



CITY OF KENTWOOD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF KENTWOOD

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INDEPENDENT AUDITORS' REPORT

November 24, 2021

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, 2021, 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, 2021, 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 56 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 and continuing disclosure sections are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021 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.

Uroderwald 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, 2021.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2021 fiscal year as follows:

In fiscal year 2021, the City's taxable property values increased by approximately 1.5% 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 62% from the previous fiscal year. State shared revenue, the City's second largest revenue source, increased approximately 13.5% from the previous fiscal year related to increased state sales tax collections.

Fiscal year 2021 was a year of continued capital investment for the City, including:

- Street rehabilitation projects commenced, continued and completed with a total investment of approximately \$5.7 million from City funds and grant sources;
- Water main improvements associated with street projects totaling approximately \$1.4 million;
- Park improvement 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 & sewer camera and commencement of building a fire engine.

City of Kentwood Net Position

Governmental activities. Governmental activities increased the City's net position by \$10,068,686. Key elements of this increase are as follows:

- Infrastructure improvements partially funded by 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; 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 \$1,155,850. 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, local 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 \$143,217,120 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>	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 65,263,054	\$ 57,418,316	\$13,568,531	\$13,504,807	\$ 78,831,585	\$ 70,923,123
Capital assets	65,077,020	63,114,922	17,466,753	16,823,771	82,543,773	79,938,693
Total assets	130,340,074	120,533,238	31,035,284	30,328,578	161,375,358	150,861,816
Deferred outflows of resources	343,998	455,189	-	-	343,998	455,189
Liabilities						
Current liabilities	6,023,989	3,974,951	914,839	1,093,983	6,938,828	5,068,934
Long-term liabilities	6,134,996	7,193,342	4,018,672	4,288,672	10,153,668	11,482,014
Total liabilities	12,158,985	11,168,293	4,933,511	5,382,655	17,092,496	16,550,948
Deferred inflows of resources	1,409,740	2,773,473	-	-	1,409,740	2,773,473
Net position						
Net investment in capital assets	58,352,164	55,360,101	13,178,081	12,270,099	71,530,245	67,630,200
Restricted	28,312,001	27,808,348	-	-	28,312,001	27,808,348
Unrestricted (deficit)	30,451,182	23,878,212	12,923,692	12,675,824	43,374,874	36,554,036
Total net position	\$117,115,347	\$107,046,661	\$26,101,773	\$24,945,923	\$143,217,120	\$131,992,584

By far the largest portion of the City's net position in the amount of 50% 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 20% 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 \$43,374,874 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, 2021, was \$51,913,052 while total cost of all programs and services was \$40,688,516. This results in an increase in net position of \$11,224,536. 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>	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 4,135,205	\$ 4,099,808	\$ 6,955,180	\$ 6,582,938	\$ 11,090,385	\$ 10,682,746
Operating grants and contributions	12,740,542	8,151,999	43,347	231,053	12,783,889	8,383,052
Capital grants and contributions	2,119,960	5,315,068	-	-	2,119,960	5,315,068
General revenues						
Property taxes	20,041,405	19,512,309	-	-	20,041,405	19,512,309
Franchise fees	586,443	591,805	-	-	586,443	591,805
State shared revenues	4,948,232	4,378,144	-	-	4,948,232	4,378,144
Investment earnings (loss)	132,253	1,935,055	27,200	434,161	159,453	2,369,216
Other	181,086	215,941	2,199	5,396	183,285	221,337
Total revenues	44,885,126	44,200,129	7,027,926	7,253,548	51,913,052	51,453,677
Expenses						
Judicial	2,014,003	1,907,120	-	-	2,014,003	1,907,120
General government	4,325,572	4,538,297	-	-	4,325,572	4,538,297
Public safety	17,994,913	18,251,989	-	-	17,994,913	18,251,989
Public works	7,693,226	10,486,557	-	-	7,693,226	10,486,557
Community and economic development	480,915	477,227	-	-	480,915	477,227
Culture and recreation	2,257,401	2,504,989	-	-	2,257,401	2,504,989
Interest on long-term debt	50,410	59,637	-	-	50,410	59,637
Water	-	-	3,088,290	2,975,414	3,088,290	2,975,414
Sewer	-	-	2,783,786	3,605,181	2,783,786	3,605,181
Total expenses	34,816,440	38,225,816	5,872,076	6,580,595	40,688,516	44,806,411
Increase (decrease) in net position	10,068,686	5,974,313	1,155,850	672,953	11,224,536	6,647,266
Net position – beginning	107,046,661	101,072,348	24,945,923	24,272,970	131,992,584	125,345,318
Net position – ending	\$117,115,347	\$107,046,661	\$26,101,773	\$24,945,923	\$143,217,120	\$131,992,584

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$10,068,686 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 \$1,155,850 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 \$55,502,039, an increase of \$5,862,957 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 \$6,233,772, an increase of \$131,580. 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 \$5,474,149 or approximately 16% 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 \$14,720,815, an increase of \$638,728 from the previous year.

The major and local streets funds are used to account the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended. The major streets fund balance at the end of the year amounted to \$7,858,388, an increase of \$445,182 from the previous year. The local streets fund balance at the end of the year amounted to \$503,181, an increase of \$2,439 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 \$11,823,713, an increase of \$4,446,040 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 \$7,328,117, an increase of \$833,969 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 \$4,274,859 and \$8,648,833 respectively. The water fund had an increase in net position for the year of \$690,676 while the sewer fund had an increase of \$465,174. 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, 2021, which was related to year-end estimates prepared during the FY 2022 budget process.
- General Fund revenue budget to actual variances are due to several factors including higher than budgeted revenue sharing and State Essential Services Assessment distributions; COVID pandemic-related federal grant revenues received; federal and state grant revenues that vary with related costs; fee revenue that changes with economic activity; and decreased investment income, charges for services and collections of fines and forfeitures.
- General fund expenditure budget to actual variances are due to several factors including staffing vacancies, rehires, reassignments and other changes; employee benefits costs that varied from

amounts budgeted; variations in contractual services and supplies needed; and changes in customer utilization of activities.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$82,543,773 (net of accumulated depreciation). Of this amount, \$65,077,020 was for its governmental type activities and \$17,466,753 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 \$11,053,668. Of this amount, \$6,764,996 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 2021-2022 fiscal year:

- Property values are expected to increase by approximately 4%, 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 5.4%, based on early MI Department of Treasury estimates;
- Compensation and employee benefits for City employees are estimated and included in the FY 2022 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 2022. 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, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Brownfield Redevelopment Authority
Assets					
Cash and pooled investments	\$ 56,996,688	\$ 11,979,472	\$ 68,976,160	\$ 735,141	\$ 105,820
Receivables					
Accounts	1,066,529	1,585,333	2,651,862	-	-
Special assessments	1,300,348	-	1,300,348	-	-
Interest	54,854	-	54,854	-	-
Loans	135,061	-	135,061	23,287	-
Due from other governments	1,945,546	-	1,945,546	-	-
Inventory	32,798	-	32,798	-	-
Prepaid items	910,325	3,726	914,051	-	-
Net pension asset	1,126,058	-	1,126,058	-	-
Net OPEB asset	1,694,847	-	1,694,847	-	-
Capital assets					
Land and construction in progress	7,852,646	544,684	8,397,330	-	-
Depreciable capital assets, net	57,224,374	16,922,069	74,146,443	-	-
Total assets	130,340,074	31,035,284	161,375,358	758,428	105,820
Deferred outflows of resources					
Loss on advance bond refundings	40,140	-	40,140	-	-
OPEB related	350	-	350	-	-
Pension related	303,508	-	303,508	-	-
Total deferred outflows of resources	343,998	-	343,998	-	-
Liabilities					
Accounts payable	2,435,235	644,839	3,080,074	5,000	26,559
Customer deposits	425,657	-	425,657	-	-
Due to other governments	4,083	-	4,083	-	-
Unearned revenue	2,529,014	-	2,529,014	-	-
Current portion of long-term debt	630,000	270,000	900,000	-	-
Noncurrent liabilities					
Long-term debt	6,134,996	4,018,672	10,153,668	-	-
Total liabilities	12,158,985	4,933,511	17,092,496	5,000	26,559
Deferred inflows of resources					
OPEB related	362,861	-	362,861	-	-
Pension related	1,046,879	-	1,046,879	-	-
Total deferred inflows of resources	1,409,740	-	1,409,740	-	-
Net Position					
Net investment in capital assets	58,352,164	13,178,081	71,530,245	-	-
Restricted for					
Police and fire services	14,720,815	-	14,720,815	-	-
Drug law enforcement	216,500	-	216,500	-	-
Public works activities	11,979,239	-	11,979,239	-	-
Community development	155,567	-	155,567	-	-
Culture and recreation	1,239,880	-	1,239,880	-	-
Unrestricted	30,451,182	12,923,692	43,374,874	753,428	79,261
Total net position	\$ 117,115,347	\$ 26,101,773	\$ 143,217,120	\$ 753,428	\$ 79,261

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

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<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>Capital</u>	
			<u>Grants and</u>	
			<u>Contributions</u>	
Primary government				
Governmental activities				
Judicial	\$ 2,014,003	\$ 805,764	\$ 56,728	\$ -
General government	4,325,572	1,549,667	912,848	-
Public safety	17,994,913	1,375,531	5,232,666	-
Public works	7,693,226	22,299	6,466,632	2,119,960
Community and economic development	480,915	31,280	-	-
Culture and recreation	2,257,401	350,664	71,668	-
Interest expense	50,410	-	-	-
Total governmental activities	34,816,440	4,135,205	12,740,542	2,119,960
Business-type activities				
Water	3,088,290	3,768,664	-	-
Sewer	2,783,786	3,186,516	43,347	-
Total business-type activities	5,872,076	6,955,180	43,347	-
Total primary government	\$ 40,688,516	\$ 11,090,385	\$ 12,783,889	\$ 2,119,960
Component units				
Economic Development Corporation	\$ 19,013	\$ 17,500	\$ 1,159	\$ -
Brownfield Redevelopment Authority	382,438	-	-	-
Total component units	\$ 401,451	\$ 17,500	\$ 1,159	\$ -

(continued)

