

CITY OF KALAMAZOO, MICHIGAN

Comprehensive Annual Financial Report
Year Ended December 31, 2013

Prepared by:
Management Services Department, Budget & Accounting Division

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2013

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INTRODUCTORY SECTION



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June 30, 2014

To the Honorable Mayor, City Commission, and Citizens of the City of Kalamazoo:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill the City of Kalamazoo's requirement for the fiscal year ended December 31, 2013.

This financial report consists of management's representations concerning the finances of the City of Kalamazoo. Therefore, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Kalamazoo's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Abraham-Gaffney, Certified Public Accounts, have issued an unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2013. The independent auditor's report is located at the front of the financial sections of this report.

The independent audit of the financial statements of the City was part of a broader, federally-mandated "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the separately issued City's Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Kalamazoo, incorporated in 1884, is located between Chicago and Detroit in the southwest corner of Michigan and encompasses an area of approximately 26 square miles. The current population of the City is approximately 75,092. The City, also the county seat, is

home to Western Michigan University, a state-designated Research I university, as well as Kalamazoo College, a private liberal arts college, and Kalamazoo Valley Community College. As a municipality of the State of Michigan, the City of Kalamazoo is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Kalamazoo has operated under the commission-manager form of government since 1918. As required by the City Charter, the seven member commission is elected at-large on a non-partisan basis to serve two-year terms of office. Policymaking and legislative authority are vested in an elected commission consisting of seven members, all serving part-time. The Commission member who receives the highest number of votes becomes the Mayor and serves as the executive head of the Commission. The Commission member receiving the second highest number of votes becomes the Vice Mayor and performs the duties of the Mayor in their absence. The City Manager is the Chief Administrative Officer of the City and is appointed to serve by the Commission. With the exception of the City's Assessor, Attorney, Clerk and Internal Auditor who are also appointed by the Commission, the City Manager is responsible for administering the policies and ordinances of the City Commission, for appointing the department heads of the City's various departments and overseeing the day-to-day operations of the City.

City Services

The City of Kalamazoo provides a full range of traditional government services, including police and fire protection; economic and community development; recreational and cultural activities and the construction and maintenance of streets and other infrastructure. Unique for a city of its size, the City operates its police and fire services under the public safety model, in which members of the department are cross-trained to perform both police and fire services. In addition, the City of Kalamazoo operates water and wastewater systems. Both utility systems are regional in character, serving a large portion of the county outside of the city of Kalamazoo's corporate limits, and both are financially self-supporting. The Utilities have significant excess capacity compared to current usage.

The City has three tax-increment-financed districts within its boundaries: a Downtown Development Authority for its downtown area, a Brownfield Redevelopment Authority to redevelop blighted properties within its boundaries, and a Local Development Financing Authority for a business and technology research park. A tax-increment financing (TIF) district captures incremental increases in property tax revenues and reinvests them within that district. In addition to these TIF districts, a portion of the City has been designated as a Renaissance Zone by the State of Michigan, which allows residents and businesses within that zone to enjoy exemption from property taxes and certain state taxes. These districts are discretely presented component units of the City.

Citizens are also served by the City's Metro Transit System, a discretely presented component unit of the City of Kalamazoo, which provides mass-transportation services throughout the city, including Western Michigan University, and outlying areas.

In addition, the City of Kalamazoo has three other legally separate component units, the Economic Development Corporation, the Hospital Finance Authority, and the Kalamazoo Building Authority, entities for which the government is considered to be financially accountable. Additional information on all of these legally separate entities can be found in the notes to the financial statements.

Budgeting Control

The annual budget serves as the foundation for the City of Kalamazoo's financial planning and control. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and expenditures for the following fiscal year by December 1st. By February 1st of each year, the City Commission passes an annual appropriation resolution approving the estimated expenditures. The budget is adopted at the fund level; department

heads may transfer resources within a department as necessary, and the City Manager may approve transfers between departments. Transfers between funds, however, need special approval from the City Commission. Legislative actions by the City Commission to issue bonds, accept grants and authorize special assessment projects are considered authority to expend funds for those purposes. Unexpended capital project appropriations may be carried forward to the next fiscal year with approval. All other appropriations lapse at year-end, except for those specifically approved to be carried forward by the City Commission.

The City Commission adopts budgets for the General Fund and all special revenue funds, as required by Michigan statute. The Commission also adopts budgets for capital projects, enterprise funds, and the administrative portion of the pension fund, although not required by the State of Michigan.

The budget has been approved in accordance with GAAP for all governmental funds with the exception of property taxes, as the State of Michigan property tax calendar (which begins July 1) differs from the City's fiscal year (which begins January 1). Prior to July 1, 2009, the City Charter allowed property taxpayers to pay their taxes in twelve (12) monthly installments. Property taxes were budgeted in the year levied, even though they were not fully available to finance operations in the current year.

Beginning with the July 1, 2009 levy, real and personal property taxes may be paid in six equal monthly installments. Property taxes that are paid on installment basis become delinquent on the first day of the next succeeding month. Real property taxes delinquent as of March 1 are turned over to the County for collection. Because GAAP requires the recognition of only those property tax collections made during the fiscal year with a sixty-day accrual period, the City prepares dual statements for its General and Solid Waste funds, one in conformity with GAAP, and one on a "Non-GAAP, budgetary basis". Further discussion on this difference and its implication is provided in the Management's Discussion and Analysis and the note disclosures.

SEC Disclosure under Rule 15c2-12

Securities and Exchange Commission (SEC) Rule 15c2-12 requires that issuers of municipal securities undertake to provide certain annual financial information to various information repositories. In recognition that a CAFR is an appropriate disclosure document for providing information useful to existing and potential investors in the secondary market, and in order to meet our obligation to provide periodic disclosure for the secondary market, as required by Rule 15c2-12, the City of Kalamazoo has elected to include in this CAFR tables providing quantitative data on those activities which require such disclosure. Those tables can be found in the statistical section of the CAFR.

Local Economy

Kalamazoo has a diverse regional economy, anchored by major employers in the pharmaceutical (Pfizer), health care product (Stryker Corporation), health services (Bronson and Borgess regional hospitals), banking (PNC), and higher education (Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College) industries. Kalamazoo's workforce is as diverse as its economy, ranging from those skilled in manufacturing and business services to research scientists. As of April 2014, the unemployment rate dropped from 6.3% to 5.6%, below the state unemployment rate of 7.4% and the national average of 6.3%. At the same time, enrollment in local universities and colleges exceeds 37,000 full and part-time students, creating a base of potential employees that is highly attractive to business and industry.

A long-time cultural and commercial center for the region, a combination of public and private investment, specifically in downtown Kalamazoo, has revitalized its central business district. As a result of the new investments, downtown Kalamazoo has become a dining and entertainment hub, with much of the activity occurring in restored historic buildings.

Businesses have invested over \$100 million in real and personal property under Industrial Facilities Tax (IFT) Exemption Certificates during the last 13 years. Kalamazoo primarily supports business re-investment and expansion through its tax abatement programs and policies. However, the City of Kalamazoo also utilizes the array of economic development tools available to “core communities” in Michigan, such as PA 328 personal property tax exemptions, Michigan Business Tax credits for the redevelopment of Brownfield sites, and the designation of 88 acres on five sites in the city as tax-exempt Renaissance Zones. Economic development efforts are coordinated by the City’s Economic Development Department among the City’s Economic Development Corporation (EDC), private economic development staffing for all downtown developments (via a Downtown Kalamazoo Incorporated contract), the Local Development Finance Authority (LDFA) at the Business, Technology and Research Park (BTR Park), and the Brownfield Redevelopment Authority (BRA). In addition, City staff also provides a coordination point for regional development activities with Southwest Michigan First (SWMF), a private, non-profit economic development agency, that has also partnered with the State of Michigan’s economic development agency (the Michigan Economic Development Corporation) and the city at the BTR Park to develop, manage and expand the Southwest Michigan Innovation Center (SMIC).

The City of Kalamazoo operates one of the most efficient and productive Brownfield Redevelopment programs in the nation. Designated by the U.S. Environmental Protection Agency as a Brownfields Assessment Pilot Community, Kalamazoo currently has 50 Brownfield redevelopment sites in its Brownfield Plan. A total of 40 projects have been completed or underway since 1996, representing more than \$222 million in investment, the creation or retention of over 1,775 jobs, and the development of 129 residential units.

The Kalamazoo Promise, established in 2005, is a trust funded by anonymous public and private donors. All Kalamazoo Public School (KPS) graduates are eligible to receive four years’ funding for college tuition and mandatory fees at Michigan community colleges and universities. This program has resulted in over 2,100 new students enrolled at KPS, an increase in state financial support for the district, and a substantial increase in the number of firms asking about possible business locations to enhance their capacity to attract and retain a well-educated workforce. The first set of Promise recipients graduated from college in 2010.

Long-term financial planning

The City of Kalamazoo believes long-term financial planning has been, and will continue to be, a vital component to ensuring the City’s fiscal health. The City Commission identified six strategic focus areas which focus on: Economic Vitality, Neighborhood Development, Environmental Stewardship, Community Building, Responsive and Responsible Government, and Fiscal Stewardship.

Fiscal year 2014 is expected to be another difficult year as state-shared revenues and other revenues continue to lag behind expenditures. This situation is not unique to our community. A number of Michigan cities, especially those in urban centers, have been reducing government services in recent years.

The City’s tax growth is limited by Proposal A, which caps growth in taxable value. This capping tax base growth has a negative affect on most communities in Michigan, but is a particular hardship for central city communities like Kalamazoo due to the built out nature of our community. Combined with a slow growing economy, Proposal A hinders the ability of local government to address new service needs in the community without impacting basic municipal services.

The Great Recession impacted the City’s finances in FY 2009. Since that time, the City has adopted over \$12 million in recurring expenditure reductions to the General Fund through a variety of approaches. The City has restructured operations, strengthened partnerships

throughout the community to maximize our ability to deliver high-quality services at a reasonable cost. The City is currently studying so-called "Legacy" costs for older retiree health care contracts, and is implementing a new priority-based approach to budgeting which will refocus the community's attention on what can be done with limited resources rather than simply dealing with incremental budget cutting exercises. A complimentary effort to study and identify new revenue options to support sustainable public services is also underway. The ultimate goal is to have the City's finances restructured and sustainable starting with the FY 2016 budget.

Awards and Acknowledgements

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kalamazoo for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This was the seventeenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government had to publish an easily readable and efficiently organized comprehensive annual finance report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting to the GFOA to determine eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the City of Kalamazoo. We want to thank all involved in the financial monitoring and reporting of City activities, especially the Budget & Accounting Division and specifically Thomas C. Skrobola, Director of Management Services and Chief Financial Officer, and Jennifer Clark, Financial Services Manager. Credit also must be given to the Mayor and the City Commission as a whole for their unfailing support to maintaining the highest standards of professionalism in the management of the City of Kalamazoo's finances.

Respectfully submitted,



James K. Ritsema,
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kalamazoo
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2013

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor

David Anderson, Vice Mayor

Jack Urban

Stephanie Moore

Donald Cooney

Barbara Hamilton Miller

Bob Cinabro

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

Patsy Moore

Jeff Chamberlain

MANAGEMENT SERVICES DEPARTMENT

Thomas C. Skrobola, Management Services Director/CFO

Wade Carlson, City Treasurer

Aaron Powers, City Assessor

Jennifer Clark, Budget and Accounting Manager

Melissa Fuller, Financial Services Manager

Teresa Johnson, Purchasing Manager

CITY COMMISSION APPOINTEES

Scott Borling, City Clerk

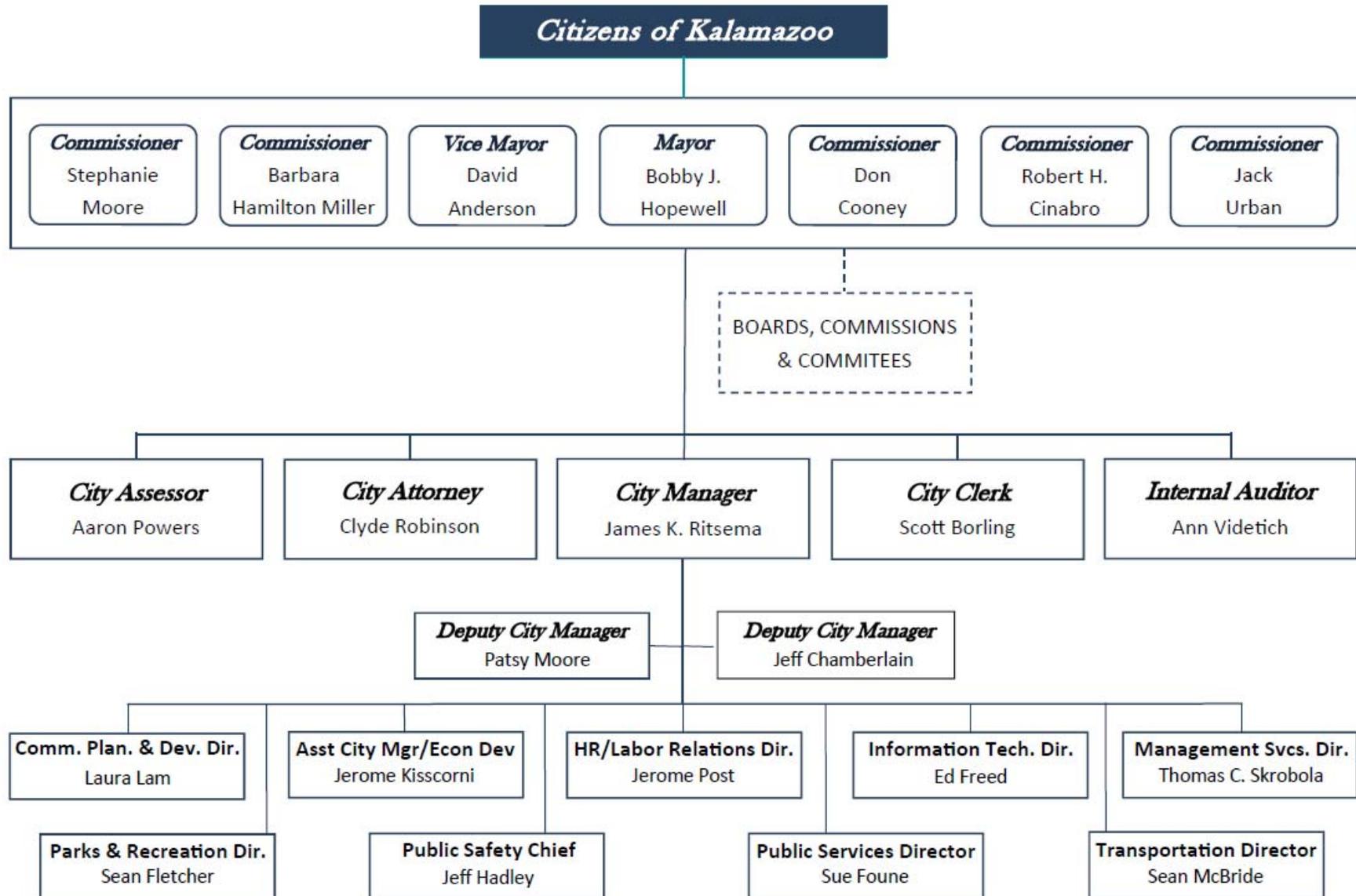
Aaron Powers, City Assessor

Ann Videtich, Internal Auditor

Clyde Robinson, City Attorney

City of Kalamazoo

2013 Organizational Chart



Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, which represents 5 percent, -5 percent, and 20 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Downtown Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kalamazoo, Michigan, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note R, the City implemented GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, during the year. As a result, the criteria for reporting component units has been modified. Our opinions are not modified with respect to this matter.

As discussed in Note R, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year. As a result of this implementation, the format and reporting of the financial statements have changed to reflect the required components of GASB Statement No. 65, as applicable. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 26, 2014

Management's Discussion and Analysis

As management of the City of Kalamazoo, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the basic financial statements and additional information that we have furnished in our letter of transmittal (pages i-v).

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$259,339,169 (*net position*);
- The government's total net position decreased by \$5,128,767 or 2 percent. This net decrease was a combination of a \$5.7 million decrease in governmental activities net position and a \$607,896 increase in business-type activity net position;
- The City's balance of bonded debt decreased by \$3.925 million during the current fiscal year. The City issued \$4.2 million in General Obligation Bonds and made scheduled bond principal payments totaling \$8.125 million.
- As of the close of the 2013 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$25,386,120, a decrease of \$2,000,147 in comparison of the prior year. Approximately 15.4 percent of the combined fund balances, or \$3,921,706 was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund *non-GAAP, budgetary* (see explanation under the General Fund financial analysis) fund balance was \$7,702,671, or 15.2 percent of the total General Fund budgetary revenues and other financing sources. Of the total \$7.7 million fund balance, \$637,833 was nonspendable, leaving \$7.1 million, or 14.0 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unassigned fund balance for the general fund was \$3,921,706, or 7.7 percent of total general fund revenues and other financing sources.
- Combined enterprise funds net position increased \$607,896. This included an increase of \$1,681,604 in the net position in the Water Fund, and a \$1,171,187 decrease of net position in the Wastewater fund, with the Wastewater decrease being due to the planned use of reserves in operations and the planned demolition of four plant buildings.

Overview and Analysis of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kalamazoo's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Management's Discussion and Analysis

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave)

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, parks and recreation, economic development and community development. The business-type activities of the City include wastewater, water and other enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-3 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Management's Discussion and Analysis

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 government'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 City maintains approximately twenty (20) 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 City's general fund. Data from the other nineteen (19) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general, and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

Proprietary funds

The City maintains two different types of proprietary funds, *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, city's market, and municipal golf course. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the City's various functions. The City uses an internal service fund to account for its self-insurance services. These services predominantly benefit governmental rather than business-type functions, therefore, they have been allocated to *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water systems, which are considered to be major funds of the City. The nonmajor enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The single internal service fund is also presented in the proprietary fund financial statements to the right of the enterprise funds.

The basic propriety fund financial statements includes the *statement of cash flows*. The *statement of cash flows* allows financial statement users to assess the proprietary funds' adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

The basic proprietary fund financial statements can be found on pages 10-13 of this report.

Management's Discussion and Analysis

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found of pages 14-15 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 can be found on pages 20-52 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to schedules concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 53-56 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 57-98 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kalamazoo, assets exceeded liabilities by \$259,339,169 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$268,867,584, reflects its investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$18,498,757, represents resources that are subject to external restrictions on how they may be used. Restricted net position includes amounts set aside for endowments, debt service, debt-financed projects, long-term advances, and externally mandated commitments. The remaining balance of *unrestricted net position*, the amount that may be used to meet the government's ongoing obligations to citizens and creditors, is \$(28,027,172), representing the amount of money that the City would require to instantaneously satisfy all accrued future liabilities without recourse to the proceeds from the sale of any capital assets.

Management's Discussion and Analysis

Generally accepted accounting principles (GAAP) require that the City show a portion of our long-term liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a current expense on our entity-wide financial statements. An actuarial valuation as of December 31, 2011 provided the total Actuarially Accrued Liability (AAL) of \$191 million and estimated the Annual Required Contribution (ARC) of \$14.7 million for 2013. After crediting current payments for retiree health care of \$14.6 million, a net OPEB revenue of \$1.1 million allocated to the Governmental Activities, Business-type Activities, and Metro Transit, a component unit of the City, based on contributions to retiree health care and the OPEB Trust.

City of Kalamazoo's Net Position December 31, 2012 and December 31, 2013

	Governmental activities		Business-type activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 44,668,395	\$ 40,527,399	\$ 36,643,534	\$ 36,362,343	\$ 81,311,929	\$ 76,889,742
Capital assets, net	175,825,402	173,837,052	176,031,700	173,512,674	351,857,102	347,349,726
Total assets	<u>220,493,797</u>	<u>214,364,451</u>	<u>212,675,234</u>	<u>209,875,017</u>	<u>433,169,031</u>	<u>424,239,468</u>
Deferred outflows of resources	-	35,026	-	158,001	-0-	193,027
Current liabilities	16,135,403	13,765,571	4,819,767	4,796,538	20,955,170	18,562,109
Noncurrent liabilities	102,582,463	105,186,805	44,195,431	41,344,412	146,777,894	146,531,217
Total liabilities	<u>118,717,866</u>	<u>118,952,376</u>	<u>49,015,198</u>	<u>46,140,950</u>	<u>167,733,064</u>	<u>165,093,326</u>
Net position:						
Investment in capital assets	122,960,589	123,492,323	149,416,222	145,375,261	272,376,811	268,867,584
Restricted	13,946,502	15,666,797	2,831,960	2,831,960	16,778,462	18,498,757
Unrestricted	<u>(35,131,160)</u>	<u>(43,712,019)</u>	<u>11,411,854</u>	<u>15,684,847</u>	<u>(23,719,306)</u>	<u>(28,027,172)</u>
Total net position	<u>\$ 101,775,931</u>	<u>\$ 95,447,101</u>	<u>\$ 163,660,036</u>	<u>\$ 163,892,068</u>	<u>\$ 265,435,967</u>	<u>\$ 259,339,169</u>

The government's total net position decreased by \$5,128,767 or 2%. The net decrease in total net position was a combination of a \$5.7 million decrease in governmental activities net position and a \$607,896 increase in business-type activity net position. By far the largest single impact on the above changes was the annual accrual of \$5.4 million in other post-employment benefits (OPEB) expenses, net of approximately \$7.2 million paid to active retirees and \$3 million contributed to the OPEB Trust in 2013.

Management's Discussion and Analysis

City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2012 and December 31, 2013

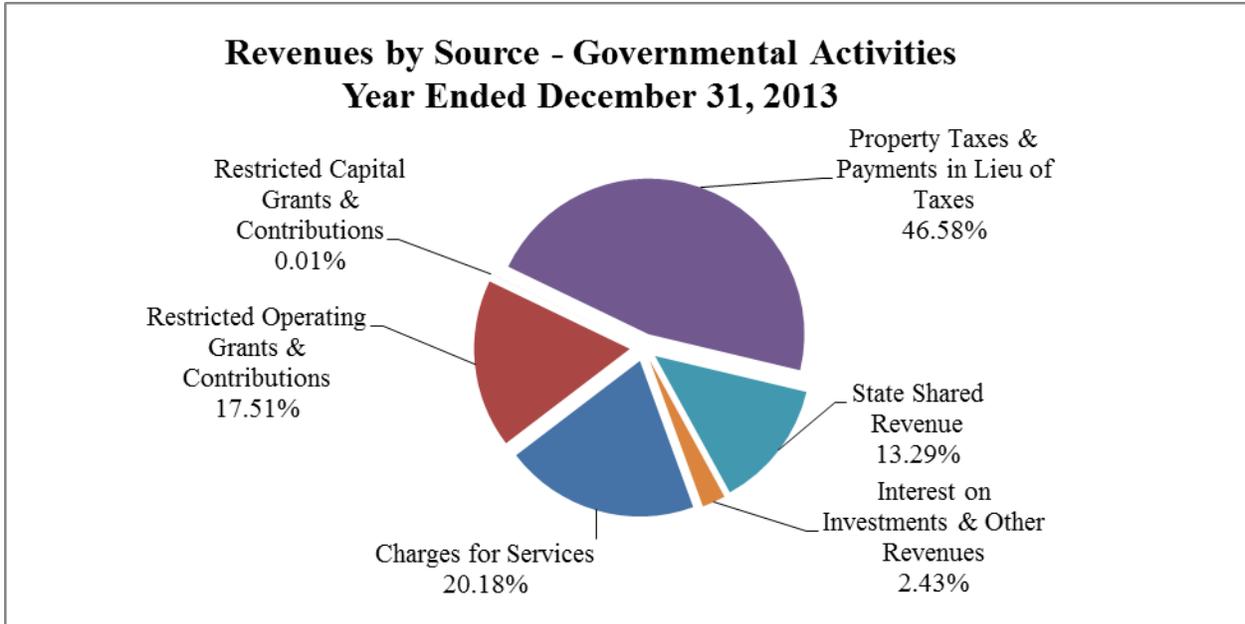
	Governmental activities		Business-type activities		Total	
	2012	2013	2012	2013	2012	2013
Revenue:						
Program revenue:						
Charges for services	\$ 12,658,814	\$ 13,435,086	\$ 35,159,297	\$ 36,220,785	\$ 47,818,111	\$ 49,655,871
Operating grants and contributions	15,765,684	11,661,313	266,929	255,468	16,032,613	11,916,781
Capital grants and contributions	655,181	5,744	1,733,898	1,834,883	2,389,079	1,840,627
General revenue:						
Property taxes	30,457,012	31,011,014	-	-	30,457,012	31,011,014
State shared revenues - unrestricted	7,939,441	8,851,208	-	-	7,939,441	8,851,208
Other	2,110,157	1,665,362	122,032	344,339	2,232,189	2,009,701
Total revenue	<u>69,586,289</u>	<u>66,629,727</u>	<u>37,282,156</u>	<u>38,655,475</u>	<u>106,868,445</u>	<u>105,285,202</u>
Expenses:						
General government	10,168,516	8,415,432	-	-	10,168,516	8,415,432
Public safety	36,120,760	36,060,961	-	-	36,120,760	36,060,961
Public works	6,190,744	6,769,895	-	-	6,190,744	6,769,895
Streets	10,671,779	11,253,965	-	-	10,671,779	11,253,965
Community and economic development	8,667,696	5,056,774	-	-	8,667,696	5,056,774
Parks and recreation	2,781,196	2,589,433	-	-	2,781,196	2,589,433
Interest on long-term debt	2,378,583	2,169,930	-	-	2,378,583	2,169,930
Wastewater	-	-	21,769,136	22,461,092	21,769,136	22,461,092
Water	-	-	14,525,327	14,019,746	14,525,327	14,019,746
City market	-	-	67,778	1,616,741	67,778	1,616,741
Total expenses	<u>76,979,274</u>	<u>72,316,390</u>	<u>36,362,241</u>	<u>38,097,579</u>	<u>113,341,515</u>	<u>110,413,969</u>
Change in net position before transfers	(7,392,985)	(5,686,663)	919,915	557,896	(6,473,070)	(5,128,767)
Transfers (out) in	-	(50,000)	-	50,000	-	-
Change in net position	<u>(7,392,985)</u>	<u>(5,736,663)</u>	<u>919,915</u>	<u>607,896</u>	<u>(6,473,070)</u>	<u>(5,128,767)</u>
Restated net position - beginning	<u>109,168,916</u>	<u>101,183,764</u>	<u>162,740,121</u>	<u>163,284,172</u>	<u>271,909,037</u>	<u>264,467,936</u>
Net position - end of year	<u>\$ 101,775,931</u>	<u>\$ 95,447,101</u>	<u>\$ 163,660,036</u>	<u>\$ 163,892,068</u>	<u>\$ 265,435,967</u>	<u>\$ 259,339,169</u>

Governmental activities

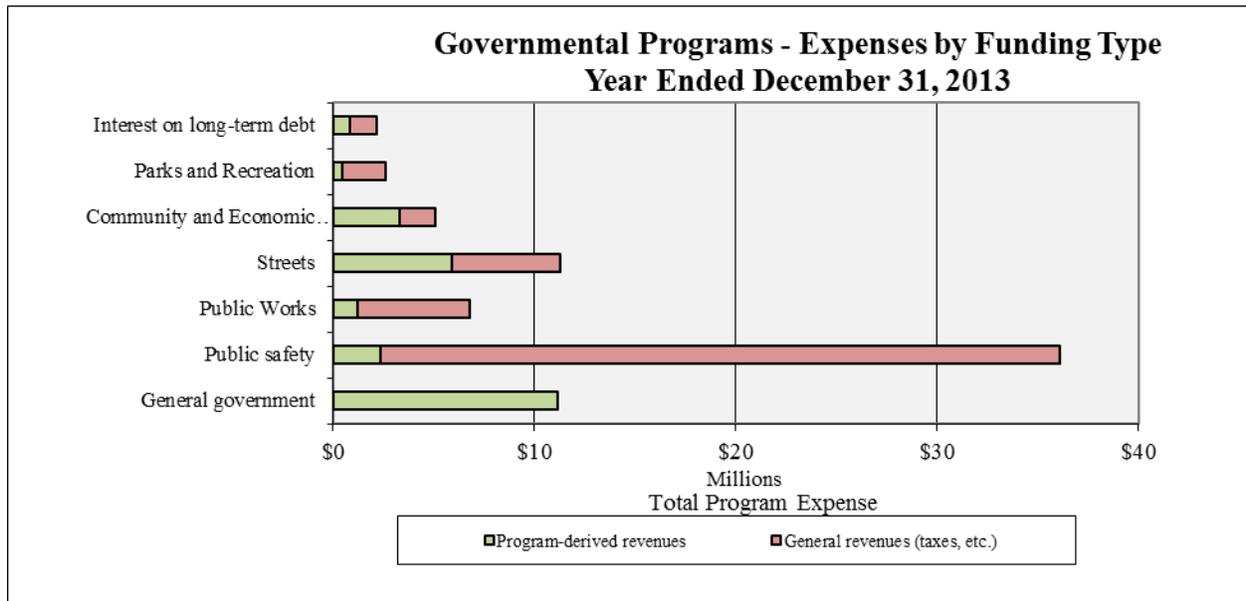
Governmental activities decreased the City's net position \$5.7 million. The decrease is primarily due to the annual accrual \$4.3 million in Net OPEB Expenses, net of approximately \$5.6 million paid to active retirees. The remaining decrease is due to various activities exceeding revenues.

While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and/or by intergovernmental aid. Expenses in governmental activities exceeded charges for services, grants, and contributions by \$47.2 million in 2013 and \$47.9 million in 2012. In total, for fiscal year 2013, 62% of governmental program expenses were funded by a combination of property taxes, revenue sharing from the State of Michigan, unrestricted grants and contributions, interest earnings, and reserves as depicted on the following chart.

Management’s Discussion and Analysis



The following chart depicts the total expenses for each governmental program for the City of Kalamazoo and the degree to which they are self-supporting and/or subsidized.



Business-type activities

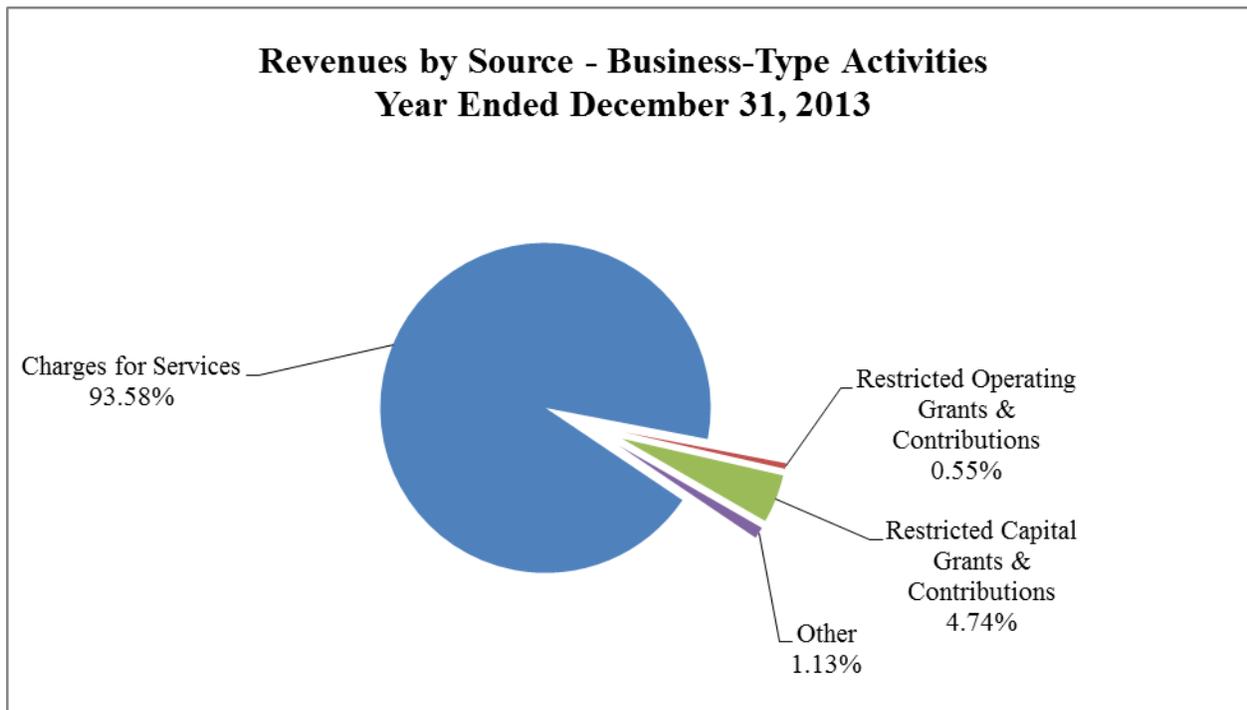
Business-type activities increased the City’s net position by \$607,896. The key elements of this increase are as follows:

- Wastewater system operating revenues increased by \$625 thousand due to increased contaminant surcharges and municipal contracts.
- Water system operating revenues decreased \$1.1 million due primarily to an 11% decrease in water consumption.

Management's Discussion and Analysis

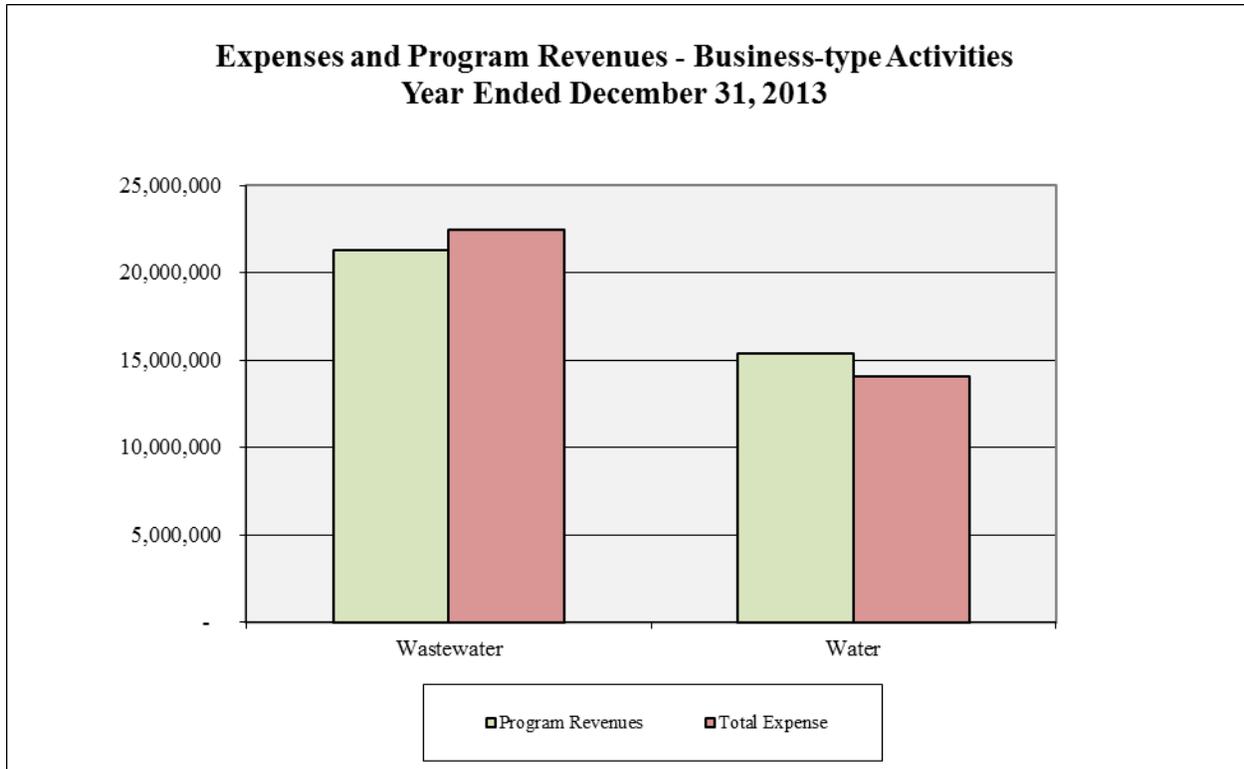
- Capital infrastructure contributions of \$1.8 million represented a major revenue source for the Water system during the current fiscal year.
- Wastewater system losses of \$510 thousand was a result of plant demolitions and secondary improvement disposals due to planned changes in Wastewater treatment processes.
- The City determined the Kalamazoo Municipal Golf Association (KMGA) is now included in the Business-type activities as a result of the implementation of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An amendment of GASB Statements No. 14 and No. 34*. In previous reports, the KMGA was included in the City's financial statements as a component unit.

