



City of Kalamazoo,  
Michigan

Comprehensive  
Annual  
Financial  
Report  
2014

For the year ended December 31, 2014

# **CITY OF KALAMAZOO, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended December 31, 2014

**Prepared by:**  
**Management Services Department, Budget & Accounting Division**

City of Kalamazoo

Comprehensive Annual Financial Report  
Year Ended December 31, 2014

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## **INTRODUCTORY SECTION**



## OFFICE OF THE CITY MANAGER

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June 30, 2015

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, 2014.

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, 2014. 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 75,922. 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, municipal elections are held in November of odd-numbered years. The Mayor is elected on a separate non-partisan ticket to serve a two-year term in office. The six City Commissioners are elected on a non-partisan ticket to four-year terms. The terms of the commissioners are staggered, with three commissioners elected every two years. The City Commission candidate who receives the most votes at each municipal election will serve as the Vice Mayor for the first two years of their term and as a City Commissioner the second two years. Policymaking and legislative authority are vested in the elected commission consisting of the seven members, all serving part-time. 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 concept, 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 1<sup>st</sup>. By February 1<sup>st</sup> 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 they see fit, how 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 Corp.), 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 first quarter 2015 the unemployment rate for the city is 6.9% which is higher than the state unemployment rate of 5.7% and the national average of 5.6%. 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 14 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, who 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 US Environmental Protection Agency as a Brownfields Assessment Pilot Community, Kalamazoo currently has 57 Brownfield redevelopment sites in its Brownfield Plan. During the 19 year program a total of \$246 million has been invested to complete over 40 projects and the creation or retention of nearly 1,950 jobs, and the development of 174 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 2100 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 ensure 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 2015 is expected to be another difficult year as state-shared revenues and other revenues continue to lag behind increasing 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 completed its study of "Legacy" costs, or other post-employment benefits (OPEB) and implemented a two prong approach to manage and contain this substantial liability. First, the City issued a \$90 million fixed interest rate bond to assist in covering a significant portion of the retiree healthcare liability. Second, the City has begun working collaboratively with its employee groups and retirees in developing health care cost containment strategies to help manage and contain the ongoing liability.

To refocus the community's attention on what services can be provided with limited resources the city is implementing a new Priority Based approach to budgeting. This approach will match scarce revenues with expenditures and allow citizens to see how the city is spending their tax dollars. As a complimentary effort the City formed a "Blue Ribbon Revenue Panel" to study and identify new revenue options to support sustainable public services. The ultimate goal is to have the City's finances restructured and sustainable starting with the FY 2016 budget.

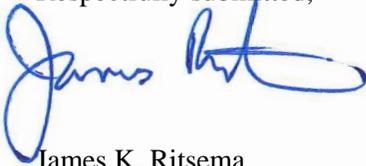
### **Awards and Acknowledgements**

The Government Finance Officers 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, 2013. This was the eighteenth 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 in to the GFOA to determine its 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, Budget and Accounting Division 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, 2013**

Executive Director/CEO

City of Kalamazoo  
Comprehensive Annual Financial Report  
Year Ended December 31, 2014

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor  
David Anderson, Vice Mayor  
Jack Urban  
Eric Cunningham  
Donald Cooney  
Barbara Hamilton Miller  
Bob Cinabro

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

Patsy Moore  
Jeff Chamberlain

MANAGEMENT SERVICES DEPARTMENT

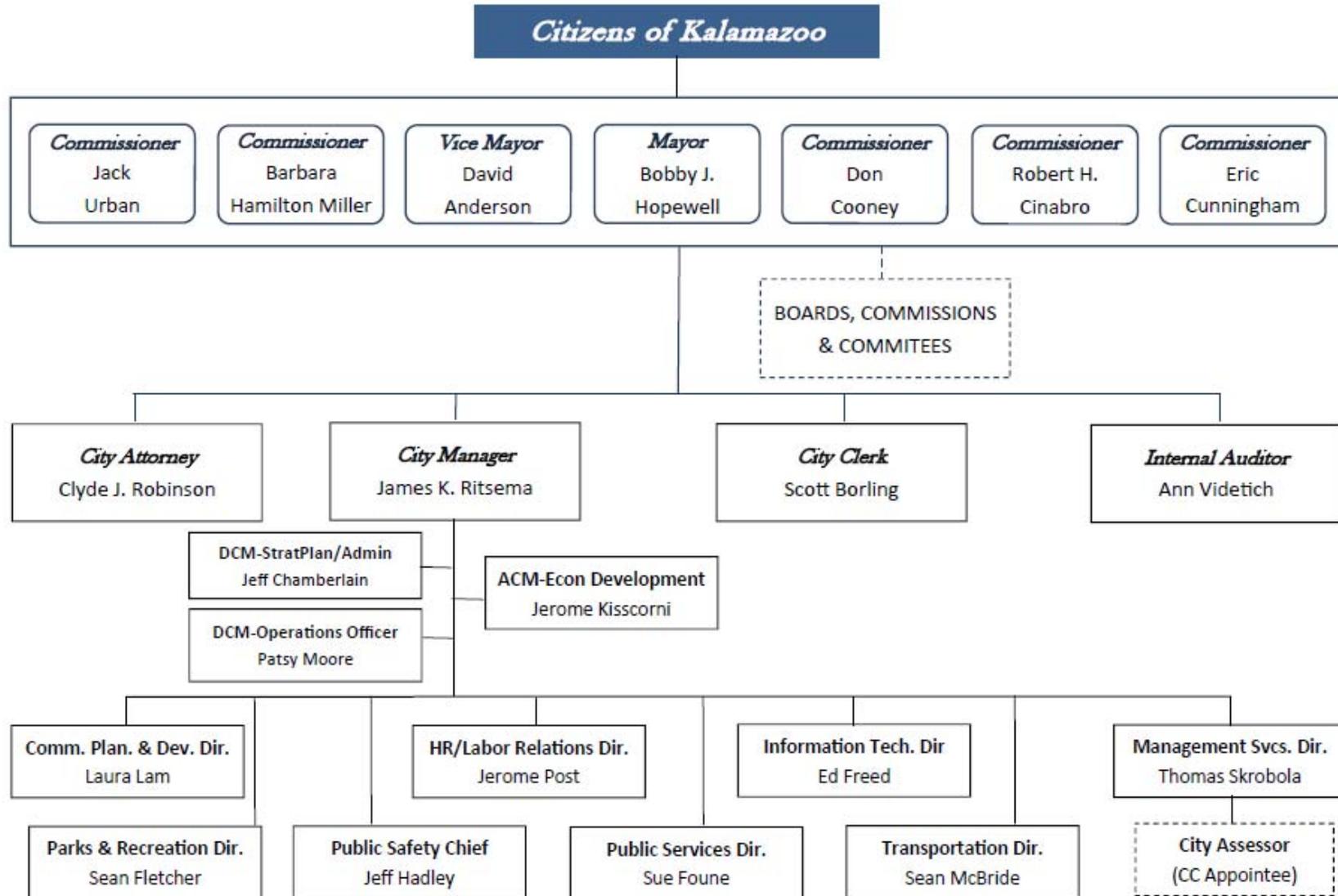
Thomas C. Skrobola, Management Services Director/CFO  
Wade Carlson, City Treasurer  
Aaron Powers, City Assessor  
Jennifer Clark, Budget and Accounting Manager  
Melissa Fuller, Financial Services Manager  
Teresa Johnson, Purchasing Manager

CITY COMMISSION APPOINTEES

Scott Borling, City Clerk  
Aaron Powers, City Assessor  
Ann Videtich, Internal Auditor  
Clyde Robinson, City Attorney

# City of Kalamazoo

## 2014 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, 2014, 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, -4 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, 2014, 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. 67, *Financial Reporting for Pension Plans*, during the year. As a result, the criteria for measuring and reporting pension liabilities has been modified. 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 and other post-employment benefits 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 22, 2015, 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 22, 2015

## 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, 2014. 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 \$252,815,461 (*net position*);
- The government's total net position decreased by \$6,523,708 or 2.5 percent. This net decrease was a combination of a \$4.4 million decrease in governmental activities net position and a \$2.2 million decrease in business-type activity net position;
- The City's balance of bonded debt decreased by \$3.685 million during the current fiscal year. The City issued \$5.660 million in General Obligation Bonds and \$13.455 million in Revenue Bonds. The City refunded \$14.795 million of existing debt and made scheduled bond principal payments totaling \$8.005 million.
- As of the close of the 2014 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$26,798,933, an increase of \$1,412,813 in comparison of the prior year. Approximately 22.3 percent of the combined fund balances, or \$5,975,442 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 \$9,845,819, or 18.4 percent of the total General Fund budgetary revenues and other financing sources. Of the total \$9.8 million fund balance, \$1,339,401 was nonspendable, leaving \$8.5 million, or 15 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unassigned fund balance for the general fund was \$5,975,442, or 11.2 percent of total general fund revenues and other financing sources.
- Combined enterprise funds net position decreased \$2,163,092. This included a decrease of \$800,493 in the net position in the Water Fund, and a \$1,312,120 decrease of net position in the Wastewater fund, with the Wastewater decrease being due to the planned use of reserves in operations.

### 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 financial 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 nineteen (19) 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 eighteen (18) 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 proprietary fund financial statements include 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 on 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 20-55 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 pages 56-62 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 63-104 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 \$252,815,461 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$265,520,759, 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, \$17,485,527, 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 \$(30,190,825), 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, 2013 provided the total Actuarially Accrued Liability (AAL) of \$188 million and estimated the Annual Required Contribution (ARC) of \$14.1 million for 2014. After crediting current payments for retiree health care of \$10.2 million, a net OPEB loss of \$2.8 million was 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, 2013 and December 31, 2014

	Governmental activities		Business-type activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 40,527,399	\$ 42,851,588	\$ 36,362,343	\$ 33,914,942	\$ 76,889,742	\$ 76,766,530
Capital assets, net	173,837,052	170,751,384	173,512,674	171,172,368	347,349,726	341,923,752
Total assets	214,364,451	213,602,972	209,875,017	205,087,310	424,239,468	418,690,282
Deferred outflows of resources	35,026	56,412	158,001	292,322	193,027	348,734
Current liabilities	13,765,571	14,189,853	4,796,538	5,462,248	18,562,109	19,652,101
Noncurrent liabilities	105,186,805	107,692,590	41,344,412	38,188,408	146,531,217	145,880,998
Total liabilities	118,952,376	121,882,443	46,140,950	43,650,656	165,093,326	165,533,099
Deferred inflows of resources	-	690,456	-	-	-0-	690,456
Net position:						
Investment in capital assets	123,492,323	122,338,669	145,375,261	143,182,090	268,867,584	265,520,759
Restricted	15,666,797	15,031,494	2,831,960	2,454,033	18,498,757	17,485,527
Unrestricted	(43,712,019)	(46,283,678)	15,684,847	16,092,853	(28,027,172)	(30,190,825)
Total net position	\$ 95,447,101	\$ 91,086,485	\$ 163,892,068	\$ 161,728,976	\$ 259,339,169	\$ 252,815,461

The government's total net position decreased by \$6,523,708 or 2.5%. The net decrease in total net position was a combination of a \$4.4 million decrease in governmental activities net position and a \$2.2 million decrease in business-type activity net position. By far the largest single impact on the above changes was the annual accrual of \$4.2 million in other post-employment benefits (OPEB) expenses, net of approximately \$8.9 million paid for active retiree healthcare and \$1.2 million contributed to the OPEB Trust in 2014.

# Management's Discussion and Analysis

## City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2013 and December 31, 2014

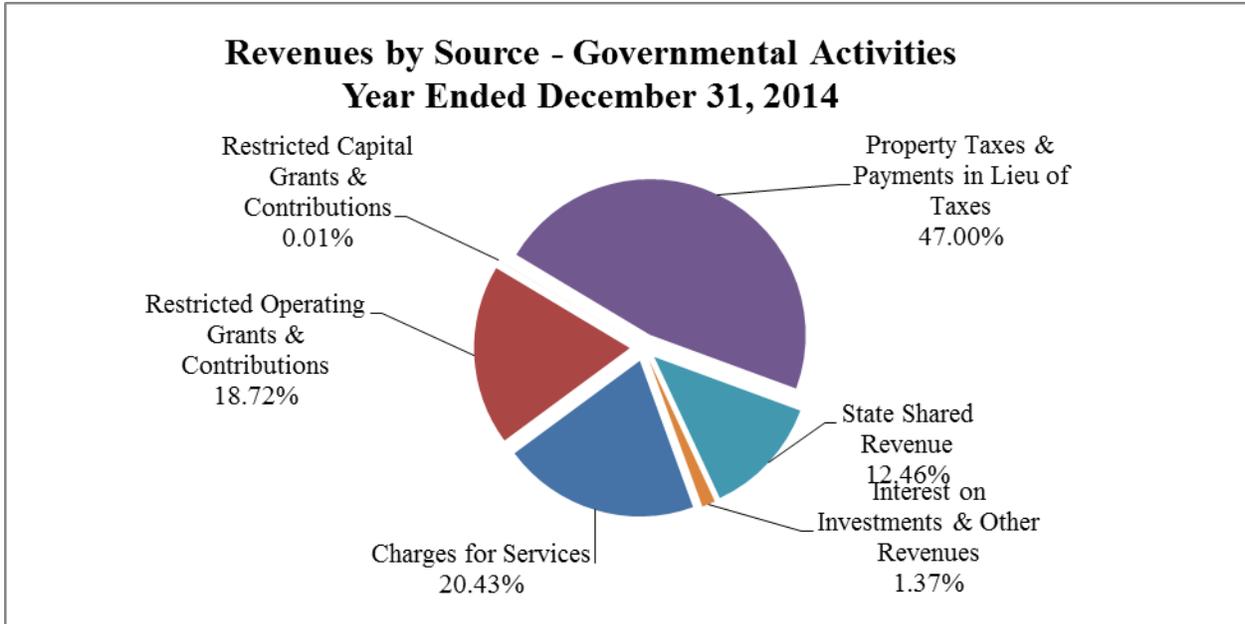
	Governmental activities		Business-type activities		Total	
	2013	2014	2013	2014	2013	2014
Revenue:						
Program revenue:						
Charges for services	\$ 13,435,086	\$ 13,839,548	\$ 36,220,785	\$ 35,273,714	\$ 49,655,871	\$ 49,113,262
Operating grants and contributions	11,661,313	12,679,339	255,468	155,215	11,916,781	12,834,554
Capital grants and contributions	5,744	6,618	1,834,883	870,240	1,840,627	876,858
General revenue:						
Property taxes	31,011,014	31,834,240	-	-	31,011,014	31,834,240
State shared revenues - unrestricted	8,851,208	8,441,077	-	-	8,851,208	8,441,077
Other	1,665,362	928,747	344,339	8,238	2,009,701	936,985
Total revenue	66,629,727	67,729,569	38,655,475	36,307,407	105,285,202	104,036,976
Expenses:						
General government	8,415,432	9,930,643	-	-	8,415,432	9,930,643
Public safety	36,060,961	34,662,862	-	-	36,060,961	34,662,862
Public works	6,769,895	6,875,921	-	-	6,769,895	6,875,921
Streets	11,253,965	10,658,684	-	-	11,253,965	10,658,684
Community and economic development	5,056,774	4,718,105	-	-	5,056,774	4,718,105
Parks and recreation	2,589,433	3,054,139	-	-	2,589,433	3,054,139
Interest on long-term debt	2,169,930	2,189,831	-	-	2,169,930	2,189,831
Wastewater	-	-	22,461,092	22,214,421	22,461,092	22,214,421
Water	-	-	14,019,746	14,617,217	14,019,746	14,617,217
KMGA	-	-	-	1,620,837	-	1,620,837
City market	-	-	1,616,741	18,024	1,616,741	18,024
Total expenses	72,316,390	72,090,185	38,097,579	38,470,499	110,413,969	110,560,684
Change in net position before transfers	(5,686,663)	(4,360,616)	557,896	(2,163,092)	(5,128,767)	(6,523,708)
Transfers (out) in	(50,000)	-	50,000	-	-	-
Change in net position	(5,736,663)	(4,360,616)	607,896	(2,163,092)	(5,128,767)	(6,523,708)
Net position - beginning of year	101,183,764	95,447,101	163,284,172	163,892,068	264,467,936	259,339,169
Net position - end of year	\$ 95,447,101	\$ 91,086,485	\$ 163,892,068	\$ 161,728,976	\$ 259,339,169	\$ 252,815,461

### Governmental activities

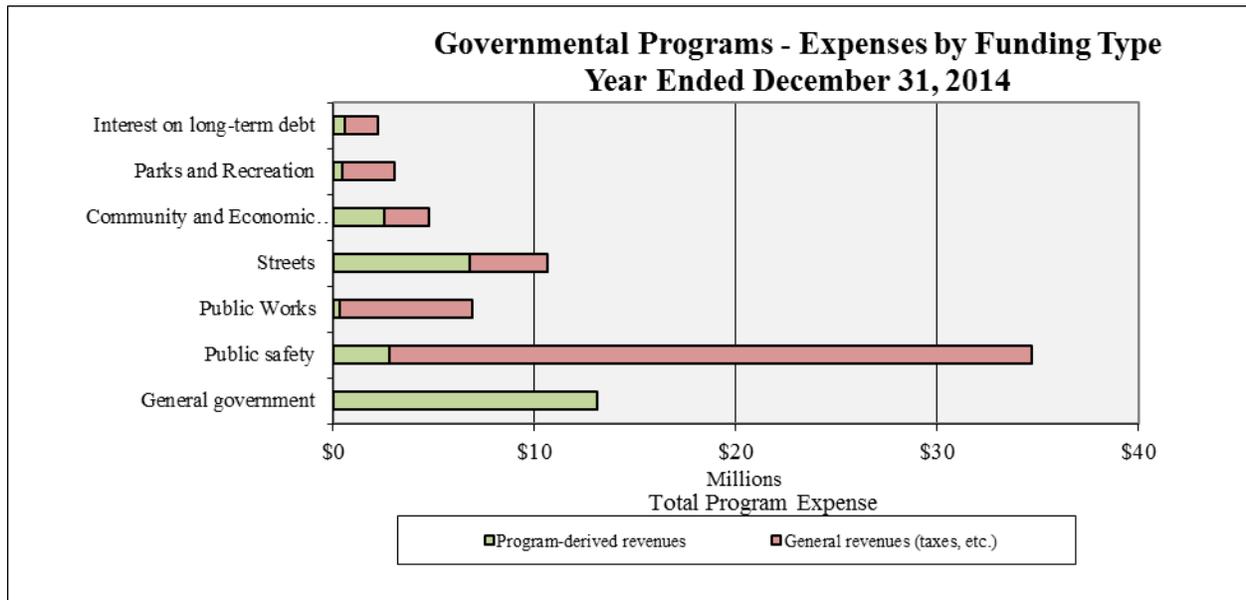
Governmental activities decreased the City's net position \$4.4 million. The decrease is primarily due to the annual accrual \$3.4 million in Net OPEB Expenses, net of approximately \$7 million paid for active retiree healthcare. The remaining decrease is due to various activities exceeding revenues.

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 \$45.6 million in 2014 and \$47.2 million in 2013. In total, for fiscal year 2014, 61% 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

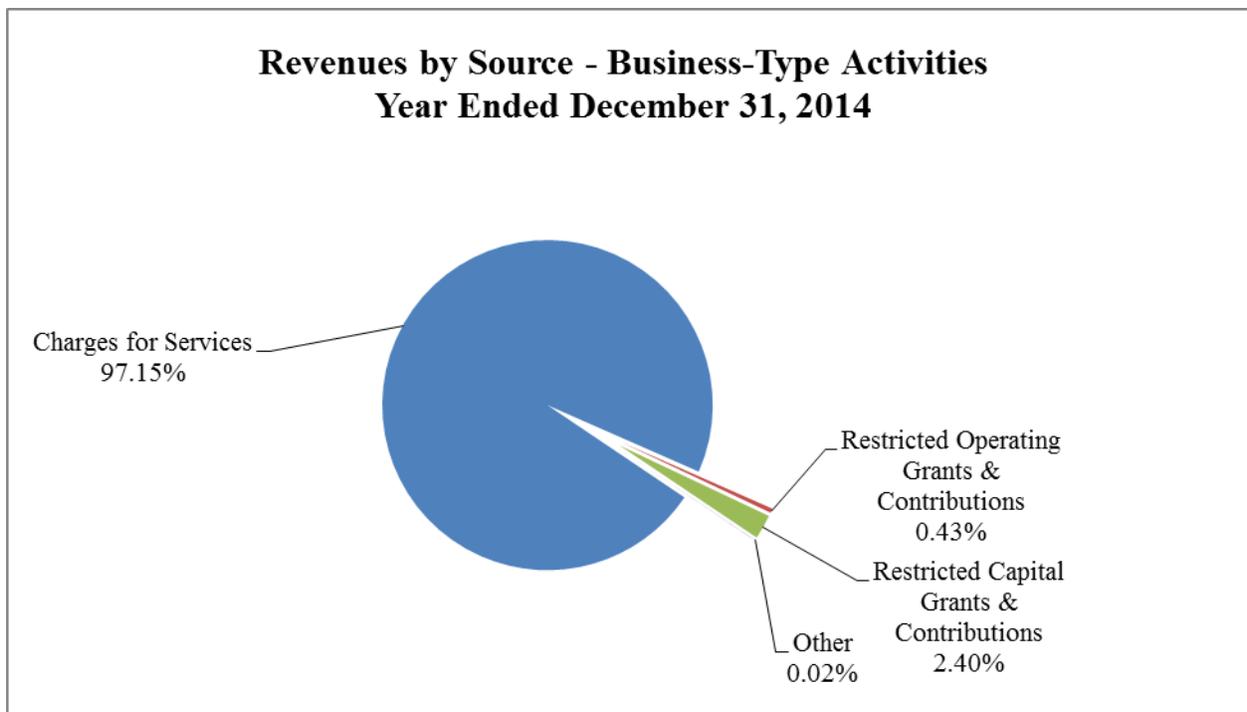
Business-type activities decreased the City's net position by \$2.2 million. The key elements of this decrease are as follows:

- Wastewater system operating revenues decreased by \$355 thousand due primarily to a 3% decrease in flow. In addition, the Wastewater system returned 309,400 to outside City customers in 2014. The reduction in revenues was offset by a 2% increase in Wastewater rates in June 2014.

## Management's Discussion and Analysis

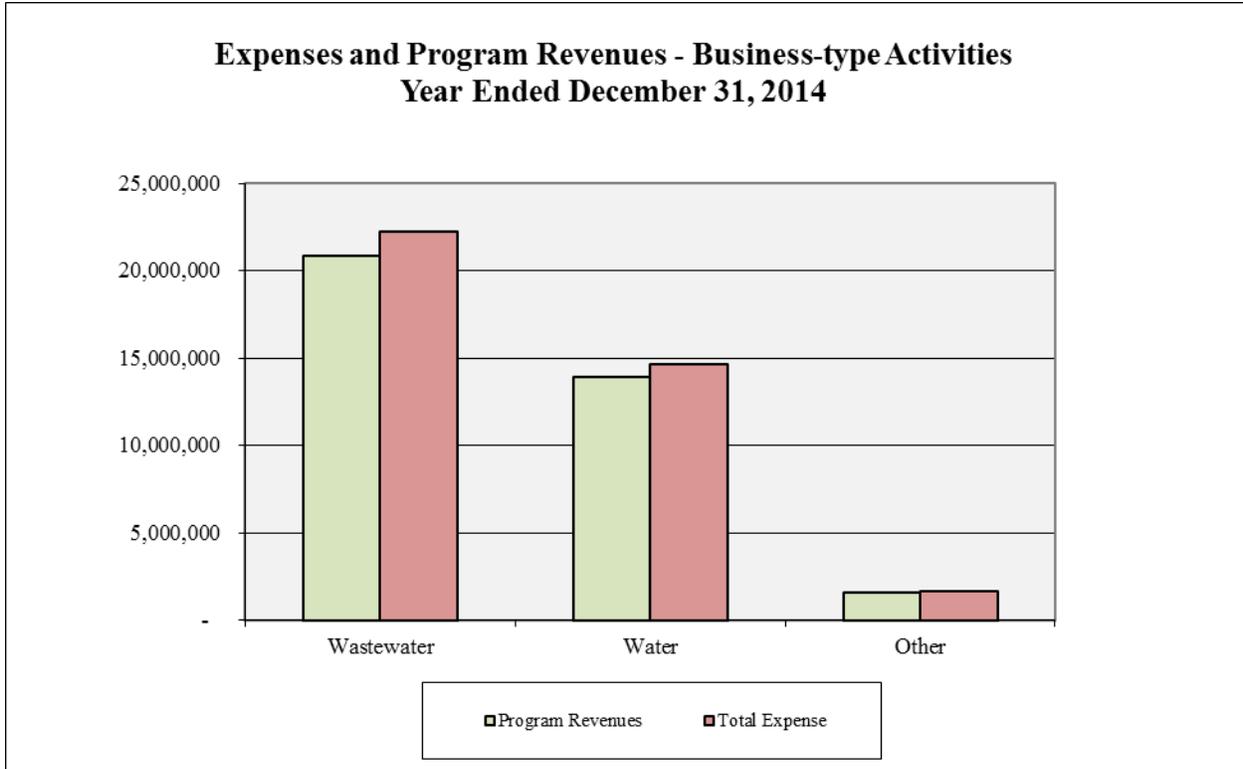
- Water system operating revenues decreased \$540 thousand due primarily to an 8% decrease in water consumption. The reduction in consumption was offset by a 3% increase in Water rates in June 2014.
- Capital infrastructure contributions of \$825 thousand represented a major revenue source for the Water system in 2014.
- Wastewater and Water system losses of \$1.3 million and \$800 thousand, respectively, were due primarily to a planned use of reserves in 2014.

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 2014, the Wastewater system used \$1.3 million of existing reserves and the Water system used \$0.8 million of existing 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 \$26,798,933 an increase of \$1,412,813 in comparison of the prior year. Approximately 22.3% of the combined fund balances, or \$5,975,442, 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, \$2,127,728 for 2014, 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 \$9,845,819, or 18.4% of the total General Fund budgetary revenues and other financing sources. Of the total, \$9.8 million fund balance, \$1,339,401 was nonspendable or committed, leaving \$8.5 million of unassigned budgetary fund balance, or 15% of budgetary revenues and other financing sources.

The General Fund *GAAP* unassigned fund balance for the general fund was \$5,975,442 or 11.2% of total general fund revenues and other financing sources.

Budgetary-basis revenues and other financing sources came in \$1,277,357 more than the amended budget. Expenditures and other financing uses were \$1,054,728 below budget, resulting in the favorable variance of \$2,332,085. Budgetary-basis revenues exceeded budget due primarily to anticipated tax losses that were not realized in 2014 and continued cell-tower revenues that were anticipated to be sold in 2014. The savings in General Fund operating expenses as compared to final budget of \$1.3 million was due primarily to various departmental spending reductions and personnel vacancies, including a total savings of \$709,542 in public safety.

During the year, there was a decrease of \$2,030,343 in appropriations between the original and final amended General Fund budget adopted by the City Commission. The City's plans to sell property lease rights for cell tower contracts in 2014 was deferred until 2015, which reduced planned transfers to other funds and a \$900,000 contribution to the Retiree Health Care Trust fund. In addition, the City reorganized personnel in departments including the City Administration, Budget and Accounting, and Community Planning and Development that reduced budgetary appropriations in 2014.

### Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds decreased from \$19,904,054 to \$19,080,842. The \$19 million fund balance is attributable to capital projects funds (\$1.1 million), special revenue funds (\$10.8 million), debt service funds (\$61,347), and endowments held for recreational and cemetery perpetual care purposes (\$7.1 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 \$15.6 million as of December 31, 2014. The fund had a decrease in total net position for the year of \$1,312,120.

The Wastewater Fund experienced an operating loss of \$1,031,586.

