

**Charter Township of Kalamazoo**

**Financial Statements**

**December 31, 2020**



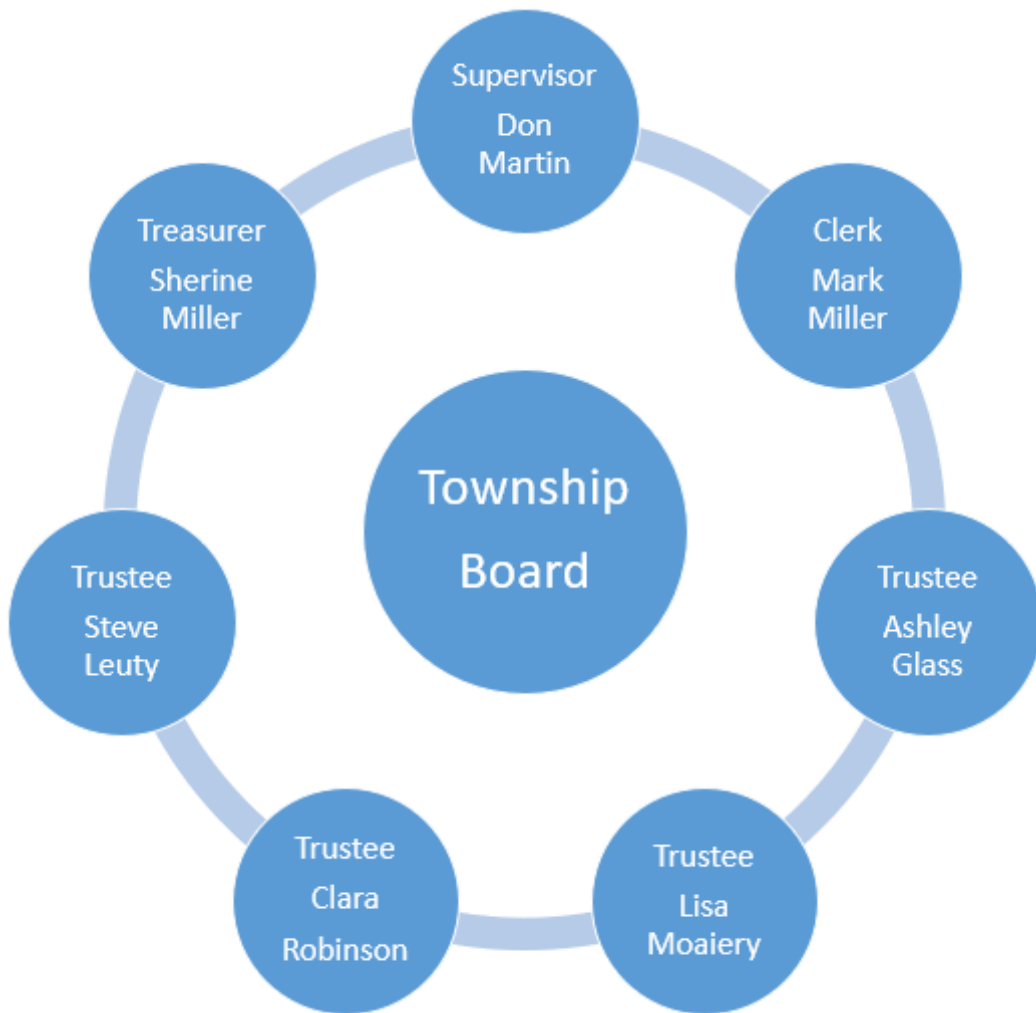
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**Charter Township of Kalamazoo**  
**List of Elected and Appointed Officials**  
**December 31, 2020**

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## Independent Auditors' Report

To the Board of Trustees  
Charter Township of Kalamazoo  
Kalamazoo, Michigan

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kalamazoo, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kalamazoo, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of New Accounting Standard**

As described in Note 1 to the financial statements, during the year ended December 31, 2020, the Township adopted GASB Statement No. 84 *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

### **Required Supplementary Information**

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

### **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kalamazoo's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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 other supplementary 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2021 on our consideration of the Charter Township of Kalamazoo'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 solely 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 Charter Township of Kalamazoo'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 Charter Township of Kalamazoo's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Kalamazoo, MI  
May 18, 2021

# Charter Township of Kalamazoo Management's Discussion & Analysis December 31, 2020

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As management of the Charter Township of Kalamazoo (Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2020. The financial statements are prepared in conformity with Generally Accepted Accounting Principles ("GAAP"). We encourage readers to evaluate the information presented here in conjunction with the accompanying Notes to the Financial Statements. The Notes to the Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the financial statements.

## Financial Highlights

- The assets of the Township exceeded its liabilities at year end by \$16,505,307 (net position). Unrestricted net position has a deficit balance (\$4,437,460) due to the road bond debt, which is unrelated to capital or restricted assets.
- The Township's total net position at December 31, 2020 increased by \$956,295 from December 31, 2019.
- As of the close of the current fiscal year, The Township's governmental funds reported combined ending fund balances of \$12,855,209, an increase of \$997,963 in comparison with the prior year. Less than half of this total amount, \$4,437,460 is unrestricted, undesignated fund balance and will be used to finance the Township's operations in 2020.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund is \$5,415,294. The adjusted fund balance is \$5,308,599. Per the Township's Reserve Policy, 35% of total operating costs for General Government, Police Department, and Fire Department equal \$2,989,351 leaving \$2,319,248 to be used to finance future Township operations.
- The Township's total debt decreased by \$952,817 during the fiscal year. The decrease in debt is primarily attributable to the payment of principal on the road bonds for \$950,000 and the amortization of the principal for the capital lease agreement of \$2,817 for two Xerox copiers.
- The Township added \$522,054 in fixed assets and disposed of \$29,138 in fixed assets.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information.

**Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2020**

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The *Statement of Net Position* presents information on all of the Township'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 Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township'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 the 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 taxes). Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The government-wide financial statements can be found in section 4 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Township's funds can be divided into two categories: governmental funds and fiduciary 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 the Township'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 Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and some capital projects funds which are considered to be major funds. Data from the other non-major funds is combined into a single aggregated presentation. Funds that are not enabled by legislation or legal requirements are combined with the general fund. Individual data for the non-major funds is provided in the *other supplementary information* section of this report (6-1). The basic governmental fund financial statements can be found in section 4-3 of this report.

**Fiduciary Funds** are used to account for resources *held* for the benefit of parties outside the Township. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those



**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2020**

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funds are not available to support the Township's activities. The Township maintains 4 fiduciary funds. The basic fiduciary fund financial statements can be found in section 4-9 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin in section 4-11 of this report.

**Other information.** This report also presents certain *required supplementary information* related to the Township's progress in funding its obligation to provide pension benefits to its employees, other post-employment benefits schedules, and a budgetary comparison schedule for the General fund. All required supplementary information can be found beginning section 5-1 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information (6-1).

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The Township's assets exceeded its liabilities by \$16,505,307 at year end. Total net position increased by \$956,300 from 2019.

**Condensed Statement of Net Position**

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 20,817,017	\$ 19,839,337
Capital assets	<u>17,745,704</u>	<u>18,103,409</u>
Total assets	<u>38,562,721</u>	<u>37,942,746</u>
Deferred outflows of resources	<u>1,183,664</u>	<u>1,453,904</u>
Current and other liabilities	8,149,469	8,927,866
Long-term debt	<u>6,075,355</u>	<u>7,085,628</u>
Total liabilities	<u>14,224,824</u>	<u>16,013,494</u>
Deferred inflows of resources	9,016,254	7,834,144
Net position		
Net investment in capital assets	17,734,953	18,089,841
Restricted	3,207,814	2,689,853
Unrestricted	<u>(4,437,460)</u>	<u>(5,230,682)</u>
Total net position	<u>\$ 16,505,307</u>	<u>\$ 15,549,012</u>

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2020**

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The largest portion of the Township's net position is its investments in capital assets. The Township uses these capital assets to provide services to citizens. The Township added \$527,800 in new assets for fiscal year 2020, but depreciation on existing and new assets exceeded the new asset valuation resulting in a lower total asset valuation. The increase in deferred inflows of resources is related to the amount related to the net OPEB liability. Although the Township'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.

