-
Community development	126,643	-	126,643	-	-
Culture and recreation	1,027,238	-	1,027,238	-	-
Judicial	105,710	-	105,710	-	-
Unrestricted	23,878,212	12,675,824	36,554,036	752,137	71,689
Total net position	\$ 107,046,661	\$ 24,945,923	\$ 131,992,584	\$ 752,137	\$ 71,689

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

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	
		<u>for Services</u>	<u>Grants and</u>	<u>Revenue</u>
			<u>Contributions</u>	
			<u>Grants and</u>	
			<u>Contributions</u>	
Primary government				
Governmental activities				
Judicial	\$ 1,907,120	\$ 913,167	\$ 94,375	\$ -
General government	4,538,297	1,365,087	647,916	-
Public safety	18,251,989	1,471,399	1,013,849	-
Public works	10,486,557	27,162	6,350,904	4,696,084
Community and economic development	477,227	22,285	-	-
Culture and recreation	2,504,989	300,708	44,955	618,984
Interest on long-term debt	59,637	-	-	-
Total governmental activities	38,225,816	4,099,808	8,151,999	5,315,068
Business-type activities				
Water	2,975,414	3,420,117	-	-
Sewer	3,605,181	3,162,821	231,053	-
Total business-type activities	6,580,595	6,582,938	231,053	-
Total primary government	\$ 44,806,411	\$ 10,682,746	\$ 8,383,052	\$ 5,315,068
Component units				
Economic Development Corporation	\$ 22,211	\$ 21,000	\$ 1,807	\$ -
Brownfield Redevelopment Authority	242,613	-	-	-
Total component units	\$ 264,824	\$ 21,000	\$ 1,807	\$ -

(continued)

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

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	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>
Changes in net position					
Net (expense) revenue	<u>\$ (20,658,941)</u>	<u>\$ 233,396</u>	<u>\$ (20,425,545)</u>	<u>\$ 596</u>	<u>\$ (242,613)</u>
General revenues					
Property taxes					
General operating	6,086,770	-	6,086,770	-	-
Police and fire	12,714,934	-	12,714,934	-	-
Other purposes	710,605	-	710,605	-	264,584
Franchise fees	591,805	-	591,805	-	-
State shared revenues	4,378,144	-	4,378,144	-	-
Interest	1,935,055	434,161	2,369,216	24,538	3,503
Gain on sale of capital assets	169,650	5,396	175,046	-	-
Other general revenues	<u>46,291</u>	<u>-</u>	<u>46,291</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>26,633,254</u>	<u>439,557</u>	<u>27,072,811</u>	<u>24,538</u>	<u>268,087</u>
Change in net position	5,974,313	672,953	6,647,266	25,134	25,474
Net position, beginning of year	<u>101,072,348</u>	<u>24,272,970</u>	<u>125,345,318</u>	<u>727,003</u>	<u>46,215</u>
Net position, end of year	<u>\$ 107,046,661</u>	<u>\$ 24,945,923</u>	<u>\$ 131,992,584</u>	<u>\$ 752,137</u>	<u>\$ 71,689</u>

(concluded)

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

CITY OF KENTWOOD

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

	General	Special Revenue Funds		Capital Projects		Nonmajor	
	Fund	Police and Fire Millage	Major Streets	Property and Building	General Projects	Governmental Funds	Total
Assets							
Cash and pooled investments	\$ 5,735,673	\$ 13,922,646	\$ 7,373,736	\$ 7,389,452	\$ 6,344,934	\$ 8,480,049	\$ 49,246,490
Accounts receivable	673,977	61,586	3,644	-	-	22,373	761,580
Special assessments receivable	-	-	-	-	1,703,357	-	1,703,357
Interest receivable	-	-	-	-	72,029	-	72,029
Loans receivable	-	-	-	-	-	164,481	164,481
Due from other governments	878,541	159,369	569,485	-	43,678	295,565	1,946,638
Inventory	26,208	-	-	-	-	-	26,208
Prepaid items	393,836	-	-	4,387	-	6,313	404,536
Total assets	\$ 7,708,235	\$ 14,143,601	\$ 7,946,865	\$ 7,393,839	\$ 8,163,998	\$ 8,968,781	\$ 54,325,319
Liabilities, deferred inflows and fund balance							
Accounts payable	\$ 582,786	\$ -	\$ 523,659	\$ 16,166	\$ 285,794	\$ 673,431	\$ 2,081,836
Accrued liabilities	467,546	-	-	-	-	-	467,546
Customer deposits	297,263	-	10,000	-	-	-	307,263
Due to other governments	229,031	-	-	-	-	3,071	232,102
Total liabilities	1,576,626	-	533,659	16,166	285,794	676,502	3,088,747
Deferred inflows							
Unavailable revenues	29,417	61,514	-	-	1,384,056	122,503	1,597,490
Fund balances							
Nonspendable							
Long term receivable	-	-	-	-	391,330	45,416	436,746
Inventory	26,208	-	-	-	-	-	26,208
Prepaid items	393,836	-	-	4,387	-	6,313	404,536
Restricted							
Streets	-	-	7,413,206	-	-	2,304,732	9,717,938
Police and Fire	-	14,082,087	-	-	-	-	14,082,087
Public works	-	-	-	-	-	2,493,832	2,493,832
Community development	-	-	-	-	-	126,643	126,643
Culture and recreation	-	-	-	-	-	1,027,238	1,027,238
Judicial	-	-	-	-	-	105,710	105,710
Drug law enforcement	254,900	-	-	-	-	-	254,900
Assigned							
Capital projects	-	-	-	7,373,286	6,102,818	2,059,892	15,535,996
Unassigned	5,427,248	-	-	-	-	-	5,427,248
Total fund balances	6,102,192	14,082,087	7,413,206	7,377,673	6,494,148	8,169,776	49,639,082
Total liabilities, deferred inflows, and fund balances	\$ 7,708,235	\$ 14,143,601	\$ 7,946,865	\$ 7,393,839	\$ 8,163,998	\$ 8,968,781	\$ 54,325,319

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

CITY OF KENTWOOD

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

JUNE 30, 2020

Fund balances - governmental funds	\$ 49,639,082
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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	8,000,828
Add - capital assets being depreciated, net	55,114,094

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	1,384,056
Add - deferred inflows for delinquent personal property taxes receivable	94,369
Add - deferred inflows for housing rehabilitation loans receivable	119,065

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	21,147
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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	(2,540,000)
Deduct - landfill clean-up and other costs	(3,537,294)
Deduct - compensated absences payable	(1,731,048)
Deduct - accrued interest on bonds payable	(10,987)
Add - net OPEB asset	1,293,414
Deduct - deferred inflows related to OPEB	(202,761)
Add - deferred outflows related to OPEB	481
Add - net pension asset	1,518,219
Deduct - deferred inflows related to pensions	(2,570,712)
Add - deferred outflows related to pensions	401,187
Add - deferred loss on bond refunding	53,521

Net position of governmental activities	<u><u>\$ 107,046,661</u></u>
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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, 2020

	General	Special Revenue Funds		Capital Projects		Nonmajor	
	Fund	Police and Fire Millage	Major Streets	Property and Building	General Projects	Governmental Funds	Total
Revenues							
Taxes	\$ 6,098,217	\$ 12,738,870	\$ -	\$ -	\$ -	\$ 711,943	\$ 19,549,030
Special assessments	-	-	-	-	496,424	158	496,582
Intergovernmental							
Federal	38,752	-	-	-	-	28,445	67,197
State	4,966,420	804,305	3,906,911	-	-	2,117,128	11,794,764
Local	43,097	-	-	-	-	-	43,097
Licenses and permits	1,996,283	-	-	-	-	-	1,996,283
Charges for services	1,626,741	-	-	-	-	450,000	2,076,741
Fines and forfeitures	1,047,666	-	-	-	-	-	1,047,666
Interest	228,248	679,192	251,908	239,516	307,019	330,230	2,036,113
Miscellaneous	213,531	-	11,000	-	-	16,162	240,693
Total revenues	<u>16,258,955</u>	<u>14,222,367</u>	<u>4,169,819</u>	<u>239,516</u>	<u>803,443</u>	<u>3,654,066</u>	<u>39,348,166</u>
Expenditures							
Current							
Judicial	1,771,909	-	-	-	-	135,211	1,907,120
General government	3,326,515	-	-	-	263,306	-	3,589,821
Public safety	17,373,454	20,000	-	-	-	37,793	17,431,247
Highway and streets	-	-	3,141,868	-	-	3,333,474	6,475,342
Public works	2,150,067	-	-	-	-	1,155,617	3,305,684
Community and economic development	477,227	-	-	-	-	1,000	478,227
Culture and recreation	1,447,524	-	-	-	-	1,282,940	2,730,464
Debt service							
Principal	-	-	-	-	-	610,000	610,000
Interest	-	-	-	-	-	48,315	48,315
Capital outlay	-	-	-	356,344	2,489	1,566,363	1,925,196
Total expenditures	<u>26,546,696</u>	<u>20,000</u>	<u>3,141,868</u>	<u>356,344</u>	<u>265,795</u>	<u>8,170,713</u>	<u>38,501,416</u>
Revenues over (under) expenditures	<u>(10,287,741)</u>	<u>14,202,367</u>	<u>1,027,951</u>	<u>(116,828)</u>	<u>537,648</u>	<u>(4,516,647)</u>	<u>846,750</u>
Other financing sources (uses)							
Transfers in	12,044,407	-	468,112	743,000	250,000	3,345,209	16,850,728
Transfers out	(1,740,270)	(12,415,824)	(1,400,000)	(164,652)	-	(1,129,982)	(16,850,728)
Proceeds from sale of capital assets	373	-	-	408	-	168,869	169,650
Total other financing sources (uses)	<u>10,304,510</u>	<u>(12,415,824)</u>	<u>(931,888)</u>	<u>578,756</u>	<u>250,000</u>	<u>2,384,096</u>	<u>169,650</u>
Net changes in fund balances	16,769	1,786,543	96,063	461,928	787,648	(2,132,551)	1,016,400
Fund balances, beginning of year	<u>6,085,423</u>	<u>12,295,544</u>	<u>7,317,143</u>	<u>6,915,745</u>	<u>5,706,500</u>	<u>10,302,327</u>	<u>48,622,682</u>
Fund balances, end of year	<u>\$ 6,102,192</u>	<u>\$ 14,082,087</u>	<u>\$ 7,413,206</u>	<u>\$ 7,377,673</u>	<u>\$ 6,494,148</u>	<u>\$ 8,169,776</u>	<u>\$ 49,639,082</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, 2020

Net changes in fund balances - total governmental funds	\$ 1,016,400
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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	9,603,806
Deduct - depreciation expense	(4,926,034)
Deduct - net book value of asset disposals	(4,102)

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	(429,408)
Deduct - decrease in personal property taxes receivable	(36,721)

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	610,000
Deduct - amortization of deferred loss on bond refunding	(13,381)
Deduct - increase in landfill clean-up liability	(36,811)

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	(116,477)
Deduct - decrease in deferred outflows related to OPEB	(131)
Add - decrease in deferred inflows related to OPEB	141,986
Add - increase in net OPEB asset	49,084
Deduct - decrease in deferred outflows related to pensions	(2,084,361)
Deduct - increase in deferred inflows related to pensions	(2,364,351)
Add - increase in net pension asset	4,590,931
Add - decrease in accrued interest payable	2,059

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.