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

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation	Brownfield Redevelopment Authority
Changes in net position					
Net (expense) revenue	<u>\$ (15,820,733)</u>	<u>\$ 1,126,451</u>	<u>\$ (14,694,282)</u>	<u>\$ (354)</u>	<u>\$ (382,438)</u>
General revenues					
Property taxes					
General operating	6,251,704	-	6,251,704	-	-
Police and fire	13,059,826	-	13,059,826	-	-
Other purposes	729,875	-	729,875	-	389,739
Franchise fees	586,443	-	586,443	-	-
State shared revenues	4,948,232	-	4,948,232	-	-
Interest	132,253	27,200	159,453	1,645	271
Gain on sale of capital assets	102,909	2,199	105,108	-	-
Other general revenues	<u>78,177</u>	<u>-</u>	<u>78,177</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>25,889,419</u>	<u>29,399</u>	<u>25,918,818</u>	<u>1,645</u>	<u>390,010</u>
Change in net position	10,068,686	1,155,850	11,224,536	1,291	7,572
Net position, beginning 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>
Net position, end of year	<u>\$ 117,115,347</u>	<u>\$ 26,101,773</u>	<u>\$ 143,217,120</u>	<u>\$ 753,428</u>	<u>\$ 79,261</u>

(concluded)

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

CITY OF KENTWOOD

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

		Special Revenue Funds			Capital Projects		Nonmajor	
	General	Police and	Major	Local	Property	General	Governmental	Total
	Fund	Fire Millage	Streets	Streets	and Building	Projects	Funds	
Assets								
Cash and pooled investments	\$ 5,563,942	\$ 14,720,743	\$ 7,285,518	\$ 711,483	\$ 11,948,977	\$ 6,988,320	\$ 9,572,299	\$ 56,791,282
Accounts receivable	902,216	119,857	15,416	6,627	-	-	22,413	1,066,529
Special assessments receivable	-	-	-	-	-	1,300,348	-	1,300,348
Interest receivable	-	-	-	-	-	54,854	-	54,854
Loans receivable	-	-	-	-	-	-	135,061	135,061
Due from other governments	1,002,534	-	705,959	222,053	-	-	15,000	1,945,546
Inventory	32,798	-	-	-	-	-	-	32,798
Prepaid items	510,325	-	-	-	-	-	-	510,325
Total assets	\$ 8,011,815	\$ 14,840,600	\$ 8,006,893	\$ 940,163	\$ 11,948,977	\$ 8,343,522	\$ 9,744,773	\$ 61,836,743
Liabilities, deferred inflows and fund balance								
Accounts payable	\$ 729,571	\$ -	\$ 138,505	\$ 436,982	\$ 125,264	\$ 23,512	\$ 73,631	\$ 1,527,465
Accrued liabilities	574,524	-	-	-	-	-	-	574,524
Customer deposits	415,657	-	10,000	-	-	-	-	425,657
Unearned revenue	-	-	-	-	-	-	2,529,014	2,529,014
Due to other governments	1,012	-	-	-	-	-	3,071	4,083
Total liabilities	1,720,764	-	148,505	436,982	125,264	23,512	2,605,716	5,060,743
Deferred inflows								
Unavailable revenues	57,279	119,785	-	-	-	991,893	105,004	1,273,961
Fund balances								
Nonspendable								
Long term receivable	-	-	-	-	-	363,309	36,748	400,057
Inventory	32,798	-	-	-	-	-	-	32,798
Prepaid items	510,325	-	-	-	-	-	-	510,325
Restricted								
Streets	-	-	7,858,388	503,181	-	-	1,470,542	9,832,111
Police and Fire	-	14,720,815	-	-	-	-	-	14,720,815
Public works	-	-	-	-	-	-	2,147,128	2,147,128
Community development	-	-	-	-	-	-	155,567	155,567
Culture and recreation	-	-	-	-	-	-	1,239,880	1,239,880
Drug law enforcement	216,500	-	-	-	-	-	-	216,500
Assigned								
Capital projects	-	-	-	-	11,823,713	6,964,808	1,984,188	20,772,709
Unassigned	5,474,149	-	-	-	-	-	-	5,474,149
Total fund balances	6,233,772	14,720,815	7,858,388	503,181	11,823,713	7,328,117	7,034,053	55,502,039
Total liabilities, deferred inflows, and fund balances	\$ 8,011,815	\$ 14,840,600	\$ 8,006,893	\$ 940,163	\$ 11,948,977	\$ 8,343,522	\$ 9,744,773	\$ 61,836,743

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, 2021

Fund balances - governmental funds	\$ 55,502,039
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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	7,852,646
Add - capital assets being depreciated, net	57,224,374

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	991,893
Add - deferred inflows for delinquent personal property taxes receivable	183,755
Add - deferred inflows for housing rehabilitation loans receivable	98,313

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	280,841
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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	(1,925,000)
Deduct - landfill clean-up and other costs	(2,906,645)
Deduct - compensated absences payable	(1,933,351)
Deduct - accrued interest on bonds payable	(8,681)
Add - net OPEB asset	1,694,847
Deduct - deferred inflows related to OPEB	(362,861)
Add - deferred outflows related to OPEB	350
Add - net pension asset	1,126,058
Deduct - deferred inflows related to pensions	(1,046,879)
Add - deferred outflows related to pensions	303,508
Add - deferred loss on bond refunding	40,140

Net position of governmental activities	<u>\$ 117,115,347</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, 2021

	Special Revenue Funds			Capital Projects		Nonmajor		
	General Fund	Police and Fire Millage	Major Streets	Local Streets	Property and Building	General Projects	Governmental Funds	Total
Revenues								
Taxes	\$ 6,223,842	\$ 13,001,555	\$ -	\$ -	\$ -	\$ -	\$ 726,622	\$ 19,952,019
Special assessments	-	-	-	-	-	501,412	5,942	507,354
Intergovernmental								
Federal	2,349,657	-	-	-	-	-	1,443,021	3,792,678
State	5,783,067	1,282,246	4,298,126	1,356,126	25,818	-	423,623	13,169,006
Local	80,492	-	-	-	-	-	-	80,492
Licenses and permits	2,032,423	-	-	-	-	-	-	2,032,423
Charges for services	1,642,950	-	-	-	28,640	-	450,000	2,121,590
Fines and forfeitures	952,069	-	-	-	-	-	-	952,069
Interest	17,857	47,038	16,449	1,022	16,073	89,003	19,842	207,284
Miscellaneous	317,741	-	7,044	15,205	-	-	19,963	359,953
Total revenues	<u>19,400,098</u>	<u>14,330,839</u>	<u>4,321,619</u>	<u>1,372,353</u>	<u>70,531</u>	<u>590,415</u>	<u>3,089,013</u>	<u>43,174,868</u>
Expenditures								
Current								
Judicial	1,841,249	-	-	-	-	-	172,754	2,014,003
General government	3,545,804	-	-	-	-	-	-	3,545,804
Public safety	18,074,515	20,000	-	-	-	-	40,285	18,134,800
Highway and streets	-	-	3,689,219	1,887,113	-	-	447,810	6,024,142
Public works	2,129,238	-	-	-	-	-	479,088	2,608,326
Community and economic development	480,915	-	-	-	-	-	1,120	482,035
Culture and recreation	1,413,206	-	-	-	-	-	20,000	1,433,206
Debt service								
Principal	-	-	-	-	-	-	615,000	615,000
Interest	-	-	-	-	-	-	39,335	39,335
Capital outlay	-	-	-	-	749,427	6,446	1,762,296	2,518,169
Total expenditures	<u>27,484,927</u>	<u>20,000</u>	<u>3,689,219</u>	<u>1,887,113</u>	<u>749,427</u>	<u>6,446</u>	<u>3,577,688</u>	<u>37,414,820</u>
Revenues over (under) expenditures	<u>(8,084,829)</u>	<u>14,310,839</u>	<u>632,400</u>	<u>(514,760)</u>	<u>(678,896)</u>	<u>583,969</u>	<u>(488,675)</u>	<u>5,760,048</u>
Other financing sources (uses)								
Transfers in	14,188,135	-	237,782	517,199	5,124,919	250,000	2,110,626	22,428,661
Transfers out	(5,972,126)	(13,672,111)	(425,000)	-	-	-	(2,359,424)	(22,428,661)
Proceeds from sale of capital assets	400	-	-	-	17	-	102,492	102,909
Total other financing sources (uses)	<u>8,216,409</u>	<u>(13,672,111)</u>	<u>(187,218)</u>	<u>517,199</u>	<u>5,124,936</u>	<u>250,000</u>	<u>(146,306)</u>	<u>102,909</u>
Net changes in fund balances	131,580	638,728	445,182	2,439	4,446,040	833,969	(634,981)	5,862,957
Fund balances, beginning of year	<u>6,102,192</u>	<u>14,082,087</u>	<u>7,413,206</u>	<u>500,742</u>	<u>7,377,673</u>	<u>6,494,148</u>	<u>7,669,034</u>	<u>49,639,082</u>
Fund balances, end of year	<u>\$ 6,233,772</u>	<u>\$ 14,720,815</u>	<u>\$ 7,858,388</u>	<u>\$ 503,181</u>	<u>\$ 11,823,713</u>	<u>\$ 7,328,117</u>	<u>\$ 7,034,053</u>	<u>\$ 55,502,039</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, 2021

Net changes in fund balances - total governmental funds	\$ 5,862,957
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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	7,180,327
Deduct - depreciation expense	(5,218,229)

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	(392,163)
Add - increase in personal property taxes receivable	89,386
Deduct - increase in deferred housing rehabilitation loans	(20,752)

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	615,000
Deduct - amortization of deferred loss on bond refunding	(13,381)
Add - decrease in landfill clean-up liability	630,649

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	(202,303)
Deduct - decrease in deferred outflows related to OPEB	(131)
Deduct - increase in deferred inflows related to OPEB	(160,100)
Add - increase in net OPEB asset	401,433
Deduct - decrease in deferred outflows related to pensions	(97,679)
Add - decrease in deferred inflows related to pensions	1,523,833
Deduct - decrease in net pension asset	(392,161)
Add - decrease in accrued interest payable	2,306

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

Add - increase in net position from the internal service funds	<u>259,694</u>
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Change in net position of governmental activities	<u>\$ 10,068,686</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, 2021

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Assets				
Current assets				
Cash and pooled investments	\$ 3,782,544	\$ 8,196,928	\$ 11,979,472	\$ 205,406
Accounts receivable	933,146	652,187	1,585,333	-
Prepaid items	1,863	1,863	3,726	400,000
Total current assets	4,717,553	8,850,978	13,568,531	605,406
Noncurrent assets				
Capital assets not being depreciated	544,684	-	544,684	-
Capital assets being depreciated, net	13,520,101	3,401,968	16,922,069	-
Total noncurrent assets	14,064,785	3,401,968	17,466,753	-
Total assets	18,782,338	12,252,946	31,035,284	605,406
Liabilities				
Current liabilities				
Accounts payable	442,694	202,145	644,839	324,565
Current portion of long-term debt	270,000	-	270,000	-
Total current liabilities	712,694	202,145	914,839	324,565
Noncurrent liabilities				
Long-term debt	4,018,672	-	4,018,672	-
Total liabilities	4,731,366	202,145	4,933,511	324,565
Net Position				
Net investment in capital assets	9,776,113	3,401,968	13,178,081	-
Unrestricted	4,274,859	8,648,833	12,923,692	280,841
Total net position	\$ 14,050,972	\$ 12,050,801	\$ 26,101,773	\$ 280,841

