



CITY OF KENTWOOD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF KENTWOOD

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Vredeveld Haefner LLC

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

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

INDEPENDENT AUDITORS' REPORT

November 29, 2023

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

Report on the Audit of the Financial Statements

Opinions

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, MI (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and the budgetary comparison information and benefit plan schedules on pages 51 through 57 be presented to supplement the basic financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the continuing disclosure filing but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023 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.

Uredewald Haefner LLC

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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, 2023.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2023 fiscal year as follows:

In fiscal year 2023, the City's taxable property values increased by approximately 7.47% 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 13% from the previous fiscal year. State shared revenue, the City's second largest revenue source, decreased approximately 5.30% from the previous fiscal year.

Fiscal year 2023 was a year of continued capital investment for the City, including:

- Street rehabilitation projects commenced, continued and completed with a total investment of approximately \$4.4 million from City funds and grant sources;
- Water main improvements associated with street projects totaling approximately \$1.4 million;
- Park improvement project costs totaling \$616,000 using Community Development Block Grant (CDBG) and City funds;
- Technology purchases; police, fire, and public works vehicle and equipment purchases.

City of Kentwood Net Position

Governmental activities. Governmental activities increased the City's net position by \$3,782,917. Key elements of this increase are as follows:

- Increase in other state revenue of approximately \$647,000;
- Infrastructure improvements partially funded by federal grants;
- Collections of special assessments and related interest;
- Accumulation of unexpended resources in the library, and major street special revenue funds, and property and building capital projects fund for future operating and capital purchases needs;
- Spending of resources previously accumulated in the police and fire millage, municipal street, and drain special revenue funds, and the DPW equipment and police equipment capital projects fund.

Business-type activities. Business-type activities increased the City's net position by \$442,494. Key elements of this increase are as follows:

- Operating revenue, grant revenue and investment income (loss) 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, federal grants, 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 and deferred outflows exceeded liabilities and deferred inflows by \$159,542,344 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>	
	2022	2023	2022	2023	2022	2023
Assets						
Current and other assets	\$76,135,767	\$72,033,463	\$13,624,958	\$12,713,266	\$89,760,725	\$84,746,729
Capital assets	65,124,000	70,033,895	17,801,220	19,098,031	82,925,220	89,131,926
Total assets	141,259,767	142,067,358	31,426,178	31,811,297	172,685,945	173,878,655
Deferred outflows of						
Resources	290,247	4,771,201	-	-	290,247	4,771,201
Liabilities						
Current liabilities	3,818,665	6,146,709	880,061	1,102,686	4,698,726	7,249,395
Long-term liabilities	5,211,857	7,919,037	3,743,672	3,463,672	8,955,529	11,382,709
Total liabilities	9,030,522	14,065,746	4,623,733	4,566,358	13,654,255	18,632,104
Deferred inflows of						
Resources	4,025,872	475,408	-	-	4,025,872	475,408
Net position						
Net investment in						
capital assets	59,303,902	64,518,935	13,782,548	15,354,359	73,086,450	79,873,294
Restricted	28,158,033	26,704,052	-	-	28,158,033	26,704,052
Unrestricted (deficit)	41,031,685	41,074,418	13,019,897	11,890,580	54,051,582	52,964,998
Total net position	\$128,493,620	\$132,297,405	\$26,802,445	\$27,244,939	\$155,296,065	\$159,542,344

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 17% 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 \$52,964,998 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, 2023, was \$54,347,956 while total cost of all programs and services was \$50,122,545. This results in an increase in net position of \$4,225,411. 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>	
	2022	2023	2022	2023	2022	2023
Revenues						
Program revenues						
Charges for services	\$4,720,192	\$4,581,519	\$6,811,928	\$6,477,399	\$11,532,120	\$11,058,918
Operating grants and contributions	16,144,104	10,518,244	-	-	16,144,104	10,518,244
Capital grants and contributions	1,136,890	3,063,819	-	-	1,136,890	3,063,819
General revenues						
Property taxes	21,005,129	21,788,474	-	-	21,005,129	21,788,474
Franchise fees	567,021	529,120	-	-	567,021	529,120
State shared revenues	6,369,351	6,049,601	-	-	6,369,351	6,049,601
Investment earnings (loss)	(1,623,080)	946,593	(318,249)	162,834	(1,941,329)	1,109,427
Other	226,442	230,353	-	-	226,442	230,353
Total revenues	48,546,049	47,707,723	6,493,679	6,640,233	55,039,728	54,347,956
Expenses						
Judicial	1,861,240	2,132,724	-	-	1,861,240	2,132,724
General government	4,599,799	5,895,645	-	-	4,599,799	5,895,645
Public safety	18,141,835	22,634,255	-	-	18,141,835	22,634,255
Public works	9,368,902	10,531,950	-	-	9,368,902	10,531,950
Community and economic development	499,936	513,193	-	-	499,936	513,193
Culture and recreation	2,655,270	2,185,610	-	-	2,655,270	2,185,610
Interest on long-term debt	40,794	31,429	-	-	40,794	31,429
Water	-	-	3,008,699	3,228,617	3,008,699	3,228,617
Sewer	-	-	2,870,728	2,969,122	2,870,728	2,969,122
Total expenses	37,167,776	43,924,806	5,879,427	6,197,739	43,047,203	50,122,545
Increase (decrease) in net position	11,378,273	3,782,917	614,252	442,494	11,992,525	4,225,411
Net position – beginning, as restated	117,115,347	128,514,488	26,188,193	26,802,445	143,303,540	155,316,933
Net position – ending	\$128,493,620	\$132,297,405	\$26,802,445	\$27,244,939	\$155,296,065	\$159,542,344

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$3,782,917 during this fiscal year. The increase is primarily the result of minimal American Rescue plan federal grant revenue, capital grants and contributions for road improvement projects and overall state and property tax revenue increases.

A prior period adjustment of \$20,868 was recorded to increase governmental activities net position at July 1, 2022 for the implementation of GASB 96.

Business-type Activities Business-type activities increased the City's net position by \$442,494 during the year. This increase is primarily the result of operating revenue 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 \$63,200,841, a decrease of \$1,138,613 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 \$6,541,355 an increase of \$169,622. 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 \$5,718,553 or approximately 17% 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 \$14,006,970, a decrease of \$766,780 from the previous year.

The major 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 \$8,536,381, an increase of \$53,543 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 \$20,198,932, an increase of \$674,881 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 \$8,223,994, a decrease of \$17,769 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 \$3,278,660 and \$8,611,920 respectively. The water fund had an increase in net position for the year of \$380,205 while the sewer fund had an increase of \$62,289. 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, 2023, which was related to year-end estimates prepared during the FY 2023 budget process.
- General Fund revenue and other financing sources budget to actual variances are due to several factors including slightly lower than budgeted property tax collections and higher than budgeted revenue sharing distributions; federal grant revenues received; charges for services and fee revenue that changes with economic activity; and lower than budgeted investment income, and collections of fines and forfeitures.
- General fund expenditure and other financing uses 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; changes in customer utilization of activities and increases in transfers to other funds.

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, 2023, amounted to \$89,131,926 (net of accumulated depreciation). Of this amount, \$70,033,895 was for its governmental type activities and \$19,098,031 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 infrastructure projects and vehicle and equipment replacements. 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 \$9,272,010. Of this amount, \$5,528,338 was for governmental activities while \$3,743,672 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 2023-2024 fiscal year:

- Property values are expected to increase by approximately 5%, 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 7%, based on early MI Department of Treasury estimates;
- Compensation and employee benefits for City employees are estimated and included in the FY 2024 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 2024. 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 2024, 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 Keyla Garcia, 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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Brownfield Redevelopment Authority
Assets					
Cash and pooled investments	\$ 64,833,816	\$ 11,221,561	\$ 76,055,377	\$ 715,206	\$ 374,627
Receivables					
Accounts	1,080,423	1,490,463	2,570,886	-	-
Special assessments	566,687	-	566,687	-	-
Interest	24,389	-	24,389	-	-
Loans	98,211	-	98,211	-	-
Due from other governments	2,225,840	-	2,225,840	-	-
Leases receivable	463,000	-	463,000	-	-
Inventory	66,889	-	66,889	-	-
Prepaid items	1,004,493	1,242	1,005,735	-	-
Net OPEB asset	1,669,715	-	1,669,715	-	-
Capital assets					
Land and construction in progress	9,097,107	1,888,998	10,986,105	-	-
Depreciable capital assets, net	60,936,788	17,209,033	78,145,821	-	-
Total assets	142,067,358	31,811,297	173,878,655	715,206	374,627
Deferred outflows of resources					
Loss on advance bond refundings	13,378	-	13,378	-	-
OPEB related	88	-	88	-	-
Pension related	4,757,735	-	4,757,735	-	-
Total deferred outflows of resources	4,771,201	-	4,771,201	-	-
Liabilities					
Accounts payable	4,232,496	822,686	5,055,182	-	-
Customer deposits	568,153	-	568,153	-	-
Due to other governments	553,967	-	553,967	-	-
Current portion of long-term debt	792,093	280,000	1,072,093	-	-
Noncurrent liabilities					
Net pension liability	3,182,792	-	3,182,792	-	-
Long-term debt	4,736,245	3,463,672	8,199,917	-	-
Total liabilities	14,065,746	4,566,358	18,632,104	-	-
Deferred inflows of resources					
Lease related	463,000	-	463,000	-	-
OPEB related	12,408	-	12,408	-	-
Total deferred inflows of resources	475,408	-	475,408	-	-
Net Position					
Net investment in capital assets	64,518,935	15,354,359	79,873,294	-	-
Restricted for					
Police and fire services	14,006,970	-	14,006,970	-	-
Drug law enforcement	209,500	-	209,500	-	-
Public works activities	10,144,388	-	10,144,388	-	-
Community development	179,945	-	179,945	-	-
Culture and recreation	2,145,910	-	2,145,910	-	-
Judicial	17,339	-	17,339	-	-
Unrestricted	41,074,418	11,890,580	52,964,998	715,206	374,627
Total net position	\$ 132,297,405	\$ 27,244,939	\$ 159,542,344	\$ 715,206	\$ 374,627

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

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue</u>
		<u>Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	
Primary government					
Governmental activities					
Judicial	\$ 2,132,724	\$ 757,882	\$ -	\$ -	\$ (1,374,842)
General government	5,895,645	1,648,562	1,000,868	-	(3,246,215)
Public safety	22,634,255	1,521,134	1,654,707	-	(19,458,414)
Public works	10,531,950	40,938	7,780,742	3,063,819	353,549
Community and economic development	513,193	24,565	-	-	(488,628)
Culture and recreation	2,185,610	588,438	81,927	-	(1,515,245)
Interest expense	31,429	-	-	-	(31,429)
Total governmental activities	<u>43,924,806</u>	<u>4,581,519</u>	<u>10,518,244</u>	<u>3,063,819</u>	<u>(25,761,224)</u>
Business-type activities					
Water	3,228,617	3,560,559	-	-	331,942
Sewer	2,969,122	2,916,840	-	-	(52,282)
Total business-type activities	<u>6,197,739</u>	<u>6,477,399</u>	<u>-</u>	<u>-</u>	<u>279,660</u>
Total primary government	<u>\$ 50,122,545</u>	<u>\$ 11,058,918</u>	<u>\$ 10,518,244</u>	<u>\$ 3,063,819</u>	<u>\$ (25,481,564)</u>
Component units					
Economic Development Corporation	\$ 18,914	\$ 2,000	\$ 76	\$ -	\$ (16,838)
Brownfield Redevelopment Authority	228,231	-	-	-	(228,231)
Total component units	<u>\$ 247,145</u>	<u>\$ 2,000</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ (245,069)</u>