- Wastewater operating revenues decreased \$352,793 due primarily to \$309,400 of lookback revenues returned to outside City system users for the years 2011 and 2012. The Wastewater system is required to do a lookback assessment of rates at least every two years. The remaining \$43,393 is due to a reduction in volume charges to outside City customers.
- Operating expenses increased \$217,966. Depreciation expense increased \$173,438 due to additions to the Wastewater system. The remaining increase is due to increased cost of services in 2014 as compared to 2013.-500
- The annual accrual of net OPEB expenses of \$404,730 is included in operating expenses. Wastewater contributed \$1 million to the OPEB Trust in 2014. The Wastewater Fund has a net OPEB obligation of \$4.6 million included in the Statement of Net Position in 2014.

### Water Fund

*Unrestricted* net position (the amount available for future spending) of the City's Water fund amounted to \$408,314 as of December 31, 2014. The fund had a decrease in total net position for the year of \$800,493.

The Water Fund experienced an operating loss of \$865,490.

- Operating revenues decreased approximately \$540,000 as a result of an 8% decrease in water consumption as compared to 2013. The reduction in consumption was offset by a 3% increase in Water rates in June 2014.
- Operating expenses increased \$793,072 due primarily to an increase in water supply services for well maintenance and water tower painting of \$650,391. The remaining increase in operations is due primarily to increased retiree health care costs as compared to 2013.
- The annual accrual of net OPEB expenses of \$427,422 is included in operating expenses. Water contributed \$250,000 to the OPEB Trust in 2014. The Water Fund has a net OPEB obligation of \$6.5 million included in the Statement of Net Position in 2014.

Capital contributions of \$825,529 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. Total contributions were down \$916,207 from 2013 as fewer projects were completed by users of the system in 2014 as compared to 2013.

# Management's Discussion and Analysis

## Other Enterprise Funds

During the year, the net position for the City's nonmajor proprietary funds decreased from \$336,385 to \$285,906. The \$285,906 of net position is attributable to the Kalamazoo Municipal Golf Association Fund (\$169,673) and City Market Fund (\$116,233).

## 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, 2014, totaled \$342 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 \$3.1 million or 1.8% for governmental activities while net business-type activity net position decreased \$2.3 million, or 1.3%.

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

#### Governmental Activities:

- The construction, reconstruction, or widening of public streets totaling \$4.2 million was completed. The City vacated public streets with original cost of \$49 thousand. Approximately \$3.5 million of additional improvements are in progress.
- Land additions include property for Public Safety for a public safety station and property for street expansions.
- Michikal Trailway land improvements of \$130 thousand were completed in 2014.
- A Public Safety fire engine was refurbished for \$319 thousand. Public Safety also added twelve (12) vehicles to its fleet.
- Public Works vehicle additions of \$236 thousand include a street sweeper for \$163 thousand, two trucks, and a replacement motor to extend the life of equipment.
- Machinery and Equipment additions of \$204 thousand primarily include various public safety equipment totaling \$106 thousand and information technology equipment of \$56 thousand.
- The City disposed of various machinery, equipment, and vehicles with a cost of \$634 thousand, most of which was fully depreciated. The City also disposed of land with a cost of \$76 thousand.

## Management's Discussion and Analysis

### Business-type Activities:

- Wastewater added \$814 thousand to machinery and equipment. Purchases consisted of \$396 for a new vactor truck and various actuators, pumps, boilers and other equipment associated with process improvements of the plant.
- Wastewater upgraded the system infrastructure consisting of various mains and sewer linings totaling \$262 thousand.
- Wastewater building improvements of \$113 thousand included an upgraded access control and various other improvements to Wastewater facilities.
- Wastewater had \$2.4 million of construction in progress for treatment buildings and various system improvements in progress at year end.
  - Wastewater disposals totaled \$157 thousand consisted of various equipment and vehicles, all of which were fully depreciated.
  - Water upgraded the system infrastructure consisting of various mains, service connections, hydrants, and meters totaling \$1.4 million.
  - Water additions of \$142 thousand consisted of \$78 thousand in building improvements, \$25 thousand in machinery and equipment, and \$39 thousand in vehicles.
  - Water had \$1.4 million in various system improvements in progress at year end.
  - Water disposed of assets with original costs totaling \$172 thousand, of which \$99 thousand was depreciated. The largest asset disposed was parking lot improvements for property transferred to the Kalamazoo County Land Bank with an original cost of \$125 thousand and accumulated depreciation of \$25 thousand. The remaining disposals consisted of various equipment and vehicles.
- The Kalamazoo Municipal Golf Association (KMGA) fund added \$213 thousand to capital, including \$117 thousand for Sprinkler systems. The KMGA had no disposals in 2014.

## Management's Discussion and Analysis

Additional information on the City's capital assets, including detailed changes during 2014, can be found in Note F on pages 35-37 of this report.

	Governmental activities		Business-type activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 29,839,432	\$ 29,852,060	\$ 3,293,225	\$ 3,296,586	\$ 33,132,657	\$ 33,148,646
Building & improvements	37,064,358	35,930,144	47,375,287	45,741,283	84,439,645	81,671,427
Land improvements	10,050,520	9,221,151	4,658,283	4,211,059	14,708,803	13,432,210
Machinery & equipment	4,306,974	3,619,008	18,329,656	17,279,081	22,636,630	20,898,089
Vehicles	2,606,734	2,974,094	829,237	780,171	3,435,971	3,754,265
Infrastructure	83,465,662	83,906,740	97,473,549	95,725,849	180,939,211	179,632,589
Intangible Assets	443,572	333,402	303,413	174,617	746,985	508,019
Rights to liquor license	-	-	139,200	139,200	139,200	139,200
Construction in progress	6,059,800	4,914,785	1,110,824	3,824,522	7,170,624	8,739,307
<b>Total</b>	<b>\$ 173,837,052</b>	<b>\$ 170,751,384</b>	<b>\$ 173,512,674</b>	<b>\$ 171,172,368</b>	<b>\$ 347,349,726</b>	<b>\$ 341,923,752</b>

### *Long-term debt*

- The City's balance of bonded debt decreased by \$3.835 million during the current fiscal year. The City issued \$5.660 million in General Obligation Bonds and \$13.455 million in Revenue Bonds. The City refunded \$14.795 million of existing debt and made scheduled bond principal payments totaling \$8.005 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, 2014 is \$48.1 million for governmental activities and \$972,795 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, 2014 is \$3.035 million for governmental activities and \$28.105 million for business-type activities.

#### Compensated Absences

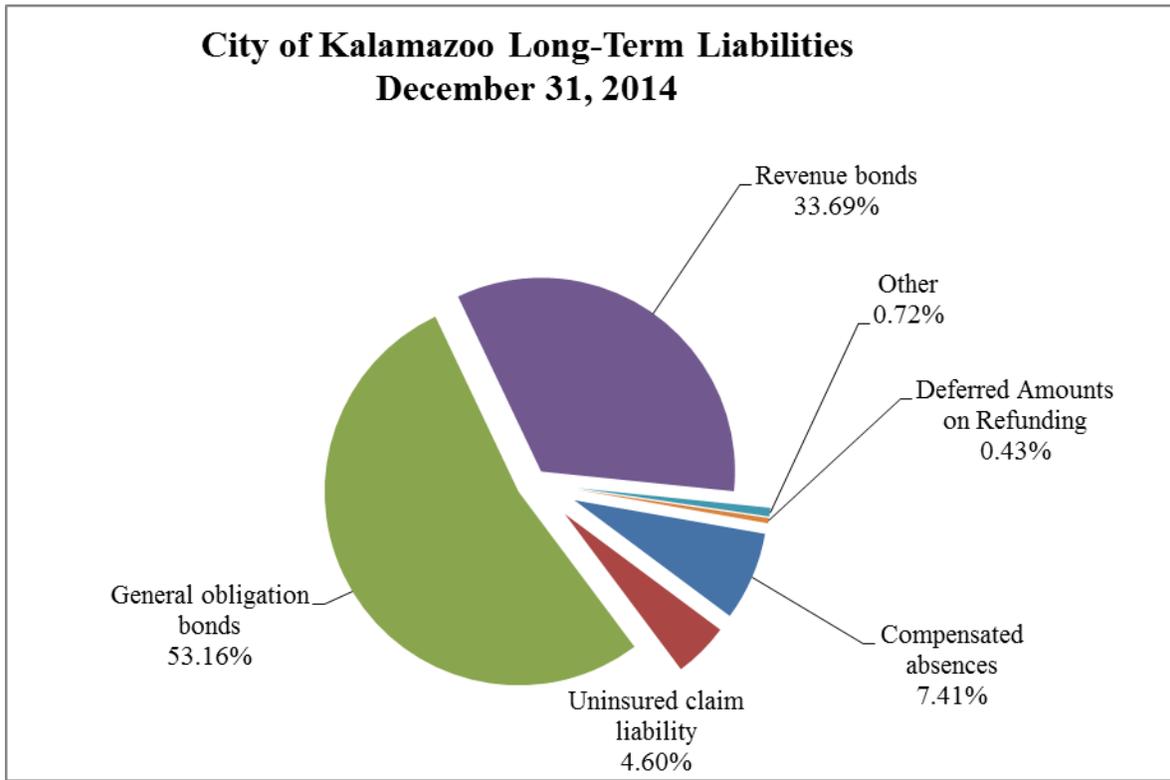
The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2014 is \$6.8 million.

#### Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2014. The estimated liability to the City is \$4.57 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 2013, 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, 2014.

	<b>S&amp;P</b>
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. Reductions in state revenue sharing, 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 increased 3% in 2014 versus 2013, however remains low relative to historic norms. State Revenues represented only 17% of the General Fund Budget in 2014 as compared to 28% in 2001.

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 this reflects a mixed bag of lower workforce participation as well as job growth.

Assessed property taxes decreased slightly in 2014 as compared to 2013. 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 2014 the value of the Retirement System "net position" held in trust for pension benefits increased by 2%, as compared to an increase of 5% in 2013. This reflected a positive return on investments net of pension benefits and related expenses. Because the Retirement System holds investments in equities and other stock market securities, the value of investments are subject to market volatility.

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 an additional reserve account of \$350 thousand to provide emergency funds to replace unanticipated equipment failures.

The 2015 fiscal year budget decreases operational General Fund spending by 5% from fiscal year 2014 adopted budget. The General Fund will transfer a \$2.0 million for capital improvement program projects and \$380 thousand for Local Street operations.

The Adopted 2015 budget also anticipates the issuance of a general obligation bond of \$90 million to partially fund the City's Other Post Employment Benefit liabilities. This bond was issued subsequent to the end of the year (see footnote O). The General Fund is budgeted to pay \$3.6 million in 2015 in debt service for this bond.

## **Management's Discussion and Analysis**

The 2015 General Fund budget anticipates an ending fund balance of 14.8% of revenues, exceeding the City Commission Budget Policy minimum target of 13% of revenues.

Property tax millage rates are budgeted to remain the same in fiscal year 2015 as assessed in 2014.

### **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, 2014

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 13,013,548	\$ 18,340,008	\$ 31,353,556	\$ 6,265,678
Cash and cash equivalents, restricted	5,095,344	3,684,141	8,779,485	1,103,193
Investments	6,638,277	3,500,000	10,138,277	1,354,668
Investments with agents	2,951,987	-	2,951,987	-
Current portion of receivables	5,253,743	5,623,926	10,877,669	713,038
Current portion of advance to other governmental units	34,460	-	34,460	-
Internal balances	(797,342)	797,342	-0-	-
Due from other governmental units	5,035,061	6,023	5,041,084	896,823
Inventories	314,331	557,515	871,846	337,927
Prepays	144,326	59,347	203,673	244,794
<b>Total current assets</b>	<b>37,683,735</b>	<b>32,568,302</b>	<b>70,252,037</b>	<b>10,916,121</b>
Noncurrent assets				
Advance to other governmental units	1,926,820	-	1,926,820	-
Net other post-employment benefits asset	-	-	-0-	53,584
Noncurrent portion of receivables	2,149,621	-	2,149,621	1,584,203
Net pension asset	1,091,412	1,346,640	2,438,052	134,352
Capital assets not being depreciated	34,766,845	7,260,308	42,027,153	2,148,094
Capital assets, net of accumulated depreciation	135,984,539	163,912,060	299,896,599	23,245,796
<b>Total noncurrent assets</b>	<b>175,919,237</b>	<b>172,519,008</b>	<b>348,438,245</b>	<b>27,166,029</b>
<b>TOTAL ASSETS</b>	<b>213,602,972</b>	<b>205,087,310</b>	<b>418,690,282</b>	<b>38,082,150</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred charges on refunding	56,412	292,322	348,734	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,649,073	1,074,645	2,723,718	793,689
Accrued payroll	910,580	-	910,580	-
Accrued interest payable	499,186	311,363	810,549	48,384
Other accrued liabilities	1,333,863	3,918	1,337,781	11,855
Deposits payable	522,383	780,061	1,302,444	-
Due to other governmental units	181,578	22,366	203,944	631,505
Unearned revenue	217,089	144,750	361,839	1,633,224
Current portion of advances from other governmental units	-	-	-0-	34,460
Current portion of compensated absences	2,058,762	409,686	2,468,448	187,314
Current portion of long-term debt	4,546,648	2,715,459	7,262,107	515,146
Current portion of uninsured claim liability	2,270,691	-	2,270,691	-
<b>Total current liabilities</b>	<b>14,189,853</b>	<b>5,462,248</b>	<b>19,652,101</b>	<b>3,855,577</b>
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	1,926,820
Noncurrent portion of compensated absences	4,038,156	340,170	4,378,326	61,976
Noncurrent portion of long-term debt	47,286,934	26,797,249	74,084,183	2,104,570
Noncurrent portion of uninsured claim liability	1,980,885	-	1,980,885	-
Net other post-employment benefits obligation	54,386,615	11,050,989	65,437,604	-
<b>Total noncurrent liabilities</b>	<b>107,692,590</b>	<b>38,188,408</b>	<b>145,880,998</b>	<b>4,093,366</b>
<b>TOTAL LIABILITIES</b>	<b>121,882,443</b>	<b>43,650,656</b>	<b>165,533,099</b>	<b>7,948,943</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Sales of future revenues	690,456	-	690,456	-
<b>NET POSITION</b>				
Net investment in capital assets	122,338,669	143,182,090	265,520,759	25,393,890
Restricted				
Nonexpendable	3,627,564	-	3,627,564	-
Expendable, restricted for:				
Major and local street projects	4,293,730	-	4,293,730	-
Solid waste program	575,340	-	575,340	-
Parks and recreation	1,014,835	-	1,014,835	-
Neighborhood and community development	1,097,805	-	1,097,805	-
Other purposes	4,422,220	2,454,033	6,876,253	-
Unrestricted	(46,283,678)	16,092,853	(30,190,825)	4,739,317
<b>TOTAL NET POSITION</b>	<b>\$ 91,086,485</b>	<b>\$ 161,728,976</b>	<b>\$ 252,815,461</b>	<b>\$ 30,133,207</b>

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 9,930,643	\$ 11,316,006	\$ 1,787,397	\$ -
Public safety	34,662,862	716,169	2,043,437	6,618
Public works	6,875,921	20,206	284,393	-
Streets	10,658,684	-	6,787,052	-
Community and economic development	4,718,105	1,471,008	1,062,888	-
Parks and recreation	3,054,139	316,159	112,264	-
Interest on long-term debt	2,189,831	-	601,908	-
Total governmental activities	72,090,185	13,839,548	12,679,339	6,618
Business-type activities				
Wastewater	22,214,421	20,758,450	55,906	44,711
Water	14,617,217	12,948,883	99,309	825,529
Kalamazoo Municipal Golf Association	1,620,837	1,548,709	-	-
City Market	18,024	17,672	-	-
Total business-type activities	38,470,499	35,273,714	155,215	870,240
Total primary government	<u>\$ 110,560,684</u>	<u>\$ 49,113,262</u>	<u>\$ 12,834,554</u>	<u>\$ 876,858</u>
Component units				
Downtown Development Authority	\$ 4,019,199	\$ 2,748,560	\$ -	\$ -
Economic Development Corporation	113,035	-	81,024	-
Brownfield Redevelopment Authority	1,261,378	-	62,068	-
Local Development Finance Authority	215,374	-	-	-
Metro Transit	17,007,945	2,745,919	10,789,071	2,406,368
Total component units	<u>\$ 22,616,931</u>	<u>\$ 5,494,479</u>	<u>\$ 10,932,163</u>	<u>\$ 2,406,368</u>

General revenues  
 Property taxes  
 State shared revenues  
 Investment earnings  
 Gain (loss) on disposal of capital assets  
 Donations  
 Miscellaneous

Total general revenues

Change in net position

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>
\$ 3,172,760	\$ -	\$ 3,172,760	\$ -
(31,896,638)	-	(31,896,638)	-
(6,571,322)	-	(6,571,322)	-
(3,871,632)	-	(3,871,632)	-
(2,184,209)	-	(2,184,209)	-
(2,625,716)	-	(2,625,716)	-
(1,587,923)	-	(1,587,923)	-
<u>(45,564,680)</u>	<u>-0-</u>	<u>(45,564,680)</u>	<u>-0-</u>
-	(1,355,354)	(1,355,354)	-
-	(743,496)	(743,496)	-
-	(72,128)	(72,128)	-
-	(352)	(352)	-
<u>-0-</u>	<u>(2,171,330)</u>	<u>(2,171,330)</u>	<u>-0-</u>
(45,564,680)	(2,171,330)	(47,736,010)	-0-
-	-	-0-	(1,270,639)
-	-	-0-	(32,011)
-	-	-0-	(1,199,310)
-	-	-0-	(215,374)
-	-	-0-	(1,066,587)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,783,921)</u>
31,834,240	-	31,834,240	4,172,267
8,441,077	-	8,441,077	-
672,910	56,253	729,163	12,762
74,590	(98,631)	(24,041)	-
13,750	-	13,750	-
167,497	50,616	218,113	172,323
<u>41,204,064</u>	<u>8,238</u>	<u>41,212,302</u>	<u>4,357,352</u>
(4,360,616)	(2,163,092)	(6,523,708)	573,431
<u>95,447,101</u>	<u>163,892,068</u>	<u>259,339,169</u>	<u>29,559,776</u>
<u>\$ 91,086,485</u>	<u>\$ 161,728,976</u>	<u>\$ 252,815,461</u>	<u>\$ 30,133,207</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2014

	General	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,375,750	\$ 5,015,514	\$ 7,391,264
Cash and cash equivalents - restricted	-	5,095,344	5,095,344
Investments	1,248,194	4,547,972	5,796,166
Investments with agents	-	2,931,642	2,931,642
Receivables			
Accounts	1,211,654	172,241	1,383,895
Interest	6,773	-	6,773
Special assessments	1,955	-	1,955
Taxes	2,561,753	184,419	2,746,172
Notes	790,998	1,488,989	2,279,987
Due from other funds	4,613,883	1,130,172	5,744,055
Due from other governmental units	697,074	4,176,915	4,873,989
Advances to other funds	340,000	-	340,000
Advances to other governmental units	-	1,961,280	1,961,280
Inventories	119,238	195,093	314,331
Prepays	89,165	14,000	103,165
	<u>\$ 14,056,437</u>	<u>\$ 26,913,581</u>	<u>\$ 40,970,018</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 777,387	\$ 823,978	\$ 1,601,365
Accrued liabilities	111,507	24,817	136,324
Due to other funds	2,333,182	4,029,748	6,362,930
Due to other governmental units	83,633	658	84,291
Deposits payable	-	522,383	522,383
Unearned revenue	5,589	211,500	217,089
	<u>3,311,298</u>	<u>5,613,084</u>	<u>8,924,382</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	3,027,048	2,219,655	5,246,703
<b>FUND BALANCES</b>			
Nonspendable	1,339,401	7,286,926	8,626,327
Restricted	-	10,133,623	10,133,623
Committed	-	1,660,293	1,660,293
Assigned	403,248	-	403,248
Unassigned	5,975,442	-	5,975,442
	<u>7,718,091</u>	<u>19,080,842</u>	<u>26,798,933</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 14,056,437</u>	<u>\$ 26,913,581</u>	<u>\$ 40,970,018</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, 2014

**Total fund balance - governmental funds** \$ 26,798,933

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	\$ 340,789,854	
Accumulated depreciation is	<u>(170,038,470)</u>	
Capital assets, net		170,751,384

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>56,412</u>	
		1,147,824

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds. 5,246,703

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 (deficit) of governmental activities accounted for in governmental activities internal service funds		(42,058)
--	--	----------

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	(51,202,205)	
Environmental matters liability	(314,105)	
Unamortized deferred amounts on debt issuance	(317,272)	
Accrued interest payable	(499,186)	
Compensated absences	(6,096,918)	
Net other post-employment benefits obligation	<u>(54,386,615)</u>	
		<u>(112,816,301)</u>

**Net position of governmental activities** \$ 91,086,485

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2014

	General	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 29,681,671	\$ 2,240,585	\$ 31,922,256
Licenses and permits	2,183,405	-	2,183,405
Intergovernmental	9,487,305	9,874,786	19,362,091
Charges for services	8,906,559	665,335	9,571,894
Fines and forfeits	28,616	501,284	529,900
Interest and rents	484,384	2,083,732	2,568,116
Net investment earnings	-	191,328	191,328
Other revenue	400,065	1,034,091	1,434,156
<b>TOTAL REVENUES</b>	<b>51,172,005</b>	<b>16,591,141</b>	<b>67,763,146</b>
<b>EXPENDITURES</b>			
Current			
General government	6,272,829	371,128	6,643,957
Public safety	30,321,533	2,387,548	32,709,081
Public works	5,591,936	2,528,413	8,120,349
Streets	-	6,841,434	6,841,434
Community and economic development	1,744,047	2,909,690	4,653,737
Parks and recreation	1,883,601	338,439	2,222,040
Other	2,254,801	-	2,254,801
Debt service			
Principal	-	5,606,130	5,606,130
Interest and fiscal charges	102,211	2,109,656	2,211,867
Capital outlay	-	1,595,160	1,595,160
<b>TOTAL EXPENDITURES</b>	<b>48,170,958</b>	<b>24,687,598</b>	<b>72,858,556</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,001,047</b>	<b>(8,096,457)</b>	<b>(5,095,410)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	5,510,000	5,510,000
Payments to escrow agent	-	(1,336,964)	(1,336,964)
Bond premium	21,930	-	21,930
Transfers in	2,313,257	9,389,594	11,702,851
Transfers out	(3,100,209)	(6,289,385)	(9,389,594)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(765,022)</b>	<b>7,273,245</b>	<b>6,508,223</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,236,025</b>	<b>(823,212)</b>	<b>1,412,813</b>
Fund balances, beginning of year	5,482,066	19,904,054	25,386,120
Fund balances, end of year	<u>\$ 7,718,091</u>	<u>\$ 19,080,842</u>	<u>\$ 26,798,933</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, 2014

**Net change in fund balances - total governmental funds** **\$ 1,412,813**

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	\$ 4,468,347
Depreciation expense	(7,405,988)
Net effect of disposal of capital assets	<u>(148,027)</u>

Excess of depreciation expense and other items over capital outlay (3,085,668)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (234,866)

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 (242,424)

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	(5,510,000)
Debt principal retirement	<u>6,916,130</u>

1,406,130

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 deferred charges on refunding	21,386
Decrease in deferred amounts on debt issuance	33,952
Decrease in accrued interest payable	27,615
(Increase) in compensated absences	(231,628)
(Increase) in environmental matters liability	(87,636)
(Increase) in other post-employment benefits obligation	<u>(3,380,290)</u>

(3,616,601)

**Change in net position of governmental activities** **\$ (4,360,616)**

City of Kalamazoo

General Fund

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

Year Ended December 31, 2014

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 28,969,723	\$ 28,969,723	\$ 29,588,794	\$ 619,071
Licenses and permits	1,974,735	1,974,735	2,183,405	208,670
Intergovernmental	9,276,149	9,278,649	9,487,305	208,656
Charges for services	8,789,454	8,869,454	8,906,559	37,105
Fines and forfeits	28,500	28,500	28,616	116
Interest and rents	405,800	405,800	484,384	78,584
Other	273,750	278,750	400,065	121,315
<b>TOTAL REVENUES</b>	<b>49,718,111</b>	<b>49,805,611</b>	<b>51,079,128</b>	<b>1,273,517</b>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	75,385	75,385	74,464	921
Manager	683,303	783,848	758,502	25,346
Attorney	711,951	713,048	709,124	3,924
Clerk				
Administration	246,142	246,819	235,413	11,406
Election	235,607	237,015	212,469	24,546
Records management	138,544	148,582	130,376	18,206
Internal audit	93,581	94,208	95,294	(1,086)
Human resources	722,656	727,873	722,309	5,564
Management services				
Accounting	966,925	854,354	837,856	16,498
Assessor	500,853	500,853	487,948	12,905
Treasurer	485,238	485,238	482,485	2,753
Purchasing	310,588	310,588	303,476	7,112
Information technology	1,236,929	1,252,234	1,223,113	29,121
<b>Total general government</b>	<b>6,407,702</b>	<b>6,430,045</b>	<b>6,272,829</b>	<b>157,216</b>
Public safety				
Administration	1,061,352	1,066,314	1,049,247	17,067
K-Vet drug enforcement	2,001,544	2,001,544	1,911,540	90,004
Operations division	17,739,127	17,979,650	17,695,321	284,329
Criminal investigations	3,568,033	3,568,033	3,550,940	17,093
Service division	6,146,546	6,415,534	6,114,485	301,049
<b>Total public safety</b>	<b>30,516,602</b>	<b>31,031,075</b>	<b>30,321,533</b>	<b>709,542</b>
Public services				
Public works				
Forestry, creek, and environmental inspections	400,450	400,450	467,769	(67,319)
Sidewalks and pedestrian mall maintenance	359,299	497,299	517,581	(20,282)
Equipment maintenance	2,361,398	2,685,398	2,585,657	99,741
Engineering	1,238,736	1,238,736	1,199,608	39,128
City maintenance	771,708	825,708	821,321	4,387
<b>Total public services</b>	<b>5,131,591</b>	<b>5,647,591</b>	<b>5,591,936</b>	<b>55,655</b>

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, 2014

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Current - concluded				
Community and economic development				
Economic development	\$ 241,846	\$ 241,846	\$ 236,096	\$ 5,750
Code administration	1,349,651	1,417,977	1,260,023	157,954
Planning	313,435	245,109	247,928	(2,819)
Total community and economic development	1,904,932	1,904,932	1,744,047	160,885
Parks and recreation				
Parks maintenance	953,848	954,848	910,076	44,772
Recreation	1,006,413	1,010,413	973,525	36,888
Total parks and recreation	1,960,261	1,965,261	1,883,601	81,660
Nondepartmental				
Street lighting	1,285,890	1,285,890	1,235,561	50,329
Other	3,396,260	1,178,101	1,019,240	158,861
Debt service	58,000	58,000	102,211	(44,211)
Total nondepartmental	4,740,150	2,521,991	2,357,012	164,979
TOTAL EXPENDITURES	50,661,238	49,500,895	48,170,958	1,329,937
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(943,127)	304,716	2,908,170	2,603,454
OTHER FINANCING SOURCES (USES)				
Bond premium	18,090	18,090	21,930	3,840
Transfers in	4,442,416	2,313,257	2,313,257	-0-
Transfers out	(3,695,000)	(2,825,000)	(3,100,209)	(275,209)
TOTAL OTHER FINANCING SOURCES (USES)	765,506	(493,653)	(765,022)	(271,369)
NET CHANGE IN FUND BALANCE	(177,621)	(188,937)	2,143,148	2,332,085
Fund balance, beginning of year	7,702,671	7,702,671	7,702,671	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 7,525,050</u>	<u>\$ 7,513,734</u>	9,845,819	<u>\$ 2,332,085</u>
Accounting basis difference			(2,127,728)	
Fund balance, end of year (GAAP basis)			<u>\$ 7,718,091</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2014

