

**Charter Township of Kalamazoo**

**Financial Statements**

**December 31, 2021**



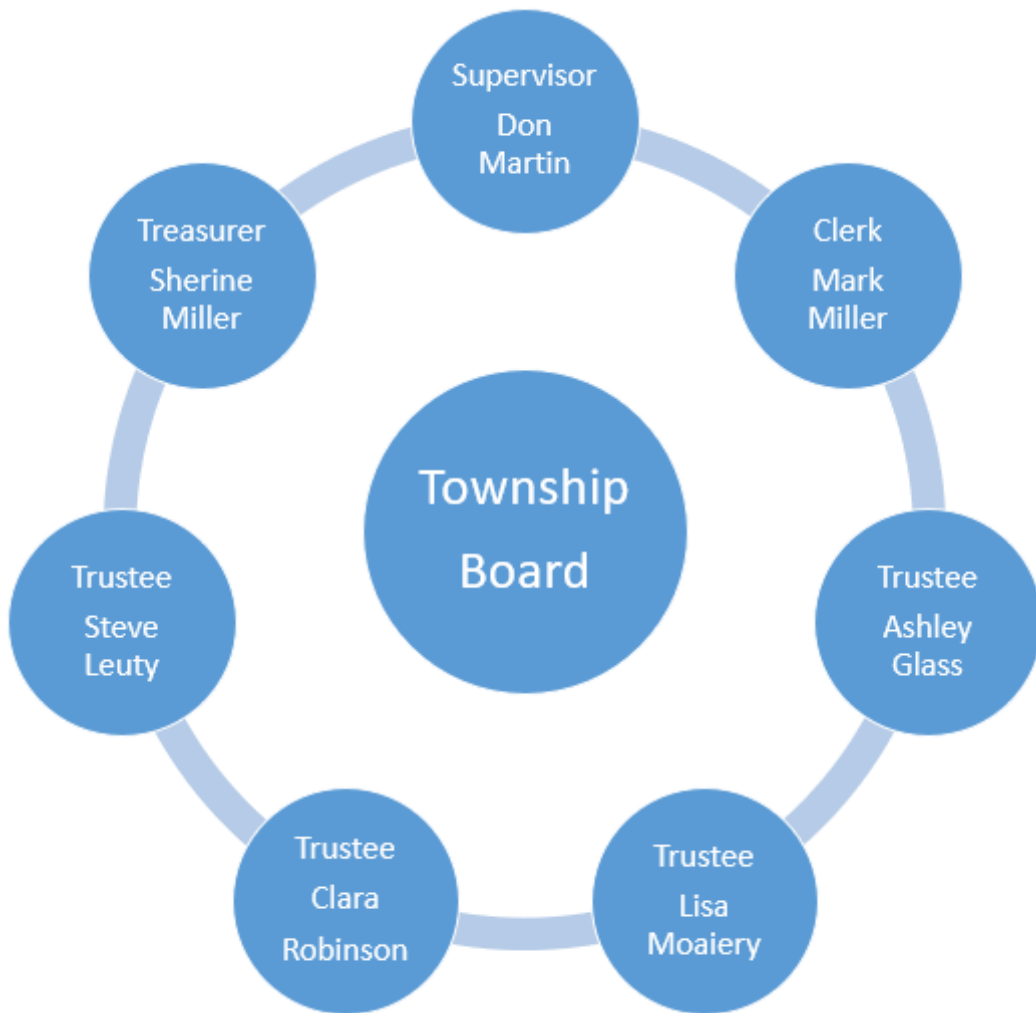
# Table of Contents

<b>Section</b>		<b>Page</b>
1	<b>List of Elected and Appointed Officials</b>	1 – 1
2	<b>Independent Auditors' Report</b>	2 – 1
3	<b>Management's Discussion and Analysis</b>	3 – 1
4	<b>Basic Financial Statements</b>	
	Government-wide Financial Statements	
	Statement of Net Position	4 – 1
	Statement of Activities	4 – 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 – 3
	Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	4 – 5
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 6
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 8
	Fiduciary Funds	
	Statement of Fiduciary Net Position	4 – 9
	Statement of Changes in Fiduciary Net Position	4 – 10
	Notes to the Financial Statements	4 – 11

<b>Section</b>	<b>Page</b>
<b>5</b>	<b>Required Supplementary Information</b>
	Budgetary Comparison Schedule
	General Fund
	ARPA Fund
	Schedule of Changes in Net Pension Liability and Related Ratios
	Schedule of Employer Contributions – Pension
	Schedule of Changes in Net OPEB Liability and Related Ratios
	Schedule of Employer Contributions – OPEB
	Schedule of Investment Returns
<b>6</b>	<b>Other Supplementary Information</b>
	Nonmajor Governmental Funds
	Combining Balance Sheet
	Combining Statement of Revenue, Expenditures and Changes in Fund Balance
<b>7</b>	<b>Other Reports</b>
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>

**Charter Township of Kalamazoo**  
**List of Elected and Appointed Officials**  
**December 31, 2021**

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## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter Township of Kalamazoo, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the Charter Township of Kalamazoo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Township of Kalamazoo's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 13, 2022 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 13, 2022

# Charter Township of Kalamazoo Management's Discussion & Analysis December 31, 2021

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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, 2021. 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 \$18,821,065 (net position). Unrestricted net position has a deficit balance (\$2,436,066) due to the road bond debt, which is unrelated to capital or restricted assets.
- The Township's total net position at December 31, 2021 increased by \$2,285,858 from December 31, 2020.
- As of the close of the current fiscal year, The Township's governmental funds reported combined ending fund balances of \$14,035,612, an increase of \$1,180,403 in comparison with the prior year. Less than half of this total amount, \$6,193,254 is unrestricted, undesignated fund balance and will be used to finance the Township's operations in 2021.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund is \$6,193,254. Per the Township's Funds Reserve Policy 35% of total operating costs for General Government, Police, and Fire must be on hand at all times. Total operating costs for General Government, Police, and Fire equal \$8,591,988. 35% of \$8,591,988 equals \$3,007,196 leaving \$3,186,058 to be used to finance future Township operations.
- The Township's total debt decreased by \$1,002,990 during the fiscal year. The decrease in debt is attributable to the payment of principal on the road bonds for \$1,000,000 and the amortization of the principal for the capital lease agreement of \$2,990 for two Xerox copiers.
- The Township added \$1,110,388 in fixed assets and disposed of \$836,545 in fixed assets. The majority of the disposal amount is related to the 911 radio tower that was sold to the KCCDA.