(continued)

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

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation	Brownfield Redevelopment Authority
Changes in net position					
Net (expense) revenue	<u>\$ (25,761,224)</u>	<u>\$ 279,660</u>	<u>\$ (25,481,564)</u>	<u>\$ (16,838)</u>	<u>\$ (228,231)</u>
General revenues					
Property taxes					
General operating	6,797,301	-	6,797,301	-	-
Police and fire	14,197,997	-	14,197,997	-	-
Other purposes	793,176	-	793,176	-	363,598
Franchise fees	529,120	-	529,120	-	-
State shared revenues	6,049,601	-	6,049,601	-	-
Interest earnings (loss)	946,593	162,834	1,109,427	9,588	4,780
Insurance recoveries	121,104	-	121,104	-	-
Gain on sale of capital assets	78,911	-	78,911	-	-
Other general revenues	<u>30,338</u>	<u>-</u>	<u>30,338</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>29,544,141</u>	<u>162,834</u>	<u>29,706,975</u>	<u>9,588</u>	<u>368,378</u>
Change in net position	3,782,917	442,494	4,225,411	(7,250)	140,147
Net position, beginning of year, as restated	<u>128,514,488</u>	<u>26,802,445</u>	<u>155,316,933</u>	<u>722,456</u>	<u>234,480</u>
Net position, end of year	<u>\$ 132,297,405</u>	<u>\$ 27,244,939</u>	<u>\$ 159,542,344</u>	<u>\$ 715,206</u>	<u>\$ 374,627</u>

(concluded)

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

CITY OF KENTWOOD

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2023

	Special Revenue Funds			Capital Projects		Nonmajor	
	General	Police and	Major	Property	General	Governmental	
	Fund	Fire Millage	Streets	and Building	Projects	Funds	Total
Assets							
Cash and pooled investments	\$ 6,534,144	\$ 13,986,085	\$ 8,526,764	\$ 20,284,818	\$ 8,887,232	\$ 5,961,222	\$ 64,180,265
Accounts receivable	896,142	145,346	293	-	-	30,150	1,071,931
Special assessments receivable	-	-	-	-	566,687	-	566,687
Interest receivable	-	-	-	-	24,389	-	24,389
Loans receivable	-	-	-	-	-	98,211	98,211
Due from other governments	1,054,982	-	877,535	15,062	-	278,261	2,225,840
Leases receivable	463,000	-	-	-	-	-	463,000
Inventory	66,889	-	-	-	-	-	66,889
Prepaid items	546,413	-	-	23,813	-	34,267	604,493
Total assets	<u>\$ 9,561,570</u>	<u>\$ 14,131,431</u>	<u>\$ 9,404,592</u>	<u>\$ 20,323,693</u>	<u>\$ 9,478,308</u>	<u>\$ 6,402,111</u>	<u>\$ 69,301,705</u>
Liabilities, deferred inflows and fund balance							
Accounts payable	\$ 565,619	\$ 24,774	\$ 868,211	\$ 124,761	\$ 971,207	\$ 603,304	\$ 3,157,876
Accrued liabilities	824,881	-	-	-	-	-	824,881
Customer deposits	568,153	-	-	-	-	-	568,153
Due to other governments	550,896	-	-	-	-	3,071	553,967
Total liabilities	<u>2,509,549</u>	<u>24,774</u>	<u>868,211</u>	<u>124,761</u>	<u>971,207</u>	<u>606,375</u>	<u>5,104,877</u>
Deferred inflows							
Lease related	463,000	-	-	-	-	-	463,000
Unavailable revenues	47,666	99,687	-	-	283,107	102,527	532,987
Total deferred inflows	<u>510,666</u>	<u>99,687</u>	<u>-</u>	<u>-</u>	<u>283,107</u>	<u>102,527</u>	<u>995,987</u>
Fund balances							
Nonspendable							
Long term receivable	-	-	-	-	307,969	1,247	309,216
Inventory	66,889	-	-	-	-	-	66,889
Prepaid items	546,413	-	-	23,813	-	34,267	604,493
Restricted							
Streets	-	-	8,536,381	-	-	97,051	8,633,432
Police and Fire	-	14,006,970	-	-	-	-	14,006,970
Public works	-	-	-	-	-	1,510,956	1,510,956
Community development	-	-	-	-	-	179,945	179,945
Culture and recreation	-	-	-	-	-	2,145,910	2,145,910
Judicial	-	-	-	-	-	17,339	17,339
Drug law enforcement	209,500	-	-	-	-	-	209,500
Assigned							
Capital projects	-	-	-	20,175,119	7,916,025	1,706,494	29,797,638
Unassigned	5,718,553	-	-	-	-	-	5,718,553
Total fund balances	<u>6,541,355</u>	<u>14,006,970</u>	<u>8,536,381</u>	<u>20,198,932</u>	<u>8,223,994</u>	<u>5,693,209</u>	<u>63,200,841</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 9,561,570</u>	<u>\$ 14,131,431</u>	<u>\$ 9,404,592</u>	<u>\$ 20,323,693</u>	<u>\$ 9,478,308</u>	<u>\$ 6,402,111</u>	<u>\$ 69,301,705</u>

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, 2023

Fund balances - governmental funds	\$ 63,200,841
 Amounts reported for <i>governmental activities</i> 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	9,097,107
Add - capital assets being depreciated, net	60,936,788
 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	283,107
Add - deferred inflows for delinquent personal property taxes receivable	152,916
Add - deferred inflows for housing rehabilitation loans receivable	96,964
 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	815,687
 Certain items are not due and payable/receivable in the current period and therefore are not reported in the funds.	
Deduct - bonds and SBITA payables	(921,946)
Deduct - landfill clean-up and other costs	(2,638,110)
Deduct - compensated absences payable	(1,968,282)
Deduct - accrued interest on bonds payable	(3,383)
Add - net OPEB asset	1,669,715
Deduct - deferred inflows related to OPEB	(12,408)
Add - deferred outflows related to OPEB	88
Deduct - net pension liability	(3,182,792)
Add - deferred outflows related to pensions	4,757,735
Add - deferred loss on bond refunding	13,378
 Net position of governmental activities	 <u>\$ 132,297,405</u>

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, 2023

	General	Special Revenue Funds		Capital Projects		Nonmajor	
	Fund	Police and Fire Millage	Major Streets	Property and Building	General Projects	Governmental Funds	Total
Revenues							
Taxes	\$ 6,793,730	\$ 14,190,530	\$ -	\$ -	\$ -	\$ 792,761	\$ 21,777,021
Special assessments	-	-	-	-	361,029	7,003	368,032
Intergovernmental							
Federal	12,994	-	-	119,584	-	14,606	147,184
State	7,023,585	1,466,315	5,174,043	-	-	1,912,042	15,575,985
Licenses and permits	2,068,522	-	-	-	-	-	2,068,522
Charges for services	1,994,092	-	-	-	-	650,000	2,644,092
Fines and forfeitures	922,902	-	-	-	-	-	922,902
Interest earnings (loss)	88,935	295,792	103,340	248,559	144,647	98,629	979,902
Miscellaneous	259,355	-	6,410	-	-	203,427	469,192
Total revenues	<u>19,164,115</u>	<u>15,952,637</u>	<u>5,283,793</u>	<u>368,143</u>	<u>505,676</u>	<u>3,678,468</u>	<u>44,952,832</u>
Expenditures							
Current							
Judicial	2,002,436	-	-	-	-	-	2,002,436
General government	3,928,690	-	-	-	948,359	-	4,877,049
Public safety	20,928,591	20,000	-	-	-	76,410	21,025,001
Highway and streets	-	-	4,529,364	-	-	3,386,533	7,915,897
Public works	2,720,781	-	-	-	-	431,482	3,152,263
Community and economic development	522,543	-	-	-	-	3,944	526,487
Culture and recreation	1,868,610	-	-	-	-	20,000	1,888,610
Debt service							
Principal	19,378	-	-	46,141	-	701,399	766,918
Interest	1,490	-	-	-	-	19,336	20,826
Capital outlay	-	-	-	1,292,813	4,086	2,919,695	4,216,594
Total expenditures	<u>31,992,519</u>	<u>20,000</u>	<u>4,529,364</u>	<u>1,338,954</u>	<u>952,445</u>	<u>7,558,799</u>	<u>46,392,081</u>
Revenues over (under) expenditures	<u>(12,828,404)</u>	<u>15,932,637</u>	<u>754,429</u>	<u>(970,811)</u>	<u>(446,769)</u>	<u>(3,880,331)</u>	<u>(1,439,249)</u>
Other financing sources (uses)							
Transfers in	15,426,362	-	504,114	1,553,673	429,000	3,758,189	21,671,338
Transfers out	(2,428,336)	(16,699,417)	(1,205,000)	-	-	(1,338,585)	(21,671,338)
Debt/SPITAs issue	-	-	-	90,907	-	130,818	221,725
Proceeds from sale of capital assets	-	-	-	1,112	-	77,799	78,911
Total other financing sources (uses)	<u>12,998,026</u>	<u>(16,699,417)</u>	<u>(700,886)</u>	<u>1,645,692</u>	<u>429,000</u>	<u>2,628,221</u>	<u>300,636</u>
Net changes in fund balances	169,622	(766,780)	53,543	674,881	(17,769)	(1,252,110)	(1,138,613)
Fund balances, beginning of year	<u>6,371,733</u>	<u>14,773,750</u>	<u>8,482,838</u>	<u>19,524,051</u>	<u>8,241,763</u>	<u>6,945,319</u>	<u>64,339,454</u>
Fund balances, end of year	<u>\$ 6,541,355</u>	<u>\$ 14,006,970</u>	<u>\$ 8,536,381</u>	<u>\$ 20,198,932</u>	<u>\$ 8,223,994</u>	<u>\$ 5,693,209</u>	<u>\$ 63,200,841</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, 2023

Net changes in fund balances - total governmental funds	\$ (1,138,613)
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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	10,658,471
Deduct - depreciation expense	(5,788,066)
Deduct - net book value of asset disposals	(40,977)

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	(277,398)
Add - increase in personal property taxes receivable	11,453
Add - increase in deferred housing rehabilitation loans	1,514

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	654,378
Deduct - issuance of long-term debt	(221,725)
Deduct - amortization of deferred loss on bond refunding	(13,381)
Add - decrease in landfill clean-up liability	67,915

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	(122,450)
Deduct - decrease in deferred outflows related to OPEB	(74,400)
Add - decrease in deferred inflows related to OPEB	46,264
Add - increase in net OPEB asset	187,304
Add - increase in deferred outflows related to pensions	4,568,735
Add - decrease in deferred inflows related to pensions	3,591,870
Deduct - increase in net pension liability	(8,714,292)
Add - decrease in accrued interest payable	2,778

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>383,537</u>
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Change in net position of governmental activities	<u>\$ 3,782,917</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, 2023