Restricted net position represents 19% of total net position. Restricted net position represents resources that are subject to external restrictions on how they may be used.

**Governmental Activities.** Key changes in net position are as follows:

- Operating grants decreased by \$257,467 from the prior fiscal year. The majority of the decrease is attributable to the completion of the Storm water, Asset Management, and Wastewater (SAW) program. Grant funds were used to develop, update, and improve asset management plans for wastewater and storm water systems.
- Property tax revenue increased \$242,177. State Shared decreased by \$133,668 partly due to the decline in sales tax revenue as a result of COVID-19.
- Investment income decreased by \$157,907 due to the decline in interest rates.
- Public Works expenses decreased by \$1,185,539 as a result of the completion of the Storm water, Asset Management, and Wastewater (SAW) program.

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2020**

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**Condensed Statement of Activities**

	<u>2020</u>	<u>2019</u>
Net position, beginning of year	\$ 15,549,012	\$ 14,280,982
Prior period adjustment	<u>-</u>	<u>328,966</u>
Net position, beginning of year as restated	<u>15,549,012</u>	<u>14,609,948</u>
 Program revenues		
Charges for services	3,328,293	3,323,679
Operating grants	676,805	934,272
Capital grants	-	-
General revenues		
Property taxes	5,585,527	5,343,350
State shared	2,222,704	2,356,372
Miscellaneous	135,667	78,164
Investment income	<u>165,715</u>	<u>323,622</u>
 Total revenues	<u>12,114,711</u>	<u>12,359,459</u>
 Expenses		
General government	1,906,336	1,729,981
Public safety	7,926,987	7,150,789
Public works	1,033,814	2,219,353
Community and economic development	98,261	99,801
Recreation and culture	22,098	34,721
Interest	<u>170,920</u>	<u>185,750</u>
 Total expenses	<u>11,158,416</u>	<u>11,420,395</u>
 Changes in net position	<u>956,295</u>	<u>939,064</u>
 Net position, end of year	<u>\$ 16,505,307</u>	<u>\$ 15,549,012</u>

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2020**

**Condensed Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund**

	<u>2020</u>	<u>2019</u>	<u>Difference</u>
<b>Revenues</b>			
Taxes	\$ 5,050,486	\$ 4,826,665	\$ 223,821
Licenses and permits	497,745	327,187	170,558
Federal grants	-	1,487	(1,487)
State-shared revenue	2,222,704	2,356,372	(133,668)
Other state grants	293,596	57,201	236,395
Local contributions	18,573	54,097	(35,524)
Charges for services	599,264	769,362	(170,098)
Fines and forfeitures	4,674	5,092	(418)
Interest and rentals	88,597	126,543	(37,946)
Other revenue	70,951	85,690	(14,739)
<b>Total revenues</b>	<u>8,846,590</u>	<u>8,609,696</u>	<u>236,894</u>
<b>Expenditures</b>			
General government	1,731,468	1,482,382	249,086
Public safety	6,594,974	6,284,775	310,199
Public works	44,557	147,581	(103,024)
Community and economic development	88,758	89,898	(1,140)
Recreation and culture	21,907	34,615	(12,708)
Capital outlay	2,095	21,151	(19,056)
Debt service	3,555	2,369	1,186
<b>Total expenditures</b>	<u>8,487,314</u>	<u>8,062,771</u>	<u>424,543</u>
Excess revenues over expenditures	359,276	546,925	(187,649)
Other financing sources (uses)	<u>(44,786)</u>	<u>276,302</u>	<u>(321,088)</u>
Net change in fund balance	314,490	823,227	(508,737)
Fund balance, beginning of year, restated	<u>5,100,804</u>	<u>4,277,577</u>	<u>823,227</u>
Fund balance, end of year	<u>\$ 5,415,294</u>	<u>\$ 5,100,804</u>	<u>\$ 314,490</u>

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2020**

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**Financial Analysis of the Township's Funds**

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Total net position at the end of the fiscal year was \$16,505,307. \$3,207,814 is restricted for public works, capital outlay, and debt service. Unrestricted net position has a deficit balance of (\$4,437,460). The Township's primary liability consists of its road bond debt (\$7 million), net pension liability (\$3.8 million) and other post-employment benefits (OPEB) liability (\$2.4 million).

The general fund is the operating fund of the Township. In addition to general operating expenses, the general fund includes all costs related to police and fire. Revenue increased by \$237,000 primarily from property tax revenue. General fund expenditures increased \$424,550 from the prior year mostly in the areas of public safety and general government.

The recycling fund has a deficit balance of (\$89,247). The general fund will transfer \$100,000 in 2021 to provide for the deficit in the fund. A future increase in assessment is expected to cover the cost of providing rubbish collection services to Township residents.

The Township received \$153,800 from the State of Michigan for COVID-19 relief to provide for equipment, supplies, and personnel needed in order to continue to provide Township services safely.

The sewer improvement fund has a balance of \$3.5 million to provide for improvements and reconstruction to the lift stations and sewer infrastructure within the Township.

The fire capital fund has a balance of \$2.1 million. Much of the balance will be used for the construction of a new fire station. The design phase of the construction will begin in 2021. It is the Township's intent to issue a bond to provide for the remaining construction costs.

**General Fund Budgetary Highlights**

The Township adopts an annual appropriated budget for its general fund and its special revenue funds. Actual expenditures were less than budgeted amounts by \$740,250. Primarily in the areas of general operating and public safety-police. A budgetary comparison statement has been provided for the General fund in section 5-1 of this report.

# Charter Township of Kalamazoo Management's Discussion & Analysis December 31, 2020

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## Capital Asset & Debt Administration

**Capital Assets.** The Township's investment in capital assets for its governmental activities as of December 31, 2019 totaled \$522,054. Additional information on capital assets can be found in Note 5 in the Notes to the Financial Statements section of this document. Major asset purchases include:

- Motorola radios for Police & Fire - \$ 339,446
- IT infrastructure - \$ 45,216 \*
- Election Tabulators - \$ 9,259 \*

\* Purchases for these assets were partly due to the COVID-19 pandemic.

**Long-term Debt.** The Township entered into a capital lease agreement with Xerox copiers for the lease of two copiers in the administration and police departments. The total cost of the lease payments over five years is \$17,771.

In 2015, the Township issued bonds to finance the rehabilitation of Township roads in poor condition. The total amount of the issuance was \$9,750,000. As of yearend, the outstanding principal on the debt is \$7,000,000. Additional information on long term debt can be found in Note 8 in the Notes to the Financial Statements section of this document.

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

As a result of the global coronavirus (COVID-19) pandemic, the Township has re-scheduled many of its capital and maintenance projects to 2021. The Township will continue to monitor the impacts of the pandemic and plan for it and the Country to slowly return to pre-pandemic standards. The Township plans to use fund balance and revenues to finance Township operations in 2021. The Township will update its financial software to the latest version of the Uniform Chart of Accounts as set forth by the Michigan Department of Treasury for the 2022 budget cycle.