In contrast to governmental activities, business-type activities are funded through user fees and charges. Business-type activities of the City include a wastewater system, a water system, a city market, and municipal golf courses.



Management's Discussion and Analysis

The following chart depicts the total expenses for each business-type activity for the City of Kalamazoo and the degree to which they are self-supporting. In 2013, the Wastewater system used \$1.2 million of existing reserves and the Water system contributed \$1.7 million to reserves.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$25,386,120 a decrease of \$2,000,147 in comparison of the prior year. Approximately 15.4% of the combined fund balances, or \$3,921,706, was available for spending at the government's discretion ("*unassigned fund balance*").

The remainder of fund balance is *nonspendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been committed 1) for encumbrances, inventories, and prepaid expenditures, 2) for advances to other funds and component units, 3) to generate income to pay for the municipal cemetery and future recreation programs, and 4) designated for use for next year's expenditures.

Management's Discussion and Analysis

General Fund

The general fund is the chief operating fund of the City of Kalamazoo. Some property tax collections, \$2,220,605 for 2013, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP). The City budgets property taxes in the year in which the taxes are levied. As a result, the City reports two fund balances in the fund financial statements, a "GAAP" fund balance and a "non-GAAP, budgetary basis" fund balance.

The City has a formal unassigned fund balance policy target, using the *non-GAAP, budgetary* fund balance, of 13-15% of total general fund revenues and other financing sources. The General Fund *non-GAAP, budgetary* fund balance was \$7,702,671, or 15.2% of the total General Fund budgetary revenues and other financing sources. Of the total, \$7.7 million fund balance, \$637,833 was nonspendable or committed, leaving \$7.1 million of unassigned budgetary fund balance, or 14.0% of budgetary revenues and other financing sources.

The General Fund *GAAP* unassigned fund balance for the general fund was \$3,921,706 or 7.7% of total general fund revenues and other financing sources.

Budgetary-basis revenues and other financing sources came in \$28,157 more than the amended budget. Expenditures and other financing uses were \$774,730 below budget, resulting in the favorable variance of \$802,887. The major cause for these variances was favorable results of the City's early retirement incentive program implemented in 2012 and completed in 2013. In addition, the City's streetlight electricity was \$349,887 below budget.

During the year, there was an increase of \$241,567 in appropriations between the original and final amended General Fund budget adopted by the City Commission. The increase in appropriations was primarily for expenditures for the new city manager search to replace the retired city manager and a transfer to the Water Fund for support of an environmental initiative.

Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds increased from \$19,699,230 to \$19,904,054. The \$19.9 million fund balance is attributable to capital projects funds (\$1.3 million), special revenue funds (\$11.4 million), debt service funds (\$63,026), and endowments held for recreational and cemetery perpetual care purposes (\$7.0 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Management's Discussion and Analysis

Wastewater Fund

Unrestricted net position (the amount available for future spending) of the City's Wastewater fund amounted to \$14.2 million as of December 31, 2013. The fund had a decrease in total net position for the year of \$1,171,187.

The Wastewater Fund experienced an operating loss of \$458,969.

- Wastewater operating revenues increased \$624,725 (3%) due to additional contaminant surcharges and municipal contracts. In addition, rates increased in March 2012 and therefore a full year of increased rates were recognized in 2013.
- Operating expenses increased \$185,174 (1%). Depreciation expense increased \$123,944 due to significant additions to the Wastewater system in 2012 and 2013. The remaining increase is due to additional treatment costs for services and electricity, offset by personnel savings due to the implementation of the City's early retirement incentive program.
- The annual accrual of net OPEB expenses of \$642,212 is included in operating expenses. Wastewater contributed \$2.5 million to the OPEB Trust in 2013. The Wastewater Fund has a net OPEB obligation of \$5.2 million included in the Statement of Net Position in 2013.

Wastewater recognized losses on the disposal of capital assets totaling \$509,575 in 2013. Wastewater demolished four plant buildings associated with sludge control, industrial screen, incinerator, and belt filter press treatment processes. In addition, the new secondary improvement process was in place and disposals were done of the existing systems.

Water Fund

Unrestricted net position (the amount available for future spending) of the City's Water fund amounted to \$1.4 million as of December 31, 2013. The fund had an increase in total net position for the year of \$1,681,604.

The Water Fund experienced an operating income of \$467,927.

- Operating revenues decreased \$1.0 million (7%) as a result of an 11% decrease in water consumption as compared to 2012. In 2012, the Water system experienced an increase of water consumption (8%) as a result of increased summer temperatures. When compared to 2011, water consumption is decreased by 4% in 2013. The decrease in consumption was offset by a rate increase implemented in March 2012, fully recognized in 2013.
- Operating expenses decreased \$83,775 due primarily to personnel savings due to the implementation of the City's early retirement incentive program.
- The annual accrual of net OPEB expenses of \$1,148,160 is included in operating expenses. Water contributed \$500,000 to the OPEB Trust in 2013. The Water Fund has a net OPEB obligation of \$6.3 million included in the Statement of Net Position in 2013.

Capital contributions of \$1.7 million represented a major revenue source for the Water system during the current fiscal year. Contributions consist primarily of infrastructure improvements in the form of water mains, service connections, and hydrants paid by various users of the water system.

Management's Discussion and Analysis

Other Enterprise Funds

During the year, the net position for the City's nonmajor proprietary funds increased from \$238,906 to \$336,385. The \$336,385 of net position is attributable to the Kalamazoo Municipal Golf Association Fund (\$219,821) and City Market Fund (\$116,564).

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, totaled \$347 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; buildings; water, wastewater, and storm sewer systems; vehicles and equipment; park facilities; roads; highways; and bridges. Net capital assets decreased \$2.0 million or 1.1% for governmental activities while net business-type activity net assets decreased \$3.9 million, or 2.2%.

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- Various building improvements to City Hall, Public Safety stations, and the KIK Pool totaled \$202 thousand.
- The construction, reconstruction, or widening of public streets totaling \$3.0 million was completed. Approximately \$5.4 million of additional improvements are in progress.
- Parks land improvements of \$922 thousand were completed for Farrell Park, Lacrone Park, and others. Approximately \$111 thousand of additional improvements are in progress.
- Public works land improvements of \$1.2 million for various sidewalks, trailways, and dams were completed.
- Public Safety was awarded a FEMA Assistance to Firefighters grant of \$510 thousand, requiring a 20% match of City funds. With the assistance of this grant, Public Safety added self-contained breathing apparatus units (SCABA), an extractor washer and dryer, and a training simulator to equipment totaling \$609,949.
- Public Safety completed upgrades to the dispatch center control equipment of \$604,107. This was partially funded by participating communities.
- Vehicle additions of \$246,375 included a public works loader, public safety vehicles, and an administrative vehicle.
- Intangible additions of \$149,770 consisted of various software upgrades, including a \$120 thousand upgrade to the Public Safety investigation and evidence database.
- The City disposed of various machinery, equipment, and vehicles with a cost of \$1.1 million, most of which was fully depreciated.

Management's Discussion and Analysis

Business-type Activities:

- Wastewater completed the secondary energy improvement project, which transferred \$8.4 million from construction in progress to machinery and equipment and building improvements.
- Wastewater upgraded the system infrastructure consisting of various mains and sewer linings totaling \$1.0 million.
- Wastewater had \$564 thousand in various system improvements in progress at year end.
- Wastewater disposals totaled \$6.4 million, of which \$5.8 million was depreciated. Wastewater demolished four plant buildings associated with sludge control, industrial screen, incinerator, and belt filter press treatment processes. In addition, the existing secondary improvement system was disposed with the completion of the new system.
- Water upgraded the system infrastructure consisting of various mains, service connections, hydrants, and meters totaling \$2.4 million.
- Water vehicle additions of \$281 thousand included two dump trucks.
- Water had \$546 thousand in various system improvements in progress at year end.
- Water disposals of \$133 thousand, with accumulated depreciation of \$128 thousand consisted mainly of vehicles.
- The Kalamazoo Municipal Golf Association (KMGA) fund added \$220 thousand to capital. KMGA disposals totaled \$138 thousand with a depreciation of \$137 thousand.

Additional information on the City's capital assets, including detailed changes during 2013, can be found in Note F on pages 35-37 of this report.

	Governmental activities		Business-type activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 29,857,853	\$ 29,839,432	\$ 3,268,225	\$ 3,293,225	\$ 33,126,078	\$ 33,132,657
Building & improvements	38,144,397	37,064,358	49,591,324	47,375,287	87,735,721	84,439,645
Land improvements	8,617,780	10,050,520	5,020,898	4,658,283	13,638,678	14,708,803
Machinery & equipment	3,538,866	4,306,974	11,314,612	18,329,656	14,853,478	22,636,630
Vehicles	2,985,783	2,606,734	703,450	829,237	3,689,233	3,435,971
Infrastructure	84,237,173	83,465,662	97,479,976	97,473,549	181,717,149	180,939,211
Intangible Assets	435,144	443,572	438,578	303,413	873,722	746,985
Rights to liquor license	-	-	139,200	139,200	139,200	139,200
Construction in progress	8,008,406	6,059,800	9,408,968	1,110,824	17,417,374	7,170,624
Total	\$ 175,825,402	\$ 173,837,052	\$ 177,365,231	\$ 173,512,674	\$ 353,190,633	\$ 347,349,726

Management's Discussion and Analysis

Long-term debt

- The City's balance of bonded debt decreased by \$3.925 million during the current fiscal year. The City issued \$4.2 million in General Obligation Bonds and made scheduled bond principal payments totaling \$8.125 million.

General obligation bonds

The City issues direct obligations where the government pledges the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The balance of outstanding general obligation bonds as of December 31, 2013 is \$48.3 million for governmental activities and \$951,665 for business-type activities.

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The balance of outstanding revenue bonds as of December 31, 2013 is \$4.24 million for governmental activities and \$30.4 million for business-type activities.

Special Assessment Debt

The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. The balance of outstanding special assessment bonds was paid off during the fiscal year ended December 31, 2013.

Compensated Absences

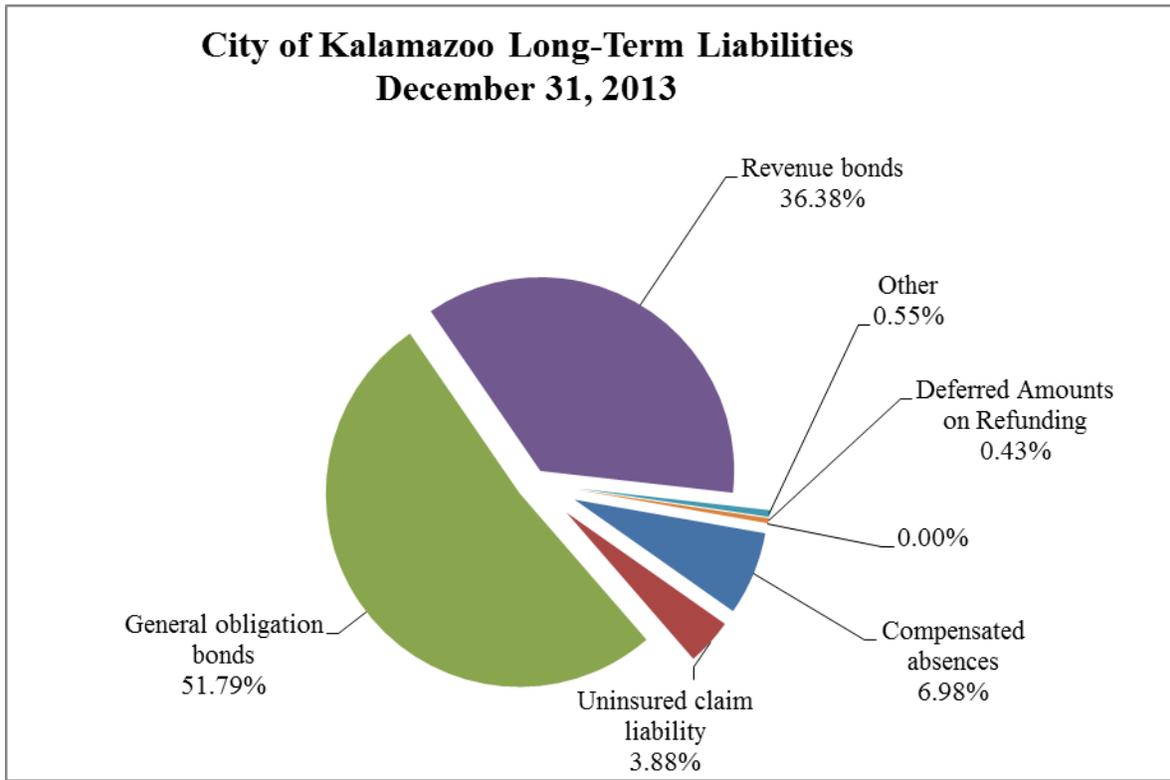
The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2013 is \$6.6 million.

Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2013. The estimated liability to the City is \$3.92 million.

Management’s Discussion and Analysis

The major categories of long-term liabilities are depicted in the following graph:



Additional information on the City’s long-term debt, including comparisons by category to 2012, can be found in Note G on pages 38-43.

The following chart depicts the City’s credit rating for the various outstanding debt and the different rating agencies as of December 31, 2013.

	<u>S&P</u>
Water and wastewater revenue bonds	AA/Stable
General obligation limited tax bonds	AA-/Stable
General obligation unlimited tax bonds	AA-/Stable

Economic Factors and Next Year’s Budgets and Rates

The City of Kalamazoo is a mid-sized, urban Michigan municipality. Like many other urban communities, the City is “built-out”, meaning its land, for the most part, is developed, and that other local units of government, which prohibits any boundary expansion, surround it. While proactive in its economic development policies (see the Transmittal Letter for a more in-depth description), the City faces challenges common of most aging urban communities.

Management's Discussion and Analysis

The City is home to the main campuses of Western Michigan University, from which the City derives immense economic and intellectual benefits. However, because of the university's location, as well as being the County seat, 40% of the City's land is considered non-taxable. Furthermore, the voters to the State of Michigan have, over the years, enacted two property tax growth control measures, the "Headlee Amendment" and "Proposal A". These measures have the effect of limiting property tax revenue growth to the rate of inflation, which has been unusually low in recent years, and normally does not reflect the inflation of the cost of doing the people's business.

Since 2002, the City and other Michigan local governments have experienced a significant reduction in state revenue sharing. As a result of above-mentioned factors, the City levies the maximum charter millage rate. Reductions in state revenue sharing, a cumulative amount over \$14 million since 2000, combined with the property tax limitation measures and the large amount of tax-exempt properties, have presented significant challenges to the City in maintaining service levels. State revenue sharing has decreased as a percent of the General Fund Budget from 28% in 2001 to 16% in 2013.

The unprecedented economic crisis which took shape in late 2008 and which obliterated millions of jobs and trillions of dollars of wealth across the country has severely impacted the automakers located in Michigan. The state's unemployment statistics are improving, however it is unclear if it is because people are choosing not to participate or if local companies are adding new jobs. Until a clearer trend is identified, this statistic will remain questionable as an indicator of improved economic health.

Assessed property taxes decreased approximately 1% in 2013 as compared to 2012. Overall, the City has experienced a decline in property tax levies of nearly \$4.5 million since 2009, primarily due to a decline in commercial and residential property values.

In 2013 the value of the Retirement System net assets held in trust for pension benefits increased by 5%, as compared to an increase of 10% in 2011. Because the Retirement System holds investments in equities and other stock market securities, value of investments are subject to market volatility. In 2013, the market rate of return had a positive impact on net position.

To address these fiscal challenges, the City continues to alter its fiscal outlook by utilizing a two-year rolling budget presentation as well as a five-year fiscal plan for the General Fund, Major and Local Streets, and the Capital Improvement program funds.

The City of Kalamazoo's General Fund Reserve Policy guides the creation, maintenance and use of reserves. The fund balance of the General Operating Fund will be budgeted within the target range of 13 - 15% of budgeted annual operating revenues. The City has created two additional reserve accounts to provide fiscal stability from year to year and provide emergency funds to replace unanticipated equipment failures or for unscheduled economic development initiatives.

The 2014 fiscal year budget decreases operational General Fund spending by 2.6% from fiscal year 2013 adopted budget. The General Fund will transfer a \$2.28 million for capital improvement program projects and \$1.325 million for Local Street operations. The sale of anticipated long-term cell tower lease revenues is anticipated to create \$2.8 million of incoming transfers from the Insurance Fund to (a) finance the payback of Early Retirement Incentive (ERI) net costs to the Pension Fund (\$1.3 million), the financing of OPEB Trust ARC (\$900 thousand), and the balance will hold the General Fund harmless for lost cell tower revenue in 2014 and 2015 (\$634 thousand). The General Fund is also slated to receive the last refund of prior year health care savings in the Insurance Fund (\$1.59 million).

Management's Discussion and Analysis

The City is budgeted to use \$1.65 million of budget stabilization dollars to cover budgeted expenditures in the General Fund in 2013.

For fiscal year 2013, the ending fund balance is budgeted to satisfy the City Commission Policy of requiring 13% of revenues and other financing sources.

Property tax millage rates are budgeted to remain the same in fiscal year 2013.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Thomas C. Skrobola, the City's Management Services Director/CFO, at 241 W. South Street, Kalamazoo, Michigan 49007.

BASIC FINANCIAL STATEMENTS

City of Kalamazoo

STATEMENT OF NET POSITION

December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,745,049	\$ 9,529,829	\$ 16,274,878	\$ 4,580,490
Cash and cash equivalents, restricted	4,665,649	6,248,416	10,914,065	832,720
Investments	12,080,466	11,998,622	24,079,088	4,060,980
Investments with agents	2,853,979	-	2,853,979	-
Current portion of receivables	4,911,182	6,364,866	11,276,048	954,449
Current portion of advance to other governmental units	65,268	-	65,268	-
Internal balances	(904,893)	904,893	-0-	-
Due from other governmental units	4,617,304	143,705	4,761,009	2,079,952
Inventories	385,723	547,642	933,365	373,063
Prepays	121,397	38,642	160,039	369,175
Total current assets	35,541,124	35,776,615	71,317,739	13,250,829
Noncurrent assets				
Advance to other governmental units	2,311,994	-	2,311,994	-
Noncurrent portion of receivables	1,582,869	-	1,582,869	1,743,892
Net pension asset	1,091,412	585,728	1,677,140	134,352
Capital assets not being depreciated	35,899,232	4,543,249	40,442,481	2,083,527
Capital assets, net of accumulated depreciation	137,937,820	168,969,425	306,907,245	23,193,965
Total noncurrent assets	178,823,327	174,098,402	352,921,729	27,155,736
TOTAL ASSETS	214,364,451	209,875,017	424,239,468	40,406,565
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on refunding	35,026	158,001	193,027	-
LIABILITIES				
Current liabilities				
Accounts payable	1,247,209	947,761	2,194,970	1,091,885
Accrued payroll	965,843	-	965,843	-
Accrued interest payable	526,801	373,670	900,471	45,341
Other accrued liabilities	1,585,325	4,282	1,589,607	11,855
Deposits payable	694,459	705,735	1,400,194	-
Due to other governmental units	11,124	27,675	38,799	1,060,436
Unearned revenue	170,816	119,750	290,566	2,732,536
Advances from other governmental units	-	-	-0-	65,268
Current portion of compensated absences	853,526	97,626	951,152	35,577
Current portion of long-term debt	5,639,777	2,520,039	8,159,816	543,805
Current portion of uninsured claim liability	2,070,691	-	2,070,691	-
Total current liabilities	13,765,571	4,796,538	18,562,109	5,586,703
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	2,311,994
Noncurrent portion of compensated absences	5,011,764	683,384	5,695,148	185,580
Noncurrent portion of long-term debt	47,546,251	29,191,831	76,738,082	2,607,369
Noncurrent portion of uninsured claim liability	1,622,465	-	1,622,465	-
Net other post-employment benefits obligation	51,006,325	11,469,197	62,475,522	155,143
Total noncurrent liabilities	105,186,805	41,344,412	146,531,217	5,260,086
TOTAL LIABILITIES	118,952,376	46,140,950	165,093,326	10,846,789
NET POSITION				
Net investment in capital assets	123,492,323	145,375,261	268,867,584	25,277,492
Restricted				
Nonexpendable	3,627,564	-	3,627,564	-
Expendable, restricted for:				
Major and local street projects	4,032,308	-	4,032,308	-
Solid waste program	862,536	-	862,536	-
Parks and recreation	919,450	-	919,450	-
Neighborhood and community development	1,233,812	-	1,233,812	-
Other purposes	4,991,127	2,831,960	7,823,087	-
Unrestricted	(43,712,019)	15,684,847	(28,027,172)	4,282,284
TOTAL NET POSITION	\$ 95,447,101	\$ 163,892,068	\$ 259,339,169	\$ 29,559,776

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 8,415,432	\$ 10,880,322	\$ 263,106	\$ -
Public safety	36,060,961	552,425	1,768,982	5,744
Public works	6,769,895	172,023	1,034,543	-
Streets	11,253,965	-	5,912,921	-
Community and economic development	5,056,774	1,525,283	1,750,059	-
Parks and recreation	2,589,433	305,033	124,343	-
Interest on long-term debt	2,169,930	-	807,359	-
Total governmental activities	72,316,390	13,435,086	11,661,313	5,744
Business-type activities				
Wastewater	22,461,092	21,111,243	46,020	93,147
Water	14,019,746	13,480,979	209,448	1,741,736
Other	1,616,741	1,628,563	-	-
Total business-type activities	38,097,579	36,220,785	255,468	1,834,883
Total primary government	<u>\$ 110,413,969</u>	<u>\$ 49,655,871</u>	<u>\$ 11,916,781</u>	<u>\$ 1,840,627</u>
Component units				
Downtown Development Authority	\$ 4,420,215	\$ 2,691,007	\$ -	\$ -
Economic Development Corporation	136,988	-	153,400	-
Brownfield Redevelopment Authority	633,581	-	25,550	-
Local Development Finance Authority	195,399	-	-	-
Metro Transit	15,974,300	2,706,356	12,309,205	3,099,245
Total component units	<u>\$ 21,360,483</u>	<u>\$ 5,397,363</u>	<u>\$ 12,488,155</u>	<u>\$ 3,099,245</u>

General revenues
 Property taxes
 State shared revenues
 Investment earnings
 Gain on disposal of capital assets
 Miscellaneous
 Transfers

Total general revenues and transfers

Change in net position

Restated net position, beginning of the year

Net position, end of the year

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ 2,727,996	\$ -	\$ 2,727,996	\$ -
(33,733,810)	-	(33,733,810)	-
(5,563,329)	-	(5,563,329)	-
(5,341,044)	-	(5,341,044)	-
(1,781,432)	-	(1,781,432)	-
(2,160,057)	-	(2,160,057)	-
(1,362,571)	-	(1,362,571)	-
(47,214,247)	-0-	(47,214,247)	-0-
-	(1,210,682)	(1,210,682)	-
-	1,412,417	1,412,417	-
-	11,822	11,822	-
-0-	213,557	213,557	-0-
(47,214,247)	213,557	(47,000,690)	-0-
-	-	-0-	(1,729,208)
-	-	-0-	16,412
-	-	-0-	(608,031)
-	-	-0-	(195,399)
-	-	-0-	2,140,506
-0-	-0-	-0-	(375,720)
31,011,014	-	31,011,014	4,430,450
8,851,208	-	8,851,208	-
1,438,503	48,810	1,487,313	13,539
7,800	168,408	176,208	-
219,059	127,121	346,180	497,221
(50,000)	50,000	-0-	-
41,477,584	394,339	41,871,923	4,941,210
(5,736,663)	607,896	(5,128,767)	4,565,490
101,183,764	163,284,172	264,467,936	24,994,286
<u>\$ 95,447,101</u>	<u>\$ 163,892,068</u>	<u>\$ 259,339,169</u>	<u>\$ 29,559,776</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2013

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,640,200	\$ 4,055,893	\$ 5,696,093
Cash and cash equivalents - restricted	-	4,665,649	4,665,649
Investments	3,138,723	6,378,631	9,517,354
Investments with agents	-	2,835,195	2,835,195
Receivables			
Accounts	1,083,061	524,285	1,607,346
Interest	5,051	-	5,051
Special assessments	2,752	416	3,168
Taxes	2,603,791	184,590	2,788,381
Notes	126,114	1,498,387	1,624,501
Due from other funds	2,047,826	834,902	2,882,728
Due from other governmental units	396,681	3,996,193	4,392,874
Advances to other funds	340,000	-	340,000
Advances to other governmental units	-	2,377,262	2,377,262
Inventories	114,323	271,400	385,723
Prepays	57,396	-	57,396
	<u>\$ 11,555,918</u>	<u>\$ 27,622,803</u>	<u>\$ 39,178,721</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 490,004	\$ 750,167	\$ 1,240,171
Accrued liabilities	77,612	29,147	106,759
Due to other funds	2,393,589	3,694,114	6,087,703
Due to other governmental units	-	11,124	11,124
Deposits payable	-	694,459	694,459
Unearned revenue	-	170,816	170,816
	<u>2,961,205</u>	<u>5,349,827</u>	<u>8,311,032</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,112,647	2,368,922	5,481,569
FUND BALANCES			
Nonspendable	637,833	7,774,613	8,412,446
Restricted	-	10,419,028	10,419,028
Committed	-	1,710,413	1,710,413
Assigned	922,527	-	922,527
Unassigned	3,921,706	-	3,921,706
	<u>5,482,066</u>	<u>19,904,054</u>	<u>25,386,120</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 11,555,918</u>	<u>\$ 27,622,803</u>	<u>\$ 39,178,721</u>

See accompanying notes to financial statements.

City of Kalamazoo

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2013

Total fund balance - governmental funds \$ 25,386,120

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 337,030,892	
Accumulated depreciation is	<u>(163,193,840)</u>	
Capital assets, net		173,837,052

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Net pension asset	1,091,412	
Deferred charges on refunding	<u>35,026</u>	
		1,126,438

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds. 5,481,569

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in the governmental activities in the government-wide statement of net position.

Net position of governmental activities accounted for in governmental activities internal service funds		200,366
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds and loans payable	(52,608,335)	
Environmental matters liability	(226,469)	
Unamortized deferred amounts on debt issuance	(351,224)	
Accrued interest payable	(526,801)	
Compensated absences	(5,865,290)	
Net other post-employment benefits obligation	<u>(51,006,325)</u>	
		<u>(110,584,444)</u>

Net position of governmental activities \$ 95,447,101

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 28,982,946	\$ 2,190,004	\$ 31,172,950
Licenses and permits	2,060,482	-	2,060,482
Intergovernmental	9,354,456	9,637,681	18,992,137
Charges for services	8,529,215	643,787	9,173,002
Fines and forfeits	35,184	227,201	262,385
Interest and rents	495,931	2,440,231	2,936,162
Net investment earnings	-	1,053,215	1,053,215
Other revenue	332,270	797,527	1,129,797
TOTAL REVENUES	49,790,484	16,989,646	66,780,130
EXPENDITURES			
Current			
General government	6,195,351	419,284	6,614,635
Public safety	31,255,679	932,898	32,188,577
Public works	5,304,359	2,508,298	7,812,657
Streets	-	7,143,870	7,143,870
Community and economic development	2,053,804	2,629,095	4,682,899
Parks and recreation	1,833,212	296,380	2,129,592
Other	2,793,985	-	2,793,985
Debt service			
Principal	-	5,928,958	5,928,958
Interest and fiscal charges	63,001	2,269,508	2,332,509
Capital outlay	-	2,123,126	2,123,126
TOTAL EXPENDITURES	49,499,391	24,251,417	73,750,808
EXCESS OF REVENUES (UNDER) EXPENDITURES	291,093	(7,261,771)	(6,970,678)
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	4,000,000	4,000,000
Bond premium	18,090	62,025	80,115
Transfers in	896,688	10,479,582	11,376,270
Transfers out	(3,410,842)	(7,075,012)	(10,485,854)
TOTAL OTHER FINANCING SOURCES (USES)	(2,496,064)	7,466,595	4,970,531
NET CHANGE IN FUND BALANCES	(2,204,971)	204,824	(2,000,147)
Restated Fund balances, beginning of year	7,687,037	19,699,230	27,386,267
Fund balances, end of year	<u>\$ 5,482,066</u>	<u>\$ 19,904,054</u>	<u>\$ 25,386,120</u>

See accompanying notes to financial statements.

City of Kalamazoo

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Net change in fund balances - total governmental funds \$ (2,000,147)

Amounts reported for governmental activities in the statement of activities are different

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 5,531,568
Depreciation expense	(7,442,286)
Net effect of disposal of capital assets	<u>(77,632)</u>

Excess of depreciation expense and other items over capital outlay (1,988,350)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (61,948)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain individual funds are included in the governmental activities.

Net loss of governmental activities internal service funds (228,607)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond proceeds	(4,000,000)
Debt principal retirement	<u>5,928,958</u>

1,928,958

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in net pension asset	545,706
(Decrease) in deferred charges on refunding	(5,579)
(Increase) in deferred amounts on debt issuance	(27,030)
Decrease in accrued interest payable	67,116
Decrease in compensated absences	502,130
(Increase) in environmental matters liability	(211,469)
(Increase) in other post-employment benefits obligation	<u>(4,257,443)</u>

(3,386,569)

Change in net position of governmental activities \$ (5,736,663)

See accompanying notes to financial statements.