	Enterprise Funds				Internal Service Fund
	Wastewater	Water	Nonmajor	Total	Insurance and Benefits
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 13,088,380	\$ 5,023,992	\$ 227,636	\$ 18,340,008	\$ 5,622,284
Cash and cash equivalents - restricted	1,997,994	1,686,147	-	3,684,141	-
Investments	2,600,741	899,259	-	3,500,000	842,111
Investments with agents	-	-	-	-0-	20,345
Receivables					
Customers	3,419,555	2,172,217	550	5,592,322	984,582
Interest	18,070	-	-	18,070	-
Special assessment	5,933	-	-	5,933	-
Due from management corporation	-	-	7,601	7,601	-
Due from other funds	1,884,846	196,345	-	2,081,191	2,404,431
Due from other governmental units	-	6,023	-	6,023	161,072
Inventories	340,147	217,368	-	557,515	-
Prepays	45,789	13,558	-	59,347	41,161
Total current assets	23,401,455	10,214,909	235,787	33,852,151	10,075,986
Noncurrent assets					
Net pension asset	780,401	563,933	2,306	1,346,640	-
Capital assets not being depreciated	3,061,314	4,036,433	162,561	7,260,308	-
Capital assets, net of accumulated depreciation	73,962,559	88,594,711	1,354,790	163,912,060	-
Total noncurrent assets	77,804,274	93,195,077	1,519,657	172,519,008	-0-
<b>TOTAL ASSETS</b>	<b>101,205,729</b>	<b>103,409,986</b>	<b>1,755,444</b>	<b>206,371,159</b>	<b>10,075,986</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred amounts on refunding	72,355	211,096	8,871	292,322	-
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	781,090	293,555	-	1,074,645	47,708
Accrued payroll	-	-	-	-0-	910,580
Other accrued liabilities	6	3,912	-	3,918	1,197,539
Accrued interest payable	84,953	217,317	9,093	311,363	-
Deposit payable	-	780,061	-	780,061	-
Due to other funds	597,721	685,748	380	1,283,849	2,582,898
Due to other governmental units	8,075	14,291	-	22,366	97,287
Unearned revenue	-	-	144,750	144,750	-
Current portion of compensated absences	268,134	141,524	28	409,686	-
Current portion of long-term debt	661,162	1,829,918	224,379	2,715,459	-
Current portion of uninsured claim liability	-	-	-	-0-	2,270,691
Total current liabilities	2,401,141	3,966,326	378,630	6,746,097	7,106,703
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	244,823	95,326	21	340,170	-
Noncurrent portion of long-term debt	9,317,129	16,380,362	1,099,758	26,797,249	-
Net other post-employment benefits obligation	4,598,342	6,452,647	-	11,050,989	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,980,885
Total noncurrent liabilities	14,160,294	22,928,335	1,099,779	38,188,408	2,320,885
<b>TOTAL LIABILITIES</b>	<b>16,561,435</b>	<b>26,894,661</b>	<b>1,478,409</b>	<b>44,934,505</b>	<b>9,427,588</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Sales of future revenues	-	-	-	-0-	690,456
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets	68,260,165	74,719,840	202,085	143,182,090	-
Restricted for bond reserves	855,766	1,598,267	-	2,454,033	-
Unrestricted	15,600,718	408,314	83,821	16,092,853	(42,058)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 84,716,649</b>	<b>\$ 76,726,421</b>	<b>\$ 285,906</b>	<b>\$ 161,728,976</b>	<b>\$ (42,058)</b>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2014

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
<b>OPERATING REVENUES</b>					
Charges for services	\$ 20,758,450	\$ 12,948,883	\$ 1,566,381	\$ 35,273,714	\$ 23,623,624
Other	-	27,474	21,980	49,454	-
<b>TOTAL OPERATING REVENUES</b>	<b>20,758,450</b>	<b>12,976,357</b>	<b>1,588,361</b>	<b>35,323,168</b>	<b>23,623,624</b>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	17,305,246	10,565,861	1,399,200	29,270,307	-
Risk management	-	-	-	-0-	21,559,589
Depreciation	4,484,790	3,275,986	196,471	7,957,247	-
<b>TOTAL OPERATING EXPENSES</b>	<b>21,790,036</b>	<b>13,841,847</b>	<b>1,595,671</b>	<b>37,227,554</b>	<b>21,559,589</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,031,586)</b>	<b>(865,490)</b>	<b>(7,310)</b>	<b>(1,904,386)</b>	<b>2,064,035</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	55,906	99,309	-	155,215	-
Interest revenue	41,072	15,160	21	56,253	6,798
Other	(60,963)	-	-	(60,963)	-
Gain (loss) on sale of capital assets	1,000	(99,631)	-	(98,631)	-
Amortization of:					
Bond defeasance expenses	(8,138)	(11,022)	-	(19,160)	-
Bond premiums and discounts	1,162	(29,932)	-	(28,770)	-
Interest expense and fiscal charges	(355,284)	(734,416)	(43,190)	(1,132,890)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(325,245)</b>	<b>(760,532)</b>	<b>(43,169)</b>	<b>(1,128,946)</b>	<b>6,798</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,356,831)</b>	<b>(1,626,022)</b>	<b>(50,479)</b>	<b>(3,033,332)</b>	<b>2,070,833</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>44,711</b>	<b>825,529</b>	<b>-</b>	<b>870,240</b>	<b>-</b>
<b>TRANSFERS OUT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0-</b>	<b>(2,313,257)</b>
<b>CHANGE IN NET POSITION</b>	<b>(1,312,120)</b>	<b>(800,493)</b>	<b>(50,479)</b>	<b>(2,163,092)</b>	<b>(242,424)</b>
Net position, beginning of year	86,028,769	77,526,914	336,385	163,892,068	200,366
Net position (deficit), end of year	<u>\$ 84,716,649</u>	<u>\$ 76,726,421</u>	<u>\$ 285,906</u>	<u>\$ 161,728,976</u>	<u>\$ (42,058)</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 21,311,617	\$ 13,360,884	\$ 1,614,539	\$ 36,287,040	\$ 26,434,297
Cash received from interfund services provided	84,806	23,102	-	107,908	-
Cash paid to suppliers	(11,883,613)	(5,833,770)	(1,375,265)	(19,092,648)	-
Cash paid to employees	(3,574,511)	(2,694,222)	(3,709)	(6,272,442)	-
Cash paid for employee benefits	(2,769,971)	(2,233,590)	(1,131)	(5,004,692)	(21,273,949)
Cash paid for interfund services provided	-	-	(357)	(357)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,168,328</b>	<b>2,622,404</b>	<b>234,077</b>	<b>6,024,809</b>	<b>5,160,348</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental grant	55,906	99,309	-	155,215	-
Transfer out	-	-	-	-0-	(2,313,257)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>55,906</b>	<b>99,309</b>	<b>-0-</b>	<b>155,215</b>	<b>(2,313,257)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(3,038,962)	(1,710,641)	(236,286)	(4,985,889)	-
Contributions	(16,252)	94,846	-	78,594	-
Proceeds from sales of capital assets	1,000	-	-	1,000	-
Interest paid	(355,092)	(798,448)	(36,274)	(1,189,814)	-
Proceeds from bond issuance	2,285,000	11,170,000	262,897	13,717,897	-
Payments on borrowings	(595,000)	(1,675,000)	(190,831)	(2,460,831)	-
Payment to escrow	(2,298,524)	(11,345,338)	-	(13,643,862)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(4,017,830)</b>	<b>(4,264,581)</b>	<b>(200,494)</b>	<b>(8,482,905)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	5,796,714	2,701,908	-	8,498,622	1,719,439
Interest received	34,982	15,160	21	50,163	6,798
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>5,831,696</b>	<b>2,717,068</b>	<b>21</b>	<b>8,548,785</b>	<b>1,726,237</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,038,100</b>	<b>1,174,200</b>	<b>33,604</b>	<b>6,245,904</b>	<b>4,573,328</b>
Cash and cash equivalents, beginning of year	10,048,274	5,535,939	194,032	15,778,245	1,048,956
<b>Cash and cash equivalents, end of year</b>	<b>\$ 15,086,374</b>	<b>\$ 6,710,139</b>	<b>\$ 227,636</b>	<b>\$ 22,024,149</b>	<b>\$ 5,622,284</b>

CONTINUED

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2014

	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)	\$ (1,031,586)	\$ (865,490)	\$ (7,310)	\$ (1,904,386)	\$ 2,064,035
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,484,790	3,275,986	196,471	7,957,247	-
(Increase) decrease in:					
Accounts receivable	477,620	248,066	1,178	726,864	(518,978)
Due from other funds	107,696	39,750	-	147,446	(18,107)
Due from other governmental units	75,547	62,135	-	137,682	63,359
Due from management corporation	-	-	20,166	20,166	-
Inventories	25,204	(35,077)	-	(9,873)	-
Prepays	(22,866)	2,161	-	(20,705)	22,840
Net pension asset	(441,685)	(319,227)	-	(760,912)	-
Increase (decrease) in:					
Accounts payable	100,646	26,420	(182)	126,884	40,670
Accrued liabilities	6	(370)	-	(364)	(336,290)
Due to other funds	(22,890)	(16,648)	(357)	(39,895)	2,496,656
Unearned revenue	-	-	-	-0-	690,456
Due to other governmental units	(4,532)	(777)	-	(5,309)	97,287
Deposits payable	-	74,326	-	74,326	-
Compensated absences	16,008	(46,273)	(889)	(31,154)	-
Uninsured claim liability	-	-	-	-0-	558,420
Other post-employment benefits obligation	(595,630)	177,422	-	(418,208)	-
Unearned revenue	-	-	25,000	25,000	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,168,328</b>	<b>\$ 2,622,404</b>	<b>\$ 234,077</b>	<b>\$ 6,024,809</b>	<b>\$ 5,160,348</b>
<b>NONCASH FINANCING ACTIVITIES</b>					
Contributions of capital assets	\$ -	\$ 730,683	\$ -	\$ 730,683	\$ -
Loss on sale of capital assets	-	(99,631)	-	(99,631)	-
<b>TOTAL NONCASH FINANCING ACTIVITIES</b>	<b>\$ -0-</b>	<b>\$ 631,052</b>	<b>\$ -0-</b>	<b>\$ 631,052</b>	<b>\$ -0-</b>

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF NET POSITION

December 31, 2014

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,837,360	\$ 79,528	\$ 10,718,240
Investments			
U.S. Treasuries	62,848,256	-	-
U.S. Agencies	6,154,666	-	-
Corporate bonds	51,608,522	-	-
Collateralized mortgage obligations	23,269,762	-	-
Equity mutual funds	443,551,368	-	-
Real estate mutual funds	33,559,652	-	-
Receivables			
Interest and dividends	983,699	-	-
Taxes	-	-	28,892,187
Other	-	-	2,979
	<u>634,813,285</u>	<u>79,528</u>	<u>\$ 39,613,406</u>
<b>LIABILITIES</b>			
Accounts payable	18,746	-	\$ -
Due to other governmental units	-	-	39,612,414
Due to individuals and agencies	-	52,550	992
	<u>18,746</u>	<u>52,550</u>	<u>\$ 39,613,406</u>
<b>NET POSITION</b>			
Held in trust for benefits and other purposes	<u>\$ 634,794,539</u>	<u>\$ 26,978</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2014

	<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	\$ 27,992,276	\$ -
Interest and dividends	<u>15,689,962</u>	<u>11</u>
Total investment income	43,682,238	11
Less investment expense	<u>(2,096,460)</u>	<u>-</u>
Net investment income	41,585,778	11
Contributions		
Employer	2,329,466	-
Plan members	1,067,029	-
Other	<u>-</u>	<u>10,320</u>
Total contributions	<u>3,396,495</u>	<u>10,320</u>
TOTAL ADDITIONS TO NET POSITION	44,982,273	10,331
DEDUCTIONS FROM NET POSITION		
Benefits	27,775,096	-
Refunds of contributions	27,035	-
Administrative expenses	<u>239,249</u>	<u>9,050</u>
TOTAL DEDUCTIONS	<u>28,041,380</u>	<u>9,050</u>
CHANGE IN NET POSITION	16,940,893	1,281
Net position, beginning of year	<u>617,853,646</u>	<u>25,697</u>
Net position, end of year	<u><u>\$ 634,794,539</u></u>	<u><u>\$ 26,978</u></u>

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION

December 31, 2014

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 47,036	\$ 353,025	\$ 1,674,677
Cash and cash equivalents - restricted	1,103,193	-	-
Investments	-	-	354,668
Accounts receivable	74,579	-	229,937
Taxes receivable	31,295	-	-
Interest receivable	-	-	-
Due from other governmental units	-	6,821	62,068
Inventories	-	-	-
Prepays	-	-	-
Current portion of notes receivable	-	34,460	130,366
	<u>1,256,103</u>	<u>394,306</u>	<u>2,451,716</u>
Total current assets			
Noncurrent assets			
Net pension asset	-	-	-
Net other post-employment benefits asset	-	-	-
Noncurrent portion of notes receivable	-	998,470	585,733
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	560,936	-	-
	<u>619,098</u>	<u>998,470</u>	<u>585,733</u>
Total noncurrent assets			
<b>TOTAL ASSETS</b>			
	<u>1,875,201</u>	<u>1,392,776</u>	<u>3,037,449</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	249,189	-	54,963
Accrued liabilities	11,855	-	-
Accrued interest payable	48,384	-	-
Due to other governmental units	-	3,522	9,909
Unearned revenue	1,176	-	-
Current portion of advances from other governmental units	-	34,460	-
Current portion of compensated absences	-	10,361	8,052
Current portion of long-term debt	515,146	-	-
	<u>825,750</u>	<u>48,343</u>	<u>72,924</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	12,300	7,713
Noncurrent portion of long-term debt	2,104,570	-	-
Noncurrent portion of advances from other governmental units	-	898,470	692,438
	<u>2,104,570</u>	<u>910,770</u>	<u>700,151</u>
Total noncurrent liabilities			
<b>TOTAL LIABILITIES</b>			
	<u>2,930,320</u>	<u>959,113</u>	<u>773,075</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	619,098	-	-
Unrestricted	(1,674,217)	433,663	2,264,374
	<u>\$ (1,055,119)</u>	<u>\$ 433,663</u>	<u>\$ 2,264,374</u>
<b>TOTAL NET POSITION (DEFICIT)</b>			

See accompanying notes to financial statements.

Local Development Finance Authority	Metro Transit	Total Component Units
\$ 688,779	\$ 3,502,161	\$ 6,265,678
-	-	1,103,193
-	1,000,000	1,354,668
95,278	31,555	431,349
-	82,317	113,612
-	3,251	3,251
-	827,934	896,823
-	337,927	337,927
-	244,794	244,794
-	-	164,826
<u>784,057</u>	<u>6,029,939</u>	<u>10,916,121</u>
-	134,352	134,352
-	53,584	53,584
-	-	1,584,203
-	2,089,932	2,148,094
-	<u>22,684,860</u>	<u>23,245,796</u>
<u>-0-</u>	<u>24,962,728</u>	<u>27,166,029</u>
784,057	30,992,667	38,082,150
131,456	358,081	793,689
-	-	11,855
-	-	48,384
335,612	282,462	631,505
-	1,632,048	1,633,224
-	-	34,460
-	168,901	187,314
-	-	515,146
<u>467,068</u>	<u>2,441,492</u>	<u>3,855,577</u>
-	41,963	61,976
-	-	2,104,570
<u>335,912</u>	<u>-</u>	<u>1,926,820</u>
<u>335,912</u>	<u>41,963</u>	<u>4,093,366</u>
802,980	2,483,455	7,948,943
-	24,774,792	25,393,890
<u>(18,923)</u>	<u>3,734,420</u>	<u>4,739,317</u>
<u>\$ (18,923)</u>	<u>\$ 28,509,212</u>	<u>\$ 30,133,207</u>

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Downtown Development Authority	\$ 4,019,199	\$ 2,748,560	\$ -	\$ -
Economic Development Corporation	113,035	-	81,024	-
Brownfield Redevelopment Authority	1,261,378	-	62,068	-
Local Development Finance Authority	215,374	-	-	-
<b>Business-type Activities</b>				
Metro Transit	17,007,945	2,745,919	10,789,071	2,406,368
<b>TOTALS</b>	<b>\$ 22,616,931</b>	<b>\$ 5,494,479</b>	<b>\$ 10,932,163</b>	<b>\$ 2,406,368</b>

General revenues

Property taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position (deficit), beginning of year

Net position (deficit), 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
\$ (1,270,639)	\$ -	\$ -	\$ -	\$ -	\$ (1,270,639)
-	(32,011)	-	-	-	(32,011)
-	-	(1,199,310)	-	-	(1,199,310)
-	-	-	(215,374)	-	(215,374)
-	-	-	-	(1,066,587)	(1,066,587)
(1,270,639)	(32,011)	(1,199,310)	(215,374)	(1,066,587)	(3,783,921)
1,697,762	-	1,012,124	591,789	870,592	4,172,267
719	69	2,937	-	9,037	12,762
128,737	-	43,037	-	549	172,323
1,827,218	69	1,058,098	591,789	880,178	4,357,352
556,579	(31,942)	(141,212)	376,415	(186,409)	573,431
(1,611,698)	465,605	2,405,586	(395,338)	28,695,621	29,559,776
<u>\$ (1,055,119)</u>	<u>\$ 433,663</u>	<u>\$ 2,264,374</u>	<u>\$ (18,923)</u>	<u>\$ 28,509,212</u>	<u>\$ 30,133,207</u>

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Kalamazoo (the City) 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 operates under the commission-manager form of government. The Policy and legislative authority are vested in a seven member City Commission, all serving part-time. The Mayor is elected on a non-partisan basis to serve a two-year term. The remaining six City Commissioners are elected at large, on a non-partisan basis to serve four year-terms. The terms of the commissioners are staggered, with three commissioners elected every two years. The City Commission Candidate that receives the most votes at each election will serve as Vice Mayor for the first two years of the term, and then as a City Commissioner for the remaining two years. The City Commission appoints the City Manager, Assessor, Attorney, Clerk, and Internal Auditor. The City Manager is the Chief Administrative Officer of the City, responsible for administering the policies and ordinances of the City Commission, for appointing directors of the City's various departments, and overseeing day-to-day operations of the City. The City 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 Management Services 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - Concluded

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, 2014.

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 financial 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 financial 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - Continued

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.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

- 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 financial statements are provided that explain the differences in detail.

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 fund balance.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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 or not used for the purpose for which they were originally appropriated, transfers that result in a change in appropriations, 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.

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, 2014

**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
Intangibles	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. Issuance costs, whether or not withheld from debt proceeds received, are reported as expenses.

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, 2014

**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 and deferred sale of future revenues. 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, 2014, the City levied 19.2705 mills for general governmental services and 1.5500 mills for waste collection. The total taxable value for the 2014 levy for property within the City was \$1,465,418,259.

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, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

18. Notes Receivable

Notes receivable consist of amounts loaned to entities within the City under various community and economic development programs to finance activities during their operations, capital acquisitions, and other community improvements. 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 General Fund records charges for services for centralized services provided to various City departments and funds as charges for services. All City funds record these payments as operating expenses/expenditures.

The Internal Service Fund records charges for insurance and employee benefits 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.

**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, 2014

**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, 2014, the carrying amount of the City's deposits was \$58,291,551 and the bank balance was \$60,105,989. The financial statements include \$8,120 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, 2014, the City accounts were insured by the Federal Deposit Insurance Corporation for \$1,212,843 and the amount of \$58,893,146 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, 2014, 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 &amp; Poor's Rating</u>	<u>Weighted Average Maturity</u>
Federal Home Loan Bank	\$ 2,000,000	\$ 2,000,000	17%	AA+	390 days
Fannie Mae	3,000,000	3,000,000	26%	AA+	165 days
Fifth Third Bank	2,500,000	2,500,000	22%	A-1	65 days
Equity mutual funds	3,992,954	3,992,954	35%	Not rated	N/A
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 11,492,954</u></b>	<b><u>\$ 11,492,954</u></b>			

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**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 \$2,931,642 and \$20,345, respectively, as of December 31, 2014, 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, 2014, 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, 2014, 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, 2014

**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, 2014, the System's investments represented approximately 98.5 percent of the portfolio and the Trust's investments represented approximately 1.5 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, 2014, was \$12,837,360, of which the insured amount was \$1,016,727. The remaining balance of \$11,820,633 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 adopted asset allocation policy as of December 31, 2014, is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long Term Expected Rate of Return</u>
Micro Capitalization Domestic Equity	5.00%	6.00%
Small Capitalization Domestic Equity	10.00%	6.00%
Small Capitalization Value International Equity	10.00%	5.00%
S&P Index Funds	30.00%	5.00%
Large Capitalization Domestic Equity	5.00%	5.00%
Emerging Markets Equity	10.00%	6.75%
Intermediate Fixed Income	12.50%	0.75%
Long Fixed Income	12.50%	0.75%
Real Estate Securities	2.50%	3.75%
Real Estate	2.50%	3.75%

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

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

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, 2014:

U.S. Treasuries	\$ 62,848,256
U.S. Agencies	6,154,666
Corporate bonds	51,608,522
Collateralized mortgage obligations	23,269,762
Equity mutual funds	443,551,368
Real estate mutual funds	<u>33,559,652</u>
Total investments	<u><u>\$ 620,992,226</u></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.

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, 2014, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

<u>Standard &amp; Poor's</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ -	\$ -	\$ 4,248,242
AA	-	9,257,358	205,724
A	-	26,101,742	-
BBB	-	16,249,422	-
Not rated	<u>6,154,666</u>	<u>-</u>	<u>18,815,796</u>
	<u><u>\$ 6,154,666</u></u>	<u><u>\$ 51,608,522</u></u>	<u><u>\$ 23,269,762</u></u>
 <u>Moody's</u>			
AAA	\$ -	\$ 541,933	\$ 2,349,145
AA	-	5,918,950	-
A	-	21,851,756	-
BAA	-	22,674,351	-
Not rated	<u>6,154,666</u>	<u>621,532</u>	<u>20,920,617</u>
	<u><u>\$ 6,154,666</u></u>	<u><u>\$ 51,608,522</u></u>	<u><u>\$ 23,269,762</u></u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

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

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, 2014, 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, 2014, equity holdings accounted for 70% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2014.

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, 2014, 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	\$ 62,848,256	\$ -	\$ 39,082,384	\$ 539,977	\$ 23,225,895
U.S. Agencies	6,154,666	-	4,596,378	-	1,558,288
Corporate bonds	51,608,522	141,161	15,350,232	22,847,330	13,269,799
Collateralized mortgage obligations	23,269,762	-	3,913,206	205,723	19,150,833
	<u>\$ 143,881,206</u>	<u>\$ 141,161</u>	<u>\$ 62,942,200</u>	<u>\$ 23,593,030</u>	<u>\$ 57,204,815</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, 2014, 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, 2014:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 31,353,556	\$ 6,265,678	\$ 23,635,128	\$ 61,254,362
Cash and cash equivalents - restricted	8,779,485	1,103,193	-	9,882,678
Investments	10,138,277	1,354,668	620,992,226	632,485,171
Investments with agents	2,951,987	-	-	2,951,987
	<u>\$ 53,223,305</u>	<u>\$ 8,723,539</u>	<u>\$ 644,627,354</u>	<u>\$ 706,574,198</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2014, are as follows:

Due to General Fund from:	
Wastewater Fund	\$ 222,156
Water Fund	359,326
Nonmajor governmental funds	1,683,228
Nonmajor enterprise funds	348
Internal service fund	<u>2,348,825</u>
	<u>\$ 4,613,883</u>
Due to Wastewater Fund from:	
General Fund	\$ 6,222
Water Fund	111,246
Nonmajor governmental funds	1,609,821
Internal service fund	<u>157,557</u>
	<u>\$ 1,884,846</u>
Due to Water Fund from:	
General Fund	\$ 75,072
Wastewater Fund	97,015
Nonmajor governmental funds	<u>24,258</u>
	<u>\$ 196,345</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 522,013
Nonmajor governmental funds	531,291
Wastewater Fund	352
Internal service fund	<u>76,516</u>
	<u>\$ 1,130,172</u>
Due to Internal service fund from:	
General Fund	\$ 1,729,875
Wastewater Fund	278,198
Water Fund	215,176
Nonmajor governmental funds	181,150
Nonmajor enterprise funds	<u>32</u>
	<u>\$ 2,404,431</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, 2014

**NOTE D: ADVANCES RECEIVABLE AND PAYABLES**

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2014:

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>\$ 2,313,257</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 3,100,209
Nonmajor governmental funds	<u>6,289,385</u>
	<u>\$ 9,389,594</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, 2014

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

**Primary Government**

	Balance Jan. 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2014
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 29,839,432	\$ 88,201	\$ (75,573)	\$ 29,852,060
Construction in progress	6,059,800	3,946,580	(5,091,595)	4,914,785
Subtotal	35,899,232	4,034,781	(5,167,168)	34,766,845
Capital assets being depreciated				
Land improvements	14,556,612	147,962	-	14,704,574
Buildings and improvements	53,321,341	20,206	-	53,341,547
Vehicles	13,432,830	935,461	(583,559)	13,784,732
Machinery and equipment	14,702,255	204,544	(999)	14,905,800
Intangible assets	2,521,705	-	-	2,521,705
Infrastructure	202,596,917	4,216,988	(49,254)	206,764,651
Subtotal	301,131,660	5,525,161	(633,812)	306,023,009
Less accumulated depreciation for:				
Land improvements	(4,506,092)	(977,331)	-	(5,483,423)
Buildings and improvements	(16,256,983)	(1,154,420)	-	(17,411,403)
Vehicles	(10,826,096)	(509,250)	524,708	(10,810,638)
Machinery and equipment	(10,395,281)	(892,510)	999	(11,286,792)
Intangible assets	(2,078,133)	(110,170)	-	(2,188,303)
Infrastructure	(119,131,255)	(3,762,307)	35,651	(122,857,911)
Subtotal	(163,193,840)	(7,405,988)	561,358	(170,038,470)
Net capital assets being depreciated	137,937,820	(1,880,827)	(72,454)	135,984,539
Capital assets, net	<u>\$ 173,837,052</u>	<u>\$ 2,153,954</u>	<u>\$ (5,239,622)</u>	<u>\$ 170,751,384</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 943,545
Public safety	1,620,426
Community and economic development	7,690
Parks and recreation	871,006
Streets	3,761,964
Public works	201,357
Total depreciation expense	<u>\$ 7,405,988</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Concluded**

	Balance Jan. 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2014
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,293,225	\$ 3,361	\$ -	\$ 3,296,586
Rights to liquor license	139,200	-	-	139,200
Construction in progress	1,110,824	3,361,386	(647,688)	3,824,522
Subtotal	4,543,249	3,364,747	(647,688)	7,260,308
Capital assets being depreciated				
Land improvements	15,957,626	116,513	(125,410)	15,948,729
Building and improvements	92,225,564	238,300	-	92,463,864
Vehicles	3,418,247	84,303	(59,003)	3,443,547
Machinery and equipment	62,888,054	888,089	(145,746)	63,630,397
Infrastructure	169,116,027	1,688,797	-	170,804,824
Intangible assets	1,675,749	1,870	-	1,677,619
Subtotal	345,281,267	3,017,872	(330,159)	347,968,980
Less accumulated depreciation for:				
Land improvements	(11,299,343)	(464,106)	25,779	(11,737,670)
Building and improvements	(44,850,277)	(1,872,304)	-	(46,722,581)
Vehicles	(2,589,010)	(114,466)	40,100	(2,663,376)
Machinery and equipment	(44,558,398)	(1,939,208)	146,290	(46,351,316)
Infrastructure	(71,642,478)	(3,436,497)	-	(75,078,975)
Intangible assets	(1,372,336)	(130,666)	-	(1,503,002)
Subtotal	(176,311,842)	(7,957,247)	212,169	(184,056,920)
Net capital assets being depreciated	168,969,425	(4,939,375)	(117,990)	163,912,060
Capital assets, net	<u>\$ 173,512,674</u>	<u>\$ (1,574,628)</u>	<u>\$ (765,678)</u>	<u>\$ 171,172,368</u>