## 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.



**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2021**

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**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.

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 27 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.

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2021**

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**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 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 \$18,791,165 at year end. Total net position increased by \$2,285,858 from 2020.

**Condensed Statement of Net Position**

	<u>2021</u>	<u>2020</u>
Current and other assets	23,591,807	\$ 20,817,017
Capital assets	<u>17,863,748</u>	<u>17,745,704</u>
Total assets	<u>41,455,555</u>	<u>38,562,721</u>
Deferred outflows of resources	<u>1,584,137</u>	<u>1,183,664</u>
Current and other liabilities	9,792,615	8,149,469
Long-term debt	<u>4,964,900</u>	<u>6,075,355</u>
Total liabilities	<u>14,757,515</u>	<u>14,224,824</u>
Deferred inflows of resources	9,491,012	9,016,254
Net position		
Net investment in capital assets	17,855,986	17,734,953
Restricted	7,087,371	3,207,814
Unrestricted	<u>(6,152,192)</u>	<u>(4,437,460)</u>
Total net position	<u>\$ 18,791,165</u>	<u>\$ 16,505,307</u>

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2021**

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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 \$1,110,388 in new assets for fiscal year 2021, and disposed of \$836,545 in old assets. The major items disposed related to the sale of equipment for dispatch operations to the Kalamazoo County Central Dispatch Authority. 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 18% 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:

- Property tax revenue increased \$185,136. State Shared increased by \$459,405.
- Investment income decreased by \$132,723 due to the decline in interest rates.
- Public Safety-Police department was unable to fill its authorized positions and therefore expenses were down by \$695,000.
- Public Works expenses increased by \$653,701 primarily related to the Sewer improvement projects and building improvements at Township hall.

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2021**

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**Condensed Statement of Activities**

	<u>2021</u>	<u>2020</u>
Net position, beginning of year	\$ 16,505,307	\$ 15,549,012
Prior period adjustment	<u>-</u>	<u>-</u>
Net position, beginning of year as restated	<u>\$ 16,505,307</u>	<u>15,549,012</u>
Program revenues		
Charges for services	3,754,337	3,328,293
Operating grants	519,279	676,805
Capital grants	-	-
General revenues		
Property taxes	5,770,663	5,585,527
State shared	2,682,109	2,222,704
Gain on sale of capital assets	238,178	
Miscellaneous	98,032	135,667
Investment income	<u>32,992</u>	<u>165,715</u>
Total revenues	<u>13,095,590</u>	<u>12,114,711</u>
Expenses		
General government	1,898,495	1,906,336
Public safety	6,944,960	7,926,987
Public works	1,687,515	1,033,814
Community and economic development	94,534	98,261
Recreation and culture	32,176	22,098
Interest	<u>152,052</u>	<u>170,920</u>
Total expenses	<u>10,809,732</u>	<u>11,158,416</u>
Changes in net position	<u>2,285,858</u>	<u>956,295</u>
Net position, end of year	<u>\$ 18,791,165</u>	<u>\$ 16,505,307</u>

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2021**

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

	<u>2021</u>	<u>2020</u>	<u>Difference</u>
Revenues			
Taxes	\$ 5,277,971	\$ 5,050,486	\$ 227,485
Licenses and permits	473,384	497,745	(24,361)
Federal grants	30,700	-	30,700
State-shared revenue	2,682,109	2,222,704	459,405
Other state grants	250,396	293,596	(43,200)
Local contributions	18,425	18,573	(148)
Charges for services	574,022	599,264	(25,242)
Fines and forfeitures	2,385	4,674	(2,289)
Interest and rentals	47,718	51,415	(3,697)
Other revenue	54,758	108,133	(53,375)
Total revenues	<u>9,411,868</u>	<u>8,846,590</u>	<u>565,278</u>
Expenditures			
General government	1,807,453	1,731,468	75,985
Public safety	6,321,840	6,594,974	(273,134)
Public works	359,102	44,557	314,545
Community and economic development	83,413	88,758	(5,345)
Recreation and culture	32,099	21,907	10,192
Capital outlay	-	2,095	(2,095)
Debt service	3,850	3,555	295
Total expenditures	<u>8,607,757</u>	<u>8,487,314</u>	<u>120,443</u>
Excess revenues over expenditures	804,111	359,276	444,835
Other financing sources (uses)	<u>6,515</u>	<u>(44,786)</u>	<u>51,301</u>
Net change in fund balance	810,626	314,490	496,136
Fund balance, beginning of year	<u>5,415,294</u>	<u>5,100,804</u>	<u>314,490</u>
Fund balance, end of year	<u>\$ 6,225,920</u>	<u>\$ 5,415,294</u>	<u>\$ 810,626</u>

**Charter Township of Kalamazoo  
Management's Discussion & Analysis  
December 31, 2021**

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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 \$18,821,065. \$3,371,245 is restricted for public works, capital outlay, and debt service. Unrestricted net position has a deficit balance of (\$2,436,066). The Township's primary liability consists of its road bond debt (\$6 million), net pension liability (\$3.9 million) and other post-employment benefits (OPEB) liability (\$2.3 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 \$565,280 primarily from property tax and State Shared revenue. General fund expenditures increased \$120,450 from the prior year mostly in the areas of public works and general government.

The Township received \$1,185,425 from the Federal government American Rescue Plan Act (ARPA). The funds will be used to replace lost revenue due to the COVID-19 pandemic.

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 began in 2021. It is the Township's intent to issue a bond to provide for most of the 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 \$1,109,423. Primarily in the areas of general operating, public safety-police, and parks & golf course. 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, 2021**

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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, 2021 totaled \$1,110,388. 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:

- Pierce Saber Pumper Fire Truck - \$601,000
- Police & Fire Vehicles - \$ 267,938
- IT Infrastructure at Township Hall - \$88,524

**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 \$6,050,000. 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**

The Township will continue to monitor the impacts of the COVID-19 pandemic. The Township plans to use fund balance and revenues to finance Township operations in 2022. 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 2023 budget fiscal year.

