



City of Kalamazoo,  
Michigan

Comprehensive  
Annual  
Financial  
Report  
2016

For the year ended December 31, 2016

# **CITY OF KALAMAZOO, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended December 31, 2016

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

City of Kalamazoo

Comprehensive Annual Financial Report  
Year Ended December 31, 2016

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## **INTRODUCTORY SECTION**



## OFFICE OF THE CITY MANAGER

241 W. South Street  
Kalamazoo, MI 49007-4796  
Phone: (269) 337-8047  
Fax: (269) 337-8182  
[www.kalamazoo.org](http://www.kalamazoo.org)

June 30, 2017

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, 2016.

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 generally accepted accounting principles (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, 2016. 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 that are discretely presented component units of the City: 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.

Citizens are also served by the Central County Transportation Authority (CCTA), a separate authority 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 management 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. Now that the City has completed the transition from the old tax collection approach, the City is using only GAAP information beginning with the City's FY 2016 year-end financial statements, and in FY 2017 Budget.

### **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. According to Google.com, the 4<sup>th</sup> Quarter unemployment rate for the city was 4.3%, which was actually lower than the state unemployment rate of 5.0% and the national average of 4.7%. 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 (L DFA) 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 65 Brownfield redevelopment sites in its Brownfield Plan. During the 20 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, and the Promise celebrated its 10<sup>th</sup> Anniversary in 2016, highlighting over \$10 million of educational grants already provided to college students from Kalamazoo.

### **Foundation for Excellence**

In 2016, in order to address ongoing structural imbalances in the General Fund, caused by the broken Michigan municipal financing model, the Administration and the Mayor formulated a Memorandum of Understanding (MOU) with major local donors to form the Foundation for Excellence (FFE). The FFE includes two major phases, each of which are designed to resolve the City's structural financing needs.

The first phase of the MOU is a guaranteed \$70.3 million to be contributed to the City in FY 2017 - 2019, to finance (a) local operating property tax millage reductions from 19.2705 to 12.0000 mills (\$10.9 million per year), (b) General Fund budget balancing dollars of \$3.8 million per year, and (c) funding for aspirational projects that are focused on economic, community and youth development and ending generational poverty.

The second phase of the MOU is the full funding of the FFE endowment estimated to be \$500 million. This will be substantially accomplished by 2019, and will finance, in perpetuity, permanent tax cuts, structural budget balancing, and capital/aspirational projects.

So far in 2017 the City has approved three FFE programs: All Things Possible expands the horizons of children living in Interfaith Homes; Supervised Recreation helps 150 children benefit from a summer camp experience; and the Summer Youth Employment Program trains, temporarily employs, and offers enrichment to up to 400 youth, ages 14 to 18.

Other FFE projects being worked on include: Lead Water Service Line Replacement; Neighborhood Streetscape Enhancement (sidewalk repair, tree trimming, lighting); Shared Prosperity Kalamazoo projects; and Enhanced Bike Routes Amenities.

### **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.

The City finished Fiscal Year 2016 with fewer General Fund expenditures and more General Fund revenues than expected, leading to a \$1.8 million boost to the bottom line.

The City designed a balanced FY 2017 Budget and 5-Year Fiscal Plan (2018 - 2022) by leveraging new FFE dollars and by shifting \$2 million of annual dispatch expenses over to the new Kalamazoo County Consolidated Dispatch Authority. However, due to the failure of a Countywide Dispatch telephone surcharge vote in May 2017, the dispatch funding model is being revisited at this time. This has opened a new structural deficit of roughly \$0.5 million per year beginning in FY 2018. The City is exploring a combination of approaches for re-balancing this deficit, including deferring or eliminating unfilled positions created in the FY 2017 Budget, attrition, operational savings/efficiencies, savings from current labor collective bargaining, and the new funding model for Consolidated Dispatch to replace the failed surcharge vote from May 2017.

It should be noted that the projected deficit indicated above already assumes that the new Consolidated Dispatch funding model will result in \$550 thousand of lower annual net costs for Dispatch when compared to the FY 2016 model. This would include the loss of \$300 thousand of current annual revenues collected from other jurisdictions for co-located dispatch at the Public Safety Crosstown facility, the loss of \$150 thousand of current annual 911/PSAP revenues from the State of Michigan; this would be netted against the elimination of the \$2.1 million current annual expenditure that the City pays to run co-located Dispatch expenses, to be replaced by an estimated new annual City payment to the Consolidated Dispatch Authority of \$1.1 million (based on a 100% per capita funding approach).

In FY 2016, the City completed the second year of Priority-Based Budgeting (PBB). PBB provides a tool that refocuses decision-making around well-defined programs, maximizing scarce resources towards achieving the Community's desired and required results. PBB also involves continuous improvement in efficiencies by way of new technologies, better organization, and leveraging partnerships or handing off functions to other overlapping entities, in order to lower costs and improve outcomes. The City is working on identifying meaningful and accurate measurements to ensure that high-priority programs are achieving results and to improve overall organizational efficiency.