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

Wastewater	\$ 4,484,790
Water	3,275,986
Kalamazoo Municipal Golf Association	192,511
City Market	3,960
Total depreciation expense	<u>\$ 7,957,247</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE F: CAPITAL ASSETS - CONCLUDED**

**Component Units**

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
<b>Downtown Development Authority</b>				
Capital assets not being depreciated				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162
Capital assets being depreciated				
Leasehold improvements	684,881	-	-	684,881
General and administrative equipment	210,724	-	-	210,724
Equipment	603,789	9,455	(488)	612,756
Equipment under capital lease	157,621	-	-	157,621
Subtotal	1,657,015	9,455	(488)	1,665,982
Less accumulated depreciation for:				
Leasehold improvements	(208,584)	(41,281)	-	(249,865)
General and administrative equipment	(208,052)	(1,779)	-	(209,831)
Equipment	(458,144)	(30,073)	488	(487,729)
Equipment under capital lease	(157,621)	-	-	(157,621)
Subtotal	(1,032,401)	(73,133)	488	(1,105,046)
Net capital assets being depreciated	624,614	(63,678)	-0-	560,936
Capital assets, net	<u>\$ 682,776</u>	<u>\$ (63,678)</u>	<u>\$ -0-</u>	<u>\$ 619,098</u>
	Balance Jan. 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2014
<b>Metro Transit</b>				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	12,734	64,567	-	77,301
Subtotal	2,025,365	64,567	-0-	2,089,932
Capital assets being depreciated				
Building and improvements	18,164,851	-	(87,180)	18,077,671
Land improvements	399,835	-	(74,500)	325,335
Machinery and equipment	2,457,279	90,583	(366,739)	2,181,123
Vehicles	15,016,429	2,200,089	(670,472)	16,546,046
Intangible assets	2,899,349	26,095	-	2,925,444
Subtotal	38,937,743	2,316,767	(1,198,891)	40,055,619
Less accumulated depreciation for:				
Building and improvements	(6,190,328)	(475,278)	83,448	(6,582,158)
Land improvements	(339,767)	(6,303)	74,500	(271,570)
Machinery and equipment	(2,027,689)	(137,156)	364,502	(1,800,343)
Vehicles	(7,644,757)	(1,259,652)	655,584	(8,248,825)
Intangible assets	(165,851)	(302,012)	-	(467,863)
Subtotal	(16,368,392)	(2,180,401)	1,178,034	(17,370,759)
Net capital assets being depreciated	22,569,351	136,366	(20,857)	22,684,860
Capital assets, net	<u>\$ 24,594,716</u>	<u>\$ 200,933</u>	<u>\$ (20,857)</u>	<u>\$ 24,774,792</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**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, 2014:

**Primary Government**

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014	Amounts Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 48,368,335	\$ 5,510,000	\$ (5,711,130)	\$ 48,167,205	\$ 3,782,696
Revenue bonds	4,240,000	-	(1,205,000)	3,035,000	730,000
Compensated absences	5,865,290	3,218,341	(2,986,713)	6,096,918	2,058,762
Environmental matters	226,469	87,636	-	314,105	-
Uninsured claim liability	3,693,156	20,051,795	(19,493,375)	4,251,576	2,270,691
Subtotal	62,393,250	28,867,772	(29,396,218)	61,864,804	8,842,149
Deferred amounts on refunding	351,224	-	(33,952)	317,272	33,952
Total Governmental Activities	62,744,474	28,867,772	(29,430,170)	62,182,076	8,876,101
<b>Business-type Activities</b>					
General obligation bonds	951,665	150,000	(128,870)	972,795	147,304
Revenue bonds	30,405,000	13,455,000	(15,755,000)	28,105,000	2,485,000
Compensated absences	781,010	728,278	(759,432)	749,856	409,686
EDC contract	183,192	-	(30,599)	152,593	31,529
Equipment acquisitions	117,214	112,897	(31,362)	198,749	45,546
Subtotal	32,438,081	14,446,175	(16,705,263)	30,178,993	3,119,065
Deferred amounts on refunding	54,799	-	28,772	83,571	6,080
Total Business-type Activities	32,492,880	14,446,175	(16,676,491)	30,262,564	3,125,145
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 95,237,354</b>	<b>\$ 43,313,947</b>	<b>\$ (46,106,661)</b>	<b>\$ 92,444,640</b>	<b>\$ 12,001,246</b>

**Component Units**

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014	Amounts Due Within One Year
<b>Downtown Development Authority</b>					
Bonds and notes payable	\$ 2,467,174	\$ -	\$ (513,538)	\$ 1,953,636	\$ 448,538
Rebated tax liabilities	684,000	-	(17,920)	666,080	66,608
Total Downtown Development Authority	\$ 3,151,174	\$ -0-	\$ (531,458)	\$ 2,619,716	\$ 515,146
<b>Economic Development Corporation</b>					
Compensated absences	\$ 32,258	\$ -	\$ (9,597)	\$ 22,661	\$ 10,361
<b>Brownfield Redevelopment Authority</b>					
Compensated absences	\$ 15,533	\$ 1,412	\$ (1,180)	\$ 15,765	\$ 8,052
<b>Metro Transit</b>					
Compensated absences	\$ 173,366	\$ 383,859	\$ (346,361)	\$ 210,864	\$ 168,901

**General Obligation Bonds**

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**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 \$81,375,000. General obligation bonds currently outstanding are as follows:

**Primary Government**

	Issuance Date	Interest Rates	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014	Amounts Due Within One Year
<b>Governmental Activities</b>							
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	\$ 1,195,000	\$ -	\$ (575,000)	\$ 620,000	\$ 185,000
2004 Capital Improvement	4/27/2004	2.00%-4.70%	2,115,000	-	(2,115,000)	-0-	-
2005 Building Authority Parking Ramp	4/11/2005	5.00%-5.25%	4,805,000	-	(185,000)	4,620,000	205,000
2005B Building Authority Parking Ramp	10/12/2005	5.00%-5.25%	1,910,000	-	(90,000)	1,820,000	95,000
2005 Building Authority Refunding	7/26/2005	5.125%-5.50%	6,220,000	-	(370,000)	5,850,000	375,000
2006A Building Authority	1/23/2006	4.85%-5.50%	2,290,000	-	(90,000)	2,200,000	95,000
2006B Building Authority	10/26/2006	4.00%-4.40%	3,125,000	-	(190,000)	2,935,000	195,000
2007 Capital Improvement	7/12/2007	3.90%-4.75%	670,000	-	(35,000)	635,000	40,000
2008 Capital Improvement	7/1/2008	3.25%-4.375%	3,045,000	-	(255,000)	2,790,000	265,000
2009 Capital Improvement	6/24/2009	2.50%-4.45%	3,645,000	-	(265,000)	3,380,000	275,000
2010 Capital Improvement	6/22/2010	2.00%-4.00%	2,390,000	-	(165,000)	2,225,000	170,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	2,105,000	-	(385,000)	1,720,000	400,000
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	2,639,585	-	(228,821)	2,410,764	243,822
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	4,200,000	-	(265,000)	3,935,000	270,000
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	4,013,750	-	(254,447)	3,759,303	259,254
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	4,000,000	-	(242,862)	3,757,138	247,624
2014 Capital Improvement Bonds*	5/1/2014	2.88%	-	5,510,000	-	5,510,000	461,996
<b>Total Governmental Activities</b>			<b>48,368,335</b>	<b>5,510,000</b>	<b>(5,711,130)</b>	<b>48,167,205</b>	<b>3,782,696</b>
<b>Business-type Activities</b>							
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	585,415	-	(106,179)	479,236	116,178
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	166,250	-	(10,553)	155,697	10,746
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	200,000	-	(12,138)	187,862	12,376
2014 Capital Improvement Bonds*	5/1/2014	2.88%	-	150,000	-	150,000	8,004
<b>Total Business-type Activities</b>			<b>951,665</b>	<b>150,000</b>	<b>(128,870)</b>	<b>972,795</b>	<b>147,304</b>
<b>Total General Obligation Bonds</b>			<b>\$ 49,320,000</b>	<b>\$ 5,660,000</b>	<b>\$ (5,840,000)</b>	<b>\$ 49,140,000</b>	<b>\$ 3,930,000</b>

\* 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 \$10,185,000 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 2014, pledged revenue of \$5,314,650 funded debt service of \$1,337,808. The original amount of revenue bonds issued was \$47,745,000 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 2014 pledged revenues of \$8,193,435 funded debt service of \$3,423,540. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014	Amounts Due Within One Year
<b>Governmental Activities</b>							
2004 Michigan Transportation Fund	4/27/2004	3.00%-3.70%	\$ 490,000	\$ -	\$ (490,000)	\$ -0-	\$ -
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	2,605,000	-	(245,000)	2,360,000	255,000
2011 Michigan Transportation Fund	7/26/2011	2.00%-3.00%	1,145,000	-	(470,000)	675,000	475,000
<b>Total Governmental Activities</b>			<b>4,240,000</b>	<b>-0-</b>	<b>(1,205,000)</b>	<b>3,035,000</b>	<b>730,000</b>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE G: LONG-TERM DEBT - CONTINUED**

Revenue Bonds - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014	Amounts Due Within One Year
<b>Business-type Activities</b>							
2004 Water System Refunding	4/27/2004	2.00%-4.65%	\$ 3,695,000	\$ -	\$ (3,695,000)	\$ -0-	\$ -
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	2,495,000	-	(450,000)	2,045,000	510,000
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,605,000	-	(60,000)	1,545,000	60,000
2009 Wastewater System	12/22/2009	1.90%-6.66%	2,275,000	-	(2,275,000)	-0-	-
2009 Water Supply System	12/22/2009	5.57%-6.71%	7,685,000	-	(7,685,000)	-0-	-
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	2,340,000	-	(315,000)	2,025,000	320,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	5,925,000	-	(255,000)	5,670,000	260,000
2012 Water System Refunding	6/5/2012	1.50%	4,385,000	-	(995,000)	3,390,000	975,000
2014 Wastewater System Refunding	5/1/2014	3.45%	-	2,285,000	(25,000)	2,260,000	80,000
2014 Water Supply System Refunding	5/1/2014	3.45%	-	11,170,000	-	11,170,000	280,000
Total Business-type Activities			30,405,000	13,455,000	(15,755,000)	28,105,000	2,485,000
Total Revenue Bonds			<u>\$34,645,000</u>	<u>\$13,455,000</u>	<u>\$(16,960,000)</u>	<u>\$ 31,140,000</u>	<u>\$ 3,215,000</u>

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:

	2014	2013
Estimated liability, beginning of year	\$ 3,693,156	\$ 3,258,896
Estimated claims incurred, including changes in estimates	20,051,795	18,711,122
Claim payments	(19,493,375)	(18,276,862)
Estimated liability, end of year	<u>\$ 4,251,576</u>	<u>\$ 3,693,156</u>

The Insurance and Benefits internal service fund is used to liquidate the uninsured claims liabilities, which recovers the cost of liabilities through charges for services to other funds. The General Fund, Water, Wastewater, Major Streets, Local Streets, Cemeteries, and Solid Waste funds and Metro Transit pay an indirect general insurance fee. In addition, all City departments and funds with employees pay a workers compensation fee as a personnel benefit cost.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE G: LONG-TERM DEBT - CONTINUED**

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 2017. The 2012 PNC equipment acquisition note is payable in monthly installments of \$1,196, including imputed interest of 5.26%, through April 2018. The 2014 PNC equipment acquisition note is payable in monthly installments of \$2,056, including imputed interest of 2.94%, through April 2020.

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 \$6,096,918 and \$749,856 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2014. Of those amounts, \$2,058,762 and \$409,686 have been recorded as current liabilities for governmental and business-type activities, respectively.

All City departments and funds with employees liquidate vacation, compensated absences, and normal sick leave as a direct payout. The Water, Wastewater, and Insurance and Benefits internal service fund are used to liquidate sick leave payouts for retiring employees. All governmental funds with employees contribute to the Insurance and Benefits internal service fund through a fringe fee charged to departments as a personnel benefit cost.

Advance and Current Refundings

On May 1, 2014, the City defeased a portion of the 2004 Capital Improvement Bonds, which were due and payable through April 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2014 Capital Improvement and Refunding Bonds in the amount of \$5,510,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$19,911, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$15,324.

On May 1, 2014, the City defeased a portion of the 2009 Wastewater System Revenue Bonds, which were due and payable through September 31, 2034. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2014 Wastewater System Revenue Refunding Bonds in the amount of \$2,285,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$128,180, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$152,680.

On May 1, 2014, the City defeased a portion of the 2004 Water System Revenue Bonds, which were due and payable through September 31, 2029, and a portion of the 2009 Water Revenue Build America Bonds, which were due and payable through September 31, 2034. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2014 Water Supply System Revenue Refunding Bonds in the amount of \$11,170,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$782,288, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$515,299.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE G: LONG-TERM DEBT - CONTINUED**

Advance and Current Refundings - Concluded

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, 2014, \$26,045,000 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 \$381,915,000, 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.

**Component Units**

Downtown Development Authority

Long-term bonds and notes at December 31, 2014, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Catalyst Development Co. 3, L.L.C. Note	12/1/2014	N/A	\$ 278,636

The Downtown Development Authority is also responsible for rebated tax liabilities with a balance of \$666,080 as of December 31, 2014, and debt service payments on \$1,675,000 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 \$22,661 for vacation and sick at December 31, 2014. Of that total amount, \$10,361 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 \$15,765 for vacation and sick at December 31, 2014. Of that total amount, \$8,052 has been recorded as a current liability.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE G: LONG-TERM DEBT - CONCLUDED**

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 \$210,864 for vacation and sick at December 31, 2014. The amounts of \$168,901 and \$41,963 have been reported as current and noncurrent liabilities, respectively.

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
2015	\$ 3,782,696	\$ 1,885,313	\$ 147,304	\$ 30,024	\$ 730,000	\$ 104,293	\$ 2,485,000	\$ 965,773
2016	3,907,148	1,754,109	147,852	25,840	465,000	87,143	1,785,000	897,603
2017	4,002,134	1,606,361	152,866	21,065	275,000	74,205	1,775,000	854,638
2018	3,886,508	1,449,385	158,492	15,505	290,000	62,478	1,775,000	809,757
2019	3,556,757	1,306,773	33,243	9,723	300,000	49,938	1,775,000	763,665
2020-2024	18,198,274	4,482,869	176,726	35,746	975,000	66,969	5,785,000	3,141,184
2025-2029	10,833,688	1,077,139	156,312	10,280	-	-	6,515,000	2,011,519
2030-2034	-	-	-	-	-	-	6,210,000	660,749
	<u>\$ 48,167,205</u>	<u>\$ 13,561,949</u>	<u>\$ 972,795</u>	<u>\$ 148,183</u>	<u>\$ 3,035,000</u>	<u>\$ 445,026</u>	<u>\$ 28,105,000</u>	<u>\$ 10,104,888</u>

Year Ending Dec. 31,	Primary Government				Component Units	
	EDC Contract		Equipment Acquisitions		Downtown Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 31,529	\$ 4,147	\$ 45,546	\$ 7,713	\$ 515,146	\$ 88,952
2016	32,488	3,188	56,516	4,967	676,706	68,244
2017	33,476	2,199	36,394	2,625	511,608	45,720
2018	34,495	1,181	28,079	1,371	516,608	21,890
2019	20,605	207	24,042	625	66,608	9,852
2020-2024	-	-	8,172	50	333,040	49,260
	<u>\$ 152,593</u>	<u>\$ 10,922</u>	<u>\$ 198,749</u>	<u>\$ 17,351</u>	<u>\$ 2,619,716</u>	<u>\$ 283,918</u>

**NOTE H: SHORT-TERM DEBT**

During the year ended December 31, 2014, the City issued and repaid \$3,000,000 of tax revenue anticipation notes. The purpose of this short-term debt was to provide liquidity for the governmental operations financed by property taxes, which are collected throughout the year.

	Issuance Date	Interest Rate	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
Tax Anticipation Note, Series 2014	1/21/2014	1.00%	\$ -0-	\$ 3,000,000	\$ (3,000,000)	\$ -0-

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE I: DEFINED BENEFIT PENSION PLAN**

Plan Description

The Employees' Retirement System (the System) is a single-employer defined benefit contributory plan which provides pension, disability, and death benefits to all full-time employees and some part-time employees of the City.

The System was originally established by City ordinance on February 5, 1952, and is maintained as a Pension Trust Fund in the accompanying financial statements. The System is administered by the City of Kalamazoo Employees' Retirement System Pension Board of Trustees. The Board consists of five (5) individual trustees either elected or appointed in accordance with the City Ordinance. One (1) member is a City Commissioner and one (1) member is the City Manager. The remaining three (3) members, including one (1) Public Safety representative and one (1) General Member representative, are elected by active members of the retirement system. All elected terms are three (3) years. Plan benefit provisions were established and may be amended under the authority of City Ordinances. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City Commission of the City of Kalamazoo. 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.

Plan Membership

At December 31, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	965
Inactive plan members entitled to but not yet receiving benefits	41
Active members	<u>624</u>
	<u><u>1,630</u></u>

Benefits Provided

The System provides retirement, death and disability benefits to plan members and their beneficiaries as follows:

Regular retirement - General members are eligible for benefits at age 57 with 25 or more years of service or age 62 with 10 or more years of service. American Federation of State, County and Municipal Employees (AFSCME) members are eligible for benefits at age 60 with 20 or more years of service. Public safety members are eligible for benefits with 25 years of service or at age 50 with 10 or more years of service. Retirement benefits are calculated as final average compensation (highest 3 consecutive years out of the last 10) times 2.1 percent for each year of service for general plan members, Kalamazoo Municipal Employee's Association (KMEA) members, AFSCME members, and Metro Transit members, 2.3 percent for each year of service for exempt members and 2.7 percent for each year of service for public safety members. The maximum benefit is 70.2 percent of final average compensation for public safety members.

Early retirement - General members are eligible for benefits at age 55 with 15 or more years of service. Public safety members are eligible for benefits with 20 years of service. Retirement benefits are calculated as regular retirement but reduced by 4/10 of 1 percent for each month and fraction of a month by which retirement precedes age 62 if less than 25 years of service or age 57 if 25 or more years of service for general plan members and 2 percent of final average compensation multiplied by years of credited service for public safety members.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Benefits Provided - Concluded

Deferred retirement - Members are eligible for benefits with 10 years of service for most members, 5 years for exempt members hired before September 1, 2010, 9 years for AFSCME members, and 8 years for KMEA members hired before January 1, 2009. Benefits begin at age 62 for general members, and at age 50 for public safety members. Retirement benefits for general members are calculated as regular or early retirement but based upon service and final average compensation at termination date. Retirement benefits for public safety members are calculated as early retirement.

Death and disability - Members are eligible for benefits, in accordance with plan provisions, after 10 years of service for most members, 5 years for exempt members hired before September 1, 2010, 9 years for AFSCME members, and 8 years for KMEA members hired before January 1, 2009. Service requirements are waived for duty disability and death benefits.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. Pensions of AFSCME members who retire on or after October 25, 1999, are increased 1 percent per year, compounded annually, beginning 1 year after retirement and 2 percent per year, compounded annually, beginning at age 75. Pensions of KMEA members are increased 1.5 percent per year, compounded annually, beginning the latter of the retirees' 64<sup>th</sup> birthday and 1 year after retirement and 2 percent per year, compounded annually, beginning at age 75. Pensions of Transit Union members are increased 1 percent per year, compounded annually, beginning 1 year after retirement and 2 percent per year, compounded annually, beginning at age 75. Pensions of public safety members who retire on and after January 1, 1995, with 25 or more years of service, are increased 2 percent per year, compounded annually. Pensions of exempt members are increased 1.5 percent per year, compounded annually, beginning 1 year after retirement for members who elected to contribute by May 2006.

Contributions

System members are required to contribute between 1.0 to 6.5 percent 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, 2014; however the City chose to contribute \$760,912.

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.82 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Annual Required Contribution**

The annual required contribution (ARC) for the year ended December 31, 2014, was \$0. There was no net pension obligation at the beginning or end of the year. The ARC was determined as part of an actuarial valuation date as of December 31, 2013, and a measurement date of December 31, 2014, using the individual entry-age cost method.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONTINUED**

**Annual Required Contribution - Concluded**

Schedule of Employer Contributions

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	N/A	N/A	N/A
Net pension obligation	-	-	-

Schedule of Funding Progress

The funded status of the System as of December 31, 2014, the date of the most recent actuarial valuation, was as follows:

	<u>2014</u>
Actuarial value of assets	\$ 580,220,033
Actuarial accrued liability (AAL)	452,381,149
Overfunded AAL (OAAL)	(127,838,884)
Funded ratio	128.3%
Annual covered payroll	37,198,788
Ratio of UAAL to covered payroll	-343.7%

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 and mortality. 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 schedules of funding progress and employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about amounts contributed and whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. For the purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the Plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONTINUED**

**Net Pension Asset**

The components of the net pension asset of the City at December 31, 2014, were as follows:

TOTAL PENSION LIABILITY	
Service cost	\$ 6,259,728
Interest	31,603,299
Benefit payments, including refunds of member contributions	<u>(27,802,129)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	10,060,898
TOTAL PENSION LIABILITY, BEGINNING	<u>432,148,526</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u><u>\$ 442,209,424</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 760,912
Contributions - member	1,067,029
Net investment income	41,065,447
Benefit payments, including refunds of member contributions	(27,802,131)
Administrative expenses	(122,107)
Other	<u>(110,326)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	14,858,824
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>610,613,258</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u><u>\$ 625,472,082</u></u>
CITY'S NET PENSION ASSET, ENDING (A)-(B)	<u><u>\$ (183,262,658)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	141.44%
Covered-employee payroll	\$ 36,331,892
City's net pension asset as a percentage of covered-employee payroll	(504.41)%

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan 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 of 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE I: DEFINED BENEFIT PENSION PLAN - CONCLUDED**

**Net Pension Asset of the System - Concluded**

Actuarial Assumptions - Concluded

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, 10-year period (closed until 2002, then open)
Remaining amortization period	10 years
Asset valuation method	5 years smoothed market
Inflation	4.0% (which includes price inflation of 3.0%)
Projected salary increases	4.0% to 12.0% (includes inflation)
Investment rate of return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	1994 Group Annuity Mortality Table

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determine contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's net pension liability (asset), calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percent lower (6.5 percent) or 1 percent higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Total pension liability	\$ 494,210,442	\$ 442,209,424	\$ 398,766,284
Plan fiduciary net position	625,472,082	625,472,082	625,472,082
Net pension liability (asset)	<u>\$ (131,261,640)</u>	<u>\$ (183,262,658)</u>	<u>\$ (226,705,798)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**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.

Membership in the plan at December 31, 2013 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	968
Active plan members	<u>442</u>
	<u><u>1,410</u></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.

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.

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, 2014, the City's annual cost for other post-employment benefits (OPEB) was \$12,998,338. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2013, 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 9.0%, 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.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDED**

Actuarial Methods and Assumptions - Concluded

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

Annual required contribution (ARC)	\$ 14,115,049
Interest on net OPEB obligation	2,505,227
Adjustment to annual required contribution	<u>(3,621,938)</u>
Annual OPEB cost	12,998,338
Contributions made	<u>10,244,983</u>
Increase in net OPEB obligation	2,753,355
Net OPEB obligation - beginning of year	<u>62,630,665</u>
Net OPEB obligation - end of year	<u><u>\$ 65,384,020</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>2012</u>	<u>2013</u>	<u>2014</u>
Annual OPEB cost	\$ 13,777,124	\$ 13,512,540	\$ 12,998,338
Percentage contributed	49.6%	108.2%	78.8%
Net OPEB obligation	63,732,853	62,630,665	65,384,020

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

	<u>2009</u>	<u>2011</u>	<u>2013</u>
Actuarial value of assets	\$ -	\$ -	\$ 6,931,353
Actuarial accrued liability (AAL)	263,181,931	190,631,174	194,792,158
Unfunded AAL (UAAL)	263,181,931	190,631,174	187,860,805
Funded ratio	0%	0%	3.6%
Annual covered payroll	44,060,796	44,227,533	37,509,463
Ratio of UAAL to covered payroll	597.3%	431.0%	500.8%

**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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE K: RISK MANAGEMENT - CONCLUDED**

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

Contingent liabilities represent items that are not recognized in the Statement of Net Position at December 31, 2014 because there is significant uncertainty as to the outcome of a future event. Contingent liabilities are recorded in the Statement of Net Position only when the contingency is probable and the amount can be estimated. 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. In addition, the City is also a defendant in a lawsuit filed by the Gull Lake Sewer and Water Authority that raises breach of contract and other claims in connection with the Water and Wastewater service agreements, and seeks monetary and other relief. At the time of this report, the City's exposure cannot be reasonably estimated.

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 \$314,105 in the government-wide financial statements. The City has set aside \$424,909 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 \$3,002,316, bus purchases for \$2,070,653, community development grants for \$1,154,934, and general contractual commitments for \$2,120,363. 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, 2014

**NOTE M: BUDGET/GAAP RECONCILIATION**

The Statement and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and Solid Waste Fund, respectively, 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
<b>General Fund</b>			
Unavailable revenue	\$ 904,909	\$ 2,122,139	\$ 3,027,048
Property taxes	29,588,794	92,877	29,681,671
Fund balance, beginning of year	7,702,671	(2,220,605)	5,482,066
Fund balance, end of year	9,845,819	(2,127,728)	7,718,091
<b>Solid Waste Fund</b>			
Unavailable revenue	-	159,505	159,505
Property taxes	2,237,693	2,892	2,240,585
Fund balance, beginning of year	1,024,933	(162,397)	862,536
Fund balance, end of year	734,845	(159,505)	575,340

**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, 2014:

**PRIMARY GOVERNMENT**

Governmental Activities

Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	4,293,730
Solid waste program	575,340
Parks and recreation	1,014,835
Neighborhood and community development	1,097,805
Other purposes	
Drug enforcement	550,121
Cemetery perpetual care	2,449,297
Capital improvements	938,461
Cork Street Landfill cap	91,003
Grants and donations	393,338
	<u>\$ 15,031,494</u>

Business-type Activities

Restricted for bond reserves	
Wastewater Fund	\$ 855,766
Water Fund	1,598,267
	<u>\$ 2,454,033</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE O: SUBSEQUENT EVENTS**

The City issued one note and two bonds after the end of the fiscal year. On January 13, 2015, the Tax Anticipation Note (Limited Tax General Obligation) was issued for \$3,000,000, to provide financial resources prior to the collection of the summer tax levy. On January 14, 2015, the Limited Tax General Obligation Bonds, Series 2015, was issued for \$90,955,000 to fund a portion of the City's actuarially determined other post-employment benefits liability. On June 2, 2015, the 2015 Capital Improvement General Obligation Bonds were issued for \$5,150,000 to fund capital improvement projects in the Major Streets, Local Streets, Capital Improvement, and Kalamazoo Municipal Golf Association funds.