**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, 2021**

	Governmental Activities
<b>Assets</b>	
Pooled cash and investments	\$ 19,324,772
Receivables	
Taxes and assessments	3,318,771
Customers	891,933
Due from other units of government	23,665
Prepaid items	32,666
Capital assets not being depreciated	721,583
Capital assets, net of accumulated depreciation	17,142,165
Total assets	41,455,555
<b>Deferred Outflows of Resources</b>	
Deferred amount relating to net pension liability	1,282,817
Deferred amount relating to net OPEB liability	301,320
Total deferred outflows of resources	1,584,137
<b>Liabilities</b>	
Accounts payable	323,957
Accrued and other liabilities	326,655
Unearned revenue	1,185,424
Noncurrent liabilities	
Debt due within one year	1,665,199
Debt due in more than one year	4,964,900
Net pension liability	3,952,560
Net OPEB liability	2,338,820
Total liabilities	14,757,515
<b>Deferred Inflows of Resources</b>	
Taxes and assessments	7,758,447
Deferred amount relating to net pension liability	616,967
Deferred amount relating to net OPEB liability	1,115,598
Total deferred inflows of resources	9,491,012
<b>Net Position</b>	
Net investment in capital assets	17,855,986
Restricted for	
Public works	260,004
Capital projects	6,405,696
Debt service	421,671
Unrestricted (deficit)	(6,152,192)
Total net position	\$ 18,791,165

See Accompanying Notes to the Financial Statements



**Charter Township of Kalamazoo**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities					
General government	\$ 1,898,495	\$ 522,653	\$ 208,012	\$ -	\$ (1,167,830)
Public safety	6,944,960	2,019,960	219,632	-	(4,705,368)
Public works	1,687,515	1,211,183	91,635	-	(384,697)
Community and economic development	94,534	-	-	-	(94,534)
Recreation and culture	32,176	541	-	-	(31,635)
Interest and fiscal charges on long-term debt	152,052	-	-	-	(152,052)
Total governmental activities	<u>\$ 10,809,732</u>	<u>\$ 3,754,337</u>	<u>\$ 519,279</u>	<u>\$ -</u>	<u>(6,536,116)</u>
General revenues					
Property taxes					5,770,663
State-shared revenue					2,682,109
Unrestricted investment earnings					32,992
Gain on sale of capital assets					238,178
Miscellaneous					98,032
Total general revenues					<u>8,821,974</u>
Change in net position					2,285,858
Net position - beginning of year					<u>16,505,307</u>
Net position - end of year					<u>\$ 18,791,165</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Kalamazoo**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2021**

	General	Special Revenue Fund ARPA	Capital Projects Fund Fire Capital
<b>Assets</b>			
Pooled cash and investments	\$ 8,699,386	\$ 1,185,486	\$ 2,215,720
Receivables			
Taxes and assessments	2,221,905	-	206,694
Customers	723,179	-	-
Due from other units of government	-	-	-
Prepaid items	32,666	-	-
	<u>        </u>	<u>        </u>	<u>        </u>
Total assets	<u>\$ 11,677,136</u>	<u>\$ 1,185,486</u>	<u>\$ 2,422,414</u>
<b>Liabilities</b>			
Accounts payable	\$ 92,721	\$ -	\$ 48,271
Checks written against future deposits	-	-	-
Accrued and other liabilities	242,666	-	27,477
Unearned revenue	-	1,185,424	-
	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities	<u>335,387</u>	<u>1,185,424</u>	<u>75,748</u>
<b>Deferred Inflows of Resources</b>			
Taxes and assessments	5,115,829	-	509,206
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Fund Balances</b>			
Non-spendable			
Prepaid items	32,666	-	-
Restricted for			
Public safety	-	-	-
Public works	-	-	-
Capital projects	-	-	1,837,460
Debt service	-	-	-
Assigned for			
Public works	-	-	-
Capital projects	-	-	-
Unassigned	6,193,254	62	-
	<u>        </u>	<u>        </u>	<u>        </u>
Total fund balances	<u>6,225,920</u>	<u>62</u>	<u>1,837,460</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,677,136</u>	<u>\$ 1,185,486</u>	<u>\$ 2,422,414</u>

See Accompanying Notes to the Financial Statements

<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Sewer Improvement</u>	<u>Road Bond</u>		
\$ 3,634,670	\$ 1,083,738	\$ 2,529,437	\$ 19,348,437
18,955	518,345	352,872	3,318,771
112,714	34,065	21,975	891,933
-	-	23,665	23,665
-	-	-	32,666
<u>\$ 3,766,339</u>	<u>\$ 1,636,148</u>	<u>\$ 2,927,949</u>	<u>\$ 23,615,472</u>
\$ -	\$ -	\$ 182,965	\$ 323,957
-	-	23,665	23,665
18,098	-	126	288,367
-	-	-	1,185,424
<u>18,098</u>	<u>-</u>	<u>206,756</u>	<u>1,821,413</u>
<u>32,115</u>	<u>1,176,189</u>	<u>925,108</u>	<u>7,758,447</u>
-	-	-	32,666
-	-	166,251	166,251
-	-	260,004	260,004
3,716,126	-	852,110	6,405,696
-	459,959	-	459,959
-	-	461,831	461,831
-	-	55,889	55,889
-	-	-	6,193,316
<u>3,716,126</u>	<u>459,959</u>	<u>1,796,085</u>	<u>14,035,612</u>
<u>\$ 3,766,339</u>	<u>\$ 1,636,148</u>	<u>\$ 2,927,949</u>	<u>\$ 23,615,472</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, 2021**

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<b>Total fund balances for governmental funds</b>	<b>\$ 14,035,612</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.	17,142,165
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	721,583
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(38,288)
Compensated absences	(554,742)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability	(616,967)
Deferred inflows of resources resulting from net OPEB liability	(1,115,598)
Deferred outflows of resources resulting from net pension liability	1,282,817
Deferred outflows of resources resulting from net OPEB liability	301,320
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	(6,075,357)
Net pension liability	(3,952,560)
Net OPEB liability	<u>(2,338,820)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 18,791,165</u></b>