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Assets				
Current assets				
Cash and pooled investments	\$ 2,853,344	\$ 8,368,217	\$ 11,221,561	\$ 653,551
Accounts receivable	819,327	671,136	1,490,463	8,492
Prepaid items	621	621	1,242	400,000
Total current assets	<u>3,673,292</u>	<u>9,039,974</u>	<u>12,713,266</u>	<u>1,062,043</u>
Noncurrent assets				
Capital assets not being depreciated	1,424,301	464,697	1,888,998	-
Capital assets being depreciated, net	13,906,719	3,302,314	17,209,033	-
Total noncurrent assets	<u>15,331,020</u>	<u>3,767,011</u>	<u>19,098,031</u>	<u>-</u>
Total assets	<u>19,004,312</u>	<u>12,806,985</u>	<u>31,811,297</u>	<u>1,062,043</u>
Liabilities				
Current liabilities				
Accounts payable	394,632	428,054	822,686	246,356
Current portion of long-term debt	280,000	-	280,000	-
Total current liabilities	674,632	428,054	1,102,686	246,356
Noncurrent liabilities				
Long-term debt	<u>3,463,672</u>	<u>-</u>	<u>3,463,672</u>	<u>-</u>
Total liabilities	<u>4,138,304</u>	<u>428,054</u>	<u>4,566,358</u>	<u>246,356</u>
Net Position				
Net investment in capital assets	11,587,348	3,767,011	15,354,359	-
Unrestricted	<u>3,278,660</u>	<u>8,611,920</u>	<u>11,890,580</u>	<u>815,687</u>
Total net position	<u>\$ 14,866,008</u>	<u>\$ 12,378,931</u>	<u>\$ 27,244,939</u>	<u>\$ 815,687</u>

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, 2023

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Operating revenues	\$ 3,560,559	\$ 2,916,840	\$ 6,477,399	\$ 3,685,606
Operating expense				
Administration	25,000	-	25,000	-
Contractual services	1,858,064	2,381,428	4,239,492	516,711
Depreciation	581,617	95,537	677,154	-
Claims	-	-	-	2,785,358
Supplies	360,822	79,410	440,232	-
Engineering	16,500	250,903	267,403	-
Rent	40,000	-	40,000	-
Utilities	134,548	7,904	142,452	-
Miscellaneous	135,818	153,940	289,758	-
Total operating expense	<u>3,152,369</u>	<u>2,969,122</u>	<u>6,121,491</u>	<u>3,302,069</u>
Operating income (loss)	<u>408,190</u>	<u>(52,282)</u>	<u>355,908</u>	<u>383,537</u>
Non-operating revenue (expense)				
Interest expense	(76,248)	-	(76,248)	-
Interest earnings (loss)	<u>48,263</u>	<u>114,571</u>	<u>162,834</u>	<u>-</u>
Total non-operating revenue (expense)	<u>(27,985)</u>	<u>114,571</u>	<u>86,586</u>	<u>-</u>
Changes in net position	380,205	62,289	442,494	383,537
Net position, beginning of year	<u>14,485,803</u>	<u>12,316,642</u>	<u>26,802,445</u>	<u>432,150</u>
Net position, end of year	<u>\$ 14,866,008</u>	<u>\$ 12,378,931</u>	<u>\$ 27,244,939</u>	<u>\$ 815,687</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, 2023

	Enterprise Funds			Internal Service Fund
	Water Fund	Sewer Fund	Total	Self-insurance Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 3,645,084	\$ 3,041,141	\$ 6,686,225	\$ -
Receipts from interfund services	-	-	-	4,031,171
Payments to suppliers	<u>(2,569,522)</u>	<u>(2,655,949)</u>	<u>(5,225,471)</u>	<u>(3,404,963)</u>
Net cash provided by (used in) operating activities	<u>1,075,562</u>	<u>385,192</u>	<u>1,460,754</u>	<u>626,208</u>
Cash flows from capital and related financing activities				
Principal paid on bonds	(275,000)	-	(275,000)	-
Interest expense	(76,248)	-	(76,248)	-
Acquisitions of capital assets	<u>(1,525,339)</u>	<u>(448,626)</u>	<u>(1,973,965)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,876,587)</u>	<u>(448,626)</u>	<u>(2,325,213)</u>	<u>-</u>
Cash flows from investing activities				
Interest earnings (loss)	<u>48,264</u>	<u>114,571</u>	<u>162,835</u>	<u>-</u>
Net increase (decrease) in cash and pooled investments	(752,761)	51,137	(701,624)	626,208
Cash and pooled investments, beginning of year	<u>3,606,105</u>	<u>8,317,080</u>	<u>11,923,185</u>	<u>27,343</u>
Cash and pooled investments, end of year	<u>\$ 2,853,344</u>	<u>\$ 8,368,217</u>	<u>\$ 11,221,561</u>	<u>\$ 653,551</u>
Cash flows from operating activities				
Operating income (loss)	\$ 408,190	\$ (52,282)	355,908	\$ 383,537
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	581,617	95,537	677,154	-
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	84,525	124,301	208,826	345,565
Prepaid assets and other items	620	621	1,241	-
Accounts payable	<u>610</u>	<u>217,015</u>	<u>217,625</u>	<u>(102,894)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,075,562</u>	<u>\$ 385,192</u>	<u>\$ 1,460,754</u>	<u>\$ 626,208</u>

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

CITY OF KENTWOOD
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Pension and OPEB <u>Trust Funds</u>	<u>Custodial Fund</u> Tax Collection
Assets		
Cash and pooled investments	\$ -	\$ 46,047
Taxes receivable	-	528,012
Due from other governments	-	66,210
Interest receivable	86,208	-
Investments		
Money market funds	827,707	-
Domestic fixed income securities	12,198,360	-
International fixed income securities	499,048	-
Domestic equity mutual funds	23,379,482	-
Mixed equity and fixed income funds	1,669,715	-
International equity mutual funds	-	-
Real estate investment trust funds	<u>5,069,035</u>	<u>-</u>
Total assets	<u>43,729,555</u>	<u>\$ 640,269</u>
Liabilities		
Due to other governments	<u>-</u>	<u>\$ 640,269</u>
Total liabilities	<u>-</u>	<u>640,269</u>
Net Position		
Restricted for		
Pension benefits	\$ 42,059,840	-
Other post-employment benefits	<u>1,669,715</u>	<u>-</u>
Total net position	<u>\$ 43,729,555</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, 2023

	Pension and OPEB Trust Funds	Tax Collection Custodial Fund
Additions		
Contributions:		
Employer	\$ 189,000	\$ -
Plan participants	109,533	-
Total contributions	<u>298,533</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of securities	(6,166,610)	-
Interest earnings (loss)	340,689	-
Dividends	249,915	-
Total investment income	(5,576,006)	-
Investment expense	(85,474)	-
Net investment income	<u>(5,661,480)</u>	<u>-</u>
Property taxes collected for other governments	<u>-</u>	<u>82,942,740</u>
Total additions	<u>(5,362,947)</u>	<u>82,942,740</u>
Deductions		
Pension benefits and health insurance premiums	2,312,665	-
Property taxes to other governments	-	82,942,740
Administrative expenses	<u>(19,712)</u>	<u>-</u>
Total deductions	<u>2,292,953</u>	<u>82,942,740</u>
Changes in net position	(7,655,900)	-
Net position, beginning of year	<u>51,385,455</u>	<u>-</u>
Net position, end of year	<u>\$ 43,729,555</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, 2023

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 (the Building Authority has no balances or activity in 2023). Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City.

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, 2022.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

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 funds are charges for services. The principal operating revenues of the City's internal service fund are charges to City departments for self-insurance services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal fund includes the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

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

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

The *major streets special revenue 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 fund* accounts for the accumulation and utilization of funds for the construction and purchase of facilities and equipment.

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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 and other post-employment benefit plans.

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, 2023

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, 2023

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

Subscription-Based Information Technology Arrangements (SBITAs)

Significant subscription-based information technology arrangements are recorded as an intangible right to use subscription, SBITAs asset. These assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets. The assets are disclosed with other capital assets in note 5. The associated liability for the arrangement is recorded as long-term debt. Both the asset and the liability are recorded at the present value of the contract. Details regarding the SBITAs and the long-term debt are discussed in the following notes.

Unearned Revenue

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

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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.

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 two 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 reports deferred inflows for leases equal to leases receivable. This balance will be recognized revenue over the term of the leases.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Net Position/Fund Balance

Governmental funds report fund balance in the following five categories:

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

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

Net Position and Fund Balance Flow Assumptions

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

Property Taxes

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

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Interfund Transactions

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

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the department (activity) level. During the year ended June 30, 2023, 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			
Public works			
Engineering services	\$ 74,700	\$ 116,232	\$ 41,532
Transfers out	1,256,400	2,428,336	1,171,936
Major streets fund			
Highways and streets	4,204,600	4,529,364	324,764

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	\$76,055,377	\$1,089,833	\$ 46,047	\$ 77,191,257
Investments	-	-	43,643,347	43,643,347
	<u>\$76,055,377</u>	<u>\$1,089,833</u>	<u>\$43,689,394</u>	<u>\$120,834,604</u>

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

Deposits	\$ 22,938,416
Investments	97,650,903
Accrued Interest	241,385
Petty cash	3,900
Total	<u>\$120,834,604</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 OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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.

The ratings of debt securities not guaranteed by the full faith and credit of the US government 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	\$ 1,859,253	AAAm	S&P
Government securities:				
GNMA pools	2024-2051	31,159,369	N/A	N/A
Treasury notes	2021-2028	21,793,413	N/A	N/A
Fixed income securities:				
Domestic bonds & notes	2021-2053	12,171,327	See	Below
International bonds & notes	2021-2029	499,048	See	Below
MSQ II Model Port Mod S10	N/A	398,256	N/A	N/A
MSQ II Model Port Agg S10	N/A	1,294,687	N/A	N/A
Equity Securities:				
American Core Realty Fund	N/A	3,519,364	N/A	N/A
Blackrock Midcap Equity Index Fund	N/A	8,474,917	N/A	N/A
American Strategic Value Realty Fund	N/A	1,549,671	N/A	N/A
Large cap domestic equities Fund	N/A	14,904,565	N/A	N/A
Other Funds	N/A	27,033	N/A	N/A
		<u>\$97,650,903</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	\$ 546,508
A-	997,570
A+	415,514
AA	214,859
AA-	161,088
AA+	5,143,873
AAA	1,880,974
BB	34,873
BB+	51,443
BBB	999,930
BBB-	667,001
BBB+	1,565,614
Unrated	8,872
Total	<u>\$12,670,375</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.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

- The equity mutual funds and treasury notes are valued using quoted market prices (Level 1 inputs).
- The remaining investments excluding realty funds pools are 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 realty mutual funds have 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, \$23,831,015 of the City's bank balance of \$24,331,015 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 \$97,650,903 of investments, the City has custodial credit risk of \$65,623,157 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, \$28,475,550 is invested in money market and 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

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

across industry sectors. Country exposures are monitored through a quarterly performance report. Of the above investments, \$0 is exposed to foreign currency risk.