City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL

Year Ended December 31, 2013

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 29,019,088	\$ 29,019,088	\$ 28,834,155	\$ (184,933)
Licenses and permits	1,867,700	1,867,700	2,060,482	192,782
Intergovernmental	8,967,035	8,967,035	9,354,456	387,421
Charges for services	8,759,419	8,759,419	8,529,215	(230,204)
Fines and forfeits	29,000	29,000	35,184	6,184
Interest and rents	719,715	719,715	495,931	(223,784)
Other	268,375	269,675	332,270	62,595
TOTAL REVENUES	49,630,332	49,631,632	49,641,693	10,061
EXPENDITURES				
Current				
General government				
Commission	76,115	76,115	76,063	52
Manager	639,772	639,772	608,354	31,418
Attorney	736,016	736,016	683,466	52,550
Clerk				
Administration	266,630	266,630	243,595	23,035
Election	147,221	147,221	132,299	14,922
Records management	169,646	169,646	156,885	12,761
Internal audit	92,044	92,044	92,074	(30)
Human resources	709,738	709,738	721,769	(12,031)
Management services				
Accounting	957,733	957,733	918,422	39,311
Assessor	500,179	500,179	498,782	1,397
Treasurer	488,075	488,075	501,824	(13,749)
Purchasing	327,095	327,095	318,565	8,530
Information technology	1,266,130	1,266,131	1,243,253	22,878
Total general government	6,376,394	6,376,395	6,195,351	181,044
Public safety				
Administration	1,169,827	1,169,827	1,150,948	18,879
K-Vet drug enforcement	2,198,906	2,198,906	1,759,044	439,862
Operations division	17,992,398	17,992,398	18,633,349	(640,951)
Criminal investigations	3,461,577	3,461,577	3,432,326	29,251
Service division	6,737,921	6,760,405	6,280,012	480,393
Total public safety	31,560,629	31,583,113	31,255,679	327,434
Public services				
Public works				
Forestry, creek, and environmental inspections	386,356	383,356	382,911	445
Sidewalks and pedestrian mall maintenance	375,050	360,050	414,441	(54,391)
Equipment maintenance	2,633,941	2,651,941	2,533,963	117,978
Engineering	1,211,136	1,211,136	1,142,874	68,262
City maintenance	809,538	809,538	830,170	(20,632)
Total public services	5,416,021	5,416,021	5,304,359	111,662

CONTINUED

City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - CONCLUDED

Year Ended December 31, 2013

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Current - concluded				
Community and economic development				
Economic development	\$ 263,675	\$ 263,675	\$ 255,656	\$ 8,019
Code administration	1,360,585	1,358,383	1,413,169	(54,786)
Planning	383,384	385,586	384,979	607
Total community and economic development	2,007,644	2,007,644	2,053,804	(46,160)
Parks and recreation				
Parks maintenance	965,173	966,473	822,711	143,762
Recreation	1,024,839	1,024,839	1,010,501	14,338
Total parks and recreation	1,990,012	1,991,312	1,833,212	158,100
Nondepartmental				
Street lighting	1,381,469	1,381,469	1,031,582	349,887
Other	1,314,455	1,468,238	1,762,403	(294,165)
Debt service	56,771	56,771	63,001	(6,230)
Total nondepartmental	2,752,695	2,906,478	2,856,986	49,492
TOTAL EXPENDITURES	50,103,395	50,280,963	49,499,391	781,572
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(473,063)	(649,331)	142,302	791,633
OTHER FINANCING SOURCES (USES)				
Bond premium	-	-	18,090	18,090
Transfers in	896,682	896,682	896,688	6
Transfers out	(3,340,000)	(3,404,000)	(3,410,842)	(6,842)
TOTAL OTHER FINANCING SOURCES (USES)	(2,443,318)	(2,507,318)	(2,496,064)	11,254
NET CHANGE IN FUND BALANCE	(2,916,381)	(3,156,649)	(2,353,762)	802,887
Fund balance, beginning of year	10,056,433	10,056,433	10,056,433	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 7,140,052</u>	<u>\$ 6,899,784</u>	7,702,671	<u>\$ 802,887</u>
Accounting basis difference			(2,220,605)	
Fund balance, end of year (GAAP basis)			<u>\$ 5,482,066</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2013

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
ASSETS					
Current assets					
Cash and cash equivalents	\$ 6,150,201	\$ 3,185,596	\$ 194,032	\$ 9,529,829	\$ 1,048,956
Cash and cash equivalents - restricted	3,898,073	2,350,343	-	6,248,416	-
Investments	8,397,455	3,601,167	-	11,998,622	2,563,112
Investments with agents	-	-	-	-0-	18,784
Receivables					
Customers	3,895,076	2,420,283	1,728	6,317,087	465,604
Interest	11,980	-	-	11,980	-
Special assessment	8,032	-	-	8,032	-
Due from management corporation	-	-	27,767	27,767	-
Due from other funds	1,992,542	236,095	-	2,228,637	2,386,324
Due from other governmental units	75,547	68,158	-	143,705	224,430
Inventories	365,351	182,291	-	547,642	-
Prepays	22,923	15,719	-	38,642	64,001
Total current assets	24,817,180	12,059,652	223,527	37,100,359	6,771,211
Noncurrent assets					
Net pension asset	338,716	244,706	2,306	585,728	-
Capital assets not being depreciated	1,240,544	3,163,505	139,200	4,543,249	-
Capital assets, net of accumulated depreciation	77,229,157	90,401,932	1,338,336	168,969,425	-
Total noncurrent assets	78,808,417	93,810,143	1,479,842	174,098,402	-0-
TOTAL ASSETS	103,625,597	105,869,795	1,703,369	211,198,761	6,771,211
DEFERRED OUTFLOW OF RESOURCES					
Deferred amounts on refunding	56,968	86,779	14,254	158,001	-
LIABILITIES					
Current liabilities					
Accounts payable	680,444	267,135	182	947,761	7,038
Accrued payroll	-	-	-	-0-	965,843
Other accrued liabilities	-	4,282	-	4,282	1,478,566
Accrued interest payable	84,761	281,349	7,560	373,670	-
Deposit payable	-	705,735	-	705,735	-
Due to other funds	620,611	702,396	737	1,323,744	86,242
Due to other governmental units	12,607	15,068	-	27,675	-
Unearned revenue	-	-	119,750	119,750	-
Current portion of compensated absences	62,119	35,390	117	97,626	-
Current portion of long-term debt	646,162	1,682,740	191,137	2,520,039	-
Current portion of uninsured claim liability	-	-	-	-0-	2,070,691
Total current liabilities	2,106,704	3,694,095	319,483	6,120,282	4,608,380
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	434,830	247,733	821	683,384	-
Noncurrent portion of long-term debt	9,918,290	18,212,607	1,060,934	29,191,831	-
Net other post-employment benefits obligation	5,193,972	6,275,225	-	11,469,197	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,622,465
Total noncurrent liabilities	15,547,092	24,735,565	1,061,755	41,344,412	1,962,465
TOTAL LIABILITIES	17,653,796	28,429,660	1,381,238	47,464,694	6,570,845
NET POSITION					
Net investment in capital assets	70,957,758	74,177,784	239,719	145,375,261	-
Restricted for bond reserves	902,532	1,929,428	-	2,831,960	-
Unrestricted	14,168,479	1,419,702	96,666	15,684,847	200,366
TOTAL NET POSITION	\$ 86,028,769	\$ 77,526,914	\$ 336,385	\$ 163,892,068	\$ 200,366

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2013

	Enterprise Funds				Service Fund
	Wastewater	Water	Nonmajor	Total	Insurance and Benefits
OPERATING REVENUES					
Charges for services	\$ 21,111,243	\$ 13,480,979	\$ 1,628,563	\$ 36,220,785	\$ 22,269,079
Other	1,858	35,723	25,892	63,473	-
TOTAL OPERATING REVENUES	21,113,101	13,516,702	1,654,455	36,284,258	22,269,079
OPERATING EXPENSES					
Operation and maintenance	17,260,718	9,715,638	1,426,616	28,402,972	-
Risk management	-	-	-	-0-	21,560,790
Depreciation	4,311,352	3,333,137	141,923	7,786,412	-
TOTAL OPERATING EXPENSES	21,572,070	13,048,775	1,568,539	36,189,384	21,560,790
OPERATING INCOME (LOSS)	(458,969)	467,927	85,916	94,874	708,289
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	46,020	209,448	-	255,468	-
Interest revenue	36,474	12,316	20	48,810	3,520
Gain (loss) on sale of capital assets	(509,575)	168,408	(1,591)	(342,758)	-
Forgiveness of debt	-	-	59,745	59,745	-
Amortization of:					
Bond defeasance expenses	(8,138)	(11,022)	-	(19,160)	-
Bond premiums and discounts	1,163	2,740	-	3,903	-
Interest expense and fiscal charges	(371,309)	(959,949)	(46,611)	(1,377,869)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(805,365)	(578,059)	11,563	(1,371,861)	3,520
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,264,334)	(110,132)	97,479	(1,276,987)	711,809
CAPITAL CONTRIBUTIONS	93,147	1,741,736	-	1,834,883	-
TRANSFERS IN	-	50,000	-	50,000	-
TRANSFERS OUT	-	-	-	-0-	(940,416)
CHANGE IN NET POSITION	(1,171,187)	1,681,604	97,479	607,896	(228,607)
Restated net position, beginning of year	87,199,956	75,845,310	238,906	163,284,172	428,973
Net position, end of year	<u>\$ 86,028,769</u>	<u>\$ 77,526,914</u>	<u>\$ 336,385</u>	<u>\$ 163,892,068</u>	<u>\$ 200,366</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 20,708,293	\$ 13,265,354	\$ 1,643,787	\$ 35,617,434	\$ 23,824,527
Cash paid to suppliers	(13,620,706)	(5,650,172)	(1,421,517)	(20,692,395)	-
Cash paid to employees	(3,424,818)	(2,825,702)	(4,095)	(6,254,615)	-
Cash paid for employee benefits	(2,328,355)	(1,551,673)	(3,589)	(3,883,617)	(21,655,594)
Cash paid for interfund services provided	(941,466)	(604,310)	(3,544)	(1,549,320)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	392,948	2,633,497	211,042	3,237,487	2,168,933
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental grant	46,020	209,448	-	255,468	-
Transfer in	-	50,000	-	50,000	-
Transfer out	-	-	-	-0-	(940,416)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	46,020	259,448	-0-	305,468	(940,416)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,279,614)	(1,478,268)	(220,850)	(2,978,732)	-
Contributions	14,795	308,098	-	322,893	-
Proceeds from sales of capital assets	40,201	173,908	-	214,109	-
Interest paid	(494,609)	(968,004)	(44,323)	(1,506,936)	-
Proceeds from bond issuance	-	-	200,000	200,000	-
Payments on borrowings	(495,000)	(1,600,000)	(160,640)	(2,255,640)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,214,227)	(3,564,266)	(225,813)	(6,004,306)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	(6,228,464)	(2,773,289)	-	(9,001,753)	(1,102,709)
Interest received	31,711	12,316	20	44,047	3,520
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(6,196,753)	(2,760,973)	20	(8,957,706)	(1,099,189)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,972,012)	(3,432,294)	(14,751)	(11,419,057)	129,328
Restated cash and cash equivalents, beginning of year	18,020,286	8,968,233	208,783	27,197,302	919,628
Cash and cash equivalents, end of year	\$ 10,048,274	\$ 5,535,939	\$ 194,032	\$ 15,778,245	\$ 1,048,956

CONTINUED

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2013

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (458,969)	\$ 467,927	\$ 85,916	\$ 94,874	\$ 708,289
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,311,352	3,333,137	141,923	7,786,412	-
(Increase) decrease in:					
Accounts receivable	(405,080)	(304,094)	(1,728)	(710,902)	(99,385)
Due from other funds	88,860	(60,836)	44,258	72,282	2,222,868
Due from other governmental units	272	7,800	-	8,072	284,864
Due from management corporation	-	-	(27,767)	(27,767)	-
Advance to other governmental units	59,638	-	-	59,638	-
Inventories	40,886	50,370	-	91,256	-
Prepays	5,411	(11)	-	5,400	(64,001)
Net pension asset	(169,358)	(122,353)	(2,306)	(294,017)	-
Increase (decrease) in:					
Accounts payable	14,248	(116,974)	(2,516)	(105,242)	(91,283)
Accrued liabilities	(19,901)	632	-	(19,269)	(373,780)
Due to other funds	(1,089,964)	(543,474)	(3,544)	(1,636,982)	(793,501)
Due to other governmental units	(168,291)	(120,630)	-	(288,921)	(59,398)
Deposits payable	-	44,946	-	44,946	-
Compensated absences	41,632	(68,466)	96	(26,738)	-
Uninsured claim liability	-	-	-	-0-	434,260
Other post-employment benefits obligation	(1,857,788)	65,523	-	(1,792,265)	-
Due to management corporation	-	-	(14,350)	(14,350)	-
Unearned revenue	-	-	(8,940)	(8,940)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 392,948	\$ 2,633,497	\$ 211,042	\$ 3,237,487	\$ 2,168,933
NONCASH FINANCING ACTIVITIES					
Contributions of capital assets	\$ 78,352	\$ 1,433,638	\$ -	\$ 1,511,990	\$ -
Loss on sale of capital assets	(549,775)	(5,500)	(1,591)	(556,866)	-
TOTAL NONCASH FINANCING ACTIVITIES	\$ (471,423)	\$ 1,428,138	\$ (1,591)	\$ 955,124	\$ -0-

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2013

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Agency Fund
ASSETS			
Cash and cash equivalents	\$ 9,110,200	\$ 78,225	\$ 13,389,588
Investments			-
U.S. treasuries	67,038,906	-	-
U.S. agencies	6,674,716	-	-
Corporate bonds	36,795,072	-	-
Collateralized mortgage obligations	29,998,300	-	-
Equity mutual funds	435,314,273	-	-
Real estate mutual funds	31,075,484	-	-
Receivables			
Interest and dividends	1,574,020	-	-
Taxes	-	-	34,772,349
Other	310,130	-	1,140
	<u>617,891,101</u>	<u>78,225</u>	<u>\$ 48,163,077</u>
LIABILITIES			
Accounts payable	37,455	-	\$ -
Due to other governmental units	-	-	48,162,986
Due to individuals and agencies	-	52,528	91
	<u>37,455</u>	<u>52,528</u>	<u>\$ 48,163,077</u>
NET POSITION			
Held in trust for benefits and other purposes	<u>\$ 617,853,646</u>	<u>\$ 25,697</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2013

	<u>Pension and Other Post- Employment Benefits Trusts</u>	<u>General Private Purpose Trust</u>
ADDITIONS TO NET POSITION		
Investment income		
Change in fair value of investments	\$ 90,887,651	\$ -
Interest and dividends	<u>16,324,314</u>	<u>8</u>
Total investment income	107,211,965	8
Less investment expense	<u>(1,887,933)</u>	<u>-</u>
Net investment income	105,324,032	8
Contributions		
Employer	7,812,117	-
Plan members	1,110,057	-
Other	<u>-</u>	<u>10,154</u>
Total contributions	<u>8,922,174</u>	<u>10,154</u>
TOTAL ADDITIONS TO NET POSITION	114,246,206	10,162
DEDUCTIONS FROM NET POSITION		
Benefits	27,111,793	-
Refunds of contributions	46,718	-
Administrative	<u>473,687</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>27,632,198</u>	<u>-0-</u>
CHANGE IN NET POSITION	86,614,008	10,162
Net position, beginning of year	<u>531,239,638</u>	<u>15,535</u>
Net position, end of year	<u><u>\$ 617,853,646</u></u>	<u><u>\$ 25,697</u></u>

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION

December 31, 2013

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 40,683	\$ 393,286	\$ 295,695
Cash and cash equivalents - restricted	832,720	-	-
Investments	-	-	1,062,681
Accounts receivable	112,901	-	292,244
Taxes receivable	265,611	-	-
Interest receivable	-	-	-
Due from other governmental units	-	6,947	883,628
Inventories	-	-	-
Prepays	-	-	-
Current portion of notes receivable	-	65,268	30,599
Total current assets	1,251,915	465,501	2,564,847
Noncurrent assets			
Net pension asset	-	-	-
Noncurrent portion of notes receivable	-	1,051,007	692,885
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	624,614	-	-
Total noncurrent assets	682,776	1,051,007	692,885
TOTAL ASSETS	1,934,691	1,516,508	3,257,732
LIABILITIES			
Current liabilities			
Accounts payable	324,407	-	12,683
Accrued liabilities	11,855	-	-
Accrued interest payable	45,341	-	-
Due to other governmental units	-	2,370	127,474
Advances from other governmental units	-	65,268	-
Unearned revenue	13,612	-	-
Current portion of compensated absences	-	11,966	1,941
Current portion of long-term debt	543,805	-	-
Total current liabilities	939,020	79,604	142,098
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	20,292	13,592
Noncurrent portion of long-term debt	2,607,369	-	-
Noncurrent portion of advances from other governmental units	-	951,007	696,456
Net other post-employment benefits obligation	-	-	-
Total noncurrent liabilities	2,607,369	971,299	710,048
TOTAL LIABILITIES	3,546,389	1,050,903	852,146
NET POSITION			
Net investment in capital assets	682,776	-	-
Unrestricted	(2,294,474)	465,605	2,405,586
TOTAL NET POSITION	\$ (1,611,698)	\$ 465,605	\$ 2,405,586

See accompanying notes to financial statements.

Local Development Finance Authority	Metro Transit	Total Component Units
\$ 484,559	\$ 3,366,267	\$ 4,580,490
-	-	832,720
-	2,998,299	4,060,980
72,984	34,943	513,072
-	77,560	343,171
-	2,339	2,339
633	1,188,744	2,079,952
-	373,063	373,063
-	369,175	369,175
-	-	95,867
558,176	8,410,390	13,250,829
-	134,352	134,352
-	-	1,743,892
-	2,025,365	2,083,527
-	22,569,351	23,193,965
-0-	24,729,068	27,155,736
558,176	33,139,458	40,406,565
-	754,795	1,091,885
-	-	11,855
-	-	45,341
288,983	641,609	1,060,436
-	-	65,268
-	2,718,924	2,732,536
-	21,670	35,577
-	-	543,805
288,983	4,136,998	5,586,703
-	151,696	185,580
-	-	2,607,369
664,531	-	2,311,994
-	155,143	155,143
664,531	306,839	5,260,086
953,514	4,443,837	10,846,789
-	24,594,716	25,277,492
(395,338)	4,100,905	4,282,284
\$ (395,338)	\$ 28,695,621	\$ 29,559,776

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Downtown Development Authority	\$ 4,420,215	\$ 2,691,007	\$ -	\$ -
Economic Development Corporation	136,988	-	153,400	-
Brownfield Redevelopment Authority	633,581	-	25,550	-
Local Development Finance Authority	195,399	-	-	-
Business-type Activities				
Metro Transit	15,974,300	2,706,356	12,309,205	3,099,245
TOTALS	\$ 21,360,483	\$ 5,397,363	\$ 12,488,155	\$ 3,099,245

General revenues

Property taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Restated net position, beginning of year

Net position, end of year

Net (Expense) Revenues and Changes in Net Position

Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Metro Transit	Total Component Units
\$ (1,729,208)	\$ -	\$ -	\$ -	\$ -	\$ (1,729,208)
-	16,412	-	-	-	16,412
-	-	(608,031)	-	-	(608,031)
-	-	-	(195,399)	-	(195,399)
-	-	-	-	2,140,506	2,140,506
(1,729,208)	16,412	(608,031)	(195,399)	2,140,506	(375,720)
1,971,347	-	1,126,830	473,331	858,942	4,430,450
508	238	2,328	-	10,465	13,539
454,397	-	40,384	-	2,440	497,221
2,426,252	238	1,169,542	473,331	871,847	4,941,210
697,044	16,650	561,511	277,932	3,012,353	4,565,490
(2,308,742)	448,955	1,844,075	(673,270)	25,683,268	24,994,286
<u>\$ (1,611,698)</u>	<u>\$ 465,605</u>	<u>\$ 2,405,586</u>	<u>\$ (395,338)</u>	<u>\$ 28,695,621</u>	<u>\$ 29,559,776</u>

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalamazoo is the county seat for Kalamazoo County, Michigan, and has a population of approximately 75,548. The City is home to Western Michigan University and Kalamazoo College.

The City has seven City Commissioners who are selected at large, on a non-partisan basis, every two (2) years. The Commission appoints and directs the activities of the City Manager, Attorney, Clerk, Assessor, and Internal Auditor. The Commission also appoints boards and commissions to serve as advisors to the Commission.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of Kalamazoo (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Unit

The Kalamazoo Building Authority has been blended into the City's financial statements as debt service and capital project fund types. The Authority is governed by a three (3) member board consisting of the City Manager, City Attorney, and Finance Director. Its purpose is to provide for the acquisition and construction of certain public buildings.

3. Discretely Presented Component Units

The governing bodies of all of the City's discretely presented component units are appointed by the Mayor of the City of Kalamazoo with the approval of the City Commission.

The Downtown Development Authority was created as a tax-increment financing (TIF) district to correct and prevent deterioration in the downtown district, encourage historic preservation and to promote economic growth within the downtown district. The Authority's budget is subject to approval by the City Commission.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities to the residents of the City. In certain situations, members of the Board of Directors may be removed by a majority of the Kalamazoo City Commission.

The Brownfield Redevelopment Authority was established pursuant to Act 381 of the Public Acts of 1996, as amended. The purpose of the Authority is to treat and revitalize environmentally distressed Brownfield zones. The Authority is financed by tax increment financing and State grants, and has named the City of Kalamazoo as its fiscal agent. The Authority is governed by the Board of the Economic Development Corporation.

The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2013.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - Concluded

The Local Development Finance Authority's (LDFA) purpose is to finance improvements, through the use of tax increment financing, within the City's business and technology research park. The LDFA was established as a tax increment financing (TIF) district in 2002 in accordance with Michigan Public Act 248 of 2000.

The Metro Transit System operates the public transportation system in the City of Kalamazoo and portions of the surrounding area. The system's budget is subject to approval by the City Commission.

Complete financial statements of the individual component units, except for the Brownfield Redevelopment Authority, Hospital Finance Authority, and Local Development Finance Authority, may be obtained at their respective administrative offices:

Downtown Development Authority
141 East Michigan Avenue
Kalamazoo, MI 49007

Economic Development Corporation
241 West South Street
Kalamazoo, MI 49007

Metro Transit System
530 South Rose
Kalamazoo, MI 49007

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them, demonstrating how governmental functions are either self-financing or supported by general revenues. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. General revenues include all taxes, interest, unrestricted State revenue sharing payments and other revenues that are not required to be presented as program revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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.

The City reports the following major governmental fund:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - Concluded

The City reports the following major enterprise funds:

- a. The Wastewater Fund is used to account for the operations and maintenance of the Wastewater treatment system, capital additions and improvements to the system, and retirement of revenue bonds. It is financed primarily by user charges, state grants, and contributions from other municipalities and customers.
- b. The Water Fund is used to account for the operations and maintenance of the water supply system, capital additions and improvements to the system, and retirement of revenue bonds. It is financed primarily by user charges, state grants, and contributions from other municipalities and customers.

Additionally, the City reports the following fund types:

- a. Special revenue funds account for revenue sources that are restricted or committed to expenditures for specific purposes other than capital projects or permanent funds.
- b. Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Capital projects funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.
- d. Permanent funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.
- e. Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.
- f. The internal service fund accounts for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes employee benefits and insurance programs.
- g. Pension and other post-employment benefits trust funds account for the activities of the Employees' Retirement System, a defined-benefit pension plan, and Other Post-Employment Benefits Plan, which accumulates resources for retirement and other post-employment benefit payments to qualified employees.
- h. The private purpose trust fund accounts for assets of non-profit organizations held for outside parties in a trustee capacity for purposes other than those that support the government's programs.
- i. The agency fund accounts for taxes collected and distributed to other governments in an agency capacity.

5. Measurement Focus

The government-wide, proprietary fund, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus - Concluded

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

There is no measurement focus for the agency funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unearned revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The City adopts a formal budget for the General and Special Revenue funds. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplate expenditures for the following calendar year by December 1. An interim appropriation resolution is passed by January 1 to continue normal operations and by February 1 of each year the City Commission passes an annual appropriation resolution approving the estimated expenditures. The City Manager is authorized to transfer budgeted amounts between expenditure control accounts within a department as long as appropriations stay constant. Capital outlay expenditures in excess of the greater of \$10,000 or in amounts greater than 10 percent of any project cost, interdepartmental transfers, use of contingency funds and position classification changes require prior City Commission approval. The budgets are legally adopted at the fund level for the General Fund and Special Revenue funds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - Concluded

Formal budgetary integration is employed as a management control device during the year. Supplemental appropriations were approved by the City Commission in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations. Appropriations lapse at each year end, except for those approved for carry forward by the City Commission.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds.

The budget has been prepared in accordance with U.S. generally accepted accounting principles (GAAP), with the exception that property tax revenues have been recognized in the year levied, even though they would not be fully available to finance operations of the current year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of various checking, savings, and money market accounts and cash on hand. The cash and cash equivalents are recorded at cost, which approximates market value. Restricted cash and cash equivalents in the governmental activities and the business-type activities relate to the Cork Street environmental clean-up project, capital funding, and wastewater and water bonds reserves.

Investments are reported at amortized cost, which is not materially different from fair value. Investments consist of pension fund securities, mutual funds, and U.S. government securities with an original maturity of over 90 days.

9. Receivables

Receivables consist of amounts due from various governmental units, individuals, and businesses related to charges for services, amounts owed to the City from special assessments, and taxes levied that have not been collected.

10. Inventories

Inventories are valued at cost using the average cost method. Inventories in the enterprise funds consist of wastewater and water system supplies. Inventories in the governmental funds consist of fuel, parts and supplies.

11. Prepays

Prepaid expenditures in the governmental and proprietary funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Capital Assets

Capital assets are reported in the applicable governmental or business-type activity and component units columns in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. In accordance with the provisions of GASB Statement No. 34, the government has only capitalized infrastructure assets acquired or constructed since 1980.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 50 years
Buildings and improvements	50 years
Water and wastewater system infrastructure	25 - 50 years
Vehicles	7 - 10 years
Office equipment	6 - 10 years
Machinery and equipment	3 - 10 years
Public infrastructure	50 years

13. Compensated Absences

Amounts of vested or accumulated vacation leave and compensated time are accrued in the government-wide and proprietary fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "termination leave" prior to retirement. 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.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. 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.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Unearned Revenue

Unearned revenues are reported for resources that have been received, but not yet earned.

16. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet or the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance/net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then.

In addition to liabilities, the balance sheet or the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred outflows of resources in governmental activities, business-type activities, and certain funds for deferred charges on refunding. The City reports deferred inflows of resources in certain funds for long-term receivables that are not available to pay for current period expenditures.

17. Property Taxes

The City of Kalamazoo bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Kalamazoo on July 1 and are payable without penalty through August 14. The July 1 levy was composed of the County's levy, the State Education Tax assessment and the City's millage and assessments. The City bills and collects its own property taxes for general governmental services, solid waste collection, and downtown development and also collects taxes for the Metro Transit System, Kalamazoo County, Kalamazoo Valley Community College, the District Library, and various school districts. Collections of property taxes and remittances of them to the appropriate authorities are accounted for in the Tax Collector's Agency Fund.

The City is permitted by state statute to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for waste collection. For the year ended December 31, 2013, the City levied 19.2705 mills for general governmental services and 1.5500 mills for waste collection. The total taxable value for the 2013 levy for property within the City was \$1,468,711,958.

The Downtown Development Authority is permitted by P.A. 197 of Michigan to levy taxes up to \$2.00 per \$1,000 of assessed valuation of property in the downtown district. The Authority's current year tax rate was \$1.9638 per \$1,000 of assessed valuation.

The Metro Transit System levied 0.6000 mills.

For budgeting purposes, the taxes levied in the current year are intended to finance the operations of the current year. Therefore, the Statement and Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual include the full amount of the current year tax levy as revenue of the current year, to be consistent with the budget presentation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

18. Notes Receivable

Notes receivable consist of amounts loaned to entities within the City under various economic development programs to finance activities during their operations and to finance capital acquisitions. The outstanding principal is reported as nonspendable fund balance in the fund financial statements for such receivables to reflect the amount not currently available for expenditure.

19. Advances to Other Funds/Governmental Units

Long-term advances from the primary government to other funds or component units are made to finance activities during their operations and to finance capital acquisitions. The applicable fund balance is reported as nonspendable in the fund financial statements for such advances to reflect the amount of fund balance not currently available for expenditure.

20. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Fund records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses. The net revenues or losses of the Internal Service Fund, as well as the net position are included in the reconciliation to the government-wide financial statements.

21. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source, which precludes their use for unrestricted purposes.

22. Federal Programs

Federal programs are accounted for in the funds to which the programs pertain. The single audit reports and financial data will be issued under separate cover as supplementary information to the basic financial statements.

23. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. The United States government or federal agency obligations repurchase agreements.
4. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST)

Deposits

There is a custodial credit risk related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2013, the carrying amount of the City's deposits was \$46,062,496 and the bank balance was \$46,959,717. The financial statements include \$7,470 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of December 31, 2013, the City accounts were insured by the FDIC for \$1,407,547 and the amount of \$45,552,170 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2013, the carrying amounts and market values for the investments are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>	<u>Standard & Poor's Rating</u>	<u>Weighted Average Maturity</u>
Federal Home Loan Bank	\$ 3,999,966	\$ 3,999,966	14%	AA+	111 days
Fannie Mae	1,999,413	1,999,413	7%	AA+	17 days
Federal Farm Credit Bank	4,000,000	4,000,000	14%	AA+	40 days
Federal Home Loan Mortgage Corporation	4,499,124	4,499,124	16%	AA+	145 days
Natixis US Finance	1,996,800	1,996,800	7%	A-1	8 days
Fifth Third Bank	6,500,000	6,500,000	23%	A-1	113 days
Toyota Motor Credit Corporation	999,029	999,029	4%	A-1+	9 days
Equity mutual funds	4,145,736	4,145,736	15%	Not rated	N/A
TOTAL REPORTING ENTITY	<u>\$ 28,140,068</u>	<u>\$ 28,140,068</u>			

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST) - CONCLUDED

Custodial Credit Risk of Deposits

The City's banking and investment policy does not specifically address custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

As permitted by State statutes, the City has placed monies for investment with the Kalamazoo Community Foundation (KCF) and Michigan Municipal Risk Management Authority (MMRMA). These monies, amounting to \$2,835,195 and \$18,784, respectively, as of December 31, 2013, are pooled with other KCF funds and MMRMA funds and invested at the discretion of KCF and MMRMA, which for purposes of the City essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk of Investments

Custodial credit risk, which is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2013, none of the City's investments, excluding the mutual funds which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics. The City's policy provides that the maximum weighted average maturity will be limited to eighteen (18) months.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2013, the City investment in the U.S. Agencies investments were rated AA+ by Standard and Poor's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by security type and institution. Among other provisions, the City's investment policy permits the entire portfolio to be invested in obligations of U.S. agencies with the limitation that no more than 35% may be placed with a single institution. In addition, the investment policy limits commercial paper to 10% of the total portfolio. The policy neither provides for nor prohibits the placement of funds with community foundations.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST

The deposits and investments of the Other Post-Employment Benefits Trust (the Trust) have been pooled with those of the Employees' Retirement System (the System). The Trust has effectively adopted the investment policies and strategies of the System. The purchases, maturities, and investment performance are allocated between the System and the Trust based on the fair value of their respective investments. As of December 31, 2013, the System's investments represented approximately 98.9 percent of the portfolio and the Trust's investments represented approximately 1.1 percent of the portfolio.

Deposits

Checking or other demand/time deposit accounts are not maintained. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments in money market accounts held by the investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2013, was \$9,110,200, of which the insured amount was \$1,057,868. The remaining balance of \$8,052,332 was uninsured and uncollateralized.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The System's Investment Committee is responsible for recommending to the City Commission the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries and other fiduciaries utilized by the System and Trust. The City Commission is responsible for approving the recommendations of the Investment Committee. All investment decisions are subject to Michigan law and the investment policy established by the City Commission.

The System's and Trust's investments are held in ten (10) portfolios administered by five (5) investment managers. Following is a summary of the portfolio's investments as of December 31, 2013:

U.S. Treasuries	\$ 67,038,906
U.S. Agencies	6,674,716
Corporate bonds	36,795,072
Collateralized mortgage obligations	29,998,300
Equity mutual funds	435,314,273
Real estate mutual funds	<u>31,075,484</u>
Total investments	<u>\$ 606,896,751</u>

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System and Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial credit risk. Although uninsured and unregistered, the portfolio's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds and investments in mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST - CONTINUED

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four (4) major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2013, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

<u>Standard & Poor's</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ -	\$ -	\$ 5,657,389
AA	-	5,524,762	224,340
A	-	18,583,355	-
BBB	-	11,866,210	-
Not rated	6,674,716	820,745	24,116,571
	<u>\$ 6,674,716</u>	<u>\$ 36,795,072</u>	<u>\$ 29,998,300</u>
 <u>Moody's</u>			
AAA	\$ -	\$ 534,011	\$ 4,221,412
AA	-	4,064,016	-
A	-	13,571,981	-
BAA	-	17,804,319	-
Not rated	6,674,716	820,745	25,776,888
	<u>\$ 6,674,716</u>	<u>\$ 36,795,072</u>	<u>\$ 29,998,300</u>

Concentration of Credit Risk

The System's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund. At December 31, 2013, the portfolio's investments were within that range.

The System's investment policy and State statutes provide that no more than 70% of the total investments may be in equity holdings and no more than 5% in real estate. As of December 31, 2013, equity holdings accounted for 71% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2013.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED

EMPLOYEES' RETIREMENT SYSTEM AND OTHER POST-EMPLOYMENT BENEFITS TRUST - CONCLUDED

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The System's investment policy does not address interest rate risk. As of December 31, 2013, maturities of the portfolio's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 67,038,906	\$ 8,056,460	\$ 8,876,787	\$ 11,501,500	\$ 38,604,159
U.S. Agencies	6,674,716	-	5,840,948	833,768	-
Corporate bonds	36,795,072	-	13,129,122	14,851,260	8,814,690
Collateralized mortgage obligations	29,998,300	-	5,786,286	1,458,225	22,753,789
	<u>\$ 140,506,994</u>	<u>\$ 8,056,460</u>	<u>\$ 33,633,143</u>	<u>\$ 28,644,753</u>	<u>\$ 70,172,638</u>

Derivatives

The System's investment policy permits the prudent use of derivatives to reduce portfolio risk and enhance investment return. Under the terms of the investment agreements, portfolio managers are required to report all derivative holdings on a quarterly basis. The Investment Committee monitors these reports to evaluate the System's exposure to credit, market and legal risk.

The portfolios managed by Jennison Associates have utilized U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2013, the portfolio had no U.S. currency futures contracts.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2013:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 16,274,878	\$ 4,580,490	\$ 22,578,013	\$ 43,433,381
Cash and cash equivalents - restricted	10,914,065	832,720	-	11,746,785
Investments	24,079,088	4,060,980	606,896,751	635,036,819
Investments with agents	2,853,979	-	-	2,853,979
	<u>\$ 54,122,010</u>	<u>\$ 9,474,190</u>	<u>\$ 629,474,764</u>	<u>\$ 693,070,964</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2013, are as follows:

Due to General Fund from:	
Wastewater Fund	\$ 292,953
Water Fund	466,642
Nonmajor governmental funds	1,205,000
Nonmajor enterprise funds	633
Internal service fund	<u>82,598</u>
	<u>\$ 2,047,826</u>
Due to Wastewater Fund from:	
General Fund	\$ 6,769
Water Fund	37,096
Nonmajor governmental funds	<u>1,948,677</u>
	<u>\$ 1,992,542</u>
Due to Water Fund from:	
General Fund	\$ 123,005
Wastewater Fund	89,369
Nonmajor governmental funds	<u>23,721</u>
	<u>\$ 236,095</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 475,179
Nonmajor governmental funds	356,079
Internal service fund	<u>3,644</u>
	<u>\$ 834,902</u>
Due to internal service funds from:	
General Fund	\$ 1,788,636
Wastewater Fund	238,289
Water Fund	198,658
Nonmajor governmental funds	160,637
Nonmajor enterprise funds	<u>104</u>
	<u>\$ 2,386,324</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transactions that have not cleared as of the balance sheet date.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE D: ADVANCES RECEIVABLE AND PAYABLES

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2013:

Advance from General Fund to:	
Internal service fund	<u>\$ 340,000</u>

The advance to the internal service fund (Insurance and Benefit Fund) from the General Fund was made for the purpose of financing electronic payroll transfers.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Internal service fund	<u>\$ 896,688</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 3,360,842
Nonmajor governmental funds	7,075,012
Internal service fund	<u>43,728</u>
	<u>\$ 10,479,582</u>
Transfers to Water Fund from:	
General Fund	<u>\$ 50,000</u>

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

Primary Government

	Balance Jan. 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 29,857,853	\$ 17,489	\$ (35,910)	\$ 29,839,432
Construction in progress	8,008,406	4,942,316	(6,890,922)	6,059,800
Subtotal	37,866,259	4,959,805	(6,926,832)	35,899,232
Capital assets being depreciated				
Land improvements	12,394,296	2,162,316	-	14,556,612
Buildings and improvements	53,119,517	201,824	-	53,321,341
Vehicles	14,144,397	246,375	(957,942)	13,432,830
Machinery and equipment	13,091,481	1,729,154	(118,380)	14,702,255
Intangible assets	2,371,935	149,770	-	2,521,705
Infrastructure	199,623,671	2,973,246	-	202,596,917
Subtotal	294,745,297	7,462,685	(1,076,322)	301,131,660
Less accumulated depreciation for:				
Land improvements	(3,776,516)	(729,576)	-	(4,506,092)
Buildings and improvements	(14,975,120)	(1,281,863)	-	(16,256,983)
Vehicles	(11,158,614)	(600,092)	932,610	(10,826,096)
Machinery and equipment	(9,552,615)	(944,656)	101,990	(10,395,281)
Intangible assets	(1,936,791)	(141,342)	-	(2,078,133)
Infrastructure	(115,386,498)	(3,744,757)	-	(119,131,255)
Subtotal	(156,786,154)	(7,442,286)	1,034,600	(163,193,840)
Net capital assets being depreciated	137,959,143	20,399	(41,722)	137,937,820
Capital assets, net	<u>\$ 175,825,402</u>	<u>\$ 4,980,204</u>	<u>\$ (6,968,554)</u>	<u>\$ 173,837,052</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 1,184,171
Public safety	1,634,549
Community and economic development	9,931
Parks and recreation	630,006
Streets	3,741,633
Public works	241,996
Total depreciation expense	<u>\$ 7,442,286</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Restated Balance Jan. 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2013
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,268,225	\$ 25,000	\$ -	\$ 3,293,225
Rights to liquor license	139,200	-	-	139,200
Construction in progress	9,408,968	1,741,986	(10,040,130)	1,110,824
Subtotal	12,816,393	1,766,986	(10,040,130)	4,543,249
Capital assets being depreciated				
Land improvements	15,881,755	76,955	(1,084)	15,957,626
Building and improvements	93,462,928	135,869	(1,373,233)	92,225,564
Vehicles	3,525,938	281,152	(388,843)	3,418,247
Machinery and equipment	58,935,383	8,826,059	(4,873,388)	62,888,054
Infrastructure	165,706,811	3,415,483	(6,267)	169,116,027
Intangible assets	1,675,188	28,347	(27,786)	1,675,749
Subtotal	339,188,003	12,763,865	(6,670,601)	345,281,267
Less accumulated depreciation for:				
Land improvements	(10,860,857)	(439,570)	1,084	(11,299,343)
Building and improvements	(43,871,604)	(1,838,356)	859,683	(44,850,277)
Vehicles	(2,822,488)	(155,365)	388,843	(2,589,010)
Machinery and equipment	(47,620,771)	(1,780,214)	4,842,587	(44,558,398)
Infrastructure	(68,226,835)	(3,416,411)	768	(71,642,478)
Intangible assets	(1,236,610)	(156,496)	20,770	(1,372,336)
Subtotal	(174,639,165)	(7,786,412)	6,113,735	(176,311,842)
Net capital assets being depreciated	164,548,838	4,977,453	(556,866)	168,969,425
Capital assets, net	<u>\$ 177,365,231</u>	<u>\$ 6,744,439</u>	<u>\$ (10,596,996)</u>	<u>\$ 173,512,674</u>

Depreciation expense was charged to the following business-type activities:

Wastewater	\$ 4,311,352
Water	3,333,137
Kalamazoo Municipal Golf Association	137,963
City Market	3,960
Total depreciation expense	<u>\$ 7,786,412</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F: CAPITAL ASSETS - CONCLUDED

Component Units

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
Downtown Development Authority				
Capital assets not being depreciated				
Subtotal	\$ 58,162	\$ -	\$ -	\$ 58,162
Capital assets being depreciated				
Leasehold improvements	334,064	350,817	-	684,881
General and administrative equipment	210,724	-	-	210,724
Equipment	533,707	84,641	(14,559)	603,789
Equipment under capital lease	157,621	-	-	157,621
Subtotal	1,236,116	435,458	(14,559)	1,657,015
Less accumulated depreciation for:				
Leasehold improvements	(180,950)	(27,634)	-	(208,584)
General and administrative equipment	(206,268)	(1,784)	-	(208,052)
Equipment	(443,189)	(29,231)	14,276	(458,144)
Equipment under capital lease	(157,621)	-	-	(157,621)
Subtotal	(988,028)	(58,649)	14,276	(1,032,401)
Net capital assets being depreciated	248,088	376,809	(283)	624,614
Capital assets, net	<u>\$ 306,250</u>	<u>\$ 376,809</u>	<u>\$ (283)</u>	<u>\$ 682,776</u>
	Restated Balance Jan. 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2013
Metro Transit				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	2,036,061	813,002	(2,836,329)	12,734
Subtotal	4,048,692	813,002	(2,836,329)	2,025,365
Capital assets being depreciated				
Building and improvements	18,150,675	14,176	-	18,164,851
Land improvements	399,835	-	-	399,835
Machinery and equipment	2,354,228	103,051	-	2,457,279
Vehicles	14,378,549	1,835,395	(1,197,515)	15,016,429
Intangible assets	63,020	2,836,329	-	2,899,349
Subtotal	35,346,307	4,788,951	(1,197,515)	38,937,743
Less accumulated depreciation for:				
Building and improvements	(5,682,089)	(508,239)	-	(6,190,328)
Land improvements	(330,818)	(8,949)	-	(339,767)
Machinery and equipment	(1,837,990)	(189,699)	-	(2,027,689)
Vehicles	(7,688,860)	(1,153,412)	1,197,515	(7,644,757)
Intangible assets	(10,005)	(155,846)	-	(165,851)
Subtotal	(15,549,762)	(2,016,145)	1,197,515	(16,368,392)
Net capital assets being depreciated	19,796,545	2,772,806	-0-	22,569,351
Capital assets, net	<u>\$ 23,845,237</u>	<u>\$ 3,585,808</u>	<u>\$ (2,836,329)</u>	<u>\$ 24,594,716</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended December 31, 2013.