## Contacting the Township's Financial Management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors. It is used to demonstrate the Township's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Nancy Desai, Director of Finance  
[nbdesai@ktpw.org](mailto:nbdesai@ktpw.org) or (269) 381-8080

**Charter Township of Kalamazoo**  
**Statement of Net Position**  
**December 31, 2020**

	Governmental Activities
<b>Assets</b>	
Pooled cash and investments	\$ 16,602,783
Receivables	
Taxes and assessments	3,468,474
Customers	720,282
Due from other units of government	23,553
Prepaid items	1,925
Capital assets not being depreciated	649,931
Capital assets, net of accumulated depreciation	<u>17,095,773</u>
Total assets	<u>38,562,721</u>
<b>Deferred Outflows of Resources</b>	
Deferred amount relating to net pension liability	843,452
Deferred amount relating to net OPEB liability	<u>340,212</u>
Total deferred outflows of resources	<u>1,183,664</u>
<b>Liabilities</b>	
Accounts payable	238,600
Accrued and other liabilities	131,753
Noncurrent liabilities	
Debt due within one year	1,541,703
Debt due in more than one year	6,075,355
Net pension liability	3,814,021
Net OPEB liability	<u>2,423,392</u>
Total liabilities	<u>14,224,824</u>
<b>Deferred Inflows of Resources</b>	
Taxes and assessments	7,634,770
Deferred amount relating to net pension liability	269,440
Deferred amount relating to net OPEB liability	<u>1,112,044</u>
Total deferred inflows of resources	<u>9,016,254</u>
<b>Net Position</b>	
Net investment in capital assets	17,734,953
Restricted for	
Public works	216,821
Capital projects	2,691,611
Debt service	299,382
Unrestricted (deficit)	<u>(4,437,460)</u>
Total net position	<u>\$ 16,505,307</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Kalamazoo**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary government</b>				
Governmental activities				
General government	\$ 1,906,336	\$ 411,655	\$ 310,058	\$ -
Public safety	7,926,987	1,997,694	258,393	-
Public works	1,033,814	918,236	108,354	-
Community and economic development	98,261	-	-	-
Recreation and culture	22,098	708	-	-
Interest and fiscal charges on long-term debt	170,920	-	-	-
Total governmental activities	<u>\$ 11,158,416</u>	<u>\$ 3,328,293</u>	<u>\$ 676,805</u>	<u>\$ -</u>
General revenues				
Property taxes				5,585,527
State-shared revenue				2,222,704
Unrestricted investment earnings				165,715
Gain on sale of capital assets				5,994
Miscellaneous				129,673
Total general revenues				<u>8,109,613</u>
Change in net position				956,295
Net position - beginning of year				<u>15,549,012</u>
Net position - end of year				<u>\$ 16,505,307</u>

See Accompanying Notes to the Financial Statements



**Charter Township of Kalamazoo**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2020**

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Sewer Improvement</u>	<u>Fire Capital</u>
<b>Assets</b>			
Pooled cash and investments	\$ 7,664,397	\$ 3,568,240	\$ 2,388,273
Receivables			
Taxes and assessments	2,217,319	23,970	230,218
Customers	632,145	31,335	-
Due from other units of government	-	-	-
Prepaid items	<u>1,925</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 10,515,786</u>	 <u>\$ 3,623,545</u>	 <u>\$ 2,618,491</u>
<b>Liabilities</b>			
Accounts payable	\$ 171,685	\$ 548	\$ -
Checks written against future deposits	-	-	-
Accrued and other liabilities	<u>88,438</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>260,123</u>	 <u>548</u>	 <u>-</u>
<b>Deferred Inflows of Resources</b>			
Taxes and assessments	<u>4,840,369</u>	<u>37,336</u>	<u>488,576</u>
<b>Fund Balances</b>			
Non-spendable			
Prepaid items	1,925	-	-
Restricted for			
Public safety	-	-	-
Public works	-	-	-
Capital projects	-	-	2,129,915
Debt service	-	-	-
Assigned for			
Public works	-	3,585,661	-
Capital projects	-	-	-
Unassigned (deficit)	<u>5,413,369</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>5,415,294</u>	 <u>3,585,661</u>	 <u>2,129,915</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 10,515,786</u>	 <u>\$ 3,623,545</u>	 <u>\$ 2,618,491</u>

See Accompanying Notes to the Financial Statements

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Road Bond		
\$ 950,476	\$ 2,054,950	\$ 16,626,336
540,465	456,502	3,468,474
35,640	21,162	720,282
-	23,553	23,553
-	-	1,925
<u>\$ 1,526,581</u>	<u>\$ 2,556,167</u>	<u>\$ 20,840,570</u>
\$ -	\$ 66,367	\$ 238,600
-	23,553	23,553
-	-	88,438
<u>-</u>	<u>89,920</u>	<u>350,591</u>
<u>1,183,884</u>	<u>1,084,605</u>	<u>7,634,770</u>
-	-	1,925
-	146,560	146,560
-	216,821	216,821
-	561,696	2,691,611
342,697	-	342,697
-	378,927	3,964,588
-	166,885	166,885
-	(89,247)	5,324,122
<u>342,697</u>	<u>1,381,642</u>	<u>12,855,209</u>
<u>\$ 1,526,581</u>	<u>\$ 2,556,167</u>	<u>\$ 20,840,570</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Kalamazoo  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
December 31, 2020**

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<b>Total fund balances for governmental funds</b>	<b>\$ 12,855,209</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	17,095,773
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	649,931
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(43,315)
Compensated absences	(531,430)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability	(269,440)
Deferred inflows of resources resulting from net OPEB liability	(1,112,044)
Deferred outflows of resources resulting from net pension liability	843,452
Deferred outflows of resources resulting from net OPEB liability	340,212
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds and leases	(7,085,628)
Net pension liability	(3,814,021)
Net OPEB liability	<u>(2,423,392)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 16,505,307</u></b>

**Charter Township of Kalamazoo**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2020**

	Capital Projects Funds		
	General	Sewer Improvement	Fire Capital
<b>Revenues</b>			
Taxes	\$ 5,050,486	\$ 11,754	\$ 473,618
Licenses and permits	497,745	-	-
Federal grants	-	-	-
State-shared revenue	2,222,704	-	-
Other state grants	293,596	-	-
Local contributions	18,573	-	-
Charges for services	599,264	22,400	-
Fines and forfeitures	4,674	-	-
Interest income	51,415	55,233	31,664
Rental income	37,182	-	17,442
Other revenue	70,951	59,828	-
<b>Total revenues</b>	<b>8,846,590</b>	<b>149,215</b>	<b>522,724</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	1,731,468	-	-
Public safety	6,594,974	-	-
Public works	44,557	97,936	-
Community and economic development	88,758	-	-
Recreation and culture	21,907	-	-
Capital outlay	2,095	-	122,199
<b>Debt service</b>			
Principal retirement	2,817	-	-
Interest and fiscal charges	738	-	-
<b>Total expenditures</b>	<b>8,487,314</b>	<b>97,936</b>	<b>122,199</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>359,276</b>	<b>51,279</b>	<b>400,525</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	10,000	-	-
Transfers out	(65,773)	-	-
Sale of capital assets	10,987	-	-
<b>Total other financing sources and uses</b>	<b>(44,786)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>314,490</b>	<b>51,279</b>	<b>400,525</b>
Fund balance - beginning of year	5,100,804	3,534,382	1,729,390
Fund balance - end of year	<b>\$ 5,415,294</b>	<b>\$ 3,585,661</b>	<b>\$ 2,129,915</b>