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, 2021

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Operating revenues	\$ 3,768,664	\$ 3,186,516	\$ 6,955,180	\$ 3,393,131
Operating expense				
Administration	25,000	-	25,000	-
Contractual services	1,694,493	2,241,313	3,935,806	462,100
Depreciation	555,712	115,013	670,725	-
Claims	-	-	-	2,671,337
Supplies	408,899	69,137	478,036	-
Engineering	5,000	258,780	263,780	-
Rent	40,000	-	40,000	-
Utilities	122,272	8,607	130,879	-
Miscellaneous	149,816	90,936	240,752	-
Total operating expense	<u>3,001,192</u>	<u>2,783,786</u>	<u>5,784,978</u>	<u>3,133,437</u>
Operating income (loss)	<u>767,472</u>	<u>402,730</u>	<u>1,170,202</u>	<u>259,694</u>
Non-operating revenue (expense)				
Gain on sale of fixed assets	1,365	834	2,199	-
State grants	-	43,347	43,347	-
Interest expense	(87,098)	-	(87,098)	-
Interest income	8,937	18,263	27,200	-
Total non-operating revenue (expense)	<u>(76,796)</u>	<u>62,444</u>	<u>(14,352)</u>	<u>-</u>
Changes in net position	690,676	465,174	1,155,850	259,694
Net position, beginning of year	<u>13,360,296</u>	<u>11,585,627</u>	<u>24,945,923</u>	<u>21,147</u>
Net position, end of year	<u>\$ 14,050,972</u>	<u>\$ 12,050,801</u>	<u>\$ 26,101,773</u>	<u>\$ 280,841</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, 2021

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 3,704,537	\$ 3,150,701	\$ 6,855,238	\$ -
Receipts from interfund services	-	-	-	3,393,131
Receipts from operating grants	-	90,288	90,288	-
Payments to suppliers	(2,566,547)	(2,730,607)	(5,297,154)	(3,069,089)
Net cash provided by (used in) operating activities	<u>1,137,990</u>	<u>510,382</u>	<u>1,648,372</u>	<u>324,042</u>
Cash flows from non-capital financing activities				
Repayment of internal loans	-	-	-	(118,636)
Cash flows from capital and related financing activities				
Principal paid on bonds	(265,000)	-	(265,000)	-
Interest expense	(87,098)	-	(87,098)	-
Proceeds from sale of fixed assets	1,365	834	2,199	-
Acquisitions of capital assets	(1,313,707)	-	(1,313,707)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,664,440)</u>	<u>834</u>	<u>(1,663,606)</u>	<u>-</u>
Cash flows from investing activities				
Interest income (loss)	8,938	18,261	27,199	-
Net cash provided by (used in) investing activities	<u>8,938</u>	<u>18,261</u>	<u>27,199</u>	<u>-</u>
Net increase (decrease) in cash and pooled investments	(517,512)	529,477	11,965	205,406
Cash and pooled investments, beginning of year	<u>4,300,056</u>	<u>7,667,451</u>	<u>11,967,507</u>	<u>-</u>
Cash and pooled investments, end of year	<u>\$ 3,782,544</u>	<u>\$ 8,196,928</u>	<u>\$ 11,979,472</u>	<u>\$ 205,406</u>
Cash flows from operating activities				
Operating income (loss)	\$ 767,472	\$ 402,730	1,170,202	\$ 259,694
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	555,712	115,013	670,725	-
Operating grants	-	43,347	43,347	-
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	(64,127)	(35,815)	(99,942)	-
Due from other governments	-	46,941	46,941	-
Prepaid assets and other items	621	622	1,243	-
Accounts payable	(121,688)	(62,456)	(184,144)	64,348
Net cash provided by (used in) operating activities	<u>\$ 1,137,990</u>	<u>\$ 510,382</u>	<u>\$ 1,648,372</u>	<u>\$ 324,042</u>

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

CITY OF KENTWOOD

FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Pension and OPEB Trust Funds	<u>Custodial Fund</u> Tax Collection
Assets		
Cash and pooled investments	\$ -	\$ 126,434
Taxes receivable	1,680	577,162
Interest receivable	77,142	-
Investments		
Money market funds	1,501,376	-
Domestic fixed income securities	13,154,351	-
International fixed income securities	593,576	-
Domestic equity mutual funds	25,265,347	-
Mixed equity and fixed income funds	1,714,947	-
International equity mutual funds	295,697	-
Real estate investment trust funds	3,946,913	-
Total assets	<u>46,551,029</u>	<u>\$ 703,596</u>
Liabilities		
Due to other governments	-	\$ 703,596
Total liabilities	<u>-</u>	<u>703,596</u>
Net Position		
Restricted for pension and other post-employment benefits	<u>\$ 46,551,029</u>	<u>\$ -</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, 2021

	<u>Pension and OPEB Trust Funds</u>	<u>Tax Collection Custodial Fund</u>
Additions		
Contributions:		
Employer	\$ 368,000	\$ -
Plan participants	170,054	-
Total contributions	<u>538,054</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of securities	1,880,627	-
Interest	287,033	-
Dividends	350,431	-
Total investment income	2,518,091	-
Investment expense	<u>(86,876)</u>	<u>-</u>
Net investment income	<u>2,431,215</u>	<u>-</u>
Property taxes collected for other governments	<u>-</u>	<u>77,362,422</u>
Total additions	<u>2,969,269</u>	<u>77,362,422</u>
Deductions		
Pension benefits and health insurance premiums	1,678,095	-
Property taxes to other governments	-	77,362,422
Administrative expenses	<u>20,617</u>	<u>-</u>
Total deductions	<u>1,698,712</u>	<u>77,362,422</u>
Changes in net position	1,270,557	-
Net position, beginning of year	<u>45,280,472</u>	<u>-</u>
Net position, end of year	<u><u>\$ 46,551,029</u></u>	<u><u>\$ -</u></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, 2021

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 and 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 and 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, 2020.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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. 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, 2021

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 and local streets special revenue funds* are 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 funds* 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, 2021

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 defined benefit other post-employment benefits plan which provides post-employment benefits to the City's employees.

The custodial *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 certain additional 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 estimated by 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, 2021

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, 2021

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 \$10,000 (\$5,000 when grant funded) 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	10-50
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, 2021

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, 2021

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 custodial 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, 2021

During the year ended June 30, 2021, the City incurred the following expenditures in budgetary funds that were in excess of the amounts appropriated.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund			
General government			
Administration	\$ 274,800	\$ 465,725	\$ 190,925
Public works			
Engineering services	53,500	92,416	38,916
Transfers out	1,041,700	5,972,126	4,930,426
Federal grant special revenue fund	50,000	1,431,074	1,381,074

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	\$68,976,160	\$840,961	\$ 126,434	\$69,943,555
Investments	-	-	46,472,207	46,472,207
	<u>\$68,976,160</u>	<u>\$840,961</u>	<u>\$46,598,641</u>	<u>\$116,415,762</u>

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

Deposits	\$ 14,907,212
Investments	101,504,650
Petty cash	<u>3,900</u>
Total	<u>\$116,415,762</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the City's deposit 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, 2021

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Money market accounts	N/A	\$ 3,818,002	AAAm	S&P
Negotiable CDs	2023-2028	501,380	Unrated	N/A
Government securities:				
GNMA pools	2024-2051	26,515,605	N/A	N/A
Treasury notes	2021-2028	19,337,232	N/A	N/A
Fixed income securities:				
Franklin US Gov't securities fund	4 years	6,821,535	AAA	S&P
Domestic bonds & notes	2021-2053	12,694,388	See	Below
International bonds & notes	2021-2029	593,576	See	Below
Mixed equity and fixed income fund				
Vantagepoint MP Aggressive Fund	N/A	1,308,530	4star	Morning star
Vantagepoint MP Moderate Fund	N/A	406,447	3star	Morning star
Equity Securities:				
American Core Realty Fund	N/A	2,723,290	N/A	N/A
Blackrock Midcap Equity Index Fund	N/A	10,362,682	N/A	N/A
American Strategic Value Realty Fund	N/A	1,223,623	N/A	N/A
Large cap domestic equities	N/A	13,560,815	N/A	N/A
Small and mid-cap domestic equities	N/A	1,341,848	N/A	N/A
International equities	N/A	295,697	N/A	N/A
		<u>\$101,504,650</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	\$ 689,196
A-	726,550
A+	624,597
AA	79,369
AA-	470,012
AA+	6,110,427
AAA	1,094,110
BB	7,563
BB+	46,139
BBB	1,700,844
BBB-	675,876
BBB+	1,388,655
Unrated	325,374
Total	<u>\$13,287,964</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, 2021

- 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, \$14,799,012 of the City's bank balance of \$15,529,012 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 \$102,020,258 of investments, the City has custodial credit risk of \$76,555,518 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, \$25,464,740 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, \$295,697 is exposed to foreign currency risk.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2021 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>				<u>Total</u>
	<u>General fund</u>	<u>Police and fire millage</u>	<u>Major streets</u>	<u>Nonmajor governmental</u>	
General fund	\$ -	\$12,515,611	\$ -	\$1,672,524	\$14,188,135
Major streets	-	-	-	237,782	237,782
Local streets	-	-	425,000	92,199	517,199
Property and building fund	5,018,000	-	-	106,919	5,124,919
General Projects	-	-	-	250,000	250,000
Nonmajor funds	954,126	1,156,500	-	-	2,110,626
Total	\$5,972,126	\$13,672,111	\$425,000	\$2,359,424	\$22,428,661

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, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 4,627,573	\$ -	\$ -	\$ 4,627,573
Construction in progress	3,373,255	6,215,376	6,363,558	3,225,073
Total capital assets, not being depreciated	8,000,828	6,215,376	6,363,558	7,852,646
Capital assets, being depreciated				
Buildings	35,886,737	47,416	-	35,934,153
Land improvements	4,662,267	624,176	-	5,286,443
Equipment	7,562,695	574,920	-	8,137,615
Vehicles	9,777,960	342,616	501,173	9,619,403
Infrastructure	73,491,655	5,739,381	-	79,231,036
Total capital assets, being depreciated	131,381,314	7,328,509	501,173	138,208,650
Less accumulated depreciation for				
Buildings	20,041,905	1,346,398	-	21,388,303
Land improvements	2,414,462	197,949	-	2,612,411
Equipment	6,059,652	503,860	-	6,563,512
Vehicles	6,032,615	750,986	501,173	6,282,428
Infrastructure	41,718,586	2,419,036	-	44,137,622
Total accumulated depreciation	76,267,220	5,218,229	501,173	80,984,276
Net capital assets, being depreciated	55,114,094	2,110,280	-	57,224,374
Governmental Activities capital assets, net	\$63,114,922	\$8,325,656	\$6,363,558	\$65,077,020