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2023 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	\$ -	\$15,182,417	\$ -	\$ 243,945	\$15,426,362
Major streets	-	-	-	504,114	504,114
Property and building fund	1,536,000	-	-	17,673	1,553,673
General Projects	-	-	-	429,000	429,000
Nonmajor funds	892,336	1,517,000	1,205,000	143,853	3,758,189
Total	\$2,428,336	\$16,699,417	\$1,205,000	\$1,338,585	\$21,671,338

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, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 4,627,573	\$ -	\$ -	\$ 4,627,573
Construction in progress	1,037,350	8,600,934	5,168,750	4,469,534
Total capital assets, not being depreciated	5,664,923	8,600,934	5,168,750	9,097,107
Capital assets, being depreciated				
Buildings	35,934,153	124,277	-	36,058,430
Land improvements	5,887,299	-	-	5,887,299
Equipment	8,561,458	661,821	11,586	9,211,693
Vehicles	10,179,759	937,174	347,073	10,769,860
Infrastructure	84,796,959	5,168,750	-	89,965,709
Subscriptions, SBITAs	80,467	334,265	-	414,732
Total capital assets, being depreciated	145,440,095	7,226,287	358,659	152,307,723
Less accumulated depreciation for				
Buildings	22,734,701	1,360,655	-	24,095,356
Land improvements	2,838,960	225,108	-	3,064,068
Equipment	6,936,444	464,877	11,586	7,389,735
Vehicles	6,555,492	690,034	306,096	6,939,430
Infrastructure	46,834,954	2,913,984	-	49,748,938
Subscriptions, SBITAs	-	133,408	-	133,408
Total accumulated depreciation	85,900,551	5,788,066	317,682	91,370,935
Net capital assets, being depreciated	59,539,544	1,438,221	40,977	60,936,788
Governmental Activities capital assets, net	\$65,204,467	\$10,039,155	\$5,209,727	\$70,033,895

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Balance July 1, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2023</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Construction in progress	262,626	1,973,965	408,542	1,828,049
Total capital assets, not being depreciated	323,575	1,973,965	408,542	1,888,998
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	19,723,242	408,542	-	20,131,784
Sewer mains	16,800,244	-	-	16,800,244
Storage	3,709,987	-	-	3,709,987
Total capital assets, being depreciated	44,359,911	408,542	-	44,768,453
Less accumulated depreciation for				
Building	218,518	4,116	-	222,634
Equipment	983,126	57,578	-	1,040,704
Meters	1,132,325	37,153	-	1,169,478
Water mains	7,958,413	386,791	-	8,345,204
Sewer mains	13,498,047	89,775	-	13,587,822
Storage	3,091,837	101,741	-	3,193,578
Total accumulated depreciation	26,882,266	677,154	-	27,559,420
Net capital assets, being depreciated	17,477,645	(268,612)	-	17,209,033
Business-type Activities capital assets, net	\$17,801,220	\$1,705,353	\$408,542	\$19,098,031

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

Governmental Activities	
General government	\$ 860,283
Public safety	828,105
Public works and streets	3,325,518
Culture and recreation	774,160
	<hr/>
Total depreciation expense - governmental activities	\$5,788,066
	<hr/>
Business-type Activities	
Water	\$581,617
Sewer	95,537
	<hr/>
Total depreciation expense – business-type activities	\$677,154
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CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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, 2022):

Active plan members	17
Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled but not yet receiving benefits	7
	<hr/>
Total	86
	<hr/>

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, 2022, 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, 2022 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-2021.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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 December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -12.9 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 of 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, 2023

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 12/31/21	\$44,360,255	\$49,891,755	\$(5,531,500)
Changes for the Year:			
Service cost	228,194	-	228,194
Interest	2,823,345	-	2,823,345
Change in benefits	-	-	-
Differences between expected and actual experience	86,668	-	86,668
Change in assumptions	48,942	-	48,942
Contributions: employer	-	189,000	(189,000)
Contributions: employee	-	109,533	(109,533)
Net investment income	-	(5,801,899)	5,801,899
Benefit payments, including refunds	(2,304,772)	(2,304,772)	-
Administrative expense	-	(23,777)	23,777
Other changes	-	-	-
Net changes	882,377	(7,831,915)	8,714,292
Balance at 12/31/22	\$45,242,632	\$42,059,840	\$3,182,792

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	\$50,493,822	\$45,242,632	\$41,027,997
Fiduciary net position	(42,059,840)	(42,059,840)	(42,059,840)
Net pension liability (asset)	\$ 8,433,982	\$ 3,182,792	\$(1,031,843)

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

For the year ended June 30, 2023 the employer recognized pension expense of \$913,687. 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	\$ -	\$ -
Change in assumptions	-	-
Excess(deficit) investment returns	4,397,735	-
Contributions subsequent to the Measurement date*	360,000	-
Total	\$4,757,735	\$ -

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

* 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, 2024.

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

2023	\$ 335,415
2024	1,212,897
2025	1,053,647
2026	1,795,776
2027	-
Thereafter	-
	<hr/>
Total	<u>\$4,397,735</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, DBA Mission Square Retirement (MSQ).

During the year, the City contributed \$1,595,301 and plan members contributed \$777,954 to the plan. The City recognized \$379,442 in plan forfeitures.

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, 2023

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2023):

Retirees and beneficiaries receiving benefits	1
Active plan members	-
Total	1

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, 2023, 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, 2023 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, 2023

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

Rate of return. For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.76 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan participants. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate 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, 2022	\$11,289	\$1,493,700	\$(1,482,411)
Changes for the Year:			
Service cost	-	-	-
Interest	434	-	434
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions: employer	-	3,830	(3,830)
Contributions: employee	-	-	-
Net investment income	-	187,973	(187,973)
Benefit payments, including refunds	(7,893)	(7,893)	-
Administrative expense	-	(4,065)	4,065
Other changes	-	-	-
Net changes	(7,459)	179,845	(187,304)
Balance at June 30, 2023	\$ 3,830	\$1,673,545	\$(1,669,715)

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 3,843	\$ 3,830	\$ 3,818
Fiduciary net position	1,673,545	1,673,545	1,673,545
Net OPEB liability (asset)	\$(1,669,702)	\$(1,669,715)	\$(1,669,727)

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, 2023 the employer recognized OPEB expense of \$(155,338). 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	\$ -	\$10,121
Change in assumptions	88	-
Excess (deficit) investment returns	-	2,287
Total	\$ 88	\$12,408

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

2024	\$(20,231)
2025	(19,108)
2026	45,281
2027	(18,262)
2028	-
Thereafter	-
Total	\$(12,320)

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 \$257,868 and employees contributed \$89,336 to the plan. The Plan is administered by the ICMA Retirement Corporation, DBA Mission Square Retirement (MSQ).

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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			
Interest receivable	\$ 86,208	\$ -	\$ 86,208
Investments			
Money market funds	827,707	-	827,707
Domestic fixed income mutual funds	12,198,360	-	12,198,360
International fixed income mutual funds	499,048	-	499,048
Domestic equity mutual funds	23,379,482	-	23,379,482
Mixed equity and fixed income securities	-	1,669,715	1,669,715
Real estate investment trust funds	5,069,035	-	5,069,035
Total assets	<u>42,059,840</u>	<u>1,669,715</u>	<u>43,729,555</u>
Liabilities			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Restricted for pension and other post-employment benefits	<u>\$42,059,840</u>	<u>\$1,669,715</u>	<u>\$43,729,555</u>

Statement of Changes in Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 189,000	\$ -	\$ 189,000
Employee	109,533	-	109,533
Total Contributions	<u>298,533</u>	<u>-</u>	<u>298,533</u>
Investment income			
Change in investment fair value	(6,354,583)	187,973	(6,166,610)
Interest	340,689	-	340,689
Dividends	249,915	-	249,915
Total investment income	<u>(5,763,979)</u>	<u>187,973</u>	<u>(5,576,006)</u>
Investment expense	(85,474)	-	(85,474)
Net investment income (loss)	<u>(5,849,453)</u>	<u>187,973</u>	<u>(5,661,480)</u>
Total Additions	<u>(5,550,920)</u>	<u>187,973</u>	<u>(5,362,947)</u>
Deductions			
Benefits	2,304,772	7,893	2,312,665
Administrative expense	(23,777)	4,065	(19,712)
Total deductions	<u>2,280,995</u>	<u>11,958</u>	<u>2,292,953</u>
Change in net position	(7,831,915)	176,015	(7,655,900)
Net position, beginning of year	<u>49,891,755</u>	<u>1,493,700</u>	<u>51,385,455</u>
Net position, end of year	<u>\$42,059,840</u>	<u>\$1,669,715</u>	<u>\$43,729,555</u>

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
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%	\$1,295,000	\$ -	\$635,000	\$ 660,000	\$660,000
Total bonds payable	1,295,000	-	635,000	660,000	660,000
Compensated absences	1,845,832	122,450	-	1,968,282	-
Landfill clean-up and other costs	2,706,025	-	67,915	2,638,110	-
Subscriptions, SBITAs	59,599	221,725	19,378	261,946	132,093
Total Governmental Activities	\$5,906,456	\$ 344,175	\$722,293	\$5,528,338	\$792,093
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%.	\$4,018,672	\$ -	\$275,000	\$3,743,672	\$280,000
Total Business-type Activities	\$4,018,672	\$ -	\$275,000	\$3,743,672	\$280,000

Compensated absences are generally liquidated by the general fund.

The City has entered into two subscription-based information technology arrangements (SBITAs) for software and online data storage. The first agreement commenced in June 2022 for a four-year term with annual payments of \$20,868. The second agreement commenced in August 2022 for a three-year term with annual payments of \$115,037. As the first year of implementation of GASBS 96, a right to use subscription asset of \$414,732 and corresponding liability of \$261,946 were recorded.

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

The annual requirements to amortize all debt outstanding as of June 30, 2023 are as follows:

Year Ended June 30	Governmental Activities Public Offerings		Business-type Activities Private Placement		SBITAs	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$660,000	\$ 6,765	\$ 280,000	\$ 72,073	\$132,093	\$ 7,033
2025	-	-	285,000	66,424	109,494	3,811
2026	-	-	290,000	60,673	20,359	509
2027	-	-	295,000	54,824		
2028	-	-	300,000	48,873		
2029-2033	-	-	1,605,000	150,317		
2034-2038	-	-	688,672	13,860		
Total	\$660,000	\$ 6,765	\$3,743,672	\$ 467,044	\$261,946	\$11,353

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 \$138,730,000.

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 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, 2023

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 \$192,974 reported at June 30, 2023 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, 2023 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>
2022	\$12,347	\$289,948	\$286,023	\$16,272
2023	16,272	313,044	306,750	22,566

The change in the medical claims liability for the year ended June 30, 2023 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>
2022	\$280,684	\$3,269,995	\$3,259,613	\$291,066
2023	291,066	2,989,024	3,109,682	170,408

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, 2023

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 \$13,190,548 of which the City would be responsible for \$2,638,110. 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, 2023, the City has accounted for the \$2,638,110 liability in the government-wide financial statements.

12. LEASES

The City has entered into four leasing arrangements for areas on and around the City's water towers and other facilities for installation of cellular equipment. The terms of the leases are as follows.

Initial five-year term ending 2006, with options to extend for additional five five-year terms through 2031; current monthly payments of \$667 with 3% annual increases. The lessee may terminate the lease upon 60 days prior written notice for any reason.

Initial five-year term ending 1997, with option to extend for additional five five-year terms with a twenty-percent increase at that time; current annual payments of \$24,883. The lessee may terminate the lease upon 12 months prior written notice for any reason.

Amended five-year term ending 2017, with option to extend for an additional five five-year term with a ten-percent increase at that time; current annual payments of \$23,570. The lessee may terminate the lease upon 30 days prior written notice for any reason.

Initial five-year term ending in 2012, with option to extend for additional five five-year terms through 2042 with ten-percent increase at each renewal; current annual payments \$7,216.

The City recognized \$53,050 in lease revenue and \$10,536 in interest revenue related to leases in the current fiscal year.

13. 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

CITY OF KENTWOOD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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 \$185,000.

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 \$89,000.

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 \$171,000.