**Charter Township of Kalamazoo**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2021**

	General	Special Revenue Fund ARPA	Capital Projects Fund Fire Capital
<b>Revenues</b>			
Taxes	\$ 5,277,971	\$ -	\$ 498,166
Licenses and permits	473,384	-	-
Federal grants	30,700	-	-
State-shared revenue	2,682,109	-	-
Other state grants	250,396	-	-
Local contributions	18,425	-	-
Charges for services	574,022	-	-
Fines and forfeitures	2,385	-	-
Interest income	10,767	62	6,234
Rental income	36,951	-	16,162
Other revenue	54,758	-	-
	<u>9,411,868</u>	<u>62</u>	<u>520,562</u>
Total revenues			
<b>Expenditures</b>			
Current			
General government	1,807,453	-	-
Public safety	6,321,840	-	-
Public works	359,102	-	-
Community and economic development	83,413	-	-
Recreation and culture	32,099	-	-
Capital outlay	-	-	821,062
Debt service			
Principal retirement	2,989	-	-
Interest and fiscal charges	861	-	-
	<u>8,607,757</u>	<u>-</u>	<u>821,062</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>804,111</u>	<u>62</u>	<u>(300,500)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	97,443	-	-
Transfers out	(113,000)	-	-
Insurance recoveries	22,072	-	-
Sale of capital assets	-	-	8,045
	<u>6,515</u>	<u>-</u>	<u>8,045</u>
Total other financing sources and uses			
Net change in fund balance	810,626	62	(292,455)
Fund balance - beginning of year	<u>5,415,294</u>	<u>-</u>	<u>2,129,915</u>
Fund balance - end of year	<u>\$ 6,225,920</u>	<u>\$ 62</u>	<u>\$ 1,837,460</u>

See Accompanying Notes to the Financial Statements

Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Sewer Improvement	Road Bond		
\$ 8,011	\$ 1,188,950	\$ 1,095,481	\$ 8,068,579
-	-	-	473,384
-	-	104,061	134,761
-	-	-	2,682,109
-	91,635	23,324	365,355
-	-	598	19,023
281,853	-	7,000	862,875
-	-	85,511	87,896
10,451	177	5,301	32,992
-	-	-	53,113
-	-	495	55,253
<u>300,315</u>	<u>1,280,762</u>	<u>1,321,771</u>	<u>12,835,340</u>
-	-	-	1,807,453
-	-	117,242	6,439,082
169,850	-	886,687	1,415,639
-	-	-	83,413
-	-	-	32,099
-	-	381,831	1,202,893
-	1,000,000	-	1,002,989
-	163,500	-	164,361
<u>169,850</u>	<u>1,163,500</u>	<u>1,385,760</u>	<u>12,147,929</u>
<u>130,465</u>	<u>117,262</u>	<u>(63,989)</u>	<u>687,411</u>
-	-	113,000	210,443
-	-	(97,443)	(210,443)
-	-	-	22,072
-	-	462,875	470,920
-	-	478,432	492,992
130,465	117,262	414,443	1,180,403
<u>3,585,661</u>	<u>342,697</u>	<u>1,381,642</u>	<u>12,855,209</u>
<u>\$ 3,716,126</u>	<u>\$ 459,959</u>	<u>\$ 1,796,085</u>	<u>\$ 14,035,612</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, 2021**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,180,403</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	(831,254)
Capital outlay	1,182,040
Sale of capital assets (net book value)	(232,742)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	5,027
Compensated absences	(23,312)
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	(138,539)
Net change in the deferred inflow of resources related to the net pension liability	(347,527)
Net change in the deferred outflow of resources related to the net pension liability	439,365
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	84,572
Net change in the deferred inflow of resources related to the net OPEB liability	(3,554)
Net change in the deferred outflow of resources related to the net OPEB liability	(38,892)
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	1,002,989
Amortization of premiums, discounts and similar items	7,282
<b>Change in net position of governmental activities</b>	<b><u>\$ 2,285,858</u></b>

**Charter Township of Kalamazoo**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2021**

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	Other Employee Benefit Trust Fund	Custodial Funds
<b>Assets</b>		
Pooled cash and investments	\$ -	\$ 6,418,183
MERS Retiree Health Vehicle Fund	236,139	-
Receivables		
Accounts	-	425
	236,139	6,418,608
Total assets		
<b>Liabilities</b>		
Accounts payable	-	2,915
Accrued and other liabilities	-	266,171
Due to other units of government	-	6,149,522
	-	6,418,608
Total liabilities		
<b>Net Position</b>		
Held in trust for OPEB benefits	236,139	-
	-	-
Total net position	\$ 236,139	\$ -

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, 2021**

	Other Employee Benefit Trust Funds	Custodial Funds
<b>Additions</b>		
Contributions		
Employer	\$ 100,000	\$ -
Investment earnings	25,405	-
Property tax collections for other governments	-	26,266,126
Collections for SWET	-	454,310
Employee payroll deductions	-	3,681,284
Other revenue	-	135,259
	<u>125,405</u>	<u>30,536,979</u>
<b>Deductions</b>		
Payments of property tax to other governments		26,266,126
Distributions for SWET		454,310
Employee payroll deductions paid to other governments		3,681,284
Other expenses	-	135,259
	<u>-</u>	<u>30,536,979</u>
Total deductions	-	30,536,979
Change in net position	125,405	-
Net position - beginning of year	<u>110,734</u>	<u>-</u>
Net position - end of year	<u>\$ 236,139</u>	<u>\$ -</u>

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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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, 2021**

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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 American Rescue Plan Act (ARPA) Fund, a special revenue fund, accounts for the revenues and expenditures related to the grant funds.

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 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 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, 2021**

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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 2020 taxable valuation of the government totaled \$465,166,461, on which ad valorem taxes consisted of 8.9412 mills for operating purposes and 2.5500 mills for roads. This resulted in \$4,159,146 for operating expenses and \$1,186,174 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, 2021**

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

Buildings and structures	40 to 60 years
Land & building improvements	10 to 30 years
Vehicles	5 to 10 years
Equipment	3 to 15 years
Infrastructure	25 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 may report 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, 2021**

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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, 2021**

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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.

**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. 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.

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.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**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	\$ 19,324,772
Fiduciary funds	6,654,322
Total	\$ 25,979,094

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)	\$ 14,094,805	\$ 6,418,183	\$ 20,512,988
Investments in securities, mutual funds and similar vehicles	5,229,767	236,139	5,465,906
Petty cash and cash on hand	200	-	200
Total	\$ 19,324,772	\$ 6,654,322	\$ 25,979,094

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
Federal National Mortgage Association				
Remic Trust Bonds	\$ 126,835	2042	Aaa	Moody's
U.S. Government Bonds	493,900	2024	Aaa	Moody's
MERS Retiree Health Vehicle Fund	236,139	N/A	N/A	N/A
CLASS - Michigan Investment Pool	4,609,032	N/A	AAA	S&P
	\$ 5,465,906			

*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



**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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*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, \$12,832,072 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*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	\$ 126,835	By counterparty in the Township's name
U.S. Government Bonds	<u>493,900</u>	By counterparty in the Government's name
	<u>\$ 620,735</u>	

**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, 2021:

- U.S. agency securities and U.S. government bonds of \$620,735 are valued using observable fair values of similar assets (Level 2 inputs).