See Accompanying Notes to the Financial Statements

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Road Bond		
\$ 1,197,039	\$ 1,051,139	\$ 7,784,036
-	-	497,745
-	95,094	95,094
-	-	2,222,704
108,354	157,632	559,582
-	2,450	21,023
-	7,000	628,664
-	78,790	83,464
3,698	23,705	165,715
-	-	54,624
-	-	130,779
<u>1,309,091</u>	<u>1,415,810</u>	<u>12,243,430</u>
-	-	1,731,468
-	202,360	6,797,334
-	795,843	938,336
-	-	88,758
-	-	21,907
-	419,731	544,025
950,000	-	952,817
183,001	-	183,739
<u>1,133,001</u>	<u>1,417,934</u>	<u>11,258,384</u>
<u>176,090</u>	<u>(2,124)</u>	<u>985,046</u>
-	65,773	75,773
-	(10,000)	(75,773)
-	1,930	12,917
<u>-</u>	<u>57,703</u>	<u>12,917</u>
176,090	55,579	997,963
<u>166,607</u>	<u>1,326,063</u>	<u>11,857,246</u>
<u>\$ 342,697</u>	<u>\$ 1,381,642</u>	<u>\$ 12,855,209</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Kalamazoo  
Governmental Funds**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2020**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 997,963</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(872,837)
Capital outlay	522,055
Sale of capital assets (net book value)	(6,923)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	(134,713)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	4,453
Compensated absences	(83,643)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	106,304
Net change in the deferred inflow of resources related to the net pension liability	12,483
Net change in the deferred outflow of resources related to the net pension liability	(610,452)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	741,236
Net change in the deferred inflow of resources related to the net OPEB liability	(1,021,026)
Net change in the deferred outflow of resources related to the net OPEB liability	340,212
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	952,817
Amortization of premiums, discounts and similar items	8,366
<b>Change in net position of governmental activities</b>	<b><u>\$ 956,295</u></b>

**Charter Township of Kalamazoo**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2020**

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	Pension and Other Employee Benefit Trust Fund	Custodial Funds
<b>Assets</b>		
Pooled cash and investments	\$ -	\$ 6,041,806
Interest in pooled investments	110,734	-
Receivables		
Accounts	-	232
Total assets	110,734	6,042,038
<b>Liabilities</b>		
Accounts payable	-	1,253
Accrued and other liabilities	-	244,272
Due to other units of government	-	5,796,513
Total liabilities	-	6,042,038
<b>Net Position</b>		
Held in trust for OPEB benefits	110,734	-
Total net position	\$ 110,734	\$ -

See Accompanying Notes to the Financial Statements

**Charter Township of Kalamazoo**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended December 31, 2020**

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	Pension and Other Employee Benefit Trust Funds	Custodial Funds
<b>Additions</b>		
Contributions		
Employer	\$ 109,539	\$ -
Investment earnings	1,195	-
Property tax collections for other governments	-	19,333,678
Collections for SWET	-	501,219
Employee payroll deductions	-	3,242,733
Other revenue	-	104,024
	<u>110,734</u>	<u>23,181,654</u>
<b>Deductions</b>		
Payments of property tax to other governments		19,333,678
Distributions for SWET		501,219
Employee payroll deductions paid to other governments		3,242,733
Other expenses	-	104,024
	<u>-</u>	<u>23,181,654</u>
Total deductions	<u>-</u>	<u>23,181,654</u>
Change in net position	110,734	-
Net position - beginning of year	<u>-</u>	<u>-</u>
Net position - end of year	<u>\$ 110,734</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements



**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

The Charter Township of Kalamazoo is governed by an elected seven-member Board. The accompanying financial statements present only the Township. Management has determined there are no other entities for which the Township is financially accountable.

Joint venture – The Township is a member of the Kalamazoo Area Building Authority (the Authority), which is a joint venture of the Charter Townships of Comstock and Kalamazoo. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was established to administer and enforce the Michigan State Construction Code within its constituent municipalities. Complete audited financial statements for the Authority can be obtained by contacting the Authority at 2322 Nazareth Road, Kalamazoo, MI 49048.

The Township does not expect to receive residual equity from the joint venture. The Township is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future.

**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. *Government 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. Currently, the Township does not report any business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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 a 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.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2020**

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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 60 days of the end of the current fiscal 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, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be 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 government.

The Township reports the following major governmental funds:

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

The Sewer Improvement Fund, a capital projects fund, accounts for the construction or purchase of major sewer improvements. Revenues are primarily derived from special assessments.

The Fire Capital Fund, a capital projects fund, accounts for the construction or purchase of major fire improvements. Revenues are primarily derived from special assessments.

The Road Bond Fund, a debt service fund, accounts for the debt service payments related to bonds issued to improve the Township's roads. Revenues are primarily derived from property taxes.

Additionally, the Township reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Nonmajor Capital Projects Funds account for the outlays related to restricted or assigned fund balance for specific capital outlays.

The Fiduciary Funds are comprised of custodial funds: Trust and Agency Fund, Current Tax Collection Fund, and the Southwest Enforcement Team, which accounts for property tax and other deposits collected on behalf of other units and individuals. In addition, an OPEB Trust fund is presented which accounts for assets held in trust that are restricted OPEB payments.

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

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2020**

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**Assets, liabilities, and net position or fund balance**

Pooled cash and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price or net asset value. Certificate of deposits are stated at cost which approximates fair value. Pooled investment income is proportionately allocated to all funds.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2019 taxable valuation of the government totaled \$448,505,682, on which ad valorem taxes consisted of 8.9412 mills for operating purposes and 2.6500 mills for roads. This resulted in \$4,010,179 for operating expenses and \$1,188,540 for roads, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Township follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Township values these capital assets at the estimated acquisition value of the item at the date of its donation.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2020**

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Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Improvements	15 to 30 years
Vehicles	5 to 10 years
Equipment	3 to 15 years
Sewer infrastructure	50 to 75 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The Township reports deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and net OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The Township also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated absences – It is the Township’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefits (OPEB) – For purposes of measuring the net OPEB liability and deferred inflows and outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Charter Township of Kalamazoo Retiree Health Care Plan (RHCP) and additions to/deductions from RHCP’s fiduciary net position have been determined on the same basis as they are reported by RHCP. For this purpose, RHCP recognizes benefit payments when due and payable in accordance with the benefit terms.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2020**

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Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The Township may report deferred inflows of resources as a result of pension or OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability and net OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Equity – In the fund financial statements, governmental funds may report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form (such as inventory or prepaid items) or are required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and dedicated millages.

Committed – amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (the Board of Trustees); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action (Board resolution) to remove or change the constraint.

Assigned – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. The Board of Trustees may assign fund balance through an ordinary motion.

Unassigned – is the residual classification of the General Fund, and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Minimum unrestricted fund balance – General Fund – The fund balance of the Township's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The Township's basic goal is to limit expenditures to anticipated revenue in order to maintain a balanced budget. It is the goal of the Township to achieve and maintain an unrestricted fund balance in the General Fund not less than 35% of its operating expenditures for its Administrative (101), Fire (206) and Police (207) funds. Fund balance can be used to balance the operating budget. If unassigned fund balance is expected to fall below the goal or has a deficiency, the Director of Finance will provide the Township board procedures for replenishing fund balance as well as a timeline to replenish the funds.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending December 31, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending December 31, 2021.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2020**

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Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending December 31, 2022.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending December 31, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending December 31, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending December 31, 2023.

The Township is evaluating the impact that the above GASB Statements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

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The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the function level. The Director of Finance is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Board of Trustees.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received, or services rendered.

**Note 3 - Deposits and Investments**

At year end the government's deposits and investments were reported in the financial statements in the following categories:

	Pooled Cash and Investments
Governmental activities	\$ 16,602,783
Fiduciary funds	6,152,540
Total	\$ 22,755,323

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 11,887,465	\$ 6,041,806	\$ 17,929,271
Investments in securities, mutual funds and similar vehicles	4,715,118	110,734	4,825,852
Petty cash and cash on hand	200	-	200
Total	\$ 16,602,783	\$ 6,152,540	\$ 22,755,323



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As of year end, the government had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
Federal National Mortgage Association Remic Trust Bonds	\$ 230,702	2042	Aaa	Moody's
MERS Retiree Health Vehicle Fund	110,734	N/A	N/A	N/A
CLASS - Michigan Investment Pool	<u>4,484,416</u>	N/A	AAA	S&P
	<u>\$ 4,825,852</u>			

The Township’s investments include holdings in the MERS Retiree Health Funding Vehicle Total Market Fund, which is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities and is carried at net asset value. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers. There is no redemption period and no unfunded commitments.