14. COMMITMENTS

As of fiscal year end, the City had commitments of approximately \$630,000 outstanding for the addition and remodel of a fire station.

15. RESTATEMENT

Beginning net position in the Governmental Activities was restated by \$20,868 to reflect an increase in subscription assets (SBITAs) of \$80,467 and related increase in long-term debt of \$59,599 to implement GASB 96 relating to subscription-based information technology arrangements.

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, 2023

	<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	\$ 6,815,300	\$ 6,815,300	\$ 6,793,730	\$ (21,570)
Intergovernmental				
Federal	9,500	9,500	12,994	3,494
State	6,061,600	6,061,600	7,023,585	961,985
Local	68,000	68,000	-	(68,000)
Licenses and permits	1,865,500	1,865,500	2,068,522	203,022
Charges for services	1,882,100	1,882,100	1,994,092	111,992
Fines and forfeitures	976,000	976,000	922,902	(53,098)
Interest earnings (loss)	125,000	125,000	88,935	(36,065)
Miscellaneous	244,800	244,800	259,355	14,555
Total revenues	<u>18,047,800</u>	<u>18,047,800</u>	<u>19,164,115</u>	<u>1,116,315</u>
Expenditures				
Current				
Judicial	2,116,200	2,116,200	2,002,436	113,764
General government	4,582,500	4,582,500	3,928,690	653,810
Public safety	21,971,332	21,971,332	20,928,591	1,042,741
Public works	3,177,300	3,177,300	2,720,781	456,519
Community and economic development	545,400	545,400	522,543	22,857
Culture and recreation	2,019,800	2,019,800	1,868,610	151,190
Debt service	20,868	20,868	20,868	-
Total expenditures	<u>34,433,400</u>	<u>34,433,400</u>	<u>31,992,519</u>	<u>2,440,881</u>
Revenues over (under) expenditures	<u>(16,385,600)</u>	<u>(16,385,600)</u>	<u>(12,828,404)</u>	<u>3,557,196</u>
Other financing source (uses)				
Transfers in	17,667,000	17,667,000	15,426,362	(2,240,638)
Transfers out	(1,256,400)	(1,256,400)	(2,428,336)	(1,171,936)
Proceeds from sale of capital assets	(400)	(400)	-	400
Total other financing sources (uses)	<u>16,410,200</u>	<u>16,410,200</u>	<u>12,998,026</u>	<u>(3,412,174)</u>
Net changes in fund balance	24,600	24,600	169,622	145,022
Fund balance, beginning of year	<u>6,371,733</u>	<u>6,371,733</u>	<u>6,371,733</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,396,333</u>	<u>\$ 6,396,333</u>	<u>\$ 6,541,355</u>	<u>\$ 145,022</u>

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, 2023

	<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	\$ 14,009,100	\$ 14,009,100	\$ 14,190,530	\$ 181,430
Intergovernmental				
State	800,000	800,000	1,466,315	666,315
Interest earnings (loss)	<u>300,000</u>	<u>300,000</u>	<u>295,792</u>	<u>(4,208)</u>
Total revenues	15,109,100	15,109,100	15,952,637	843,537
Expenditures				
Current				
Public safety	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	15,089,100	15,089,100	15,932,637	843,537
Other financing source (uses)				
Transfers out	<u>(18,466,100)</u>	<u>(19,106,000)</u>	<u>(16,699,417)</u>	<u>2,406,583</u>
Net changes in fund balance	(3,377,000)	(4,016,900)	(766,780)	3,250,120
Fund balance, beginning of year	<u>14,773,750</u>	<u>14,773,750</u>	<u>14,773,750</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,396,750</u>	<u>\$ 10,756,850</u>	<u>\$ 14,006,970</u>	<u>\$ 3,250,120</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, 2023

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
State	\$ 5,166,400	\$ 5,166,400	\$ 5,174,043	\$ 7,643
Interest earnings (loss)	100,000	100,000	103,340	3,340
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>6,410</u>	<u>(3,590)</u>
Total revenues	5,276,400	5,276,400	5,283,793	7,393
Expenditures				
Current				
Highways and streets	<u>4,204,600</u>	<u>4,204,600</u>	<u>4,529,364</u>	<u>(324,764)</u>
Revenues over (under) expenditures	<u>1,071,800</u>	<u>1,071,800</u>	<u>754,429</u>	<u>(317,371)</u>
Other financing source (uses)				
Transfers in	468,800	468,800	504,114	35,314
Transfers out	<u>(1,372,100)</u>	<u>(1,372,100)</u>	<u>(1,205,000)</u>	<u>167,100</u>
Total other financing sources (uses)	<u>(903,300)</u>	<u>(903,300)</u>	<u>(700,886)</u>	<u>202,414</u>
Net changes in fund balance	168,500	168,500	53,543	(114,957)
Fund balance, beginning of year	<u>8,482,838</u>	<u>8,482,838</u>	<u>8,482,838</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,651,338</u>	<u>\$ 8,651,338</u>	<u>\$ 8,536,381</u>	<u>\$ (114,957)</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, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 228,194	\$ 392,191	\$ 335,846	\$ 421,114	\$ 416,954	\$ 397,526	\$ 465,982	\$ 493,973	\$ 531,938
Interest	2,823,345	2,803,107	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	86,668	(468,716)	(12,714)	(3,599)	4,953	242,663	110,834	(620,506)	(111,933)
Changes in assumptions	48,942	(121,373)	(111,542)	-	776,580	635,996	37,808	47,478	44,304
Benefit payments including employee refunds	<u>(2,304,772)</u>	<u>(1,954,978)</u>	<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	882,377	650,231	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>44,360,255</u>	<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>	<u>34,989,798</u>
Total pension liability, end of year	<u>\$ 45,242,632</u>	<u>\$ 44,360,255</u>	<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	189,000	301,000	368,000	\$ 661,000	\$ 359,000	\$ 769,000	\$ 1,332,000	\$ 1,560,000	\$ 1,584,000
Contributions-employee	109,533	156,001	170,054	178,153	191,551	193,005	203,295	215,759	226,857
Net investment income	(5,801,899)	6,575,603	2,023,812	6,843,161	(694,173)	3,994,375	3,338,577	317,455	1,700,506
Benefit payments including employee refunds	(2,304,772)	(1,954,978)	(1,668,291)	(2,152,093)	(1,466,190)	(1,329,108)	(1,218,071)	(1,109,797)	(3,429,435)
Administrative expense	(23,777)	(21,953)	(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	(7,831,915)	5,055,673	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>49,891,755</u>	<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>	<u>32,193,360</u>
Plan fiduciary net position, end of year	<u>\$ 42,059,840</u>	<u>\$ 49,891,755</u>	<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>\$ 3,182,792</u>	<u>\$ (5,531,500)</u>	<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	93%	112%	103%	104%	93%	102%	99%	94%	94%
Covered employee payroll	1,876,821	2,155,238	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	170%	-257%	-39%	-52%	103%	-27%	10%	66%	54%

Note 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, 2023

Plan 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%
12/31/2021	301,000	301,000	-	2,155,238	14%
12/31/2022	189,000	189,000	-	1,876,821	10%

Notes to schedule

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of compensation
Remaining amortization period	1 year
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-2021 improvement scale

SCHEDULE OF INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2023

	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%
12/31/2021	13.9%
12/31/2022	-12.9%

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, 2023

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 12,605	\$ 14,710	\$ 45,288
Interest	434	994	1,547	3,288	11,124	67,510	117,298
Changes in benefit terms						-	-
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	(7,893)	(9,804)	(9,804)	(18,720)	(769,882)	(195,396)	(1,095,208)
Other	-	-	-	-	-	-	283
Net change in total OPEB liability	(7,459)	(8,810)	(8,257)	(31,579)	(868,485)	(193,187)	(1,189,644)
Total OPEB liability, beginning of year	11,289	20,099	28,356	59,935	928,420	1,121,607	2,311,251
Total OPEB liability, end of year	\$ 3,830	\$ 11,289	\$ 20,099	\$ 28,356	\$ 59,935	\$ 928,420	\$ 1,121,607
Plan Fiduciary Net Position							
Contributions-employer	3,830					\$ -	\$ -
Contributions-employee						-	-
Net investment income	\$ 187,973	\$ (206,707)	\$ 407,402	\$ 39,625	\$ 101,519	\$ 200,918	\$ 330,921
Benefit payments including employee refunds	(7,893)	(9,804)	(9,804)	(18,720)	(769,882)	(195,396)	(1,095,208)
Administrative expense	(4,065)	(4,735)	(4,422)	(3,400)	(8,300)	(5,700)	(5,600)
Net change in plan fiduciary net position	179,845	(221,246)	393,176	17,505	(676,663)	(178)	(769,887)
Plan fiduciary net position, beginning of year	1,493,700	1,714,946	1,321,770	1,304,265	1,980,928	1,981,106	2,750,993
Plan fiduciary net position, end of year	\$ 1,673,545	\$ 1,493,700	\$ 1,714,946	\$ 1,321,770	\$ 1,304,265	\$ 1,980,928	\$ 1,981,106
Employer net OPEB liability (asset)	\$ (1,669,715)	\$ (1,482,411)	\$ (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	43696%	13231%	8532%	4661%	2176%	213%	177%
Covered employee payroll	n/a	n/a	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	n/a	n/a	-30%	-21%

Note 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, 2023

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
6/30/2022	-	-	-	n/a	n/a
6/30/2023	-	-	-	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	None assumed; only pre-65 benefits are provided

SCHEDULE OF INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2023

	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%
6/30/2022	-12.80%
6/30/2023	11.76%

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

NOTE 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).

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF KENTWOOD

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

FOR THE YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 6,815,300	\$ 6,815,300	\$ 6,793,730	\$ (21,570)
Intergovernmental				
Federal grants	9,500	9,500	12,994	3,494
Other state grants	613,500	613,500	928,260	314,760
Judge's salary subsidy	45,700	45,700	45,724	24
State shared revenue	5,402,400	5,402,400	6,049,601	647,201
Local grants	<u>68,000</u>	<u>68,000</u>	<u>-</u>	<u>(68,000)</u>
Total intergovernmental	<u>6,139,100</u>	<u>6,139,100</u>	<u>7,036,579</u>	<u>897,479</u>
Licenses and permits				
Permits and inspection fees	1,025,000	1,025,000	1,264,280	239,280
Local licenses	245,500	245,500	244,994	(506)
Franchise fees	570,000	570,000	529,120	(40,880)
State liquor licenses	<u>25,000</u>	<u>25,000</u>	<u>30,128</u>	<u>5,128</u>
Total licenses and permits	<u>1,865,500</u>	<u>1,865,500</u>	<u>2,068,522</u>	<u>203,022</u>
Charges for services				
Tax collection fees	1,024,400	1,024,400	1,051,860	27,460
Recreation fees	285,200	285,200	303,662	18,462
Police, fire and library fees	275,500	275,500	247,368	(28,132)
Cemetery	60,000	60,000	84,140	24,140
Zoning fees	26,000	26,000	24,565	(1,435)
Passport fees	60,000	60,000	114,938	54,938
Rental income	<u>151,000</u>	<u>151,000</u>	<u>167,559</u>	<u>16,559</u>
Total charges for services	<u>1,882,100</u>	<u>1,882,100</u>	<u>1,994,092</u>	<u>111,992</u>
Fines and forfeitures				
Court fines	826,000	826,000	757,882	(68,118)
Delinquent tax interest/penalties	<u>150,000</u>	<u>150,000</u>	<u>165,020</u>	<u>15,020</u>
Total fines and forfeitures	<u>976,000</u>	<u>976,000</u>	<u>922,902</u>	<u>(53,098)</u>
Interest earnings (loss)	<u>125,000</u>	<u>125,000</u>	<u>88,935</u>	<u>(36,065)</u>
Miscellaneous				
Insurance premium refunds	25,000	25,000	36,613	11,613
Miscellaneous	<u>219,800</u>	<u>219,800</u>	<u>222,742</u>	<u>2,942</u>
Total miscellaneous	<u>244,800</u>	<u>244,800</u>	<u>259,355</u>	<u>14,555</u>
Total revenues	<u>18,047,800</u>	<u>18,047,800</u>	<u>19,164,115</u>	<u>1,116,315</u>