Deduct - decrease in net position from the internal service funds	<u>(28,176)</u>
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Change in net position of governmental activities	<u>\$ 5,974,313</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, 2020

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Assets				
Current assets				
Cash and pooled investments	\$ 4,300,056	\$ 7,667,451	\$ 11,967,507	\$ -
Accounts receivable	869,019	616,372	1,485,391	-
Due from other governments	-	46,941	46,941	-
Prepaid items	2,484	2,484	4,968	400,000
Total current assets	5,171,559	8,333,248	13,504,807	400,000
Noncurrent assets				
Capital assets not being depreciated	625,428	-	625,428	-
Capital assets being depreciated, net	12,681,363	3,516,980	16,198,343	-
Total noncurrent assets	13,306,791	3,516,980	16,823,771	-
Total assets	18,478,350	11,850,228	30,328,578	400,000
Liabilities				
Current liabilities				
Negative equity in cash and pooled investments	-	-	-	118,636
Accounts payable	564,382	264,601	828,983	260,217
Current portion of long-term debt	265,000	-	265,000	-
Total current liabilities	829,382	264,601	1,093,983	378,853
Noncurrent liabilities				
Long-term debt	4,288,672	-	4,288,672	-
Total liabilities	5,118,054	264,601	5,382,655	378,853
Net Position				
Net investment in capital assets	8,753,119	3,516,980	12,270,099	-
Unrestricted	4,607,177	8,068,647	12,675,824	21,147
Total net position	\$ 13,360,296	\$ 11,585,627	\$ 24,945,923	\$ 21,147

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, 2020

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Operating revenues	\$ 3,420,117	\$ 3,162,821	\$ 6,582,938	\$ 3,355,213
Operating expense				
Administration	25,000	-	25,000	-
Contractual services	1,658,318	2,576,654	4,234,972	511,179
Depreciation	529,350	343,416	872,766	-
Claims	-	-	-	2,872,210
Supplies	395,268	80,473	475,741	-
Engineering	6,913	506,397	513,310	-
Rent	40,000	-	40,000	-
Utilities	96,257	7,261	103,518	-
Miscellaneous	130,342	88,801	219,143	-
Total operating expense	<u>2,881,448</u>	<u>3,603,002</u>	<u>6,484,450</u>	<u>3,383,389</u>
Operating income (loss)	<u>538,669</u>	<u>(440,181)</u>	<u>98,488</u>	<u>(28,176)</u>
Non-operating revenue (expense)				
Gain on sale of fixed assets	4,746	650	5,396	-
State grants	-	231,053	231,053	-
Interest expense	(93,966)	(2,179)	(96,145)	-
Interest income	<u>157,144</u>	<u>277,017</u>	<u>434,161</u>	<u>-</u>
Total non-operating revenue (expense)	<u>67,924</u>	<u>506,541</u>	<u>574,465</u>	<u>-</u>
Changes in net position	606,593	66,360	672,953	(28,176)
Net position, beginning of year	<u>12,753,703</u>	<u>11,519,267</u>	<u>24,272,970</u>	<u>49,323</u>
Net position, end of year	<u>\$ 13,360,296</u>	<u>\$ 11,585,627</u>	<u>\$ 24,945,923</u>	<u>\$ 21,147</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, 2020

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 3,185,119	\$ 3,158,780	\$ 6,343,899	\$ -
Receipts from interfund services	-	-	-	3,355,213
Receipts from operating grants	-	358,170	358,170	-
Payments to suppliers	(2,009,215)	(3,448,125)	(5,457,340)	(3,355,213)
Net cash provided by (used in) operating activities	<u>1,175,904</u>	<u>68,825</u>	<u>1,244,729</u>	<u>-</u>
Cash flows from capital and related financing activities				
Principal paid on bonds	(427,530)	(232,470)	(660,000)	-
Interest expense	(93,966)	(2,179)	(96,145)	-
Proceeds from sale of fixed assets	4,746	650	5,396	-
Acquisitions of capital assets	(685,833)	(5,904)	(691,737)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,202,583)</u>	<u>(239,903)</u>	<u>(1,442,486)</u>	<u>-</u>
Cash flows from investing activities				
Interest income (loss)	<u>157,143</u>	<u>277,017</u>	<u>434,160</u>	<u>-</u>
Net increase (decrease) in cash and pooled investments	<u>130,464</u>	<u>105,939</u>	<u>236,403</u>	<u>-</u>
Cash and pooled investments, beginning of year	<u>4,169,592</u>	<u>7,561,512</u>	<u>11,731,104</u>	<u>-</u>
Cash and pooled investments, end of year	<u>\$ 4,300,056</u>	<u>\$ 7,667,451</u>	<u>\$ 11,967,507</u>	<u>\$ -</u>
Cash flows from operating activities				
Operating income (loss)	\$ 538,669	\$ (440,181)	98,488	\$ (28,176)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	529,350	343,416	872,766	-
Operating grants	-	231,053	231,053	-
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	(234,998)	(4,041)	(239,039)	-
Due from other governments	-	127,117	127,117	-
Prepaid assets and other items	(2,484)	(2,483)	(4,967)	-
Accounts payable	345,367	(186,056)	159,311	28,176
Net cash provided by (used in) operating activities	<u>\$ 1,175,904</u>	<u>\$ 68,825</u>	<u>\$ 1,244,729</u>	<u>\$ -</u>

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

CITY OF KENTWOOD

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Pension and OPEB Trust Funds	<u>Agency Fund</u> Tax Collection
Assets		
Cash and pooled investments	\$ 12,774	\$ 961,651
Taxes receivable	-	435,148
Interest receivable	102,004	-
Investments		
Money market funds	1,275,385	-
Domestic fixed income mutual funds	12,696,769	-
International fixed income mutual funds	420,401	-
Domestic equity mutual funds	26,567,669	-
International equity mutual funds	299,283	-
Real estate investment trust funds	<u>3,906,187</u>	<u>-</u>
Total assets	<u>45,280,472</u>	<u>\$ 1,396,799</u>
Liabilities		
Due to other governments	<u>-</u>	<u>\$ 1,396,799</u>
Total liabilities	<u>-</u>	<u>\$ 1,396,799</u>
Net Position		
Restricted for pension and other post-employment benefits	<u>\$ 45,280,472</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, 2020

	<u>Pension and OPEB Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 661,000
Plan participants	178,153
Total contributions	<u>839,153</u>
Investment income:	
Net appreciation in fair value of securities	6,184,935
Interest	384,063
Dividends	407,592
	<u>6,976,590</u>
Investment expense	<u>(93,805)</u>
Net investment income	<u>6,882,785</u>
Total additions	<u>7,721,938</u>
Deductions	
Pension benefits and health insurance premiums	2,170,813
Administrative expenses	21,110
	<u>2,191,923</u>
Total deductions	<u>2,191,923</u>
Changes in net position	5,530,015
Net position, beginning of year	<u>39,750,457</u>
Net position, end of year	<u>\$ 45,280,472</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, 2020

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, 2019.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 one year 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, 2020

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

The *major streets special revenue 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, 2020

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, 2020

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 receivables from customers and benefited parties for various infrastructure improvement projects. Special assessments in governmental funds are recorded as revenue when due within one year of year end, 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. Prepaid items are accounted for in the governmental funds utilizing the consumption method of accounting.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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. Inventory is accounted for in the governmental funds utilizing the consumption method of accounting.

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>Years</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. 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, 2020

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/expenses regardless of fund or activity.

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 pension and OPEB plans which are discussed in Notes 6 and 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, loan 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 pension and OPEB plans which are discussed in Note 6 and 7.

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.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

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.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

During the year ended June 30, 2020, the City incurred expenditures in budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General fund			
General government			
Administrative	\$ 392,200	\$ 396,752	\$ (4,552)
Public safety			
Inspections	670,400	674,453	(4,053)
Transfers out	1,134,400	1,740,270	(605,870)
Major streets fund			
Highways and streets	2,578,900	3,141,868	(562,968)
Transfers out	1,095,000	1,400,000	(305,000)
Parks fund			
Culture and recreation	1,145,300	1,262,940	(117,640)
Drain fund			
Public works	1,050,000	1,130,617	(80,617)
Local streets fund			
Streets	2,719,100	2,873,861	(154,761)

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	\$61,095,361	\$803,934	\$ 974,425	\$62,873,720
Investments	-	-	45,165,694	45,165,694
	<u>\$61,095,361</u>	<u>\$803,934</u>	<u>\$46,140,119</u>	<u>\$108,039,414</u>

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

Deposits	\$ 8,574,484
Investments	99,461,180
Petty cash	<u>3,750</u>
Total	<u>\$108,039,414</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 investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 2,823,406	AAAm	S&P
Negotiable CDs	2023-2028	250,255	Unrated	N/A
Government Securities:				
GNMA Pools	2023-2050	26,114,253	Unrated	N/A
Treasury Notes	2020-2027	20,125,499	N/A	N/A
Fixed income Securities:				
Franklin US Gov't Securities fund	4.75 years	6,257,458	AAA	S&P
Domestic Corporate Bonds	2020-2031	12,696,769	See	Below
International Corporate Bonds	2020-2028	420,401	See	Below
Equity Securities:				
Vantagepoint MP Aggressive Fund	N/A	986,764	N/A	N/A
Vantagepoint MP Moderate Fund	N/A	322,232	N/A	N/A
American Core Realty Fund	N/A	2,710,697	N/A	N/A
Blackrock Midcap Equity Index Fund	N/A	9,638,259	N/A	N/A
American Strategic Value Reality Fund	N/A	1,195,490	N/A	N/A
Large cap domestic equities	N/A	13,510,274	N/A	N/A
Small and mid-cap domestic equities	N/A	2,110,140	N/A	N/A
International equities	N/A	299,283	N/A	N/A
		<u>\$99,461,180</u>		

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

<u>Rating</u>	<u>Amount</u>
A	\$ 417,295
A-	862,029
A+	517,466
AA	76,907
AA-	470,012
AA+	6,769,170
AAA	1,225,748
BBB	1,439,851
BBB-	401,966
BBB+	936,726
Unrated	-
Total	<u>\$13,117,170</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, domestic corporate bonds, international corporate bonds, US agency bonds, and treasury notes are valued using quoted market prices (Level 1 inputs).