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Construction in progress	564,479	1,313,707	1,394,451	483,735
Total capital assets, not being depreciated	625,428	1,313,707	1,394,451	544,684
Capital assets being depreciated				
Building	260,229	-	-	260,229
Equipment	2,377,565	-	-	2,377,565
Meters	1,488,644	-	-	1,488,644
Water mains	17,105,502	1,394,451	-	18,499,953
Sewer mains	16,795,244	-	-	16,795,244
Storage	3,709,987	-	-	3,709,987
Total capital assets, being depreciated	41,737,171	1,394,451	-	43,131,622
Less accumulated depreciation for				
Building	210,286	4,116	-	214,402
Equipment	867,861	57,688	-	925,549
Meters	1,054,547	39,497	-	1,094,044
Water mains	7,218,702	358,487	-	7,577,189
Sewer mains	13,299,076	109,196	-	13,408,272
Storage	2,888,356	101,741	-	2,990,097
Total accumulated depreciation	25,538,828	670,725	-	26,209,553
Net capital assets, being depreciated	16,198,343	723,726	-	16,922,069
Business-type Activities capital assets, net	\$16,823,771	\$2,037,433	\$1,394,451	\$17,466,753

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

Governmental Activities	
General government	\$ 829,147
Public safety	746,114
Public works and streets	2,881,210
Culture and recreation	761,758
	<hr/>
Total depreciation expense - governmental activities	\$5,218,229
	<hr/>
Business-type Activities	
Water	\$555,712
Sewer	115,013
	<hr/>
Total depreciation expense – business-type activities	\$670,725
	<hr/>

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, 2020):

Active plan members	30
Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled but not yet receiving benefits	<u>9</u>
Total	<u>86</u>

Contributions

The City of Kentwood Employee Pension Plan was established and is being funded under the authority of the City Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is that employees will contribute a fixed portion of their pay at rates specified in the plan document, and the employer will contribute any remaining required amounts as determined by an annual actuarial valuation. Current rates of employee contributions are 6% of compensation for police-patrol participants, 6.5% of compensation for police-supervisory participants, 7% for firefighter participants, and 4% for KGEA, non-union hourly 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, 2020, 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, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.5%
- 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-2019.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 4.7 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, 2021

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 12/31/19	\$42,440,483	\$43,958,702	\$(1,518,219)
Changes for the Year:			
Service cost	335,846	-	335,846
Interest	2,726,242	-	2,726,242
Change in benefits	-	-	-
Differences between expected and actual experience	(12,714)	-	(12,714)
Change in assumptions	(111,542)	-	(111,542)
Contributions : employer	-	368,000	(368,000)
Contributions: employee	-	170,054	(170,054)
Net investment income	-	2,023,812	(2,023,812)
Benefit payments, including refunds	(1,668,291)	(1,668,291)	-
Administrative expense	-	(16,195)	16,195
Other changes	-	-	-
Net changes	1,269,541	877,380	392,161
Balance at 12/31/20	\$43,710,024	\$44,836,082	\$(1,126,058)

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	\$48,789,816	\$43,710,024	\$39,466,639
Fiduciary net position	(44,836,082)	(44,836,082)	(44,836,082)
Net pension liability (asset)	\$ 3,953,734	\$(1,126,058)	\$(5,369,443)

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

For the year ended June 30, 2021 the employer recognized pension expense of \$732,993. 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	\$ -	\$ 32,812
Change in assumptions	2,508	-
Excess(deficit) investment returns	-	1,014,067
Contributions subsequent to the Measurement date*	301,000	-
Total	\$303,508	\$1,046,879

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

* 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, 2022.

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

2022	\$ (421,025)
2023	(64,364)
2024	(718,232)
2025	159,250
2026	-
Thereafter	-
	<hr/>
Total	<u>\$(1,044,371)</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 \$1,308,893 and plan members contributed \$607,176 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, 2021

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2021):

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, 2021, 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, 2021 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: None assumes; only pre-65 benefits are provided

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, 2021

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

Rate of return. For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 30.96 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 has stayed the same as the prior year rate.

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, 2020	\$28,356	\$1,321,770	\$(1,293,414)
Changes for the Year:			
Service cost	-	-	-
Interest	1,548	-	1,547
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions : employer	-	-	-
Contributions: employee	-	-	-
Net investment income	-	407,403	(407,403)
Benefit payments, including refunds	(9,804)	(9,804)	-
Administrative expense	-	(4,422)	4,422
Other changes	-	-	-
Net changes	(8,256)	393,177	(401,433)
Balance at June 30, 2021	\$20,100	\$1,714,947	\$(1,694,847)

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 20,321	\$ 20,099	\$ 19,881
Fiduciary net position	1,714,946	1,714,946	1,714,946
Net OPEB liability (asset)	\$(1,694,625)	\$(1,694,847)	\$(1,695,065)

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, 2021 the employer recognized OPEB expense of \$(241,202). 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	\$ -	\$107,224
Change in assumptions	350	-
Excess (deficit) investment returns	-	255,637
Total	\$350	\$362,861

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

2022	\$ (124,157)
2023	(108,457)
2024	(65,510)
2025	(64,387)
2026	-
Thereafter	-
Total	<u>\$(362,511)</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 \$209,525 and employees contributed \$67,952 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, 2021

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	\$ -	\$ -	\$ -
Contributions receivable	1,680	-	1,680
Interest receivable	77,142	-	77,142
Investments			
Money market funds	1,501,376	-	1,501,376
Domestic fixed income mutual funds	13,154,351	-	13,154,351
International fixed income mutual funds	593,576	-	593,576
Domestic equity mutual funds	25,265,347	-	25,265,347
Mixed equity and fixed income securities	-	1,714,947	1,714,947
International equity mutual funds	295,697	-	295,697
Real estate investment trust funds	3,946,913	-	3,946,913
Total assets	44,836,082	1,714,947	46,551,029
Liabilities			
Accounts payable	-	-	-
Total liabilities	-	-	-
Net position			
Restricted for pension and other post-employment benefits	\$44,836,082	\$1,714,947	\$46,551,029

Statement of Changes in Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 368,000	\$ -	\$ 368,000
Employee	170,054	-	170,054
Total Contributions	538,054	-	538,054
Investment income			
Change in investment fair value	1,473,224	407,403	1,880,627
Interest	287,033	-	287,033
Dividends	350,431	-	350,431
Total investment income	2,110,688	407,403	2,518,091
Investment expense	(86,876)	-	(86,876)
Net investment income	2,023,812	407,403	2,431,215
Total Additions	2,561,866	407,403	2,969,269
Deductions			
Benefits	1,668,291	9,804	1,678,095
Administrative expense	16,195	4,422	20,617
Total deductions	1,684,486	14,226	1,698,712
Change in net position	877,380	393,177	1,270,557
Net position, beginning of year	43,958,702	1,321,770	45,280,472
Net position, end of year	\$44,836,082	\$1,714,947	\$46,551,029

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</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%	\$2,540,000	\$ -	\$615,000	\$1,925,000	\$630,000
Total bonds payable	2,540,000	-	615,000	1,925,000	630,000
Compensated absences	1,731,048	202,303	-	1,933,351	-
Landfill clean-up and other costs	3,537,294	-	630,649	2,906,645	-
Total Governmental Activities	\$7,808,342	\$202,303	\$1,245,649	\$6,764,996	\$630,000
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%.	\$4,553,672	\$ -	\$265,000	\$4,288,672	\$270,000
Total Business-type Activities	\$4,553,672	\$ -	\$265,000	\$4,288,672	\$270,000

Compensated absences are generally liquidated by the general fund.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The annual requirements to amortize all bonded debt outstanding as of June 30, 2021 are as follows:

Year Ended June 30	Governmental Activities Public Offerings		Business-type Activities Private Placement	
	Principal	Interest	Principal	Interest
2022	\$ 630,000	\$29,683	\$ 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	-	-	290,000	60,674
2027-2031	-	-	1,540,000	213,170
2032-2036	-	-	1,348,672	54,701
Total	\$1,925,000	\$55,534	\$4,288,672	\$ 627,741

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 \$145,825,000.

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, 2021

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 \$293,031 reported at June 30, 2021 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, 2021 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>
2020	\$18,299	\$249,874	\$253,716	\$14,457
2021	14,457	289,643	291,753	12,347

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>
2020	\$ 226,351	\$2,620,943	\$2,624,038	\$223,256
2021	223,256	2,381,694	2,324,266	280,684

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, 2021

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 \$14,533,225 of which the City would be responsible for \$2,906,645. 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, 2021, the City has accounted for the \$2,906,645 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 \$217,000.

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 \$73,000.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 \$71,000.

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 \$132,000.

13. COMMITMENTS

The City has outstanding commitments at year end of approximately \$520,000 for service agreements through 2025.

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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 6,259,600	\$ 6,259,600	\$ 6,223,842	\$ (35,758)
Intergovernmental				
Federal	-	-	2,349,657	2,349,657
State	4,207,400	4,207,400	5,783,067	1,575,667
Local	66,500	66,500	80,492	13,992
Licenses and permits	1,737,000	1,927,000	2,032,423	105,423
Charges for services	1,703,900	1,703,900	1,642,950	(60,950)
Fines and forfeitures	1,270,000	1,270,000	952,069	(317,931)
Interest	140,000	140,000	17,857	(122,143)
Miscellaneous	220,800	220,800	317,741	96,941
Total revenues	15,605,200	15,795,200	19,400,098	3,604,898
Expenditures				
Current				
Judicial	1,818,700	1,848,700	1,841,249	7,451
General government	3,397,300	3,547,300	3,545,804	1,496
Public safety	19,371,300	19,371,300	18,074,515	1,296,785
Public works	2,218,100	2,218,100	2,129,238	88,862
Community and economic development	478,200	488,200	480,915	7,285
Culture and recreation	1,685,800	1,685,800	1,413,206	272,594
Total expenditures	28,969,400	29,159,400	27,484,927	1,674,473
Revenues over (under) expenditures	(13,364,200)	(13,364,200)	(8,084,829)	5,279,371
Other financing source (uses)				
Transfers in	14,432,300	14,432,300	14,188,135	(244,165)
Transfers out	(1,041,700)	(1,041,700)	(5,972,126)	(4,930,426)
Proceeds from sale of capital assets	-	-	400	400
Total other financing sources (uses)	13,390,600	13,390,600	8,216,409	(5,174,191)
Net changes in fund balance	26,400	26,400	131,580	105,180
Fund balance, beginning of year	6,102,192	6,102,192	6,102,192	-
Fund balance, end of year	\$ 6,128,592	\$ 6,128,592	\$ 6,233,772	\$ 105,180