The Township’s investments include holdings in the Cooperative Liquid Assets Securities System – Michigan (CLASS), which is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. This pool, which is a nonrisk categorized qualifying investment, is carried at net asset value. There is no redemption period and no unfunded commitments. A separately issued financial statement is available at 15309 Meadowwood Drive, Grand Haven, Michigan 49417.

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

*Credit risk* – State statutes and the Township’s investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

*Concentration of credit risk* – The Township has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the Township’s deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of year end, \$10,611,949 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Charter Township of Kalamazoo**  
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*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
Federal National Mortgage Association Remic Trust Bonds	\$ <u>230,702</u>	By counterparty in the Township's name

**Note 4 - Fair Value Measurements**

The Township categorizes its fair value measurements 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; and Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of December 31, 2020:

- U.S. agency securities of \$230,702 are valued using observable fair values of similar assets (Level 2 inputs).

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**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$ 649,931	\$ -	\$ -	\$ -	\$ 649,931
Construction-in-progress	5,755	-	5,755	-	-
Total capital assets not being depreciated	655,686	-	5,755	-	649,931
Capital assets being depreciated					
Buildings and improvements	3,874,076	5,936	23,015	(4,263)	3,852,734
Equipment	3,384,303	421,982	69,767	4,263	3,740,781
Vehicles	3,906,565	99,892	4,299	-	4,002,158
Infrastructure	22,497,614	-	-	-	22,497,614
Total capital assets being depreciated	33,662,558	527,810	97,081	-	34,093,287
Less accumulated depreciation for					
Buildings and improvements	2,268,077	113,927	23,015	4,263	2,363,252
Equipment	1,800,378	290,028	63,100	(4,263)	2,023,043
Vehicles	3,185,047	200,383	4,299	-	3,381,131
Infrastructure	8,961,589	268,499	-	-	9,230,088
Total accumulated depreciation	16,215,091	872,837	90,414	-	16,997,514
Net capital assets being depreciated	17,447,467	(345,027)	6,667	-	17,095,773
Governmental activities capital assets, net	\$ 18,103,153	\$ (345,027)	\$ 12,422	\$ -	\$ 17,745,704

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

<b>Governmental activities</b>	
General government	\$ 157,111
Public safety	619,714
Public works	87,284
Community and economic development	8,728
Total governmental activities	\$ 872,837

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
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**Note 6 - Interfund Receivables, Payables, and Transfers**

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Nonmajor funds	\$ 65,773
Nonmajor funds	General Fund	10,000
		\$ 75,773

Transfers are used to move unrestricted general fund revenues to finance various programs that the Township must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. Transfers into the General Fund are to close other funds or make reimbursements for amounts paid through the General Fund.

**Note 7 - Leases**

**Capital leases**

The Township has a capital lease for copiers. The future minimum lease payments are as follows:

<u>Year ending December 31,</u>	
2021	\$ 3,554
2022	3,554
2023	3,554
2024	1,232
Total minimum lease payments	11,894
Less amount representing interest	1,143
Present value of minimum lease payments	\$ 10,751
 Asset	
Equipment	\$ 15,396
Less accumulated depreciation	5,132
Total	\$ 10,264

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**Note 8 - Long-Term Debt**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds									
General obligation bonds									
2015 Unlimited Tax Road Bonds	\$ 9,750,000	2026	2.0% - 3.0%	\$950,000 - \$1,350,000	\$ 8,000,000	\$ -	\$ 950,000	\$ 7,050,000	\$ 1,000,000
Less deferred amounts for issuance premiums					33,243	-	8,366	24,877	7,282
Total					8,033,243	-	958,366	7,074,877	1,007,282
Capital leases									
Xerox copiers					13,568	-	2,817	10,751	2,991
Compensated absences					447,787	488,062	404,419	531,430	531,430
Total governmental activities					\$ 8,494,598	\$ 488,062	\$ 1,365,602	\$ 7,617,058	\$ 1,541,703

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities	
	Bonds	
	Principal	Interest
2021	\$ 1,000,000	\$ 163,000
2022	1,100,000	142,000
2023	1,100,000	118,625
2024	1,200,000	91,250
2025	1,300,000	58,375
2026	1,350,000	20,250
	<u>\$ 7,050,000</u>	<u>\$ 593,500</u>

**Note 9 - Risk Management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 10 - Employee Retirement and Benefit Systems**

**Defined contribution pension plan**

The Township and its employees contribute to the Kalamazoo Township Pension Plan, a defined contribution pension, individual account plan, which is administered by a third-party administrator. The plan covers four classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes all elected officials. The second class of employees includes paid on-call firefighters. The third class

**Charter Township of Kalamazoo**  
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includes all full-time employees, except elected officials and police hired after January 1, 2013. The fourth class includes all full-time employees, except elected officials and police hired before January 1, 2013.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of compensation to the first class of qualifying employees. The Township contributes 6.20% of compensation to the second class of qualifying employees, with an equal percentage contributed by all covered employees in the second class. The Township contributes 10% of compensation to the third class. The Township contributes 12% of compensation to the fourth class. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended December 31, 2020, the Township and eligible employees made contributions of \$194,219 and \$28,908, respectively. At December 31, 2020, the Township reported no accrued liability as part of the contributions to the plan.

The Township's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested on the day the employee is eligible to participate in the plan, which occurs after 48 months of service.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

**Defined benefit pension plan**

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided includes a plan with a multiplier of 2.50%. The vesting period is 10 years. Normal retirement age is 60 with early retirement at 53 with 25 years of service (unreduced), 50 with 25 years of service (reduced) and 55 with 15 years of service (reduced). Final average compensation is calculated based on 3 years. Member contributions are 13.22%.

Employees covered by benefit terms – At the December 31, 2019 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to, but not yet receiving benefits	2
Active employees	<u>30</u>
	<u>51</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount

**Charter Township of Kalamazoo**  
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necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions are 17.5% based on annual payroll for open divisions.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the 2014 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

The long-term expected rate of return on pension plan investments was determined using a model 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 or 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>Target Allocation Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	60.00%	8.65%	5.19%	2.50%	3.70%
Global fixed income	20.00%	3.76%	0.75%	2.50%	0.30%
Private investments	20.00%	9.06%	1.81%	2.50%	1.25%
	<u>100.00%</u>		<u>7.75%</u>		<u>5.25%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.6%, which was reduced by 0.4% from the previous year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Changes in Net Pension Liability**

**Total Pension Liability**

Service cost	\$ 255,235
Interest on the total pension liability	1,138,288
Experience differences	(52,269)
Changes in actuarial assumptions	488,918
Benefit changes	(111,574)
Benefit payments and refunds	<u>(752,979)</u>

Net change in total pension liability	965,619
Total pension liability - beginning	<u>14,477,472</u>

Total pension liability - ending (a)	<u>\$ 15,443,091</u>
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**Plan Fiduciary Net Position**

Employer contributions	\$ 354,338
Employee contributions	69,840
Pension plan net investment income	1,425,286
Benefit payments and refunds	(752,979)
Pension plan administrative expense	<u>(24,562)</u>

Net change in plan fiduciary net position	1,071,923
Plan fiduciary net position - beginning	<u>10,557,147</u>

Plan fiduciary net position - ending (b)	<u>\$ 11,629,070</u>
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Net pension liability (a-b)	<u>\$ 3,814,021</u>
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Plan fiduciary net position as a percentage of total pension liability	75.30%
Covered payroll	\$ 1,972,451
Net pension liability as a percentage of covered payroll	193.36%



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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 7.6%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.6%) or 1% higher (8.6%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 5,843,838	\$ 3,814,021	\$ 2,144,422

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended December 31, 2020, the employer recognized pension expense of \$400,455. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ -	\$ (269,440)	\$ (269,440)
Differences in assumptions	407,432	-	407,432
Net difference between projected and actual earning on plan investments	45,100	-	45,100
Contributions subsequent to the measurement date*	390,920	-	-
Total	\$ 843,452	\$ (269,440)	\$ 183,092

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2021.