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

- The GNMA pools, negotiable CDs, Vantagepoint MP funds, 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).

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, \$8,756,547 of the City's bank balance of \$9,006,547 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

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 \$99,461,180 of investments, the City has custodial credit risk of \$75,526,874 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, \$23,934,306 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, \$299,283 is exposed to foreign currency risk.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2020 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>					
	<u>General fund</u>	<u>Police and fire millage</u>	<u>Major streets</u>	<u>Property Building</u>	<u>Nonmajor governmental</u>	<u>Total</u>
General fund	\$ -	\$11,845,824	\$ -	\$ -	\$ 198,583	\$12,044,407
Major streets	-	-	-	-	468,112	468,112
Property and building fund	743,000	-	-	-	-	743,000
General Projects	-	-	-	-	250,000	250,000
Nonmajor funds	997,270	570,000	1,400,000	164,652	213,287	3,345,209
Total	\$1,740,270	\$12,415,824	\$1,400,000	\$164,652	\$1,129,982	\$16,850,728

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:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 4,081,465	\$ 546,108	\$ -	\$ 4,627,573
Construction in progress	2,191,640	7,184,842	6,003,227	3,373,255
Total capital assets, not being depreciated	6,273,105	7,730,950	6,003,227	8,000,828
Capital assets, being depreciated				
Buildings	33,847,551	2,039,186	-	35,886,737
Land improvements	3,912,767	749,500	-	4,662,267
Equipment	7,510,745	351,945	299,995	7,562,695
Vehicles	8,850,881	1,168,485	241,406	9,777,960
Infrastructure	69,924,688	3,566,967	-	73,491,655
Total capital assets, being depreciated	124,046,632	7,876,083	541,401	131,381,314
Less accumulated depreciation for				
Buildings	18,698,807	1,343,098	-	20,041,905
Land improvements	2,247,722	166,740	-	2,414,462
Equipment	5,831,827	527,820	299,995	6,059,652
Vehicles	5,513,610	756,309	237,304	6,032,615
Infrastructure	39,586,519	2,132,067	-	41,718,586
Total accumulated depreciation	71,878,485	4,926,034	537,299	76,267,220
Net capital assets, being depreciated	52,168,147	2,950,049	4,102	55,114,094
Governmental Activities capital assets, net	\$58,441,252	\$10,680,999	\$6,007,329	\$63,114,922

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2020</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Construction in progress	53,361	679,929	168,811	564,479
Total capital assets, not being depreciated	114,310	679,929	168,811	625,428
Capital assets being depreciated				
Building	260,229	-	-	260,229
Equipment	2,365,757	11,808	-	2,377,565
Meters	1,488,644	-	-	1,488,644
Water mains	16,936,691	168,811	-	17,105,502
Sewer mains	16,795,244	-	-	16,795,244
Storage	3,709,987	-	-	3,709,987
Total capital assets, being depreciated	41,556,552	180,619	-	41,737,171
Less accumulated depreciation for				
Building	206,170	4,116	-	210,286
Equipment	807,908	59,953	-	867,861
Meters	1,014,079	40,468	-	1,054,547
Water mains	6,888,106	330,596	-	7,218,702
Sewer mains	12,963,184	335,892	-	13,299,076
Storage	2,786,615	101,741	-	2,888,356
Total accumulated depreciation	24,666,062	872,766	-	25,538,828
Net capital assets, being depreciated	16,890,490	(692,147)	-	16,198,343
Business-type Activities capital assets, net	\$17,004,800	\$(12,218)	\$168,811	\$16,823,771

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

Governmental Activities	
General government	\$ 843,854
Public safety	779,184
Public works and streets	2,578,331
Culture and recreation	724,665
	<hr/>
Total depreciation expense - governmental activities	\$4,926,034
	<hr/>
Business-type Activities	
Water	\$529,350
Sewer	343,416
	<hr/>
Total depreciation expense – business-type activities	\$872,766
	<hr/>

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2019):

Active plan members	33
Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled but not yet receiving benefits	8
Total	87

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.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2019, 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, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 2.5%
- Investment rate of return: 6.5%, net of investment expense, including inflation
- As set forth in Society of Actuaries Publication 2010 for non-annuitants and annuitants, separately for males and females as well as General and Public Safety employees; all with improvement Scale MP-2018.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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%.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 16.57 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 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 to determine the total pension liability. The discount rate has stayed the same as the prior year rate.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 12/31/18	\$ 41,518,903	\$ 38,446,191	\$3,072,712
Changes for the Year:			
Service cost	421,114	-	421,114
Interest	2,656,158	-	2,656,158
Change in benefits	-	-	-
Differences between expected and actual experience	(3,599)	-	(3,599)
Change in assumptions	-	-	-
Contributions : employer	-	661,000	(661,000)
Contributions: employee	-	178,153	(178,153)
Net investment income	-	6,843,161	(6,843,161)
Benefit payments, including refunds	(2,152,093)	(2,152,093)	-
Administrative expense	-	(17,710)	17,710
Other changes	-	-	-
Net changes	921,580	5,512,511	(4,590,931)
Balance at 12/31/19	\$ 42,440,483	\$ 43,958,702	\$(1,518,219)

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 higher (7.5%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total pension liability	\$47,539,002	\$42,440,483	\$38,191,394
Fiduciary net position	43,958,702	43,958,702	43,958,702
Net pension liability (asset)	\$ 3,580,300	\$(1,518,219)	\$(5,767,308)

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

For the year ended June 30, 2020 the employer recognized pension expense of \$225,780. 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	\$ 16,906	\$ 132,440
Change in assumptions	16,281	-
Excess(deficit) investment returns	-	2,438,272
Contributions subsequent to the Measurement date*	368,000	-
Total	\$401,187	\$2,570,712

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

* 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, 2020.

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

2021	\$ (856,157)
2022	(580,274)
2023	(223,613)
2024	(877,481)
2025	-
Thereafter	-
	<hr/>
Total	<u><u>\$(2,537,525)</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 9 – 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 five to 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.

During the year, the City contributed \$1,220,993 and plan members contributed \$546,258 to the plan.

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 past 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 a specified dollar amount by the employee's years of continuous active service. Upon the death of the employee or spouse, the employer's contribution will be reduced by 25%. The employer's contributions cease when the employee becomes eligible for Medicare benefits. The plan is closed to new participants.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2020):

Retirees and beneficiaries receiving benefits	2
Active plan members	-
Total	<u>2</u>

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, 2020, 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, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.00%
- Salary Increases: Not applicable; all active participant liability has been settled
- Investment rate of return: 6.5%, net of investment expense, including inflation
- Healthcare cost trend rates: Not applicable the benefit at retirement is fixed
- Mortality: 2010 public safety, headcount weighted, sex-distinct mortality table.

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%	3.90%

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, 2020

Concentrations. The Plan is invested 25% in VT II Model Portfolio Moderate and 75% in VT II Model Portfolio Aggressive.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.76 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, 2019 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 June 30, 2019	\$59,935	\$1,304,265	\$(1,244,330)
Changes for the Year:			
Service cost	-	-	-
Interest	3,288	-	3,288
Change in benefits	-	-	-
Differences between expected and actual experience	(12,627)	-	(12,627)
Change in assumptions	(3,520)	-	(3,520)
Contributions : employer	-	-	-
Contributions: employee	-	-	-
Net investment income	-	39,625	(39,625)
Benefit payments, including refunds	(18,720)	(18,720)	-
Administrative expense	-	(3,400)	3,400
Other changes	-	-	-
Net changes	(31,579)	17,505	(49,084)
Balance at June 30, 2020	\$28,356	\$1,321,770	\$(1,293,414)

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 higher (7.5%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total OPEB liability	\$ 28,798	\$ 28,356	\$ 27,925
Fiduciary net position	1,321,770	1,321,770	1,321,770
Net OPEB liability (asset)	\$(1,292,972)	\$(1,293,414)	\$(1,293,845)
Plan fiduciary position as a percentage of the total OPEB liability	4.59%	4.66%	4.73%

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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020 the employer recognized OPEB expense of \$(190,939). 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	\$ -	\$155,776
Change in assumptions	481	-
Excess(deficit) investment returns	-	46,985
Total	\$481	\$202,761

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

2021	\$ (97,311)
2022	(59,772)
2023	(44,072)
2024	(1,125)
2025	-
Thereafter	-
Total	<u>\$(202,280)</u>

Defined Contribution Plan

The City of Kentwood retiree health care plan (the Plan) provides post-retirement health care benefits to employees. The assets of the plan are held in trust for employees. The City contributed \$252,069 and employees contributed \$63,491 to the plan. The plan is administered by the ICMA Retirement Corporation.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