Primary Government

	Restated Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013	Amounts Due Within One Year
Governmental Activities					
General obligation bonds	\$ 48,897,293	\$ 4,000,000	\$ (4,528,958)	\$ 48,368,335	\$ 4,400,825
Revenue bonds	5,595,000	-	(1,355,000)	4,240,000	1,205,000
Special assessment bonds	45,000	-	(45,000)	-0-	-
Compensated absences	6,367,420	2,246,361	(2,748,491)	5,865,290	853,526
Environmental matters	15,000	211,469	-	226,469	-
Uninsured claim liability	3,258,896	18,711,122	(18,276,862)	3,693,156	2,070,691
Subtotal	64,178,609	25,168,952	(26,954,311)	62,393,250	8,530,042
Deferred amounts on refunding	324,194	62,025	(34,995)	351,224	33,952
Total Governmental Activities	64,502,803	25,230,977	(26,989,306)	62,744,474	8,563,994
Business-type Activities					
General obligation bonds	852,707	200,000	(101,042)	951,665	129,175
Revenue bonds	32,500,000	-	(2,095,000)	30,405,000	2,325,000
Compensated absences	807,748	571,591	(598,329)	781,010	97,626
EDC contract	212,887	-	(29,695)	183,192	30,599
Equipment acquisitions	147,117	-	(29,903)	117,214	31,363
Subtotal	34,520,459	771,591	(2,853,969)	32,438,081	2,613,763
Deferred amounts on refunding	58,702	-	(3,903)	54,799	3,902
Total Business-type Activities	34,579,161	771,591	(2,857,872)	32,492,880	2,617,665
TOTAL PRIMARY GOVERNMENT	\$ 99,081,964	\$ 26,002,568	\$ (29,847,178)	\$ 95,237,354	\$ 11,181,659

Component Units

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 3,153,059	\$ -	\$ (685,885)	\$ 2,467,174	\$ 525,885
Rebated tax liabilities	700,000	-	(16,000)	684,000	17,920
Total Downtown Development Authority	\$ 3,853,059	\$ -0-	\$ (701,885)	\$ 3,151,174	\$ 543,805
Economic Development Corporation					
Compensated absences	\$ 26,795	\$ 5,463	\$ -	\$ 32,258	\$ 11,966
Brownfield Redevelopment Authority					
Compensated absences	\$ 12,009	\$ 3,524	\$ -	\$ 15,533	\$ 1,941
Metro Transit					
Compensated absences	\$ 201,844	\$ 512,400	\$ (540,878)	\$ 173,366	\$ 21,670

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued to refund both general obligation and revenue bonds.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

General Obligation Bonds - Concluded

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The original amount of the general obligation bonds issued was \$84,315,000. General obligation bonds currently outstanding are as follows:

Primary Government

	Issuance Date	Interest Rates	Restated Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013	Amounts Due Within One Year
Governmental Activities							
1992 Downtown Development	3/1/1992	5.50%-5.80%	\$ 225,000	\$ -	\$ (225,000)	\$ -0-	\$ -
1993 Downtown Development Refunding	6/15/1993	4.30%-5.50%	315,000	-	(315,000)	-0-	-
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	1,795,000	-	(600,000)	1,195,000	575,000
2003 Building Authority	1/27/2003	1.75%-3.75%	225,000	-	(225,000)	-0-	-
2004 Capital Improvement	4/27/2004	2.00%-4.70%	2,890,000	-	(775,000)	2,115,000	805,000
2005 Parking Ramp	4/11/2005	5.00%-5.25%	5,060,000	-	(255,000)	4,805,000	185,000
2005B Parking Ramp	10/12/2005	5.00%-5.25%	2,025,000	-	(115,000)	1,910,000	90,000
2005 Refunding	7/26/2005	5.125%-5.50%	6,575,000	-	(355,000)	6,220,000	370,000
2006A Building Authority	1/23/2006	4.85%-5.50%	2,370,000	-	(80,000)	2,290,000	90,000
2006B Building Authority	10/26/2006	4.00%-4.40%	3,305,000	-	(180,000)	3,125,000	190,000
2007 Capital Improvement	7/12/2007	3.90%-4.75%	705,000	-	(35,000)	670,000	35,000
2008 Capital Improvement	7/1/2008	3.25%-4.375%	3,290,000	-	(245,000)	3,045,000	255,000
2009 Capital Improvement	6/24/2009	2.50%-4.45%	3,900,000	-	(255,000)	3,645,000	265,000
2010 Capital Improvement	6/22/2010	2.00%-4.00%	2,555,000	-	(165,000)	2,390,000	165,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	2,110,000	-	(5,000)	2,105,000	385,000
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	2,867,293	-	(227,708)	2,639,585	228,503
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	4,460,000	-	(260,000)	4,200,000	265,000
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	4,225,000	-	(211,250)	4,013,750	254,460
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	-	4,000,000	-	4,000,000	242,862
Total Governmental Activities			48,897,293	4,000,000	(4,528,958)	48,368,335	4,400,825
Business-type Activities							
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	677,707	-	(92,292)	585,415	106,497
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	175,000	-	(8,750)	166,250	10,540
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	-	200,000	-	200,000	12,138
Total Business-type Activities			852,707	200,000	(101,042)	951,665	129,175
Total General Obligation Bonds			\$ 49,750,000	\$ 4,200,000	\$ (4,630,000)	\$ 49,320,000	\$ 4,530,000

* These debt issues are split between governmental and business-type activities

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued was \$12,450,000 for governmental activities. The gas and weight tax revenue from the State of Michigan is pledged for payment of the governmental activity bonds through 2022. In 2013, pledged revenue of \$5,210,499 funded debt service of \$1,531,264. The original amount of revenue bonds issued was \$34,290,000 for business-type activities. The revenue from Water and Wastewater system usage net of operating expense, maintenance and administration of the system, or the "net revenue" as defined in Michigan Public Act 94 of 1933 section 3, as well as investment income is pledged for payment of the business-type activity bonds through 2034. In 2013 pledged revenues of \$10,429,748 funded debt service of \$13,987,361. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013	Amounts Due Within One Year
Governmental Activities							
1998 Michigan Transportation Fund	4/1/1998	3.60%-4.75%	\$ 215,000	\$ -	\$ (215,000)	\$ -0-	\$ -
2004 Michigan Transportation Fund	4/27/2004	3.00%-3.70%	960,000	-	(470,000)	490,000	490,000
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	2,840,000	-	(235,000)	2,605,000	245,000
2011 Michigan Transportation Fund	7/26/2011	2.00%-3.00%	1,580,000	-	(435,000)	1,145,000	470,000
Total Governmental Activities			5,595,000	-0-	(1,355,000)	4,240,000	1,205,000

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

Revenue Bonds - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013	Amounts Due Within One Year
Business-type Activities							
2004 Water System Refunding	4/27/2004	2.00%-4.65%	\$ 3,855,000	\$ -	\$ (160,000)	\$ 3,695,000	\$ 170,000
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	2,895,000	-	(400,000)	2,495,000	450,000
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,660,000	-	(55,000)	1,605,000	60,000
2009 Wastewater System	12/22/2009	1.90%-6.66%	2,345,000	-	(70,000)	2,275,000	75,000
2009 Water Supply System	12/22/2009	5.57%-6.71%	7,685,000	-	-	7,685,000	5,000
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	2,590,000	-	(250,000)	2,340,000	315,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	6,100,000	-	(175,000)	5,925,000	255,000
2012 Wastewater System Refunding	6/5/2012	1.50%	5,370,000	-	(985,000)	4,385,000	995,000
Total Business-type Activities			32,500,000	-0-	(2,095,000)	30,405,000	2,325,000
Total Revenue Bonds			\$38,095,000	\$ -0-	\$(3,450,000)	\$ 34,645,000	\$3,530,000

Special Assessment Debt

The City issues special assessment limited tax bonds to provide funds for certain downtown street improvement projects. The City intends to repay this debt through collections of special assessments. However, these bonds are backed by the full faith and credit of the City and, in the event that special assessment revenues are insufficient to cover debt service expenditures, the City is obligated to make up any shortfall. The original amount of special assessment bonds was \$680,000. Special assessment bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013	Amounts Due Within One Year
Governmental Activities							
1999 Special Assessments Limited Tax	9/1/1999	4.40%-7.00%	\$ 45,000	\$ -	\$ (45,000)	\$ -0-	\$ -

Environmental Matters

Environmental matters represent the City's share of estimated costs associated with the cleanup of certain sites with soil contamination for which the City is named as a potentially responsible party.

Uninsured Claim Liability

The City estimates the liability for its self-insured coverage and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the City's third-party administrators for claims management and are recorded in the Insurance and Benefits internal service fund. The long-term portion of the workers' compensation liability has been discounted at a 6% present value factor. Changes in the estimated liability are as follows:

	2013	2012
Estimated liability, beginning of year	\$ 3,258,896	\$ 4,363,223
Estimated claims incurred, including changes in estimates	18,711,122	15,887,794
Claim payments	(18,276,862)	(16,992,121)
Estimated liability, end of year	\$ 3,693,156	\$ 3,258,896

The General Fund, Major Streets, Local Streets, Solid Waste, and Neighborhood and Community Development funds are typically used to liquidate the uninsured claim liabilities through an indirect fringe fee paid to the Insurance and Benefits internal service fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

EDC Contract

The 2009 Contract payable, Economic Development Corporation, is payable in monthly installments of \$2,973, including interest of 3.00% per annum, through July 2019.

Equipment Acquisitions

The 2009 Advances payable, Milham Park Enterprises, bears interest of 1% per year, and matured in 2012.

The 2011 PNC equipment acquisition note is payable in annual installments of \$22,262, including imputed interest of 4.650%, through April 2016. The 2012 PNC equipment acquisition note is payable in monthly installments of \$1,196, including imputed interest of 5.26%, through April 2018.

Compensated Absences

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$5,865,290 and \$781,010 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2013. Of those amounts, \$853,526 and \$97,626 have been recorded as current liabilities for governmental and business-type activities, respectively.

The General Fund, Major Streets, Local Streets, Solid Waste, and Neighborhood and Community Development funds are typically used to liquidate the liabilities of compensated absences. These funds liquidate vacation, compensated absences, and normal sick leave as a direct payout. The funds are primarily used to liquidate sick leave payouts for retiring employees through an indirect fringe fee paid to the Insurance and Benefits internal service fund.

Advance and Current Refundings

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2013, \$14,125,000 of bonds outstanding from current and prior year refundings are considered defeased.

No Commitment Debt

Excluded from the statement of net position are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation and Hospital Finance Authority to acquire and lease property to third parties. The revenue bonds used are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts, amounting to \$387,690,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

Component Units

Downtown Development Authority

Long-term bonds and notes at December 31, 2013, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2004 Revenue Bonds	11/1/2014	4.40%	\$ 80,000
Catalyst Development Co. 3, L.L.C. Note	12/1/2014	7.00%	<u>327,174</u>
			<u>\$ 407,174</u>

The Downtown Development Authority is also responsible for rebated tax liabilities with a balance of \$684,000 as of December 31, 2013 and debt service payments on \$2,060,000 of outstanding governmental activities general obligation bonds.

Economic Development Corporation

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the EDC follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$32,258 for vacation and sick at December 31, 2013. Of that total amount, \$11,966 has been recorded as a current liability.

Brownfield Redevelopment Authority

In accordance with City personnel policies and/or contracts negotiated with various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As a component unit of the City, the BRDA follows those policies. The dollar amount of these vested rights, including related payroll taxes, amounted to \$15,533 for vacation and sick at December 31, 2013. Of that total amount, \$1,941 has been recorded as a current liability.

Metro Transit

In accordance with the City of Kalamazoo Metro Transit System's personnel policies and/or contracts negotiated with the various employee groups of the System, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$173,366 for vacation and sick at December 31, 2013. The amounts of \$21,670 and \$151,696 have been reported as current and noncurrent liabilities, respectively.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: LONG-TERM DEBT - CONCLUDED

The annual requirements to pay the debt principal and interest outstanding for bonds and loans are as follows:

Year Ending Dec. 31,	Primary Government							
	General Obligation Bonds				Revenue Bonds			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,400,825	\$ 1,909,089	\$ 129,175	\$ 29,472	\$ 1,205,000	\$ 132,808	\$ 2,325,000	\$ 1,296,673
2015	3,545,707	1,765,727	139,293	25,821	730,000	104,293	2,380,000	1,235,983
2016	3,665,508	1,642,436	139,492	21,874	465,000	87,143	1,680,000	1,170,627
2017	3,755,667	1,503,004	144,333	17,341	275,000	74,205	1,670,000	1,130,118
2018	3,635,709	1,354,919	149,291	12,032	290,000	62,478	1,670,000	1,087,689
2019-2023	16,770,249	4,834,016	124,751	26,850	1,275,000	116,907	6,175,000	4,733,480
2024-2028	11,799,670	1,460,706	125,330	9,521	-	-	6,150,000	3,439,155
2029-2033	795,000	42,788	-	-	-	-	7,095,000	1,684,579
2034	-	-	-	-	-	-	1,260,000	84,469
	<u>\$ 48,368,335</u>	<u>\$ 14,512,685</u>	<u>\$ 951,665</u>	<u>\$ 142,911</u>	<u>\$ 4,240,000</u>	<u>\$ 577,834</u>	<u>\$ 30,405,000</u>	<u>\$ 15,862,773</u>

Year Ending Dec. 31,	Primary Government				Component Units Downtown Development Authority	
	EDC Contract		Equipment Acquisitions		Principal	Interest
	Principal	Interest	Principal	Interest		
	2014	\$ 30,599	\$ 5,077	\$ 31,363	\$ 5,452	\$ 543,805
2015	31,529	4,147	32,894	3,921	400,070	159,030
2016	32,488	3,188	34,501	2,315	427,479	135,913
2017	33,476	2,199	13,723	630	470,176	110,692
2018	34,495	1,181	4,733	51	739,486	83,841
2019-2029	20,605	207	-	-	570,158	447,699
	<u>\$ 183,192</u>	<u>\$ 15,999</u>	<u>\$ 117,214</u>	<u>\$ 12,369</u>	<u>\$ 3,151,174</u>	<u>\$ 1,123,418</u>

NOTE H: SHORT-TERM DEBT

During the year ended December 31, 2013, the City issued and repaid \$3,000,000 of tax revenue anticipation notes. The purpose of this short-term debt is to provide liquidity for the governmental operations financed by property taxes, which are collected throughout the year.

	Issuance Date	Interest Rate	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
Tax Anticipation Note, Series 2013	1/8/2013	1.00%	<u>\$ -0-</u>	<u>\$ 3,000,000</u>	<u>\$ (3,000,000)</u>	<u>\$ -0-</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I: DEFINED BENEFIT PENSION PLAN

Plan Description

The Employees' Retirement System is the administrator of a single-employer defined benefit contributory plan that covers all full-time employees and some part-time employees of the City. The Plan was originally established by City ordinance on February 5, 1952, and is maintained as a Pension Trust Fund in the accompanying financial statements. Plan benefit provisions were established and may be amended under the authority of City ordinances. The System provides retirement benefits, as well as death and disability benefits. The System issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to the City of Kalamazoo Employees' Retirement System, 241 W. South Street, MI 49007.

Summary of Significant Accounting Policies

The financial statements of the Employees' Retirement System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Funding Policy

Plan members are required to contribute between 1.0 to 6.5% of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for year ended December 31, 2013, however, the City voluntarily contributed \$905,746 to the Plan.

Annual Pension Cost

For year ended December 31, 2013, the City's annual pension cost was \$-0-. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a net 7.5% per year investment rate of return compounded annually, consisting of a long-term rate of pay inflation of 4.0% per year (which includes price inflation of 3.0%) plus investment expenses of 0.5% plus a real rate of return of 3.5% per year (b) projected salary increases of 4.0% percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 4.0% to 12.0% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. When applicable, the unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on an open basis.

Schedule of Funding Progress:

	2011	As of December 31, 2012	2013
Actuarial value of assets	\$ 509,931,421	\$ 505,234,953	\$ 547,923,629
Actuarial accrued liability (AAL)	380,802,126	420,711,365	432,148,526
Overfunded AAL (OAAL)	129,129,295	84,523,588	115,775,103
Funded ratio	134%	120%	127%
Annual covered payroll	42,305,663	36,538,969	36,331,892
Ratio of OAAL to covered payroll	305.2%	231.3%	318.7%

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I: DEFINED BENEFIT PENSION PLAN - CONCLUDED

Annual Pension Cost

Schedule of employer contributions:

	Year Ended December 31,		
	2011	2012	2013
Annual pension cost	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

NOTE J: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Kalamazoo Postretirement Welfare Benefits Plan (the "Plan") is a single-employer defined other post-employment benefit plan administered by the City of Kalamazoo. The City provides medical and dental insurance benefits to eligible retirees and their spouses. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. In addition to the healthcare benefits described above, the Plan provides a death benefit of \$1,000 to all eligible retirees. The Plan issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to the City of Kalamazoo Other Post-Employment Benefits Trust, 241 W. South Street, MI 49007.

The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45) required disclosures that have been implemented prospectively by the City.

Membership in the plan at December 31, 2011 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	776
Active plan members	710
	<u>1,486</u>

Funded Status and Funding Progress

The Plan's funding policy provides for periodic contributions by the City at actuarially determined rates expressed as a percentage of annual covered payroll. The City is required to contribute at a rate of 41.7% of annual covered payroll. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The City employees are expected to contribute 0.5% of their annual covered payroll.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities or benefits.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDED

Actuarial Methods and Assumptions - Concluded

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For year ended December 31, 2013, the City's annual cost for other post-employment benefits (OPEB) was \$13,512,540. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 4.0% investment rate of return (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0.0% to 12.0% per year depending on age, seniority and merit, (d) the healthcare cost trend inflation rate of 4.0% to 8.0%, and (e) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on a closed basis.

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 14,648,903
Interest on net OPEB obligation	2,549,314
Adjustment to annual required contribution	<u>(3,685,677)</u>
Annual OPEB cost	13,512,540
Contributions made	<u>14,614,728</u>
Increase in net OPEB obligation	(1,102,188)
Net OPEB obligation - beginning of year	<u>63,732,853</u>
Net OPEB obligation - end of year	<u><u>\$ 62,630,665</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended December 31, were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual OPEB cost	\$ 23,417,368	\$ 13,777,124	\$ 13,512,540
Percentage contributed	28.5%	49.6%	108.2%
Net OPEB obligation	56,790,113	63,732,853	62,630,665

The schedule of funding progress of the plan based on the most recent valuations is as follows:

	<u>2007</u>	<u>2009</u>	<u>2011</u>
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	206,854,739	263,182,000	190,631,174
Unfunded AAL (UAAL)	206,854,739	263,182,000	190,631,174
Funded ratio	0%	0%	0%
Annual covered payroll	45,214,897	44,060,796	44,227,533
Ratio of UAAL to covered payroll	457.5%	597.3%	431.0%

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE K: RISK MANAGEMENT

The City 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 City has purchased commercial insurance for excess claims for workers' compensation, medical claims, general and auto liability, auto physical damage and property loss claims. The City is primarily self-insured for workers' compensation, medical claims, general liability and property damage claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The City participates in the Michigan Municipal Risk Management Authority (the Authority) risk pool for claims relating to general and auto liability including medical malpractice, auto physical damage, and property loss claims. The Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for the losses in excess of member retention amounts. Although premiums are paid annually to the Authority that are used to pay claims to the retention limits, the ultimate liability for those claims remains with the City.

NOTE L: CONTINGENT LIABILITIES

Lawsuits

The City is a defendant in various legal actions arising in the normal course of its activities including certain discrimination cases on file with the Equal Employment Opportunity Commission and the Michigan Department of Civil Rights. In the opinion of the City Attorney and management, the potential uninsured liability that may result from these actions should not exceed amounts either reserved in the Insurance and Benefits Fund (an internal service fund) or included in funds maintained by the City's claims administrators.

Environmental

The City of Kalamazoo has identified a number of sites within its boundaries that are in need of environmental remediation. Some are privately-held properties, and some are owned by the County and/or the City of Kalamazoo. The City of Kalamazoo has been named as a Potentially-Responsible Party (PRP) by the U.S. Environmental Protection Agency (EPA) in two such sites: the Cork Street Landfill and the Auto Ion site. The City has also entered into cleanup agreements, although not named as a PRP, for two other sites. Based on currently available information, the City has recorded liabilities for the net present value of estimated response costs for these sites in the amount of \$226,469 in the government-wide statements. The City has set aside \$581,682 in its Cork Street Landfill construction fund to cover the estimated net present value of costs associated with that site. The landfills do not accept municipal waste as defined by the EPA; therefore, the Government Accounting Standard Board rules on closure and post-closure care costs do not apply.

The City has entered into trust agreements for three of these sites. It acts as Executive Agent for the Cork Street Landfill Trust, the other two trusts being administered by other parties. The Cork Street Landfill Trust is recorded in the Cork Street Landfill Cap Construction Fund. In 2000, the City issued \$1.3 million in environmental bonds for a portion of its share of the costs for the Cork Street landfill. The proceeds of the bonds were placed in the trust; however, the City is solely responsible for the repayment of those bonds, the outstanding balance of which is recorded in the Statement of Net Position.

Commitments

The City is obligated for construction contracts relating to various construction projects in the amount of \$2,934,210, bus purchases for \$3,778,197, community development grants for \$788,735, and general contractual commitments for \$1,673,023. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE M: BUDGET/GAAP RECONCILIATION

The Statement and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual are presented on the same basis of accounting used in preparing the adopted budget. The following schedule reconciles the amounts on those schedules to the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds.

	Budgetary Basis	Accounting Basis Difference	GAAP Basis
General Fund			
Unavailable revenue	\$ 892,042	\$ 2,220,605	\$ 3,112,647
Property taxes	28,834,155	148,791	28,982,946
Fund balance, beginning of year	10,056,433	(2,369,396)	7,687,037
Fund balance, end of year	7,702,671	(2,220,605)	5,482,066
Solid Waste Fund			
Unavailable revenue	-	162,397	162,397
Property taxes	2,192,273	(2,269)	2,190,004
Fund balance, beginning of year	1,340,100	(160,128)	1,179,972
Fund balance, end of year	1,024,933	(162,397)	862,536

NOTE N: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2013:

PRIMARY GOVERNMENT

Governmental Activities

Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	4,032,308
Solid waste program	862,536
Parks and recreation	919,450
Neighborhood and community development	1,233,812
Other purposes	
Drug enforcement	965,296
Public safety	9,026
Cemetery perpetual care	2,504,423
Capital improvements	1,154,093
Grants and donations	358,289
	<u>\$ 15,666,797</u>

Business-type Activities

Restricted for bond reserves	
Wastewater Fund	\$ 902,532
Water Fund	1,929,428
	<u>\$ 2,831,960</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE O: SUBSEQUENT EVENTS

The City issued three bonds and one note after the end of the fiscal year. On January 21, 2014 the Tax Anticipation Notes, Series 2014, was obligated for \$3,000,000. On May 1, 2014, the City issued Water Supply System Revenue Refunding Bonds, Series 2014, of \$11,170,000, the Wastewater System Revenue Bonds, Series 2014, of \$2,285,000, and 2014 Capital Improvement and Refunding Bonds (Limited Tax General Obligation), of \$5,660,000.

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, City of Kalamazoo's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is a Board Resolution.

For assigned fund balance, the Board of Commissioners has not approved a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Commissioners.

For the classification of fund balances, City of Kalamazoo considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Inventory	\$ 114,323	\$ 271,400	\$ 385,723
Prepays	57,396	-	57,396
Advances	340,000	2,377,262	2,717,262
Notes receivable	126,114	1,498,387	1,624,501
Cemetery perpetual care	-	1,735,160	1,735,160
Endowments	-	1,892,404	1,892,404
Restricted			
Highways	-	3,103,584	3,103,584
Solid waste	-	862,536	862,536
Grants and donations	-	837,594	837,594
Drug enforcement	-	965,296	965,296
Recreation activities	-	577,804	577,804
Park activities	-	341,646	341,646
Cemetery perpetual care	-	2,504,423	2,504,423
Debt service	-	63,026	63,026
Public safety	-	9,026	9,026
Capital improvements	-	1,154,093	1,154,093
Committed			
Economic development programs	-	1,366,795	1,366,795
Capital projects	-	94,224	94,224
Cemeteries	-	249,394	249,394
Assigned			
Subsequent year's expenditures	922,527	-	922,527
Unassigned	3,921,706	-	3,921,706
 TOTAL FUND BALANCES	 <u>\$ 5,482,066</u>	 <u>\$ 19,904,054</u>	 <u>\$ 25,386,120</u>

NOTE Q: RESTATEMENT OF FUND BALANCE/NET POSITION

Beginning net position of the governmental activities was restated by (\$592,167) as follows:

- \$545,706 to correct an error in the prior year, understated net pension asset, and
- (\$1,137,873) to eliminate unamortized bond issuance costs.

This restatement resulted in a restated beginning net position in the governmental activities of \$101,183,764.

Beginning net position of the business-type activities was restated by (\$375,864) as follows:

- \$292,864 to correct an error in the prior year, understated net pension asset,
- (\$792,846) to eliminate unamortized bond issuance costs, and
- \$124,118 to include the Kalamazoo Municipal Golf Association as a fund of the City.

This restatement resulted in a restated beginning net position in the business-type activities of \$163,284,172.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE Q: RESTATEMENT OF FUND BALANCE/NET POSITION - CONCLUDED

Beginning fund balance of the nonmajor governmental funds was restated by (\$175,000) to reclassify an advance to the Kalamazoo Municipal Golf Association. This resulted in a restated beginning fund balance of \$19,699,230.

Beginning net position of the Wastewater Fund was restated by (\$166,150) as follows:

- \$169,358 to correct an error in the prior year, understated net pension asset and
- (\$335,508) to eliminate unamortized bond issuance costs.

This restatement resulted in a restated beginning net position in the Wastewater Fund of \$87,199,956.

Beginning net position of the Water Fund was restated by (\$334,985) as follows:

- \$122,353 to correct an error in the prior year, understated net pension asset and
- (\$457,338) to eliminate unamortized bond issuance costs.

This restatement resulted in a restated beginning net position in the Water Fund of \$75,845,310.

Beginning net position of the nonmajor enterprise funds was restated by \$125,271 as follows:

- \$1,153 to correct an error in the prior year, understated net pension asset and
- \$124,118 to include the Kalamazoo Municipal Golf Association as a fund of the City.

This restatement resulted in a restated beginning net position in the nonmajor enterprise funds of \$238,906.

Beginning net position of the aggregate discreetly presented component units was restated by (\$56,942) as follows:

- \$67,176 to correct an error in the prior year, understated net pension asset (Metro Transit) and,
- (\$124,118) to reclassify the Kalamazoo Municipal Golf Association as a fund of the City.

This restatement resulted in a restated beginning net position in the aggregate discretely presented component units of \$24,994,286.

NOTE R: CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, was implemented during the current year. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Downtown Development Authority, Economic Development Corporation, Brownfield Redevelopment Authority, Hospital Finance Authority, Local Development Finance Authority, and Metro Transit System continue to meet the criteria for classification as discretely presented component units of the City of Kalamazoo. The Kalamazoo Municipal Golf Association now meets the criteria for classification as a fund of the City.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented during the current year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE S: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The statement will establish accounting and financial reporting requirements related to defined benefit pension plans and specify the required approach to measuring the pension liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the City's 2014 fiscal year.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the City's 2015 fiscal year.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The City is currently evaluating the impact this standard will have on its financial statements when adopted for the City's 2014 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Kalamazoo

DEFINED BENEFIT PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Overfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2013	\$ 547,923,629	\$ 432,148,526	\$ 115,775,103	126.8%	\$ 36,331,892	318.7%
12/31/2012	505,234,953	420,711,365	84,523,588	120.1%	36,538,969	231.3%
12/31/2011	509,931,421	380,802,126	129,129,295	133.9%	42,305,663	305.2%
12/31/2010	518,339,022	367,423,552	150,915,470	141.1%	43,007,800	350.9%
12/31/2009	509,060,409	358,160,400	150,900,009	142.1%	44,435,753	339.6%
12/31/2008	506,592,573	344,799,153	161,793,420	146.9%	44,159,590	366.4%
12/31/2007	500,788,244	327,242,870	173,545,374	153.0%	42,889,419	404.6%
12/31/2006	463,280,966	312,101,938	151,179,028	148.4%	42,164,958	358.5%
12/31/2005	422,565,761	294,416,007	128,149,754	143.5%	40,944,435	313.0%
12/31/2004	390,615,277	265,080,190	125,535,087	147.4%	41,989,819	299.0%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Annual Actual Contribution	Percentage Contribution
2013	\$ -	\$ 905,746	N/A
2012	-	905,746	N/A
2011	-	-	N/A
2010	-	-	N/A
2009	-	-	N/A
2008	-	-	N/A
2007	-	-	N/A
2006	-	-	N/A
2005	-	-	N/A
2004	-	-	N/A

City of Kalamazoo

OTHER POST-EMPLOYMENT BENEFITS PLAN

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Underfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/2011	\$ -	\$ 190,631,174	\$ 190,631,174	0.0%	\$ 44,227,533	431.0%
12/31/2009	\$ -	\$ 263,181,931	\$ 263,181,931	0.0%	\$ 44,060,796	597.3%
12/31/2007	\$ -	\$ 206,854,739	\$ 206,854,739	0.0%	\$ 45,214,897	457.5%

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contribution</u>
2013	\$ 13,512,540	108%
2012	13,777,124	50%
2011	23,417,368	29%
2010	22,717,456	32%
2009	18,959,646	34%
2008	18,129,246	34%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

NOTE A: DEFINED BENEFIT PENSION AND OPEB PLANS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, healthcare cost trends and other factors. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuations follows:

Defined Benefit Pension Plan

Actuarial valuation:	
Frequency	Annual
Latest date	December 31, 2013
Basis for contribution	December 31, 2012
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	Rolling 10 year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	4.0% - 12.0%
*Includes inflation at:	4.0%
Cost-of living adjustments	Determined annually

OPEB Plan

Actuarial valuation:	
Frequency	Biennially
Latest date	December 31, 2011
Basis for contribution	December 31, 2011
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an closed basis
Remaining amortization period	Rolling 10 year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	4.0%
Projected salary increases	4.0% - 16.0%
*Includes inflation at:	4.0%
Healthcare cost trend rate	4.0% - 8.0%

City of Kalamazoo

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the total expenditure level for the General Fund and the Special Revenue Funds.

During the year ended December 31, 2013, the City incurred expenditures in the Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Fund Public Safety Contracts	\$ 315,157	\$ 367,432	\$ 52,275

OTHER SUPPLEMENTARY INFORMATION

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS					
Cash and cash equivalents	\$ 3,750,297	\$ 63,539	\$ 130,120	\$ 111,937	\$ 4,055,893
Cash and cash equivalents - restricted	1,749,339	-	2,916,310	-	4,665,649
Investments	2,232,895	-	-	4,145,736	6,378,631
Investments with agents	23,341	-	-	2,811,854	2,835,195
Receivables					
Accounts	169,602	237	354,446	-	524,285
Special assessments	-	416	-	-	416
Taxes	184,590	-	-	-	184,590
Notes	1,398,387	-	100,000	-	1,498,387
Due from other funds	606,888	-	228,014	-	834,902
Due from other governmental units	1,790,528	2,105,000	100,665	-	3,996,193
Advances to other governmental units	2,377,262	-	-	-	2,377,262
Inventories	271,400	-	-	-	271,400
TOTAL ASSETS	\$ 14,554,529	\$ 2,169,192	\$ 3,829,555	\$ 7,069,527	\$ 27,622,803
LIABILITIES					
Accounts payable	\$ 701,149	\$ -	\$ 34,018	\$ 15,000	\$ 750,167
Accrued liabilities	26,057	-	-	3,090	29,147
Due to other funds	1,876,305	513	1,817,296	-	3,694,114
Due to other governmental units	11,124	-	-	-	11,124
Deposits payable	112,777	-	581,682	-	694,459
Unearned revenue	170,816	-	-	-	170,816
TOTAL LIABILITIES	2,898,228	513	2,432,996	18,090	5,349,827
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	215,027	2,105,653	48,242	-	2,368,922
FUND BALANCES					
Nonspendable	4,047,049	-	100,000	3,627,564	7,774,613
Restricted	5,778,036	63,026	1,154,093	3,423,873	10,419,028
Committed	1,616,189	-	94,224	-	1,710,413
TOTAL FUND BALANCES	11,441,274	63,026	1,348,317	7,051,437	19,904,054
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,554,529	\$ 2,169,192	\$ 3,829,555	\$ 7,069,527	\$ 27,622,803

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES					
Property taxes	\$ 2,190,004	\$ -	\$ -	\$ -	\$ 2,190,004
Intergovernmental	8,603,138	-	1,034,543	-	9,637,681
Charges for services	609,679	-	-	34,108	643,787
Fines and forfeits	227,201	-	-	-	227,201
Interest and rents	58,938	2,228,623	2,135	150,535	2,440,231
Net investment earnings	4,019	-	-	1,049,196	1,053,215
Other	290,554	4,504	500,991	1,478	797,527
TOTAL REVENUES	11,983,533	2,233,127	1,537,669	1,235,317	16,989,646
EXPENDITURES					
Current					
General government	397,534	-	-	21,750	419,284
Public safety	932,898	-	-	-	932,898
Public works	2,508,298	-	-	-	2,508,298
Streets	7,143,870	-	-	-	7,143,870
Community and economic development	2,629,095	-	-	-	2,629,095
Parks and recreation	196,096	-	-	100,284	296,380
Debt service					
Principal	-	5,928,958	-	-	5,928,958
Interest and fiscal charges	-	2,269,508	-	-	2,269,508
Capital outlay	-	-	2,123,126	-	2,123,126
TOTAL EXPENDITURES	13,807,791	8,198,466	2,123,126	122,034	24,251,417
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,824,258)	(5,965,339)	(585,457)	1,113,283	(7,261,771)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	3,000,000	-	1,000,000	-	4,000,000
Bond premium	-	-	62,025	-	62,025
Transfers in	2,080,813	5,934,750	2,464,019	-	10,479,582
Transfers out	(3,790,942)	-	(3,037,031)	(247,039)	(7,075,012)
TOTAL OTHER FINANCING SOURCES (USES)	1,289,871	5,934,750	489,013	(247,039)	7,466,595
NET CHANGE IN FUND BALANCES	(534,387)	(30,589)	(96,444)	866,244	204,824
Restated fund balances, beginning of year	11,975,661	93,615	1,444,761	6,185,193	19,699,230
Fund balances, end of year	\$ 11,441,274	\$ 63,026	\$ 1,348,317	\$ 7,051,437	\$ 19,904,054

NONMAJOR SPECIAL REVENUE FUNDS

Major Streets - The Major Street fund accounts for the construction, maintenance, and repairs of all major streets. Revenues received include state-shared gas and weight taxes, local contributions, etc. This is a Special Revenue Fund because it is used to control the expenditures of motor fuel taxes, which are earmarked by law and the state constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

Local Streets - The Local Street fund accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, etc. This is a Special Revenue Fund because it is used to control the expenditures of motor fuel taxes, which are earmarked by law and the state constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

Cemeteries - The Cemeteries Fund is used to account for the earmarked revenues set aside for the purpose of operating the City's cemeteries. This fund is classified as a Special Revenue Fund because of the comparatively limited usage of the assets in this fund.