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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, 2023

	<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	\$ 2,116,200	\$ 2,116,200	\$ 2,002,436	\$ 113,764
General government				
Administrative	752,900	752,900	504,557	248,343
Assessor	642,900	642,900	588,887	54,013
Treasurer	317,700	317,700	295,169	22,531
Information technology	713,500	713,500	580,896	132,604
City clerk	295,200	295,200	286,341	8,859
Human resources	457,000	457,000	318,381	138,619
Accounting	889,500	889,500	885,653	3,847
Executive	411,600	411,600	383,361	28,239
Elections	102,200	102,200	85,445	16,755
Total general government	4,582,500	4,582,500	3,928,690	653,810
Public safety				
Police	12,781,032	12,781,032	11,841,332	939,700
Fire	8,194,500	8,194,500	8,146,265	48,235
Inspections	995,800	995,800	940,994	54,806
Total public safety	21,971,332	21,971,332	20,928,591	1,042,741
Public works				
Department of public works	3,102,600	3,102,600	2,604,549	498,051
Engineering services	74,700	74,700	116,232	(41,532)
Total public works	3,177,300	3,177,300	2,720,781	456,519
Community and economic development				
Planning and zoning	545,400	545,400	522,543	22,857
Culture and recreation				
Recreation	1,681,200	1,681,200	1,592,856	88,344
Library	338,600	338,600	275,754	62,846
Total culture and recreation	2,019,800	2,019,800	1,868,610	151,190
Debt service				
Principal	19,378	19,378	19,378	-
Interest	1,490	1,490	1,490	-
Total debt service	20,868	20,868	20,868	-
Total expenditures	34,433,400	34,433,400	31,992,519	2,440,881
Revenues under expenditures	(16,385,600)	(16,385,600)	(12,828,404)	3,557,196
Other financing sources (uses)				
Transfers in	17,667,000	17,667,000	15,426,362	(2,240,638)
Transfers out	(1,256,400)	(1,256,400)	(2,428,336)	(1,171,936)
Proceeds from sale of capital assets	(400)	(400)	-	400
Total other financing sources (uses)	16,410,200	16,410,200	12,998,026	(3,412,174)
Net change in fund balance	24,600	24,600	169,622	145,022
Fund balance, beginning of year	6,371,733	6,371,733	6,371,733	-
Fund balance, end of year	\$ 6,396,333	\$ 6,396,333	\$ 6,541,355	\$ 145,022

(concluded)

CITY OF KENTWOOD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	Special Revenue					
	<u>Housing</u>	<u>Local</u>	<u>Street</u>	<u>Landfill</u>	<u>Drain</u>	<u>Municipal</u>
	<u>Commission</u>	<u>Streets</u>	<u>Lighting</u>	<u>Remediation</u>		<u>Streets</u>
Assets						
Cash and pooled investments	\$ 173,262	\$ 784,957	\$ 122,540	\$ 1,466,985	\$ 37,729	\$ 5,842
Receivables						
Accounts	6,683	-	1,974	4,507	8,872	-
Loans	98,211	-	-	-	-	-
Due from other governments	-	272,123	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>278,156</u>	<u>1,057,080</u>	<u>124,514</u>	<u>1,471,492</u>	<u>46,601</u>	<u>5,842</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	-	514,686	33,305	2,367	1,699	-
Due to other governments	-	-	-	-	3,071	-
Total liabilities	<u>-</u>	<u>514,686</u>	<u>33,305</u>	<u>2,367</u>	<u>4,770</u>	<u>-</u>
Deferred inflows						
Unavailable revenues	<u>96,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable						
Long-term receivable	1,247	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted						
Streets	-	-	91,209	-	-	5,842
Public works	-	-	-	1,469,125	41,831	-
Community development	179,945	-	-	-	-	-
Culture and recreation	-	542,394	-	-	-	-
Judicial	-	-	-	-	-	-
Assigned						
Capital projects	-	-	-	-	-	-
Total fund balances	<u>181,192</u>	<u>542,394</u>	<u>91,209</u>	<u>1,469,125</u>	<u>41,831</u>	<u>5,842</u>
Total liabilities and fund balances	<u>\$ 278,156</u>	<u>\$ 1,057,080</u>	<u>\$ 124,514</u>	<u>\$ 1,471,492</u>	<u>\$ 46,601</u>	<u>\$ 5,842</u>

<u>Special Revenue</u>				<u>Capital Projects</u>			<u>Total</u>
<u>Library</u>	<u>Opioid Settlement</u>	<u>Federal Grants</u>	<u>Debt Service</u>	<u>DPW Equipment</u>	<u>Fire Equipment</u>	<u>Police Equipment</u>	
\$ 1,602,350	\$ 17,339	\$ (6,138)	\$ -	\$ 888,909	\$ 514,099	\$ 353,348	\$ 5,961,222
8,114	-	-	-	-	-	-	30,150
-	-	-	-	-	-	-	98,211
-	-	6,138	-	-	-	-	278,261
-	-	-	-	-	13,939	20,328	34,267
<u>1,610,464</u>	<u>17,339</u>	<u>-</u>	<u>-</u>	<u>888,909</u>	<u>528,038</u>	<u>373,676</u>	<u>6,402,111</u>
1,385	-	-	-	6,519	39,992	3,351	603,304
-	-	-	-	-	-	-	3,071
<u>1,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,519</u>	<u>39,992</u>	<u>3,351</u>	<u>606,375</u>
<u>5,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,527</u>
-	-	-	-	-	-	-	1,247
-	-	-	-	-	13,939	20,328	34,267
-	-	-	-	-	-	-	97,051
-	-	-	-	-	-	-	1,510,956
-	-	-	-	-	-	-	179,945
1,603,516	-	-	-	-	-	-	2,145,910
-	17,339	-	-	-	-	-	17,339
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>882,390</u>	<u>474,107</u>	<u>349,997</u>	<u>1,706,494</u>
<u>1,603,516</u>	<u>17,339</u>	<u>-</u>	<u>-</u>	<u>882,390</u>	<u>488,046</u>	<u>370,325</u>	<u>5,693,209</u>
<u>\$ 1,610,464</u>	<u>\$ 17,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,909</u>	<u>\$ 528,038</u>	<u>\$ 373,676</u>	<u>\$ 6,402,111</u>

CITY OF KENTWOOD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue					
	<u>Housing</u>	<u>Local</u>	<u>Street</u>	<u>Landfill</u>		<u>Municipal</u>
	<u>Commission</u>	<u>Streets</u>	<u>Lighting</u>	<u>Remediation</u>	<u>Drain</u>	<u>Streets</u>
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	3,278	3,725
Intergovernmental revenues		-	-	-		
Federal	-	-	-	-	-	-
State	-	1,603,558	226,557	-	-	-
Charges for services	-	-	-	-	-	-
Interest earnings (loss)	2,766	7,511	1,209	19,630	3,828	9,442
Miscellaneous	<u>(1,348)</u>	<u>16,614</u>	<u>500</u>	<u>-</u>	<u>17,414</u>	<u>-</u>
Total revenues	<u>1,418</u>	<u>1,627,683</u>	<u>228,266</u>	<u>19,630</u>	<u>24,520</u>	<u>13,167</u>
Expenditures						
Current						
Public safety	-	-	-	-	-	-
Streets	-	2,938,488	428,045	-	-	20,000
Public works	-	-	-	10,000	406,482	-
Community and economic development	3,944	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,944</u>	<u>2,938,488</u>	<u>428,045</u>	<u>10,000</u>	<u>406,482</u>	<u>20,000</u>
Revenues over (under) expenditures	<u>(2,526)</u>	<u>(1,310,805)</u>	<u>(199,779)</u>	<u>9,630</u>	<u>(381,962)</u>	<u>(6,833)</u>
Other financing sources (uses)						
Transfers in	-	1,348,853	238,000	-	-	-
Transfers out	-	-	(45,000)	-	-	(647,967)
Debt/SPITAs issue	-	-	-	-	-	-
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>1,348,853</u>	<u>193,000</u>	<u>-</u>	<u>-</u>	<u>(647,967)</u>
Net changes in fund balances	(2,526)	38,048	(6,779)	9,630	(381,962)	(654,800)
Fund balances, beginning of year	<u>183,718</u>	<u>504,346</u>	<u>97,988</u>	<u>1,459,495</u>	<u>423,793</u>	<u>660,642</u>
Fund balances, end of year	<u>\$ 181,192</u>	<u>\$ 542,394</u>	<u>\$ 91,209</u>	<u>\$ 1,469,125</u>	<u>\$ 41,831</u>	<u>\$ 5,842</u>

Special Revenue				Capital Projects			
<u>Library</u>	<u>Opioid Settlement</u>	<u>Federal Grants</u>	<u>Debt Service</u>	<u>DPW Equipment</u>	<u>Fire Equipment</u>	<u>Police Equipment</u>	<u>Total</u>
\$ 792,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 792,761
-	-	-	-	-	-	-	7,003
-	-	14,606	-	-	-	-	14,606
81,927	-	-	-	-	-	-	1,912,042
-	-	-	-	650,000	-	-	650,000
28,552	-	-	-	20,215	2,816	2,660	98,629
-	49,143	-	-	-	-	121,104	203,427
<u>903,240</u>	<u>49,143</u>	<u>14,606</u>	<u>-</u>	<u>670,215</u>	<u>2,816</u>	<u>123,764</u>	<u>3,678,468</u>
-	31,804	14,606	-	-	15,000	15,000	76,410
-	-	-	-	-	-	-	3,386,533
-	-	-	-	15,000	-	-	431,482
-	-	-	-	-	-	-	3,944
20,000	-	-	-	-	-	-	20,000
-	-	-	635,000	-	27,010	39,389	701,399
-	-	-	19,336	-	-	-	19,336
-	-	-	-	1,137,548	932,187	849,960	2,919,695
<u>20,000</u>	<u>31,804</u>	<u>14,606</u>	<u>654,336</u>	<u>1,152,548</u>	<u>974,197</u>	<u>904,349</u>	<u>7,558,799</u>
<u>883,240</u>	<u>17,339</u>	<u>-</u>	<u>(654,336)</u>	<u>(482,333)</u>	<u>(971,381)</u>	<u>(780,585)</u>	<u>(3,880,331)</u>
-	-	-	654,336	-	907,000	610,000	3,758,189
(645,618)	-	-	-	-	-	-	(1,338,585)
-	-	-	-	-	53,214	77,604	130,818
-	-	-	-	20,649	8,145	49,005	77,799
<u>(645,618)</u>	<u>-</u>	<u>-</u>	<u>654,336</u>	<u>20,649</u>	<u>968,359</u>	<u>736,609</u>	<u>2,628,221</u>
237,622	17,339	-	-	(461,684)	(3,022)	(43,976)	(1,252,110)
<u>1,365,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,344,074</u>	<u>491,068</u>	<u>414,301</u>	<u>6,945,319</u>
<u>\$ 1,603,516</u>	<u>\$ 17,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 882,390</u>	<u>\$ 488,046</u>	<u>\$ 370,325</u>	<u>\$ 5,693,209</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, 2023