8. CONDENSED FINANCIAL INFORMATION - PENSION AND OPEB PLANS

Statement of Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Assets			
Cash	\$ -	\$ 12,774	\$ 12,774
Contributions receivable	-	-	-
Interest receivable	102,004	-	102,004
Investments			
Money market funds	1,275,385	-	1,275,385
Domestic fixed income mutual funds	12,696,769	-	12,696,769
International fixed income mutual funds	420,401	-	420,401
Domestic equity mutual funds	25,258,673	1,308,996	26,567,669
International equity mutual funds	299,283	-	299,283
Real estate investment trust funds	3,906,187	-	3,906,187
Total assets	<u>43,958,702</u>	<u>1,321,770</u>	<u>45,280,472</u>
Liabilities			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Restricted for pension and other post-employment benefits	<u>\$43,958,702</u>	<u>\$1,321,770</u>	<u>\$45,280,472</u>

Statement of Changes in Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 661,000	\$ -	\$ 661,000
Employee	178,153	-	178,153
Total Contributions	<u>839,153</u>	<u>-</u>	<u>839,153</u>
Investment income			
Change in investment fair value	6,145,311	39,624	6,184,935
Interest	384,063	-	384,063
Dividends	407,592	-	407,592
Total investment income	<u>6,936,966</u>	<u>39,624</u>	<u>6,976,590</u>
Investment expense	(93,805)	-	(93,805)
Net investment income	<u>6,843,161</u>	<u>39,624</u>	<u>6,882,785</u>
Total Additions	<u>7,682,314</u>	<u>39,624</u>	<u>7,721,938</u>
Deductions			
Benefits	2,152,093	18,720	2,170,813
Administrative expense	17,710	3,400	21,110
Total deductions	<u>2,169,803</u>	<u>22,120</u>	<u>2,191,923</u>
Change in net position	5,512,511	17,504	5,530,015
Net position, beginning of year	<u>38,446,191</u>	<u>1,304,266</u>	<u>39,750,457</u>
Net position, end of year	<u>\$43,958,702</u>	<u>\$1,321,770</u>	<u>\$45,280,472</u>

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities					
Public offering:					
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%	\$3,150,000	\$ -	\$610,000	\$2,540,000	\$615,000
Total bonds payable	3,150,000	-	610,000	2,540,000	615,000
Compensated absences	1,614,571	116,477	-	1,731,048	-
Landfill clean-up and other costs	3,500,483	36,811	-	3,537,294	-
Total Governmental Activities	\$8,265,054	\$153,288	\$610,000	\$7,808,342	\$615,000
Business-type Activities					
Private placement:					
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%.	\$4,808,672	\$ -	\$255,000	\$4,553,672	\$265,000
2015 Refunding Bonds; due in annual installments of 390,000 to \$405,000 through 2020; interest payable semi- annually at 1.25%	405,000	-	405,000	-	-
Total Business-type Activities	\$5,213,672	\$ -	\$660,000	\$4,553,672	\$265,000

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The annual requirements to amortize all bonded debt outstanding as of June 30, 2020 are as follows:

Year Ended June 30	Governmental Activities Public Offerings		Business-type Activities Private Placement	
	Principal	Interest	Principal	Interest
2021	\$ 615,000	\$39,335	\$ 265,000	\$ 98,424
2022	630,000	29,682	270,000	83,074
2023	635,000	19,086	275,000	77,624
2024	660,000	6,765	280,000	72,074
2025	-	-	285,000	66,424
2026-2030	-	-	1,510,000	243,670
2031-2035	-	-	1,668,672	84,883
Total	\$2,540,000	\$94,868	\$4,553,672	\$ 726,173

The City's private placement debt is covered by the City's full faith and credit in case of default.

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 not 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 \$147,395,000.

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 is self-funded for employees' health benefits. The City established self-funded medical, dental and vision plans using third-party administrators, effective July 1, 2018, October 1, 2006 and July 1, 2015, respectively. There were no significant changes in insurance coverage from the prior year other than an increase in the premium contribution for all coverage levels.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The activities of the City's self-funded insurance plans are accounted for in the Self-insurance Internal Service Fund. The City is responsible for paying administrative charges, which are included in this fund. The revenues for this fund's operation are charges to various funds, employee withholdings, and co-payments.

An excess coverage insurance policy covers claims in excess of \$85,000 per covered individual, with an aggregating specific deductible of \$100,000. Settled claims have not exceeded insurance coverage in the history of the self-insurance program.

The claims liability of \$237,707 reported at June 30, 2020 is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The liability at the end of the year includes claims incurred and reported, as well as an estimate for claims incurred but not reported based on information received from the third-party administrators regarding claim payments made since year-end.

The change in the dental and vision claims liability for the year ended June 30, 2020 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>
2019	\$20,000	\$273,043	\$274,744	\$18,299
2020	18,299	249,874	253,722	14,457

The change in the medical claims liability for the year ended June 30, 2020 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>
2019	\$ -	\$3,157,770	\$2,931,419	\$226,351
2020	226,351	2,620,943	2,624,038	223,256

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.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 \$17,686,471 of which the City would be responsible for \$3,537,294. No expenditures were paid by the City for landfill clean-up during fiscal year. 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, 2020, the City has accounted for the \$3,537,294 liability in the government-wide financial statements.

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 \$215,000

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 \$58,000.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The City entered into a property tax abatement agreement with multiple organizations 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 a portion 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 \$86,000.

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 \$167,000.

13. FEDERAL FINANCIAL ASSISTANCE

Before and after year end the City applied for financial assistance to assist with the costs incurred to address the COVID pandemic during fiscal year 2020. Requested funding is expected to be received in future periods when applicable compliance testing will be performed.

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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 6,153,100	\$ 6,153,100	\$ 6,098,217	\$ (54,883)
Intergovernmental				
Federal	147,000	147,000	38,752	(108,248)
State	4,954,600	4,954,600	4,966,420	11,820
Local	63,000	63,000	43,097	(19,903)
Licenses and permits	1,843,200	1,843,200	1,996,283	153,083
Charges for services	1,670,400	1,670,400	1,626,741	(43,659)
Fines and forfeitures	1,326,000	1,326,000	1,047,666	(278,334)
Interest	100,000	100,000	228,248	128,248
Miscellaneous	219,900	219,900	213,531	(6,369)
Total revenues	16,477,200	16,477,200	16,258,955	(218,245)
Expenditures				
Current				
Judicial	1,826,100	1,826,100	1,771,909	54,191
General government	3,601,200	3,601,200	3,326,515	274,685
Public safety	18,915,200	18,915,200	17,373,454	1,541,746
Public works	2,373,500	2,373,500	2,150,067	223,433
Community and economic development	485,400	485,400	477,227	8,173
Culture and recreation	1,726,000	1,726,000	1,447,524	278,476
Total expenditures	28,927,400	28,927,400	26,546,696	2,380,704
Revenues over (under) expenditures	(12,450,200)	(12,450,200)	(10,287,741)	2,162,459
Other financing source (uses)				
Transfers in	13,610,600	13,610,600	12,044,407	(1,566,193)
Transfers out	(1,134,400)	(1,134,400)	(1,740,270)	(605,870)
Proceeds from sale of capital assets	-	-	373	373
Total other financing sources (uses)	12,476,200	12,476,200	10,304,510	(2,171,690)
Net changes in fund balance	26,000	26,000	16,769	(9,231)
Fund balance, beginning of year	6,085,423	6,085,423	6,085,423	-
Fund balance, end of year	\$ 6,111,423	\$ 6,111,423	\$ 6,102,192	\$ (9,231)

CITY OF KENTWOOD

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 12,869,400	\$ 12,869,400	\$ 12,738,870	\$ (130,530)
Intergovernmental				
State	500,000	500,000	804,305	304,305
Interest income	<u>225,000</u>	<u>225,000</u>	<u>679,192</u>	<u>454,192</u>
Total revenues	13,594,400	13,594,400	14,222,367	627,967
Expenditures				
Current				
Public safety	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	13,574,400	13,574,400	14,202,367	627,967
Other financing source (uses)				
Transfers out	<u>(14,422,400)</u>	<u>(14,422,400)</u>	<u>(12,415,824)</u>	<u>2,006,576</u>
Total other financing sources (uses)	<u>(14,422,400)</u>	<u>(14,422,400)</u>	<u>(12,415,824)</u>	<u>2,006,576</u>
Net changes in fund balance	(848,000)	(848,000)	1,786,543	2,634,543
Fund balance, beginning of year	<u>12,295,544</u>	<u>12,295,544</u>	<u>12,295,544</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,447,544</u>	<u>\$ 11,447,544</u>	<u>\$ 14,082,087</u>	<u>\$ 2,634,543</u>

CITY OF KENTWOOD

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

FOR THE YEAR ENDED JUNE 30, 2020

	<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>
Revenues				
Intergovernmental				
State	\$ 3,915,900	\$ 3,915,900	\$ 3,906,911	\$ (8,989)
Interest	110,000	110,000	251,908	141,908
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>11,000</u>	<u>1,000</u>
Total revenues	4,035,900	4,035,900	4,169,819	133,919
Expenditures				
Current				
Highways and streets	<u>2,353,900</u>	<u>2,578,900</u>	<u>3,141,868</u>	<u>(562,968)</u>
Revenues over (under) expenditures	<u>1,682,000</u>	<u>1,457,000</u>	<u>1,027,951</u>	<u>(429,049)</u>
Other financing source (uses)				
Transfers in	255,000	295,000	468,112	173,112
Transfers out	<u>(815,000)</u>	<u>(1,095,000)</u>	<u>(1,400,000)</u>	<u>(305,000)</u>
Total other financing sources (uses)	<u>(560,000)</u>	<u>(800,000)</u>	<u>(931,888)</u>	<u>(131,888)</u>
Net changes in fund balance	1,122,000	657,000	96,063	(560,937)
Fund balance, beginning of year	<u>7,317,143</u>	<u>7,317,143</u>	<u>7,317,143</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,439,143</u>	<u>\$ 7,974,143</u>	<u>\$ 7,413,206</u>	<u>\$ (560,937)</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, 2020