Solid Waste - The Solid Waste Fund accounts for revenues provided by a special tax millage for the collection and removal of solid waste. This millage was authorized by a vote of the people. This fund is classified as a Special Revenue Fund because of the limited usage of the assets in this fund.

Neighborhood and Community Development - The Neighborhood and Community Development Fund is used to account for a variety of federal awards programs, including Community Development Block Grant, housing development, rental assistance, and several other programs.

Economic Development Programs - The Economic Development Programs Fund is used to account for monies appropriated by the City Commission for economic development activities, such as business loans and loans to the Economic Development Corporation component unit.

Grants and Donations - The Grants and Donations Fund is used to account for a variety of federal award programs, most notably the City's Neighborhood Stabilization Program and JAG grants.

Drug Enforcement - The Drug Enforcement Fund is used to account for all proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333, 7521-7524). This fund is classified as a Special Revenue Fund because of the limited usage of its assets.

Public Safety Contracts - The Public Safety Contracts Fund is used to account for contractual public safety services provided to entities outside the primary government.

City of Kalamazoo
 Nonmajor Special Revenue Funds
 COMBINING BALANCE SHEET
 December 31, 2013

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
ASSETS				
Cash and cash equivalents	\$ 507,442	\$ 807,948	\$ 88,009	\$ 497,827
Cash and cash equivalents - restricted	1,544,279	205,060	-	-
Investments	-	-	179,200	639,534
Investments with agents	-	-	-	-
Receivables				
Accounts	11,896	-	9,385	-
Taxes	-	-	-	184,590
Notes	-	-	-	-
Due from other funds	94,485	277,937	-	3,132
Due from other governmental units	904,706	177,918	-	24,245
Advances to other governmental units	664,531	-	-	-
Inventories	264,193	-	-	-
TOTAL ASSETS	<u>\$ 3,991,532</u>	<u>\$ 1,468,863</u>	<u>\$ 276,594</u>	<u>\$ 1,349,328</u>
LIABILITIES				
Accounts payable	\$ 224,543	\$ 69,035	\$ 23,608	\$ 124,801
Accrued liabilities	-	-	-	-
Due to other funds	902,263	232,246	3,592	189,487
Due to other governmental units	-	-	-	10,107
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	1,126,806	301,281	27,200	324,395
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	162,397
FUND BALANCES				
Nonspendable	928,724	-	-	-
Restricted	1,936,002	1,167,582	-	862,536
Committed	-	-	249,394	-
TOTAL FUND BALANCES	<u>2,864,726</u>	<u>1,167,582</u>	<u>249,394</u>	<u>862,536</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,991,532</u>	<u>\$ 1,468,863</u>	<u>\$ 276,594</u>	<u>\$ 1,349,328</u>

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Public Safety Contracts	Total
\$ 503,540	\$ 710,580	\$ 177,567	\$ 457,384	\$ -	\$ 3,750,297
-	-	-	-	-	1,749,339
-	687,436	172,750	553,975	-	2,232,895
-	-	23,341	-	-	23,341
56,430	-	35,655	3,833	52,403	169,602
-	-	-	-	-	184,590
747,300	651,087	-	-	-	1,398,387
50,402	963	159,935	168	19,866	606,888
488,403	1,625	148,727	6,957	37,947	1,790,528
-	1,712,731	-	-	-	2,377,262
7,207	-	-	-	-	271,400
<u>\$ 1,853,282</u>	<u>\$ 3,764,422</u>	<u>\$ 717,975</u>	<u>\$ 1,022,317</u>	<u>\$ 110,216</u>	<u>\$ 14,554,529</u>
\$ 159,475	\$ -	\$ 79,371	\$ 20,316	\$ -	\$ 701,149
-	-	-	26,057	-	26,057
271,967	33,191	136,286	6,083	101,190	1,876,305
218	618	181	-	-	11,124
108,212	-	-	4,565	-	112,777
26,968	-	143,848	-	-	170,816
566,840	33,809	359,686	57,021	101,190	2,898,228
52,630	-	-	-	-	215,027
754,507	2,363,818	-	-	-	4,047,049
479,305	-	358,289	965,296	9,026	5,778,036
-	1,366,795	-	-	-	1,616,189
<u>1,233,812</u>	<u>3,730,613</u>	<u>358,289</u>	<u>965,296</u>	<u>9,026</u>	<u>11,441,274</u>
<u>\$ 1,853,282</u>	<u>\$ 3,764,422</u>	<u>\$ 717,975</u>	<u>\$ 1,022,317</u>	<u>\$ 110,216</u>	<u>\$ 14,554,529</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 2,190,004
Intergovernmental	4,718,573	1,194,348	-	-
Charges for services	-	-	169,065	-
Fines and forfeits	-	-	-	-
Interest	3,969	1,787	184	858
Net investment earnings	-	-	-	-
Other	9,174	150	-	-
TOTAL REVENUES	4,731,716	1,196,285	169,249	2,190,862
EXPENDITURES				
Current				
General government	-	-	397,534	-
Public safety	-	-	-	-
Public works	-	-	-	2,508,298
Streets	4,534,356	2,609,514	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
TOTAL EXPENDITURES	4,534,356	2,609,514	397,534	2,508,298
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	197,360	(1,413,229)	(228,285)	(317,436)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,000,000	1,000,000	-	-
Transfers in	23,340	1,320,396	247,039	-
Transfers out	(2,638,133)	(759,605)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(614,793)	1,560,791	247,039	-0-
NET CHANGE IN FUND BALANCES	(417,433)	147,562	18,754	(317,436)
Fund balances, beginning of year	3,282,159	1,020,020	230,640	1,179,972
Fund balances, end of year	<u>\$ 2,864,726</u>	<u>\$ 1,167,582</u>	<u>\$ 249,394</u>	<u>\$ 862,536</u>

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Public Safety Contracts	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,190,004
2,240,237	160,997	264,517	24,466	-	8,603,138
15,250	-	33,606	15,300	376,458	609,679
-	-	-	227,201	-	227,201
93	51,085	200	762	-	58,938
-	-	4,019	-	-	4,019
6,800	400	235,389	38,641	-	290,554
2,262,380	212,482	537,731	306,370	376,458	11,983,533
-	-	-	-	-	397,534
-	-	235,220	330,246	367,432	932,898
-	-	-	-	-	2,508,298
-	-	-	-	-	7,143,870
2,441,797	72,377	114,921	-	-	2,629,095
-	-	196,096	-	-	196,096
2,441,797	72,377	546,237	330,246	367,432	13,807,791
(179,417)	140,105	(8,506)	(23,876)	9,026	(1,824,258)
-	-	-	-	-	3,000,000
393,204	-	96,834	-	-	2,080,813
-	(393,204)	-	-	-	(3,790,942)
393,204	(393,204)	96,834	-0-	-0-	1,289,871
213,787	(253,099)	88,328	(23,876)	9,026	(534,387)
1,020,025	3,983,712	269,961	989,172	-	11,975,661
<u>\$ 1,233,812</u>	<u>\$ 3,730,613</u>	<u>\$ 358,289</u>	<u>\$ 965,296</u>	<u>\$ 9,026</u>	<u>\$ 11,441,274</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL

Year Ended December 31, 2013

	<u>Major Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental				
Federal revenue	\$ 1,885,000	\$ 1,885,000	\$ -	\$ (1,885,000)
State trunkline maintenance	250,000	250,000	220,589	(29,411)
Gas and weight tax distribution	4,107,326	4,107,326	4,064,225	(43,101)
Other state revenue	265,000	289,971	433,759	143,788
Interest	5,000	5,000	3,969	(1,031)
Other	5,000	5,000	9,174	4,174
	<u>6,517,326</u>	<u>6,542,297</u>	<u>4,731,716</u>	<u>(1,810,581)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Streets				
Administration	1,122,797	1,122,797	1,171,161	(48,364)
Repair	359,586	359,586	442,125	(82,539)
Maintenance	891,159	891,159	634,758	256,401
Pavement painting	61,000	61,000	91,423	(30,423)
Traffic signals	256,074	256,074	252,067	4,007
Traffic signs	20,200	20,200	45,511	(25,311)
Construction	3,885,000	5,498,529	1,897,311	3,601,218
	<u>6,595,816</u>	<u>8,209,345</u>	<u>4,534,356</u>	<u>3,674,989</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(78,490)	(1,667,048)	197,360	1,864,408
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,000,000	2,000,000	2,000,000	-0-
Transfers in	23,343	23,343	23,340	(3)
Transfers out	(2,609,374)	(2,609,374)	(2,638,133)	(28,759)
	<u>(586,031)</u>	<u>(586,031)</u>	<u>(614,793)</u>	<u>(28,762)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	(664,521)	(2,253,079)	(417,433)	1,835,646
Fund balance, beginning of year	<u>3,282,159</u>	<u>3,282,159</u>	<u>3,282,159</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 2,617,638</u>	<u>\$ 1,029,080</u>	<u>\$ 2,864,726</u>	<u>\$ 1,835,646</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2013

	<u>Local Streets Fund</u>			
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental				
Gas and weight tax distribution	\$ 1,111,627	\$ 1,111,627	\$ 1,146,275	\$ 34,648
Federal grants	-	-	48,073	48,073
Interest	2,000	2,000	1,787	(213)
Other	3,000	3,000	150	(2,850)
TOTAL REVENUES	1,116,627	1,116,627	1,196,285	79,658
EXPENDITURES				
Current				
Streets				
Administration	856,548	856,548	810,504	46,044
Repair	320,287	320,287	231,312	88,975
Maintenance	843,070	843,070	541,874	301,196
Pavement painting	1,000	1,000	4,451	(3,451)
Traffic signs	13,600	13,600	26,750	(13,150)
Construction	1,000,000	1,164,123	994,623	169,500
TOTAL EXPENDITURES	3,034,505	3,198,628	2,609,514	589,114
EXCESS REVENUES (UNDER) EXPENDITURES	(1,917,878)	(2,082,001)	(1,413,229)	668,772
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,000,000	1,000,000	1,000,000	-0-
Transfers in	1,320,390	1,320,390	1,320,396	6
Transfers out	(754,587)	(754,587)	(759,605)	(5,018)
TOTAL OTHER FINANCING SOURCES (USES)	1,565,803	1,565,803	1,560,791	(5,012)
NET CHANGE IN FUND BALANCE	(352,075)	(516,198)	147,562	663,760
Fund balance, beginning of year	1,020,020	1,020,020	1,020,020	-0-
Fund balance, end of year	<u>\$ 667,945</u>	<u>\$ 503,822</u>	<u>\$ 1,167,582</u>	<u>\$ 663,760</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2013

	<u>Cemeteries Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 142,250	\$ 142,250	\$ 169,065	\$ 26,815
Interest	-	-	184	184
	<u>142,250</u>	<u>142,250</u>	<u>169,249</u>	<u>26,999</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government				
Burials	177,102	177,102	150,976	26,126
Maintenance	158,334	158,334	179,519	(21,185)
Construction	180,000	243,241	67,039	176,202
	<u>515,436</u>	<u>578,677</u>	<u>397,534</u>	<u>181,143</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES (UNDER) EXPENDITURES	(373,186)	(436,427)	(228,285)	208,142
OTHER FINANCING SOURCES				
Transfers in	360,000	423,241	247,039	(176,202)
NET CHANGE IN FUND BALANCE	(13,186)	(13,186)	18,754	31,940
Fund balance, beginning of year	<u>230,640</u>	<u>230,640</u>	<u>230,640</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 217,454</u>	<u>\$ 217,454</u>	<u>\$ 249,394</u>	<u>\$ 31,940</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2013

	<u>Solid Waste Fund</u>			
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 2,248,889	\$ 2,248,889	\$ 2,192,273	\$ (56,616)
Interest	<u>10,000</u>	<u>10,000</u>	<u>858</u>	<u>(9,142)</u>
TOTAL REVENUES	2,258,889	2,258,889	2,193,131	(65,758)
EXPENDITURES				
Current				
Public works	<u>2,582,038</u>	<u>2,582,038</u>	<u>2,508,298</u>	<u>73,740</u>
NET CHANGE IN FUND BALANCE	(323,149)	(323,149)	(315,167)	7,982
Fund balance, beginning of year	<u>1,340,100</u>	<u>1,340,100</u>	<u>1,340,100</u>	<u>-0-</u>
Fund balance, end of year (budgetary basis)	<u>\$ 1,016,951</u>	<u>\$ 1,016,951</u>	1,024,933	<u>\$ 7,982</u>
Accounting basis difference			<u>(162,397)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 862,536</u>	

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2013

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 921,980	\$ 3,734,487	\$ 2,240,237	\$ (1,494,250)
Charges for services	189,325	174,475	15,250	(159,225)
Interest	-	-	93	93
Other	-	29,489	6,800	(22,689)
TOTAL REVENUES	1,111,305	3,938,451	2,262,380	(1,676,071)
EXPENDITURES				
Current				
Community and economic development				
Demolition revolving	48,762	48,762	51,011	(2,249)
Program administration services	920,443	923,213	806,231	116,982
Community Development Block Grant	150,862	1,488,050	780,620	707,430
Emergency shelter	-	229,745	130,793	98,952
Housing rehabilitation	-	-	10,719	(10,719)
HOME	-	1,292,953	615,997	676,956
Façade improvement	-	230,574	46,426	184,148
TOTAL EXPENDITURES	1,120,067	4,213,297	2,441,797	1,771,500
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,762)	(274,846)	(179,417)	95,429
OTHER FINANCING SOURCES				
Transfers in	-	725,000	393,204	(331,796)
NET CHANGE IN FUND BALANCE	(8,762)	450,154	213,787	(236,367)
Fund balance, beginning of year	1,020,025	1,020,025	1,020,025	-0-
Fund balance, end of year	<u>\$ 1,011,263</u>	<u>\$ 1,470,179</u>	<u>\$ 1,233,812</u>	<u>\$ (236,367)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2013

Economic Development Programs Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 160,997	\$ 160,997
Interest	60,690	61,734	51,085	(10,649)
Other revenue	-	400	400	-
	<u>60,690</u>	<u>62,134</u>	<u>212,482</u>	<u>150,348</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Community and economic development	<u>100,000</u>	<u>172,376</u>	<u>72,377</u>	<u>99,999</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(39,310)	(110,242)	140,105	250,347
OTHER FINANCING (USES)				
Transfers out	<u>-</u>	<u>(375,000)</u>	<u>(393,204)</u>	<u>(18,204)</u>
NET CHANGE IN FUND BALANCE				
	(39,310)	(485,242)	(253,099)	232,143
Fund balance, beginning of year	<u>3,983,712</u>	<u>3,983,712</u>	<u>3,983,712</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,944,402</u>	<u>\$ 3,498,470</u>	<u>\$ 3,730,613</u>	<u>\$ 232,143</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2013

Grants and Donations

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 576,621	\$ 264,517	\$ (312,104)
Charges for services	-	-	33,606	33,606
Interest	-	-	200	200
Net investment earnings	-	-	4,019	4,019
Other	-	26,857	235,389	208,532
TOTAL REVENUES	-0-	603,478	537,731	(65,747)
EXPENDITURES				
Current				
Public safety	-	197,710	235,220	(37,510)
Community and economic development	-	350,185	114,921	235,264
Parks and recreation	-	151,926	196,096	(44,170)
TOTAL EXPENDITURES	-0-	699,821	546,237	153,584
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(96,343)	(8,506)	87,837
OTHER FINANCING SOURCES				
Transfers in	-	95,744	96,834	1,090
NET CHANGE IN FUND BALANCE	-0-	(599)	88,328	88,927
Fund balance, beginning of year	269,961	269,961	269,961	-0-
Fund balance, end of year	\$ 269,961	\$ 269,362	\$ 358,289	\$ 88,927

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended December 31, 2013

Drug Enforcement Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 24,466	\$ (534)
Charges for services	10,000	10,000	15,300	5,300
Fines and forfeits	250,000	250,000	227,201	(22,799)
Interest	2,000	2,000	762	(1,238)
Other	<u>30,000</u>	<u>30,000</u>	<u>38,641</u>	<u>8,641</u>
TOTAL REVENUES	317,000	317,000	306,370	(10,630)
EXPENDITURES				
Current				
Public safety	<u>400,514</u>	<u>400,514</u>	<u>330,246</u>	<u>70,268</u>
NET CHANGE IN FUND BALANCE	(83,514)	(83,514)	(23,876)	59,638
Fund balance, beginning of year	<u>989,172</u>	<u>989,172</u>	<u>989,172</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 905,658</u></u>	<u><u>\$ 905,658</u></u>	<u><u>\$ 965,296</u></u>	<u><u>\$ 59,638</u></u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CONCLUDED

Year Ended December 31, 2013

Public Safety Contracts Fund

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ 316,200	\$ 316,200	\$ 376,458	\$ 60,258
EXPENDITURES				
Current				
Public safety	<u>315,157</u>	<u>315,157</u>	<u>367,432</u>	<u>(52,275)</u>
NET CHANGE IN FUND BALANCE	1,043	1,043	9,026	7,983
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 1,043</u></u>	<u><u>\$ 1,043</u></u>	<u><u>\$ 9,026</u></u>	<u><u>\$ 7,983</u></u>

NONMAJOR DEBT SERVICE FUNDS

Building Authority Debt Service - The Building Authority Debt Service Fund is used to account for the debt service activity of the Kalamazoo Building Authority, which consists of the collection of lease payments from the Downtown Development Authority and from the general public for facilities improvements and the subsequent debt service expenditures related to the outstanding Building Authority debt issues.

Special Assessments - The Special Assessments Fund is used to account for the debt service activity of the Special Assessments bond issue. Financing is provided through the collection of special assessments from benefiting property owners.

Michigan Transportation Fund - The Michigan Transportation Fund is used to account for the debt service activity of the Michigan Transportation Fund bond issues. Financing is provided by transfers from the Major and Local Streets Special Revenue Funds.

General Debt Service - The General Debt Service Fund is used to account for the debt service activity of City's installment obligations. Financing is provided through transfers from other funds and facility rentals.

City of Kalamazoo

Nonmajor Debt Service Funds

COMBINING BALANCE SHEET

December 31, 2013

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
ASSETS					
Cash and cash equivalents	\$ 62,007	\$ 357	\$ 1,175	\$ -	\$ 63,539
Receivables					
Accounts	-	237	-	-	237
Special assessments	-	416	-	-	416
Due from other governmental units	2,105,000	-	-	-	2,105,000
TOTAL ASSETS	<u>\$ 2,167,007</u>	<u>\$ 1,010</u>	<u>\$ 1,175</u>	<u>\$ -0-</u>	<u>\$ 2,169,192</u>
LIABILITIES					
Due to other funds	\$ 156	\$ 357	\$ -	\$ -	\$ 513
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,105,000	653	-	-	2,105,653
FUND BALANCES					
Restricted	61,851	-	1,175	-	63,026
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,167,007</u>	<u>\$ 1,010</u>	<u>\$ 1,175</u>	<u>\$ -0-</u>	<u>\$ 2,169,192</u>

City of Kalamazoo

Nonmajor Debt Service Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
REVENUES					
Interest and rents	\$ 2,228,608	\$ 15	\$ -	\$ -	\$ 2,228,623
Other	2	2,438	-	2,064	4,504
TOTAL REVENUES	2,228,610	2,453	-0-	2,064	2,233,127
EXPENDITURES					
Debt service					
Principal	2,582,708	45,000	1,355,000	1,946,250	5,928,958
Interest and fiscal charges	1,214,697	3,042	177,389	874,380	2,269,508
TOTAL EXPENDITURES	3,797,405	48,042	1,532,389	2,820,630	8,198,466
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,568,795)	(45,589)	(1,532,389)	(2,818,566)	(5,965,339)
OTHER FINANCING SOURCES					
Transfers in	1,569,495	14,300	1,532,389	2,818,566	5,934,750
NET CHANGE IN FUND BALANCES	700	(31,289)	-0-	-0-	(30,589)
Restated fund balances, beginning of year	61,151	31,289	1,175	-	93,615
Fund balances, end of year	<u>\$ 61,851</u>	<u>\$ -0-</u>	<u>\$ 1,175</u>	<u>\$ -0-</u>	<u>\$ 63,026</u>

NONMAJOR CAPITAL PROJECTS FUNDS

Cork Street Landfill Cap Construction - The Cork Street Landfill Cap Construction Fund accounts for earmarked revenue set aside for post closure care and monitoring costs associated with the Cork Street Landfill. Revenue sources from prior years included transfers from other funds and contributions from outside parties identified as potentially responsible parties.

Capital Improvements Projects - The Capital Improvements Projects Fund accounts for earmarked revenue set aside for public improvements of a major nature. Revenue sources include General Fund transfers, grants from other units of government, private contributions and bond proceeds.

Building Authority Justice Facilities - The Building Authority Justice Facilities Fund accounts for earmarked revenue set aside for public improvements associated with justice facilities.

City of Kalamazoo

Nonmajor Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2013

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 130,120	\$ -	\$ 130,120
Cash and cash equivalents - restricted	2,050,818	865,492	-	2,916,310
Receivables				
Accounts	68,155	286,291	-	354,446
Notes	-	100,000	-	100,000
Due from other funds	-	228,014	-	228,014
Due from other governmental units	-	100,665	-	100,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 2,118,973</u></u>	<u><u>\$ 1,710,582</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 3,829,555</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ 34,018	\$ -	\$ 34,018
Due to other funds	1,443,067	374,229	-	1,817,296
Deposits payable	581,682	-	-	581,682
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	2,024,749	408,247	-0-	2,432,996
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	48,242	-	48,242
FUND BALANCES				
Nonspendable	-	100,000	-	100,000
Restricted	-	1,154,093	-	1,154,093
Committed	94,224	-	-	94,224
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>94,224</u>	<u>1,254,093</u>	<u>-0-</u>	<u>1,348,317</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	<u><u>\$ 2,118,973</u></u>	<u><u>\$ 1,710,582</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 3,829,555</u></u>

City of Kalamazoo

Nonmajor Capital Projects Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Building Authority Justice Facilities	Total
REVENUES				
Intergovernmental	\$ -	\$ 1,034,543	\$ -	\$ 1,034,543
Interest	-	2,135	-	2,135
Other	-	500,991	-	500,991
TOTAL REVENUES	-0-	1,537,669	-0-	1,537,669
EXPENDITURES				
Capital outlay	4,690	2,118,436	-	2,123,126
EXCESS OF REVENUES (UNDER) EXPENDITURES	(4,690)	(580,767)	-0-	(585,457)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	1,000,000	-	1,000,000
Bond premium	-	62,025	-	62,025
Transfers in	-	2,464,019	-	2,464,019
Transfers out	-	(3,037,016)	(15)	(3,037,031)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	489,028	(15)	489,013
NET CHANGE IN FUND BALANCES	(4,690)	(91,739)	(15)	(96,444)
Fund balances, beginning of year	98,914	1,345,832	15	1,444,761
Fund balances, end of year	\$ 94,224	\$ 1,254,093	\$ -0-	\$ 1,348,317

NONMAJOR PERMANENT FUNDS

Cemetery Perpetual Care - The Cemetery Perpetual Care Fund accounts for money held in trust for the perpetual care of graves in the City cemeteries. Revenues consist of interest earnings from the investments, gain on sale of investments, and charges for services.

Recreation Endowment - The Recreation Endowment Fund accounts for monies accumulated for the eventual endowment of recreation activities. Revenues consist of donations and interest earnings of the endowment fund.

Parks Endowment - The Parks Endowment Fund accounts for monies accumulated for the eventual endowment of park activities. Revenues consist of donations and interest earnings of the endowment fund.

City of Kalamazoo

Nonmajor Permanent Funds

COMBINING BALANCE SHEET

December 31, 2013

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
ASSETS				
Cash and cash equivalents	\$ 111,937	\$ -	\$ -	\$ 111,937
Investments	4,145,736	-	-	4,145,736
Investments with agents	-	1,515,010	1,296,844	2,811,854
TOTAL ASSETS	<u>\$ 4,257,673</u>	<u>\$ 1,515,010</u>	<u>\$ 1,296,844</u>	<u>\$ 7,069,527</u>
LIABILITIES				
Accounts payable	\$ 15,000	\$ -	\$ -	\$ 15,000
Contract payable	3,090	-	-	3,090
TOTAL LIABILITIES	18,090	-0-	-0-	18,090
FUND BALANCES				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	2,504,423	577,804	341,646	3,423,873
TOTAL FUND BALANCES	<u>4,239,583</u>	<u>1,515,010</u>	<u>1,296,844</u>	<u>7,051,437</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,257,673</u>	<u>\$ 1,515,010</u>	<u>\$ 1,296,844</u>	<u>\$ 7,069,527</u>

City of Kalamazoo

Nonmajor Permanent Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 34,108	\$ -	\$ -	\$ 34,108
Interest and dividends	150,535	-	-	150,535
Net investment earnings	559,514	263,823	225,859	1,049,196
Other	-	1,478	-	1,478
TOTAL REVENUES	744,157	265,301	225,859	1,235,317
EXPENDITURES				
Current				
General government	21,750	-	-	21,750
Parks and recreation	-	48,659	51,625	100,284
TOTAL EXPENDITURES	21,750	48,659	51,625	122,034
EXCESS OF REVENUES OVER EXPENDITURES	722,407	216,642	174,234	1,113,283
OTHER FINANCING (USES)				
Transfers out	(247,039)	-	-	(247,039)
NET CHANGE IN FUND BALANCES	475,368	216,642	174,234	866,244
Fund balances, beginning of year	3,764,215	1,298,368	1,122,610	6,185,193
Fund balances, end of year	<u>\$ 4,239,583</u>	<u>\$ 1,515,010</u>	<u>\$ 1,296,844</u>	<u>\$ 7,051,437</u>

NONMAJOR ENTERPRISE FUNDS

Kalamazoo Municipal Golf Association Fund - The Kalamazoo Municipal Golf Association Fund accounts for monies used for the operation of three (3) golf courses in the City of Kalamazoo.

City Market Fund - The City Market Fund accounts for monies collected and paid out in connection with operation of the City Market.

City of Kalamazoo
 Nonmajor Proprietary Funds
 COMBINING BALANCE SHEET
 Year Ended December 31, 2013

	Kalamazoo Municipal Golf Association	City Market	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 142,536	\$ 51,496	\$ 194,032
Accounts receivable	-	1,728	1,728
Due from management corporation	27,767	-	27,767
	<u>170,303</u>	<u>53,224</u>	<u>223,527</u>
Total current assets			
Noncurrent assets			
Net pension asset	-	2,306	2,306
Capital assets not being depreciated	139,200	-	139,200
Capital assets, net of accumulated depreciation	1,275,627	62,709	1,338,336
	<u>1,414,827</u>	<u>65,015</u>	<u>1,479,842</u>
Total noncurrent assets			
TOTAL ASSETS			
	1,585,130	118,239	1,703,369
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts on refunding	14,254	-	14,254
LIABILITIES			
Current liabilities			
Accounts payable	182	-	182
Accrued interest payable	7,560	-	7,560
Due to other funds	-	737	737
Unearned revenue	119,750	-	119,750
Current portion of compensated absences	-	117	117
Current portion of long-term debt	191,137	-	191,137
	<u>318,629</u>	<u>854</u>	<u>319,483</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	821	821
Noncurrent portion of long-term debt	1,060,934	-	1,060,934
	<u>1,060,934</u>	<u>821</u>	<u>1,061,755</u>
Total noncurrent liabilities			
TOTAL LIABILITIES			
	1,379,563	1,675	1,381,238
NET POSITION			
Net investment in capital assets	177,010	62,709	239,719
Unrestricted	42,811	53,855	96,666
	<u>219,821</u>	<u>116,564</u>	<u>336,385</u>
TOTAL NET POSITION			
	\$ 219,821	\$ 116,564	\$ 336,385

City of Kalamazoo

Nonmajor Proprietary Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	Kalamazoo Municipal Golf Association	City Market	Total
OPERATING REVENUES			
Charges for services	\$ 1,606,955	\$ 21,608	\$ 1,628,563
Other	25,892	-	25,892
TOTAL OPERATING REVENUES	1,632,847	21,608	1,654,455
OPERATING EXPENSES			
Operation and maintenance	1,410,724	15,892	1,426,616
Depreciation	137,963	3,960	141,923
TOTAL OPERATING EXPENSES	1,548,687	19,852	1,568,539
OPERATING INCOME	84,160	1,756	85,916
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	20	20
Loss on sale of capital assets	(1,591)	-	(1,591)
Forgiveness of debt	59,745	-	59,745
Interest expense and fiscal charges	(46,611)	-	(46,611)
TOTAL NONOPERATING REVENUES (EXPENSES)	11,543	20	11,563
CHANGE IN NET POSITION	95,703	1,776	97,479
Restated net position, beginning of year	124,118	114,788	238,906
Net position, end of year	\$ 219,821	\$ 116,564	\$ 336,385

City of Kalamazoo

Nonmajor Proprietary Funds

COMBINING CASH FLOWS

Year Ended December 31, 2013

	Kalamazoo Municipal Golf Association	City Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,623,907	\$ 19,880	\$ 1,643,787
Cash paid to suppliers	(1,410,765)	(10,752)	(1,421,517)
Cash paid to employees	-	(4,095)	(4,095)
Cash paid for employee benefits	-	(3,589)	(3,589)
Cash paid for interfund services provided	-	(3,544)	(3,544)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	213,142	(2,100)	211,042
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(220,850)	-	(220,850)
Interest paid	(44,323)	-	(44,323)
Proceeds from bond issuance	200,000	-	200,000
Payments on borrowings	(160,640)	-	(160,640)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(225,813)	-0-	(225,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	20	20
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,671)	(2,080)	(14,751)
Restated cash and cash equivalents, beginning of year	155,207	53,576	208,783
Cash and cash equivalents, end of year	<u>\$ 142,536</u>	<u>\$ 51,496</u>	<u>\$ 194,032</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 84,160	\$ 1,756	\$ 85,916
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	137,963	3,960	141,923
(Increase) decrease in:			
Accounts receivable	-	(1,728)	(1,728)
Due from other funds	44,258	-	44,258
Due from management corporation	(27,767)	-	(27,767)
Net pension asset	-	(2,306)	(2,306)
Increase (decrease) in:			
Accounts payable	(2,182)	(334)	(2,516)
Due to other funds	-	(3,544)	(3,544)
Unearned revenue	(8,940)	-	(8,940)
Due to management corporation	(14,350)	-	(14,350)
Compensated absences	-	96	96
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 213,142</u>	<u>\$ (2,100)</u>	<u>\$ 211,042</u>
NONCASH FINANCING ACTIVITIES			
Loss on sale of capital assets	<u>\$ (1,591)</u>	<u>\$ -</u>	<u>\$ (1,591)</u>

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

Employees' Retirement System - The Employees' Retirement System Fund accounts for contributions from the City, invests fund resources, and calculates and pays pension to beneficiaries. The System is administered by the City of Kalamazoo Employees' Retirement System Pension Board of Trustees.

Other Post-Employment Benefits - The OPEB Fund accounts for contributions from the City, invests fund resources, and calculates and pays retiree healthcare for beneficiaries. The Fund is administered by the City of Kalamazoo Other Post-Employment Benefits (OPEB) Trust Fund Board of Trustees.

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF NET POSITION

December 31, 2013

	Employees' Retirement System	Other Post- Employment Benefits	Total
ASSETS			
Cash and cash equivalents	\$ 9,005,035	\$ 105,165	\$ 9,110,200
Investments			
U.S. treasuries	66,286,827	752,079	67,038,906
U.S. agencies	6,599,835	74,881	6,674,716
Corporate bonds	36,382,285	412,787	36,795,072
Collateralized mortgage obligations	29,661,763	336,537	29,998,300
Equity mutual funds	430,430,678	4,883,595	435,314,273
Real estate mutual funds	30,726,862	348,622	31,075,484
Receivables			
Interest and dividends	1,556,344	17,676	1,574,020
Other	-	310,130	310,130
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	610,649,629	7,241,472	617,891,101
LIABILITIES			
Accounts payable	36,371	1,084	37,455
	<hr/>	<hr/>	<hr/>
NET POSITION			
Held in trust for benefits	<u>\$ 610,613,258</u>	<u>\$ 7,240,388</u>	<u>\$ 617,853,646</u>

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2013

	Employees' Retirement System	Other Post- Employment Benefits	Total
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 90,886,638	\$ 1,013	\$ 90,887,651
Interest and dividends	15,982,591	341,723	16,324,314
Total investment income	106,869,229	342,736	107,211,965
Less investment expense	(1,881,927)	(6,006)	(1,887,933)
Net investment income	104,987,302	336,730	105,324,032
Contributions			
Employer	905,746	6,906,371	7,812,117
Plan members	1,110,057	-	1,110,057
Total contributions	2,015,803	6,906,371	8,922,174
TOTAL ADDITIONS TO NET POSITION	107,003,105	7,243,101	114,246,206
DEDUCTIONS FROM NET POSITION			
Benefits	27,111,793	-	27,111,793
Refunds of contributions	46,718	-	46,718
Administrative	470,974	2,713	473,687
TOTAL DEDUCTIONS	27,629,485	2,713	27,632,198
CHANGE IN NET POSITION	79,373,620	7,240,388	86,614,008
Net position, beginning of year	531,239,638	-	531,239,638
Net position, end of year	<u>\$ 610,613,258</u>	<u>\$ 7,240,388</u>	<u>\$ 617,853,646</u>

AGENCY FUND

Tax Collector's - The Tax Collector's Fund accounts for tax collections which are held by the City in an agency capacity. The collections are then transferred to the City General Fund and to other governmental units on a timely distribution basis.