**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, 2014

**NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED**

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Inventory	\$ 119,238	\$ 195,093	\$ 314,331
Prepays	89,165	14,000	103,165
Advances	340,000	1,961,280	2,301,280
Notes receivable	790,998	1,488,989	2,279,987
Cemetery perpetual care	-	1,735,160	1,735,160
Endowments	-	1,892,404	1,892,404
Restricted			
Highways	-	3,769,932	3,769,932
Solid waste	-	575,340	575,340
Grants and donations	-	683,287	683,287
Drug enforcement	-	550,121	550,121
Recreation activities	-	618,118	618,118
Park activities	-	396,717	396,717
Cemetery perpetual care	-	2,449,297	2,449,297
Debt service	-	61,347	61,347
Capital improvements	-	1,029,464	1,029,464
Committed			
Economic development programs	-	1,420,863	1,420,863
Cemeteries	-	239,430	239,430
Assigned			
Subsequent year's expenditures	403,248	-	403,248
Unassigned	5,975,442	-	5,975,442
 TOTAL FUND BALANCES	 <u>\$ 7,718,091</u>	 <u>\$ 19,080,842</u>	 <u>\$ 26,798,933</u>

**NOTE Q: SEGMENT INFORMATION**

The City reports trust funds for the activities of the Employees' Retirement System and the Other Post-Employment Benefits Trust Fund. Segment information as of and for the year ended December 31, 2014, is as follows:

	Employees' Retirement System	Other Post- Employment Benefits	Total
Additions			
Employer contributions	\$ 760,912	\$ 1,568,554	\$ 2,329,466
Plan member contributions	1,067,029	-	1,067,029
Net investment income	41,065,447	520,331	41,585,778
Deductions			
Benefits	27,775,096	-	27,775,096
Refunds of contributions	27,035	-	27,035
Administrative expenses	232,433	6,816	239,249
Change in net position	14,858,824	2,082,069	16,940,893
Total assets	625,490,216	9,323,069	634,813,285
Total liabilities	18,134	612	18,746
Net position	625,472,082	9,322,457	634,794,539

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE R: CHANGE IN ACCOUNTING PRINCIPLE**

GASB Statement No. 67, *Financial Reporting for Pension Plans*, was implemented during the current year. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote have changed considerably along with the related schedules in the required supplementary information.

**NOTE S: UPCOMING ACCOUNTING PRONOUNCEMENTS**

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 November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2015 fiscal year.

In March 2015, the GASB issued Statement No. 72 *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the City's 2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2017 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement will establish accounting and financial reporting requirements related to other postemployment benefit plans and specify the required approach to measuring the OPEB 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 2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. 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 during the City's 2018 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

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]
12/31/2014	\$ 580,220,033	\$ 452,381,149	\$ (127,838,884)	128.3%	\$ 37,198,788	-343.7%
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%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Annual Actual Contribution	Percentage Contribution
2014	\$ -	\$ 760,912	N/A
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

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION ASSET AND RELATED RATIOS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)

	<u>2014</u>
CHANGE IN TOTAL PENSION LIABILITY	
Service cost	\$ 6,259,728
Interest	31,603,299
Benefit payments, including refunds of member contributions	<u>(27,802,129)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	10,060,898
TOTAL PENSION LIABILITY, BEGINNING	<u>432,148,526</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u>\$ 442,209,424</u>
CHANGE IN PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 760,912
Contributions - member	1,067,029
Net investment income	41,065,447
Benefit payments, including refunds of member contributions	(27,802,131)
Administrative expenses	(122,107)
Other	<u>(110,326)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	14,858,824
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>610,613,258</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 625,472,082</u>
CITY'S NET PENSION ASSET, ENDING (A)-(B)	<u>\$ (183,262,658)</u>
Plan fiduciary net position as a percentage of the total pension liability	141.44%
Covered-employee payroll	\$ 36,331,892
City's net pension asset as a percentage of covered-employee payroll	(504.41)%

City of Kalamazoo  
Defined Benefit Pension Plan  
SCHEDULE OF CITY CONTRIBUTIONS  
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution										
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>760,912</u>	<u>905,746</u>	<u>905,746</u>	<u>-</u>						
Contribution deficiency (excess)	<u>\$ (760,912)</u>	<u>\$ 905,746</u>	<u>\$ 905,746</u>	<u>\$ -0-</u>						
Covered-employee payroll	\$ 37,198,788	\$ 36,331,892	\$ 36,538,969	\$ 42,305,663	\$ 43,007,800	\$ 44,435,753	\$ 44,159,590	\$ 42,889,419	\$ 42,164,958	\$ 40,944,435
Contributions as a percentage of covered-employee payroll	2.05%	2.49%	2.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, 10-year period (closed until 2002, then open)
Remaining amortization period	10 years
Asset valuation method	5 years smoothed market
Inflation	4% (which includes price inflation of 3.0%)
Salary increases	4.0% to 12.0% including inflation
Investment rate of return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	1994 Group Annuity Mortality Table

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULE OF INVESTMENT RETURNS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.82%

City of Kalamazoo

Other Post-Employment Benefits Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2013	\$ 6,931,353	\$ 194,792,158	\$ 187,860,805	3.6%	\$ 37,509,463	500.8%
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

Year Ended December 31,	Annual OPEB Cost	Percentage Contribution	Net OPEB Obligation
2014	\$ 12,998,338	79%	\$ 65,384,020
2013	13,512,540	108%	62,630,665
2012	13,777,124	50%	63,732,853
2011	23,417,368	29%	56,790,113
2010	22,717,456	32%	40,037,492
2009	18,959,646	34%	24,483,885
2008	18,129,246	34%	11,920,257

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2014

**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, 2014
Basis for contribution	December 31, 2013
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
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	1994 Group Annuity Mortality Table

OPEB Plan

Actuarial valuation:	
Frequency	Biennially
Latest date	December 31, 2013
Basis for contribution	December 31, 2013
Actuarial cost method	Individual entry age
Amortization method	Level dollar on a closed basis
Remaining amortization period	28 Years
Asset valuation method	Market value
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% - 9.0%

City of Kalamazoo

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONCLUDED

December 31, 2014

**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, 2014, 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	\$ 403,690	\$ 414,440	\$ 10,750

## **OTHER SUPPLEMENTARY INFORMATION**

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,535,966	\$ 62,740	\$ 222,628	\$ 194,180	\$ 5,015,514
Cash and cash equivalents - restricted	2,235,578	-	2,859,766	-	5,095,344
Investments	555,027	-	-	3,992,945	4,547,972
Investments with agents	24,403	-	-	2,907,239	2,931,642
Receivables					
Accounts	89,316	-	82,925	-	172,241
Taxes	184,419	-	-	-	184,419
Notes	1,388,989	-	100,000	-	1,488,989
Due from other funds	930,180	-	199,992	-	1,130,172
Due from other governmental units	2,264,027	1,720,000	192,888	-	4,176,915
Advances to other governmental units	1,961,280	-	-	-	1,961,280
Inventories	195,093	-	-	-	195,093
Prepays	14,000	-	-	-	14,000
<b>TOTAL ASSETS</b>	<b>\$ 14,378,278</b>	<b>\$ 1,782,740</b>	<b>\$ 3,658,199</b>	<b>\$ 7,094,364</b>	<b>\$ 26,913,581</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 685,197	\$ 1,000	\$ 137,781	\$ -	\$ 823,978
Accrued liabilities	22,149	-	-	2,668	24,817
Due to other funds	2,111,552	393	1,917,803	-	4,029,748
Due to other governmental units	658	-	-	-	658
Deposits payable	97,474	-	424,909	-	522,383
Unearned revenue	211,500	-	-	-	211,500
<b>TOTAL LIABILITIES</b>	<b>3,128,530</b>	<b>1,393</b>	<b>2,480,493</b>	<b>2,668</b>	<b>5,613,084</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	451,413	1,720,000	48,242	-	2,219,655
<b>FUND BALANCES</b>					
Nonspendable	3,559,362	-	100,000	3,627,564	7,286,926
Restricted	5,578,680	61,347	1,029,464	3,464,132	10,133,623
Committed	1,660,293	-	-	-	1,660,293
<b>TOTAL FUND BALANCES</b>	<b>10,798,335</b>	<b>61,347</b>	<b>1,129,464</b>	<b>7,091,696</b>	<b>19,080,842</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 14,378,278</b>	<b>\$ 1,782,740</b>	<b>\$ 3,658,199</b>	<b>\$ 7,094,364</b>	<b>\$ 26,913,581</b>

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>REVENUES</b>					
Property taxes	\$ 2,240,585	\$ -	\$ -	\$ -	\$ 2,240,585
Intergovernmental	9,785,286	-	89,500	-	9,874,786
Charges for services	630,902	-	-	34,433	665,335
Fines and forfeits	501,284	-	-	-	501,284
Interest and rents	54,241	1,923,226	1,791	104,474	2,083,732
Net investment earnings	1,442	-	-	189,886	191,328
Other	337,536	237	696,228	90	1,034,091
<b>TOTAL REVENUES</b>	<b>13,551,276</b>	<b>1,923,463</b>	<b>787,519</b>	<b>328,883</b>	<b>16,591,141</b>
<b>EXPENDITURES</b>					
Current					
General government	349,277	-	-	21,851	371,128
Public safety	2,387,548	-	-	-	2,387,548
Public works	2,528,413	-	-	-	2,528,413
Streets	6,841,434	-	-	-	6,841,434
Community and economic development	2,909,690	-	-	-	2,909,690
Parks and recreation	260,183	-	-	78,256	338,439
Debt service					
Principal	-	5,606,130	-	-	5,606,130
Interest and fiscal charges	-	2,109,656	-	-	2,109,656
Capital outlay	-	-	1,595,160	-	1,595,160
<b>TOTAL EXPENDITURES</b>	<b>15,276,545</b>	<b>7,715,786</b>	<b>1,595,160</b>	<b>100,107</b>	<b>24,687,598</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,725,269)</b>	<b>(5,792,323)</b>	<b>(807,641)</b>	<b>228,776</b>	<b>(8,096,457)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	3,000,000	1,355,000	1,155,000	-	5,510,000
Payments to escrow agent	-	(1,336,964)	-	-	(1,336,964)
Transfers in	1,336,986	5,772,608	2,280,000	-	9,389,594
Transfers out	(3,254,656)	-	(2,846,212)	(188,517)	(6,289,385)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,082,330</b>	<b>5,790,644</b>	<b>588,788</b>	<b>(188,517)</b>	<b>7,273,245</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(642,939)</b>	<b>(1,679)</b>	<b>(218,853)</b>	<b>40,259</b>	<b>(823,212)</b>
Fund balances, beginning of year	11,441,274	63,026	1,348,317	7,051,437	19,904,054
Fund balances, end of year	\$ 10,798,335	\$ 61,347	\$ 1,129,464	\$ 7,091,696	\$ 19,080,842

## NONMAJOR SPECIAL REVENUE FUNDS

**Major Streets** - The Major Streets 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 Locals Streets 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, 2014

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 479,569	\$ 823,610	\$ 197,129	\$ 507,106
Cash and cash equivalents - restricted	1,903,517	332,061	-	-
Investments	-	-	50,019	115,763
Investments with agents	-	-	-	-
Receivables				
Accounts	2,774	-	2,946	-
Taxes	-	-	-	184,419
Notes	-	-	-	-
Due from other funds	110,706	359,055	208	1,483
Due from other governmental units	1,095,499	426,310	-	13,834
Advances to other governmental units	335,912	-	-	-
Inventories	187,886	-	-	-
Prepays	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 4,115,863</u>	<u>\$ 1,941,036</u>	<u>\$ 250,302</u>	<u>\$ 822,605</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 154,134	\$ 98,258	\$ 6,951	\$ 20,110
Accrued liabilities	-	-	-	-
Due to other funds	572,010	702,489	3,921	67,650
Due to other governmental units	-	-	-	-
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	726,144	800,747	10,872	87,760
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	70,883	165,395	-	159,505
<b>FUND BALANCES</b>				
Nonspendable	523,798	-	-	-
Restricted	2,795,038	974,894	-	575,340
Committed	-	-	239,430	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	3,318,836	974,894	239,430	575,340
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
	<u>\$ 4,115,863</u>	<u>\$ 1,941,036</u>	<u>\$ 250,302</u>	<u>\$ 822,605</u>

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Public Safety Contracts	Total
\$ 352,281	\$ 1,297,625	\$ 331,053	\$ 547,593	\$ -	\$ 4,535,966
-	-	-	-	-	2,235,578
-	241,036	59,222	88,987	-	555,027
-	-	24,403	-	-	24,403
58,330	-	25,266	-	-	89,316
-	-	-	-	-	184,419
786,649	602,340	-	-	-	1,388,989
161,401	162	285,628	-	11,537	930,180
478,874	-	189,238	10,967	49,305	2,264,027
-	1,625,368	-	-	-	1,961,280
7,207	-	-	-	-	195,093
-	-	14,000	-	-	14,000
<u>\$ 1,844,742</u>	<u>\$ 3,766,531</u>	<u>\$ 928,810</u>	<u>\$ 647,547</u>	<u>\$ 60,842</u>	<u>\$ 14,378,278</u>
\$ 293,673	\$ -	\$ 52,932	\$ 59,139	\$ -	\$ 685,197
-	-	-	22,149	-	22,149
263,879	117,711	309,299	13,751	60,842	2,111,552
223	249	186	-	-	658
95,087	-	-	2,387	-	97,474
38,445	-	173,055	-	-	211,500
691,307	117,960	535,472	97,426	60,842	3,128,530
55,630	-	-	-	-	451,413
793,856	2,227,708	14,000	-	-	3,559,362
303,949	-	379,338	550,121	-	5,578,680
-	1,420,863	-	-	-	1,660,293
<u>1,097,805</u>	<u>3,648,571</u>	<u>393,338</u>	<u>550,121</u>	<u>-0-</u>	<u>10,798,335</u>
<u>\$ 1,844,742</u>	<u>\$ 3,766,531</u>	<u>\$ 928,810</u>	<u>\$ 647,547</u>	<u>\$ 60,842</u>	<u>\$ 14,378,278</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2014

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 2,240,585
Intergovernmental	5,081,783	1,468,991	-	-
Charges for services	-	-	150,492	-
Fines and forfeits	-	-	-	-
Interest	3,882	1,571	304	632
Net investment earnings	-	-	-	-
Other	2,009	16,015	-	-
<b>TOTAL REVENUES</b>	<b>5,087,674</b>	<b>1,486,577</b>	<b>150,796</b>	<b>2,241,217</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	349,277	-
Public safety	-	-	-	-
Public works	-	-	-	2,528,413
Streets	4,351,937	2,489,497	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,351,937</b>	<b>2,489,497</b>	<b>349,277</b>	<b>2,528,413</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>735,737</b>	<b>(1,002,920)</b>	<b>(198,481)</b>	<b>(287,196)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,000,000	1,000,000	-	-
Transfers in	-	655,004	188,517	-
Transfers out	(2,281,627)	(844,772)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(281,627)</b>	<b>810,232</b>	<b>188,517</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>454,110</b>	<b>(192,688)</b>	<b>(9,964)</b>	<b>(287,196)</b>
Fund balances, beginning of year	2,864,726	1,167,582	249,394	862,536
Fund balances, end of year	\$ 3,318,836	\$ 974,894	\$ 239,430	\$ 575,340

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Public Safety Contracts	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,240,585
2,313,141	-	890,472	30,899	-	9,785,286
60,551	-	4,451	9,994	405,414	630,902
-	-	-	501,284	-	501,284
665	46,215	391	581	-	54,241
-	-	1,442	-	-	1,442
-	-	223,932	95,580	-	337,536
<u>2,374,357</u>	<u>46,215</u>	<u>1,120,688</u>	<u>638,338</u>	<u>405,414</u>	<u>13,551,276</u>
-	-	-	-	-	349,277
-	-	919,595	1,053,513	414,440	2,387,548
-	-	-	-	-	2,528,413
-	-	-	-	-	6,841,434
2,638,621	-	271,069	-	-	2,909,690
-	-	260,183	-	-	260,183
<u>2,638,621</u>	<u>-0-</u>	<u>1,450,847</u>	<u>1,053,513</u>	<u>414,440</u>	<u>15,276,545</u>
(264,264)	46,215	(330,159)	(415,175)	(9,026)	(1,725,269)
-	-	-	-	-	3,000,000
128,257	-	365,208	-	-	1,336,986
-	(128,257)	-	-	-	(3,254,656)
<u>128,257</u>	<u>(128,257)</u>	<u>365,208</u>	<u>-0-</u>	<u>-0-</u>	<u>1,082,330</u>
(136,007)	(82,042)	35,049	(415,175)	(9,026)	(642,939)
<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>\$ 1,097,805</u>	<u>\$ 3,648,571</u>	<u>\$ 393,338</u>	<u>\$ 550,121</u>	<u>\$ -0-</u>	<u>\$ 10,798,335</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, 2014

	<u>Major Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental				
Federal revenue	\$ 1,267,000	\$ 1,267,000	\$ -	\$ (1,267,000)
State trunkline maintenance	250,000	250,000	220,697	(29,303)
Gas and weight tax distribution	4,046,599	4,046,599	4,144,079	97,480
Other state revenue	265,000	265,000	705,636	440,636
Local revenue	-	-	11,371	11,371
Interest	5,000	5,000	3,882	(1,118)
Other	5,000	5,000	2,009	(2,991)
<b>TOTAL REVENUES</b>	<b>5,838,599</b>	<b>5,838,599</b>	<b>5,087,674</b>	<b>(750,925)</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	1,163,644	1,135,673	1,222,841	(87,168)
Repair	254,807	254,807	337,671	(82,864)
Maintenance	942,472	942,472	717,119	225,353
Pavement painting	105,000	105,000	89,216	15,784
Traffic signals	271,953	271,953	291,715	(19,762)
Traffic signs	16,550	16,550	26,148	(9,598)
Construction	3,267,000	4,891,078	1,667,227	3,223,851
<b>TOTAL EXPENDITURES</b>	<b>6,021,426</b>	<b>7,617,533</b>	<b>4,351,937</b>	<b>3,265,596</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(182,827)</b>	<b>(1,778,934)</b>	<b>735,737</b>	<b>2,514,671</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,000,000	2,000,000	2,000,000	-0-
Transfers in	51,314	23,343	-	(23,343)
Transfers out	(2,339,438)	(2,339,438)	(2,281,627)	57,811
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(288,124)</b>	<b>(316,095)</b>	<b>(281,627)</b>	<b>34,468</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(470,951)</b>	<b>(2,095,029)</b>	<b>454,110</b>	<b>2,549,139</b>
Fund balance, beginning of year	2,864,726	2,864,726	2,864,726	-0-
Fund balance, end of year	<u>\$ 2,393,775</u>	<u>\$ 769,697</u>	<u>\$ 3,318,836</u>	<u>\$ 2,549,139</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, 2014

	<u>Local Streets Fund</u>			Variances with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
<b>REVENUES</b>				
Intergovernmental				
Gas and weight tax distribution	\$ 1,140,975	\$ 1,140,975	\$ 1,170,571	\$ 29,596
Other state revenue	-	-	298,420	298,420
Interest	2,000	2,000	1,571	(429)
Other	3,000	3,000	16,015	13,015
<b>TOTAL REVENUES</b>	<b>1,145,975</b>	<b>1,145,975</b>	<b>1,486,577</b>	<b>340,602</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	920,170	892,199	857,301	34,898
Repair	226,843	226,843	216,172	10,671
Maintenance	828,802	828,802	531,762	297,040
Pavement painting	6,000	6,000	2,500	3,500
Traffic signs	15,000	15,000	7,234	7,766
Construction	1,000,000	1,039,525	874,528	164,997
<b>TOTAL EXPENDITURES</b>	<b>2,996,815</b>	<b>3,008,369</b>	<b>2,489,497</b>	<b>518,872</b>
<b>EXCESS REVENUES (UNDER) EXPENDITURES</b>	<b>(1,850,840)</b>	<b>(1,862,394)</b>	<b>(1,002,920)</b>	<b>859,474</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,000,000	1,000,000	1,000,000	-0-
Transfers in	1,573,361	675,390	655,004	(20,386)
Transfers out	(869,207)	(869,207)	(844,772)	24,435
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,704,154</b>	<b>806,183</b>	<b>810,232</b>	<b>4,049</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(146,686)</b>	<b>(1,056,211)</b>	<b>(192,688)</b>	<b>863,523</b>
Fund balance, beginning of year	1,167,582	1,167,582	1,167,582	-0-
Fund balance, end of year	<u>\$ 1,020,896</u>	<u>\$ 111,371</u>	<u>\$ 974,894</u>	<u>\$ 863,523</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, 2014

	<u>Cemeteries Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 142,250	\$ 142,250	\$ 150,492	\$ 8,242
Interest	-	-	304	304
	<u>142,250</u>	<u>142,250</u>	<u>150,796</u>	<u>8,546</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government				
Burials	185,176	185,176	145,824	39,352
Maintenance	158,425	158,425	194,936	(36,511)
Construction	180,000	263,241	8,517	254,724
	<u>523,601</u>	<u>606,842</u>	<u>349,277</u>	<u>257,565</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES (UNDER) EXPENDITURES	(381,351)	(464,592)	(198,481)	266,111
OTHER FINANCING SOURCES				
Transfers in	425,519	508,760	188,517	(320,243)
NET CHANGE IN FUND BALANCE	44,168	44,168	(9,964)	(54,132)
Fund balance, beginning of year	<u>249,394</u>	<u>249,394</u>	<u>249,394</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 293,562</u>	<u>\$ 293,562</u>	<u>\$ 239,430</u>	<u>\$ (54,132)</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, 2014

	<u>Solid Waste Fund</u>			Variances with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
REVENUES				
Taxes	\$ 2,213,250	\$ 2,213,250	\$ 2,237,693	\$ 24,443
Interest	10,000	10,000	632	(9,368)
Other	50,408	50,408	-	(50,408)
TOTAL REVENUES	2,273,658	2,273,658	2,238,325	(35,333)
EXPENDITURES				
Current				
Public works	2,843,352	2,843,352	2,528,413	314,939
EXCESS OF REVENUES (UNDER) EXPENDITURES	(569,694)	(569,694)	(290,088)	279,606
OTHER FINANCING SOURCES				
Transfers in	50,408	50,408	-	(50,408)
NET CHANGE IN FUND BALANCE	(519,286)	(519,286)	(290,088)	229,198
Fund balance, beginning of year	1,024,933	1,024,933	1,024,933	-0-
Fund balance, end of year (budgetary basis)	<u>\$ 505,647</u>	<u>\$ 505,647</u>	734,845	<u>\$ 229,198</u>
Accounting basis difference			(159,505)	
Fund balance, end of year (GAAP basis)			<u>\$ 575,340</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, 2014

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,030,171	\$ 3,977,435	\$ 2,313,141	\$ (1,664,294)
Charges for services	37,678	213,566	60,551	(153,015)
Interest	-	-	665	665
<b>TOTAL REVENUES</b>	<b>1,067,849</b>	<b>4,191,001</b>	<b>2,374,357</b>	<b>(1,816,644)</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development				
Demolition revolving	23,476	23,476	39,410	(15,934)
Program administration services	917,849	900,937	796,437	104,500
Community Development Block Grant	150,000	1,952,456	975,380	977,076
Emergency shelter	-	231,877	132,501	99,376
Housing rehabilitation	-	3,000	4,486	(1,486)
HOME	-	1,211,181	574,046	637,135
Façade improvement	-	222,024	116,361	105,663
<b>TOTAL EXPENDITURES</b>	<b>1,091,325</b>	<b>4,544,951</b>	<b>2,638,621</b>	<b>1,906,330</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(23,476)</b>	<b>(353,950)</b>	<b>(264,264)</b>	<b>89,686</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	148,902	128,257	(20,645)
Transfers out	-	(43,452)	-	43,452
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>105,450</b>	<b>128,257</b>	<b>22,807</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(23,476)</b>	<b>(248,500)</b>	<b>(136,007)</b>	<b>112,493</b>
Fund balance, beginning of year	1,233,812	1,233,812	1,233,812	-0-
Fund balance, end of year	<u>\$ 1,210,336</u>	<u>\$ 985,312</u>	<u>\$ 1,097,805</u>	<u>\$ 112,493</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, 2014

Economic Development Programs Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 46,660	\$ 46,660	\$ 46,215	\$ (445)
EXPENDITURES				
Current				
Community and economic development	100,000	100,000	-	100,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(53,340)	(53,340)	46,215	99,555
OTHER FINANCING (USES)				
Transfers out	-	(105,450)	(128,257)	(22,807)
NET CHANGE IN FUND BALANCE	(53,340)	(158,790)	(82,042)	76,748
Fund balance, beginning of year	3,730,613	3,730,613	3,730,613	-0-
Fund balance, end of year	<u>\$ 3,677,273</u>	<u>\$ 3,571,823</u>	<u>\$ 3,648,571</u>	<u>\$ 76,748</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, 2014

Grants and Donations

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 416,000	\$ 1,136,469	\$ 890,472	\$ (245,997)
Charges for services	-	14,106	4,451	(9,655)
Interest	-	340	391	51
Net investment earnings	-	2,400	1,442	(958)
Other	-	219,938	223,932	3,994
<b>TOTAL REVENUES</b>	<b>416,000</b>	<b>1,373,253</b>	<b>1,120,688</b>	<b>(252,565)</b>
<b>EXPENDITURES</b>				
Current				
Public safety	416,000	924,571	919,595	4,976
Community and economic development	-	415,302	271,069	144,233
Parks and recreation	-	434,822	260,183	174,639
<b>TOTAL EXPENDITURES</b>	<b>416,000</b>	<b>1,774,695</b>	<b>1,450,847</b>	<b>323,848</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>-0-</b>	<b>(401,442)</b>	<b>(330,159)</b>	<b>71,283</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	90,000	365,208	275,208
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>(311,442)</b>	<b>35,049</b>	<b>346,491</b>
Fund balance, beginning of year	358,289	358,289	358,289	-0-
Fund balance, end of year	\$ 358,289	\$ 46,847	\$ 393,338	\$ 346,491

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, 2014

Drug Enforcement Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 64,175	\$ 64,175	\$ 30,899	\$ (33,276)
Charges for services	10,000	10,000	9,994	(6)
Fines and forfeits	210,000	210,000	501,284	291,284
Interest	1,000	1,000	581	(419)
Other	30,000	30,000	95,580	65,580
<b>TOTAL REVENUES</b>	<b>315,175</b>	<b>315,175</b>	<b>638,338</b>	<b>323,163</b>
<b>EXPENDITURES</b>				
Current				
Public safety	1,178,577	1,178,577	1,053,513	125,064
<b>NET CHANGE IN FUND BALANCE</b>	<b>(863,402)</b>	<b>(863,402)</b>	<b>(415,175)</b>	<b>448,227</b>
Fund balance, beginning of year	965,296	965,296	965,296	-0-
Fund balance, end of year	<u>\$ 101,894</u>	<u>\$ 101,894</u>	<u>\$ 550,121</u>	<u>\$ 448,227</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, 2014

Public Safety Contracts Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES				
Charges for services	\$ 403,690	\$ 403,690	\$ 405,414	\$ 1,724
EXPENDITURES				
Current				
Public safety	<u>403,690</u>	<u>403,690</u>	<u>414,440</u>	<u>(10,750)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(9,026)	(9,026)
Fund balance, beginning of year	<u>9,026</u>	<u>9,026</u>	<u>9,026</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 9,026</u></u>	<u><u>\$ 9,026</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ (9,026)</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, 2014

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 60,328	\$ 237	\$ 1,675	\$ 500	\$ 62,740
Due from other governmental units	1,720,000	-	-	-	1,720,000
<b>TOTAL ASSETS</b>	<b><u>\$ 1,780,328</u></b>	<b><u>\$ 237</u></b>	<b><u>\$ 1,675</u></b>	<b><u>\$ 500</u></b>	<b><u>\$ 1,782,740</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 500	\$ 500	\$ 1,000
Due to other funds	393	-	-	-	393
<b>TOTAL LIABILITIES</b>	<b>393</b>	<b>-0-</b>	<b>500</b>	<b>500</b>	<b>1,393</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	1,720,000	-	-	-	1,720,000
<b>FUND BALANCES</b>					
Restricted	59,935	237	1,175	-	61,347
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 1,780,328</u></b>	<b><u>\$ 237</u></b>	<b><u>\$ 1,675</u></b>	<b><u>\$ 500</u></b>	<b><u>\$ 1,782,740</u></b>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2014