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 421,114	\$ 416,954	\$ 397,526	\$ 465,982	\$ 493,973	\$ 531,938
Interest	2,656,158	2,531,061	2,382,811	2,281,778	2,220,086	2,191,420
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(3,599)	4,953	242,663	110,834	(620,506)	(111,933)
Changes in assumptions	-	776,580	635,996	37,808	47,478	44,304
Benefit payments including employee refunds	(2,152,093)	(1,466,190)	(1,329,108)	(1,218,071)	(1,109,797)	(3,429,435)
Net change in total pension liability	921,580	2,263,358	2,329,888	1,678,331	1,031,234	(773,706)
Total pension liability, beginning of year	41,518,903	39,255,545	36,925,657	35,247,326	34,216,092	34,989,798
Total pension liability, end of year	\$ 42,440,483	\$ 41,518,903	\$ 39,255,545	\$ 36,925,657	\$ 35,247,326	\$ 34,216,092
Plan Fiduciary Net Position						
Contributions-employer	\$ 661,000	\$ 359,000	\$ 769,000	\$ 1,332,000	\$ 1,560,000	\$ 1,584,000
Contributions-employee	178,153	191,551	193,005	203,295	215,759	226,857
Net investment income	6,843,161	(694,173)	3,994,375	3,338,577	317,455	1,700,506
Benefit payments including employee refunds	(2,152,093)	(1,466,190)	(1,329,108)	(1,218,071)	(1,109,797)	(3,429,435)
Administrative expense	(17,710)	(39,675)	(6,740)	(18,366)	(19,039)	(106,528)
Other	-	-	(118,314)	(16,648)	(160,465)	-
Net change in plan fiduciary net position	5,512,511	(1,649,487)	3,502,218	3,620,787	803,913	(24,600)
Plan fiduciary net position, beginning of year	38,446,191	40,095,678	36,593,460	32,972,673	32,168,760	32,193,360
Plan fiduciary net position, end of year	\$ 43,958,702	\$ 38,446,191	\$ 40,095,678	\$ 36,593,460	\$ 32,972,673	\$ 32,168,760
Employer net pension liability (asset)	\$ (1,518,219)	\$ 3,072,712	\$ (840,133)	\$ 332,197	\$ 2,274,653	\$ 2,047,332
Plan fiduciary net position as a percentage of the total pension liability	104%	93%	102%	99%	94%	94%
Covered employee payroll	\$ 2,912,768	\$ 2,989,357	\$ 3,158,622	\$ 3,219,099	\$ 3,454,626	\$ 3,765,640
Employer's net pension liability as a percentage of covered employee payroll	-52%	103%	-27%	10%	66%	54%

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, 2020

Fiscal Year end	Actuarially 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%
12/31/2018	359,000	359,000	-	2,989,357	12%
12/31/2019	661,000	661,000	-	2,912,768	23%

Notes to schedule

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of compensation
Remaining amortization period	5 years
Asset valuation method	Market value
Inflation	2.00%
Salary increases	2.50%
Investment rate of return	6.50%
Retirement age	Varies depending on participant group
Mortality	Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables for annuitants and non-annuitants, Public Safety and Public General employment, sex distinct, MP-2018 improvement scale

SCHEDULE OF INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2020

	Annual money-weighted rate of return net of investment expense
12/31/2014	5.40%
12/31/2015	1.00%
12/31/2016	9.50%
12/31/2017	10.10%
12/31/2018	-1.87%
12/31/2019	16.57%

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, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ -	\$ 12,605	\$ 14,710	\$ 45,288
Interest	3,288	11,124	67,510	117,298
Difference between expected and actual experience	(12,627)	(122,352)	(80,711)	(257,508)
Changes in assumptions	(3,520)	20	700	203
Benefit payments including employee refunds	(18,720)	(769,882)	(195,396)	(1,095,208)
Other	-	-	-	283
Net change in total OPEB liability	<u>(31,579)</u>	<u>(868,485)</u>	<u>(193,187)</u>	<u>(1,189,644)</u>
Total OPEB liability, beginning of year	<u>59,935</u>	<u>928,420</u>	<u>1,121,607</u>	<u>2,311,251</u>
Total OPEB liability, end of year	<u><u>\$ 28,356</u></u>	<u><u>\$ 59,935</u></u>	<u><u>\$ 928,420</u></u>	<u><u>\$ 1,121,607</u></u>
Plan Fiduciary Net Position				
Net investment income	\$ 39,625	\$ 101,519	\$ 200,918	\$ 330,921
Benefit payments including employee refunds	(18,720)	(769,882)	(195,396)	(1,095,208)
Administrative expense	(3,400)	(8,300)	(5,700)	(5,600)
Net change in plan fiduciary net position	<u>17,505</u>	<u>(676,663)</u>	<u>(178)</u>	<u>(769,887)</u>
Plan fiduciary net position, beginning of year	<u>1,304,265</u>	<u>1,980,928</u>	<u>1,981,106</u>	<u>2,750,993</u>
Plan fiduciary net position, end of year	<u><u>\$ 1,321,770</u></u>	<u><u>\$ 1,304,265</u></u>	<u><u>\$ 1,980,928</u></u>	<u><u>\$ 1,981,106</u></u>
Employer net OPEB liability (asset)	<u><u>\$ (1,293,414)</u></u>	<u><u>\$ (1,244,330)</u></u>	<u><u>\$ (1,052,508)</u></u>	<u><u>\$ (859,499)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	4661%	2176%	213%	177%
Covered employee payroll	n/a	n/a	\$ 3,535,978	\$ 4,171,386
Employer's net OPEB liability as a percentage of covered employee payroll	n/a	n/a	-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, 2020

Fiscal Year end	Actuarially 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%
6/30/2019	-	-	-	n/a	n/a
6/30/2020	-	-	-	n/a	n/a

Notes to schedule

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amortization
Remaining amortization period	length of collective bargaining agreement or 10 years
Asset valuation method	Market value
Inflation	N/A - fixed benefit
Salary increases	N/A - no active employees in plan
Investment rate of return	6.50%
Retirement age	N/A no active employees in the plan
Mortality	2010 Public safety headcount weighted, sex distinct mortality tables

SCHEDULE OF INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2020

	Annual money-weighted rate of return net of investment expense
6/30/2017	19.70%
6/30/2018	10.90%
6/30/2019	7.48%
6/30/2020	2.76%

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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 6,153,100	\$ 6,153,100	\$ 6,098,217	\$ (54,883)
Intergovernmental				
Federal grants	147,000	147,000	38,752	(108,248)
Other state grants	353,000	353,000	542,552	189,552
Judge's salary subsidy	45,700	45,700	45,724	24
State shared revenue	4,555,900	4,555,900	4,378,144	(177,756)
Local grants	63,000	63,000	43,097	(19,903)
Total intergovernmental	5,164,600	5,164,600	5,048,269	(116,331)
Licenses and permits				
Permits and inspection fees	924,000	924,000	1,199,264	275,264
Local licenses	265,200	265,200	177,415	(87,785)
Franchise fees	630,000	630,000	591,805	(38,195)
State liquor licenses	24,000	24,000	27,799	3,799
Total licenses and permits	1,843,200	1,843,200	1,996,283	153,083
Charges for services				
Tax collection fees	925,000	925,000	955,116	30,116
Recreation fees	233,000	233,000	155,050	(77,950)
Police, fire and library fees	277,900	277,900	270,055	(7,845)
Cemetery	50,000	50,000	45,450	(4,550)
Zoning fees	21,000	21,000	22,285	1,285
Passport fees	61,000	61,000	53,784	(7,216)
Rental income	102,500	102,500	125,001	22,501
Total charges for services	1,670,400	1,670,400	1,626,741	(43,659)
Fines and forfeitures				
Court fines	1,226,000	1,226,000	913,167	(312,833)
Delinquent tax interest/penalties	100,000	100,000	134,499	34,499
Total fines and forfeitures	1,326,000	1,326,000	1,047,666	(278,334)
Interest income	100,000	100,000	228,248	128,248
Miscellaneous				
Insurance premium refunds	30,000	30,000	22,687	(7,313)
Miscellaneous	189,900	189,900	190,844	944
Total miscellaneous	219,900	219,900	213,531	(6,369)
Total revenues	16,477,200	16,477,200	16,258,955	(218,245)

(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, 2020

	<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>
Expenditures				
Current				
Judicial - District Court	\$ 1,826,100	\$ 1,826,100	\$ 1,771,909	\$ 54,191
General government				
Administrative	392,200	392,200	396,752	(4,552)
Assessor	554,500	554,500	543,851	10,649
Treasurer	274,100	274,100	263,465	10,635
Information technology	614,100	614,100	526,805	87,295
City clerk	284,000	284,000	269,490	14,510
Human resources	264,400	264,400	242,432	21,968
Accounting	751,900	751,900	693,954	57,946
Executive	376,300	376,300	329,236	47,064
Elections	89,700	89,700	60,530	29,170
Total general government	3,601,200	3,601,200	3,326,515	274,685
Public safety				
Police	11,566,300	11,566,300	10,553,639	1,012,661
Fire	6,678,500	6,678,500	6,145,362	533,138
Inspections	670,400	670,400	674,453	(4,053)
Total public safety	18,915,200	18,915,200	17,373,454	1,541,746
Public works				
Department of public works	2,245,800	2,245,800	2,031,212	214,588
Engineering services	127,700	127,700	118,855	8,845
Total public works	2,373,500	2,373,500	2,150,067	223,433
Community and economic development				
Planning and zoning	485,400	485,400	477,227	8,173
Culture and recreation				
Recreation	1,400,400	1,400,400	1,227,492	172,908
Library	325,600	325,600	220,032	105,568
Total culture and recreation	1,726,000	1,726,000	1,447,524	278,476
Total expenditures	28,927,400	28,927,400	26,546,696	2,380,704
Revenues under expenditures	(12,450,200)	(12,450,200)	(10,287,741)	2,162,459
Other financing sources (uses)				
Transfers in	13,610,600	13,610,600	12,044,407	(1,566,193)
Transfers out	(1,134,400)	(1,134,400)	(1,740,270)	(605,870)
Proceeds from sale of capital assets	-	-	373	373
Total other financing sources (uses)	12,476,200	12,476,200	10,304,510	(2,171,690)
Net change in fund balance	26,000	26,000	16,769	(9,231)
Fund balance, beginning of year	6,085,423	6,085,423	6,085,423	-
Fund balance, end of year	\$ 6,111,423	\$ 6,111,423	\$ 6,102,192	\$ (9,231)

(concluded)