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

Year ended December 31,	
2021	\$ (5,778)
2022	57,061
2023	162,988
2024	(102,231)
2025	71,052
	\$ 183,092

**Note 11 - Other Postemployment Benefits**

Plan description – The Township administers the Charter Township of Kalamazoo Retiree Health Care Plan – a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible retirees and their spouses.

Benefits provided – The Plan provides medical, dental and prescription coverage. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. The Township Board of Trustees has the authority to make amendments to the plan.

**Charter Township of Kalamazoo**  
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Township officers and employees:

Retiree – Three months of health insurance coverage for each complete year of full-time Township service (either as an employee or elected official) up to a maximum of sixty months of coverage.

Dependent – Three months of health insurance coverage for each complete year of full-time Township service (completed by either an employee or elected official) up to a maximum of sixty months of coverage.

Police officers:

Retiree – Four and one-quarter months for each complete year of continuous Township service.

Dependent – Three months for each complete year of continuous Township service.

Employees covered by benefit terms – At December 31, 2020, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	18
Active employees	<u>57</u>
	<u>75</u>

Contributions – The Kalamazoo Township Other Post-Employment Benefit Plan was established and is being funded under the authority of the Township and under agreements with unions representing various classes of employees. The plan's funding policy is that the Township will contribute at least \$100,000 to the trust annually and continue to pay benefits from general operating funds until the plan is fully funded. There are no long-term contracts for contributions to the plan.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	2.0% (for purpose of allocating liability)
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal bond rate	1.93% (S&P Municipal Bond 20-Year High Grade Rate Index)
Healthcare cost trend rates	Pre-65 - 8.25% in 2020 graded down .25% per year to 4.5%
	Medicare eligible - 6.5.% in 2020 graded down .25% per year to 4.5%
	Dental - 3.0%
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted - MP-2019
Improvement Scale	MP-2020

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The long-term expected rate of return on retirement 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 retirement plan investment expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	60.00%	5.25%
Global fixed income	20.00%	1.25%
Private investments	20.00%	7.25%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.35%.

Discount rate – The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that the Township will contribute at least \$100,000 to the trust annually and continue to pay benefits from general operating funds until the plan is fully funded. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make 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 the projected assets (the "depletion date"; not applicable for this plan), 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. As of December 31, 2019 the discount rate used to value OPEB liabilities was 3.26%.

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**Changes in Net OPEB Liability**

**Total OPEB Liability**

Service cost	\$	129,864
Interest		105,834
Differences between expected and actual experience		377,798
Changes in assumptions		(1,147,885)
Benefit payments		<u>(96,113)</u>
Net change in total OPEB liability		(630,502)
Total OPEB liability - beginning		<u>3,164,628</u>
Total OPEB liability - ending		<u>\$ 2,534,126</u>

**Plan Fiduciary Net Position**

Employer contributions	\$	205,652
Net investment income		1,197
Benefit payments		(96,113)
Administrative expense		<u>(2)</u>
Net change in plan fiduciary net position		110,734
Plan fiduciary net position - beginning		<u>-</u>
Plan fiduciary net position - ending (b)		<u>\$ 110,734</u>
Net OPEB liability (a-b)		<u>\$ 2,423,392</u>

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the Township, as well as what the Township’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.35%) or 1% higher (8.35%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 2,658,450</u>	<u>\$ 2,423,392</u>	<u>\$ 2,215,532</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the Township, as well as what the Township’s net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7.25%) or 1% higher (9.25%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 2,173,736</u>	<u>\$ 2,423,392</u>	<u>\$ 2,716,797</u>

**Charter Township of Kalamazoo**  
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OPEB expense and deferred inflows of resources related to OPEB – For the year ended December 31, 2020 the employer recognized OPEB expense of \$145,230. The employer reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ 339,559	\$ (61,640)	\$ 277,919
Differences in assumptions	-	(1,050,404)	(1,050,404)
Net difference between projected and actual earning on plan investments	653	-	653
Total	\$ 340,212	\$ (1,112,044)	\$ (771,832)

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

<u>Year ended December 31,</u>	
2021	\$ (88,457)
2022	(88,457)
2023	(88,457)
2024	(88,456)
2025	(88,620)
Thereafter	(329,385)
	\$ (771,832)

**Note 12 - Contingent Liabilities**

Amounts received or receivable from grant 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 of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Charter Township of Kalamazoo  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 3,991,928	\$ 3,991,928	\$ 4,010,784	\$ 18,856
Other taxes	700,174	700,174	753,883	53,709
Penalties and interest	7,500	7,500	8,774	1,274
Administration fee	264,227	264,227	277,045	12,818
Licenses and permits	285,500	498,100	497,745	(355)
Federal grants	14,000	14,000	-	(14,000)
State-shared revenue	2,351,988	2,351,988	2,222,704	(129,284)
State grants	156,000	156,000	293,596	137,596
Local contributions	29,500	29,500	18,573	(10,927)
Charges for services	795,690	675,690	599,264	(76,426)
Fines and forfeitures	3,300	3,300	4,674	1,374
Interest income	31,200	31,200	51,415	20,215
Rental income	46,000	46,000	37,182	(8,818)
Other revenue	87,050	87,050	70,951	(16,099)
Sale of capital assets	1,500	1,500	10,987	9,487
Transfers in	10,000	10,000	10,000	-
Total revenues	<u>8,775,557</u>	<u>8,868,157</u>	<u>8,867,577</u>	<u>(580)</u>
<b>Expenditures</b>				
General government				
Legislative	\$ 57,725	\$ 65,225	\$ 54,376	\$ (10,849)
Supervisor	237,770	237,770	246,087	8,317
Finance director	244,185	253,085	230,509	(22,576)
Clerk	168,065	222,740	200,018	(22,722)
Treasurer	39,600	41,900	37,800	(4,100)
Assessor	205,795	210,045	198,036	(12,009)
Buildings and grounds	291,710	285,510	243,741	(41,769)
General services administration	362,530	586,280	503,228	(83,052)
Cemetery	34,965	34,965	17,673	(17,292)
Total general government	<u>1,642,345</u>	<u>1,937,520</u>	<u>1,731,468</u>	<u>(206,052)</u>
Public safety				
Police protection	4,994,925	5,074,384	4,868,955	(205,429)
Fire protection	1,725,964	1,735,964	1,726,019	(9,945)
Emergency preparedness	10,000	10,000	-	(10,000)
Total public safety	<u>6,730,889</u>	<u>6,820,348</u>	<u>6,594,974</u>	<u>(225,374)</u>
Public works				
Sidewalks	50,000	38,500	2,020	(36,480)
Streets	250,000	261,500	42,537	(218,963)
Total public works	<u>300,000</u>	<u>300,000</u>	<u>44,557</u>	<u>(255,443)</u>