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Interest earnings (loss)	\$ 3,000	\$ 3,000	\$ 2,766	\$ (234)
Miscellaneous	-	-	(1,348)	(1,348)
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>1,418</u>	<u>(1,582)</u>
Expenditures				
Current				
Community and economic development				
Administration	1,000	1,000	1,000	-
Grant expenses	5,000	5,000	-	5,000
Bad debts	-	-	2,764	(2,764)
Supplies	<u>500</u>	<u>500</u>	<u>180</u>	<u>320</u>
Total expenditures	<u>6,500</u>	<u>6,500</u>	<u>3,944</u>	<u>2,556</u>
Net changes in fund balance	(3,500)	(3,500)	(2,526)	974
Fund balance, beginning of year	<u>183,718</u>	<u>183,718</u>	<u>183,718</u>	<u>-</u>
Fund balance, end of year	<u>\$ 180,218</u>	<u>\$ 180,218</u>	<u>\$ 181,192</u>	<u>\$ 974</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, 2023

	<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	\$ 1,599,800	\$ 1,599,800	\$ 1,603,558	\$ 3,758
Interest earnings (loss)	6,000	6,000	7,511	1,511
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>16,614</u>	<u>1,614</u>
Total revenues	<u>1,620,800</u>	<u>1,620,800</u>	<u>1,627,683</u>	<u>6,883</u>
Expenditures				
Current				
Streets				
Engineering	347,300	347,300	292,953	54,347
Administration	90,000	90,000	95,000	(5,000)
Maintenance	1,215,000	1,215,000	1,130,060	84,940
Snow and ice removal	188,000	188,000	315,161	(127,161)
Traffic control	8,000	8,000	3,649	4,351
Miscellaneous	34,600	34,600	34,146	454
Capital outlay	<u>1,425,000</u>	<u>1,425,000</u>	<u>1,067,519</u>	<u>357,481</u>
Total expenditures	<u>3,307,900</u>	<u>3,307,900</u>	<u>2,938,488</u>	<u>369,412</u>
Revenues over (under) expenditures	(1,687,100)	(1,687,100)	(1,310,805)	376,295
Other financing source (uses)				
Transfers in	<u>1,687,100</u>	<u>1,687,100</u>	<u>1,348,853</u>	<u>(338,247)</u>
Net changes in fund balance	-	-	38,048	38,048
Fund balance, beginning of year	<u>504,346</u>	<u>504,346</u>	<u>504,346</u>	<u>-</u>
Fund balance, end of year	<u>\$ 504,346</u>	<u>\$ 504,346</u>	<u>\$ 542,394</u>	<u>\$ 38,048</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, 2023

	<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	\$ 185,000	\$ 185,000	\$ 226,557	\$ 41,557
Interest earnings (loss)	1,500	1,500	1,209	(291)
Miscellaneous	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Total revenues	<u>186,500</u>	<u>186,500</u>	<u>228,266</u>	<u>41,766</u>
Expenditures				
Current				
Streets				
Administration	20,000	20,000	20,000	-
Utilities	430,000	430,000	407,762	22,238
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>283</u>	<u>2,217</u>
Total expenditures	<u>452,500</u>	<u>452,500</u>	<u>428,045</u>	<u>24,455</u>
Revenues over (under) expenditures	<u>(266,000)</u>	<u>(266,000)</u>	<u>(199,779)</u>	<u>66,221</u>
Other financing source (uses)				
Transfers in	316,000	316,000	238,000	(78,000)
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(45,000)</u>	<u>5,000</u>
Total other financing sources (uses)	<u>266,000</u>	<u>266,000</u>	<u>193,000</u>	<u>(73,000)</u>
Net changes in fund balance	-	-	(6,779)	(6,779)
Fund balance, beginning of year	<u>97,988</u>	<u>97,988</u>	<u>97,988</u>	<u>-</u>
Fund balance, end of year	<u>\$ 97,988</u>	<u>\$ 97,988</u>	<u>\$ 91,209</u>	<u>\$ (6,779)</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, 2023

	<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 earnings (loss)	\$ 25,000	\$ 25,000	\$ 19,630	\$ (5,370)
Expenditures				
Current				
Public works				
Administration	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net changes in fund balance	15,000	15,000	9,630	(5,370)
Fund balance, beginning of year	<u>1,459,495</u>	<u>1,459,495</u>	<u>1,459,495</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,474,495</u>	<u>\$ 1,474,495</u>	<u>\$ 1,469,125</u>	<u>\$ (5,370)</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, 2023

	<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				
Special assessments	\$ -	\$ -	\$ 3,278	\$ 3,278
Interest earnings (loss)	15,000	15,000	3,828	(11,172)
Miscellaneous	-	-	17,414	17,414
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>24,520</u>	<u>9,520</u>
Expenditures				
Current				
Public works				
Engineering	106,500	106,500	129,900	(23,400)
Administration	20,000	20,000	20,000	-
Maintenance	300,000	300,000	252,116	47,884
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>4,466</u>	<u>534</u>
Total expenditures	<u>431,500</u>	<u>431,500</u>	<u>406,482</u>	<u>25,018</u>
Net changes in fund balance	(416,500)	(416,500)	(381,962)	34,538
Fund balance, beginning of year	<u>423,793</u>	<u>423,793</u>	<u>423,793</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,293</u>	<u>\$ 7,293</u>	<u>\$ 41,831</u>	<u>\$ 34,538</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, 2023

	<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				
Special assessments	\$ -	\$ -	\$ 3,725	\$ 3,725
Interest earnings (loss)	<u>30,000</u>	<u>30,000</u>	<u>9,442</u>	<u>(20,558)</u>
Total revenues	30,000	30,000	13,167	(16,833)
Expenditures				
Current				
Streets				
Administration	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	10,000	10,000	(6,833)	(16,833)
Other financing source (uses)				
Transfers out	<u>(783,800)</u>	<u>(783,800)</u>	<u>(647,967)</u>	<u>135,833</u>
Net changes in fund balance	(773,800)	(773,800)	(654,800)	119,000
Fund balance, beginning of year	<u>660,642</u>	<u>660,642</u>	<u>660,642</u>	<u>-</u>
Fund balance, end of year	<u>\$ (113,158)</u>	<u>\$ (113,158)</u>	<u>\$ 5,842</u>	<u>\$ 119,000</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, 2023

	<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	\$ 780,400	\$ 780,400	\$ 792,761	\$ 12,361
Intergovernmental				
State	45,000	45,000	81,927	36,927
Interest earnings (loss)	<u>25,000</u>	<u>25,000</u>	<u>28,552</u>	<u>3,552</u>
Total revenues	850,400	850,400	903,240	52,840
Expenditures				
Current				
Culture and recreation				
Administration	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures	830,400	830,400	883,240	52,840
Other financing source (uses)				
Transfers out	<u>(987,700)</u>	<u>(987,700)</u>	<u>(645,618)</u>	<u>342,082</u>
Net changes in fund balance	(157,300)	(157,300)	237,622	394,922
Fund balance, beginning of year	<u>1,365,894</u>	<u>1,365,894</u>	<u>1,365,894</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,208,594</u>	<u>\$ 1,208,594</u>	<u>\$ 1,603,516</u>	<u>\$ 394,922</u>

CITY OF KENTWOOD

OPIOID SETTLEMENT SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	<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				
Miscellaneous	\$ -	\$ -	\$ 49,143	\$ 49,143
Expenditures				
Current				
Public safety	-	-	31,804	(31,804)
Net changes in fund balance	-	-	17,339	17,339
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,339</u>	<u>\$ 17,339</u>

CITY OF KENTWOOD

FEDERAL GRANTS SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ 1,325,800	\$ 1,325,800	\$ 14,606	\$ (1,311,194)
Expenditures				
Current				
Public safety	50,000	50,000	14,606	35,394
Revenues over (under) expenditures	1,275,800	1,275,800	-	(1,275,800)
Other financing source (uses)				
Transfers out	(1,275,800)	(1,275,800)	-	1,275,800
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

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

JUNE 30, 2023

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
Assets			
Cash and pooled investments	\$ 715,206	\$ -	\$ 715,206
Total assets	<u>715,206</u>	<u>-</u>	<u>715,206</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance			
Unassigned	<u>715,206</u>		
Total fund balance	<u>715,206</u>		
Total liabilities and fund balance	<u>\$ 715,206</u>		
Net position			
Unrestricted			<u>715,206</u>
Total net position			<u>\$ 715,206</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, 2023

	Economic Development Corporation <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Charges	\$ 2,000	\$ -	\$ 2,000
Operating grants	76	-	76
Interest earnings (loss)	<u>9,588</u>	<u>-</u>	<u>9,588</u>
Total revenues	11,664	-	11,664
Expenditures			
Current			
Community and economic development	<u>18,914</u>	<u>-</u>	<u>18,914</u>
Net changes in fund balances	(7,250)	7,250	-
Change in net position		(7,250)	(7,250)
Fund balance/net position, beginning of year	<u>722,456</u>	<u>-</u>	<u>722,456</u>
Fund balance/net position, end of year	<u>\$ 715,206</u>	<u>\$ -</u>	<u>\$ 715,206</u>

CITY OF KENTWOOD

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

JUNE 30, 2023

	Brownfield Redevelopment Authority <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
Assets			
Cash and pooled investments	\$ 374,627	\$ -	\$ 374,627
Total assets	<u>374,627</u>	<u>-</u>	<u>374,627</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance			
Unassigned	<u>374,627</u>		
Total fund balance	<u>374,627</u>		
Total liabilities and fund balance	<u>\$ 374,627</u>		
Net position			
Unrestricted			<u>374,627</u>
Total net position			<u>\$ 374,627</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, 2023

	Brownfield Redevelopment Authority <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 363,598	\$ -	\$ 363,598
Interest earnings (loss)	<u>4,780</u>	<u>-</u>	<u>4,780</u>
Total revenues	368,378	-	368,378
Expenditures			
Current			
Brownfield redevelopment	<u>228,231</u>	<u>-</u>	<u>228,231</u>
Net changes in fund balances	140,147	(140,147)	
Change in net position		140,147	140,147
Fund balance/net position, beginning of year	<u>234,480</u>	<u>-</u>	<u>234,480</u>
Fund balance/net position, end of year	<u>\$ 374,627</u>	<u>\$ -</u>	<u>\$ 374,627</u>

INTERNAL CONTROL AND COMPLIANCE



Vredeveld Haefner LLC

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

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

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

November 29, 2023

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, 2023, 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 29, 2023.

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.

Vredenburg Haefner LLC

Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2023*

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, 2023

*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: Keyla Garcia

Name: Keyla Garcia 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) 554-0766

City of Kentwood
Taxable Value
Fiscal Years Ended or Ending June 30, 2020 Through 2024

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
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
2021	2022	2023	2,255,418,313	19,517,734	2,274,936,047	4.18
2022	2023	2024	2,422,828,478	21,310,727	2,444,139,205	7.44

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2024 (3)..... \$45,008

(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, 2024, 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, 2024, the Taxable Value and State Equalized Valuation of property granted exemption under Act 328 is \$0. Also included are Brownfield parcels with a base taxable value totaling \$5,804,253, current value of \$15,085,391 and "captured" Taxable Value of \$9,281,138. Also included are County Land Bank Sold properties with a base taxable value totaling \$0, current value of \$0 and "captured" Taxable Value of \$0. 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, resulting in \$0 Taxable Value on December 31, 2023. 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 2020 Census of 54,304.