CITY OF KENTWOOD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	Special Revenue					
	Housing <u>Commission</u>	Parks	Street <u>Lighting</u>	Landfill <u>Remediation</u>	Drain	Local <u>Streets</u>
Assets						
Cash and pooled investments	\$ 123,098	\$ 88,813	\$ 118,265	\$ 1,517,086	\$ 938,909	\$ 734,810
Receivables						
Accounts	3,545	-	-	(142)	7,750	7,778
Loans	164,481	-	-	-	-	-
Due from other governments	-	-	-	-	114,924	171,733
Prepaid items	-	-	-	-	-	-
Total assets	<u>291,124</u>	<u>88,813</u>	<u>118,265</u>	<u>1,516,944</u>	<u>1,061,583</u>	<u>914,321</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	-	88,813	32,877	1,685	79,939	413,579
Due to other governments	-	-	-	-	3,071	-
Total liabilities	<u>-</u>	<u>88,813</u>	<u>32,877</u>	<u>1,685</u>	<u>83,010</u>	<u>413,579</u>
Deferred inflows						
Unavailable revenues	<u>119,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable						
Long-term receivable	45,416	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted						
Streets	-	-	85,388	-	-	500,742
Public works	-	-	-	1,515,259	978,573	-
Community development	126,643	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Assigned						
Capital projects	-	-	-	-	-	-
Total fund balances	<u>172,059</u>	<u>-</u>	<u>85,388</u>	<u>1,515,259</u>	<u>978,573</u>	<u>500,742</u>
Total liabilities and fund balances	<u>\$ 291,124</u>	<u>\$ 88,813</u>	<u>\$ 118,265</u>	<u>\$ 1,516,944</u>	<u>\$ 1,061,583</u>	<u>\$ 914,321</u>

Special Revenue					Capital Projects					
Municipal Streets	Library	Federal Grant	MIDC Grant	Debt Service	DPW Equipment	Fire Equipment	Police Equipment	Total		
\$ 1,718,602	\$ 1,018,326	\$ -	\$ 117,253	\$ -	\$ 1,055,250	\$ 534,553	\$ 515,084	\$ 8,480,049		
-	3,442	-	-	-	-	-	-	22,373		
-	-	-	-	-	-	-	-	164,481		
-	8,908	-	-	-	-	-	-	295,565		
-	-	-	-	-	-	2,568	3,745	6,313		
1,718,602	1,030,676	-	117,253	-	1,055,250	537,121	518,829	8,968,781		
-	-	-	11,543	-	-	30,317	14,678	673,431		
-	-	-	-	-	-	-	-	3,071		
-	-	-	11,543	-	-	30,317	14,678	676,502		
-	3,438	-	-	-	-	-	-	122,503		
-	-	-	-	-	-	-	-	45,416		
-	-	-	-	-	-	2,568	3,745	6,313		
1,718,602	-	-	-	-	-	-	-	2,304,732		
-	-	-	-	-	-	-	-	2,493,832		
-	-	-	-	-	-	-	-	126,643		
-	1,027,238	-	-	-	-	-	-	1,027,238		
-	-	-	105,710	-	-	-	-	105,710		
-	-	-	-	-	1,055,250	504,236	500,406	2,059,892		
1,718,602	1,027,238	-	105,710	-	1,055,250	506,804	504,151	8,169,776		
\$ 1,718,602	\$ 1,030,676	\$ -	\$ 117,253	\$ -	\$ 1,055,250	\$ 537,121	\$ 518,829	\$ 8,968,781		

CITY OF KENTWOOD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue					
	Housing Commission	Parks	Street Lighting	Landfill Remediation	Drain	Local Streets
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Intergovernmental revenues						
Federal	-	-	-	-	-	-
State	-	-	181,669	-	565,681	1,230,448
Charges for services	-	-	-	-	-	-
Interest income	5,836	10,903	2,708	53,676	35,371	12,124
Miscellaneous	-	-	500	-	-	15,662
Total revenues	<u>5,836</u>	<u>10,903</u>	<u>184,877</u>	<u>53,676</u>	<u>601,052</u>	<u>1,258,234</u>
Expenditures						
Current						
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Streets	-	-	439,613	-	-	2,873,861
Public works	-	-	-	10,000	1,130,617	-
Community and economic development	1,000	-	-	-	-	-
Culture and recreation	-	1,262,940	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>1,000</u>	<u>1,262,940</u>	<u>439,613</u>	<u>10,000</u>	<u>1,130,617</u>	<u>2,873,861</u>
Revenues over (under) expenditures	<u>4,836</u>	<u>(1,252,037)</u>	<u>(254,736)</u>	<u>43,676</u>	<u>(529,565)</u>	<u>(1,615,627)</u>
Other financing sources (uses)						
Transfers in	-	164,652	300,000	-	-	1,613,287
Transfers out	-	-	(40,000)	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>164,652</u>	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>1,613,287</u>
Net changes in fund balances	4,836	(1,087,385)	5,264	43,676	(529,565)	(2,340)
Fund balances, beginning of year	<u>167,223</u>	<u>1,087,385</u>	<u>80,124</u>	<u>1,471,583</u>	<u>1,508,138</u>	<u>503,082</u>
Fund balances, end of year	<u>\$ 172,059</u>	<u>\$ -</u>	<u>\$ 85,388</u>	<u>\$ 1,515,259</u>	<u>\$ 978,573</u>	<u>\$ 500,742</u>

Special Revenue					Capital Projects				
Municipal Streets	Library	Federal Grant	MIDC Grant	Debt Service	DPW Equipment	Fire Equipment	Police Equipment	Total	
\$ -	\$ 711,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 711,943	
158	-	-	-	-	-	-	-	158	
-	-	7,793	-	-	-	-	20,652	28,445	
-	44,955	-	94,375	-	-	-	-	2,117,128	
-	-	-	-	-	450,000	-	-	450,000	
84,861	47,619	-	4,106	-	48,012	14,225	10,789	330,230	
-	-	-	-	-	-	-	-	16,162	
85,019	804,517	7,793	98,481	-	498,012	14,225	31,441	3,654,066	
-	-	-	135,211	-	-	-	-	135,211	
-	-	7,793	-	-	-	15,000	15,000	37,793	
20,000	-	-	-	-	-	-	-	3,333,474	
-	-	-	-	-	15,000	-	-	1,155,617	
-	-	-	-	-	-	-	-	1,000	
-	20,000	-	-	-	-	-	-	1,282,940	
-	-	-	-	610,000	-	-	-	610,000	
-	-	-	-	48,315	-	-	-	48,315	
-	-	-	-	-	924,667	180,903	460,793	1,566,363	
20,000	20,000	7,793	135,211	658,315	939,667	195,903	475,793	8,170,713	
65,019	784,517	-	(36,730)	(658,315)	(441,655)	(181,678)	(444,352)	(4,516,647)	
-	-	-	38,955	658,315	-	180,000	390,000	3,345,209	
(681,399)	(408,583)	-	-	-	-	-	-	(1,129,982)	
-	-	-	-	-	101,874	4,031	62,964	168,869	
(681,399)	(408,583)	-	38,955	658,315	101,874	184,031	452,964	2,384,096	
(616,380)	375,934	-	2,225	-	(339,781)	2,353	8,612	(2,132,551)	
2,334,982	651,304	-	103,485	-	1,395,031	504,451	495,539	10,302,327	
\$ 1,718,602	\$ 1,027,238	\$ -	\$ 105,710	\$ -	\$ 1,055,250	\$ 506,804	\$ 504,151	\$ 8,169,776	

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, 2020

	<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>
Revenues				
Interest income	\$ 6,000	\$ 6,000	\$ 5,836	\$ (164)
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>5,836</u>	<u>(164)</u>
Expenditures				
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>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>6,500</u>	<u>6,500</u>	<u>1,000</u>	<u>5,500</u>
Net changes in fund balance	(500)	(500)	4,836	5,336
Fund balance, beginning of year	<u>167,223</u>	<u>167,223</u>	<u>167,223</u>	<u>-</u>
Fund balance, end of year	<u>\$ 166,723</u>	<u>\$ 166,723</u>	<u>\$ 172,059</u>	<u>\$ 5,336</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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Interest income	\$ 5,000	\$ 5,000	\$ 10,903	\$ 5,903
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>10,903</u>	<u>5,903</u>
Expenditures				
Current				
Culture and recreation				
Administration	20,000	20,000	20,000	-
Capital outlay	<u>1,125,300</u>	<u>1,125,300</u>	<u>1,242,940</u>	<u>(117,640)</u>
Total expenditures	<u>1,145,300</u>	<u>1,145,300</u>	<u>1,262,940</u>	<u>(117,640)</u>
Revenues over (under) expenditures	(1,140,300)	(1,140,300)	(1,252,037)	123,543
Other financing source (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>164,652</u>	<u>(164,652)</u>
Net changes in fund balance	(1,140,300)	(1,140,300)	(1,087,385)	(41,109)
Fund balance, beginning of year	<u>1,087,385</u>	<u>1,087,385</u>	<u>1,087,385</u>	<u>-</u>
Fund balance, end of year	<u>\$ (52,915)</u>	<u>\$ (52,915)</u>	<u>\$ -</u>	<u>\$ (41,109)</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, 2020