City of Kalamazoo

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2013

Tax Collector's Fund

	Balance <u>January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 7,060,246	\$ 78,181,672	\$ 71,852,330	\$ 13,389,588
Taxes receivable	31,293,002	59,704,368	56,225,021	34,772,349
Other receivables	<u>104</u>	<u>52,814</u>	<u>51,778</u>	<u>1,140</u>
TOTAL ASSETS	<u>\$ 38,353,352</u>	<u>\$ 137,938,854</u>	<u>\$ 128,129,129</u>	<u>\$ 48,163,077</u>
LIABILITIES				
Due to individuals and agencies	\$ 1,209	\$ 35,365,635	\$ 35,366,753	\$ 91
Due to other governmental units	<u>38,352,143</u>	<u>65,741,752</u>	<u>55,930,909</u>	<u>48,162,986</u>
TOTAL LIABILITIES	<u>\$ 38,353,352</u>	<u>\$ 101,107,387</u>	<u>\$ 91,297,662</u>	<u>\$ 48,163,077</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2013

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 295,695
Investments	1,062,681
Receivables	
Accounts	292,244
Notes	723,484
Due from other governmental units	<u>883,628</u>
 TOTAL ASSETS	 <u><u>\$ 3,257,732</u></u>
 LIABILITIES	
Accounts payable	\$ 12,683
Due to other governmental units	127,474
Advance from other governmental units	<u>696,456</u>
 TOTAL LIABILITIES	 836,613
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	54,230
 FUND BALANCE	
Nonspendable	27,028
Committed	38,342
Unassigned	<u>2,301,519</u>
 TOTAL FUND BALANCE	 <u>2,366,889</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 <u><u>\$ 3,257,732</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2013

Total fund balance - governmental fund **\$ 2,366,889**

Amounts reported for governmental activities in the statement of net position are different because:

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Unavailable revenue 54,230

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Long-term liabilities at year-end consist of:

Compensated absences (15,533)

Net position of governmental activities **\$ 2,405,586**

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2013

	<u>General</u>
REVENUES	
Taxes	\$ 1,122,174
Intergovernmental	25,550
Interest	2,328
Other	<u>40,384</u>
TOTAL REVENUES	1,190,436
EXPENDITURES	
Current	
Community and economic development	<u>630,057</u>
NET CHANGE IN FUND BALANCE	560,379
Fund balance, beginning of year	<u>1,806,510</u>
Fund balance, end of year	<u><u>\$ 2,366,889</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES - BROWNFIELD REDEVELOPMENT AUTHORITY

Year Ended December 31, 2013

Net change in fund balance - governmental fund **\$ 560,379**

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. In the current period, these amounts consist of:

Change in unavailable revenue 4,656

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Change in compensated absences (3,524)

Change in net position of governmental activities **\$ 561,511**

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2013

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 484,559
Accounts receivable	72,984
Due from other governmental units	<u>633</u>
TOTAL ASSETS	<u><u>\$ 558,176</u></u>
LIABILITIES	
Due to other governmental units	\$ 288,983
Advance from other governmental units	<u>664,531</u>
TOTAL LIABILITIES	953,514
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	8,898
FUND BALANCE (DEFICIT)	
Unassigned	<u>(404,236)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	<u><u>\$ 558,176</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2013

Total fund balance (deficit) - governmental fund \$ (404,236)

Amounts reported for governmental activities in the statement of net position are different because:

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Unavailable revenue 8,898

Net position of governmental activities \$ (395,338)

City of Kalamazoo

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended December 31, 2013

	<u>General</u>
REVENUES	
Taxes	\$ 472,779
EXPENDITURES	
Current	
Community and economic development	<u>195,399</u>
NET CHANGE IN FUND BALANCE	277,380
Fund (deficit), beginning of year	<u>(681,616)</u>
Fund (deficit), end of year	<u><u>\$ (404,236)</u></u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended December 31, 2013

Net change in fund balance - governmental fund \$ 277,380

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. In the current period, these amounts consist of:

Change in unavailable revenue 552

Change in net position of governmental activities \$ 277,932

STATISTICAL SECTION

This part of the City of Kalamazoo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	100-109
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	110-113
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	114-120
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	121-122
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	123-129
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
Supplementary Schedules	130-163

NET POSITION BY COMPONENT

2004-2013
(unaudited)
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 107,099,832	\$ 105,799,049	\$ 109,408,557	\$ 114,330,019
Restricted	11,360,665	30,173,266	28,757,898	30,795,758
Unrestricted	<u>22,618,398</u>	<u>13,089,868</u>	<u>18,356,265</u>	<u>15,674,572</u>
Total governmental activities net position	<u>\$ 141,078,895</u>	<u>\$ 149,062,183</u>	<u>\$ 156,522,720</u>	<u>\$ 160,800,349</u>
Business-type activities				
Net investment in capital assets	\$ 145,705,440	\$ 148,221,106	\$ 152,082,594	\$ 154,384,778
Restricted	15,616,902	14,823,500	11,618,293	10,915,639
Unrestricted	<u>12,307,683</u>	<u>12,425,961</u>	<u>13,279,738</u>	<u>9,931,524</u>
Total business-type activities net position	<u>\$ 173,630,025</u>	<u>\$ 175,470,567</u>	<u>\$ 176,980,625</u>	<u>\$ 175,231,941</u>
Primary government				
Net investment in capital assets	\$ 252,805,272	\$ 254,020,155	\$ 261,491,151	\$ 268,714,797
Restricted	26,977,567	44,996,766	40,376,191	41,711,397
Unrestricted	<u>34,926,081</u>	<u>25,515,829</u>	<u>31,636,003</u>	<u>25,606,096</u>
Total primary government net position	<u>\$ 314,708,920</u>	<u>\$ 324,532,750</u>	<u>\$ 333,503,345</u>	<u>\$ 336,032,290</u>

Table 1

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 117,057,211	\$ 116,294,415	\$ 123,355,990	\$ 125,529,739	\$ 122,960,589	\$ 123,492,323
26,784,242	12,721,683	12,050,021	11,045,791	13,946,502	15,666,797
6,069,437	13,197,414	(8,666,188)	(22,606,617)	(35,131,160)	(43,712,019)
<u>\$ 149,910,890</u>	<u>\$ 142,213,512</u>	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>	<u>\$ 101,775,931</u>	<u>\$ 95,447,101</u>
\$ 154,535,045	\$ 143,501,852	\$ 150,485,254	\$ 152,806,937	\$ 149,416,222	\$ 145,375,261
-	2,577,935	2,577,960	2,524,960	2,831,960	2,831,960
21,785,289	26,067,765	18,046,633	7,408,224	11,411,854	15,684,847
<u>\$ 176,320,334</u>	<u>\$ 172,147,552</u>	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>	<u>\$ 163,660,036</u>	<u>\$ 163,892,068</u>
\$ 271,592,256	\$ 259,796,267	\$ 273,841,244	\$ 278,336,676	\$ 272,376,811	\$ 268,867,584
26,784,242	15,299,618	14,627,981	13,570,751	16,778,462	18,498,757
27,854,726	39,265,179	9,380,445	(15,198,393)	(23,719,306)	(28,027,172)
<u>\$ 326,231,224</u>	<u>\$ 314,361,064</u>	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>	<u>\$ 265,435,967</u>	<u>\$ 259,339,169</u>

CHANGES IN NET POSITION

2004-2013
(unaudited)
(accrual basis of accounting)

	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 5,354,674	\$ 5,307,982	\$ 6,491,807	\$ 3,370,219
Public safety	32,320,014	30,897,982	29,898,894	31,437,072
Public works	13,124,011	12,617,824	11,891,558	19,369,127
Community and economic development	8,658,751	7,266,137	5,578,544	5,685,485
Recreation and culture	2,709,819	2,488,294	2,749,809	3,093,331
Interest on long-term debt	2,582,855	3,119,829	3,091,454	2,986,121
Total governmental activities expenses	<u>64,750,124</u>	<u>61,698,048</u>	<u>59,702,066</u>	<u>65,941,355</u>
Business-type activities:				
Wastewater	19,904,896	20,770,198	20,370,767	20,240,292
Water	10,936,547	11,392,060	11,875,242	13,819,287
Other	195,459	1,119,540	40,649	44,672
Total business-type activities expenses	<u>31,036,902</u>	<u>33,281,798</u>	<u>32,286,658</u>	<u>34,104,251</u>
Total primary government expenses	<u>\$ 95,787,026</u>	<u>\$ 94,979,846</u>	<u>\$ 91,988,724</u>	<u>\$ 100,045,606</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ 2,746,278	\$ 2,507,300	\$ 2,988,396	\$ 2,797,940
Community development and planning	1,560,806	2,985,821	1,166,367	1,748,885
Other	1,012,056	1,003,322	1,085,864	1,310,053
Operating grants and contributions	16,811,523	18,002,937	13,439,433	15,685,545
Capital grants and contributions	532,334	479,577	393,565	661,968
Total governmental activities program revenues	<u>22,662,997</u>	<u>24,978,957</u>	<u>19,073,625</u>	<u>22,204,391</u>
Business-type activities:				
Charges for services				
Wastewater	19,266,485	18,424,157	17,996,945	15,941,791
Water	8,284,199	8,914,883	10,933,129	11,774,026
Other	136,499	32,560	45,611	45,071
Operating grants and contributions	236,315	1,422,097	1,010,733	962,170
Capital grants and contributions	5,674,667	6,316,121	3,618,003	3,965,417
Total business-type activities program revenues	<u>33,598,165</u>	<u>35,109,818</u>	<u>33,604,421</u>	<u>32,688,475</u>
Total primary government program revenues	<u>\$ 56,261,162</u>	<u>\$ 60,088,775</u>	<u>\$ 52,678,046</u>	<u>\$ 54,892,866</u>
Net (Expense) Revenue				
Governmental activities	\$(42,087,127)	\$(36,719,091)	\$(40,628,441)	\$(43,736,964)
Business-type activities	2,561,263	1,828,020	1,317,763	(1,415,776)
Total primary government net expense	<u>\$ (39,525,864)</u>	<u>\$ (34,891,071)</u>	<u>\$ (39,310,678)</u>	<u>\$ (45,152,740)</u>

Table 2

2008	2009	2010	2011	2012	2013
\$ 11,449,623	\$ 8,805,148	\$ 9,371,185	\$ 8,471,082	\$ 10,168,516	\$ 8,415,432
37,207,556	43,098,269	43,495,846	45,215,879	36,120,760	36,060,961
17,285,103	13,479,086	13,814,938	20,094,540	16,862,523	18,023,860
7,505,930	6,430,431	8,746,176	15,666,823	8,667,696	5,056,774
2,099,090	2,554,547	3,223,463	3,182,766	2,781,196	2,589,433
2,957,164	2,792,089	2,672,721	2,717,822	2,378,583	2,169,930
<u>78,504,466</u>	<u>77,159,570</u>	<u>81,324,329</u>	<u>95,348,912</u>	<u>76,979,274</u>	<u>72,316,390</u>
20,584,823	22,079,492	22,825,084	23,435,464	21,769,136	22,461,092
14,686,137	13,944,668	14,946,226	15,415,808	14,525,327	14,019,746
49,291	48,805	44,230	135,204	67,778	1,616,741
<u>35,320,251</u>	<u>36,072,965</u>	<u>37,815,540</u>	<u>38,986,476</u>	<u>36,362,241</u>	<u>38,097,579</u>
<u>\$ 113,824,717</u>	<u>\$ 113,232,535</u>	<u>\$ 119,139,869</u>	<u>\$ 134,335,388</u>	<u>\$ 113,341,515</u>	<u>\$ 110,413,969</u>
\$ -	\$ 5,094,411	\$ 4,731,626	\$ 11,900,982	\$ 10,614,076	\$ 10,880,322
-	642,866	246,453	1,240,353	1,069,568	1,525,283
-	616,485	733,970	1,023,442	975,170	1,029,481
12,966,562	12,915,313	15,255,631	20,982,518	15,765,684	11,661,313
151,241	21,686	868,221	1,163,643	655,181	5,744
<u>13,117,803</u>	<u>19,290,761</u>	<u>21,835,901</u>	<u>36,310,938</u>	<u>29,079,679</u>	<u>25,102,143</u>
21,201,437	18,220,534	19,085,813	18,178,855	20,484,471	21,111,243
11,604,749	11,922,529	12,759,940	12,451,401	14,583,205	13,480,979
50,244	52,059	58,832	67,287	91,621	1,628,563
451,421	-	-	238,233	266,929	255,468
2,959,418	2,599,746	4,001,255	3,308,895	1,733,898	1,834,883
<u>36,267,269</u>	<u>32,794,868</u>	<u>35,905,840</u>	<u>34,244,671</u>	<u>37,160,124</u>	<u>38,311,136</u>
<u>\$ 49,385,072</u>	<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>	<u>\$ 70,555,609</u>	<u>\$ 66,239,803</u>	<u>\$ 63,413,279</u>
\$ (65,386,663)	\$ (57,868,809)	\$ (59,488,428)	\$ (59,037,974)	\$ (47,899,595)	\$ (47,214,247)
947,018	(3,278,097)	(1,909,700)	(4,741,805)	797,883	213,557
<u>\$ (64,439,645)</u>	<u>\$ (61,146,906)</u>	<u>\$ (61,398,128)</u>	<u>\$ (63,779,779)</u>	<u>\$ (47,101,712)</u>	<u>\$ (47,000,690)</u>

CHANGES IN NET POSITION - CONCLUDED

2004-2013
(unaudited)
(accrual basis of accounting)

	2004	2005	2006	2007
General Revenues and Other Changes in Net Position				
Governmental activities:				
General revenues				
Property taxes	\$ 31,803,955	\$ 33,066,650	\$ 35,148,859	\$ 35,263,246
Grants and contributions not restricted to specific programs	10,499,478	10,461,886	10,967,559	10,243,913
Unrestricted investment earnings	513,444	1,119,704	1,757,763	2,038,489
Gain on sale of assets	27,753	-	-	-
Contributions to permanent funds	35,020	54,139	44,577	36,458
Other	-	-	-	-
Transfers - internal activities	(319,342)	-	-	432,487
Total governmental activities	42,560,308	44,702,379	47,918,758	48,014,593
Business-type activities:				
Grants and contributions not restricted to specific programs	29,593	(8,646)	8,645	7,390
Unrestricted investment earnings	15,085	16,454	36,799	41,592
Gain on sale of assets	11,706	4,714	146,851	50,597
Other	-	-	-	-
Transfers - internal activities	319,342	-	-	(432,487)
Special item - loss on sale of capital assets/inventory	-	-	-	-
Total business-type activities	375,726	12,522	192,295	(332,908)
Total primary government	\$ 42,936,034	\$ 44,714,901	\$ 48,111,053	\$ 47,681,685
Change in Net Position				
Governmental activities	\$ 473,181	\$ 7,983,288	\$ 7,290,317	\$ 4,277,629
Business-type activities	2,936,989	1,840,542	1,510,058	(1,748,684)
Total primary government	\$ 3,410,170	\$ 9,823,830	\$ 8,800,375	\$ 2,528,945

Table 2

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 36,221,234	\$ 36,421,813	\$ 34,292,608	\$ 33,313,845	\$ 30,457,012	\$ 31,011,014
10,548,626	8,968,211	8,669,650	8,063,444	7,939,441	8,851,208
1,382,472	1,999,482	1,411,281	206,017	1,285,649	1,438,503
-	-	-	6,270	-	7,800
34,800	-	-	-	-	-
-	60,947	304,588	900,135	824,508	219,059
(97,939)	(455,622)	(663,388)	3,777,353	-	(50,000)
<u>48,089,193</u>	<u>46,994,831</u>	<u>44,014,739</u>	<u>46,267,064</u>	<u>40,506,610</u>	<u>41,477,584</u>
1,326	-	-	-	-	-
3,590	165,786	28,161	32,163	41,803	48,810
38,520	41,767	7,418	6,346	4,450	168,408
-	572,923	173,028	110,923	75,779	127,121
97,939	455,622	663,388	(3,777,353)	-	50,000
-	-	-	-	-	-
<u>141,375</u>	<u>1,236,098</u>	<u>871,995</u>	<u>(3,627,921)</u>	<u>122,032</u>	<u>394,339</u>
<u>\$ 48,230,568</u>	<u>\$ 48,230,929</u>	<u>\$ 44,886,734</u>	<u>\$ 42,639,143</u>	<u>\$ 40,628,642</u>	<u>\$ 41,871,923</u>
\$ (17,297,470)	\$ (10,873,978)	\$ (15,473,689)	\$ (12,770,910)	\$ (7,392,985)	\$ (5,736,663)
1,088,393	(2,041,999)	(1,037,705)	(8,369,726)	919,915	607,896
<u>\$ (16,209,077)</u>	<u>\$ (12,915,977)</u>	<u>\$ (16,511,394)</u>	<u>\$ (21,140,636)</u>	<u>\$ (6,473,070)</u>	<u>\$ (5,128,767)</u>

FUND BALANCES

GOVERNMENTAL FUNDS

2003-2013
(unaudited)
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund					
Reserved	\$ 117,087	\$ 584,441	\$ 600,835	\$ 673,046	\$ 756,760
Unreserved	2,053,381	2,772,957	5,554,688	4,617,629	3,461,861
Nonspendable	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 2,170,468</u>	<u>\$ 3,357,398</u>	<u>\$ 6,155,523</u>	<u>\$ 5,290,675</u>	<u>\$ 4,218,621</u>
All other governmental funds					
Reserved	\$ 8,864,237	\$ 11,659,071	\$ 9,177,854	\$ 12,935,798	\$ 9,410,736
Unreserved, reported in:					
Special revenue funds	9,100,034	3,714,325	4,006,455	4,141,477	4,241,786
Debt service funds	175,966	407,306	248,595	210,130	124,551
Capital project funds	5,743,562	5,152,200	7,897,735	3,751,120	3,934,958
Permanent funds	2,189,177	2,249,232	2,610,660	2,658,294	1,195,345
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Total all other governmental funds	<u>\$ 26,072,976</u>	<u>\$ 23,182,134</u>	<u>\$ 23,941,299</u>	<u>\$ 23,696,819</u>	<u>\$ 18,907,376</u>

Note:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in 2011. Further information on the fund balances are found in Note P in the footnotes to the financial statements.

Table 3

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 504,595	\$ 504,164	\$ -	\$ -	\$ -
4,740,113	3,881,019	-	-	-
-	-	730,673	626,548	637,833
-	-	3,504,897	3,503,397	922,527
-	-	5,325,787	3,557,092	3,921,706
<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>	<u>\$ 7,687,037</u>	<u>\$ 5,482,066</u>
\$ 10,641,923	\$ 12,011,218	\$ -	\$ -	\$ -
4,874,600	5,028,383	-	-	-
127,942	91,569	-	-	-
3,847,713	1,994,543	-	-	-
1,956,373	-	-	-	-
-	-	13,522,951	8,698,303	7,774,613
-	-	7,509,890	8,419,230	10,419,028
-	-	1,660,542	2,756,697	1,710,413
<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>	<u>\$ 27,537,616</u>	<u>\$ 19,874,230</u>	<u>\$ 19,904,054</u>

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

2004-2013

(unaudited)

(modified accrual basis of accounting)

	2004	2005	2006	2007
Revenues				
Property taxes and special assessments	\$ 31,059,692	\$ 32,472,148	\$ 34,508,937	\$ 35,199,103
Licenses and permits	1,972,128	2,187,748	1,937,580	2,077,407
Intergovernmental revenue	22,951,771	22,062,498	20,120,520	21,082,782
Charges for services	1,520,621	1,362,100	1,599,259	1,417,088
Fines and forfeits	313,457	412,643	241,075	288,650
Interest and rents	3,359,644	3,953,244	4,936,149	5,310,737
Net investment earnings	662,985	293,975	660,122	(22,516)
Other revenue	6,358,129	7,076,876	7,580,521	7,650,248
Total revenues	68,198,427	69,821,232	71,584,163	73,003,499
Expenditures				
Current Expenditures:				
General government	9,703,164	9,159,839	9,543,763	9,992,094
Public safety	31,422,767	30,677,808	30,547,482	33,513,942
Public works	7,086,037	7,048,497	12,964,423	13,413,733
Community and economic development	8,918,917	7,402,139	5,692,502	5,743,272
Recreation and culture	2,824,267	2,540,006	2,587,159	2,971,644
Other	-	92,747	169,271	50,000
Debt service:				
Principal	5,060,999	13,754,076	5,067,709	5,206,300
Interest and fiscal charges	2,503,431	3,315,456	2,912,669	2,930,686
Capital outlay	7,790,172	18,582,210	5,125,701	5,692,545
Total expenditures	75,309,754	92,572,778	74,610,679	79,514,216
Excess (deficiency) of revenues over expenditures	(7,111,327)	(22,751,546)	(3,026,516)	(6,510,717)
Other financing sources (uses)				
Transfers in	9,119,874	10,466,647	10,001,607	11,474,277
Transfers out	(8,275,022)	(9,634,221)	(10,758,458)	(11,041,790)
Proceeds from the sale of capital assets	21,293	1,896,539	36,705	274,136
Issuance of long-term debt	12,735,000	18,145,000	7,110,000	4,715,000
Payments to advance refunding escrow agent	-	-	-	-
Bond premium (discount)	-	173,669	23,732	(20,235)
Total other financing sources (uses)	13,601,145	21,047,634	6,413,586	5,401,388
Net change in fund balances	\$ 6,489,818	\$ (1,703,912)	\$ 3,387,070	\$ (1,109,329)
Debt service as a percentage of noncapital expenditures	12.6%	30.0%	13.0%	12.4%

Table 4

2008	2009	2010	2011	2012	2013
\$ 35,569,119	\$ 37,997,860	\$ 35,071,496	\$ 35,163,954	\$ 32,665,097	\$ 31,172,950
1,951,085	1,770,824	1,867,123	1,897,096	1,641,248	2,060,482
20,762,621	19,150,714	22,470,227	28,241,290	22,421,096	18,992,137
1,582,665	5,289,988	5,622,676	10,318,577	9,022,197	9,173,002
279,435	326,755	296,200	642,680	280,426	262,385
4,507,507	3,989,784	3,429,583	3,304,621	3,219,392	2,936,162
(1,858,775)	1,207,786	780,472	(370,143)	688,741	1,053,215
6,696,145	1,699,387	1,668,632	1,474,703	1,902,634	1,129,797
<u>69,489,802</u>	<u>71,433,098</u>	<u>71,206,409</u>	<u>80,672,778</u>	<u>71,840,831</u>	<u>66,780,130</u>
10,767,415	7,300,485	7,169,369	7,618,751	7,255,900	6,614,635
33,718,520	34,409,853	34,804,767	35,476,959	32,805,831	32,188,577
12,038,364	11,703,326	11,981,237	16,122,984	14,588,245	14,956,527
6,921,457	5,803,640	7,763,530	14,182,010	8,562,088	4,682,899
2,820,672	2,598,348	2,806,451	2,806,756	2,359,248	2,129,592
-	1,184,639	2,761,908	2,560,728	3,161,774	2,793,985
4,997,000	5,245,000	5,125,000	5,510,000	5,650,000	5,928,958
2,932,497	2,796,889	2,721,982	2,757,767	2,378,365	2,332,509
5,264,042	1,869,810	2,861,401	3,408,241	1,338,386	2,123,126
<u>79,459,967</u>	<u>72,911,990</u>	<u>77,995,645</u>	<u>90,444,196</u>	<u>78,099,837</u>	<u>73,750,808</u>
(9,970,165)	(1,478,892)	(6,789,236)	(9,771,418)	(6,259,006)	(6,970,678)
8,280,263	8,772,072	10,646,777	16,291,542	11,821,576	11,376,270
(8,378,202)	(8,272,072)	(9,962,957)	(9,009,217)	(9,887,596)	(10,485,854)
32,020	-	-	-	-	-
4,165,000	4,585,000	2,855,000	12,910,000	4,400,000	4,000,000
-	-	-	(8,051,763)	-	-
9,587	(38,846)	68,053	145,167	31,550	80,115
<u>4,108,668</u>	<u>5,046,154</u>	<u>3,606,873</u>	<u>12,285,729</u>	<u>6,365,530</u>	<u>4,970,531</u>
<u>\$ (5,861,497)</u>	<u>\$ 3,567,262</u>	<u>\$ (3,182,363)</u>	<u>\$ 2,514,311</u>	<u>\$ 106,524</u>	<u>\$ (2,000,147)</u>
12.0%	12.8%	11.7%	10.5%	11.7%	13.0%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years
(unaudited)

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real	Personal	Industrial and Commercial Subject to Act 198				
2004	\$ 1,274,216,408	\$ 219,353,550	\$ 36,821,197	\$ 1,530,391,155	22.1405	\$ 3,546,183,600	43.2%
2005	1,330,662,249	213,784,700	33,929,243	1,578,376,192	22.1405	3,657,698,240	43.2%
2006	1,393,452,901	225,841,898	23,178,428	1,642,473,227	21.9049	3,841,553,300	42.8%
2007	1,461,657,382	224,295,550	29,964,721	1,715,917,653	21.8205	3,952,364,600	43.4%
2008	1,502,840,795	218,611,900	31,002,494	1,752,455,189	21.8205	4,016,038,212	43.6%
2009	1,484,940,414	228,339,500	34,292,423	1,747,572,337	20.8205	3,795,628,106	46.0%
2010	1,407,653,177	226,482,900	55,290,258	1,689,426,335	21.4205	3,653,847,390	46.2%
2011	1,363,745,396	225,838,500	57,115,455	1,646,699,351	21.4205	3,528,848,624	46.7%
2012	1,275,001,407	221,212,200	56,471,112	1,552,684,719	21.4205	3,224,039,828	48.2%
2013	1,260,004,911	223,183,160	45,132,312	1,528,320,383	21.4205	3,160,534,680	48.4%

Source: City of Kalamazoo, Management Services Department, Assessor Division

Note:

Property in the city is reassessed annually. State statute requires all taxable property to be assessed at 50% of the market value, except certain facilities which are granted exemption certificates under Act 198, Public Acts of Michigan. This Act was designed to provide a stimulus in the form of tax incentives to industrial and commercial enterprises to renovate and expand aging facilities and to build new facilities. However, Proposal A limits the increase of the taxable value to 5% or the Consumer Price Index, whichever is lower. The rates are per \$1,000 of taxable value.

(A) Taxable values include adjustments to the final adopted assessment roll due to Tax Tribunal Judgments, Board of Review decisions and other adjustments affecting the assessment roll or the tax levy as of December 31, 2013. These values do not reflect adjustments for real estate taxes cancelled through foreclosure, or personal property taxes cancelled by the Circuit Court. These adjustments decreased the 2013 roll by \$4,455,576

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years
(unaudited)

Year Ended December 31,	City of Kalamazoo				Overlapping Rates						Totals	
	Operating	Refuse Collection and Disposal	Mass Transportation	Total City Millage (A)	Kalamazoo Public Schools (B)	County	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
2004	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	3.0416	2.8135	3.9583	66.2901	48.2901
2005	19.2705	1.8700	1.0000	22.1405	22.2000	6.1362	6.0000	4.5416	2.8135	3.9583	67.7901	49.7901
2006	19.1606	1.7500	0.9943	21.9049	23.3500	6.5862	6.0000	4.5416	2.8135	3.9583	69.1545	51.1545
2007	19.2705	1.5500	1.0000	21.8205	23.3500	6.7162	6.0000	4.5416	2.8135	3.9583	69.2001	51.2001
2008	19.2705	1.5500	1.0000	21.8205	23.3500	6.3312	6.0000	4.8316	2.8135	3.9583	69.1051	51.1051
2009	19.2705	1.5500	0.0000	20.8205	23.3500	6.7212	6.0000	4.8316	2.8135	3.9583	68.4951	50.4951
2010	19.2705	1.5500	0.6000	21.4205	23.3500	6.7412	6.0000	4.8566	2.8135	3.9583	69.1401	51.1401
2011	19.2705	1.5500	0.6000	21.4205	23.3500	6.7555	6.0000	4.8616	2.8135	3.9583	69.1594	51.1594
2012	19.2705	1.5500	0.6000	21.4205	24.2500	6.7596	6.0000	4.8666	2.8135	3.9583	70.0685	52.0685
2013	19.2705	1.5500	0.6000	21.4205	24.9500	6.7695	6.0000	4.8916	2.8135	3.9583	70.8034	52.8034

Source: City of Kalamazoo, Management Services Department, Treasury Division

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Kalamazoo. Not all overlapping rates apply to all City of Kalamazoo property owners (e.g., the rates for special districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the special district). Tax rates are expressed as a dollar for each \$1,000 of taxable property value.

- (A) The City's Downtown Development Authority levies an additional \$1.9638 for each \$1,000 of Taxable Value within the City's Downtown Development District.
- (B) Kalamazoo Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the millage rates for the fiscal year ended December 31, 2013 ranged from \$22.6800 to 25.0000 for each \$1,000 of Taxable Value. The total tax rates for property owners in these other school districts would differ accordingly.
- (C) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or entity. Homestead also includes certain agricultural property, registered life care facilities, and property owned by a cooperative housing corporation and occupied as a Homestead.

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago
(unaudited)

Taxpayer	Industry	2013			Rank	(B) Percent of Total	2003 (C)		
		Taxable Value of Property					Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Pfizer Corporation	Pharmaceuticals	\$ 67,161,500	\$ 4,244,000	\$ 71,405,500	1	4.75%	\$ 149,665,850	1	10.01%
Graphic Packaging	Paper Products	35,079,000	9,588,600	44,667,600	2	2.97%	34,963,400	3	2.34%
Consumer's Energy	Utility	36,775,500	-	36,775,500	3	2.45%	39,926,600	2	2.67%
Catalyst Development	Real Estate	24,538,100	-	24,538,100	4	1.63%	-		0.00%
Fabri-Kal Corporation	Plastics production, design	3,003,300	12,086,300	15,089,600	5	1.00%	-		0.00%
Bronson Hospital	Healthcare services, property holdings	10,442,600	-	10,442,600	6	0.69%	9,770,300	6	0.65%
Lifecare (Friendship Village)	Retirement Community	10,334,500	-	10,334,500	7	0.69%	9,032,950	8	0.60%
James S. Smith Trust	Rental Properties	10,025,700	-	10,025,700	8	0.67%	12,104,950	5	0.81%
Zeus Associates LLC & Hera Associates LLC	Apartment complexes	9,266,700	-	9,266,700	9	0.62%	-		0.00%
Parker Hannifin Corp	Aerospace Manufacturer	6,624,400	1,881,800	8,506,200	10	0.57%	-		0.00%
Former Top 10 Taxpayers	various						38,714,475	4,7,9,10	2.59%
		<u>\$213,251,300</u>	<u>\$27,800,700</u>	<u>\$241,052,000</u>		<u>16.04%</u>	<u>\$294,178,525</u>		<u>19.67%</u>

Source: City of Kalamazoo, Management Services Department, Assessor Division

- (A) Represents equivalent taxable value of property granted tax abatement under Acts 198.
- (B) The City's total taxable value of \$1,526,445,574 for the year ending December 31, 2013 includes the taxable value of property granted tax abatement under Act 198 and board adjustments through April 8, 2014. See Table 5 for data on taxable values.
- (C) Values are the basis for the 2003 Assessment Roll and the 2003 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,495,892,800.

PROPERTY TAX LEVIES AND COLLECTIONS

General Property Tax Levy

Last Ten Years
(unaudited)

Year	(A) Total Adjusted Tax Levy	Collection of Current Year's Taxes During Year Levied	Percent of Levy Collected During Year Levied	(B)		
				Collection Subsequent to the Year of Tax Levy	Percent of Total Collections to Tax Levy	
				Total Collections		
2004	\$ 29,156,966	\$ 25,195,702	86.41%	\$ 3,869,141	\$ 29,064,843	99.68%
2005	30,020,529	25,828,635	86.04%	4,109,306	29,937,941	99.72%
2006	30,861,994	26,574,222	86.11%	4,205,987	30,780,209	99.73%
2007	32,254,963	27,691,394	85.85%	4,485,197	32,176,591	99.76%
2008	32,525,352	28,058,610	86.27%	4,391,491	32,450,101	99.77%
2009	33,379,476	30,786,313	92.23%	2,522,743	33,309,056	99.79%
2010	31,984,275	29,781,694	93.11%	2,145,998	31,927,692	99.82%
2011	31,198,694	29,212,109	93.63%	1,931,052	31,143,161	99.82%
2012	29,256,743	27,505,148	94.01%	1,684,109	29,189,257	99.77%
2013	28,873,294	27,356,314	94.75%	-	27,356,314	94.75%

Source: City of Kalamazoo, Management Services Department, Treasury Division

(A) Reflects general operating levy only, whereas General Fund property tax revenues in the general purpose financial statements include the general levy, payments in lieu of taxes and special assessments. All total tax levies reflect adjustments for Tax Tribunal consent judgments, Board of Review decisions, real estate taxes cancelled through foreclosure and state scavenger sales, and personal property taxes cancelled by Circuit Court.

(B) Data totals for Tax Years 2004 through 2008 are frozen as of 12-31-09 due to a change in methodology for collecting these delinquent taxes. All real property taxes (excluding Buildings on Leased Land) for these years were turned over to the County of Kalamazoo for collection rather than continuing to be retained by the city for that purpose. Data totals for Tax Year 2013 are current through 12-31-13.

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years
(unaudited)

Year	Governmental Activities				Business-Type Activities			Total Primary Government (B)	Percentage of Personal Income	Per Capita (C)
	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts	Special Assessment Bonds (A)	General Obligation Bonds	Revenue Bonds	Installment Purchase Contracts			
2004	\$ 40,740,000	\$ 12,925,000	\$ 970,085	\$ 425,000	\$ -	\$ 23,885,000	\$ -	\$ 78,945,085	4.37%	\$ 1,023
2005	46,940,000	11,395,000	736,009	380,000	-	22,690,000	-	82,141,009	4.10%	1,065
2006	50,920,000	9,805,000	433,300	335,000	-	23,735,000	-	85,228,300	4.40%	1,105
2007	48,070,000	12,480,000	167,000	285,000	-	24,215,000	-	85,217,000	4.85%	1,173
2008	48,765,000	11,090,000	80,000	235,000	-	22,755,000	-	82,925,000	4.35%	1,142
2009	49,590,000	9,735,000	-	185,000	-	31,490,000	-	91,000,000	5.10%	1,250
2010	48,785,000	8,325,000	-	140,000	-	29,800,000	-	87,050,000	4.78%	1,172
2011	49,640,000	6,905,000	-	95,000	-	28,155,000	-	84,795,000	4.66%	1,142
2012	49,750,000	5,595,000	-	45,000	-	32,500,000	-	87,890,000	6.41%	1,176
2013	48,368,335	4,240,000	-	-	951,665	30,405,000	-	83,965,000	6.08%	1,118

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (A) Special assessment bonds were issued in 1999.
- (B) The long term debt in the Statement of Net Position is reported net of premiums and discounts. Premiums and discounts are generally associated with the cost of financing (interest rate) and therefore are excluded from this schedule to demonstrate the burden of principal balances.
- (C) See the Schedule of Demographic and Economic Statistics at Table 14 for personal income and population data.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years
(unaudited)

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds (A)	Total	Percentage of Estimated Actual Value of Property (B)	Per Capita (C)
2004	\$ 40,740,000	\$ 258	\$ 40,739,742	1.15%	\$ 528.09
2005	46,940,000	245,300	46,694,700	1.28%	605.28
2006	50,920,000	89,319	50,830,681	1.32%	658.90
2007	48,070,000	46,450	48,023,550	1.22%	661.14
2008	48,765,000	48,270	48,716,730	1.21%	670.69
2009	49,590,000	127,942	49,462,058	1.30%	679.19
2010	48,775,000	49,257	48,725,743	1.33%	656.13
2011	49,640,000	61,469	49,578,531	1.36%	667.62
2012	49,750,000	237,326	49,512,674	1.40%	662.44
2013	49,320,000	61,851	49,258,149	1.56%	655.97

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Only General Obligation bonds are reported to show the burden of debt on property tax payers and general revenues of the City.