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, 2021

	<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				
Taxes	\$ 13,088,300	\$ 13,088,300	\$ 13,001,555	\$ (86,745)
Intergovernmental				
State	700,000	700,000	1,282,246	582,246
Interest income	<u>225,000</u>	<u>225,000</u>	<u>47,038</u>	<u>(177,962)</u>
Total revenues	14,013,300	14,013,300	14,330,839	317,539
Expenditures				
Current				
Public safety	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	13,993,300	13,993,300	14,310,839	317,539
Other financing source (uses)				
Transfers out	<u>(15,282,800)</u>	<u>(15,282,800)</u>	<u>(13,672,111)</u>	<u>1,610,689</u>
Total other financing sources (uses)	<u>(15,282,800)</u>	<u>(15,282,800)</u>	<u>(13,672,111)</u>	<u>1,610,689</u>
Net changes in fund balance	(1,289,500)	(1,289,500)	638,728	1,928,228
Fund balance, beginning of year	<u>14,082,087</u>	<u>14,082,087</u>	<u>14,082,087</u>	<u>-</u>
Fund balance, end of year	<u>\$ 12,792,587</u>	<u>\$ 12,792,587</u>	<u>\$ 14,720,815</u>	<u>\$ 1,928,228</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, 2021

	<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	\$ 4,570,500	\$ 4,570,500	\$ 4,298,126	\$ (272,374)
Interest	120,000	120,000	16,449	(103,551)
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>7,044</u>	<u>(2,956)</u>
Total revenues	4,700,500	4,700,500	4,321,619	(378,881)
Expenditures				
Current				
Highways and streets	<u>4,673,800</u>	<u>4,673,800</u>	<u>3,689,219</u>	<u>984,581</u>
Revenues over (under) expenditures	<u>26,700</u>	<u>26,700</u>	<u>632,400</u>	<u>605,700</u>
Other financing source (uses)				
Transfers in	394,000	394,000	237,782	(156,218)
Transfers out	<u>(885,000)</u>	<u>(885,000)</u>	<u>(425,000)</u>	<u>460,000</u>
Total other financing sources (uses)	<u>(491,000)</u>	<u>(491,000)</u>	<u>(187,218)</u>	<u>303,782</u>
Net changes in fund balance	(464,300)	(464,300)	445,182	909,482
Fund balance, beginning of year	<u>7,413,206</u>	<u>7,413,206</u>	<u>7,413,206</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,948,906</u>	<u>\$ 6,948,906</u>	<u>\$ 7,858,388</u>	<u>\$ 909,482</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, 2021

	<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	\$ 1,439,400	\$ 1,439,400	\$ 1,356,126	\$ (83,274)
Interest income	6,000	6,000	1,022	(4,978)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>15,205</u>	<u>205</u>
Total revenues	<u>1,460,400</u>	<u>1,460,400</u>	<u>1,372,353</u>	<u>(88,047)</u>
Expenditures				
Current				
Streets				
Engineering	252,300	252,300	203,056	49,244
Administration	90,000	90,000	90,000	-
Maintenance	465,000	465,000	253,834	211,166
Snow and ice removal	188,000	188,000	129,441	58,559
Traffic control	5,000	5,000	237	4,763
Miscellaneous	34,600	34,600	35,001	(401)
Capital outlay	<u>1,430,000</u>	<u>1,430,000</u>	<u>1,175,544</u>	<u>254,456</u>
Total expenditures	<u>2,464,900</u>	<u>2,464,900</u>	<u>1,887,113</u>	<u>577,787</u>
Revenues over (under) expenditures	(1,004,500)	(1,004,500)	(514,760)	489,740
Other financing source (uses)				
Transfers in	<u>1,005,000</u>	<u>1,005,000</u>	<u>517,199</u>	<u>(487,801)</u>
Total other financing sources (uses)	<u>1,005,000</u>	<u>1,005,000</u>	<u>517,199</u>	<u>(487,801)</u>
Net changes in fund balance	500	500	2,439	1,939
Fund balance, beginning of year	<u>500,742</u>	<u>500,742</u>	<u>500,742</u>	<u>-</u>
Fund balance, end of year	<u>\$ 501,242</u>	<u>\$ 501,242</u>	<u>\$ 503,181</u>	<u>\$ 1,939</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, 2021

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	335,846	\$ 421,114	\$ 416,954	\$ 397,526	\$ 465,982	\$ 493,973	\$ 531,938
Interest	2,726,242	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	(12,714)	(3,599)	4,953	242,663	110,834	(620,506)	(111,933)
Changes in assumptions	(111,542)	-	776,580	635,996	37,808	47,478	44,304
Benefit payments including employee refunds	<u>(1,668,291)</u>	<u>(2,152,093)</u>	<u>(1,466,190)</u>	<u>(1,329,108)</u>	<u>(1,218,071)</u>	<u>(1,109,797)</u>	<u>(3,429,435)</u>
Net change in total pension liability	1,269,541	921,580	2,263,358	2,329,888	1,678,331	1,031,234	(773,706)
Total pension liability, beginning of year	<u>42,440,483</u>	<u>41,518,903</u>	<u>39,255,545</u>	<u>36,925,657</u>	<u>35,247,326</u>	<u>34,216,092</u>	<u>34,989,798</u>
Total pension liability, end of year	<u>43,710,024</u>	<u>\$ 42,440,483</u>	<u>\$ 41,518,903</u>	<u>\$ 39,255,545</u>	<u>\$ 36,925,657</u>	<u>\$ 35,247,326</u>	<u>\$ 34,216,092</u>
Plan Fiduciary Net Position							
Contributions-employer	368,000	\$ 661,000	\$ 359,000	\$ 769,000	\$ 1,332,000	\$ 1,560,000	\$ 1,584,000
Contributions-employee	170,054	178,153	191,551	193,005	203,295	215,759	226,857
Net investment income	2,023,812	6,843,161	(694,173)	3,994,375	3,338,577	317,455	1,700,506
Benefit payments including employee refunds	(1,668,291)	(2,152,093)	(1,466,190)	(1,329,108)	(1,218,071)	(1,109,797)	(3,429,435)
Administrative expense	(16,195)	(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	877,380	5,512,511	(1,649,487)	3,502,218	3,620,787	803,913	(24,600)
Plan fiduciary net position, beginning of year	<u>43,958,702</u>	<u>38,446,191</u>	<u>40,095,678</u>	<u>36,593,460</u>	<u>32,972,673</u>	<u>32,168,760</u>	<u>32,193,360</u>
Plan fiduciary net position, end of year	<u>44,836,082</u>	<u>\$ 43,958,702</u>	<u>\$ 38,446,191</u>	<u>\$ 40,095,678</u>	<u>\$ 36,593,460</u>	<u>\$ 32,972,673</u>	<u>\$ 32,168,760</u>
Employer net pension liability (asset)	<u>\$ (1,126,058)</u>	<u>\$ (1,518,219)</u>	<u>\$ 3,072,712</u>	<u>\$ (840,133)</u>	<u>\$ 332,197</u>	<u>\$ 2,274,653</u>	<u>\$ 2,047,332</u>
Plan fiduciary net position as a percentage of the total pension liability	103%	104%	93%	102%	99%	94%	94%
Covered employee payroll	2,907,281	\$ 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	-39%	-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, 2021

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%
12/31/2020	368,000	368,000	-	2,907,281	13%

Notes to schedule

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of compensation
Remaining amortization period	3 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.50%
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-2019 improvement scale

SCHEDULE OF INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2021

Annual money-weighted rate of return
net of investment expense

12/31/2014	5.4%
12/31/2015	1.0%
12/31/2016	10.0%
12/31/2017	10.6%
12/31/2018	-1.8%
12/31/2019	18.1%
12/31/2020	4.7%

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, 2021

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ -	\$ -	\$ 12,605	\$ 14,710	\$ 45,288
Interest	1,547	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	(9,804)	(18,720)	(769,882)	(195,396)	(1,095,208)
Other	-	-	-	-	283
Net change in total OPEB liability	(8,257)	(31,579)	(868,485)	(193,187)	(1,189,644)
Total OPEB liability, beginning of year	28,356	59,935	928,420	1,121,607	2,311,251
Total OPEB liability, end of year	\$ 20,099	\$ 28,356	\$ 59,935	\$ 928,420	\$ 1,121,607
Plan Fiduciary Net Position					
Net investment income	\$ 407,402	\$ 39,625	\$ 101,519	\$ 200,918	\$ 330,921
Benefit payments including employee refunds	(9,804)	(18,720)	(769,882)	(195,396)	(1,095,208)
Administrative expense	(4,422)	(3,400)	(8,300)	(5,700)	(5,600)
Net change in plan fiduciary net position	393,176	17,505	(676,663)	(178)	(769,887)
Plan fiduciary net position, beginning of year	1,321,770	1,304,265	1,980,928	1,981,106	2,750,993
Plan fiduciary net position, end of year	\$ 1,714,946	\$ 1,321,770	\$ 1,304,265	\$ 1,980,928	\$ 1,981,106
Employer net OPEB liability (asset)	\$ (1,694,847)	\$ (1,293,414)	\$ (1,244,330)	\$ (1,052,508)	\$ (859,499)
Plan fiduciary net position as a percentage of the total OPEB liability	8532%	4661%	2176%	213%	177%
Covered employee payroll	n/a	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	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, 2021

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
6/30/2021	-	-	-	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, 2021

	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%
6/30/2021	30.96%

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 principles (GAAP).