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>REVENUES</b>					
Interest and rents	\$ 1,923,226	\$ -	\$ -	\$ -	\$ 1,923,226
Other	-	237	-	-	237
<b>TOTAL REVENUES</b>	<b>1,923,226</b>	<b>237</b>	<b>-0-</b>	<b>-0-</b>	<b>1,923,463</b>
<b>EXPENDITURES</b>					
Debt service					
Principal	2,113,821	-	1,205,000	2,287,309	5,606,130
Interest and fiscal charges	1,116,634	-	134,383	858,639	2,109,656
<b>TOTAL EXPENDITURES</b>	<b>3,230,455</b>	<b>-0-</b>	<b>1,339,383</b>	<b>3,145,948</b>	<b>7,715,786</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,307,229)</b>	<b>237</b>	<b>(1,339,383)</b>	<b>(3,145,948)</b>	<b>(5,792,323)</b>
<b>OTHER FINANCING SOURCES</b>					
Issuance of debt	-	-	-	1,355,000	1,355,000
Payments to escrow agent	-	-	-	(1,336,964)	(1,336,964)
Transfers in	1,305,313	-	1,339,383	3,127,912	5,772,608
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,916)</b>	<b>237</b>	<b>-0-</b>	<b>-0-</b>	<b>(1,679)</b>
Fund balances, beginning of year	61,851	-	1,175	-	63,026
Fund balances, end of year	\$ 59,935	\$ 237	\$ 1,175	\$ -0-	\$ 61,347

## 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.

City of Kalamazoo  
 Nonmajor Capital Projects Funds  
 COMBINING BALANCE SHEET  
 December 31, 2014

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 222,628	\$ 222,628
Cash and cash equivalents - restricted	2,044,993	814,773	2,859,766
Receivables			
Accounts	74,379	8,546	82,925
Notes	-	100,000	100,000
Due from other funds	-	199,992	199,992
Due from other governmental units	-	192,888	192,888
	<u>\$ 2,119,372</u>	<u>\$ 1,538,827</u>	<u>\$ 3,658,199</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 137,781	\$ 137,781
Due to other funds	1,603,460	314,343	1,917,803
Deposits payable	424,909	-	424,909
	<u>2,028,369</u>	<u>452,124</u>	<u>2,480,493</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	48,242	48,242
<b>FUND BALANCES</b>			
Nonspendable	-	100,000	100,000
Restricted	91,003	938,461	1,029,464
	<u>91,003</u>	<u>1,038,461</u>	<u>1,129,464</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 2,119,372</u>	<u>\$ 1,538,827</u>	<u>\$ 3,658,199</u>

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2014

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
REVENUES			
Intergovernmental	\$ -	\$ 89,500	\$ 89,500
Interest	-	1,791	1,791
Other	-	696,228	696,228
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>787,519</b>	<b>787,519</b>
EXPENDITURES			
Capital outlay	3,221	1,591,939	1,595,160
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(3,221)</b>	<b>(804,420)</b>	<b>(807,641)</b>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	1,155,000	1,155,000
Transfers in	-	2,280,000	2,280,000
Transfers out	-	(2,846,212)	(2,846,212)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>588,788</b>	<b>588,788</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,221)</b>	<b>(215,632)</b>	<b>(218,853)</b>
Fund balances, beginning of year	94,224	1,254,093	1,348,317
Fund balances, end of year	<u>\$ 91,003</u>	<u>\$ 1,038,461</u>	<u>\$ 1,129,464</u>

## 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, 2014

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 194,180	\$ -	\$ -	\$ 194,180
Investments	3,992,945	-	-	3,992,945
Investments with agents	-	1,555,324	1,351,915	2,907,239
<b>TOTAL ASSETS</b>	<b><u>\$ 4,187,125</u></b>	<b><u>\$ 1,555,324</u></b>	<b><u>\$ 1,351,915</u></b>	<b><u>\$ 7,094,364</u></b>
<b>LIABILITIES</b>				
Contract payable	\$ 2,668	\$ -	\$ -	\$ 2,668
<b>FUND BALANCES</b>				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	2,449,297	618,118	396,717	3,464,132
<b>TOTAL FUND BALANCES</b>	<b><u>4,184,457</u></b>	<b><u>1,555,324</u></b>	<b><u>1,351,915</u></b>	<b><u>7,091,696</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,187,125</u></b>	<b><u>\$ 1,555,324</u></b>	<b><u>\$ 1,351,915</u></b>	<b><u>\$ 7,094,364</u></b>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2014

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 34,433	\$ -	\$ -	\$ 34,433
Interest and dividends	104,474	-	-	104,474
Net investment earnings	16,335	93,266	80,285	189,886
Other	-	90	-	90
TOTAL REVENUES	155,242	93,356	80,285	328,883
EXPENDITURES				
Current				
General government	21,851	-	-	21,851
Parks and recreation	-	53,042	25,214	78,256
TOTAL EXPENDITURES	21,851	53,042	25,214	100,107
EXCESS OF REVENUES OVER EXPENDITURES	133,391	40,314	55,071	228,776
OTHER FINANCING (USES)				
Transfers out	(188,517)	-	-	(188,517)
NET CHANGE IN FUND BALANCES	(55,126)	40,314	55,071	40,259
Fund balances, beginning of year	4,239,583	1,515,010	1,296,844	7,051,437
Fund balances, end of year	\$ 4,184,457	\$ 1,555,324	\$ 1,351,915	\$ 7,091,696

## 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  
December 31, 2014

	Kalamazoo Municipal Golf Association	City Market	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 175,940	\$ 51,696	\$ 227,636
Accounts receivable	-	550	550
Due from management corporation	7,601	-	7,601
<b>Total current assets</b>	<b>183,541</b>	<b>52,246</b>	<b>235,787</b>
Noncurrent assets			
Net pension asset	-	2,306	2,306
Capital assets not being depreciated	159,200	3,361	162,561
Capital assets, net of accumulated depreciation	1,296,041	58,749	1,354,790
<b>Total noncurrent assets</b>	<b>1,455,241</b>	<b>64,416</b>	<b>1,519,657</b>
<b>TOTAL ASSETS</b>	<b>1,638,782</b>	<b>116,662</b>	<b>1,755,444</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts on refunding	8,871	-	8,871
<b>LIABILITIES</b>			
Current liabilities			
Accrued interest payable	9,093	-	9,093
Due to other funds	-	380	380
Unearned revenue	144,750	-	144,750
Current portion of compensated absences	-	28	28
Current portion of long-term debt	224,379	-	224,379
<b>Total current liabilities</b>	<b>378,222</b>	<b>408</b>	<b>378,630</b>
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	21	21
Noncurrent portion of long-term debt	1,099,758	-	1,099,758
<b>Total noncurrent liabilities</b>	<b>1,099,758</b>	<b>21</b>	<b>1,099,779</b>
<b>TOTAL LIABILITIES</b>	<b>1,477,980</b>	<b>429</b>	<b>1,478,409</b>
<b>NET POSITION</b>			
Net investment in capital assets	139,975	62,110	202,085
Unrestricted	29,698	54,123	83,821
<b>TOTAL NET POSITION</b>	<b>\$ 169,673</b>	<b>\$ 116,233</b>	<b>\$ 285,906</b>

City of Kalamazoo

Nonmajor Proprietary Funds

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

Year Ended December 31, 2014

	Kalamazoo Municipal Golf Association	City Market	Total
OPERATING REVENUES			
Charges for services	\$ 1,548,709	\$ 17,672	\$ 1,566,381
Other	21,980	-	21,980
<b>TOTAL OPERATING REVENUES</b>	<b>1,570,689</b>	<b>17,672</b>	<b>1,588,361</b>
OPERATING EXPENSES			
Operation and maintenance	1,385,136	14,064	1,399,200
Depreciation	192,511	3,960	196,471
<b>TOTAL OPERATING EXPENSES</b>	<b>1,577,647</b>	<b>18,024</b>	<b>1,595,671</b>
<b>OPERATING (LOSS)</b>	<b>(6,958)</b>	<b>(352)</b>	<b>(7,310)</b>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	21	21
Interest expense and fiscal charges	(43,190)	-	(43,190)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(43,190)</b>	<b>21</b>	<b>(43,169)</b>
<b>CHANGE IN NET POSITION</b>	<b>(50,148)</b>	<b>(331)</b>	<b>(50,479)</b>
Net position, beginning of year	219,821	116,564	336,385
Net position, end of year	\$ 169,673	\$ 116,233	\$ 285,906

City of Kalamazoo  
Nonmajor Proprietary Funds  
COMBINING CASH FLOWS  
Year Ended December 31, 2014

	Kalamazoo Municipal Golf Association	City Market	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 1,595,689	\$ 18,850	\$ 1,614,539
Cash paid to suppliers	(1,365,152)	(10,113)	(1,375,265)
Cash paid to employees	-	(3,709)	(3,709)
Cash paid for employee benefits	-	(1,131)	(1,131)
Cash paid for interfund services provided	-	(357)	(357)
	<u>230,537</u>	<u>3,540</u>	<u>234,077</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(232,925)	(3,361)	(236,286)
Interest paid	(36,274)	-	(36,274)
Proceeds from bond issuance	262,897	-	262,897
Payments on borrowings	(190,831)	-	(190,831)
	<u>(197,133)</u>	<u>(3,361)</u>	<u>(200,494)</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	21	21
	<u>-</u>	<u>21</u>	<u>21</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	33,404	200	33,604
Cash and cash equivalents, beginning of year	<u>142,536</u>	<u>51,496</u>	<u>194,032</u>
Cash and cash equivalents, end of year	<u>\$ 175,940</u>	<u>\$ 51,696</u>	<u>\$ 227,636</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>			
Operating loss	\$ (6,958)	\$ (352)	\$ (7,310)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities</b>			
Depreciation	192,511	3,960	196,471
<b>(Increase) decrease in:</b>			
Accounts receivable	-	1,178	1,178
Due from management corporation	20,166	-	20,166
<b>Increase (decrease) in:</b>			
Accounts payable	(182)	-	(182)
Due to other funds	-	(357)	(357)
Unearned revenue	25,000	-	25,000
Compensated absences	-	(889)	(889)
	<u>-</u>	<u>(889)</u>	<u>(889)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
	<u>\$ 230,537</u>	<u>\$ 3,540</u>	<u>\$ 234,077</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, 2014

	Employees' Retirement System	Other Post- Employment Benefits	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,645,929	\$ 191,431	\$ 12,837,360
Investments			
U.S. Treasuries	61,925,545	922,711	62,848,256
U.S. Agencies	6,064,305	90,361	6,154,666
Corporate bonds	50,850,823	757,699	51,608,522
Collateralized mortgage obligations	22,928,123	341,639	23,269,762
Equity mutual funds	437,039,298	6,512,070	443,551,368
Real estate mutual funds	33,066,941	492,711	33,559,652
Receivables			
Interest and dividends	969,252	14,447	983,699
<b>TOTAL ASSETS</b>	<b>625,490,216</b>	<b>9,323,069</b>	<b>634,813,285</b>
<b>LIABILITIES</b>			
Accounts payable	18,134	612	18,746
<b>NET POSITION</b>			
Held in trust for benefits	<u>\$ 625,472,082</u>	<u>\$ 9,322,457</u>	<u>\$ 634,794,539</u>

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2014

	Employees' Retirement System	Other Post- Employment Benefits	Total
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 27,659,266	\$ 333,010	\$ 27,992,276
Interest and dividends	15,479,292	210,670	15,689,962
Total investment income	43,138,558	543,680	43,682,238
Less investment expense	(2,073,111)	(23,349)	(2,096,460)
Net investment income	41,065,447	520,331	41,585,778
Contributions			
Employer	760,912	1,568,554	2,329,466
Plan members	1,067,029	-	1,067,029
Total contributions	1,827,941	1,568,554	3,396,495
TOTAL ADDITIONS TO NET POSITION	42,893,388	2,088,885	44,982,273
DEDUCTIONS FROM NET POSITION			
Benefits	27,775,096	-	27,775,096
Refunds of contributions	27,035	-	27,035
Administrative expenses	232,433	6,816	239,249
TOTAL DEDUCTIONS	28,034,564	6,816	28,041,380
CHANGE IN NET POSITION	14,858,824	2,082,069	16,940,893
Net position, beginning of year	610,613,258	7,240,388	617,853,646
Net position, end of year	\$ 625,472,082	\$ 9,322,457	\$ 634,794,539

## **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, 2014

Tax Collector's Fund

	<u>Balance</u> <u>January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2014</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,389,588	\$ 75,954,922	\$ 78,626,270	\$ 10,718,240
Taxes receivable	34,772,349	59,910,077	65,790,239	28,892,187
Other receivables	1,140	3,069	1,230	2,979
	<u>13,390,737</u>	<u>135,868,068</u>	<u>144,417,739</u>	<u>39,613,406</u>
<b>TOTAL ASSETS</b>	<u>\$ 48,163,077</u>	<u>\$ 135,868,068</u>	<u>\$ 144,417,739</u>	<u>\$ 39,613,406</u>
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 91	\$ 34,775,119	\$ 34,774,218	\$ 992
Due to other governmental units	48,162,986	65,004,691	73,555,263	39,612,414
	<u>48,163,077</u>	<u>99,779,810</u>	<u>108,329,481</u>	<u>39,613,406</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 48,163,077</u>	<u>\$ 99,779,810</u>	<u>\$ 108,329,481</u>	<u>\$ 39,613,406</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2014

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,674,677
Investments	354,668
Receivables	
Accounts	229,937
Notes	716,099
Due from other governmental units	<u>62,068</u>
 TOTAL ASSETS	 <u><u>\$ 3,037,449</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 54,963
Due to other governmental units	9,909
Advance from other governmental units	<u>692,438</u>
 TOTAL LIABILITIES	 757,310
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	34,082
 <b>FUND BALANCE</b>	
Nonspendable	23,661
Committed	996,609
Unassigned	<u>1,225,787</u>
 TOTAL FUND BALANCE	 <u>2,246,057</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 <u><u>\$ 3,037,449</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2014

**Total fund balance - governmental fund** **\$ 2,246,057**

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 34,082

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 (15,765)

**Net position of governmental activities** **\$ 2,264,374**

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2014

	<u>General</u>
REVENUES	
Taxes	\$ 1,032,272
Intergovernmental	62,068
Interest	2,937
Other	<u>43,037</u>
TOTAL REVENUES	1,140,314
EXPENDITURES	
Current	
Community and economic development	<u>1,261,146</u>
NET CHANGE IN FUND BALANCE	(120,832)
Fund balance, beginning of year	<u>2,366,889</u>
Fund balance, end of year	<u><u>\$ 2,246,057</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, 2014

**Net change in fund balance - governmental fund** \$ (120,832)

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 (20,148)

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 (232)

**Change in net position of governmental activities** \$ (141,212)

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2014

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 688,779
Accounts receivable	<u>95,278</u>
TOTAL ASSETS	<u>\$ 784,057</u>
LIABILITIES	
Accounts payable	\$ 131,456
Due to other governmental units	335,612
Advance from other governmental units	<u>335,912</u>
TOTAL LIABILITIES	802,980
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	9,894
FUND BALANCE (DEFICIT)	
Unassigned	<u>(28,817)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	<u>\$ 784,057</u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2014

**Total fund (deficit) - governmental fund** \$ (28,817)

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 9,894

**Net position of governmental activities** \$ (18,923)

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2014

	<u>General</u>
REVENUES	
Taxes	\$ 590,793
EXPENDITURES	
Current	
Community and economic development	<u>215,374</u>
NET CHANGE IN FUND BALANCE	375,419
Fund (deficit), beginning of year	<u>(404,236)</u>
Fund (deficit), end of year	<u><u>\$ (28,817)</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, 2014

**Net change in fund balance - governmental fund** \$ 375,419

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 996

**Change in net position of governmental activities** \$ 376,415

## 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.

<b>Contents</b>	<b>Page</b>
Financial Trends	106-115
<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	116-119
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	120-127
<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	128-129
<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	130-136
<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	137-170

## NET POSITION BY COMPONENT

2005-2014  
(unaudited)  
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 105,799,049	\$ 109,408,557	\$ 114,330,019	\$ 117,057,211
Restricted	30,173,266	28,757,898	30,795,758	26,784,242
Unrestricted	<u>13,089,868</u>	<u>18,356,265</u>	<u>15,674,572</u>	<u>6,069,437</u>
Total governmental activities net position	<u>\$ 149,062,183</u>	<u>\$ 156,522,720</u>	<u>\$ 160,800,349</u>	<u>\$ 149,910,890</u>
Business-type activities				
Net investment in capital assets	\$ 148,221,106	\$ 152,082,594	\$ 154,384,778	\$ 154,535,045
Restricted	14,823,500	11,618,293	10,915,639	-
Unrestricted	<u>12,425,961</u>	<u>13,279,738</u>	<u>9,931,524</u>	<u>21,785,289</u>
Total business-type activities net position	<u>\$ 175,470,567</u>	<u>\$ 176,980,625</u>	<u>\$ 175,231,941</u>	<u>\$ 176,320,334</u>
Primary government				
Net investment in capital assets	\$ 254,020,155	\$ 261,491,151	\$ 268,714,797	\$ 271,592,256
Restricted	44,996,766	40,376,191	41,711,397	26,784,242
Unrestricted	<u>25,515,829</u>	<u>31,636,003</u>	<u>25,606,096</u>	<u>27,854,726</u>
Total primary government net position	<u>\$ 324,532,750</u>	<u>\$ 333,503,345</u>	<u>\$ 336,032,290</u>	<u>\$ 326,231,224</u>

Table 1

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 116,294,415	\$ 123,355,990	\$ 125,529,739	\$ 122,960,589	\$ 123,492,323	\$ 122,338,669
12,721,683	12,050,021	11,045,791	13,946,502	14,512,704	15,031,494
13,197,414	(8,666,188)	(22,606,617)	(35,131,160)	(42,557,926)	(46,283,678)
<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>	<u>\$ 91,086,485</u>
\$ 143,501,852	\$ 150,485,254	\$ 152,806,937	\$ 149,416,222	\$ 145,375,261	\$ 143,182,090
2,577,935	2,577,960	2,524,960	2,831,960	2,831,960	2,454,033
26,067,765	18,046,633	7,408,224	11,411,854	15,684,847	16,092,853
<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>	<u>\$ 161,728,976</u>
\$ 259,796,267	\$ 273,841,244	\$ 278,336,676	\$ 272,376,811	\$ 268,867,584	\$ 265,520,759
15,299,618	14,627,981	13,570,751	16,778,462	17,344,664	17,485,527
39,265,179	9,380,445	(15,198,393)	(23,719,306)	(26,873,079)	(30,190,825)
<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>	<u>\$ 252,815,461</u>

## CHANGES IN NET POSITION

2005-2014  
(unaudited)  
(accrual basis of accounting)

	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General government	\$ 5,307,982	\$ 6,491,807	\$ 3,370,219	\$ 11,449,623
Public safety	30,897,982	29,898,894	31,437,072	37,207,556
Public works	12,617,824	11,891,558	19,369,127	17,285,103
Community and economic development	7,266,137	5,578,544	5,685,485	7,505,930
Recreation and culture	2,488,294	2,749,809	3,093,331	2,099,090
Interest on long-term debt	3,119,829	3,091,454	2,986,121	2,957,164
Total governmental activities expenses	<u>61,698,048</u>	<u>59,702,066</u>	<u>65,941,355</u>	<u>78,504,466</u>
Business-type activities:				
Wastewater	20,770,198	20,370,767	20,240,292	20,584,823
Water	11,392,060	11,875,242	13,819,287	14,686,137
Other	1,119,540	40,649	44,672	49,291
Total business-type activities expenses	<u>33,281,798</u>	<u>32,286,658</u>	<u>34,104,251</u>	<u>35,320,251</u>
Total primary government expenses	<u>\$ 94,979,846</u>	<u>\$ 91,988,724</u>	<u>\$ 100,045,606</u>	<u>\$ 113,824,717</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 2,507,300	\$ 2,988,396	\$ 2,797,940	\$ -
Community development and planning	2,985,821	1,166,367	1,748,885	-
Other	1,003,322	1,085,864	1,310,053	-
Operating grants and contributions	18,002,937	13,439,433	15,685,545	12,966,562
Capital grants and contributions	479,577	393,565	661,968	151,241
Total governmental activities program revenues	<u>24,978,957</u>	<u>19,073,625</u>	<u>22,204,391</u>	<u>13,117,803</u>
Business-type activities:				
Charges for services				
Wastewater	18,424,157	17,996,945	15,941,791	21,201,437
Water	8,914,883	10,933,129	11,774,026	11,604,749
Other	32,560	45,611	45,071	50,244
Operating grants and contributions	1,422,097	1,010,733	962,170	451,421
Capital grants and contributions	6,316,121	3,618,003	3,965,417	2,959,418
Total business-type activities program revenues	<u>35,109,818</u>	<u>33,604,421</u>	<u>32,688,475</u>	<u>36,267,269</u>
Total primary government program revenues	<u>\$ 60,088,775</u>	<u>\$ 52,678,046</u>	<u>\$ 54,892,866</u>	<u>\$ 49,385,072</u>
Net (Expense) Revenue				
Governmental activities	<u>\$(36,719,091)</u>	<u>\$(40,628,441)</u>	<u>\$(43,736,964)</u>	<u>\$(65,386,663)</u>
Business-type activities	<u>1,828,020</u>	<u>1,317,763</u>	<u>(1,415,776)</u>	<u>947,018</u>
Total primary government net expense	<u>\$ (34,891,071)</u>	<u>\$ (39,310,678)</u>	<u>\$ (45,152,740)</u>	<u>\$ (64,439,645)</u>

Table 2

2009	2010	2011	2012	2013	2014
\$ 8,805,148	\$ 9,371,185	\$ 8,471,082	\$ 10,168,516	\$ 8,416,014	\$ 9,930,643
43,098,269	43,495,846	45,215,879	36,120,760	36,060,961	34,662,862
13,479,086	13,814,938	20,094,540	16,862,523	18,023,279	17,534,605
6,430,431	8,746,176	15,666,823	8,667,696	5,056,773	4,718,105
2,554,547	3,223,463	3,182,766	2,781,196	2,589,433	3,054,139
2,792,089	2,672,721	2,717,822	2,378,583	2,169,930	2,189,831
<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>	<u>72,090,185</u>
22,079,492	22,825,084	23,435,464	21,769,136	22,461,092	22,214,421
13,944,668	14,946,226	15,415,808	14,525,327	14,019,746	14,617,217
48,805	44,230	135,204	67,778	1,616,741	1,638,861
<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>38,470,499</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>	<u>\$ 110,560,684</u>
\$ 5,094,411	\$ 4,731,626	\$ 11,900,982	\$ 10,614,076	\$ 10,880,322	\$ 11,316,006
642,866	246,453	1,240,353	1,069,568	1,525,283	1,471,008
616,485	733,970	1,023,442	975,170	1,029,481	1,052,534
12,915,313	15,255,631	20,982,518	15,765,684	11,661,313	12,679,339
21,686	868,221	1,163,643	655,181	5,744	6,618
<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>	<u>26,525,505</u>
18,220,534	19,085,813	18,178,855	20,484,471	21,111,243	20,758,450
11,922,529	12,759,940	12,451,401	14,583,205	13,480,979	12,948,883
52,059	58,832	67,287	91,621	1,628,563	1,566,381
-	-	238,233	266,929	212,011	155,215
2,599,746	4,001,255	3,308,895	1,733,898	1,834,883	870,240
<u>32,794,868</u>	<u>35,905,840</u>	<u>34,244,671</u>	<u>37,160,124</u>	<u>38,267,679</u>	<u>36,299,169</u>
<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>	<u>\$ 70,555,609</u>	<u>\$ 66,239,803</u>	<u>\$ 63,369,822</u>	<u>\$ 62,824,674</u>
\$ (57,868,809)	\$ (59,488,428)	\$ (59,037,974)	\$ (47,899,595)	\$ (47,214,247)	\$ (45,564,680)
(3,278,097)	(1,909,700)	(4,741,805)	797,883	170,100	(2,171,330)
<u>\$ (61,146,906)</u>	<u>\$ (61,398,128)</u>	<u>\$ (63,779,779)</u>	<u>\$ (47,101,712)</u>	<u>\$ (47,044,147)</u>	<u>\$ (47,736,010)</u>

## CHANGES IN NET POSITION - CONCLUDED

2005-2014  
(unaudited)  
(accrual basis of accounting)

	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
General revenues				
Property taxes	\$ 33,066,650	\$ 35,148,859	\$ 35,263,246	\$ 36,221,234
Grants and contributions not restricted to specific programs	10,461,886	10,967,559	10,243,913	10,548,626
Unrestricted investment earnings	1,119,704	1,757,763	2,038,489	1,382,472
Gain on sale of assets	-	-	-	-
Contributions to permanent funds	54,139	44,577	36,458	34,800
Other	-	-	-	-
Transfers - internal activities	-	-	432,487	(97,939)
Total governmental activities	<u>44,702,379</u>	<u>47,918,758</u>	<u>48,014,593</u>	<u>48,089,193</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	(8,646)	8,645	7,390	1,326
Unrestricted investment earnings	16,454	36,799	41,592	3,590
Gain on sale of assets	4,714	146,851	50,597	38,520
Other	-	-	-	-
Transfers - internal activities	-	-	(432,487)	97,939
Special item - loss on sale of capital assets/inventory	-	-	-	-
Total business-type activities	<u>12,522</u>	<u>192,295</u>	<u>(332,908)</u>	<u>141,375</u>
Total primary government	<u>\$ 44,714,901</u>	<u>\$ 48,111,053</u>	<u>\$ 47,681,685</u>	<u>\$ 48,230,568</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 7,983,288	\$ 7,290,317	\$ 4,277,629	\$ (17,297,470)
Business-type activities	<u>1,840,542</u>	<u>1,510,058</u>	<u>(1,748,684)</u>	<u>1,088,393</u>
Total primary government	<u>\$ 9,823,830</u>	<u>\$ 8,800,375</u>	<u>\$ 2,528,945</u>	<u>\$ (16,209,077)</u>

Table 2

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 36,421,813	\$ 34,292,608	\$ 33,313,845	\$ 30,457,012	\$ 31,011,014	\$ 31,834,240
8,968,211	8,669,650	8,063,444	7,939,441	8,851,208	8,441,077
1,999,482	1,411,281	206,017	1,285,649	1,438,503	672,910
-	-	6,270	-	7,800	74,590
-	-	-	-	-	-
60,947	304,588	900,135	824,508	219,059	167,497
<u>(455,622)</u>	<u>(663,388)</u>	<u>3,777,353</u>	<u>-</u>	<u>(50,000)</u>	<u>-</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>	<u>41,190,314</u>
-	-	-	-	-	-
165,786	28,161	32,163	41,803	48,810	56,253
41,767	7,418	6,346	4,450	168,408	(98,631)
572,923	173,028	110,923	75,779	170,578	50,616
455,622	663,388	(3,777,353)	-	50,000	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,236,098</u>	<u>871,995</u>	<u>(3,627,921)</u>	<u>122,032</u>	<u>437,796</u>	<u>8,238</u>
<u>\$ 48,230,929</u>	<u>\$ 44,886,734</u>	<u>\$ 42,639,143</u>	<u>\$ 40,628,642</u>	<u>\$ 41,915,380</u>	<u>\$ 41,198,552</u>
\$ (10,873,978)	\$ (15,473,689)	\$ (12,770,910)	\$ (7,392,985)	\$ (5,736,663)	\$ (4,360,616)
<u>(2,041,999)</u>	<u>(1,037,705)</u>	<u>(8,369,726)</u>	<u>919,915</u>	<u>607,896</u>	<u>(2,163,092)</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>	<u>\$ (6,523,708)</u>