**Investments in Entities that Calculate Net Asset Value per Share**

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,

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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 non-risk 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.

**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	-	71,652	-	-	71,652
Total capital assets not being depreciated	<u>649,931</u>	<u>71,652</u>	<u>-</u>	<u>-</u>	<u>721,583</u>
Capital assets being depreciated					
Buildings and improvements	3,852,734	50,160	3,139	-	3,899,755
Equipment	3,740,781	191,290	719,920	-	3,212,151
Vehicles	4,002,158	868,938	113,486	-	4,757,610
Infrastructure	<u>22,497,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,497,614</u>
Total capital assets being depreciated	<u>34,093,287</u>	<u>1,110,388</u>	<u>836,545</u>	<u>-</u>	<u>34,367,130</u>
Less accumulated depreciation for					
Buildings and improvements	2,363,252	117,937	2,511	8,526	2,487,204
Equipment	2,023,043	313,703	487,806	(8,526)	1,840,414
Vehicles	3,381,131	131,113	113,486	-	3,398,758
Infrastructure	<u>9,230,088</u>	<u>268,501</u>	<u>-</u>	<u>-</u>	<u>9,498,589</u>
Total accumulated depreciation	<u>16,997,514</u>	<u>831,254</u>	<u>603,803</u>	<u>-</u>	<u>17,224,965</u>
Net capital assets being depreciated	<u>17,095,773</u>	<u>279,134</u>	<u>232,742</u>	<u>-</u>	<u>17,142,165</u>
Governmental activities capital assets, net	<u>\$ 17,745,704</u>	<u>\$ 350,786</u>	<u>\$ 232,742</u>	<u>\$ -</u>	<u>\$ 17,863,748</u>

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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

<b>Governmental activities</b>	
General government	\$ 100,213
Public safety	451,618
Public works	268,501
Community and economic development	<u>10,922</u>
Total governmental activities	<u>\$ 831,254</u>

**Note 6 - Interfund Transfers**

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 113,000
Nonmajor governmental funds	General Fund	<u>97,443</u>
		<u>\$ 210,443</u>

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>	
2022	\$ 3,554
2023	3,554
2024	<u>1,233</u>
Total minimum lease payments	8,341
Less amount representing interest	<u>579</u>
Present value of minimum lease payments	<u>\$ 7,762</u>
Asset	
Equipment	\$ 15,396
Less accumulated depreciation	<u>8,211</u>
Total	<u>\$ 7,185</u>

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

**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%	\$1,100,000 - \$1,350,000	\$ 7,050,000	\$ -	\$ 1,000,000	\$ 6,050,000	\$ 1,100,000
Less deferred amounts for issuance premiums					24,877	-	7,282	17,595	7,282
Total					7,074,877	-	1,007,282	6,067,595	1,107,282
Capital leases									
Xerox copiers					10,751	-	2,989	7,762	3,175
Compensated absences					531,430	495,004	471,692	554,742	554,742
Total governmental activities					\$ 7,617,058	\$ 495,004	\$ 1,481,963	\$ 6,630,099	\$ 1,665,199

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

Year Ending December 31,	Governmental Activities	
	Bonds	
	Principal	Interest
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>\$ 6,050,000</u>	<u>\$ 430,500</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 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.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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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, 2021, the Township and eligible employees made contributions of \$205,917 and \$32,041, respectively. At December 31, 2021, 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 16.4%.

Employees covered by benefit terms – At the December 31, 2020 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	5
Active employees	<u>32</u>
	<u>56</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 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.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

Net pension liability – The employer’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement 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.

Mortality rates used were based on the Pub-2010 or PubG-2010 mortality tables.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study, which was completed in 2020 and covered the years 2013 through 2018.

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:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.00%	3.75%	0.75%	2.50%	0.25%
Private investments	20.00%	9.75%	1.95%	2.50%	1.45%
	<u>100.00%</u>		<u>7.75%</u>		<u>4.85%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.6%. 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.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Changes in Net Pension Liability**

**Total Pension Liability**

Service cost	\$	315,591
Interest on the total pension liability		1,154,468
Experience differences		58,709
Changes in actuarial assumptions		644,476
Benefit changes		(45,746)
Benefit payments and refunds		<u>(821,039)</u>

Net change in total pension liability		1,306,459
Total pension liability - beginning		<u>15,443,091</u>
Total pension liability - ending (a)	\$	<u><u>16,749,550</u></u>

**Plan Fiduciary Net Position**

Employer contributions	\$	390,059
Employee contributions		150,087
Pension plan net investment income		1,472,114
Benefit payments and refunds		(821,039)
Pension plan administrative expense		<u>(23,301)</u>

Net change in plan fiduciary net position		1,167,920
Plan fiduciary net position - beginning		<u>11,629,070</u>
Plan fiduciary net position - ending (b)	\$	<u><u>12,796,990</u></u>

Net pension liability (a-b)	\$	<u><u>3,952,560</u></u>
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Plan fiduciary net position as a percentage of total pension liability		76.40%
Covered payroll	\$	2,164,544
Net pension liability as a percentage of covered payroll		182.60%

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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ <u>6,167,923</u>	\$ <u>3,952,560</u>	\$ <u>2,130,445</u>

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended December 31, 2021, the employer recognized pension expense of \$416,724. 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	\$ 48,924	\$ (204,688)	\$ (155,764)
Differences in assumptions	863,009	-	863,009
Net difference between projected and actual earning on plan investments	-	(412,279)	(412,279)
Contributions subsequent to the measurement date*	370,884	-	-
<b>Total</b>	<b>\$ 1,282,817</b>	<b>\$ (616,967)</b>	<b>\$ 294,966</b>

\*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 2022.

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

Year ended December 31,	
2022	\$ 54,286
2023	160,213
2024	(105,006)
2025	68,278
2026	117,195
	<b>\$ 294,966</b>

**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.

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.