**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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 6,259,600	\$ 6,259,600	\$ 6,223,842	\$ (35,758)
Intergovernmental				
Federal grants	-	-	2,349,657	2,349,657
Other state grants	593,000	593,000	789,111	196,111
Judge's salary subsidy	45,700	45,700	45,724	24
State shared revenue	3,568,700	3,568,700	4,948,232	1,379,532
Local grants	66,500	66,500	80,492	13,992
Total intergovernmental	4,273,900	4,273,900	8,213,216	3,939,316
Licenses and permits				
Permits and inspection fees	824,000	1,014,000	1,163,102	149,102
Local licenses	259,000	259,000	255,953	(3,047)
Franchise fees	630,000	630,000	586,443	(43,557)
State liquor licenses	24,000	24,000	26,925	2,925
Total licenses and permits	1,737,000	1,927,000	2,032,423	105,423
Charges for services				
Tax collection fees	955,000	955,000	988,061	33,061
Recreation fees	220,900	220,900	117,026	(103,874)
Police, fire and library fees	286,000	286,000	211,649	(74,351)
Cemetery	50,000	50,000	69,339	19,339
Zoning fees	21,000	21,000	31,280	10,280
Passport fees	61,000	61,000	45,828	(15,172)
Rental income	110,000	110,000	179,767	69,767
Total charges for services	1,703,900	1,703,900	1,642,950	(60,950)
Fines and forfeitures				
Court fines	1,130,000	1,130,000	805,764	(324,236)
Delinquent tax interest/penalties	140,000	140,000	146,305	6,305
Total fines and forfeitures	1,270,000	1,270,000	952,069	(317,931)
Interest income	140,000	140,000	17,857	(122,143)
Miscellaneous				
Insurance premium refunds	30,000	30,000	5,476	(24,524)
Miscellaneous	190,800	190,800	312,265	121,465
Total miscellaneous	220,800	220,800	317,741	96,941
Total revenues	15,605,200	15,795,200	19,400,098	3,604,898

(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, 2021

	<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	\$ 1,818,700	\$ 1,848,700	\$ 1,841,249	\$ 7,451
General government				
Administrative	174,800	274,800	465,725	(190,925)
Assessor	576,200	576,200	567,766	8,434
Treasurer	286,700	286,700	272,437	14,263
Information technology	601,500	601,500	533,818	67,682
City clerk	301,600	301,600	277,000	24,600
Human resources	262,800	272,800	258,867	13,933
Accounting	714,100	744,100	723,287	20,813
Executive	336,300	346,300	345,739	561
Elections	143,300	143,300	101,165	42,135
Total general government	3,397,300	3,547,300	3,545,804	1,496
Public safety				
Police	11,813,800	11,813,800	10,781,878	1,031,922
Fire	6,776,000	6,776,000	6,578,142	197,858
Inspections	781,500	781,500	714,495	67,005
Total public safety	19,371,300	19,371,300	18,074,515	1,296,785
Public works				
Department of public works	2,164,600	2,164,600	2,036,822	127,778
Engineering services	53,500	53,500	92,416	(38,916)
Total public works	2,218,100	2,218,100	2,129,238	88,862
Community and economic development				
Planning and zoning	478,200	488,200	480,915	7,285
Culture and recreation				
Recreation	1,349,100	1,349,100	1,139,122	209,978
Library	336,700	336,700	274,084	62,616
Total culture and recreation	1,685,800	1,685,800	1,413,206	272,594
Total expenditures	28,969,400	29,159,400	27,484,927	1,674,473
Revenues under expenditures	(13,364,200)	(13,364,200)	(8,084,829)	5,279,371
Other financing sources (uses)				
Transfers in	14,432,300	14,432,300	14,188,135	(244,165)
Transfers out	(1,041,700)	(1,041,700)	(5,972,126)	(4,930,426)
Proceeds from sale of capital assets	-	-	400	400
Total other financing sources (uses)	13,390,600	13,390,600	8,216,409	(5,174,191)
Net change in fund balance	26,400	26,400	131,580	105,180
Fund balance, beginning of year	6,102,192	6,102,192	6,102,192	-
Fund balance, end of year	\$ 6,128,592	\$ 6,128,592	\$ 6,233,772	\$ 105,180

(concluded)

CITY OF KENTWOOD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2021

	Special Revenue				
	<u>Housing</u> <u>Commission</u>	<u>Street</u> <u>Lighting</u>	<u>Landfill</u> <u>Remediation</u>	<u>Drain</u>	<u>Municipal</u> <u>Streets</u>
Assets					
Cash and pooled investments	\$ 151,415	\$ 130,921	\$ 1,507,681	\$ 638,497	\$ 1,372,736
Receivables					
Accounts	4,152	-	1,059	10,507	-
Loans	135,061	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>290,628</u>	<u>130,921</u>	<u>1,508,740</u>	<u>649,004</u>	<u>1,372,736</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	-	33,115	-	7,545	-
Unearned revenue	-	-	-	-	-
Due to other governments	-	-	-	3,071	-
Total liabilities	<u>-</u>	<u>33,115</u>	<u>-</u>	<u>10,616</u>	<u>-</u>
Deferred inflows					
Unavailable revenues	<u>98,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable					
Long-term receivable	36,748	-	-	-	-
Restricted					
Streets	-	97,806	-	-	1,372,736
Public works	-	-	1,508,740	638,388	-
Community development	155,567	-	-	-	-
Culture and recreation	-	-	-	-	-
Assigned					
Capital projects	-	-	-	-	-
Total fund balances	<u>192,315</u>	<u>97,806</u>	<u>1,508,740</u>	<u>638,388</u>	<u>1,372,736</u>
Total liabilities and fund balances	<u>\$ 290,628</u>	<u>\$ 130,921</u>	<u>\$ 1,508,740</u>	<u>\$ 649,004</u>	<u>\$ 1,372,736</u>

Special Revenue			Debt Service	Capital Projects			Total
<u>Library</u>	<u>Federal Grant</u>	<u>MIDC Grant</u>		<u>DPW Equipment</u>	<u>Fire Equipment</u>	<u>Police Equipment</u>	
\$ 1,239,876	\$ 2,525,961	\$ -	\$ -	\$ 1,003,095	\$ 490,722	\$ 511,395	\$ 9,572,299
6,695	-	-	-	-	-	-	22,413
-	-	-	-	-	-	-	135,061
-	3,053	-	-	-	-	11,947	15,000
<u>1,246,571</u>	<u>2,529,014</u>	<u>-</u>	<u>-</u>	<u>1,003,095</u>	<u>490,722</u>	<u>523,342</u>	<u>9,744,773</u>
-	-	-	-	742	-	32,229	73,631
-	2,529,014	-	-	-	-	-	2,529,014
-	-	-	-	-	-	-	3,071
-	2,529,014	-	-	742	-	32,229	2,605,716
<u>6,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,004</u>
-	-	-	-	-	-	-	36,748
-	-	-	-	-	-	-	1,470,542
-	-	-	-	-	-	-	2,147,128
-	-	-	-	-	-	-	155,567
1,239,880	-	-	-	-	-	-	1,239,880
-	-	-	-	1,002,353	490,722	491,113	1,984,188
<u>1,239,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,002,353</u>	<u>490,722</u>	<u>491,113</u>	<u>7,034,053</u>
<u>\$ 1,246,571</u>	<u>\$ 2,529,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,095</u>	<u>\$ 490,722</u>	<u>\$ 523,342</u>	<u>\$ 9,744,773</u>

CITY OF KENTWOOD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue				
	<u>Housing Commission</u>	<u>Street Lighting</u>	<u>Landfill Remediation</u>	<u>Drain</u>	<u>Municipal Streets</u>
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	5,942	-
Intergovernmental revenues					
Federal	-	-	-	-	-
State	-	189,101	-	106,126	-
Charges for services	-	-	-	-	-
Interest income	1,463	177	3,481	1,835	4,115
Miscellaneous	19,913	50	-	-	-
Total revenues	<u>21,376</u>	<u>189,328</u>	<u>3,481</u>	<u>113,903</u>	<u>4,115</u>
Expenditures					
Current					
Judicial	-	-	-	-	-
Public safety	-	-	-	-	-
Streets	-	427,810	-	-	20,000
Public works	-	-	10,000	454,088	-
Community and economic development	1,120	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,120</u>	<u>427,810</u>	<u>10,000</u>	<u>454,088</u>	<u>20,000</u>
Revenues over (under) expenditures	<u>20,256</u>	<u>(238,482)</u>	<u>(6,519)</u>	<u>(340,185)</u>	<u>(15,885)</u>
Other financing sources (uses)					
Transfers in	-	290,000	-	-	-
Transfers out	-	(39,100)	-	-	(329,981)
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>250,900</u>	<u>-</u>	<u>-</u>	<u>(329,981)</u>
Net changes in fund balances	20,256	12,418	(6,519)	(340,185)	(345,866)
Fund balances, beginning of year	<u>172,059</u>	<u>85,388</u>	<u>1,515,259</u>	<u>978,573</u>	<u>1,718,602</u>
Fund balances, end of year	<u>\$ 192,315</u>	<u>\$ 97,806</u>	<u>\$ 1,508,740</u>	<u>\$ 638,388</u>	<u>\$ 1,372,736</u>

<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>			<u>Total</u>
<u>Library</u>	<u>Federal Grant</u>	<u>MIDC Grant</u>		<u>DPW Equipment</u>	<u>Fire Equipment</u>	<u>Police Equipment</u>	
\$ 726,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 726,622
-	-	-	-	-	-	-	5,942
-	1,431,074	-	-	-	-	11,947	1,443,021
71,668	-	56,728	-	-	-	-	423,623
-	-	-	-	450,000	-	-	450,000
3,906	-	525	-	2,835	833	672	19,842
-	-	-	-	-	-	-	19,963
<u>802,196</u>	<u>1,431,074</u>	<u>57,253</u>	<u>-</u>	<u>452,835</u>	<u>833</u>	<u>12,619</u>	<u>3,089,013</u>
-	-	172,754	-	-	-	-	172,754
-	10,285	-	-	-	15,000	15,000	40,285
-	-	-	-	-	-	-	447,810
-	-	-	-	15,000	-	-	479,088
-	-	-	-	-	-	-	1,120
20,000	-	-	-	-	-	-	20,000
-	-	-	615,000	-	-	-	615,000
-	-	-	39,335	-	-	-	39,335
-	-	-	-	540,122	579,576	642,598	1,762,296
<u>20,000</u>	<u>10,285</u>	<u>172,754</u>	<u>654,335</u>	<u>555,122</u>	<u>594,576</u>	<u>657,598</u>	<u>3,577,688</u>
<u>782,196</u>	<u>1,420,789</u>	<u>(115,501)</u>	<u>(654,335)</u>	<u>(102,287)</u>	<u>(593,743)</u>	<u>(644,979)</u>	<u>(488,675)</u>
-	-	9,791	654,335	-	565,000	591,500	2,110,626
(569,554)	(1,420,789)	-	-	-	-	-	(2,359,424)
-	-	-	-	49,390	12,661	40,441	102,492
<u>(569,554)</u>	<u>(1,420,789)</u>	<u>9,791</u>	<u>654,335</u>	<u>49,390</u>	<u>577,661</u>	<u>631,941</u>	<u>(146,306)</u>
212,642	-	(105,710)	-	(52,897)	(16,082)	(13,038)	(634,981)
<u>1,027,238</u>	<u>-</u>	<u>105,710</u>	<u>-</u>	<u>1,055,250</u>	<u>506,804</u>	<u>504,151</u>	<u>7,669,034</u>
<u>\$ 1,239,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002,353</u>	<u>\$ 490,722</u>	<u>\$ 491,113</u>	<u>\$ 7,034,053</u>

