CITY OF KALAMAZOO, MICHIGAN

SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(Federal Awards)

YEAR ENDED DECEMBER 31, 2025

Maner Costerisan

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Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 22, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to July 22, 2026.

The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maner Costerisan PC

Lansing, Michigan
July 22, 2026

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Kalamazoo, Michigan's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Kalamazoo, Michigan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Kalamazoo and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Kalamazoo's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Kalamazoo's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Kalamazoo's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Kalamazoo's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City of Kalamazoo's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Kalamazoo's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Kalamazoo's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maner Costerisan PC

Lansing, Michigan
July 22, 2026

CITY OF KALAMAZOO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through American Forests				
Inflation Reduction Act Urban & Community Forestry Program	10.727			
2024		24-CA-1132544-010-016	$ -	$ 198,080
U.S. DEPARTMENT OF COMMERCE				
Passed through the National Fish and Wildlife Foundation				
Habitat Conservation	11.463			
2024		FC.R516 / NA18NM463004	-	20,392
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct programs				
Community Development Block Grants Cluster Entitlements/Special Purpose				
Community Development Block Grants/Entitlement Grants [(b)]	14.218			
Program Year 2021-22		N/A	52,468	113,922
Program Year 2022-23		N/A	19,654	55,933
Program Year 2023-24		N/A	107,193	286,246
Program Year 2024-25		N/A	268,706	812,210
Program Year 2025-26		N/A	-	93,440
Total Community Development Block Grants Cluster Entitlements/Special Purpose			448,021	1,361,751

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF KALAMAZOO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (concluded)				
Direct programs				
Home Investment Partnerships Program	14.239			
Program Year 2018-19		N/A	$ 557	$ 557
Program Year 2020-21		N/A	-	(64,658)
Program Year 2021-22		N/A	50,000	92,525
Program Year 2022-23		N/A	110,000	147,542
COVID-19 Program Year 2021-22 HOME-ARP		N/A	-	504,152
Program Year 2023-24		N/A	439,533	439,533
Total Home Investment Partnerships Program			600,090	1,119,651
HUD Lead Hazard Reduction Demonstration Grant Program	14.905			
2022		N/A	-	308,670
HUD Healthy Homes Production Program	14.913			
2022		N/A	-	39,173
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,048,111	2,829,245
U.S. DEPARTMENT OF JUSTICE				
Direct programs				
Bulletproof Vest Partnership Program	16.607			
2024		N/A	-	19,597
Edward Byrne Memorial Justice Assistance Grant Program	16.738			
2022 BJA		N/A	-	29,224
2023 BJA		N/A	-	96,687
Edward Byrne Memorial Justice Assistance Grant Program			-	125,911
TOTAL U.S. DEPARTMENT OF JUSTICE			-	145,508

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF KALAMAZOO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Michigan Department of Transportation				
Highway Planning and Construction				
2025 Protect	20.205	N/A	$ -	$ 49,676
Highway Safety Improvement Program	20.272			
City Wide Signal Optimization		HSIP / VRU 39000	-	49,047
National Infrastructure Investments	20.933			
Rebuilding American Infrastructure		218917NI	-	520,857
Direct program				
Safe Streets and Roads for All	20.939			
2022		N/A	-	353,084
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	972,664
U.S. DEPARTMENT OF TREASURY				
Direct program				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds [(a)]	21.027			
ARPA		N/A	2,230,339	8,110,213
Passed through Michigan Department of Environment, Great Lakes, and Energy				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds [(a)]	21.027			
2024 Drinking Water Revolving Fund		A7810-01	-	2,004,377
Passed through Michigan Commission on Law Enforcement Standards				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds [(a)]	21.027			
2024 KDPS MCOLES Grant		SLFRP0127	-	425,099
Passed through Kalamazoo County Landbank				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds [(a)]	21.027			
Blight Elimination		N/A	-	2,385
Passed through Michigan Economic Development Corporation and Southwest Michigan First				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds [(a)]	21.027			
Farmer's Market Redevelopment		N/A	-	962,863
COVID-19 Coronavirus State and Local Fiscal Recovery Funds			2,230,339	11,504,937

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF KALAMAZOO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through Michigan Department of Environment, Great Lakes, and Energy				
Capitalization Grants for Drinking Water State Revolving Fund	66.468			
Wellhead Protection Grant 10/1/2024-8/31/2025		N/A	$ -	$ 51,197
Safe Drinking Water Assistance				
2023		7673-01	-	1,511,569
2024		7810-01	-	9,955,552
2025		7866-01	-	6,277,116
Capitalization Grants for Drinking Water State Revolving Fund			-	17,795,434
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,278,450	$ 33,466,260

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF KALAMAZOO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Kalamazoo, Michigan, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note 4.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The City has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance for awards executed on or before September 30, 2024 and also has elected to not use the 15-percent de minimis indirect cost rate allowed under the Uniform Guidance for awards executed on or after October 1, 2024.

NOTE 3 - SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (b) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

(a) Denotes program tested as a “major program”.

(b) Denotes programs required to be clustered by the United States Department of Housing and Urban Development.

CITY OF KALAMAZOO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 4 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the intergovernmental revenues reported in the December 31, 2025, basic financial statements to the expenditures of the City administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	Inter-governmental Revenue	Capital Contributions	Program Income	Adjustments: State/Local Revenue	Federal Award Expenditures
PRIMARY GOVERNMENT					
GENERAL FUND	$ 17,301,771	$ -	$ -	$ (17,301,771)	$ -
SPECIAL REVENUE FUNDS					
Neighborhood and Community Development	2,081,402	-	400,000	-	2,481,402
Major Streets	9,410,498	-	-	(9,410,498)	-
Grants and Donations	11,397,487	-	-	(212,440)	11,185,047
Other programs	8,343,692	-	-	(8,343,692)	-
Total Special Revenue Funds	31,233,079	-	400,000	(17,966,630)	13,666,449
ENTERPRISE FUNDS					
Wastewater	-	4,350	-	(4,350)	-
Water	316,492	11,249,488	-	8,233,831	19,799,811
Total Enterprise Funds	316,492	11,253,838	-	8,229,481	19,799,811
	$ 48,851,342	$ 11,253,838	$ 400,000	$ (27,038,920)	$ 33,466,260

Maner Costerisan

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Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

INDEPENDENT AUDITOR'S 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maner Costerisan PC

Lansing, Michigan
July 22, 2026

CITY OF KALAMAZOO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*			
Internal control over financial reporting:				
➢ Material weakness(es) identified?	____	Yes	X	No
➢ Significant deficiency(ies) identified?	____	Yes	X	None reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:				
➢ Material weakness(es) identified?	____	Yes	X	No
➢ Significant deficiency(ies) identified?	____	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____	Yes	X	No

CITY OF KALAMAZOO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
YEAR ENDED DECEMBER 31, 2025

Section I - Summary of Auditor's Results (concluded)

Federal Awards (concluded)

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,000,000

Auditee qualified as low-risk auditee? X Yes ____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

CITY OF KALAMAZOO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2025

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Control Over the Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with the Uniform Guidance.

No prior audit findings noted.