**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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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 – As of the December 31, 2020 valuation, 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	2.25% (S&P Municipal Bond 20-Year High Grade Rate Index)
Healthcare cost trend rates	Pre-65 - 8.25% in 2021 graded down to 7.5% after one year and then by .25% per year to an ultimate rate of 4.5%
	Medicare eligible - 6.5% in 2021 graded down to 5.75% after one year and then by .25% per year to an ultimate rate of 4.5%
	Dental - 3.0%
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

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%	4.95%
Global fixed income	20.00%	2.40%
Private investments	20.00%	7.00%

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.

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Changes in Net OPEB Liability**

**Total OPEB Liability**

Service cost	\$	87,697
Interest		189,112
Differences between expected and actual experience		(46,550)
Changes in assumptions		(91,674)
Benefit payments		<u>(97,752)</u>

Net change in total OPEB liability 40,833

Total OPEB liability - beginning 2,534,126

Total OPEB liability - ending \$ 2,574,959

**Plan Fiduciary Net Position**

Employer contributions	\$	197,752
Net investment income		25,781
Benefit payments		(97,752)
Administrative expense		<u>(376)</u>

Net change in plan fiduciary net position 125,405

Plan fiduciary net position - beginning 110,734

Plan fiduciary net position - ending (b) \$ 236,139

Net OPEB liability (a-b) \$ 2,338,820

Plan fiduciary net position as a percentage of  
the total OPEB liability 9.17%

Covered payroll \$ 3,526,987

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>\$ 2,574,093</u>	<u>\$ 2,338,820</u>	<u>\$ 2,130,938</u>

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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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	\$ 2,066,006	\$ 2,338,820	\$ 2,661,413

OPEB expense and deferred inflows and outflows of resources related to OPEB – For the year ended December 31, 2021 the employer recognized OPEB expense of \$155,626. 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	\$ 301,320	\$ (94,720)	\$ 206,600
Differences in assumptions	-	(1,013,123)	(1,013,123)
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>(7,755)</u>	<u>(7,755)</u>
Total	<u>\$ 301,320</u>	<u>\$ (1,115,598)</u>	<u>\$ (814,278)</u>

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

<u>Year ended December 31,</u>	
2022	\$ (106,084)
2023	(106,084)
2024	(106,083)
2025	(106,248)
2026	(104,186)
Thereafter	<u>(285,593)</u>
	<u>\$ (814,278)</u>

**Charter Township of Kalamazoo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 12 - Net Investment in Capital Assets**

The composition of net investment in capital assets as of December 31, 2021 was as follows:

	<u>Governmental Activities</u>
Capital assets	
Capital assets not being depreciated	\$ 721,583
Capital assets, net of accumulated depreciation	<u>17,142,165</u>
Total capital assets	17,863,748
Related debt	
Capital leases	<u>(7,762)</u>
Net investment in capital assets	<u>\$ 17,855,986</u>

**Note 13 - 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, 2021**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 4,167,275	\$ 4,167,275	\$ 4,140,305	\$ (26,970)
Other taxes	718,725	718,725	845,825	127,100
Penalties and interest	7,500	7,500	5,694	(1,806)
Administration fee	275,000	275,000	286,147	11,147
Licenses and permits	483,600	483,600	473,384	(10,216)
Federal grants	14,000	14,000	30,700	16,700
State-shared revenue	2,329,495	2,329,495	2,682,109	352,614
State grants	173,000	173,000	250,396	77,396
Local contributions	19,500	19,500	18,425	(1,075)
Charges for services	722,300	722,300	574,022	(148,278)
Fines and forfeitures	3,750	3,750	2,385	(1,365)
Interest income	25,000	25,000	10,767	(14,233)
Rental income	38,500	38,500	36,951	(1,549)
Other revenue	35,550	35,550	54,758	19,208
Sale of capital assets	2,500	2,500	-	(2,500)
Insurance recoveries	-	-	22,072	22,072
Transfers in	-	-	97,443	97,443
Total revenues	<u>9,015,695</u>	<u>9,015,695</u>	<u>9,531,383</u>	<u>515,688</u>
<b>Expenditures</b>				
General government				
Legislative	89,085	93,085	87,650	(5,435)
Supervisor	247,725	250,725	252,591	1,866
Finance director	251,620	251,620	238,180	(13,440)
Clerk	140,905	158,905	144,616	(14,289)
Treasurer	42,135	44,135	40,197	(3,938)
Assessor	225,740	227,240	213,052	(14,188)
Buildings and grounds	298,260	298,260	255,032	(43,228)
General services administration	553,505	526,505	449,397	(77,108)
Information technology	117,005	117,005	99,004	(18,001)
Cemetery	36,015	36,015	27,734	(8,281)
Total general government	<u>2,001,995</u>	<u>2,003,495</u>	<u>1,807,453</u>	<u>(196,042)</u>
Public safety				
Police protection	5,109,020	5,142,620	4,414,467	(728,153)
Fire protection	1,875,925	1,875,925	1,907,373	31,448
Total public safety	<u>6,984,945</u>	<u>7,018,545</u>	<u>6,321,840</u>	<u>(696,705)</u>
Public works				
Sidewalks	70,000	70,000	131,704	61,704
Streets	259,650	284,650	227,398	(57,252)
Total public works	<u>329,650</u>	<u>354,650</u>	<u>359,102</u>	<u>4,452</u>

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Community and economic development				
Planning and zoning	\$ 124,500	\$ 124,500	\$ 83,413	\$ (41,087)
Recreation and culture				
Parks and golf course	104,525	104,525	32,099	(72,426)
Capital outlay	7,500	7,500	-	(7,500)
Debt service				
Principal retirement	2,965	2,965	2,989	24
Interest and fiscal charges	600	600	861	261
Total debt service	3,565	3,565	3,850	285
Transfers out	263,000	213,400	113,000	(100,400)
Total expenditures	9,819,680	9,830,180	8,720,757	(1,109,423)
Excess (deficiency) of revenues over expenditures	(803,985)	(814,485)	810,626	1,625,111
Fund balance - beginning of year	5,415,294	5,415,294	5,415,294	-
Fund balance - end of year	\$ 4,611,309	\$ 4,600,809	\$ 6,225,920	\$ 1,625,111

**Charter Township of Kalamazoo  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 ARPA Fund  
 For the Year Ended December 31, 2021**

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	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Interest income	\$ -	\$ -	\$ 62	\$ 62
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 62	\$ 62



**Charter Township of Kalamazoo**  
**Required Supplementary Information**  
**Municipal Employees Retirement System**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**December 31, 2021**