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, 2021

	<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	\$ 1,463	\$ (4,537)
Miscellaneous	-	-	19,913	19,913
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>21,376</u>	<u>15,376</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>120</u>	<u>380</u>
Total expenditures	<u>6,500</u>	<u>6,500</u>	<u>1,120</u>	<u>5,380</u>
Net changes in fund balance	(500)	(500)	20,256	20,756
Fund balance, beginning of year	<u>172,059</u>	<u>172,059</u>	<u>172,059</u>	<u>-</u>
Fund balance, end of year	<u>\$ 171,559</u>	<u>\$ 171,559</u>	<u>\$ 192,315</u>	<u>\$ 20,756</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, 2021

	<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	\$ 189,101	\$ 24,101
Interest income	2,000	2,000	177	(1,823)
Miscellaneous	-	-	50	50
Total revenues	<u>167,000</u>	<u>167,000</u>	<u>189,328</u>	<u>22,328</u>
Expenditures				
Current				
Streets				
Administration	20,000	20,000	20,000	-
Utilities	430,000	430,000	406,493	23,507
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>1,317</u>	<u>683</u>
Total expenditures	<u>452,000</u>	<u>452,000</u>	<u>427,810</u>	<u>24,190</u>
Revenues over (under) expenditures	(285,000)	(285,000)	(238,482)	46,518
Other financing source (uses)				
Transfers in	329,000	329,000	290,000	(39,000)
Transfers out	<u>(44,000)</u>	<u>(44,000)</u>	<u>(39,100)</u>	<u>4,900</u>
Total other financing sources (uses)	<u>285,000</u>	<u>285,000</u>	<u>250,900</u>	<u>(34,100)</u>
Net changes in fund balance	-	-	12,418	12,418
Fund balance, beginning of year	<u>85,388</u>	<u>85,388</u>	<u>85,388</u>	<u>-</u>
Fund balance, end of year	<u>\$ 85,388</u>	<u>\$ 85,388</u>	<u>\$ 97,806</u>	<u>\$ 12,418</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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Interest income	\$ 25,000	\$ 25,000	\$ 3,481	\$ (21,519)
Expenditures				
Current				
Public works				
Administration	10,000	10,000	10,000	-
Net changes in fund balance	15,000	15,000	(6,519)	(21,519)
Fund balance, beginning of year	<u>1,515,259</u>	<u>1,515,259</u>	<u>1,515,259</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,530,259</u>	<u>\$ 1,530,259</u>	<u>\$ 1,508,740</u>	<u>\$ (21,519)</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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Special assessments	\$ -	\$ -	\$ 5,942	\$ 5,942
Intergovernmental revenues				
State	280,000	280,000	106,126	(173,874)
Interest income	<u>20,000</u>	<u>20,000</u>	<u>1,835</u>	<u>(18,165)</u>
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>113,903</u>	<u>(186,097)</u>
Expenditures				
Current				
Public works				
Engineering	519,200	519,200	265,777	253,423
Administration	20,000	20,000	20,000	-
Maintenance	100,000	100,000	163,674	(63,674)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>4,637</u>	<u>363</u>
Total expenditures	<u>644,200</u>	<u>644,200</u>	<u>454,088</u>	<u>190,112</u>
Net changes in fund balance	(344,200)	(344,200)	(340,185)	4,015
Fund balance, beginning of year	<u>978,573</u>	<u>978,573</u>	<u>978,573</u>	<u>-</u>
Fund balance, end of year	<u>\$ 634,373</u>	<u>\$ 634,373</u>	<u>\$ 638,388</u>	<u>\$ 4,015</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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Interest income	\$ 50,000.00	\$ 50,000.00	\$ 4,115.00	\$ (45,885.00)
Expenditures				
Current				
Streets				
Administration	20,000	20,000	20,000	-
Revenues over (under) expenditures	30,000	30,000	(15,885)	(45,885)
Other financing source (uses)				
Transfers out	(514,000)	(514,000)	(329,981)	184,019
Net changes in fund balance	(484,000)	(484,000)	(345,866)	138,134
Fund balance, beginning of year	1,718,602	1,718,602	1,718,602	-
Fund balance, end of year	<u>\$ 1,234,602</u>	<u>\$ 1,234,602</u>	<u>\$ 1,372,736</u>	<u>\$ 138,134</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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 729,700	\$ 729,700	\$ 726,622	\$ (3,078)
Intergovernmental				
State	40,000	40,000	71,668	31,668
Interest income	<u>25,000</u>	<u>25,000</u>	<u>3,906</u>	<u>(21,094)</u>
Total revenues	794,700	794,700	802,196	7,496
Expenditures				
Current				
Culture and recreation				
Administration	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	774,700	774,700	782,196	7,496
Other financing source (uses)				
Transfers out	<u>(570,300)</u>	<u>(570,300)</u>	<u>(569,554)</u>	<u>746</u>
Net changes in fund balance	204,400	204,400	212,642	8,242
Fund balance, beginning of year	<u>1,027,238</u>	<u>1,027,238</u>	<u>1,027,238</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,231,638</u>	<u>\$ 1,231,638</u>	<u>\$ 1,239,880</u>	<u>\$ 8,242</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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ 50,000	\$ 50,000	\$ 1,431,074	\$ 1,381,074
Expenditures				
Current				
Public safety	50,000	50,000	10,285	39,715
Revenues over (under) expenditures	-	-	1,420,789	1,420,789
Other financing source (uses)				
Transfers out	-	-	(1,420,789)	(1,420,789)
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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 370,600	\$ 370,600	\$ 56,728	\$ (313,872)
Interest income	<u>2,500</u>	<u>2,500</u>	<u>525</u>	<u>(1,975)</u>
Total revenues	373,100	373,100	57,253	(315,847)
Expenditures				
Current				
Judicial	<u>413,100</u>	<u>413,100</u>	<u>172,754</u>	<u>240,346</u>
Revenues over (under) expenditures	(40,000)	(40,000)	(115,501)	240,346
Other financing source (uses)				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>9,791</u>	<u>(30,209)</u>
Net changes in fund balance	-	-	(105,710)	(105,710)
Fund balance, beginning of year	<u>105,710</u>	<u>105,710</u>	<u>105,710</u>	<u>-</u>
Fund balance, end of year	<u>\$ 105,710</u>	<u>\$ 105,710</u>	<u>\$ -</u>	<u>\$ (105,710)</u>

CITY OF KENTWOOD

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

JUNE 30, 2021

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
Assets			
Cash and pooled investments	\$ 735,141	\$ -	\$ 735,141
Loans receivable	<u>23,287</u>	<u>-</u>	<u>23,287</u>
Total assets	<u>758,428</u>	<u>-</u>	<u>758,428</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total liabilities	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Fund balance			
Nonspendable	7,000		
Unassigned	<u>746,428</u>		
Total fund balance	<u>753,428</u>		
Total liabilities and fund balance	<u>\$ 758,428</u>		
Net position			
Net investment in capital assets			-
Unrestricted			<u>753,428</u>
Total net position			<u>\$ 753,428</u>

CITY OF KENTWOOD

(COMPONENT UNIT)

ECONOMIC DEVELOPMENT CORPORATION STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Charges	\$ 17,500	\$ -	\$ 17,500
Operating grants	1,159	-	1,159
Interest income	<u>1,645</u>	<u>-</u>	<u>1,645</u>
Total revenues	20,304	-	20,304
Expenditures			
Current			
Community and economic development	<u>19,013</u>	<u>-</u>	<u>19,013</u>
Revenues over (under) expenditures	<u>1,291</u>	<u>-</u>	<u>1,291</u>
Net changes in fund balances	1,291	(1,291)	-
Change in net position		1,291	1,291
Fund balance/net position, beginning of year	<u>752,137</u>	<u>-</u>	<u>752,137</u>
Fund balance/net position, end of year	<u>\$ 753,428</u>	<u>\$ -</u>	<u>\$ 753,428</u>

CITY OF KENTWOOD

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

JUNE 30, 2021

	Brownfield Redevelopment Authority <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
Assets			
Cash and pooled investments	\$ 105,820	\$ -	\$ 105,820
Total assets	<u>105,820</u>	<u>-</u>	<u>105,820</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			
Assigned	-		
Unassigned	<u>79,261</u>		
Total fund balance	<u>79,261</u>		
Total liabilities and fund balance	<u>\$ 105,820</u>		
Net position			
Unrestricted			<u>79,261</u>
Total net position			<u>\$ 79,261</u>

CITY OF KENTWOOD

(COMPONENT UNIT)

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

FOR THE YEAR ENDED JUNE 30, 2021

	Brownfield Redevelopment Authority <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 389,739	\$ -	\$ 389,739
Interest income	<u>271</u>	<u>-</u>	<u>271</u>
Total revenues	390,010	-	390,010
Expenditures			
Current			
Brownfield redevelopment	<u>382,438</u>	<u>-</u>	<u>382,438</u>
Revenues over (under) expenditures	<u>7,572</u>	<u>-</u>	<u>7,572</u>
Net changes in fund balances	7,572	(7,572)	
Change in net position		7,572	7,572
Fund balance/net position, beginning of year	<u>71,689</u>	<u>-</u>	<u>71,689</u>
Fund balance/net position, end of year	<u>\$ 79,261</u>	<u>\$ -</u>	<u>\$ 79,261</u>

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SINGLE AUDIT SECTION



Vredeveld Haefner LLC

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

Douglas J. Vredeveld, CPA
(616) 446-7474
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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

November 24, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2021.

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.

Vredenveld Haefner LLC



Vredeveld Haefner LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 24, 2021

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

Report on Compliance for Each Major Federal Program

We have audited the City of Kentwood, Michigan, (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Uredaxeld Haefner LLC

CITY OF KENTWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Expenditures
U.S. Department of Transportation			
Passed through the City of Wyoming (OHSP) State and Community Highway Safety	20.600	PT-21-10	<u>\$ 10,285</u>
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	N/A (2021)	9,450
Passes through City of Grand Rapids Edward Byrne Memorial-Justice Assistance Grant (JAG)	16.738	2020-DJ-BX-0077	11,947
Bureau of Justice Assistance Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0144	<u>5,014</u>
Total U.S. Department of Justice			<u>26,411</u>
U.S. Department of Treasury			
Passed through Michigan Department of Treasury Public Safety and Public Health Payroll Reimb Program	21.019	SLT0040 and SLT0247	532,252
First Responder Hazard Pay Premiums Program	21.019	SLT0040 and SLT0247	107,000
Coronavirus Relief Local Government Grants Program	21.019	SLT0040	44,619
Passed through Kent County Coronavirus Relief Funding	21.019	SLT0177	1,651,322
Direct funding Coronavirus State and Local Recovery Funds	21.019		1,420,789
Total U.S Department of Treasury			<u>3,755,982</u>
Total Federal Awards			<u><u>\$ 3,792,678</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF KENTWOOD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting except as noted below*1
2. Reconciliation of revenues from federal sources per financial statements and expenditures per the Schedule of Expenditures of Federal Awards:

Federal revenue reported in governmental funds	<u>\$ 3,792,678</u>
--	---------------------

Expenditures reported on the schedule of expenditure of federal awards	<u>\$ 3,792,678</u>
--	---------------------

3. The City did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

*1 Expenditures on the schedule of expenditure of federal award include \$532,252 of public safety and public health payroll reimbursement program expenditures incurred in City fiscal year 2020.