	<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>
Revenues				
Intergovernmental				
State	\$ 165,000	\$ 165,000	\$ 181,669	\$ 16,669
Interest income	2,000	2,000	2,708	708
Miscellaneous	-	-	500	500
Total revenues	<u>167,000</u>	<u>167,000</u>	<u>184,877</u>	<u>17,877</u>
Expenditures				
Current				
Streets				
Administration	20,000	20,000	20,000	-
Utilities	420,000	420,000	417,521	2,479
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>2,092</u>	<u>(92)</u>
Total expenditures	<u>442,000</u>	<u>442,000</u>	<u>439,613</u>	<u>2,387</u>
Revenues over (under) expenditures	(275,000)	(275,000)	(254,736)	20,264
Other financing source (uses)				
Transfers in	319,000	319,000	300,000	(19,000)
Transfers out	<u>(44,000)</u>	<u>(44,000)</u>	<u>(40,000)</u>	<u>4,000</u>
Total other financing sources (uses)	<u>275,000</u>	<u>275,000</u>	<u>260,000</u>	<u>(15,000)</u>
Net changes in fund balance	-	-	5,264	5,264
Fund balance, beginning of year	<u>80,124</u>	<u>80,124</u>	<u>80,124</u>	<u>-</u>
Fund balance, end of year	<u>\$ 80,124</u>	<u>\$ 80,124</u>	<u>\$ 85,388</u>	<u>\$ 5,264</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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Interest income	\$ 25,000	\$ 25,000	\$ 53,676	\$ 28,676
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>53,676</u>	<u>28,676</u>
Expenditures				
Current				
Public works				
Administration	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net changes in fund balance	15,000	15,000	43,676	28,676
Fund balance, beginning of year	<u>1,471,583</u>	<u>1,471,583</u>	<u>1,471,583</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,486,583</u>	<u>\$ 1,486,583</u>	<u>\$ 1,515,259</u>	<u>\$ 28,676</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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 630,000	\$ 630,000	\$ 565,681	\$ (64,319)
Interest income	<u>30,000</u>	<u>30,000</u>	<u>35,371</u>	<u>5,371</u>
Total revenues	<u>660,000</u>	<u>660,000</u>	<u>601,052</u>	<u>(58,948)</u>
Expenditures				
Current				
Public works				
Engineering	812,000	812,000	862,270	(50,270)
Administration	20,000	20,000	20,000	-
Maintenance	213,000	213,000	244,014	(31,014)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>4,333</u>	<u>667</u>
Total expenditures	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,130,617</u>	<u>(80,617)</u>
Net changes in fund balance	(390,000)	(390,000)	(529,565)	(139,565)
Fund balance, beginning of year	<u>1,508,138</u>	<u>1,508,138</u>	<u>1,508,138</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,118,138</u>	<u>\$ 1,118,138</u>	<u>\$ 978,573</u>	<u>\$ (139,565)</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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental				
State	\$ 1,231,900	\$ 1,231,900	\$ 1,230,448	\$ (1,452)
Interest income	5,000	5,000	12,124	7,124
Miscellaneous	<u>11,000</u>	<u>11,000</u>	<u>15,662</u>	<u>4,662</u>
Total revenues	<u>1,247,900</u>	<u>1,247,900</u>	<u>1,258,234</u>	<u>10,334</u>
Expenditures				
Current				
Streets				
Engineering	261,500	321,500	319,197	2,303
Administration	90,000	90,000	90,000	-
Maintenance	615,000	915,000	1,379,200	(464,200)
Snow and ice removal	184,000	184,000	123,303	60,697
Traffic control	5,100	5,100	76	5,024
Miscellaneous	33,500	33,500	34,517	(1,017)
Capital outlay	<u>1,010,000</u>	<u>1,170,000</u>	<u>927,568</u>	<u>242,432</u>
Total expenditures	<u>2,199,100</u>	<u>2,719,100</u>	<u>2,873,861</u>	<u>(154,761)</u>
Revenues over (under) expenditures	(951,200)	(1,471,200)	(1,615,627)	(144,427)
Other financing source (uses)				
Transfers in	<u>950,000</u>	<u>1,356,000</u>	<u>1,613,287</u>	<u>257,287</u>
Net changes in fund balance	(1,200)	(115,200)	(2,340)	112,860
Fund balance, beginning of year	<u>503,082</u>	<u>503,082</u>	<u>503,082</u>	<u>-</u>
Fund balance, end of year	<u>\$ 501,882</u>	<u>\$ 387,882</u>	<u>\$ 500,742</u>	<u>\$ 112,860</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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Special assessments	\$ -	\$ -	\$ 158	\$ 158
Interest income	<u>50,000</u>	<u>50,000</u>	<u>84,861</u>	<u>34,861</u>
Total revenues	50,000	50,000	85,019	35,019
Expenditures				
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	65,019	35,019
Other financing source (uses)				
Transfers out	<u>(390,000)</u>	<u>(556,000)</u>	<u>(681,399)</u>	<u>(125,399)</u>
Net changes in fund balance	(360,000)	(526,000)	(616,380)	(90,380)
Fund balance, beginning of year	<u>2,334,982</u>	<u>2,334,982</u>	<u>2,334,982</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,974,982</u>	<u>\$ 1,808,982</u>	<u>\$ 1,718,602</u>	<u>\$ (90,380)</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, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 716,900	\$ 716,900	\$ 711,943	\$ (4,957)
Intergovernmental				
State	30,000	30,000	44,955	14,955
Interest income	<u>25,000</u>	<u>25,000</u>	<u>47,619</u>	<u>22,619</u>
Total revenues	771,900	771,900	804,517	32,617
Expenditures				
Current				
Culture and recreation				
Administration	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	751,900	751,900	784,517	32,617
Other financing source (uses)				
Transfers out	<u>(514,200)</u>	<u>(514,200)</u>	<u>(408,583)</u>	<u>105,617</u>
Net changes in fund balance	237,700	237,700	375,934	138,234
Fund balance, beginning of year	<u>651,304</u>	<u>651,304</u>	<u>651,304</u>	<u>-</u>
Fund balance, end of year	<u>\$ 889,004</u>	<u>\$ 889,004</u>	<u>\$ 1,027,238</u>	<u>\$ 138,234</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, 2020

	<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>
Revenues				
Intergovernmental revenues				
Federal	\$ 50,000	\$ 50,000	\$ 7,793	\$ (42,207)
Expenditures				
Current				
Public safety	50,000	50,000	7,793	42,207
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KENTWOOD

MIDC GRANT SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 119,200	\$ 119,200	\$ 94,375	\$ (24,825)
Interest income	<u>1,000</u>	<u>1,000</u>	<u>4,106</u>	<u>3,106</u>
Total revenues	120,200	120,200	98,481	(21,719)
Expenditures				
Current				
Judicial	<u>159,200</u>	<u>159,200</u>	<u>135,211</u>	<u>23,989</u>
Revenues over (under) expenditures	(39,000)	(39,000)	(36,730)	23,989
Other financing source (uses)				
Transfers in	<u>39,000</u>	<u>39,000</u>	<u>38,955</u>	<u>(45)</u>
Net changes in fund balance	-	-	2,225	2,225
Fund balance, beginning of year	<u>103,485</u>	<u>103,485</u>	<u>103,485</u>	<u>-</u>
Fund balance, end of year	<u>\$ 103,485</u>	<u>\$ 103,485</u>	<u>\$ 105,710</u>	<u>\$ 2,225</u>

CITY OF KENTWOOD

(COMPONENT UNIT)
ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2020

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
Assets			
Cash and pooled investments	\$ 705,686	\$ -	\$ 705,686
Accounts receivable	2,420	-	2,420
Loans receivable	<u>44,264</u>	<u>-</u>	<u>44,264</u>
Total assets	<u>752,370</u>	<u>-</u>	<u>752,370</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	<u>233</u>	<u>-</u>	<u>233</u>
Total liabilities	<u>233</u>	<u>-</u>	<u>233</u>
Fund balance			
Nonspendable	67,092		
Unassigned	<u>685,045</u>		
Total fund balance	<u>752,137</u>		
Total liabilities and fund balance	<u>\$ 752,370</u>		
Net position			
Unrestricted			<u>752,137</u>
Total net position			<u>\$ 752,137</u>

CITY OF KENTWOOD

(COMPONENT UNIT)
ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Charges	\$ 21,000	\$ -	\$ 21,000
Operating grants	1,807	-	1,807
Interest income	<u>24,538</u>	<u>-</u>	<u>24,538</u>
Total revenues	47,345	-	47,345
Expenditures			
Current			
Community and economic development	<u>22,211</u>	<u>-</u>	<u>22,211</u>
Net changes in fund balances	25,134	(25,134)	-
Change in net position		25,134	25,134
Fund balances/net position, beginning of year	<u>727,003</u>	<u>-</u>	<u>727,003</u>
Fund balances/net position, end of year	<u>\$ 752,137</u>	<u>\$ -</u>	<u>\$ 752,137</u>

CITY OF KENTWOOD

(COMPONENT UNIT)
BROWNFIELD REDEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2020

	Brownfield Redevelopment Authority Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 98,248	\$ -	\$ 98,248
Total assets	<u>98,248</u>	<u>-</u>	<u>98,248</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	<u>26,559</u>	<u>-</u>	<u>26,559</u>
Total liabilities	<u>26,559</u>	<u>-</u>	<u>26,559</u>
Fund balance			
Unassigned	<u>71,689</u>		
Total fund balance	<u>71,689</u>		
Total liabilities and fund balance	<u>\$ 98,248</u>		
Net position			
Unrestricted			<u>71,689</u>
Total net position			<u>\$ 71,689</u>

CITY OF KENTWOOD

(COMPONENT UNIT)

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

FOR THE YEAR ENDED JUNE 30, 2020

	Brownfield Redevelopment Authority <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 264,584	\$ -	\$ 264,584
Interest income	<u>3,503</u>	<u>-</u>	<u>3,503</u>
Total revenues	268,087	-	268,087
Expenditures			
Current			
Brownfield redevelopment	<u>242,613</u>	<u>-</u>	<u>242,613</u>
Net changes in fund balances	25,474	(25,474)	
Change in net position		25,474	25,474
Fund balances/net position, beginning of year	<u>46,215</u>	<u>-</u>	<u>46,215</u>
Fund balances/net position, end of year	<u>\$ 71,689</u>	<u>\$ -</u>	<u>\$ 71,689</u>

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CONTROL AND COMPLIANCE



Vredeveld Haefner LLC

CPAs and Consultants
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Grand Rapids, MI 49534
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(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

December 18, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2020.

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.