	2021	2020	2019
<b>Total Pension Liability</b>			
Service cost	\$ 315,591	\$ 255,235	\$ 243,525
Interest on the total pension liability	1,154,468	1,138,288	1,101,472
Benefit changes	(45,746)	(111,574)	(35,847)
Difference between expected and actual experience	58,709	(52,269)	(166,007)
Changes in assumptions	644,476	488,918	-
Benefit payments and refunds	<u>(821,039)</u>	<u>(752,979)</u>	<u>(624,611)</u>
Net change in total pension liability	1,306,459	965,619	518,532
Total pension liability - beginning	<u>15,443,091</u>	<u>14,477,472</u>	<u>13,958,940</u>
Total pension liability - ending (a)	<u>\$ 16,749,550</u>	<u>\$ 15,443,091</u>	<u>\$ 14,477,472</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 390,059	\$ 354,338	\$ 389,278
Employee contributions	150,087	69,840	68,011
Pension plan net investment income (loss)	1,472,114	1,425,286	(438,876)
Benefit payments and refunds	(821,039)	(752,979)	(624,611)
Pension plan administrative expense	<u>(23,301)</u>	<u>(24,562)</u>	<u>(21,722)</u>
Net change in plan fiduciary net position	1,167,920	1,071,923	(627,920)
Plan fiduciary net position - beginning	<u>11,629,070</u>	<u>10,557,147</u>	<u>11,185,067</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,796,990</u>	<u>\$ 11,629,070</u>	<u>\$ 10,557,147</u>
Net pension liability (a-b)	<u>\$ 3,952,560</u>	<u>\$ 3,814,021</u>	<u>\$ 3,920,325</u>
Plan fiduciary net position as a percentage of total pension liability	76.40%	75.30%	72.92%
Covered payroll	\$ 2,164,544	\$ 1,972,451	\$ 2,012,606
Net pension liability as a percentage of covered employee payroll	182.60%	193.36%	194.79%

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.

2018	2017	2016	2015
\$ 270,325	\$ 258,547	\$ 249,075	\$ 246,772
1,044,156	998,036	916,469	855,303
(14,947)	(17,082)	(9,555)	-
(13,823)	(213,149)	79,189	-
-	-	530,931	-
<u>(487,117)</u>	<u>(424,372)</u>	<u>(383,830)</u>	<u>(339,834)</u>
798,594	601,980	1,382,279	762,241
<u>13,160,346</u>	<u>12,558,366</u>	<u>11,176,087</u>	<u>10,413,846</u>
<u>\$ 13,958,940</u>	<u>\$ 13,160,346</u>	<u>\$ 12,558,366</u>	<u>\$ 11,176,087</u>
\$ 411,289	\$ 379,573	\$ 370,953	\$ 360,234
-	-	-	-
1,322,517	1,031,054	(140,110)	547,289
(487,117)	(424,372)	(383,830)	(339,834)
<u>(20,919)</u>	<u>(20,338)</u>	<u>(20,232)</u>	<u>(20,166)</u>
1,225,770	965,917	(173,219)	547,523
<u>9,959,297</u>	<u>8,993,380</u>	<u>9,166,599</u>	<u>8,619,076</u>
<u>\$ 11,185,067</u>	<u>\$ 9,959,297</u>	<u>\$ 8,993,380</u>	<u>\$ 9,166,599</u>
<u>\$ 2,773,873</u>	<u>\$ 3,201,049</u>	<u>\$ 3,564,986</u>	<u>\$ 2,009,488</u>
80.13%	75.68%	71.61%	82.02%
\$ 2,273,545	\$ 2,223,101	\$ 2,276,321	\$ 2,225,472
122.01%	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, 2021**

Fiscal Year Ended	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2021	370,884	370,884	-	2,419,017	15.3%

**Notes to Schedule of Employer Contributions:**

Valuation date: December 31, 2019

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: 20 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**

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 87,697	\$ 129,864	\$ 139,571	\$ 135,506
Interest	189,112	105,834	95,769	93,757
Differences between expected and actual experience	(46,550)	377,798	(35,658)	(46,967)
Changes in assumptions	(91,674)	(1,147,885)	(23,598)	-
Benefit payments	(97,752)	(96,113)	(128,395)	(110,177)
Net change in total OPEB liability	40,833	(630,502)	47,689	72,119
Total OPEB liability - beginning	2,534,126	3,164,628	3,116,939	3,044,820
Total OPEB liability - ending (a)	<u>\$ 2,574,959</u>	<u>\$ 2,534,126</u>	<u>\$ 3,164,628</u>	<u>\$ 3,116,939</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 197,752	\$ 205,652	\$ -	\$ -
Net investment income (loss)	25,781	1,197	-	-
Benefit payments and refunds	(97,752)	(96,113)	-	-
Administrative expense	(376)	(2)	-	-
Net change in plan fiduciary net position	125,405	110,734	-	-
Plan fiduciary net position - beginning	110,734	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 236,139</u>	<u>\$ 110,734</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (a-b)	<u>\$ 2,338,820</u>	<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	9.17%	4.37%	- %	- %
Covered payroll	\$ 3,526,987	\$ 3,436,792	\$ 3,231,324	\$ 3,383,428
Net OPEB liability as a percentage of covered payroll	66.31%	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%
2021	347,789	197,752	150,037	3,526,987	5.61%

**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	14 years
Asset valuation method	Market value
Inflation	Implicit in expected payroll increases
Healthcare cost trend rates	Pre-65 - 8.25% graded down to 7.5% after one year and then by .25% per year to an ultimate rate of 4.5%
	Medicare eligible - 6.5% graded down to 5.75% after one year and then by .25% per year to an ultimate rate of 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, MP-2020 improvement
	Spouses and General Employees: Public General 2010 Employee and Healthy Retiree, headcount-weighted, MP-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 % *
2020	3.78%
2021	13.98%

\* 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, 2021**

	<u>Special Revenue Funds</u>		
	<u>SWET Grant</u>	<u>Police Training</u>	<u>Drug Enforcement</u>
<b>Assets</b>			
Pooled cash and investments	\$ -	\$ 13,736	\$ 101,954
Receivables			
Taxes and assessments	-	-	-
Customers	-	-	-
Due from other units of government	<u>23,665</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 23,665</u>	<u>\$ 13,736</u>	<u>\$ 101,954</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Checks written against future deposits	23,665	-	-
Accrued and other liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>23,665</u>	<u>-</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	-	13,736	101,954
Public works	-	-	-
Capital projects	-	-	-
Assigned			
Public works	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>13,736</u>	<u>101,954</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,665</u>	<u>\$ 13,736</u>	<u>\$ 101,954</u>