CITY OF KENTWOOD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Type of auditors' report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u> yes	<u> X </u> no	

Identification of major programs:

CFDA Number(s)

21.019

Name of Federal Program or Cluster

Coronavirus Relief Funding

Dollar threshold used to distinguish between Type A and B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None

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Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2021*

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, 2021

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

* * *

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

Signature: _____

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

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

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

Voice Telephone Number: (616) 698-9610

City of Kentwood
Taxable Value
Fiscal Years Ended or Ending June 30, 2018 Through 2022

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
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
2020	2021	2022	2,162,795,607	20,838,456	2,183,634,063	3.98

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2022 (3)..... \$44,832

(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, 2022, 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, 2022, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$11,509,800. Also included are Brownfield parcels with a base taxable value totaling \$5,649,453, current value of \$15,098,102 and "captured" Taxable Value of \$9,448,649. Also included are County Land Bank Sold properties with a base taxable value totaling \$18,000, current value of \$94,151 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, 2018 Through 2022

	Fiscal Years Ended or Ending June 30				
Use	2018	2019	2020	2021	2022
Commercial.....	\$ 753,634,582	\$ 777,101,207	\$ 805,362,119	\$ 814,988,792	\$ 858,518,726
Industrial	302,646,904	309,759,405	305,050,517	283,985,167	277,809,363
Residential.....	835,755,961	874,314,624	917,205,225	962,237,086	1,008,091,874
Utility	<u>35,122,300</u>	<u>35,916,600</u>	<u>37,475,200</u>	<u>38,838,400</u>	<u>39,214,100</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>	<u>\$ 2,183,634,063</u>
Class	2018	2019	2020	2021	2022
Real Property	\$ 1,669,856,247	\$ 1,732,117,336	\$ 1,821,617,211	\$ 1,910,086,845	\$ 1,996,659,563
Personal Property	<u>257,303,500</u>	<u>264,974,500</u>	<u>243,475,850</u>	<u>189,962,600</u>	<u>186,974,500</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>	<u>\$ 2,183,634,063</u>

Source: City of Kentwood

City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2018 Through 2022

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending <u>June 30</u>	Ad Valorem SEV (1)	SEV of Property Granted Tax Abatement Under Act 198 (2)	Total SEV	Percent Increase (Decrease) From <u>Prior Year</u>
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
2020	2021	2022	2,690,901,800	46,366,800	2,737,268,600	4.62

Per Capita Total SEV for the Fiscal Year Ending June 30, 2022 (3)..... \$56,199

- (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, 2022, 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, 2022, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$11,509,800. Also included are Brownfield parcels with a current SEV of \$16,206,400. Also included are County Land Bank Sold properties with a base taxable value totaling \$18,000, current value of \$103,000 and "captured" Taxable Value of \$85,000. 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, 2018 Through 2022

	Fiscal Years Ended or Ending June 30				
<u>Use</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Commercial.....	\$ 851,113,200	\$ 887,602,600	\$ 934,522,700	\$ 981,231,200	\$1,010,847,300
Industrial	354,155,500	363,043,300	353,973,000	350,013,500	346,806,600
Residential	1,004,538,600	1,039,595,600	1,146,437,500	1,246,409,800	1,340,400,600
Utility	<u>35,122,300</u>	<u>35,916,600</u>	<u>37,475,200</u>	<u>38,838,400</u>	<u>39,214,100</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>	<u>\$2,737,268,600</u>
<u>Class</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Real Property	\$1,972,116,000	\$2,052,898,300	\$2,222,016,100	\$2,420,314,600	\$2,545,318,000
Personal Property	<u>272,813,600</u>	<u>273,259,800</u>	<u>250,392,300</u>	<u>196,178,300</u>	<u>191,950,600</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>	<u>\$2,737,268,600</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 \$41,676,911 for the fiscal year ending June 30, 2022. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on approximately \$20,838,456 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, 2022, 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 \$15,098,102. 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 2021 Captured Taxable Value is \$9,448,649.

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 \$11,509,800 in SEV and TV from the rolls. These amounts are not included

in the ad valorem totals for the fiscal year ending June 30, 2022. 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, 2022**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
General Operating (1).....	3.0000	0.9919	2.9757
Police and Fire (1)	6.2620	0.9937	6.2225
Library Purposes (3)	0.3500	0.9934	0.3477

**City of Kentwood
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2018 Through 2022**

<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>
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
2021	2022	2.9757	6.2225	0.3477	9.5459

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, 2017 Through 2021

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Kentwood.....	\$9.6066	\$9.6066	\$9.6066	\$9.6066	\$9.6066
County of Kent.....	6.0596	6.0518	6.2947	6.2584	6.2100
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	5.8500	5.8500	5.8500	5.8666	5.8472
Kent Intermediate School District.....	4.7903	5.6694	5.6465	5.6113	5.5684
Grand Rapids Community College	1.7865	1.7788	1.7716	1.7606	1.7472
Interurban Transit Authority	1.4688	1.4632	1.4658	1.4556	1.4457
Kent District Library Authority...	<u>1.2800</u>	<u>1.2774</u>	<u>1.2733</u>	<u>1.2661</u>	<u>1.2581</u>
Total	<u>\$36.8418</u>	<u>\$37.6972</u>	<u>\$37.9085</u>	<u>\$37.8252</u>	<u>\$37.6832</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2017 Through 2021

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Kentwood.....	\$9.6066	\$9.6066	\$9.6066	\$9.6066	\$9.6066
County of Kent.....	6.0596	6.0518	6.2947	6.2584	6.2100
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	23.8500	23.8500	23.8500	23.8666	23.8472
Kent Intermediate School District.....	4.7903	5.6694	5.6465	5.6113	5.5684
Grand Rapids Community College	1.7865	1.7788	1.7716	1.7606	1.7472
Interurban Transit Authority	1.4688	1.4632	1.4658	1.4556	1.4457
Kent District Library Authority...	<u>1.2800</u>	<u>1.2774</u>	<u>1.2733</u>	<u>1.2661</u>	<u>1.2581</u>
Total	<u>\$54.8418</u>	<u>\$55.6972</u>	<u>\$55.9085</u>	<u>\$55.8252</u>	<u>\$55.6832</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, 2021 ranged from \$25.0000 to \$26.3200 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, 2017 Through 2021

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>
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	20,124,620	19,838,655	98.6
2021	2022	20,847,205	(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, 2022

<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	\$ 78,400,850	\$ 0	\$ 78,400,850	3.59%
Holland Home.....	Senior Housing	40,818,523	0	40,818,523	1.87
Lacks Industries, Inc.....	Automotive Supplier.	33,733,331	2,930,252	36,663,583	1.68
MIMG/MBR River Oaks.....	Multi-family Housing	33,884,103	0	33,884,103	1.55
TEG Woodland Creek LLC...	Multi-family Housing	31,878,237	0	31,878,237	1.46
Roskam Baking Co	Food	23,830,335	3,049,423	26,879,758	1.23
Consumers Energy.....	Utility	26,082,188	0	26,082,188	1.19
Green Castle Properties LLC.	Automotive Dealer....	19,387,420	0	19,387,420	0.89
Steelcase Corporation	Office Furniture	18,613,390	0	18,613,390	0.85
Hearthside Food Solutions.....	Food	4,975,462	3,876,991	8,852,453	0.41
		<u>\$311,603,839</u>	<u>\$ 9,856,666</u>	<u>\$321,460,505</u>	<u>14.72%</u>

(1) See "Tax Abatement" herein.

(2) Based on \$2,183,634,063 which is the City's Total Taxable Value for the fiscal year ended June 30, 2022. 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, 2018 Through 2022

	Fiscal Years Ended or Ending June 30				
	2018	2019	2020	2021	2022 (2)
State Sales Tax.....	\$ 4,217,410	\$ 4,373,343	\$ 4,351,202	\$ 4,939,432	\$ 4,463,200
Liquor License Fees.....	<u>25,402</u>	<u>24,464</u>	<u>27,799</u>	<u>26,925</u>	<u>25,000</u>
Total Revenues From the State of Michigan	<u>\$ 4,242,812</u>	<u>\$ 4,397,807</u>	<u>\$ 4,379,001</u>	<u>\$ 4,966,357</u>	<u>\$ 4,488,200</u>
Percent of General Fund Revenue.....	13.66%	13.40%	13.97%	13.98%	12.44%

(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, 2021.

Debt Limit (1)	\$ 273,726,860
Debt Outstanding.....	\$5,313,672
Less: Exempt Debt.....	<u>4,018,672</u>
Legal Debt Margin.....	<u>\$ 272,431,860</u>

(1) 10% of \$2,737,268,600 which is the City's Total SEV for the fiscal year ending June 30, 2022. 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, 2021 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	\$ 1,295,000	\$ 0	\$ 1,295,000
Dated September 17, 2013.....	<u>4,018,672</u>	<u>4,018,672</u>	<u>0</u>
Total	<u>\$ 5,313,672</u>	<u>\$ 4,018,672</u>	<u>\$ 1,295,000</u>
Per Capita Net City Direct Debt (1)			\$ 26.59
Percent of Net Direct Debt to Total SEV (2).....			0.05%
<u>Overlapping Debt (3)</u>	<u>Gross</u>	Percent of <u>Gross</u>	<u>City Share</u>
Kentwood School District	\$ 66,025,000	68.86%	\$ 45,464,815
Caledonia School District.....	139,631,604	8.86	12,371,360
Forest Hills School District	148,930,000	5.82	8,667,726
Kelloggsville School District	49,235,000	36.61	18,024,934
Kent County	116,825,000	8.19	9,567,968
Grand Rapids Community College	<u>27,170,000</u>	<u>7.92</u>	<u>2,151,864</u>
Total Overlapping Debt	<u>\$ 547,816,604</u>		<u>\$ 96,248,667</u>
Total Direct & Overlapping Debt.....	<u>\$ 553,130,276</u>		<u>\$ 97,543,667</u>
Per Capita Net Overlapping Debt (1)			\$1,976.07
Percent of Net Overlapping Debt to Total SEV (2).....			3.52%
Per Capita Net Direct and Overlapping Debt (1).....			\$2,002.66
Percent of Net Direct and Overlapping Debt to Total SEV (2)			3.56%

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

(2) Based on \$2,737,268,600 which is the City's Total SEV for the fiscal year ending June 30, 2022. 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.