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Community and economic development				
Planning and zoning	\$ 123,325	\$ 123,325	\$ 88,758	\$ (34,567)
Recreation and culture				
Parks and golf course	20,800	24,300	21,907	(2,393)
Capital outlay	7,500	7,500	2,095	(5,405)
Debt service				
Principal retirement	-	2,965	2,817	(148)
Interest and fiscal charges	-	550	738	188
Total debt service	-	3,515	3,555	40
Transfers out	263,000	77,409	65,773	(11,636)
Total expenditures	9,087,859	9,293,917	8,553,087	(740,830)
Excess (deficiency) of revenues over expenditures	(312,302)	(425,760)	314,490	740,250
Fund balance - beginning of year	5,100,804	5,100,804	5,100,804	-
Fund balance - end of year	\$ 4,788,502	\$ 4,675,044	\$ 5,415,294	\$ 740,250

**Charter Township of Kalamazoo**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**December 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability</b>			
Service cost	\$ 255,235	\$ 243,525	\$ 270,325
Interest on the total pension liability	1,138,288	1,101,472	1,044,156
Benefit changes	(111,574)	(35,847)	(14,947)
Difference between expected and actual experience	(52,269)	(166,007)	(13,823)
Changes in assumptions	488,918	-	-
Benefit payments and refunds	<u>(752,979)</u>	<u>(624,611)</u>	<u>(487,117)</u>
Net change in total pension liability	965,619	518,532	798,594
Total pension liability - beginning	<u>14,477,472</u>	<u>13,958,940</u>	<u>13,160,346</u>
Total pension liability - ending (a)	<u>\$ 15,443,091</u>	<u>\$ 14,477,472</u>	<u>\$ 13,958,940</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 354,338	\$ 389,278	\$ 411,289
Employee contributions	69,840	68,011	-
Pension plan net investment income (loss)	1,425,286	(438,876)	1,322,517
Benefit payments and refunds	(752,979)	(624,611)	(487,117)
Pension plan administrative expense	<u>(24,562)</u>	<u>(21,722)</u>	<u>(20,919)</u>
Net change in plan fiduciary net position	1,071,923	(627,920)	1,225,770
Plan fiduciary net position - beginning	<u>10,557,147</u>	<u>11,185,067</u>	<u>9,959,297</u>
Plan fiduciary net position - ending (b)	<u>\$ 11,629,070</u>	<u>\$ 10,557,147</u>	<u>\$ 11,185,067</u>
Net pension liability (a-b)	<u>\$ 3,814,021</u>	<u>\$ 3,920,325</u>	<u>\$ 2,773,873</u>
Plan fiduciary net position as a percentage of total pension liability	75.30%	72.92%	80.13%
Covered payroll	\$ 1,972,451	\$ 2,012,606	\$ 2,273,545
Net pension liability as a percentage of covered employee payroll	193.36%	194.79%	122.01%

Note: GASB Statement No. 68 was implemented for the fiscal year ended December 31, 2015 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.



	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	258,547	\$ 249,075	\$ 246,772
	998,036	916,469	855,303
	(17,082)	(9,555)	-
	(213,149)	79,189	-
	-	530,931	-
	<u>(424,372)</u>	<u>(383,830)</u>	<u>(339,834)</u>
	601,980	1,382,279	762,241
	<u>12,558,366</u>	<u>11,176,087</u>	<u>10,413,846</u>
\$	<u>13,160,346</u>	\$ <u>12,558,366</u>	\$ <u>11,176,087</u>
\$	379,573	\$ 370,953	\$ 360,234
	-	-	-
	1,031,054	(140,110)	547,289
	(424,372)	(383,830)	(339,834)
	<u>(20,338)</u>	<u>(20,232)</u>	<u>(20,166)</u>
	965,917	(173,219)	547,523
	<u>8,993,380</u>	<u>9,166,599</u>	<u>8,619,076</u>
\$	<u>9,959,297</u>	\$ <u>8,993,380</u>	\$ <u>9,166,599</u>
\$	<u>3,201,049</u>	\$ <u>3,564,986</u>	\$ <u>2,009,488</u>
	75.68%	71.61%	82.02%
\$	2,223,101	\$ 2,276,321	\$ 2,225,472
	143.99%	156.61%	90.29%

**Charter Township of Kalamazoo**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employer Contributions**  
**December 31, 2020**

Fiscal Year Ended	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	\$ 307,036	\$ 307,036	\$ -	\$ 2,053,447	15.0%
2012	301,309	301,309	-	2,008,353	15.0%
2013	322,156	322,156	-	2,127,448	15.1%
2014	360,234	360,234	-	2,223,172	16.2%
2015	370,953	370,953	-	2,225,472	16.7%
2016	379,573	379,573	-	2,276,321	16.7%
2017	411,289	411,289	-	2,350,224	17.5%
2018	389,278	389,278	-	2,273,545	17.1%
2019	356,986	356,986	-	2,044,596	17.5%
2020	390,920	390,920	-	2,233,828	17.5%

**Notes to Schedule of Employer Contributions:**

Valuation date: December 31, 2018

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method: Entry-age normal cost  
Amortization method: Level percentage of pay, open  
Remaining amortization period: 21 years  
Asset valuation method: 5-year smoothed market  
Inflation: 2.50%  
Salary increases: 3.75%  
Investment rate of return: 7.75%, net of investment and administrative expenses, including inflation  
Retirement age: 60  
Mortality: 50% female / 50% male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

**Charter Township of Kalamazoo**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 129,864	\$ 139,571	\$ 135,506
Interest	105,834	95,769	93,757
Differences between expected and actual experience	377,798	(35,658)	(46,967)
Changes in assumptions	(1,147,885)	(23,598)	-
Benefit payments	(96,113)	(128,395)	(110,177)
	<u>(630,502)</u>	<u>47,689</u>	<u>72,119</u>
Net change in total OPEB liability	(630,502)	47,689	72,119
Total OPEB liability - beginning	<u>3,164,628</u>	<u>3,116,939</u>	<u>3,044,820</u>
Total OPEB liability - ending (a)	<u>\$ 2,534,126</u>	<u>\$ 3,164,628</u>	<u>\$ 3,116,939</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 205,652	\$ -	\$ -
Net investment income (loss)	1,197	-	-
Benefit payments and refunds	(96,113)	-	-
Administrative expense	(2)	-	-
	<u>110,734</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	110,734	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 110,734</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (a-b)	<u>\$ 2,423,392</u>	<u>\$ 3,164,628</u>	<u>\$ 3,116,939</u>
Plan fiduciary net position as a percentage of total OPEB liability	4.37%	- %	- %
Covered payroll	\$ 3,436,792	\$ 3,231,324	\$ 3,383,428
Net OPEB liability as a percentage of covered payroll	70.51%	97.94%	92.12%

Note: GASB Statement No. 75 was implemented for the fiscal year ended December 31, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**Charter Township of Kalamazoo  
Required Supplementary Information  
Other Post Employment Benefits  
Schedule of Employer Contributions**

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 378,551	\$ 110,177	\$ 268,374	\$ 3,383,428	3.26%
2019	403,436	128,395	275,041	3,231,324	3.97%
2020	420,187	205,652	214,535	3,436,792	5.98%

**Notes to Schedule of Employer Contributions**

Valuation date: December 31, 2020

Notes: The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll
Remaining amortization period	13 years
Asset valuation method	Market value
Inflation	Implicit in expected payroll increases
Healthcare cost trend rates	Pre-65 - 8.25% in 2020 graded down .25% per year to 4.5%
	Medicare eligible - 6.5% in 2020 graded down .25% per year to 4.5%
	Dental - 3.0%
Salary increases	2.00%
Investment rate of return	7.35%
Mortality	Police and Fire: Public Safety 2020 Employee and Healthy Retiree, headcount-weighted, 2020 improvement
	Spouses and General Employees: Public General 2010 Employee and Healthy Retiree, headcount-weighted, 2020 improvement

**Charter Township of Kalamazoo  
Required Supplementary Information  
Other Post Employment Benefits  
Schedule of Investment Returns**

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Fiscal Year Ended December 31,	Annual Return % *
<u>2020</u>	<u>3.78%</u>

\* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 74 was implemented for the fiscal year ended December 31, 2020 as that is the first year a trust was established.