## FUND BALANCES

## GOVERNMENTAL FUNDS

2005-2014  
(unaudited)  
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009
General fund					
Reserved	\$ 584,441	\$ 600,835	\$ 673,046	\$ 756,760	\$ 504,595
Unreserved	2,772,957	5,554,688	4,617,629	3,461,861	4,740,113
Nonspendable	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 3,357,398</u>	<u>\$ 6,155,523</u>	<u>\$ 5,290,675</u>	<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>
All other governmental funds					
Reserved	\$ 11,659,071	\$ 9,177,854	\$ 12,935,798	\$ 9,410,736	\$ 10,641,923
Unreserved, reported in:					
Special revenue funds	3,714,325	4,006,455	4,141,477	4,241,786	4,874,600
Debt service funds	407,306	248,595	210,130	124,551	127,942
Capital project funds	5,152,200	7,897,735	3,751,120	3,934,958	3,847,713
Permanent funds	2,249,232	2,610,660	2,658,294	1,195,345	1,956,373
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Total all other governmental funds	<u>\$ 23,182,134</u>	<u>\$ 23,941,299</u>	<u>\$ 23,696,819</u>	<u>\$ 18,907,376</u>	<u>\$ 21,448,551</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 504,164	\$ -	\$ -	\$ -	\$ -
3,881,019	-	-	-	-
-	730,673	626,548	637,833	1,339,401
-	3,504,897	3,503,397	922,527	403,248
-	5,325,787	3,557,092	3,921,706	5,975,442
<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>	<u>\$ 7,687,037</u>	<u>\$ 5,482,066</u>	<u>\$ 7,718,091</u>
\$ 12,011,218	\$ -	\$ -	\$ -	\$ -
5,028,383	-	-	-	-
91,569	-	-	-	-
1,994,543	-	-	-	-
-	-	-	-	-
-	13,522,951	8,698,303	7,774,612	7,286,926
-	7,509,890	8,419,230	9,264,935	10,133,623
-	1,660,542	2,756,697	2,864,507	1,660,293
<u>\$ 19,125,713</u>	<u>\$ 22,693,383</u>	<u>\$ 19,874,230</u>	<u>\$ 19,904,054</u>	<u>\$ 19,080,842</u>

## CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

2005-2014  
(unaudited)

(modified accrual basis of accounting)

	2005	2006	2007	2008
<b>Revenues</b>				
Property taxes and special assessments	\$ 32,472,148	\$ 34,508,937	\$ 35,199,103	\$ 35,569,119
Licenses and permits	2,187,748	1,937,580	2,077,407	1,951,085
Intergovernmental revenue	22,062,498	20,120,520	21,082,782	20,762,621
Charges for services	1,362,100	1,599,259	1,417,088	1,582,665
Fines and forfeits	412,643	241,075	288,650	279,435
Interest and rents	3,953,244	4,936,149	5,310,737	4,507,507
Net investment earnings	293,975	660,122	(22,516)	(1,858,775)
Other revenue	7,076,876	7,580,521	7,650,248	6,696,145
<b>Total revenues</b>	<b>69,821,232</b>	<b>71,584,163</b>	<b>73,003,499</b>	<b>69,489,802</b>
<b>Expenditures</b>				
Current Expenditures:				
General government	9,159,839	9,543,763	9,992,094	10,767,415
Public safety	30,677,808	30,547,482	33,513,942	33,718,520
Public works	7,048,497	12,964,423	13,413,733	12,038,364
Community and economic development	7,402,139	5,692,502	5,743,272	6,921,457
Recreation and culture	2,540,006	2,587,159	2,971,644	2,820,672
Other	92,747	169,271	50,000	-
Debt service:				
Principal	13,754,076	5,067,709	5,206,300	4,997,000
Interest and fiscal charges	3,315,456	2,912,669	2,930,686	2,932,497
Capital outlay	18,582,210	5,125,701	5,692,545	5,264,042
<b>Total expenditures</b>	<b>92,572,778</b>	<b>74,610,679</b>	<b>79,514,216</b>	<b>79,459,967</b>
Excess (deficiency) of revenues over expenditures	(22,751,546)	(3,026,516)	(6,510,717)	(9,970,165)
Other financing sources (uses)				
Transfers in	10,466,647	10,001,607	11,474,277	8,280,263
Transfers out	(9,634,221)	(10,758,458)	(11,041,790)	(8,378,202)
Proceeds from the sale of capital assets	1,896,539	36,705	274,136	32,020
Issuance of long-term debt	18,145,000	7,110,000	4,715,000	4,165,000
Payments to advance refunding escrow agent	-	-	-	-
Bond premium (discount)	173,669	23,732	(20,235)	9,587
<b>Total other financing sources (uses)</b>	<b>21,047,634</b>	<b>6,413,586</b>	<b>5,401,388</b>	<b>4,108,668</b>
<b>Net change in fund balances</b>	<b>\$ (1,703,912)</b>	<b>\$ 3,387,070</b>	<b>\$ (1,109,329)</b>	<b>\$ (5,861,497)</b>
Debt service as a percentage of noncapital expenditures	22.7%	12.5%	11.8%	11.3%

Table 4

2009	2010	2011	2012	2013	2014
\$ 37,997,860	\$ 35,071,496	\$ 35,163,954	\$ 32,665,097	\$ 31,172,950	\$ 31,922,256
1,770,824	1,867,123	1,897,096	1,641,248	2,060,482	2,183,405
19,150,714	22,470,227	28,241,290	22,421,096	18,992,137	19,362,091
5,289,988	5,622,676	10,318,577	9,022,197	9,173,002	9,571,894
326,755	296,200	642,680	280,426	262,385	529,900
3,989,784	3,429,583	3,304,621	3,219,392	2,936,162	2,568,116
1,207,786	780,472	(370,143)	688,741	1,053,215	191,328
1,699,387	1,668,632	1,474,703	1,902,634	1,129,797	1,434,156
<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>	<u>67,763,146</u>
7,300,485	7,169,369	7,618,751	7,255,900	6,615,189	6,643,957
34,409,853	34,804,767	35,476,959	32,805,831	32,188,577	32,709,081
11,703,326	11,981,237	16,122,984	14,588,245	14,955,973	14,961,783
5,803,640	7,763,530	14,182,010	8,562,088	4,682,899	4,653,737
2,598,348	2,806,451	2,806,756	2,359,248	2,129,592	2,222,040
1,184,639	2,761,908	2,560,728	3,161,774	2,793,985	2,254,801
5,245,000	5,125,000	5,510,000	5,650,000	5,928,958	5,606,130
2,796,889	2,721,982	2,757,767	2,378,365	2,332,509	2,211,867
1,869,810	2,861,401	3,408,241	1,338,386	2,123,126	1,595,160
<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>	<u>72,858,556</u>
(1,478,892)	(6,789,236)	(9,771,418)	(6,259,006)	(6,970,678)	(5,095,410)
8,772,072	10,646,777	16,291,542	11,821,576	11,376,270	11,702,851
(8,272,072)	(9,962,957)	(9,009,217)	(9,887,596)	(10,485,854)	(9,389,594)
-	-	-	-	-	-
4,585,000	2,855,000	12,910,000	4,400,000	4,000,000	5,510,000
-	-	(8,051,763)	-	-	(1,336,964)
<u>(38,846)</u>	<u>68,053</u>	<u>145,167</u>	<u>31,550</u>	<u>80,115</u>	<u>21,930</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>6,508,223</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>	<u>\$ 1,412,813</u>
11.7%	11.6%	10.0%	10.9%	12.1%	11.4%

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				
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%
2014	1,269,889,280	202,698,640	53,340,534	1,525,928,454	21.4205	3,227,882,104	47.3%

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, 2014. 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 2014 roll by \$980,373.

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
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
2014	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, 2014 ranged from \$23.0000 to 25.7500 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	2014			Rank	(B) Percent of Total	2004 (C)		
		Taxable Value of Property					Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Zoetis	Pharmaceuticals	\$ 70,819,585	\$ 4,301,600	\$ 75,121,185	1	4.99%	\$ 149,665,850	1	10.01%
Graphic Packaging	Paper Products	31,305,832	15,155,200	46,461,032	2	3.09%	34,963,400	3	2.34%
Consumer's Energy	Utility	39,582,111	-	39,582,111	3	2.63%	39,926,600	2	2.67%
Catalyst Development	Real Estate	23,340,206	-	23,340,206	4	1.55%	-		0.00%
Fabri-Kal Corporation	Plastics production, design	3,183,671	13,920,300	17,103,971	5	1.14%	-		0.00%
Bronson Hospital	Healthcare services, property holdings	10,664,861	-	10,664,861	6	0.71%	9,770,300	6	0.65%
Lifecare (Friendship Village)	Retirement Community	10,389,470	-	10,389,470	7	0.69%	9,032,950	8	0.60%
James S. Smith Trust	Rental Properties	10,182,284	-	10,182,284	8	0.68%	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	0.56%	-		0.00%
Former Top 10 Taxpayers	various						38,714,475	4,7,9,10	2.59%
		<u>\$215,359,120</u>	<u>\$ 35,258,900</u>	<u>\$ 250,618,020</u>		<u>16.66%</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 \$1,505,800,889 for the year ending December 31, 2014 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 2004 Assessment Roll and the 2004 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,530,391,155.

## 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		
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%	4,205,989	30,780,211	99.74%
2007	32,254,963	27,691,394	85.85%	4,485,387	32,176,781	99.76%
2008	32,525,352	28,058,610	86.27%	4,391,795	32,450,405	99.77%
2009	33,379,476	30,786,313	92.23%	2,524,205	33,310,518	99.79%
2010	31,984,275	29,781,694	93.11%	2,147,388	31,929,082	99.83%
2011	31,198,694	29,212,109	93.63%	1,933,122	31,145,231	99.83%
2012	29,256,743	27,505,148	94.01%	1,687,249	29,192,397	99.78%
2013	28,847,614	27,356,314	94.83%	1,414,475	28,770,789	99.73%
2014	28,827,524	27,525,133	95.48%	-	27,525,133	95.48%

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 2005 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 2014 are current through 12-31-14.

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			
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
2014	48,167,205	3,035,000	-	-	972,795	28,105,000	-	80,280,000	5.75%	1,063

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)
2005	\$ 46,940,000	\$ 245,300	\$ 46,694,700	1.45%	\$ 605.28
2006	50,920,000	89,319	50,830,681	1.49%	658.90
2007	48,070,000	46,450	48,023,550	1.35%	661.14
2008	48,765,000	48,270	48,716,730	1.33%	670.69
2009	49,590,000	127,942	49,462,058	1.29%	679.19
2010	48,775,000	49,257	48,725,743	1.23%	656.13
2011	49,640,000	61,469	49,578,531	1.23%	667.62
2012	49,750,000	237,326	49,512,674	1.30%	662.44
2013	49,320,000	61,851	49,258,149	1.35%	655.97
2014	48,167,205	62,266	48,104,939	1.36%	636.75

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 fund balance 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, 2014  
(unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 5,192,000	13.16%	\$ 683,267
Kalamazoo School District	179,570,000	58.52%	105,084,364
Parchment School District	33,964,525	1.01%	343,042
Portage School District	107,750,000	1.49%	1,605,475
Kalamazoo County	33,954,701	18.65%	6,332,552
Kalamazoo Intermediate School District	16,400,000	20.34%	3,335,760
Kalamazoo Library District	-	55.29%	-
<b>Total overlapping debt</b>	<b><u>\$ 376,831,226</u></b>		<b><u>\$ 117,384,460</u></b>

**Direct:**

	<u>Gross Debt</u>
General obligation bonds:	
Building Authority	\$ 20,455,764
Downtown Development	1,720,000
Capital improvement	25,991,441
Revenue bonds	
Michigan Transportation Fund	<u>3,035,000</u>
<b>Total direct debt</b>	<b><u>\$ 51,202,205</u></b>
<b>Total net direct and overlapping debt of governmental activities</b>	<b><u>\$ 168,586,665</u></b>

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, 2014  
(unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,549,376,700
Tax abated property	28,283,050
Revenue Sharing	<u>395,670,222</u>
<b>Total State Equalized Value (SEV)</b>	<b><u>\$ 1,973,329,972</u></b>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
<b>Legal Limitation</b>	<b><u>\$ 197,332,997</u></b>
Debt Obligations of the Primary Government (B)	\$ 80,280,000
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (28,105,000)
Michigan Transportation Fund Bonds	<u>(3,035,000)</u>
	(31,140,000)
<b>Total Debt of the City Subject to Limitation</b>	<b><u>\$ 49,140,000</u></b>
<b>LEGAL DEBT MARGIN</b>	<b><u>\$ 148,192,997</u></b>

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, 2013 for the basis of the year ending December 31, 2014 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
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%
2014	197,332,997	49,140,000	148,192,997	24.9%

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

## PLEDGED-REVENUE COVERAGE

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

<b>Michigan Transportation Revenue Bonds (A)</b>					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
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
2014	5,314,650	1,205,000	132,808	1,337,808	3.97

<b>Special Assessment Bonds (B)</b>					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2014	237	-	-	-	-

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues (C)										
Operating Revenues	\$ 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	\$ 20,758,450
Interest Revenue	327,282	639,428	594,163	288,958	155,562	(4,039)	20,167	30,564	36,474	41,072
Intergovernmental	-	-	-	-	-	-	50,628	50,044	46,020	55,906
<b>Total Revenues</b>	<b>19,604,929</b>	<b>18,644,955</b>	<b>16,468,896</b>	<b>17,491,460</b>	<b>20,368,388</b>	<b>20,667,651</b>	<b>18,277,881</b>	<b>20,568,984</b>	<b>21,195,595</b>	<b>20,855,428</b>
Direct Operating Expenses (D)										
Operation and Maintenance	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	17,305,246
Less:										
Payment in Lieu of Taxes	(571,607)	(586,070)	(611,381)	(627,809)	(659,336)	(649,932)	(656,772)	(680,148)	(691,464)	(703,596)
Post Employment Benefits	-	-	-	-	(1,390,123)	(1,720,948)	(1,853,618)	(768,134)	(642,212)	(404,370)
<b>Total Direct Operating Expenses</b>	<b>15,825,509</b>	<b>15,751,409</b>	<b>15,285,509</b>	<b>14,960,778</b>	<b>15,883,114</b>	<b>16,481,249</b>	<b>16,437,346</b>	<b>15,751,206</b>	<b>15,927,042</b>	<b>16,197,280</b>
<b>Net Available Revenue</b>	<b>3,779,420</b>	<b>2,893,546</b>	<b>1,183,387</b>	<b>2,530,682</b>	<b>4,485,274</b>	<b>4,186,402</b>	<b>1,840,535</b>	<b>4,817,778</b>	<b>5,268,553</b>	<b>4,658,148</b>
Debt Service										
Principal	185,000	195,000	200,000	210,000	220,000	330,000	310,000	295,000	495,000	595,000
Interest	191,783	185,123	177,810	170,010	161,610	254,199	302,267	211,699	494,608	355,092
<b>Total Debt Service</b>	<b>376,783</b>	<b>380,123</b>	<b>377,810</b>	<b>380,010</b>	<b>381,610</b>	<b>584,199</b>	<b>612,267</b>	<b>506,699</b>	<b>989,608</b>	<b>950,092</b>
<b>Coverage</b>	<b>10.03</b>	<b>7.61</b>	<b>3.13</b>	<b>6.66</b>	<b>11.75</b>	<b>7.17</b>	<b>3.01</b>	<b>9.51</b>	<b>5.32</b>	<b>4.90</b>

	Water System Revenue Bonds									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues (C)										
Operating Revenues	\$ 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	\$ 12,976,357
Interest Revenue	186,276	303,686	348,374	91,418	6,710	28,312	11,916	11,179	12,316	15,160
Intergovernmental	-	-	-	-	-	-	187,605	216,885	165,991	99,309
<b>Total Revenues</b>	<b>11,248,538</b>	<b>11,304,497</b>	<b>12,142,156</b>	<b>11,767,297</b>	<b>12,025,409</b>	<b>12,900,339</b>	<b>12,725,708</b>	<b>14,837,406</b>	<b>13,738,466</b>	<b>13,090,826</b>
Direct Operating Expenses (D)										
Operation and Maintenance	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	10,565,861
Less:										
Payment in Lieu of Taxes	(464,052)	(487,000)	(506,500)	(520,110)	(546,229)	(538,440)	(544,104)	(563,472)	(572,844)	(582,900)
Post Employment Benefits	-	-	-	-	(1,224,116)	(1,515,414)	(1,632,255)	(676,485)	(565,523)	(427,422)
<b>Total Direct Operating Expenses</b>	<b>7,376,725</b>	<b>7,909,955</b>	<b>9,423,765</b>	<b>10,026,367</b>	<b>8,730,146</b>	<b>8,835,002</b>	<b>8,701,480</b>	<b>8,562,824</b>	<b>8,577,271</b>	<b>9,555,539</b>
<b>Net Available Revenue</b>	<b>3,871,813</b>	<b>3,394,542</b>	<b>2,718,391</b>	<b>1,740,930</b>	<b>3,295,263</b>	<b>4,065,337</b>	<b>4,024,228</b>	<b>6,274,582</b>	<b>5,161,195</b>	<b>3,535,287</b>
Debt Service										
Principal	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	1,675,000
Interest	890,428	845,568	821,500	918,596	859,744	1,150,010	1,247,232	1,255,318	968,005	798,448
<b>Total Debt Service</b>	<b>1,900,428</b>	<b>1,895,568</b>	<b>2,041,500</b>	<b>2,168,596</b>	<b>2,174,744</b>	<b>2,510,010</b>	<b>2,672,232</b>	<b>2,606,669</b>	<b>2,568,005</b>	<b>2,473,448</b>
<b>Coverage</b>	<b>2.04</b>	<b>1.79</b>	<b>1.33</b>	<b>0.80</b>	<b>1.52</b>	<b>1.62</b>	<b>1.51</b>	<b>2.41</b>	<b>2.01</b>	<b>1.43</b>

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.

DOWNTOWN DEVELOPMENT AUTHORITY

PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE

December 31, 2014  
(unaudited)

Year	Tax Increment Revenues Available for Operations and the Bonds	2011 Downtown Development Refunding Bonds			Total Authority Debt Service	Debt Service Coverage
		PRINCIPAL (4/1)	RATE	INTEREST (4/1 & 10/1)		
2014	\$ 1,251,946	\$ 385,000	2.50%	\$ 67,513	\$ 452,513	2.77
2015	1,344,871	400,000	3.00%	56,700	456,700	2.94
2016	1,398,580	420,000	3.50%	43,350	463,350	3.02
2017	1,548,861	450,000	4.00%	27,000	477,000	3.25
2018	1,621,699	450,000	4.00%	9,000	459,000	3.53
		<u>\$ 2,105,000</u>		<u>\$ 203,563</u>	<u>\$ 2,308,563</u>	

Source: City of Kalamazoo

## 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
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%
2014	75,548	18,468	1,395,220,464	26.2	12,216	7.4%

## 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	2014			2004		
		Approx. Number of Employees (A)	Rank	Percentage of Employment (B)	Approx. Number of Employees (A)	Rank	Percentage of Employment (B)
Bronson Healthcare Group	Health Care	4,779	1	3.7%	3,700	2	2.9%
Borgess Medical Center	Health Care	4,201	2	3.3%	2,721	6	2.1%
Western Michigan University	Education	4,045	3	3.2%	3,500	3	2.7%
Pfizer Corporation	Pharmaceuticals	3,200	4	2.5%	6,100	1	4.8%
Kalamazoo Public Schools	Education	2,220	5	1.7%	2,100	7	1.6%
Stryker Corporation	Medical Equipment	2,089	6	1.6%	900	12	0.7%
PNC Bank	Banking Services	1,700	7	1.3%	-	-	0.0%
MPI Research	Toxicology Contract & Research	1,600	8	1.3%	-	-	0.0%
Meijer, Inc.	Retail Goods & Household Products	1,500	9	1.2%	3000	4	2.4%
Summit Polymers	Auto Supplier - Interior Trim	1,200	10	0.9%	1,000	10	0.8%
<b>Total</b>		<b>26,534</b>		<b>20.7%</b>	<b>23,021</b>		<b>18.0%</b>

Sources:

Kalamazoo Regional Chamber of Commerce

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

(A) The approximate

(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 127,445 in 2014 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)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	75	74	74	74	75	65	75	65	60	60
Public safety	301	296	301	301	301	287	287	290	262	257
Economic development	7	7	6	6	6	6	6	5	4	4
Community development and planning	42	41	40	40	40	39	40	37	36	30
Parks and recreation	20	20	19	19	19	18	18	22	14	14
Public works	44	44	50	49	44	43	42	47	39	37
Streets	28	28	33	33	33	30	35	28	27	23
Wastewater	112	111	103	90	94	87	87	84	64	67
Water	88	88	85	85	79	76	61	63	50	51
<b>Total</b>	<b>717</b>	<b>709</b>	<b>711</b>	<b>697</b>	<b>691</b>	<b>651</b>	<b>651</b>	<b>641</b>	<b>556</b>	<b>543</b>

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 Ten 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	2012	2013 (B)	2014 (A)
22,848	23,430	23,987	23,350	23,380	23,256	23,788
\$17.29	\$21.90	\$18.29	\$22.09	\$21.49	\$18.38	\$18.38
\$11.00	(\$9.70)	(\$85.14)	(\$0.36)	\$0.60	\$3.11	\$0.00
3,180	3,632	3,322	3,064	2,935	2,985	3,243
\$37.18	\$49.89	\$43.71	\$42.08	\$42.79	\$23.93	\$23.79
150	292	184	N/A	N/A	N/A	N/A
			(\$2.86)	(\$0.71)	\$18.86	\$0.14
84%	92%	93%	94%	94%	95%	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	T-Bill + 20 basis pts
140 / 1	140 / 2	140 / 0	N/A	N/A	N/A	N/A
2,700	2,700	2,700	N/A	N/A	N/A	N/A
989	989	909	975	871	640	1,000
704	783	729	790	871	660	800
96,603	97,100	94,100	73,433	101,000	101,000	102,000
8,975	8,672	8,900	7,800	8,836	8,500	8,500
30,567	28,058	25,000	12,348	17,537	15,000	15,000
3,001 / 373	3,069 / 393	3,069 / 400	2,917	2,700	3,000	3,000
34.4	34.4	0	2.19	0.98	2.62	2.23
\$17,000,000 / 82	\$17,000,000 / 82	\$6,100,000 / 120	\$16,800,000 / 114	\$12,500,000/28	\$12,900,000/47	\$10,100,000/128
\$4,200,000	\$4,200,000	\$2,400,000	\$2,199,000	\$822,000	\$727,000	\$4,400,000
14,357	13,654	14,089	12,802	7,364	12,000	10,310
N/A	N/A	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	N/A
2,452	2,063	2,702	N/A	510	428	N/A
196	194	211	225	225	160	170
12	12	7	9	9	N/A	N/A
7,311	9,083	7,212	6,788	3,851	N/A	N/A
56	57	54	48	48	50	N/A
9,520	10,818	12,566	2,440	6,245	4,883	N/A
-	-	-	-	-	-	-

## OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Ten 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) 2014 data is projected in conjunction with the City of Kalamazoo 2015 proposed budget procedures.  
Actual data is not currently available.

(B) 2013 data has been updated from estimated to actual numbers.

Table 17

2008	2009	2010	2011 (B)	2012 (A)	2013 (B)	2014 (A)
85	87	92	N/A	N/A	N/A	N/A
70,000	90,000	90,000	90,500	90,500	90,000	90,000
2,350	2,400	2,400	2,510	2,510	2,550	2,550
21,000	21,500	21,500	21,575	21,575	21,700	22,000
9,975	9,845	9,958	9,989	9,989	10,000	10,000
181	185	180	N/A	N/A	N/A	N/A
\$295	\$300	\$315	N/A	N/A	N/A	N/A
484	475	450	N/A	N/A	N/A	N/A
\$245	\$255	\$265	N/A	N/A	N/A	N/A
22.4	22.6	22.6	22.4	22.4	22.9	20.19
\$0.440	\$0.460	\$0.460	\$0.550	\$0.520	\$0.510	\$0.800
251,449	252,780	252,780	N/A	N/A	N/A	N/A
36.2	36.2	34.9	35.6	35.5	35.2	35.95
\$0.440	\$0.440	\$0.550	\$0.650	\$0.620	\$0.610	\$0.660
14	14	28	N/A	N/A	N/A	N/A

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years  
(unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
Administration buildings	-	1	1	1	1	1	1	1	1	1
Vehicles	-	6	8	8	8	7	7	7	4	4
Parking lots	-	7	7	7	7	7	7	7	7	7
Parking ramps	-	3	3	3	3	3	3	3	3	3
Public safety:										
Public safety headquarters building	-	1	1	1	1	1	1	1	1	1
Public safety stations	7	7	7	7	7	7	7	6	6	6
Training facility	-	1	1	1	1	1	1	1	1	1
Vehicles	-	194	193	198	196	191	192	204	165	162
Community development and planning:										
Vehicles	-	25	26	27	27	27	27	24	15	13
Parks and recreation:										
Administration building	-	1	1	1	1	1	1	1	1	1
Youth development center	-	1	1	1	1	1	1	1	1	1
Acreage of parks:										
Mini-parks	-	8.9	8.9	8.9	8.9	8.9	8.9	4.8	5.7	5.7
Neighborhood parks and playgrounds	-	111.5	111.5	111.5	111.5	111.5	111.5	87.1	86.5	86.5
Major community parks	-	728.5	728.5	728.5	728.5	728.5	728.5	n/a	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	n/a
Community parks	n/a	161.7	188.2	158.2						
Large urban parks	n/a	181.0	181.0	181.0						
Small urban parks	n/a	6.2	6.2	6.1						
Sports complex	n/a	93.1	93.1	93.1						
Natural resources areas	n/a	89.2	89.2	92.6						
Green spaces	n/a	6.0	6.0	25.9						
Islands and right of ways	n/a	16.2	16.2	182.2						
Number of parks (C):										
Mini-parks	-	9	9	9	9	9	9	7	8	8
Neighborhood parks and playgrounds	-	14	14	14	14	14	14	15	14	14
Major community parks	-	8	8	8	8	8	8	n/a	n/a	n/a
Open green space and preserves	-	17	17	17	17	17	17	n/a	n/a	n/a
Community parks	n/a	6.0	6	6						
Large urban parks	n/a	1.0	1	1						
Small urban parks	n/a	4.0	4	4						
Sports complex	n/a	1.0	1	1						
Natural resources areas	n/a	1.0	1	2						
Green spaces	n/a	6.0	6	10						
Islands and right of ways	n/a	28.0	28	40						
Festival site	-	1	1	1	1	1	1	1	1	1
Farmers market	-	1	1	1	1	1	1	1	1	1
Cemeteries	-	2	2	2	2	2	2	2	2	2
Swimming pool	-	1	1	1	1	1	1	1	1	1
Beach	-	1	1	1	1	1	1	1	1	1
Golf courses	-	3	3	3	3	3	3	3	3	3
Vehicles	-	2	2	2	3	3	3	3	2	3
Public works:										
Gravel pit	-	1	1	1	1	1	1	1	1	1
Salt storage building	-	1	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	166.38
Major streets (miles)	82.39	82.39	82.39	82.39	82.39	82.39	82.39	83.62	83.62	93.62
Traffic signals	-	135	135	135	135	135	136	85	85	86

## CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Ten Years  
(unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Wastewater:										
Sanitary sewers (miles)	291	293	293	293	293	293	293	294	294	294
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	187.5	187.5	188.0	188.1	188.7
Number of lift stations maintained	52	52	54	54	54	54	59	60	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	53.5
Water:										
Water facility	1	1	1	1	1	1	1	1	1	1
Storage stations	8	8	8	8	8	8	8	8	8	8
Pumping stations	18	18	18	18	18	18	18	16	16	16
Booster/bleeder stations	13	13	13	13	13	13	15	17	17	17
Water mains (miles)	665	665	665	665	665	807	812	753	755	756
Wells in Service	103	103	99	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	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	15.10
Internal service:										
Public works equipment (A)										
Utility and other vehicles	-	95	93	90	91	95	76	112	107	99
Public utilities equipment (B)										
Utility and other vehicles	-	120	136	136	136	130	115	89	81	79

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.

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

For the Year Ended December 31, 2014  
(unaudited)

REVENUES	
Building Permits	\$ 250,547
Electrical Permits	112,674
Mechanical Permits	132,113
Plumbing Permits	53,011
Other Permits & License Fees	<u>53,094</u>
TOTAL REVENUES	601,439
EXPENDITURES	
Wages, Salaries and Benefits	379,016
Supplies	1,323
Services	123,090
Administrative Overhead*	<u>82,260</u>
TOTAL EXPENDITURES	<u>585,689</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ 15,750</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 (B)	Employer Contributions as a % of Covered Payroll	Investment Income (Loss)	Total
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
2014	1,067,029	760,912	2.05%	41,283,239	43,111,180

**Expenses by Type**

Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
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
2014	27,775,093	450,226	27,035	28,252,354

(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, 2013, and 2014. Contributions were made as payback for the early retirement incentive program.