- (A) The net assets of the special assessment debt service fund are not available to general obligation bonds and are excluded from the amounts available in debt service funds.
- (B) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property at Table 4 for property value data.
- (C) Population data can be found in the Schedule of Demographic and Economic Statistics at Table 14.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2013
(unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 7,983,000	13.07%	\$ 1,043,378
Kalamazoo School District	143,735,000	58.73%	84,415,566
Parchment School District	33,799,389	0.95%	321,094
Portage School District	119,825,000	1.58%	1,893,235
Kalamazoo County	36,751,672	19.11%	7,023,245
Kalamazoo Intermediate School District	19,725,000	20.73%	4,088,993
Kalamazoo Library District	2,000,000	55.65%	1,113,000
Total overlapping debt	<u>\$ 363,819,061</u>		<u>\$ 99,898,511</u>

Direct:

	<u>Gross Debt</u>
General obligation bonds:	
Building Authority	\$ 22,184,585
Downtown Development	2,105,000
Capital improvement	24,078,750
Revenue bonds	
Michigan Transportation Fund	4,240,000
Total direct debt	<u>\$ 52,608,335</u>
Total net direct and overlapping debt of governmental activities	<u>\$ 152,506,846</u>

Sources: City of Kalamazoo, Management Services Department, Accounting Division
Municipal Advisory Council of Michigan.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kalamazoo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden born by the residents and businesses should be taken into account. However, this does not imply that every tax payer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2013
(unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,478,655,275
Tax abated property	<u>23,761,162</u>
Total State Equalized Value (SEV)	<u>\$ 1,502,416,437</u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
Legal Limitation	<u>\$ 150,241,644</u>
Debt Obligations of the Primary Government (B)	\$ 83,965,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (30,405,000)
Michigan Transportation Fund Bonds	<u>(4,240,000)</u>
	<u>(34,645,000)</u>
Total Debt of the City Subject to Limitation	<u>\$ 49,320,000</u>
LEGAL DEBT MARGIN	<u>\$ 100,921,644</u>

Note: Under Michigan Home Rule Cities Act, the City of Kalamazoo's outstanding general obligation debt should not exceed 10 percent of total assessed value of all real and personal property in the city.

Significant exceptions to the debt limitation have been permitted by the Home Rule Cities Act for certain types of indebtedness which include: special assessment bonds and Michigan transportation fund bonds; revenue bonds payable from revenues only; bonds issued or contract obligations assessments incurred to comply with an order of the Water Resources Commission of the State of Michigan; obligations incurred for water supply, sewage, drainage, or refuse disposal or resource recover projects necessary to protect public health; bonds issued, assessments, or contract obligations incurred for the construction, improvement, or replacement of a combined sewer overflow abatement facility.

- (A) State equalized assessed property values are assessed at December 31, 2012 for the basis of the year ending December 31, 2013 tax levy. See supplemental Schedule of State Equalized Value at Table 22 for property value data.
- (B) See the Schedule of Ratios of Outstanding Debt by Type at Table 9 for the outstanding debt of the primary government.

LEGAL DEBT MARGIN HISTORICAL INFORMATION

Last Ten Years
(unaudited)

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2004	\$ 176,969,170	\$ 41,415,085	\$ 135,554,085	23.4%
2005	182,904,652	47,676,009	135,228,643	26.1%
2006	191,839,442	51,535,300	140,304,142	26.9%
2007	195,978,550	48,237,000	147,741,550	24.6%
2008	198,924,061	48,845,000	150,079,061	24.6%
2009	195,978,550	49,590,000	146,388,550	25.3%
2010	178,041,985	48,775,000	129,266,985	27.4%
2011	172,045,531	49,640,000	122,405,531	28.9%
2012	152,641,528	49,750,000	102,891,528	32.6%
2013	150,241,644	49,320,000	100,921,644	32.8%

Source: City of Kalamazoo, Management Services Department, Accounting Division

PLEDGED-REVENUE COVERAGE

Last Ten Years
(unaudited)**Governmental Activities:**

Michigan Transportation Revenue Bonds (A)					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
2004	\$ 5,568,127	\$ 1,515,000	\$ 512,153	\$ 2,027,153	2.75
2005	5,316,925	1,530,000	529,523	2,059,523	2.58
2006	5,278,013	1,590,000	466,840	2,056,840	2.57
2007	5,245,597	1,185,000	400,901	1,585,901	3.31
2008	5,017,964	1,390,000	540,732	1,930,732	2.60
2009	4,868,269	1,355,000	445,145	1,800,145	2.70
2010	4,880,147	1,410,000	388,805	1,798,805	2.71
2011	4,983,054	1,480,000	319,935	1,799,935	2.77
2012	5,104,738	1,310,000	222,420	1,532,420	3.33
2013	5,210,499	1,355,000	176,264	1,531,264	3.40

Special Assessment Bonds (B)					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
2004	\$ 43,503	\$ 50,000	\$ 23,447	\$ 73,447	0.59
2005	52,539	45,000	21,241	66,241	0.79
2006	61,480	45,000	19,210	64,210	0.96
2007	50,887	50,000	17,139	67,139	0.76
2008	18,848	50,000	14,380	64,380	0.29
2009	14,591	50,000	11,980	61,980	0.24
2010	16,334	45,000	9,530	54,530	0.30
2011	38,955	45,000	7,280	52,280	0.75
2012	4,122	50,000	4,985	54,985	0.07
2013	2,438	45,000	2,385	47,385	0.05

Note: Detail regarding the government's outstanding debt can be found in the notes to the financial statements.

- (A) Gas and weight tax revenues are reported in the Major and Local Streets funds. Amounts required for debt service are transferred to the Michigan Transportation Bond debt service fund for payment.
- (B) Special assessment bonds were issued in 1999.

PLEDGED-REVENUE COVERAGE - CONCLUDED

Last Ten Years
(unaudited)

Business-type Activities

	Wastewater System Revenue Bonds									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues (C)										
Operating Revenues	\$ 19,290,851	\$ 19,277,647	\$ 18,005,527	\$ 15,949,058	\$ 21,202,678	\$ 18,302,929	\$ 19,146,754	\$ 18,207,086	\$ 20,488,376	\$ 21,113,101
Interest Revenue	111,789	327,282	639,428	594,163	288,958	155,562	(4,039)	20,167	30,564	36,474
Intergovernmental	-	-	-	-	-	-	-	50,628	50,044	46,020
Total Revenues	19,402,640	19,604,929	18,644,955	16,468,896	17,491,460	20,368,388	20,667,651	18,277,881	20,568,984	21,195,595
Direct Operating Expenses (D)										
Operation and Maintenance	15,680,701	16,397,116	16,337,479	15,896,890	15,588,587	17,932,573	18,852,129	18,947,736	17,199,488	17,260,718
Less:										
Payment in Lieu of Taxes	(553,528)	(571,607)	(586,070)	(611,381)	(627,809)	(659,336)	(649,932)	(656,772)	(680,148)	(691,464)
Post Employment Benefits	-	-	-	-	-	(1,390,123)	(1,720,948)	(1,853,618)	(768,134)	(642,212)
Total Direct Operating Expenses	15,127,173	15,825,509	15,751,409	15,285,509	14,960,778	15,883,114	16,481,249	16,437,346	15,751,206	15,927,042
Net Available Revenue	4,275,467	3,779,420	2,893,546	1,183,387	2,530,682	4,485,274	4,186,402	1,840,535	4,817,778	5,268,553
Debt Service										
Principal	180,000	185,000	195,000	200,000	210,000	220,000	330,000	310,000	295,000	495,000
Interest	197,993	191,783	185,123	177,810	170,010	161,610	254,199	302,267	211,699	494,608
Total Debt Service	377,993	376,783	380,123	377,810	380,010	381,610	584,199	612,267	506,699	989,608
Coverage	11.31	10.03	7.61	3.13	6.66	11.75	7.17	3.01	9.51	5.32

	Water System Revenue Bonds									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues (C)										
Operating Revenues	\$ 9,850,608	\$ 11,062,262	\$ 11,000,811	\$ 11,793,782	\$ 11,675,879	\$ 12,018,699	\$ 12,872,027	\$ 12,526,187	\$ 14,609,342	\$ 13,560,159
Interest Revenue	75,914	186,276	303,686	348,374	91,418	6,710	28,312	11,916	11,179	12,316
Intergovernmental	-	-	-	-	-	-	-	187,605	216,885	165,991
Total Revenues	9,926,522	11,248,538	11,304,497	12,142,156	11,767,297	12,025,409	12,900,339	12,725,708	14,837,406	13,738,466
Direct Operating Expenses (D)										
Operation and Maintenance	7,723,608	7,840,777	8,396,955	9,930,265	10,546,477	10,500,491	10,888,856	10,877,839	9,802,781	9,715,638
Less:										
Payment in Lieu of Taxes	(441,954)	(464,052)	(487,000)	(506,500)	(520,110)	(546,229)	(538,440)	(544,104)	(563,472)	(572,844)
Post Employment Benefits	-	-	-	-	-	(1,224,116)	(1,515,414)	(1,632,255)	(676,485)	(565,523)
Total Direct Operating Expenses	7,281,654	7,376,725	7,909,955	9,423,765	10,026,367	8,730,146	8,835,002	8,701,480	8,562,824	8,577,271
Net Available Revenue	2,644,868	3,871,813	3,394,542	2,718,391	1,740,930	3,295,263	4,065,337	4,024,228	6,274,582	5,161,195
Debt Service										
Principal	940,000	1,010,000	1,050,000	1,220,000	1,250,000	1,315,000	1,360,000	1,425,000	1,351,351	1,600,000
Interest	800,314	890,428	845,568	821,500	918,596	859,744	1,150,010	603,917	661,251	968,005
Total Debt Service	1,740,314	1,900,428	1,895,568	2,041,500	2,168,596	2,174,744	2,510,010	2,028,917	2,012,602	2,568,005
Coverage	1.52	2.04	1.79	1.33	0.80	1.52	1.62	1.98	3.12	2.01

Note: Detail regarding the government's outstanding debt can be found in the notes to the financial statements.

- (C) Includes charges for services, operating revenues, operating grants and subsidies, and interest earned, excluding capital grant revenues, interest earned on construction bond monies, and capital contributions.
- (D) For the purpose of computing debt service coverage, direct operating expenses exclude non-cash elements including depreciation, amortization, and accrual of other post employment benefits. Operating expenses also exclude payment in lieu of taxes (PILOT) paid to the General Fund, which is subordinate to the payment of debt service.

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years
(unaudited)

Fiscal Year	(A) Population	(A) Per Capita Income	Personal Income	(A) Median Age	(B) School Enrollment	(C) Unemployment Rate
2004	77,145	\$ 23,422	\$ 1,806,890,190	26.1	15,019	7.9%
2005	77,145	25,943	2,001,393,040	26.1	15,285	7.2%
2006	77,145	25,089	1,935,469,721	26.1	15,800	7.1%
2007	72,637	24,180	1,756,362,892	26.1	15,150	7.2%
2008	72,637	26,241	1,906,069,914	26.2	16,688	8.6%
2009	72,825	24,517	1,785,459,351	26.2	15,851	13.4%
2010	74,262	24,517	1,820,690,455	24.7	15,598	13.9%
2011	74,262	24,517	1,820,690,455	24.7	15,964	11.3%
2012	74,743	18,348	1,371,384,564	26.2	12,216	7.7%
2013	75,092	18,402	1,381,842,984	26.2	12,216	7.3%

Data Sources:

- (A) United States Census Bureau. Based on 2012 Census estimates.
- (B) City of Kalamazoo, Management Services Department. Kalamazoo Public Schools.com
- (C) Michigan Department of Labor and Economic Growth - Office of Labor Market Information
See the Schedule of Employment Statistics at Table 27 for employment data.

Note: Population and median age are based on the most current available census data. Personal income information is an estimate based on the per capita income of the Kalamazoo County. Unemployment rate information is an unadjusted annual rate for the City of Kalamazoo as included in Table 27. School enrollment is based on student counts in 2010.

PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY

Current Year and Ten Years Ago
(unaudited)

Company	Principal Product or Service	2013			2003		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Pfizer Corporation	Pharmaceuticals	4,300	1	3.4%	6,100	1	4.6%
Bronson Healthcare Group	Health Care	3,400	2	2.7%	3,700	2	2.8%
Borgess Medical Center	Health Care	2,685	3	2.2%	2,721	6	2.0%
Western Michigan University	Education	2,657	4	2.1%	3,500	3	2.6%
Kalamazoo Public Schools	Education	2,200	5	1.8%	2,100	7	1.6%
Stryker Corporation	Medical Equipment	1,750	6	1.4%	900	12	0.7%
National City Bank/PNC	Banking Services	1,500	7	1.2%	3,000	5	2.3%
Meijer, Inc	Retail Goods & Household Prod	1,500	8	1.2%	3,000	4	2.3%
MPI Research	Toxicology Contract & Research	1,400	9	1.1%	-	-	0.0%
Portage Public Schools	Education	1,261	10	1.0%	1,173	8	0.9%
Total		22,653		18.1%	26,194		19.7%

Sources:

Kalamazoo Regional Chamber of Commerce

Note: Only data for the top ten employers for the respective year are shown above.

(A) The approximate number of employees represents only full time employees.

(B) Percentage of employment from major employers is based on the total labor force for Kalamazoo-Portage Metropolitan Statistical Area (MSA) as employees above are not limited to residents of the City of Kalamazoo. The Kalamazoo-Portage MSA total labor force of 124,848 in 2013 were obtained from the Michigan Department of Technology, Management & Budget - Office of Labor Market Information.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years
(unaudited)

Function/Program	Full-time Equivalent Employees (A)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	79	75	74	74	74	75	65	75	65	60
Public safety	308	301	296	301	301	301	287	287	290	262
Economic development	6	7	7	6	6	6	6	6	5	4
Community development and planning	43	42	41	40	40	40	39	40	37	36
Parks and recreation	26	20	20	19	19	19	18	18	22	14
Public works	52	44	44	50	49	44	43	42	47	39
Streets	27	28	28	33	33	33	30	35	28	27
Wastewater	97	112	111	103	90	94	87	87	84	64
Water	95	88	88	85	85	79	76	61	63	50
Total	<u>733</u>	<u>717</u>	<u>709</u>	<u>711</u>	<u>697</u>	<u>691</u>	<u>651</u>	<u>651</u>	<u>641</u>	<u>556</u>

Source: City of Kalamazoo, Management Services Department, Accounting Division

(A) Data represents the number of full-time equivalent positions allocated in the respective year's annual budget.

OPERATING INDICATORS BY FUNCTION

Last Nine Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government:			
Assessors:			
Number of real property parcels	24,331	24,404	24,404
Cost to assess real property - per parcel	\$16.84	\$16.21	\$16.21
Revenue gained per real property parcel for new development	\$11.65	\$11.37	\$11.37
Number of personal property accounts	3,244	3,030	3,030
Cost to assess personal property - per parcel	\$31.67	\$38.38	\$38.38
New personal property accounts	235	270	270
Cost savings due to office realignment - per period			
Treasury:			
Percent of City operation tax collected at year end	86%	85%	85%
Average rate of return on investments	3.19%	4.85%	4.95%
Public Safety:			
Fire safety:			
Number of residential fires/Number of fatal fires	156/1	103/1	120 / 1
Number of fire inspections completed	2,700	2,700	2,700
Kalamazoo Valley Enforcement Team (KVET):			
Number of investigations	844	933	979
Number of arrests (includes warrants)	1,151	923	724
Operations:			
Number of calls for service	86,477	88,259	93,444
Number of persons arrested	9,145	10,580	9,850
Traffic citations issued	33,537	34,262	35,070
Traffic accidents / OUIL Arrests	3,473 / 293	3,479 / 240	3,123 / 312
Economic development:			
Number of tax exempt acres redeveloped	21.22	6.35	1.2
Private investment leveraged / jobs created	\$9,683,000	\$34,218 / 101	\$3,100,000 / 50
New taxable value added to the City	\$836,247	\$13,623,641	\$812,500
Community development and planning:			
Number of housing inspections	N/A	14,491	14,828
Number of rental units inspected/reinspected	12,470	13,000	N/A
Number of rental units certified	8,134	7,245	N/A
Zoning enforcement actions	174	240	245
Number of persons impacted by housing-related grant award activities	18,625	2,277	820
Parks and recreation:			
Number of park reservations and public events	135	190	190
Number of family programs	14	14	14
Number of people served through family programs	9,700	10,425	10,425
Number of youth development programs	37	43	43
Number of people served through youth development programs	9,000	9,230	9,230
Number of youth served through grant programs	6,900	13,265	-

Table 17

2008	2009	2010	2011 (B)	2012 (A)	2013 (A)
22,848	23,430	23,987	23,350	23,380	23,256
\$17.29	\$21.90	\$18.29	\$22.09	\$21.49	\$18.38
\$11.00	(\$9.70)	(\$85.14)	(\$0.36)	\$0.60	\$3.11
3,180	3,632	3,322	3,064	2,935	2,985
\$37.18	\$49.89	\$43.71	\$42.08	\$42.79	\$23.93
150	292	184	N/A	N/A	N/A
			(\$2.86)	(\$0.71)	\$18.86
84%	92%	93%	94%	94%	95%
T-Bill + 22 basis pts	T-Bill + 203 basis pts	T-Bill + 63 basis pts	T-Bill +22 basis pts	T-Bill +20 basis pts	T-Bill +20 basis pts
140 / 1	140 / 2	140 / 0	N/A	N/A	N/A
2,700	2,700	2,700	N/A	N/A	N/A
989	989	909	975	871	640
704	783	729	790	871	660
96,603	97,100	94,100	73,433	101,000	101,000
8,975	8,672	8,900	7,800	8,836	8,500
30,567	28,058	25,000	12,348	17,537	15,000
3,001 / 373	3,069 / 393	3,069 / 400	2,917	2,700	3,000
34.4	34.4	0	2.19	0.98	2.62
\$17,000,000 / 82	\$17,000,000 / 82	\$6,100,000 / 120	\$16,800,000 / 114	\$12,500,000/28	\$12,900,000/47
\$4,200,000	\$4,200,000	\$2,400,000	\$2,199,000	\$822,000	\$727,000
14,357	13,654	14,089	12,802	7,364	12,000
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
216	235	568	N/A	147	268
2,452	2,063	2,702	N/A	510	428
196	194	211	225	225	160
12	12	7	9	9	N/A
7,311	9,083	7,212	6,788	3,851	N/A
56	57	54	48	48	50
9,520	10,818	12,566	2,440	6,245	4,883
-	-	-	-	-	-

OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Nine Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government - Concluded:			
Public works:			
Number of sidewalk repairs	127	127	127
Volume of leaves collected (cubic yards)	67,879	67,879	67,879
Volume of material recycled (tons)	2,831	2,224	2,224
Number of housing units participating in recycling activities	20,000	50,000	20,000
Volume of solid waste collected (cubic yards)	9,972	9,972	9,972
Streets:			
Number of repairs on major streets	185	185	105
Value of Repairs per staff hour on major streets	\$298	\$298	\$326
Number of repairs on local streets	482	482	307
Value of Repairs per staff hour on local streets	\$252	\$252	\$226
Water:			
Cubic meters of water billed (millions)	22.7	22.8	22.8
Average operating cost to produce one cubic meter of water	\$0.451	\$0.438	\$0.438
Number of utility bills mailed	238,689	225,961	225,961
Wastewater:			
Cubic meters of wastewater treated (millions)	36.0	36.0	36.0
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.442	\$0.442
Number of sanitary main line stoppages	14	14	26

Source: City of Kalamazoo Adopted Budget

(A) 2013 data is projected in conjunction with the City of Kalamazoo 2014 proposed budget procedures.
Actual data is not currently available.

(B) 2012 data has been updated from estimated to actual numbers.

Comparative statistical data preceding 2005 is not available.

Table 17

2008	2009	2010	2011 (B)	2012 (A)	2013 (A)
85	87	92	N/A	N/A	N/A
70,000	90,000	90,000	90,500	90,500	90,000
2,350	2,400	2,400	2,510	2,510	2,550
21,000	21,500	21,500	21,575	21,575	21,700
9,975	9,845	9,958	9,989	9,989	10,000
181	185	180	N/A	N/A	N/A
\$295	\$300	\$315	N/A	N/A	N/A
484	475	450	N/A	N/A	N/A
\$245	\$255	\$265	N/A	N/A	N/A
22.4	22.6	22.6	22.4	22.4	22.9
\$0.440	\$0.460	\$0.460	\$0.550	\$0.520	\$0.510
251,449	252,780	252,780	N/A	N/A	N/A
36.2	36.2	34.9	35.6	35.5	35.2
\$0.440	\$0.440	\$0.550	\$0.650	\$0.620	\$0.610
14	14	28	N/A	N/A	N/A

CAPITAL ASSET STATISTICS BY FUNCTION

Last Nine Years
(unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:									
Administration buildings	-	1	1	1	1	1	1	1	1
Vehicles	-	6	8	8	8	7	7	7	4
Parking lots	-	7	7	7	7	7	7	7	7
Parking ramps	-	3	3	3	3	3	3	3	3
Public safety:									
Public safety headquarters building	-	1	1	1	1	1	1	1	7
Public safety stations	7	7	7	7	7	7	7	6	6
Training facility	-	1	1	1	1	1	1	1	1
Vehicles	-	194	193	198	196	191	192	204	165
Community development and planning:									
Vehicles	-	25	26	27	27	27	27	24	15
Parks and recreation:									
Administration building	-	1	1	1	1	1	1	1	1
Youth development center	-	1	1	1	1	1	1	1	1
Acreeage of parks:									
Mini-parks	-	8.9	8.9	8.9	8.9	8.9	8.9	4.8	5.7
Neighborhood parks and playgrounds	-	111.5	111.5	111.5	111.5	111.5	111.5	87.1	86.5
Major community parks	-	728.5	728.5	728.5	728.5	728.5	728.5	n/a	n/a
Open green space and preserves	-	137.0	137.0	137.0	137.0	137.0	137.0	n/a	n/a
Community parks	n/a	161.7	188.2						
Large urban parks	n/a	181.0	181.0						
Small urban parks	n/a	6.2	6.2						
Sports complex	n/a	93.1	93.1						
Natural resources areas	n/a	89.2	89.2						
Green spaces	n/a	6.0	6.0						
Islands and right of ways	n/a	16.2	16.2						
Number of parks (C):									
Mini-parks	-	9	9	9	9	9	9	7	8
Neighborhood parks and playgrounds	-	14	14	14	14	14	14	15	14
Major community parks	-	8	8	8	8	8	8	n/a	n/a
Open green space and preserves	-	17	17	17	17	17	17	n/a	n/a
Community parks	n/a	6.0	6						
Large urban parks	n/a	1.0	1						
Small urban parks	n/a	4.0	4						
Sports complex	n/a	1.0	1						
Natural resources areas	n/a	1.0	1						
Green spaces	n/a	6.0	6						
Islands and right of ways	n/a	28.0	28						
Festival site	-	1	1	1	1	1	1	1	1
Farmers market	-	1	1	1	1	1	1	1	1
Cemeteries	-	2	2	2	2	2	2	2	2
Swimming pool	-	1	1	1	1	1	1	1	1
Beach	-	1	1	1	1	1	1	1	1
Golf courses	-	3	3	3	3	3	3	3	3
Vehicles	-	2	2	2	3	3	3	3	2
Public works:									
Gravel pit	-	1	1	1	1	1	1	1	1
Salt storage building	-	1	1	1	1	1	1	1	1
Streets:									
Local streets (miles)	166.29	166.29	166.29	166.29	166.29	166.29	166.29	166.38	166.38
Major streets (miles)	82.39	82.39	82.39	82.39	82.39	82.39	82.39	83.62	83.62
Traffic signals	-	135	135	135	135	135	136	85	85

CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Nine Years
(unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wastewater:									
Sanitary sewers (miles)	291	293	293	293	293	293	293	294	294
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	187.5	187.5	188.0	188.1
Number of lift stations maintained	52	52	54	54	54	54	59	60	60
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5
Water:									
Water facility	1	1	1	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8	8	8	8
Pumping stations	18	18	18	18	18	18	18	16	16
Booster/bleeder stations	13	13	13	13	13	13	15	17	17
Water mains (miles)	665	665	665	665	665	807	812	753	755
Wells in Service	103	103	99	99	99	99	99	99	99
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79	66.79	66.79	66.79	60.00	60.00
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80	17.80	17.80	17.80	15.10	15.10
Internal service:									
Public works equipment (A)									
Utility and other vehicles	-	95	93	90	91	95	76	112	107
Public utilities equipment (B)									
Utility and other vehicles	-	120	136	136	136	130	115	89	81

Sources: Various city departments.

(A) The Public Works Equipment fund holds assets allocated primarily to general government, community development and planning, parks and recreation, and public works based on actual use.

(B) The Public Utilities Equipment fund holds assets allocated primarily to water and wastewater based on actual use.

(C) Certain parks information is presented based on classifications maintained by the Parks and Recreation department. Comparative data is not available.

Comparative statistical data preceding 2005 is not available.

SCHEDULE OF REVENUES AND EXPENDITURES
FOR ACTIVITIES RELATED TO THE STATE CONSTRUCTION CODE ACT
MICHIGAN PUBLIC ACT 245

For the Year Ended December 31, 2013
(unaudited)

REVENUES	
Building Permits	\$ 274,769
Electrical Permits	111,180
Mechanical Permits	102,659
Plumbing Permits	49,196
Other Permits & License Fees	<u>42,543</u>
TOTAL REVENUES	580,347
EXPENDITURES	
Wages, Salaries and Benefits	417,339
Supplies	2,848
Services	85,303
Administrative Overhead*	<u>82,260</u>
TOTAL EXPENDITURES	<u>587,750</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ (7,403)</u></u>

*Administrative overhead is computed for all City departments using a full cost-allocation plan. However, it is not charged to General Fund departments. Public Act 245 of 1999, which requires the inclusion of this schedule, also includes overhead as part of the expenditures to be reported.

EMPLOYEES' RETIREMENT SYSTEM
REVENUE BY SOURCE AND EXPENSES BY TYPE

Last Ten Years
(unaudited)

Revenue by Source					
Year Ended December 31	Employee Contributions	Employer Contributions	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
2004	\$ 1,517,175	\$ -	-	\$ 56,524,988	\$ 58,042,163
2005	1,458,491	-	-	32,199,000	33,657,491
2006	1,518,785	-	-	66,454,372	67,973,157
2007	1,599,967	-	-	10,662,101	12,262,068
2008	1,723,718	-	-	(135,688,146)	(133,964,428)
2009	1,689,006	-	-	97,711,550	99,400,556
2010	1,689,077	-	-	76,195,624	77,884,701
2011	1,519,670	-	-	(11,039,051)	(9,519,381)
2012	1,199,113	905,746	2.48%	71,755,266	73,860,125
2013	1,110,057	905,746	2.49%	104,987,302	107,003,105

Expenses by Type					
Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total	
2004	\$ 13,400,871	\$ 381,913	\$ 154,161	\$ 13,936,945	
2005	13,421,166	474,191	305,481	14,200,838	
2006	14,256,358	435,034	109,250	14,800,642	
2007	15,800,304	479,032	125,963	16,405,299	
2008	15,719,908	477,130	246,526	16,443,564	
2009	16,439,540	503,138	223,634	17,166,312	
2010	16,976,057	453,272	164,360	17,593,689	
2011	18,140,577	426,033	249,948	18,816,558	
2012	24,886,037	433,752	181,872	25,501,661	
2013	27,111,793	470,974	46,718	27,629,485	

(A) Investment advisor fees are reported as a reduction of investment income, rather than as administrative expense.

(B) The City's pension costs were \$0 for 2012 and 2013. Contributions were made as payback for the early retirement incentive program.

TAXABLE VALUE

Last Eight Years
(unaudited)

TOTAL TAXABLE VALUE

Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
2005	2006	2006	\$ 1,614,675,385	\$ 23,178,428	1,637,853,813	3.77%
2006	2007	2007	1,685,212,099	15,504,261	1,700,716,360	3.84%
2007	2008	2008	1,719,463,219	-	1,719,463,219	2.02%
2008	2009	2009	1,716,496,933	35,537,323	1,752,034,256	0.97%
2009	2010	2010	1,638,373,891	29,040,285	1,667,414,176	-4.83%
2010	2011	2011	1,597,347,235	29,798,234	1,627,145,469	-2.42%
2011	2012	2012	1,496,984,718	29,430,562	1,526,415,280	-6.19%
2012	2013	2013	1,478,655,275	23,761,162	1,502,416,437	-1.57%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2013 (3) \$ 20,231.30

Note: The taxable values represent starting taxable property values rendered by the March Board of Review. The taxable values above do not reflect final adjustments of the Tax Tribunal Judgments, Board of Review decisions, or other adjustments.

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2013, the Taxable Value of the property located in the Zone totaled \$6,990,101.

(2) Abated taxable value is the equivalent taxable value of property granted tax abatement under Act 198.

(3) Based on the City's 2010 census of 74,262.

TAXABLE VALUE - CONCLUDED

Last Eight Years
(unaudited)

TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31							
	2006	2007	2008	2009	2010	2011	2012	2013
Use								
Commercial	\$ 567,815,005	\$ 591,866,114	\$ 589,583,943	\$ 606,607,218	\$ 563,036,502	\$ 541,614,381	\$ 507,611,427	\$ 495,648,966
Industrial	284,054,454	281,518,175	289,483,928	288,393,750	267,710,185	266,864,890	256,822,892	249,610,325
Residential	785,984,354	827,332,071	856,069,445	857,033,288	836,667,489	818,666,198	761,980,961	757,157,146
	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>	<u>\$ 1,667,414,176</u>	<u>\$ 1,627,145,469</u>	<u>\$ 1,526,415,280</u>	<u>\$ 1,502,416,437</u>
Class								
Real	\$ 1,406,290,065	\$ 1,470,085,410	\$ 1,511,176,716	\$ 1,511,695,056	\$ 1,428,165,026	\$ 1,386,487,819	\$ 1,289,740,130	\$ 1,269,604,837
Personal	231,563,748	230,630,950	223,960,600	240,339,200	239,249,150	240,657,650	236,675,150	232,811,600
	<u>\$ 1,637,853,813</u>	<u>\$ 1,700,716,360</u>	<u>\$ 1,735,137,316</u>	<u>\$ 1,752,034,256</u>	<u>\$ 1,667,414,176</u>	<u>\$ 1,627,145,469</u>	<u>\$ 1,526,415,280</u>	<u>\$ 1,502,416,437</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

	Years Ended December 31							
	2006	2007	2008	2009	2010	2011	2012	2013
Use								
Commercial	34.67%	34.80%	33.98%	34.62%	33.77%	33.29%	33.26%	32.99%
Industrial	17.34%	16.55%	16.68%	16.46%	16.06%	16.40%	16.83%	16.61%
Residential	47.99%	48.65%	49.34%	48.92%	50.18%	50.31%	49.92%	50.40%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class								
Real	85.86%	86.44%	87.09%	86.28%	85.65%	85.21%	84.49%	84.50%
Personal	14.14%	13.56%	12.91%	13.72%	14.35%	14.79%	15.51%	15.50%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: City of Kalamazoo, Management Services Department, Assessor Division

STATE EQUALIZED VALUATION

Last Eight Years
(unaudited)

Total State Equalized Value (SEV)

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem SEV Value (1)	Abated SEV Value (2)	Total SEV Value	Percent Increase
2005	2006	2006	\$ 1,895,004,224	\$ 23,390,200	\$ 1,918,394,424	4.88%
2006	2007	2007	1,943,943,350	15,842,150	1,959,785,500	2.16%
2007	2008	2008	1,973,015,306	16,225,300	1,989,240,606	1.50%
2008	2009	2009	1,876,466,814	36,568,300	1,913,035,114	-3.83%
2009	2010	2010	1,750,636,695	29,783,150	1,780,419,845	-6.93%
2010	2011	2011	1,690,093,209	30,362,100	1,720,455,309	-3.37%
2011	2012	2012	1,546,057,614	29,826,350	1,575,883,964	-8.40%
2012	2013	2013	1,525,084,602	24,156,950	1,549,241,552	-1.69%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2013 (3) \$ 21,220.60

(1) Does not include the value of property located within the City's Renaissance Zone which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376") Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income, and business taxes. For the fiscal year ending December 31, 2013, the State Equalized Value of the property located in the Zone totaled \$7,941,600.

(2) Abated taxable value is the equivalent taxable value of property granted tax abatement under Act 198.

(3) Based on the City's 2010 census of 74,262.

STATE EQUALIZED VALUATION - CONCLUDED

Last Eight Years
(unaudited)

Total SEV by Use and Class

	Years Ended December 31							
	2006	2007	2008	2009	2010	2011	2012	2013
Use								
Commercial	\$ 648,762,947	\$ 656,955,700	\$ 655,406,800	\$ 659,635,900	\$ 594,185,500	\$ 572,537,400	\$ 525,231,000	\$ 509,014,740
Industrial	286,534,577	288,315,850	297,254,500	295,190,600	272,429,550	270,606,100	259,257,328	251,795,650
Residential	983,096,900	1,014,513,950	1,036,579,306	958,208,614	913,804,795	877,311,809	791,395,636	788,431,162
	<u>\$ 1,918,394,424</u>	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,913,035,114</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>	<u>\$ 1,549,241,552</u>
Class								
Real	\$ 1,686,650,764	\$ 1,729,154,550	\$ 1,765,280,006	\$ 1,672,739,514	\$ 1,541,173,395	\$ 1,479,786,159	\$ 1,339,202,714	\$ 1,316,663,802
Personal	232,348,848	230,630,950	223,960,600	240,295,600	239,246,450	240,669,150	236,681,250	232,577,750
	<u>\$ 1,918,999,612</u>	<u>\$ 1,959,785,500</u>	<u>\$ 1,989,240,606</u>	<u>\$ 1,913,035,114</u>	<u>\$ 1,780,419,845</u>	<u>\$ 1,720,455,309</u>	<u>\$ 1,575,883,964</u>	<u>\$ 1,549,241,552</u>

Percent of Total SEV by Use and Class

	Years Ended December 31							
	2006	2007	2008	2009	2010	2011	2012	2013
Use								
Commercial	33.82%	33.52%	32.95%	34.48%	33.37%	33.28%	33.33%	32.86%
Industrial	14.94%	14.71%	14.94%	15.43%	15.30%	15.73%	16.45%	16.25%
Residential	51.25%	51.77%	52.11%	50.09%	51.33%	50.99%	50.22%	50.89%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class								
Real	87.92%	88.23%	88.74%	87.44%	86.56%	86.01%	84.98%	84.99%
Personal	12.08%	11.77%	11.26%	12.56%	13.44%	13.99%	15.02%	15.01%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: City of Kalamazoo, Management Services Department, Assessor Division

MAXIMUM AND ACTUAL TAX RATES

December 31, 2013
(unaudited)

Millage Classification	Millage Authorized	Cumulative Millage Reduction Fraction (A)	Maximum Allowable Millage	Actual Millage Levied
Operating	20.0000	0.9635	19.2705	19.2705
Refuse Collection and Disposal	3.0000	0.9635	2.8906	1.5500
Mass Transportation	<u>0.6000</u>	0.0000	<u>0.6000</u>	<u>0.6000</u>
	<u><u>23.6000</u></u>		<u><u>22.7611</u></u>	<u><u>21.4205</u></u>

Source: City of Kalamazoo, Management Services Department, Treasury Division

(A) The cumulative millage reduction fraction reduces the authorized millage based on the Headlee amendment which limits the rate of growth of property tax revenue to the consumers price index.

REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN

Last Ten Years
(unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Constitutional	\$ 5,067,393	\$ 5,250,646	\$ 5,270,861	\$ 5,169,916	\$ 5,342,525
Statutory	<u>5,245,601</u>	<u>5,082,985</u>	<u>4,920,760</u>	<u>4,797,829</u>	<u>4,625,220</u>
Total payments received	10,312,994	10,333,631	10,191,621	9,967,745	9,967,745
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	<u>-</u>
Net revenue sharing	<u>\$ 10,069,811</u>	<u>\$ 10,090,448</u>	<u>\$ 9,948,438</u>	<u>\$ 9,724,562</u>	<u>\$ 9,967,745</u>
% of General Fund revenue (2)	21.3%	20.4%	18.8%	18.4%	18.5%

Source: City of Kalamazoo, Management Services Department, Accounting Division

- (1) The City receives revenue sharing payments on behalf of the Kalamazoo Library, Parchment Library, Metro Transit, and Downtown Development Authority.
- (2) The percentage of General Fund revenue is calculated using the non-GAAP, budgetary basis of actual revenues.

Table 24

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 5,038,645	\$ 4,997,354	\$ 5,234,462	\$ 5,376,641	\$ 5,451,748
<u>4,625,220</u>	<u>3,597,688</u>	<u>2,828,982</u>	<u>2,517,264</u>	<u>2,517,264</u>
9,663,865	8,595,042	8,063,444	7,893,905	7,969,012
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 9,663,865</u>	<u>\$ 8,595,042</u>	<u>\$ 8,063,444</u>	<u>\$ 7,893,905</u>	<u>\$ 7,969,012</u>
18.6%	16.8%	15.0%	16.1%	16.1%

RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Ten Years
(unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Cash Basis										
Major Streets	\$ 4,363,410	\$ 4,163,652	\$ 4,145,499	\$ 4,100,045	\$ 4,444,710	\$ 3,785,194	\$ 3,800,114	\$ 3,856,427	\$ 3,970,573	\$ 4,058,818
Local Streets	1,219,380	1,164,396	1,159,416	1,146,604	1,193,602	1,073,035	1,076,285	1,089,278	1,119,306	1,144,434
	<u>\$ 5,582,790</u>	<u>\$ 5,328,048</u>	<u>\$ 5,304,915</u>	<u>\$ 5,246,649</u>	<u>\$ 5,638,312</u>	<u>\$ 4,858,229</u>	<u>\$ 4,876,399</u>	<u>\$ 4,945,705</u>	<u>\$ 5,089,879</u>	<u>\$ 5,203,252</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Accrual Basis										
Major Streets	\$ 4,351,527	\$ 4,154,921	\$ 4,124,532	\$ 4,099,179	\$ 3,912,153	\$ 3,792,932	\$ 3,803,492	\$ 3,885,881	\$ 3,982,120	\$ 4,064,225
Local Streets	1,216,600	1,162,004	1,153,481	1,146,418	1,105,811	1,075,337	1,076,655	1,097,173	1,122,618	1,146,275
	<u>\$ 5,568,127</u>	<u>\$ 5,316,925</u>	<u>\$ 5,278,013</u>	<u>\$ 5,245,597</u>	<u>\$ 5,017,964</u>	<u>\$ 4,868,269</u>	<u>\$ 4,880,147</u>	<u>\$ 4,983,054</u>	<u>\$ 5,104,738</u>	<u>\$ 5,210,500</u>

Source: City of Kalamazoo, Management Services Department, Accounting Division

LABOR CONTRACTS

December 31, 2013
(unaudited)

<u>Bargaining Unit</u>	<u>Membership</u>	<u>Contract Expiration Date</u>
American Federation of State, County and Municipal Employees	107	October 2, 2014
Kalamazoo Municipal Employees Association	89	December 31, 2017
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	49	December 31, 2017
Kalamazoo Police Officers Association (Officers and Detectives)	182	December 31, 2017
Amalgamated Transit Union (Bus Drivers and Mechanics)	88	February 13, 2014
<u>Non-Union</u>	<u>127</u>	<u>Not Applicable</u>
Total Employees	642	

Source: City of Kalamazoo, Human Resources

EMPLOYMENT STATISTICS

Last Ten Years
(unaudited)

	City of Kalamazoo				State of Michigan			
	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force	Employed	Unemployed	Total Labor Force	Unemployed as a % of Labor Force
2004	36,186	3,109	39,295	7.9%	4,687,000	356,000	5,043,000	7.1%
2005	36,901	2,847	39,748	7.2%	4,717,000	346,000	5,063,000	6.8%
2006	37,382	2,859	40,241	7.1%	4,723,000	349,000	5,072,000	6.9%
2007	37,818	2,947	40,765	7.2%	4,681,000	357,000	5,038,000	7.1%
2008	37,369	3,517	40,886	8.6%	4,554,000	412,000	4,966,000	8.3%
2009	34,829	5,409	40,238	13.4%	4,211,000	648,000	4,859,000	13.3%
2010	34,176	5,512	39,688	13.9%	4,193,000	597,000	4,790,000	12.5%
2011	33,469	4,255	37,724	11.3%	4,178,000	480,000	4,658,000	10.3%
2012	34,327	2,872	37,199	7.7%	4,245,000	364,000	4,609,000	7.9%
2013	37,631	2,976	40,607	7.3%	4,667,000	357,000	5,024,000	7.1%

Source: Michigan Department of Labor and Economic Growth - Office of Labor Market Information

Note: Unemployment data represents annual averages not adjusted for seasonal changes. 2001-2009 data is updated to reflect current labor data available.

WATER SUPPLY SYSTEM

Water Supply Franchises
(unaudited)

<u>Franchisor</u>	<u>Effective Date</u>	<u>Year of Renewal</u>
Comstock Township	23-Dec-64	1994*
Cooper Township	18-Nov-68	1998*
Kalamazoo Township	30-Jan-70	2000*
Oshtemo Township	8-Feb-65	1995*
Pavilion Township	18-Nov-68	1998*
City of Portage	1-Oct-12	2042
Richland Township	28-Feb-72	2002*
Richland Village	26-Jul-76	2006*
Texas Township	11-Dec-67	1997*

Source: City of Kalamazoo, Public Services Department, Water Division

* For any contracts which have expired, the City and the affected Township(s) are continuing their relationship under the continuation portion of the agreement(s).

WATER SUPPLY SYSTEM

Approximate Number of Water Supply Customers
by Location and User ClassificationLast Five Years
(unaudited)

Customer Location and Classification	2009	2010	2011	2012	2013
City:					
Residential	18,230	17,425	17,171	18,267	17,291
Commercial / Industrial	<u>5,272</u>	<u>5,998</u>	<u>5,939</u>	<u>6,052</u>	<u>6,050</u>
Total City	<u>23,502</u>	<u>23,423</u>	<u>23,110</u>	<u>24,319</u>	<u>23,341</u>
Out City:					
Residential	18,200	16,475	16,501	17,192	16,862
Commercial / Industrial	<u>4,867</u>	<u>5,432</u>	<u>5,427</u>	<u>6,002</u>	<u>5,946</u>
Total Out City	<u>23,067</u>	<u>21,907</u>	<u>21,928</u>	<u>23,194</u>	<u>22,808</u>
Total System:					
Residential	36,430	33,900	33,672	35,459	34,153
Commercial / Industrial	<u>10,139</u>	<u>11,430</u>	<u>11,366</u>	<u>12,054</u>	<u>11,996</u>
Total System	<u>46,569</u>	<u>45,330</u>	<u>45,038</u>	<u>47,513</u>	<u>46,149</u>

Source: City of Kalamazoo, Public Services Department, Water Division

- (1) Data listed represents the number of meters and/or fire protection lines/hydrants for each year.

Since many commercial and industrial customers have more than one service connection, the number of customers by meter and/or fire protection line/hydrant more accurately reflects System growth and concentration by user classification.

WATER SUPPLY SYSTEM

Approximate Number of Water Customers by Location
and Size of Meter or Fire Protection Line/Hydrant
(unaudited)

		<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Meter Location and Size</u>				
City:				
	5/8" - 3/4"	16,419	17,388	16,459
	1"	2,325	2,499	2,405
	1 1/2"	242	251	246
	2"	974	984	1,061
	3"	179	180	202
	4"	78	82	101
	6"	5	6	9
	8"	<u>0</u>	<u>0</u>	<u>0</u>
Total City		<u>20,222</u>	<u>21,390</u>	<u>20,483</u>
Out City:				
	5/8" - 3/4"	8,404	8,636	8,429
	1"	8,901	9,378	9,241
	1 1/2"	325	328	360
	2"	896	902	944
	3"	103	105	119
	4"	43	42	50
	6"	10	11	12
	8"	<u>0</u>	<u>0</u>	<u>0</u>
Total Out City		<u>18,682</u>	<u>19,402</u>	<u>19,155</u>
Total Meters		<u>38,904</u>	<u>40,792</u>	<u>39,638</u>
<u>Location and Size of Fire Protection Line/Hydrant</u>				
City:				
	4"	201	206	213
	6"	161	163	166
	8"	83	85	84
	10"	2	2	2
	Hydrants	<u>2,441</u>	<u>2,475</u>	<u>2,390</u>
Total City		<u>2,888</u>	<u>2,931</u>	<u>2,855</u>
Out City:				
	4"	187	189	190
	6"	99	99	99
	8"	70	69	69
	10"	5	5	5
	Hydrants	<u>2,885</u>	<u>3,432</u>	<u>3,292</u>
Total Out City		<u>3,246</u>	<u>3,794</u>	<u>3,655</u>
Total Fire Protection		<u>6,134</u>	<u>6,725</u>	<u>6,510</u>
Total Service Connections		<u>45,038</u>	<u>47,517</u>	<u>46,148</u>

Source: City of Kalamazoo, Public Services Department, Water Division

WATER SUPPLY SYSTEM

Water Supply Ready-to-Serve Charges by Meter Location and Size

Last Five Years
(unaudited)

<u>Meter Location and Size</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 18.65	\$ 18.30	\$ 18.84	\$ 20.70	\$ 20.70
1" Meter	24.03	23.91	24.81	27.48	27.48
1-1/2" Meter	29.42	29.52	30.77	34.25	34.25
2" Meter	44.24	44.94	47.18	52.87	52.87
City (Monthly Billed Accounts):					
5/8" Meter	9.67	8.95	8.90	9.41	9.41
1" Meter	11.46	10.82	10.89	11.67	11.67
1-1/2" Meter	13.26	12.69	12.88	13.93	13.93
2" Meter	18.20	17.83	18.35	20.14	20.14
3" Meter	54.57	55.70	58.61	65.86	65.86
4" Meter	68.05	69.72	73.52	82.79	82.79
6" Meter	99.48	102.45	108.32	122.30	122.30
8" Meter	135.40	139.35	148.08	167.45	167.45
City (Monthly Fire Protection Charge):					
4" Detector Check	16.99	19.54	21.72	23.63	23.63
6" Detector Check	21.86	23.06	25.46	28.03	28.03
8" Detector Check	31.49	30.60	33.26	37.12	37.12
10" Detector Check	68.96	65.03	68.49	77.33	77.33
Fire Hydrant	3.47	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	28.50	24.01	23.03	24.48	24.48
1" Meter	37.81	31.90	30.66	32.76	32.76
1-1/2" Meter	47.14	39.80	38.30	41.04	41.04
2" Meter	72.79	61.51	59.31	63.82	63.82
Out City (Monthly Billed Accounts):					
5/8" Meter	12.95	10.85	10.30	10.67	10.67
1" Meter	16.06	13.48	12.84	13.43	13.43
1-1/2" Meter	19.17	16.11	15.39	16.19	16.19
2" Meter	27.72	23.35	22.39	23.79	23.79
3" Meter	90.67	76.64	73.95	79.70	79.70
4" Meter	113.98	96.38	93.04	100.41	100.41
6" Meter	168.38	142.43	137.60	148.72	148.72
8" Meter	230.55	195.07	188.52	203.94	203.94
Out City (Monthly Fire Protection Charge):					
4" Detector Check	29.46	29.29	42.92	46.32	46.32
6" Detector Check	37.06	33.54	54.82	60.00	60.00
8" Detector Check	51.89	42.35	79.86	88.61	88.61
10" Detector Check	107.11	81.70	197.68	218.99	218.99
Fire Hydrant	3.47	3.33	3.33	3.33	3.33

Source: City of Kalamazoo, Public Services Department, Water Division

WATER SUPPLY SYSTEM

Water Supply Commodity Charges by Meter
Location and Classification (1)Last Five Years
(unaudited)

<u>Meter Location and Classification</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City:					
Residential	\$0.205	\$0.237	\$0.270	\$0.284	\$0.284
Multifamily	0.145	0.213	0.243	0.255	0.255
Commercial/Industrial	0.175	0.239	0.272	0.286	0.286
Fire Protection - First 15 M3	0.180	0.233	0.263	0.275	0.275
Fire Protection - Over 15 M3	0.524	0.699	0.789	0.825	0.825
Seasonal Uses	0.342	0.468	0.527	0.537	0.537
Out City:					
Residential	\$0.462	\$0.501	\$0.504	\$0.516	\$0.516
Multifamily	0.312	0.332	0.335	0.343	0.343
Commercial/Industrial	0.370	0.374	0.377	0.385	0.385
Fire Protection - First 15 M3	0.370	0.369	0.372	0.377	0.377
Fire Protection - Over 15 M3	1.111	1.107	1.116	1.131	1.131
Seasonal Uses	0.902	1.013	1.014	1.019	1.019

Source: City of Kalamazoo, Public Services Department, Water Division

(1) per cubic meter

WATER SUPPLY SYSTEM

History of System Rate Increases
(unaudited)

<u>Date Increase Effective</u>	<u>Percent Increase (1)</u>
January 1, 1984	5.00%
February 8, 1985	7.60%
March 2, 1987	5.00%
January 1, 1991	8.00%
January 1, 1993	8.00%
January 1, 1995	5.00%
March 3, 1997	5.00%
February 1, 1998	4.90%
March 15, 1999	2.00%
July 1, 2001	2.00%
February 1, 2002	2.00%
April 30, 2004	3.00%
March 4, 2005	3.00%
March 16, 2006	4.50%
July 1, 2007	3.50%
March 1, 2008	4.00%
March 1, 2009	5.00%
February 1, 2010	5.00%
March 1, 2011	3.50%
March 1, 2012	5.00%

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Reflects anticipated increase in total system revenues. The actual change in rates by meter location and classification vary.

WATER SUPPLY SYSTEM

Water Supply Volume as Pumped and Billed (1)

Last Five Years
(unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Pumped	25,470,589	25,737,266	25,375,000	27,738,740	25,374,999
Billed	<u>22,588,130</u>	<u>22,747,167</u>	<u>22,362,833</u>	<u>24,137,305</u>	<u>21,364,279</u>
Unaccounted (2)	<u>2,882,459</u>	<u>2,990,099</u>	<u>3,012,167</u>	<u>3,601,435</u>	<u>4,010,720</u>
Unaccounted as a Percent of Pumped	<u>11.32%</u>	<u>11.62%</u>	<u>11.87%</u>	<u>12.98%</u>	<u>15.81%</u>

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Measured in Cubic Meters

(2) Unaccounted water volume is due primarily to the flushing of lines, pressure releases during routine maintenance and, to a diminishing degree, line loss and slow meters. As part of its quality control efforts, the City routinely flushes transmission lines.

WATER SUPPLY SYSTEM

Water Volume as Billed by Meter
Location and ClassificationLast Five Years
(unaudited)

<u>Meter Location and Classification</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City:					
Residential	4,353,574	4,769,631	4,351,285	4,776,500	4,205,806
Multifamily	1,903,421	1,861,800	1,838,454	1,893,600	1,829,866
Commercial/Industrial	5,780,822	5,521,424	6,050,094	5,413,200	5,077,562
Fire Protection	7,919	7,165	6,519	8,400	13,935
Seasonal Uses (1)	<u>566,631</u>	<u>590,136</u>	<u>431,573</u>	<u>743,500</u>	<u>478,802</u>
Total City	<u>12,612,367</u>	<u>12,750,156</u>	<u>12,677,925</u>	<u>12,835,200</u>	<u>11,605,971</u>
Out City:					
Residential	5,719,634	5,614,720	5,133,751	6,372,200	5,189,733
Multifamily	1,631,892	1,553,430	1,579,548	1,575,600	1,555,241
Commercial/Industrial	2,099,465	2,329,291	2,521,467	2,658,600	2,638,061
Fire Protection	4,954	3,958	4,349	3,300	1,170
Seasonal Uses (1)	<u>519,818</u>	<u>495,612</u>	<u>445,793</u>	<u>692,400</u>	<u>374,103</u>
Total Out City	<u>9,975,763</u>	<u>9,997,011</u>	<u>9,684,908</u>	<u>11,302,100</u>	<u>9,758,308</u>
Total System:					
Residential	10,073,208	10,384,351	9,485,036	11,148,700	9,395,539
Multifamily	3,535,313	3,415,230	3,418,002	3,469,200	3,385,107
Commercial/Industrial	7,880,287	7,850,715	8,571,561	8,071,800	7,715,623
Fire Protection	12,873	11,123	10,868	11,700	15,105
Seasonal Uses (2)	<u>1,086,449</u>	<u>1,085,748</u>	<u>877,366</u>	<u>1,435,900</u>	<u>852,905</u>
Total System	<u>22,588,130</u>	<u>22,747,167</u>	<u>22,362,833</u>	<u>24,137,300</u>	<u>21,364,279</u>

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Water volume is measured in cubic meters.

(2) Represents flow relating to sprinkler systems which are metered separately.

WATER SUPPLY SYSTEM

Average and Peak Daily Water Supply Volume (1)

Last Five Years
(unaudited)

	2009	2010	2011	2012	2013
Average Daily Water Supply	18.440	18.604	18.367	19.568	20.018
Peak Daily Water Supply	33.855	34.614	34.374	45.933	36.130
Peak as a Percent of Average	183.60%	186.06%	187.15%	234.74%	180.49%

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Measured in millions of gallons per day.

WATER SUPPLY SYSTEM

Water Supply Revenue as Billed by Meter
Location and ClassificationLast Five Years
(unaudited)

<u>Meter Location and Classification</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City:					
Residential	\$ 2,195,516	\$ 2,365,814	\$ 2,464,785	\$ 2,784,620	\$ 2,658,128
Multifamily	440,712	567,730	628,206	680,756	670,952
Commercial/Industrial	1,412,125	1,734,778	1,943,695	2,003,550	1,911,231
Fire Protection	131,510	144,982	150,425	168,595	163,612
Seasonal Uses	242,155	271,702	225,852	431,973	291,039
Total City	4,422,018	5,085,006	5,412,963	6,069,494	5,694,962
Out City:					
Residential	4,739,504	4,568,285	4,375,222	5,170,989	4,610,290
Multifamily	749,995	747,807	753,152	776,386	771,364
Commercial/Industrial	1,180,012	1,278,008	1,328,943	1,402,911	1,404,193
Fire Protection	178,517	167,293	165,903	176,115	157,676
Seasonal Uses	523,200	496,735	424,599	703,314	393,780
Total Out City	7,371,228	7,258,128	7,047,819	8,229,715	7,337,303
Total System:					
Residential	6,935,020	6,934,099	6,840,007	7,955,609	7,268,418
Multifamily	1,190,707	1,315,537	1,381,358	1,457,142	1,442,315
Commercial/Industrial	2,592,137	3,012,786	3,272,638	3,406,461	3,315,424
Fire Protection	310,027	312,275	316,328	344,710	321,288
Seasonal Uses	765,355	768,437	650,451	1,135,287	684,820
Total System	\$ 11,793,246	\$ 12,343,134	\$ 12,460,782	\$ 14,299,209	\$ 13,032,265

Source: City of Kalamazoo, Public Services Department, Water Division

WATER SUPPLY SYSTEM

Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2013
(unaudited)

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Graphic Packaging	Paper Products	901,280	4.2%	\$ 257,766	2.0%
Western Michigan University	Higher Education	782,296	3.7%	223,737	1.7%
Pfizer Corporation/Zoetis	Pharmaceuticals	344,157	1.6%	98,429	0.7%
Bronson Methodist Hospital	Hospital	274,875	1.3%	78,614	0.6%
Borgess Medical Center	Hospital	212,840	1.0%	81,943	0.6%
Kalsec Inc.	Food Grade Flavoring	188,549	0.9%	72,591	0.6%
Kalamazoo Brewing	Beer Brewing	164,019	0.8%	63,147	0.5%
A. M. Todd	Flavor Manufacturing	151,762	0.7%	43,404	0.3%
Continental Linen	Uniform Cleaning	143,240	0.7%	55,147	0.4%
Pavilion Estates	Mobile Home Park	126,820	0.6%	65,439	0.5%
		<u>3,289,838</u>	<u>15.5%</u>	<u>\$ 1,040,217</u>	<u>7.9%</u>

Source: City of Kalamazoo, Public Services Department, Water Division

(1) Based on water volume of 21,364,279 cubic meters.

(2) Based on Water System billed revenue of \$13,032,266.

WASTEWATER SYSTEM

Wastewater Service Agreements
(unaudited)

<u>Municipality</u>	<u>Date of Execution</u>	<u>Year to be Renewed</u>
City of Galesburg (2)	29-Jul-85	2025
City of Parchment (2)	23-Jul-85	2015
City of Portage (2)	27-Jan-86	2016
Village of Augusta (2)	26-Mar-81	2021
Village of Mattawan (2)	18-Nov-96	2026
Village of Vicksburg (2)	16-Apr-85	2015
Charleston Township (1)	3-Jul-98	2016
Comstock Township (1)	16-Sep-80	2010
Cooper Township (1)	10-Oct-83	2013
Kalamazoo Township (1)	6-Oct-80	2010
Oshtemo Township (1)	8-Oct-84	2014
Pavilion Township (1)	16-Mar-81	2011
Schoolcraft Township (1)	25-Oct-82	2012
Texas Township (1)	22-Oct-84	2014
Gull Lake Sewer Authority (2)	15-Sep-80	2010
Barry County		
Prairieville Township		
Richland Township		
Ross Township		
South County Sewer Authority (2)	20-Jul-04	2016

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

WASTEWATER SYSTEM

Approximate Number of Wastewater Customers
by Location and User ClassificationLast Five Years
(unaudited)

<u>Customer Location and Classification</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Retail Customers</u>					
<i>In-City Retail Customers</i>					
Residential	16,487	16,977	16,742	17,824	16,876
Commercial	2,500	2,630	2,608	2,673	2,521
Industrial	<u>168</u>	<u>102</u>	<u>99</u>	<u>97</u>	<u>297</u>
Sub-Total	<u>19,155</u>	<u>19,709</u>	<u>19,449</u>	<u>20,594</u>	<u>19,694</u>
<i>Out-City Retail Customers</i>					
Residential	9,674	9,906	9,961	10,360	10,321
Commercial	1,410	1,452	1,479	1,502	1,519
Industrial	<u>53</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>29</u>
Sub-Total	<u>11,137</u>	<u>11,385</u>	<u>11,467</u>	<u>11,890</u>	<u>11,869</u>
Total Retail Customers	<u>30,292</u>	<u>31,094</u>	<u>30,916</u>	<u>32,484</u>	<u>31,563</u>
<u>Wholesale Customers</u>					
Industries	2	2	2	2	2
Wholesale Municipal Customers	8	8	8	8	8
Dewatering Accounts	8	2	3	4	4
Septage Haulers	<u>8</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>
Sub-Total	<u>26</u>	<u>14</u>	<u>15</u>	<u>14</u>	<u>14</u>
<u>Flat Rate Customers</u>	<u>1,511</u>	<u>1,525</u>	<u>1,524</u>	<u>1,531</u>	<u>1,528</u>
Total Sewer Customers	<u><u>31,829</u></u>	<u><u>32,633</u></u>	<u><u>32,455</u></u>	<u><u>34,029</u></u>	<u><u>33,105</u></u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

WASTEWATER SYSTEM

Number of Retail Customers by Meter Size

Last Five Years
(unaudited)

<u>Meter Size</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
5/8" - 3/4"	22,141	22,746	22,456	23,594	22,429
1"	5,742	6,115	6,223	6,622	6,579
1-1/2"	489	432	440	452	470
2"	1,511	1,465	1,457	1,469	1,622
3"	266	240	241	242	292
4"	108	89	90	94	144
6"	35	7	9	11	19
	<u>30,292</u>	<u>31,094</u>	<u>30,916</u>	<u>32,484</u>	<u>31,555</u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

WASTEWATER SYSTEM

Wastewater Ready-to-Serve Charges by
Water Meter Location and Size

Last Five Years
(unaudited)

<u>Meter Location and Size</u>	<u>2009 (1)</u>		<u>2010 (2)</u>		<u>2011 (3)</u>		<u>2012-2013 (4)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>
City:								
5/8"	\$ 5.76	\$ 6.53	\$ 6.71	\$ 7.10	\$ 6.44	\$ 6.93	\$ 6.14	\$ 6.77
3/4"	5.79	6.65	6.73	7.16	6.47	7.01	6.16	6.86
1"	5.91	7.00	6.79	7.34	6.54	7.24	6.26	7.15
1-1/2"	6.06	7.46	6.86	7.58	6.64	7.53	6.39	7.52
2"	6.49	8.75	7.08	8.23	6.91	8.35	6.73	8.57
3"	9.65	18.21	8.68	12.99	8.92	14.38	9.30	16.25
4"	10.81	21.72	9.26	14.76	9.67	16.61	10.24	19.09
6"	13.54	29.90	10.64	18.88	11.40	21.82	12.45	25.72
Out City:								
5/8"	\$ 6.43	\$ 9.65	\$ 7.62	\$ 11.20	\$ 7.37	\$ 10.88	\$ 7.03	\$ 10.50
3/4"	6.59	10.14	7.79	11.74	7.55	11.40	7.21	11.02
1"	7.07	11.58	8.34	13.35	8.08	12.98	7.73	12.59
1-1/2"	7.72	13.52	9.05	15.49	8.78	15.07	8.42	14.66
2"	9.49	18.84	11.02	21.41	10.70	20.86	10.33	20.39
3"	22.55	58.00	25.52	64.90	24.88	63.40	24.38	62.51
4"	27.39	72.51	30.88	81.01	30.13	79.16	29.58	78.12
6"	38.67	106.36	43.42	118.60	42.39	115.92	41.71	114.52

Source: City of Kalamazoo, Public Services Department, Wastewater Division

- (1) Rate change effective March 1, 2008.
- (2) Rate change effective February 1, 2010.
- (3) Rate change effective March 1, 2011.
- (4) Rate change effective March 1, 2012.

WASTEWATER SYSTEM

Wastewater Treatment Charges by Customer Classification (1)

Last Five Years
(unaudited)

<u>Fiscal Years Ended December 31</u>	<u>In-City Retail Customers</u>	<u>Out-City Retail Customers</u>	<u>Wholesale Municipal Customers</u>	<u>City of Galesburg (2)</u>	<u>Septage Haulers</u>	<u>In-City Dewatering Customers</u>	<u>Out-City Dewatering Customers</u>
2009 (4)	0.315	0.680	0.408	0.439	34.842	0.288	0.692
2010 (5)	0.287	0.757	0.473	0.507	96.336	0.261	0.769
2011 (6)	0.322	0.755	0.487	0.529	69.627	0.297	0.766
2012-2013 (7)	0.358	0.773	0.504	0.542	270.408	0.331	0.785

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Per cubic meter

(2) Since the City of Galesburg does not have a master meter, the wastewater treatment charge is adjusted for the cost of infiltration and inflow, which is water other than wastewater entering the System.

(3) Rate change effective March 1, 2008

(4) Rate change effective February 1, 2010.

(5) Rate change effective March 1, 2011.

(6) Rate change effective March 1, 2012.

WASTEWATER SYSTEM

Wastewater Treatment Volume as Billed by
Customer and User Classification (1)Last Five Years
(unaudited)

<u>Retail Customers</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	5,398,772	5,833,523	5,526,798	5,719,377	5,599,749
Commercial	8,371,739	7,581,237	7,400,234	7,705,184	7,688,211
Industrial	<u>1,407,118</u>	<u>1,906,731</u>	<u>1,844,858</u>	<u>1,743,266</u>	<u>1,544,487</u>
Sub-Total	<u>15,177,629</u>	<u>15,321,491</u>	<u>14,771,890</u>	<u>15,167,827</u>	<u>14,832,447</u>
<u>Wholesale Customers</u>					
Industries	4,331,149	4,561,502	4,211,293	4,622,788	4,681,049
Wholesale Municipal	8,275,112	7,698,627	7,517,900	7,711,750	8,002,142
Dewatering Accounts	403,709	100,854	83,497	173,781	99,344
Septage Haulers	<u>595</u>	<u>348</u>	<u>176</u>	<u>-</u>	<u>-</u>
Sub-Total	<u>13,010,565</u>	<u>12,361,331</u>	<u>11,812,866</u>	<u>12,508,319</u>	<u>12,782,535</u>
Total Wastewater Billed	<u><u>28,188,194</u></u>	<u><u>27,682,822</u></u>	<u><u>26,584,756</u></u>	<u><u>27,676,146</u></u>	<u><u>27,614,982</u></u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Measured in Cubic Meters.

WASTEWATER SYSTEM

Wastewater Volume as Treated and Billed (1)

Last Five Years
(unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Metered Wastewater Volume	35,368,222	34,915,178	35,566,982	34,261,717	35,580,924
Wastewater Consumption as Billed	<u>28,188,195</u>	<u>27,682,822</u>	<u>26,584,756</u>	<u>27,676,146</u>	<u>27,614,982</u>
Difference (2)	<u>7,180,027</u>	<u>7,232,356</u>	<u>8,982,226</u>	<u>6,585,571</u>	<u>7,965,942</u>
Difference as a % of Metered Wastewater Volume	20.3%	20.7%	25.3%	19.2%	22.4%

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Measured in Cubic Meters.

(2) The difference between the wastewater volume as treated and billed is due, in part, to slow meters and infiltration and inflow which is water other than wastewater that enters the System.

WASTEWATER SYSTEM

Average and Peak Daily Wastewater Treatment Volume (1)

	Last Five Years (unaudited)				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Average Daily Sewage Disposal Volume	25.6	25.3	25.7	24.7	25.8
Peak Daily Sewage Disposal Volume	40.8	36.1	35.6	35.9	37.3
Peak as a Percent of Average	159.38%	142.69%	138.52%	145.13%	144.82%

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Measured in millions of gallons per day.

WASTEWATER SYSTEM

Ten Largest Customers
by Wastewater System Revenue and Volume as BilledYear Ended December 31, 2013
(unaudited)

Customer	Principal Product or Service	Wastewater Volume (cubic meters)	Percent of Total (1)	Wastewater Treatment Revenue	Wastewater Surcharge Revenue	Wastewater System Revenue	Percent of Total (2)
City of Portage	Municipality	\$ 5,748,049	20.8%	\$ 2,897,009	\$ -	\$ 2,897,009	13.9%
Pfizer	Pharmaceutical	3,651,696	13.2%	675,562	4,468,384	5,143,946	24.7%
Gull Lake Water & Sewer Auth.	Municipality	1,119,737	4.1%	564,342	-	564,342	2.7%
Graphics Packaging	Paper Products	1,029,353	3.7%	68,966	964,715	1,033,681	5.0%
Mattawan	Municipality	335,205	1.2%	168,937	-	168,937	0.8%
Vicksburg	Municipality	295,038	1.1%	148,693	-	148,693	0.7%
Cytec/Allnex	Chemicals	236,336	0.9%	18,907	131,649	150,556	0.7%
Parchment	Municipality	171,132	0.6%	86,244	-	86,244	0.4%
Kalsec	Food Grade Flavorings	152,273	0.6%	67,000	574,832	641,832	3.1%
Galesburg	Municipality	127,597	0.5%	69,156	-	69,156	0.3%
		<u>12,866,416</u>	<u>46.7%</u>	<u>\$ 4,764,816</u>	<u>\$ 6,139,580</u>	<u>\$ 10,904,396</u>	<u>52.3%</u>

Source: City of Kalamazoo, Public Services Department, Wastewater Division

(1) Based on wastewater treatment volume of 27,614,982 cubic meters.

(2) Based on Wastewater System billed revenue of \$20,842,691.

WASTEWATER SYSTEM

Wastewater Revenue as Billed
by Meter Location and ClassificationLast Five Years
(unaudited)

<u>Meter Location and Classification</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City:					
Residential	\$ 1,534,565	\$ 1,505,049	\$ 1,545,787	\$ 1,693,901	\$ 1,668,898
Commercial	1,833,658	1,502,101	1,590,620	1,857,802	1,866,677
Industrial	162,644	307,098	273,019	251,376	213,798
Industrial Monitored	634,294	578,621	571,486	421,517	267,904
Contract	973,752	973,155	1,074,519	988,208	1,033,681
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	45,892	6,549	31,910	51,775	33,077
Total City	5,184,805	4,872,573	5,087,341	5,264,579	5,084,035
Out City:					
Residential	2,094,785	2,526,059	2,482,763	2,594,548	2,601,406
Commercial	2,227,773	2,234,332	2,266,245	2,287,881	2,266,612
Industrial	69,198	79,018	150,980	144,174	140,549
Industrial Monitored	645,703	779,744	804,444	1,447,864	1,565,531
Contract	3,939,994	3,922,709	4,015,637	4,931,391	5,143,946
Municipalities	3,379,907	3,606,832	3,633,530	3,870,716	4,038,334
Septage Haulers	18,745	25,400	12,606	596	-
Dewatering	22,373	30,341	26,656	6,691	2,278
Total Out City	12,398,478	13,204,435	13,392,861	15,283,861	15,758,656
Total System:					
Residential	3,629,350	4,031,108	4,028,550	4,288,449	4,270,304
Commercial	4,061,431	3,736,433	3,856,865	4,145,683	4,133,289
Industrial	231,842	386,116	423,999	395,550	354,347
Industrial Monitored	1,279,997	1,358,365	1,375,930	1,869,381	1,833,435
Contract	4,913,746	4,895,864	5,090,156	5,919,599	6,177,627
Municipalities	3,379,907	3,606,832	3,633,530	3,870,716	4,038,334
Septage Haulers	18,745	25,400	12,606	596	-
Dewatering	68,265	36,890	58,566	58,466	35,355
Total System	\$ 17,583,283	\$ 18,077,008	\$ 18,480,202	\$ 20,548,440	\$ 20,842,691

Source: City of Kalamazoo, Public Services Department, Wastewater Division

WASTEWATER SYSTEM

History of System Rate Increases
(unaudited)

<u>Date Increase Effective</u>	<u>Percent Increase</u>
March 2, 1987	2.40%
January 1, 1991	-7.50%
1999*	0.00%
July 1, 2001	4.00%
April 30, 2004	6.75%
July 1, 2007	20.00%
March 1, 2008	5.00%
February 1, 2010	3.00%
March 1, 2011	5.00%
March 1, 2012	5.00%

Source: City of Kalamazoo, Public Services Department, Wastewater Division

* In 1999 there was a revenue neutral rate change. That is, rates for some classifications increased while rates for other classifications decreased. Overall, there was no increase in revenue.