GASB Statement No. 74 does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

**Charter Township of Kalamazoo**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2020**

	<u>Special Revenue Funds</u>		
	<u>SWET Grant</u>	<u>Police Training</u>	<u>Drug Enforcement</u>
<b>Assets</b>			
Pooled cash and investments	\$ -	\$ 11,097	\$ 100,754
Receivables			
Taxes and assessments	-	-	-
Customers	-	-	-
Due from other units of government	<u>23,553</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 23,553</u>	<u>\$ 11,097</u>	<u>\$ 100,754</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 39	\$ -
Checks written against future deposits	<u>23,553</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>23,553</u>	<u>39</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Taxes and assessments	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Restricted for			
Public safety	-	11,058	100,754
Public works	-	-	-
Capital projects	-	-	-
Assigned			
Public works	-	-	-
Capital projects	-	-	-
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>11,058</u>	<u>100,754</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,553</u>	<u>\$ 11,097</u>	<u>\$ 100,754</u>

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Special Revenue Funds

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<u>Street Lighting</u>	<u>Recycling</u>	<u>Disaster Contingency</u>
\$ 366,211	\$ 301,190	\$ 35,392
115,556	196,611	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 481,767</u>	<u>\$ 497,801</u>	<u>\$ 35,392</u>
\$ 20,418	\$ 44,636	\$ 644
-	-	-
<u>20,418</u>	<u>44,636</u>	<u>644</u>
<u>244,528</u>	<u>542,412</u>	<u>-</u>
-	-	34,748
216,821	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>(89,247)</u>	<u>-</u>
<u>216,821</u>	<u>(89,247)</u>	<u>34,748</u>
<u>\$ 481,767</u>	<u>\$ 497,801</u>	<u>\$ 35,392</u>

**Charter Township of Kalamazoo**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2020**

	<u>Capital Projects Funds</u>		
	<u>Police Capital</u>	<u>Street</u>	<u>Water</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 716,637	\$ 38,415	\$ 318,369
Receivables			
Taxes and assessments	138,156	-	6,179
Customers	-	-	21,162
Due from other units of government	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 854,793</u>	<u>\$ 38,415</u>	<u>\$ 345,710</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 630
Checks written against future deposits	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>630</u>
<b>Deferred Inflows of Resources</b>			
Taxes and assessments	<u>293,097</u>	<u>-</u>	<u>4,568</u>
<b>Fund Balances</b>			
Restricted for			
Public safety	-	-	-
Public works	-	-	-
Capital projects	561,696	-	-
Assigned			
Public works	-	38,415	340,512
Capital projects	-	-	-
Unassigned (deficit)	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>561,696</u>	<u>38,415</u>	<u>340,512</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 854,793</u>	<u>\$ 38,415</u>	<u>\$ 345,710</u>



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<u>Capital Project Fund</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Building and Grounds</u>		
\$ 166,885	\$	2,054,950
-		456,502
-		21,162
-		23,553
<u>\$ 166,885</u>	<u>\$</u>	<u>2,556,167</u>
\$ -	\$	66,367
-		23,553
-		89,920
-		1,084,605
-		146,560
-		216,821
-		561,696
-		378,927
166,885		166,885
-		(89,247)
166,885		1,381,642
<u>\$ 166,885</u>	<u>\$</u>	<u>2,556,167</u>

**Charter Township of Kalamazoo**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2020**

	Special Revenue Funds		
	SWET Grant	Police Training	Drug Enforcement
<b>Revenues</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Federal grants	95,094	-	-
Other state grants	-	3,834	-
Local contributions	-	2,450	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest income	-	-	-
	<u>95,094</u>	<u>6,284</u>	<u>-</u>
Total revenues	<u>95,094</u>	<u>6,284</u>	<u>-</u>
<b>Expenditures</b>			
Current			
Public safety	95,094	18,458	-
Public works	-	-	-
Capital outlay	-	-	-
	<u>95,094</u>	<u>18,458</u>	<u>-</u>
Total expenditures	<u>95,094</u>	<u>18,458</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(12,174)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	15,773	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
	<u>-</u>	<u>15,773</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>15,773</u>	<u>-</u>
Net change in fund balance	-	3,599	-
Fund balance (deficit) - beginning of year	<u>-</u>	<u>7,459</u>	<u>100,754</u>
Fund balance (deficit) - end of year	<u>\$ -</u>	<u>\$ 11,058</u>	<u>\$ 100,754</u>

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Special Revenue Funds

<u>Street Lighting</u>	<u>Recycling</u>	<u>Disaster Contingency</u>
\$ 260,610	\$ 500,570	\$ -
-	-	-
-	-	153,798
-	-	-
-	-	-
<u>5,105</u>	<u>2,964</u>	<u>-</u>
<u>265,715</u>	<u>503,534</u>	<u>153,798</u>
-	-	88,808
245,481	533,635	-
<u>-</u>	<u>-</u>	<u>80,242</u>
<u>245,481</u>	<u>533,635</u>	<u>169,050</u>
<u>20,234</u>	<u>(30,101)</u>	<u>(15,252)</u>
-	-	50,000
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>50,000</u>
20,234	(30,101)	34,748
<u>196,587</u>	<u>(59,146)</u>	<u>-</u>
<u>\$ 216,821</u>	<u>\$ (89,247)</u>	<u>\$ 34,748</u>

**Charter Township of Kalamazoo**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2020**

	<u>Capital Projects Funds</u>		
	<u>Police Capital</u>	<u>Street</u>	<u>Water</u>
<b>Revenues</b>			
Taxes	\$ 284,091	\$ -	\$ 5,868
Federal grants	-	-	-
Other state grants	-	-	-
Local contributions	-	-	-
Charges for services	-	-	7,000
Fines and forfeitures	-	-	78,790
Interest income	10,873	-	4,763
	<u>294,964</u>	<u>-</u>	<u>96,421</u>
Total revenues			
<b>Expenditures</b>			
Current			
Public safety	-	-	-
Public works	-	-	16,727
Capital outlay	339,489	-	-
	<u>339,489</u>	<u>-</u>	<u>16,727</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(44,525)	-	79,694
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(10,000)	-	-
Sale of capital assets	1,930	-	-
	<u>(8,070)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses			
Net change in fund balance	(52,595)	-	79,694
Fund balance (deficit) - beginning of year	614,291	38,415	260,818
Fund balance (deficit) - end of year	<u>\$ 561,696</u>	<u>\$ 38,415</u>	<u>\$ 340,512</u>

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<u>Capital Projects Fund</u>	
<u>Building and Grounds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 1,051,139
-	95,094
-	157,632
-	2,450
-	7,000
-	78,790
-	23,705
<u>-</u>	<u>1,415,810</u>
-	202,360
-	795,843
-	419,731
<u>-</u>	<u>1,417,934</u>
-	(2,124)
-	65,773
-	(10,000)
-	1,930
<u>-</u>	<u>57,703</u>
-	55,579
<u>166,885</u>	<u>1,326,063</u>
<u>\$ 166,885</u>	<u>\$ 1,381,642</u>



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# **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***

## **Independent Auditors' Report**

Management and the Board of Trustees  
Charter Township of Kalamazoo  
Kalamazoo, MI

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, each major fund, and the aggregate remaining fund information of the Charter Township of Kalamazoo, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Charter Township of Kalamazoo's basic financial statements, and have issued our report thereon dated May 18, 2021.

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

In planning and performing our audit of the financial statements, we considered the Charter Township of Kalamazoo'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 Charter Township of Kalamazoo's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Kalamazoo'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 Charter Township of Kalamazoo's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Kalamazoo, MI  
May 18, 2021