TAXABLE VALUE

Last Nine Years  
(unaudited)

<b>TOTAL TAXABLE VALUE</b>						
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%
2013	2014	2014	1,476,212,436	27,865,273	1,504,077,709	-1.46%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2014 (3) ..... \$ 20,554.46

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, 2014, the Taxable Value of the property located in the Zone totaled \$6,162,401.

(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 Nine Years  
(unaudited)

		Years Ended December 31								
		2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Use</b>										
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	486,985,744
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	258,266,381
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	758,825,584
	\$	<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>	<u>1,504,077,709</u>
<b>Class</b>										
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	1,278,969,209
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	225,108,500
	\$	<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>	<u>1,504,077,709</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

		Years Ended December 31								
		2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Use</b>										
Commercial		34.67%	34.80%	33.98%	34.62%	33.77%	33.29%	33.26%	32.99%	32.38%
Industrial		17.34%	16.55%	16.68%	16.46%	16.06%	16.40%	16.83%	16.61%	17.17%
Residential		47.99%	48.65%	49.34%	48.92%	50.18%	50.31%	49.92%	50.40%	50.45%
		<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>	<u>100.0%</u>
<b>Class</b>										
Real		85.86%	86.44%	87.09%	86.28%	85.65%	85.21%	84.49%	84.50%	85.03%
Personal		14.14%	13.56%	12.91%	13.72%	14.35%	14.79%	15.51%	15.50%	14.97%
		<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>	<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%
2013	2014	2014	1,549,376,700	28,283,050	1,577,659,750	1.83%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2014 (3) .....						\$ 21,244.51

(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, 2014, the State Equalized Value of the property located in the Zone totaled \$7,962,600.

(2) Abated SEV Value is the equivalent state equalized 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 Nine Years  
(unaudited)

**Total SEV by Use and Class**

		Years Ended December 31								
		2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Use</b>										
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	517,882,600
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	260,347,050
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	799,430,100
	\$	<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>	<u>1,577,659,750</u>
<b>Class</b>										
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	1,353,057,350
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	224,602,400
	\$	<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>	<u>1,577,659,750</u>

**Percent of Total SEV by Use and Class**

		Years Ended December 31								
		2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Use</b>										
Commercial		33.82%	33.52%	32.95%	34.48%	33.37%	33.28%	33.33%	32.86%	32.83%
Industrial		14.94%	14.71%	14.94%	15.43%	15.30%	15.73%	16.45%	16.25%	16.50%
Residential		51.25%	51.77%	52.11%	50.09%	51.33%	50.99%	50.22%	50.89%	50.67%
		<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>	<u>100.0%</u>
<b>Class</b>										
Real		87.92%	88.23%	88.74%	87.44%	86.56%	86.01%	84.98%	84.99%	85.76%
Personal		12.08%	11.77%	11.26%	12.56%	13.44%	13.99%	15.02%	15.01%	14.24%
		<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>	<u>100.0%</u>

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

## MAXIMUM AND ACTUAL TAX RATES

December 31, 2014  
(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>23.6000</u>		<u>22.7611</u>	<u>21.4205</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Constitutional	\$ 5,250,646	\$ 5,270,861	\$ 5,169,916	\$ 5,342,525	\$ 5,038,645
Statutory	<u>5,082,985</u>	<u>4,920,760</u>	<u>4,797,829</u>	<u>4,625,220</u>	<u>4,625,220</u>
Total payments received	10,333,631	10,191,621	9,967,745	9,967,745	9,663,865
Disbursement to other governmental units (1)	<u>(243,183)</u>	<u>(243,183)</u>	<u>(243,183)</u>	-	-
Net revenue sharing	<u>\$ 10,090,448</u>	<u>\$ 9,948,438</u>	<u>\$ 9,724,562</u>	<u>\$ 9,967,745</u>	<u>\$ 9,663,865</u>
% of General Fund revenue (2)	20.4%	18.8%	18.4%	18.5%	18.6%

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 4,997,354	\$ 5,234,462	\$ 5,376,641	\$ 5,451,748	\$ 5,619,666
<u>3,597,688</u>	<u>2,828,982</u>	<u>2,517,264</u>	<u>2,517,264</u>	<u>2,855,788</u>
8,595,042	8,063,444	7,893,905	7,969,012	8,475,454
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ 8,595,042</u></u>	<u><u>\$ 8,063,444</u></u>	<u><u>\$ 7,893,905</u></u>	<u><u>\$ 7,969,012</u></u>	<u><u>\$ 8,475,454</u></u>
16.8%	15.0%	16.1%	16.1%	16.6%

RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Ten Years  
(unaudited)

	<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>	<u>2014</u>
<b>Cash Basis</b>										
Major Streets	\$ 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	\$ 4,142,990
Local Streets	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	1,170,270
	<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>\$ 5,313,260</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>	<u>2014</u>
<b>Accrual Basis</b>										
Major Streets	\$ 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	\$ 4,144,079
Local Streets	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	1,170,571
	<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>	<u>\$ 5,314,650</u>

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

## LABOR CONTRACTS

December 31, 2014  
(unaudited)

Bargaining Unit	Membership	Contract Expiration Date
American Federation of State, County and Municipal Employees	110	October 6, 2016
Kalamazoo Municipal Employees Association	86	December 31, 2017
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	48	December 31, 2017
Kalamazoo Police Officers Association (Officers and Detectives)	183	December 31, 2017
Amalgamated Transit Union (Bus Drivers and Mechanics)	91	January 31, 2019
Non-Union	122	Not Applicable
<b>Total Employees</b>	<b>640</b>	

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
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%
2014	35,718	2,853	38,571	7.4%	4,420,000	317,000	4,737,000	6.7%

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

Note: Unemployment data represents annual averages not adjusted for seasonal changes.

## 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*

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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	2010	2011	2012	2013	2014
City:					
Residential	17,425	17,171	18,267	17,291	17,279
Commercial / Industrial	<u>5,998</u>	<u>5,939</u>	<u>6,052</u>	<u>6,050</u>	<u>6,029</u>
Total City	<u>23,423</u>	<u>23,110</u>	<u>24,319</u>	<u>23,341</u>	<u>23,308</u>
Out City:					
Residential	16,475	16,501	17,192	16,862	17,072
Commercial / Industrial	<u>5,432</u>	<u>5,427</u>	<u>6,002</u>	<u>5,946</u>	<u>5,841</u>
Total Out City	<u>21,907</u>	<u>21,928</u>	<u>23,194</u>	<u>22,808</u>	<u>22,913</u>
Total System:					
Residential	33,900	33,672	35,459	34,153	34,351
Commercial / Industrial	<u>11,430</u>	<u>11,366</u>	<u>12,054</u>	<u>11,996</u>	<u>11,870</u>
Total System	<u><u>45,330</u></u>	<u><u>45,038</u></u>	<u><u>47,513</u></u>	<u><u>46,149</u></u>	<u><u>46,221</u></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>2012</u>	<u>2013</u>	<u>2014</u>
<b><u>Meter Location and Size</u></b>			
City:			
5/8" - 3/4"	17,388	16,459	16,418
1"	2,499	2,405	2,428
1 1/2"	251	246	247
2"	984	1,061	1,064
3"	180	202	203
4"	82	101	102
6"	6	9	7
8"	0	0	0
Total City	<u>21,390</u>	<u>20,483</u>	<u>20,469</u>
Out City:			
5/8" - 3/4"	8,636	8,429	8,419
1"	9,378	9,241	9,397
1 1/2"	328	360	366
2"	902	944	953
3"	105	119	118
4"	42	50	51
6"	11	12	13
8"	0	0	0
Total Out City	<u>19,402</u>	<u>19,155</u>	<u>19,317</u>
Total Meters	<u>40,792</u>	<u>39,638</u>	<u>39,786</u>
<b><u>Location and Size of Fire Protection Line/Hydrant</u></b>			
City:			
4"	206	213	224
6"	163	166	167
8"	85	84	86
10"	2	2	2
Hydrants	<u>2,475</u>	<u>2,390</u>	<u>2,360</u>
Total City	<u>2,931</u>	<u>2,855</u>	<u>2,839</u>
Out City:			
4"	189	190	195
6"	99	99	100
8"	69	69	70
10"	5	5	5
Hydrants	<u>3,432</u>	<u>3,292</u>	<u>3,226</u>
Total Out City	<u>3,794</u>	<u>3,655</u>	<u>3,596</u>
Total Fire Protection	<u>6,725</u>	<u>6,510</u>	<u>6,435</u>
Total Service Connections	<u>47,517</u>	<u>46,148</u>	<u>46,221</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)

Meter Location and Size	2010	2011	2012	2013	2014
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 18.30	\$ 18.84	\$ 20.70	\$ 20.70	\$ 20.35
1" Meter	23.91	24.81	27.48	27.48	27.02
1-1/2" Meter	29.52	30.77	34.25	34.25	33.69
2" Meter	44.94	47.18	52.87	52.87	52.03
City (Monthly Billed Accounts):					
5/8" Meter	8.95	8.90	9.41	9.41	9.23
1" Meter	10.82	10.89	11.67	11.67	11.45
1-1/2" Meter	12.69	12.88	13.93	13.93	13.68
2" Meter	17.83	18.35	20.14	20.14	19.79
3" Meter	55.70	58.61	65.86	65.86	64.81
4" Meter	69.72	73.52	82.79	82.79	81.49
6" Meter	102.45	108.32	122.30	122.30	120.40
8" Meter	139.35	148.08	167.45	167.45	164.86
City (Monthly Fire Protection Charge):					
4" Detector Check	19.54	21.72	23.63	23.63	21.59
6" Detector Check	23.06	25.46	28.03	28.03	26.93
8" Detector Check	30.60	33.26	37.12	37.12	37.58
10" Detector Check	65.03	68.49	77.33	77.33	80.05
Fire Hydrant	3.33	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	24.01	23.03	24.48	24.48	27.95
1" Meter	31.90	30.66	32.76	32.76	37.66
1-1/2" Meter	39.80	38.30	41.04	41.04	47.37
2" Meter	61.51	59.31	63.82	63.82	74.08
Out City (Monthly Billed Accounts):					
5/8" Meter	10.85	10.30	10.67	10.67	11.76
1" Meter	13.48	12.84	13.43	13.43	15.00
1-1/2" Meter	16.11	15.39	16.19	16.19	18.24
2" Meter	23.35	22.39	23.79	23.79	27.14
3" Meter	76.64	73.95	79.70	79.70	92.70
4" Meter	96.38	93.04	100.41	100.41	116.98
6" Meter	142.43	137.60	148.72	148.72	173.63
8" Meter	195.07	188.52	203.94	203.94	238.38
Out City (Monthly Fire Protection Charge):					
4" Detector Check	29.29	42.92	46.32	46.32	33.93
6" Detector Check	33.54	54.82	60.00	60.00	41.42
8" Detector Check	42.35	79.86	88.61	88.61	56.16
10" Detector Check	81.70	197.68	218.99	218.99	112.72
Fire Hydrant	3.33	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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City:					
Residential	\$0.237	\$0.270	\$0.284	\$0.284	\$0.270
Multifamily	0.213	0.243	0.255	0.255	0.244
Commercial/Industrial	0.239	0.272	0.286	0.286	0.272
Fire Protection - First 15 M3	0.233	0.263	0.275	0.275	0.267
Fire Protection - Over 15 M3	0.699	0.789	0.825	0.825	0.801
Seasonal Uses	0.468	0.527	0.537	0.537	0.421
Out City:					
Residential	\$0.501	\$0.504	\$0.516	\$0.516	\$0.554
Multifamily	0.332	0.335	0.343	0.343	0.371
Commercial/Industrial	0.374	0.377	0.385	0.385	0.416
Fire Protection - First 15 M3	0.369	0.372	0.377	0.377	0.409
Fire Protection - Over 15 M3	1.107	1.116	1.131	1.131	1.227
Seasonal Uses	1.013	1.014	1.019	1.019	0.863

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%
June 1, 2014	3.00%

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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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Pumped	25,737,266	25,375,000	27,738,740	25,374,999	23,169,006
Billed	<u>22,747,167</u>	<u>22,362,833</u>	<u>24,137,305</u>	<u>21,364,279</u>	<u>19,771,279</u>
Unaccounted (2)	<u>2,990,099</u>	<u>3,012,167</u>	<u>3,601,435</u>	<u>4,010,720</u>	<u>3,397,727</u>
Unaccounted as a Percent of Pumped	<u>11.62%</u>	<u>11.87%</u>	<u>12.98%</u>	<u>15.81%</u>	<u>14.66%</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City:					
Residential	4,769,631	4,351,285	4,776,500	4,205,806	3,862,677
Multifamily	1,861,800	1,838,454	1,893,600	1,829,866	1,655,786
Commercial/Industrial	5,521,424	6,050,094	5,413,200	5,077,562	4,837,405
Fire Protection	7,165	6,519	8,400	13,935	4,985
Seasonal Uses (1)	<u>590,136</u>	<u>431,573</u>	<u>743,500</u>	<u>478,802</u>	<u>488,857</u>
Total City	<u>12,750,156</u>	<u>12,677,925</u>	<u>12,835,200</u>	<u>11,605,971</u>	<u>10,849,710</u>
Out City:					
Residential	5,614,720	5,133,751	6,372,200	5,189,733	4,646,594
Multifamily	1,553,430	1,579,548	1,575,600	1,555,241	1,420,177
Commercial/Industrial	2,329,291	2,521,467	2,658,600	2,638,061	2,543,260
Fire Protection	3,958	4,349	3,300	1,170	2,432
Seasonal Uses (1)	<u>495,612</u>	<u>445,793</u>	<u>692,400</u>	<u>374,103</u>	<u>307,645</u>
Total Out City	<u>9,997,011</u>	<u>9,684,908</u>	<u>11,302,100</u>	<u>9,758,308</u>	<u>8,920,108</u>
Total System:					
Residential	10,384,351	9,485,036	11,148,700	9,395,539	8,509,271
Multifamily	3,415,230	3,418,002	3,469,200	3,385,107	3,075,963
Commercial/Industrial	7,850,715	8,571,561	8,071,800	7,715,623	7,380,665
Fire Protection	11,123	10,868	11,700	15,105	7,417
Seasonal Uses (2)	<u>1,085,748</u>	<u>877,366</u>	<u>1,435,900</u>	<u>852,905</u>	<u>796,502</u>
Total System	<u>22,747,167</u>	<u>22,362,833</u>	<u>24,137,300</u>	<u>21,364,279</u>	<u>19,769,818</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)

	2010	2011	2012	2013	2014
Average Daily Water Supply	18.604	18.367	19.568	20.018	18.430
Peak Daily Water Supply	34.614	34.374	45.933	36.130	29.400
Peak as a Percent of Average	186.06%	187.15%	234.74%	180.49%	159.52%

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City:					
Residential	\$ 2,365,814	\$ 2,464,785	\$ 2,784,620	\$ 2,658,128	\$ 2,515,121
Multifamily	567,730	628,206	680,756	670,952	615,002
Commercial/Industrial	1,734,778	1,943,695	2,003,550	1,911,231	1,815,035
Fire Protection	144,982	150,425	168,595	163,612	162,133
Seasonal Uses	271,702	225,852	431,973	291,039	241,911
<b>Total City</b>	<b>5,085,006</b>	<b>5,412,963</b>	<b>6,069,494</b>	<b>5,694,962</b>	<b>5,349,202</b>
Out City:					
Residential	4,568,285	4,375,222	5,170,989	4,610,290	4,635,360
Multifamily	747,807	753,152	776,386	771,364	768,138
Commercial/Industrial	1,278,008	1,328,943	1,402,911	1,404,193	1,454,260
Fire Protection	167,293	165,903	176,115	157,676	173,753
Seasonal Uses	496,735	424,599	703,314	393,780	283,749
<b>Total Out City</b>	<b>7,258,128</b>	<b>7,047,819</b>	<b>8,229,715</b>	<b>7,337,303</b>	<b>7,315,260</b>
Total System:					
Residential	6,934,099	6,840,007	7,955,609	7,268,418	7,150,481
Multifamily	1,315,537	1,381,358	1,457,142	1,442,315	1,383,141
Commercial/Industrial	3,012,786	3,272,638	3,406,461	3,315,424	3,269,295
Fire Protection	312,275	316,328	344,710	321,288	335,887
Seasonal Uses	768,437	650,451	1,135,287	684,820	525,659
<b>Total System</b>	<b>\$ 12,343,134</b>	<b>\$ 12,460,782</b>	<b>\$ 14,299,209</b>	<b>\$ 13,032,265</b>	<b>\$ 12,664,463</b>

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

## WATER SUPPLY SYSTEM

## Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2014  
(unaudited)

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Graphic Packaging	Paper Products	719,689	3.6%	\$ 264,846	2.1%
Western Michigan University	Higher Education	690,485	3.5%	254,098	2.0%
Pfizer Corporation/Zoetis	Pharmaceuticals	339,547	1.7%	124,953	1.0%
Bronson Methodist Hospital	Hospital	315,032	1.6%	115,932	0.9%
Borgess Medical Center	Hospital	249,963	1.3%	91,986	0.7%
Kalsec Inc.	Food Grade Flavoring	213,692	1.1%	51,500	0.4%
Kalamazoo Brewing	Beer Brewing	201,404	1.0%	48,538	0.4%
Continental Linen	Uniform Cleaning	152,992	0.8%	56,301	0.4%
A. M. Todd	Flavor Manufacturing	140,250	0.7%	51,612	0.4%
Allnex USA	Mobile Home Park	100,724	0.5%	37,066	0.3%
		<u>3,123,778</u>	<u>15.8%</u>	<u>\$ 1,096,832</u>	<u>8.6%</u>

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

(1) Based on water volume of 19,769,818 cubic meters.

(2) Based on Water System billed revenue of \$12,794,340.

## 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

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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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Retail Customers</u>					
<i>In-City Retail Customers</i>					
Residential	16,977	16,742	17,824	16,876	16,861
Commercial	2,630	2,608	2,673	2,521	2,536
Industrial	<u>102</u>	<u>99</u>	<u>97</u>	<u>297</u>	<u>313</u>
Sub-Total	<u>19,709</u>	<u>19,449</u>	<u>20,594</u>	<u>19,694</u>	<u>19,710</u>
<i>Out-City Retail Customers</i>					
Residential	9,906	9,961	10,360	10,321	10,456
Commercial	1,452	1,479	1,502	1,519	1,515
Industrial	<u>27</u>	<u>27</u>	<u>28</u>	<u>29</u>	<u>32</u>
Sub-Total	<u>11,385</u>	<u>11,467</u>	<u>11,890</u>	<u>11,869</u>	<u>12,003</u>
Total Retail Customers	<u>31,094</u>	<u>30,916</u>	<u>32,484</u>	<u>31,563</u>	<u>31,713</u>
<u>Wholesale Customers</u>					
Industries	2	2	2	2	2
Wholesale Municipal Customers	8	8	8	8	8
Dewatering Accounts	2	3	4	4	4
Septage Haulers	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub-Total	<u>14</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>14</u>
<u>Flat Rate Customers</u>	<u>1,525</u>	<u>1,524</u>	<u>1,531</u>	<u>1,528</u>	<u>1,510</u>
Total Sewer Customers	<u><u>32,633</u></u>	<u><u>32,455</u></u>	<u><u>34,029</u></u>	<u><u>33,105</u></u>	<u><u>33,237</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
5/8" - 3/4"	22,746	22,456	23,594	22,429	22,432
1"	6,115	6,223	6,622	6,579	6,714
1-1/2"	432	440	452	470	468
2"	1,465	1,457	1,469	1,622	1,635
3"	240	241	242	292	297
4"	89	90	94	144	149
6"	7	9	11	19	20
	<u>31,094</u>	<u>30,916</u>	<u>32,484</u>	<u>31,555</u>	<u>31,715</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>2010 (1)</u>		<u>2011 (2)</u>		<u>2012-2013 (3)</u>		<u>2014 (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"	\$ 6.71	\$ 7.10	\$ 6.44	\$ 6.93	\$ 6.14	\$ 6.77	\$ 6.38	\$ 7.41
3/4"	6.73	7.16	6.47	7.01	6.16	6.86	6.43	7.56
1"	6.79	7.34	6.54	7.24	6.26	7.15	6.59	8.03
1-1/2"	6.86	7.58	6.64	7.53	6.39	7.52	6.8	8.65
2"	7.08	8.23	6.91	8.35	6.73	8.57	7.36	10.34
3"	8.68	12.99	8.92	14.38	9.30	16.25	11.52	22.82
4"	9.26	14.76	9.67	16.61	10.24	19.09	13.06	27.45
6"	10.64	18.88	11.40	21.82	12.45	25.72	16.66	38.24
Out City:								
5/8"	\$ 7.62	\$ 11.20	\$ 7.37	\$ 10.88	\$ 7.03	\$ 10.50	\$ 7.16	\$ 10.56
3/4"	7.79	11.74	7.55	11.40	7.21	11.02	7.32	11.07
1"	8.34	13.35	8.08	12.98	7.73	12.59	7.84	12.6
1-1/2"	9.05	15.49	8.78	15.07	8.42	14.66	8.52	14.65
2"	11.02	21.41	10.70	20.86	10.33	20.39	10.39	20.27
3"	25.52	64.90	24.88	63.40	24.38	62.51	24.19	61.68
4"	30.88	81.01	30.13	79.16	29.58	78.12	29.31	77.02
6"	43.42	118.60	42.39	115.92	41.71	114.52	41.24	112.81

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

(1) Rate change effective February 1, 2010.

(2) Rate change effective March 1, 2011.

(3) Rate change effective March 1, 2012.

(4) Rate change effective June 1, 2014

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>
2010 (3)	0.287	0.757	0.473	0.507	96.336	0.261	0.769
2011 (4)	0.322	0.755	0.487	0.529	69.627	0.297	0.766
2012-2013 (5)	0.358	0.773	0.504	0.542	270.408	0.331	0.785
2014 (6)	0.420	0.757	0.492	0.547	5.520	0.395	0.764

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 February 1, 2010.
- (4) Rate change effective March 1, 2011.
- (5) Rate change effective March 1, 2012.
- (6) Rate change effective June 1, 2014.

## WASTEWATER SYSTEM

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

<u>Retail Customers</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	5,833,523	5,526,798	5,719,377	5,599,749	5,149,458
Commercial	7,581,237	7,400,234	7,705,184	7,688,211	7,024,938
Industrial	1,906,731	1,844,858	1,743,266	1,544,487	1,672,179
Sub-Total	<u>15,321,491</u>	<u>14,771,890</u>	<u>15,167,827</u>	<u>14,832,447</u>	<u>13,846,575</u>
<u>Wholesale Customers</u>					
Industries	4,561,502	4,211,293	4,622,788	4,681,049	4,272,441
Wholesale Municipal	7,698,627	7,517,900	7,711,750	8,002,142	7,981,699
Dewatering Accounts	100,854	83,497	173,781	99,344	155,991
Septage Haulers	348	176	-	-	-
Sub-Total	<u>12,361,331</u>	<u>11,812,866</u>	<u>12,508,319</u>	<u>12,782,535</u>	<u>12,410,131</u>
Total Wastewater Billed	<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>	<u><u>26,256,706</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Metered Wastewater Volume	34,915,178	35,566,982	34,261,717	35,580,924	36,260,219
Wastewater Consumption as Billed	<u>27,682,822</u>	<u>26,584,756</u>	<u>27,676,146</u>	<u>27,614,982</u>	<u>26,189,263</u>
Difference (2)	<u>7,232,356</u>	<u>8,982,226</u>	<u>6,585,571</u>	<u>7,965,942</u>	<u>10,070,956</u>
Difference as a % of Metered Wastewater Volume	20.7%	25.3%	19.2%	22.4%	27.8%

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Average Daily Sewage Disposal Volume	25.3	25.7	24.7	25.8	26.3
Peak Daily Sewage Disposal Volume	36.1	35.6	35.9	37.3	34.6
Peak as a Percent of Average	142.69%	138.52%	145.13%	144.82%	131.81%

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 Billed

Year Ended December 31, 2014  
(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	\$ 5,689,235	21.7%	\$ 2,829,080	\$ -	\$ 2,829,080	13.5%
Pfizer	Pharmaceutical	3,203,622	12.2%	553,331	4,600,462	5,153,793	24.6%
Gull Lake Water & Sewer Auth.	Municipality	1,129,554	4.3%	561,463	-	561,463	2.7%
Graphics Packaging	Paper Products	1,068,819	4.1%	71,610	1,210,589	1,282,199	6.1%
Mattawan	Municipality	346,915	1.3%	172,393	-	172,393	0.8%
Vicksburg	Municipality	286,973	1.1%	142,651	-	142,651	0.7%
Cytec/Allnex	Chemicals	268,538	1.0%	30,117	142,760	172,877	0.8%
Galesburg	Municipality	179,305	0.7%	97,941	-	97,941	0.5%
Parchment	Municipality	158,208	0.6%	78,635	-	78,635	0.4%
Kalsec	Food Grade Flavorings	158,165	0.6%	68,746	551,425	620,171	3.0%
		<u>\$ 12,489,334</u>	<u>47.6%</u>	<u>\$ 4,605,967</u>	<u>\$ 6,505,236</u>	<u>\$ 11,111,203</u>	<u>53.1%</u>

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

(1) Based on wastewater treatment volume of 26,245,115 cubic meters.

(2) Based on Wastewater System billed revenue of \$20,950,440.

## WASTEWATER SYSTEM

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

<u>Meter Location and Classification</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City:					
Residential	\$ 1,505,049	\$ 1,545,787	\$ 1,693,901	\$ 1,668,898	\$ 1,723,861
Commercial	1,502,101	1,590,620	1,857,802	1,866,677	1,876,170
Industrial	307,098	273,019	251,376	213,798	256,867
Industrial Monitored	578,621	571,486	421,517	267,904	340,117
Contract	973,155	1,074,519	988,208	1,033,681	1,282,199
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	6,549	31,910	51,775	33,077	57,696
<b>Total City</b>	<b>4,872,573</b>	<b>5,087,341</b>	<b>5,264,579</b>	<b>5,084,035</b>	<b>5,536,910</b>
Out City:					
Residential	2,526,059	2,482,763	2,594,548	2,601,406	2,427,624
Commercial	2,234,332	2,266,245	2,287,881	2,266,612	2,129,952
Industrial	79,018	150,980	144,174	140,549	147,523
Industrial Monitored	779,744	804,444	1,447,864	1,565,531	1,571,709
Contract	3,922,709	4,015,637	4,931,391	5,143,946	5,153,793
Municipalities	3,606,832	3,633,530	3,870,716	4,038,334	3,977,811
Septage Haulers	25,400	12,606	596	-	-
Dewatering	30,341	26,656	6,691	2,278	5,119
<b>Total Out City</b>	<b>13,204,435</b>	<b>13,392,861</b>	<b>15,283,861</b>	<b>15,758,656</b>	<b>15,413,531</b>
Total System:					
Residential	4,031,108	4,028,550	4,288,449	4,270,304	4,151,484
Commercial	3,736,433	3,856,865	4,145,683	4,133,289	4,006,123
Industrial	386,116	423,999	395,550	354,347	404,390
Industrial Monitored	1,358,365	1,375,930	1,869,381	1,833,435	1,911,826
Contract	4,895,864	5,090,156	5,919,599	6,177,627	6,435,992
Municipalities	3,606,832	3,633,530	3,870,716	4,038,334	3,977,811
Septage Haulers	25,400	12,606	596	-	-
Dewatering	36,890	58,566	58,466	35,355	62,815
<b>Total System</b>	<b>\$ 18,077,008</b>	<b>\$ 18,480,202</b>	<b>\$ 20,548,440</b>	<b>\$ 20,842,691</b>	<b>\$ 20,950,441</b>

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%
June 1, 2014	2.00%

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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.