Source: City of Kentwood

City of Kentwood
Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2020 Through 2024

	Fiscal Years Ended or Ending June 30				
<u>Use</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Commercial.....	\$ 805,362,119	\$ 814,988,792	\$ 858,518,726	\$ 864,600,215	\$ 904,296,530
Industrial	305,050,517	283,985,167	277,809,363	286,588,676	318,195,418
Residential.....	917,205,225	962,237,086	1,008,091,874	1,081,823,656	1,176,308,858
Utility	37,475,200	38,838,400	39,214,100	41,923,500	45,338,400
	<u>\$ 2,065,093,061</u>	<u>\$ 2,100,049,445</u>	<u>\$ 2,183,634,063</u>	<u>\$ 2,274,936,047</u>	<u>\$ 2,444,139,206</u>
<u>Class</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Real Property	\$ 1,821,617,211	\$ 1,910,086,845	\$ 1,996,659,563	\$ 2,105,845,297	\$ 2,288,312,205
Personal Property	243,475,850	189,962,600	186,974,500	169,090,750	155,827,000
	<u>\$ 2,065,093,061</u>	<u>\$ 2,100,049,445</u>	<u>\$ 2,183,634,063</u>	<u>\$ 2,274,936,047</u>	<u>\$ 2,444,139,205</u>

Source: City of Kentwood

City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2020 Through 2024

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>
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
2021	2022	2023	2,931,069,700	49,918,900	2,980,988,600	8.90
2022	2023	2024	3,259,356,800	56,836,500	3,316,193,300	11.24

Per Capita Total SEV for the Fiscal Year Ending June 30, 2024 (3)..... \$61,067

(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, 2024, 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, 2024, the State Equalized Valuation and Taxable Value of property granted exemption under Act 328 is \$0. Also included are Brownfield parcels with a current SEV of \$14,586,700. Also included are County Land Bank Sold properties with a base taxable value totaling \$0, current value of \$0 and "captured" Taxable Value of \$0. 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, resulting in \$0 SEV on December 31, 2023. 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 2020 Census of 54,304.

Source: City of Kentwood

City of Kentwood
Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2020 Through 2024

	Fiscal Years Ended or Ending June 30				
<u>Use</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Commercial.....	\$ 934,522,700	\$ 981,231,200	\$1,010,847,300	\$1,075,200,100	\$1,154,337,100
Industrial	353,973,000	350,013,500	346,806,600	390,407,300	437,926,300
Residential	1,146,437,500	1,246,409,800	1,340,400,600	1,473,457,700	1,678,591,500
Utility	<u>37,475,200</u>	<u>38,838,400</u>	<u>39,214,100</u>	<u>41,923,500</u>	<u>45,338,400</u>
	<u>\$2,472,408,400</u>	<u>\$2,616,492,900</u>	<u>\$2,737,268,600</u>	<u>\$2,980,988,600</u>	<u>\$3,316,193,300</u>
<u>Class</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Real Property	\$2,222,016,100	\$2,420,314,600	\$2,545,318,000	\$2,810,254,300	\$3,160,339,600
Personal Property	<u>250,392,300</u>	<u>196,178,300</u>	<u>191,950,600</u>	<u>170,734,300</u>	<u>155,583,700</u>
	<u>\$2,472,408,400</u>	<u>\$2,616,492,900</u>	<u>\$2,737,268,600</u>	<u>\$2,980,988,600</u>	<u>\$3,316,193,300</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 \$42,621,454 for the fiscal year ending June 30, 2024. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on approximately \$21,310,727 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, 2024, 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 \$5,804,253 (the "Initial Taxable Value"). The current taxable value of the Eligible Property has increased to \$15,085,391. 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 2023 Captured Taxable Value is \$9,281,138.

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 \$0 in SEV and TV from the rolls. These amounts are not included in the ad valorem totals for the fiscal year ending June 30, 2024. This exemption will continue past the December 2015 expiration

date indefinitely until all equipment is exempted as “eligible manufacturing personal property”, resulting in \$0 SEV and \$0 TV on December 31, 2023.

**City of Kentwood
Maximum Operating Tax Rates
Fiscal Year Ending June 30, 2024**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
General Operating (1).....	3.0000	1.0000	2.9545
Police and Fire (1)	6.2620	1.0000	6.1783
Library Purposes (3)	0.3500	1.0000	0.3452

**City of Kentwood
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2020 Through 2024**

<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>Parks & Rec (3)</u>	<u>Total</u>
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
2022	2023	2.9757	6.2225	0.3477		9.5459
2023	2024	2.9545	6.1783	0.3452	1.000	10.4780

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

(3) On August 2, 2022, the City’s electorate approved 1.0000 mills for Parks and Recreation Purposes effective July 1, 2023.

Source: City of Kentwood

City of Kentwood
Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2019 Through 2023

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City of Kentwood.....	9.6066	9.6066	9.6066	9.5459	9.5459
County of Kent.....	6.2947	6.2584	6.2100	6.1521	6.0971
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	5.8500	5.8666	5.8472	5.8378	5.5718
Kent Intermediate School District.....	5.6465	5.6113	5.5684	5.5157	5.4447
Grand Rapids Community College	1.7716	1.7606	1.7472	1.7307	1.7085
Interurban Transit Authority	1.4658	1.4556	1.4457	1.4308	1.4074
Kent District Library Authority...	<u>1.2733</u>	<u>1.2661</u>	<u>1.2581</u>	<u>1.2484</u>	<u>1.2355</u>
Total	<u>37.9085</u>	<u>37.8252</u>	<u>37.6832</u>	<u>37.4614</u>	<u>37.0109</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2019 Through 2023

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City of Kentwood.....	9.6066	9.6066	9.6066	9.5459	9.5459
County of Kent.....	6.2947	6.2584	6.2100	6.1521	6.0971
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Kentwood Public Schools (2).....	23.8500	23.8666	23.8472	23.8378	23.5718
Kent Intermediate School District.....	5.6465	5.6113	5.5684	5.5157	5.4447
Grand Rapids Community College	1.7716	1.7606	1.7472	1.7307	1.7085
Interurban Transit Authority	1.4658	1.4556	1.4457	1.4308	1.4074
Kent District Library Authority...	<u>1.2733</u>	<u>1.2661</u>	<u>1.2581</u>	<u>1.2484</u>	<u>1.2355</u>
Total	<u>55.9085</u>	<u>55.8252</u>	<u>55.6832</u>	<u>55.4614</u>	<u>55.0109</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, 2023 ranged from 24.6828 to 26.3123 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, 2020 Through 2024

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>
2019	2020	\$19,548,525	\$19,331,630	98.9%
2020	2021	20,124,620	19,838,655	98.6
2021	2022	20,554,629	20,361,327	99.1
2022	2023	21,504,654	21,297,620	99.0
2023	2024	25,530,999	(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, 2024

<u>Taxpayers</u>	Principal Product or Service	Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	Total Taxable Value	Percent of <u>Total (2)</u>
PR Woodland.....	Shopping Center	\$ 80,878,642	\$ 0	\$ 80,878,642	3.31%
Holland Home.....	Senior Housing	46,561,718	0	46,561,718	1.91
Roskam Baking Co	Food Manufacturing	37,769,400	6,615,110	44,384,510	1.82
Lacks Industries.....	Automotive Supplier.	29,738,305	4,102,580	33,840,885	1.38
Heritage Pointe Ventures.....	Medical Facilities	31,859,917	0	31,859,917	1.30
Consumers Energy.....	Utility.....	31,321,496	0	31,321,496	1.28
VA8 Woodland LLC	Multi-family Housing	30,775,390	0	30,775,390	1.26
MIMG Old Farm Shores LLC	Multi-family Housing	24,118,106	0	24,118,106	0.99
Green Castle Properties.	Automotive Dealer....	20,910,878	0	20,910,878	0.86
Steelcase	Office Furniture	18,626,099	0	18,626,099	0.76
		<u>\$363,367,641</u>	<u>\$ 10,717,690</u>	<u>\$363,367,641</u>	<u>14.87%</u>

(1) See “Tax Abatement” herein.

(2) Based on \$2,444,139,205 which is the City’s Total Taxable Value for the fiscal year ended June 30, 2024. 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, 2020 Through 2024

	Fiscal Years Ended or Ending June 30				
	2020	2021	2022	2023	2024 (2)
State Sales Tax.....	\$ 4,351,202	\$ 4,939,432	\$ 6,367,250	\$ 6,029,586	\$ 6,159,000
Liquor License Fees.....	<u>27,799</u>	<u>26,925</u>	<u>29,416</u>	<u>30,128</u>	<u>28,000</u>
Total Revenues From the State of Michigan	<u>\$ 4,379,001</u>	<u>\$ 4,966,357</u>	<u>\$ 6,396,666</u>	<u>\$ 6,059,714</u>	<u>\$ 6,187,000</u>
Percent of General Fund Revenue.....	13.97%	13.98%	15.06%	15.90%	14.72%

(1) As estimated

(2) As budgeted

Source: City of Kentwood

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of November 08, 2023.

Debt Limit (1)	\$ 331,619,330
Debt Outstanding.....	\$3,463,672
Less: Exempt Debt.....	<u>3,463,672</u>
Legal Debt Margin.....	<u>\$ 331,619,330</u>

(1) 10% of \$3,316,193,300 which is the City's Total SEV for the fiscal year ending June 30, 2024. Includes the SEV of property granted tax abatement under Act 198.

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

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of November 08, 2023 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	\$ 0	\$ 0	\$ 0
Dated September 17, 2013.....	<u>3,463,672</u>	<u>3,643,672</u>	<u>0</u>
Total	<u>\$ 3,463,672</u>	<u>\$ 3,463,672</u>	<u>\$ 0</u>
Per Capita Net City Direct Debt (1)			\$ 0.00
Percent of Net Direct Debt to Total SEV (2).....			0.00%
<u>Overlapping Debt (3)</u>	<u>Gross</u>	Percent of <u>Gross</u>	<u>City Share</u>
Kentwood School District	\$146,625,000	67.89%	\$ 99,543,713
Caledonia School District.....	197,423,509	8.47%	16,721,771
Forest Hills School District	137,180,000	5.42%	7,435,156
Kelloggsville School District	56,230,000	37.78%	21,243,694
Kent County	75,740,000	7.76%	5,877,424
Grand Rapids Community College	21,135,000	7.50%	1,585,125
Total Overlapping Debt	<u>\$ 634,333,509</u>		<u>\$ 152,406,883</u>
Total Direct & Overlapping Debt.....	<u>\$ 637,797,181</u>		<u>\$ 152,406,883</u>
Per Capita Net Overlapping Debt (1)			\$2,806.55
Percent of Net Overlapping Debt to Total SEV (2).....			4.60%
Per Capita Net Direct and Overlapping Debt (1).....			\$2,806.55
Percent of Net Direct and Overlapping Debt to Total SEV (2)			4.60%

(1) Based on the City's 2010 Census of 54,304.

(2) Based on \$3,316,193,300 which is the City's Total SEV for the fiscal year ending June 30, 2024. 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.