Orlando Haefner LLC

Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2020*

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

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

The EMMA website is www.emma.msrb.org

STATE INFORMATION DEPOSITORY (SID)

Municipal Advisory Council of Michigan
26211 Central Park Blvd., Ste. 508
Southfield, MI 48076
Phone: (313) 963-0420
Fax: (313) 963-0943
E-mail: mac@macmi.com

MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

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

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

CUSIP Numbers (attach additional sheet if necessary):

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

* * *

Number of pages of attached information:

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

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

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

(b) Audited? Yes ☒ No ☐

☒ Annual Financial Information: Audited? Yes ☐ No ☒

☐ Operating Data

Fiscal Period Covered: June 30, 2020

*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, 2017 Through 2021

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
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
2018	2019	2020	2,042,875,094	22,217,967	2,065,093,061	3.41
2019	2020	2021	2,077,431,553	22,617,892	2,100,049,445	1.69

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2021 (3)..... \$43,116

(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, 2021, 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, 2021, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$13,860,700. Also included are Brownfield parcels with a base taxable value totaling \$5,649,453, current value of \$13,202,623 and "captured" Taxable Value of \$7,553,170. Also included are County Land Bank Sold properties with a base taxable value totaling \$18,000, current value of \$92,200 and "captured" Taxable Value of \$76,151. 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, 2017 Through 2021

	Fiscal Years Ended or Ending June 30				
Use	2017	2018	2019	2020	2021
Commercial.....	\$ 726,100,857	\$ 753,634,582	\$ 777,101,207	\$ 805,362,119	\$ 814,988,792
Industrial.....	307,359,068	302,646,904	309,759,405	305,050,517	283,985,167
Residential.....	810,483,066	835,755,961	874,314,624	917,205,225	962,237,086
Utility.....	35,719,300	35,122,300	35,916,600	37,475,200	38,838,400
	<u>\$ 1,879,662,291</u>	<u>\$ 1,927,159,747</u>	<u>\$ 1,997,091,836</u>	<u>\$ 2,065,093,061</u>	<u>\$ 2,100,049,445</u>
Class	2017	2018	2019	2020	2021
Real Property.....	\$ 1,620,239,591	\$ 1,669,856,247	\$ 1,732,117,336	\$ 1,821,617,211	\$ 1,910,086,845
Personal Property.....	259,422,700	257,303,500	264,974,500	243,475,850	189,962,600
	<u>\$ 1,879,662,291</u>	<u>\$ 1,927,159,747</u>	<u>\$ 1,997,091,836</u>	<u>\$ 2,065,093,061</u>	<u>\$ 2,100,049,445</u>

Source: City of Kentwood

City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2017 Through 2021

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV (1)	SEV of Property Granted Tax Abatement Under Act 198 (2)	Total SEV	Percent Increase (Decrease) From Prior Year
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
2018	2019	2020	2,424,628,700	47,779,700	2,472,408,400	6.29
2019	2020	2021	2,567,494,600	48,998,300	2,616,492,900	5.83

Per Capita Total SEV for the Fiscal Year Ending June 30, 2021 (3)..... \$53,719

- (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, 2021, 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, 2021, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$13,860,700. Also included are Brownfield parcels with a current SEV of \$18,349,300. Also included are County Land Bank Sold properties with a base taxable value totaling \$18,000, current value of \$97,900 and "captured" Taxable Value of \$79,900. 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, 2017 Through 2021

	Fiscal Years Ended or Ending June 30				
Use	2017	2018	2019	2020	2021
Commercial.....	\$ 786,875,200	\$ 851,113,200	\$ 887,602,600	\$ 934,522,700	\$ 981,231,200
Industrial	355,176,000	354,155,500	363,043,300	353,973,000	350,013,500
Residential	923,598,400	1,004,538,600	1,039,595,600	1,146,437,500	1,246,409,800
Utility	35,719,300	35,122,300	35,916,600	37,475,200	38,838,400
	<u>\$2,101,368,900</u>	<u>\$2,244,929,600</u>	<u>\$2,326,158,100</u>	<u>\$2,472,408,400</u>	<u>\$2,616,492,900</u>
Class	2017	2018	2019	2020	2021
Real Property	\$1,816,790,700	\$1,972,116,000	\$2,052,898,300	\$2,222,016,100	\$2,420,314,600
Personal Property	284,578,200	272,813,600	273,259,800	250,392,300	196,178,300
	<u>\$2,101,368,900</u>	<u>\$2,244,929,600</u>	<u>\$2,326,158,100</u>	<u>\$2,472,408,400</u>	<u>\$2,616,492,900</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 \$45,235,783 for the fiscal year ending June 30, 2021. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on approximately \$22,617,892 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, 2021, 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 \$13,202,623. 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 2020 Captured Taxable Value is \$7,553,170.

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 \$13,860,700 in SEV and TV from the rolls. These amounts are not included

in the ad valorem totals for the fiscal year ending June 30, 2021. 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, 2021**

<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, 2017 Through 2021**

<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>
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
2019	2020	2.9946	6.2620	0.3500	9.6066
2020	2021	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, 2016 Through 2020

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Kentwood.....	\$9.6066	\$9.6066	\$9.6066	\$9.6066	\$9.6066
County of Kent.....	5.6196	6.0596	6.0518	6.2947	6.2584
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	5.1000	5.8500	5.8500	5.8500	5.8666
Kent Intermediate School District.....	4.7903	4.7903	5.6694	5.6465	5.6113
Grand Rapids Community College	1.7865	1.7865	1.7788	1.7716	1.7606
Interurban Transit Authority	1.4700	1.4688	1.4632	1.4658	1.4556
Kent District Library Authority ..	<u>1.2800</u>	<u>1.2800</u>	<u>1.2774</u>	<u>1.2733</u>	<u>1.2661</u>
Total	<u>\$35.6530</u>	<u>\$36.8418</u>	<u>\$37.6972</u>	<u>\$37.9085</u>	<u>\$37.8252</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2016 Through 2020

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Kentwood.....	\$9.6066	\$9.6066	\$9.6066	\$9.6066	\$9.6066
County of Kent.....	5.6196	6.0596	6.0518	6.2947	6.2584
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	23.1000	23.8500	23.8500	23.8500	23.8666
Kent Intermediate School District.....	4.7903	4.7903	5.6694	5.6465	5.6113
Grand Rapids Community College	1.7865	1.7865	1.7788	1.7716	1.7606
Interurban Transit Authority	1.4700	1.4688	1.4632	1.4658	1.4556
Kent District Library Authority ..	<u>1.2800</u>	<u>1.2800</u>	<u>1.2774</u>	<u>1.2733</u>	<u>1.2661</u>
Total	<u>\$53.6530</u>	<u>\$54.8418</u>	<u>\$55.6972</u>	<u>\$55.9085</u>	<u>\$55.8252</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, 2020 ranged from \$24.6399 to \$25.5629 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, 2016 Through 2020

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>
2016	2017	\$ 17,950,915	\$ 17,754,359	98.9%
2017	2018	18,698,800	18,512,338	99.0
2018	2019	19,350,606	19,124,756	98.8
2019	2020	19,548,525	19,331,630	98.9
2020	2021	20,156,334	(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, 2021

<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	\$ 79,071,815	\$ 0	\$ 79,071,815	3.77%
Holland Home.....	Senior Housing	39,278,274	0	39,278,274	1.87
Lacks Industries, Inc.	Automotive Supplier.	30,348,167	3,143,692	33,491,859	1.59
MIMG/MBR River Oaks.....	Multi-family Housing	33,524,513	0	33,524,513	1.60
TEG Woodland Creek LLC...	Multi-family Housing	31,392,078	0	31,392,078	1.49
Consumers Energy.....	Utility	25,477,940	0	25,477,940	1.21
Green Castle Properties LLC.	Automotive Dealer....	22,049,258	0	22,049,258	1.05
Roskam Baking Co.	Food	13,420,986	3,007,321	16,428,307	0.78
Hearthside Food Solutions....	Food	10,361,769	3,898,373	14,260,142	0.68
Steelcase Corporation	Office Furniture	17,929,881	0	17,929,881	0.855
		<u>\$302,854,681</u>	<u>\$ 10,049,386</u>	<u>\$312,904,067</u>	<u>14.89%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$2,100,049,445 which is the City's Total Taxable Value for the fiscal year ended June 30, 2021. 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, 2017 Through 2021

	Fiscal Years Ended or Ending June 30				
	2017	2018	2019	2020	2021 (2)
State Sales Tax.....	\$ 4,046,767	\$ 4,217,410	\$ 4,373,343	\$ 4,351,202	\$ 3,568,700
Liquor License Fees.....	<u>26,711</u>	<u>25,402</u>	<u>24,464</u>	<u>27,799</u>	<u>24,000</u>
Total Revenues From the State of Michigan	<u>\$ 4,073,478</u>	<u>\$ 4,242,812</u>	<u>\$ 4,397,807</u>	<u>\$ 4,379,001</u>	<u>\$ 3,592,700</u>
Percent of General Fund Revenue.....	13.43%	13.66%	13.40%	13.97%	10.77%

(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, 2020.

Debt Limit (1)	\$ 261,649,290
Debt Outstanding.....	\$6,213,672
Less: Exempt Debt.....	<u>4,288,672</u>
Legal Debt Margin.....	<u>\$ 259,724,290</u>

(1) 10% of \$2,616,492,900 which is the City's Total SEV for the fiscal year ending June 30, 2021. 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, 2020 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	\$ 1,925,000	\$ 0	\$ 1,925,000
Dated May 5, 2015 (4).....	0	0	0
Dated March 19, 2009	0	0	0
Dated September 17, 2013	<u>4,288,672</u>	<u>4,288,672</u>	<u>0</u>
Total	<u>\$ 6,213,672</u>	<u>\$ 4,288,672</u>	<u>\$ 1,925,000</u>
Per Capita Net City Direct Debt (1)			\$ 39.52
Percent of Net Direct Debt to Total SEV (2).....			0.07%
<u>Overlapping Debt (3)</u>	<u>Gross</u>	Percent of <u>Gross</u>	<u>City Share</u>
Kentwood School District	\$ 72,995,000	68.86%	\$ 50,264,357
Caledonia School District.....	146,792,338	8.87	13,020,480
Forest Hills School District	113,505,000	5.82	6,605,991
Kelloggsville School District	46,775,000	36.61	17,124,328
Kent County	126,915,000	8.19	10,394,339
Grand Rapids Community College	<u>31,730,000</u>	7.92	<u>2,513,016</u>
Total Overlapping Debt	<u>\$ 538,712,338</u>		<u>\$ 99,922,511</u>
Total Direct & Overlapping Debt.....	<u>\$ 544,926,010</u>		<u>\$ 101,847,511</u>
Per Capita Net Overlapping Debt (1)			\$2,051.50
Percent of Net Overlapping Debt to Total SEV (2).....			3.82%
Per Capita Net Direct and Overlapping Debt (1).....			\$2,091.02
Percent of Net Direct and Overlapping Debt to Total SEV (2)			3.89%

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

(2) Based on \$2,616,492,900 which is the City's Total SEV for the fiscal year ending June 30, 2021. 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.