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Special Revenue Funds

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Street Lighting	Recycling	Disaster Contingency
\$ 349,374	\$ 455,477	\$ 50,686
82,898	203,973	-
-	-	-
-	-	-
\$ 432,272	\$ 659,450	\$ 50,686
\$ 21,027	\$ 40,639	\$ 125
-	-	-
-	-	-
21,027	40,639	125
204,491	565,561	-
-	-	50,561
206,754	53,250	-
-	-	-
-	-	-
-	-	-
206,754	53,250	50,561
\$ 432,272	\$ 659,450	\$ 50,686



**Charter Township of Kalamazoo**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2021**

	<u>Capital Projects Funds</u>		
	<u>Police Capital</u>	<u>Street</u>	<u>Water</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,064,294	\$ 38,487	\$ 399,540
Receivables			
Taxes and assessments	62,220	-	3,781
Customers	-	-	21,975
Due from other units of government	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,126,514</u>	<u>\$ 38,487</u>	<u>\$ 425,296</u>
<b>Liabilities</b>			
Accounts payable	\$ 121,174	\$ -	\$ -
Checks written against future deposits	-	-	-
Accrued and other liabilities	-	-	126
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>121,174</u>	<u>-</u>	<u>126</u>
<b>Deferred Inflows of Resources</b>			
Taxes and assessments	<u>153,230</u>	<u>-</u>	<u>1,826</u>
<b>Fund Balances</b>			
Restricted for			
Public safety	-	-	-
Public works	-	-	-
Capital projects	852,110	-	-
Assigned			
Public works	-	38,487	423,344
Capital projects	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>852,110</u>	<u>38,487</u>	<u>423,344</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,126,514</u>	<u>\$ 38,487</u>	<u>\$ 425,296</u>

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<u>Capital Project Fund</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Building and Grounds</u>		
\$ 55,889	\$	2,529,437
-		352,872
-		21,975
<u>-</u>		<u>23,665</u>
<u>\$ 55,889</u>	<u>\$</u>	<u>2,927,949</u>
\$ -	\$	182,965
-		23,665
<u>-</u>		<u>126</u>
<u>-</u>		<u>206,756</u>
<u>-</u>		<u>925,108</u>
-		166,251
-		260,004
-		852,110
-		461,831
<u>55,889</u>		<u>55,889</u>
<u>55,889</u>		<u>1,796,085</u>
<u>\$ 55,889</u>	<u>\$</u>	<u>2,927,949</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, 2021**

	Special Revenue Funds		
	SWET Grant	Police Training	Drug Enforcement
<b>Revenues</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Federal grants	93,425	-	-
Other state grants	-	6,400	-
Local contributions	-	598	-
Charges for services	-	-	-
Fines and forfeitures	-	-	1,200
Interest income	-	-	-
Other revenue	-	495	-
<b>Total revenues</b>	<u>93,425</u>	<u>7,493</u>	<u>1,200</u>
<b>Expenditures</b>			
Current			
Public safety	93,425	17,815	-
Public works	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>93,425</u>	<u>17,815</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(10,322)</u>	<u>1,200</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	13,000	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
<b>Total other financing sources and uses</b>	<u>-</u>	<u>13,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>2,678</u>	<u>1,200</u>
Fund balance (deficit) - beginning of year	<u>-</u>	<u>11,058</u>	<u>100,754</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 13,736</u>	<u>\$ 101,954</u>

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Special Revenue Funds

<u>Street Lighting</u>	<u>Recycling</u>	<u>Disaster Contingency</u>
\$ 249,576	\$ 542,488	\$ -
-	-	10,636
-	-	16,924
-	-	-
-	-	-
-	-	-
907	796	-
-	-	-
250,483	543,284	27,560
-	-	6,002
260,550	500,787	-
-	-	5,745
260,550	500,787	11,747
(10,067)	42,497	15,813
-	100,000	-
-	-	-
-	-	-
-	100,000	-
(10,067)	142,497	15,813
216,821	(89,247)	34,748
\$ 206,754	\$ 53,250	\$ 50,561

**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, 2021**

	<u>Capital Projects Funds</u>		
	<u>Police Capital</u>	<u>Street</u>	<u>Water</u>
<b>Revenues</b>			
Taxes	\$ 298,850	\$ -	\$ 4,567
Federal grants	-	-	-
Other state grants	-	-	-
Local contributions	-	-	-
Charges for services	-	-	7,000
Fines and forfeitures	-	-	84,311
Interest income	2,218	72	1,308
Other revenue	-	-	-
	<u>301,068</u>	<u>72</u>	<u>97,186</u>
<b>Total revenues</b>			
	<u>301,068</u>	<u>72</u>	<u>97,186</u>
<b>Expenditures</b>			
Current			
Public safety	-	-	-
Public works	-	-	14,354
Capital outlay	376,086	-	-
	<u>376,086</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>			
	<u>376,086</u>	<u>-</u>	<u>14,354</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(75,018)</u>	<u>72</u>	<u>82,832</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(97,443)	-	-
Sale of capital assets	462,875	-	-
	<u>365,432</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and uses</b>			
	<u>365,432</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	290,414	72	82,832
<b>Fund balance (deficit) - beginning of year</b>	<u>561,696</u>	<u>38,415</u>	<u>340,512</u>
<b>Fund balance - end of year</b>	<u>\$ 852,110</u>	<u>\$ 38,487</u>	<u>\$ 423,344</u>

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<u>Capital Projects Fund</u>	
<u>Building and Grounds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 1,095,481
-	104,061
-	23,324
-	598
-	7,000
-	85,511
-	5,301
-	495
<u>-</u>	<u>1,321,771</u>
-	117,242
110,996	886,687
-	381,831
<u>110,996</u>	<u>1,385,760</u>
<u>(110,996)</u>	<u>(63,989)</u>
-	113,000
-	(97,443)
-	462,875
<u>-</u>	<u>478,432</u>
(110,996)	414,443
<u>166,885</u>	<u>1,381,642</u>
<u>\$ 55,889</u>	<u>\$ 1,796,085</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, 2021, 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 13, 2022.

### **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) as a basis for designing 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 financial statements. 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 13, 2022