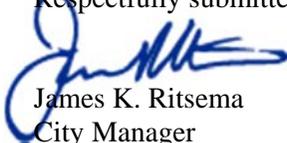
### **Awards and Acknowledgements**

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, 2015. This was the nineteenth 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 Thomas C. Skrobola, Director of Management Services and Chief Financial Officer, and Jennifer Clark, 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  
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, 2015**

Executive Director/CEO

City of Kalamazoo

Comprehensive Annual Financial Report  
Year Ended December 31, 2016

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor

Donald Cooney, Vice Mayor

Jack Urban

Shannon Sykes

Erin Knott

Matt Milcarek

David Anderson

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

Patsy Moore

Jeff Chamberlain

MANAGEMENT SERVICES DEPARTMENT

Thomas C. Skrobola, Management Services Director/CFO

Kelli Steinman, 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

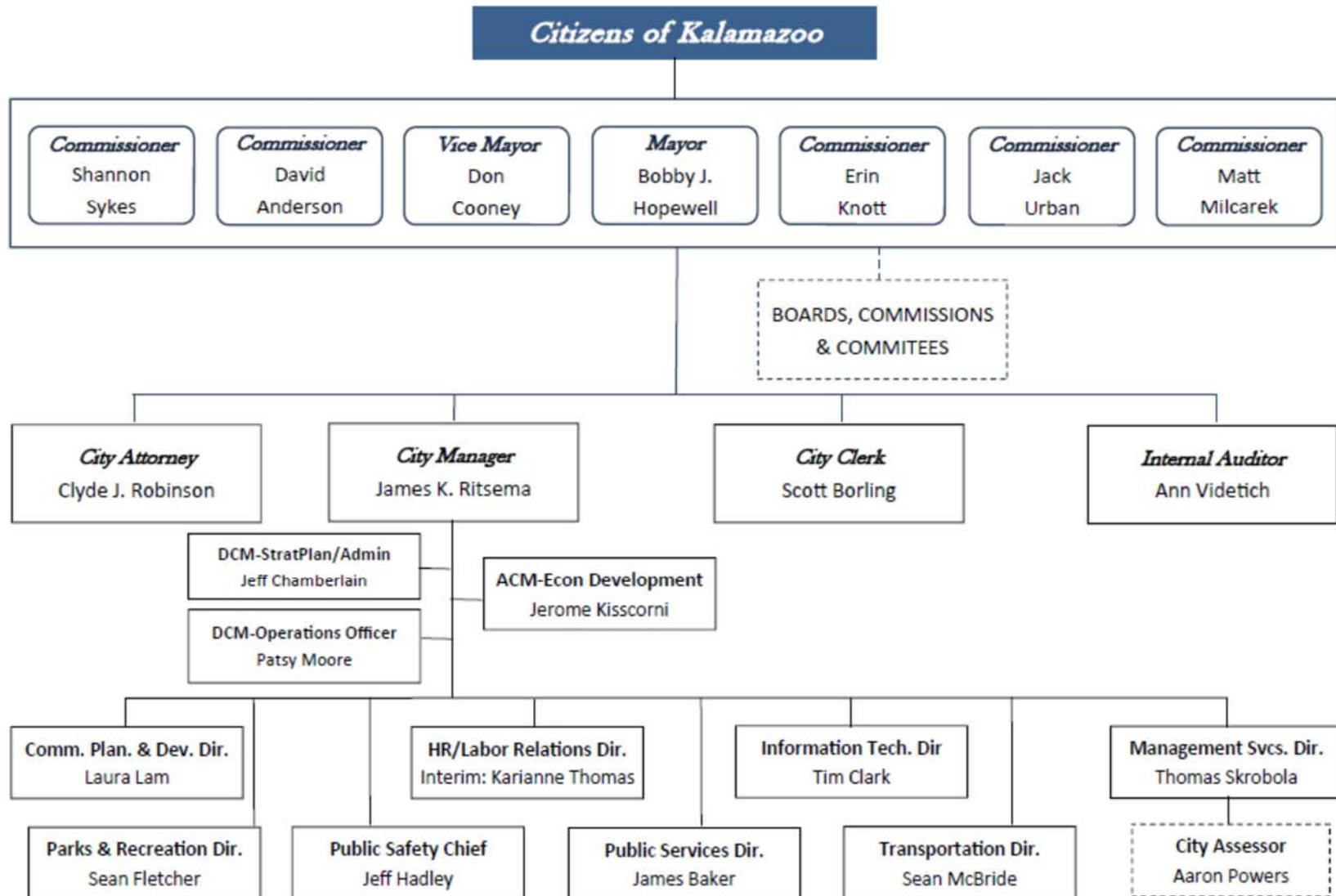
Aaron Powers, City Assessor

Ann Videtich, Internal Auditor

Clyde Robinson, City Attorney

# City of Kalamazoo

## 2016 Organizational Chart



Principals

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



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

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, 2016, 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 6 percent, 2 percent, and 24 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, 2016, 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 Principles**

As described in Note P to the financial statements, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, the City has applied fair value to certain investments and disclosures related to all fair value measurements. Our opinions are not modified with respect to this matter.

Also, as described in Note P to the financial statements, the City implemented GASB Statement No. 77, *Tax Abatement Disclosures*, during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. 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, budgetary comparison schedules, 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 and budgetary comparison schedules 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 28, 2017, 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 28, 2017

## 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, 2016. 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 \$414,819,485 (*net position*);
- The government's total net position increased by \$3.3 million or .79 percent. This net increase was a combination of a \$12.6 million decrease in governmental activities net position and an \$85.4 thousand decrease in business-type activities net position.
- The City's balance of bonded debt decreased by \$3.4 million during the current fiscal year. The City issued \$5.58 million in General Obligation Bonds and \$1.645 million in Revenue Bonds. The City refunded \$2.08 million of existing debt and made scheduled bond principal payments totaling \$10.64 million.
- As of the close of the 2016 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$28,947,682, an increase of \$1,035,3781 in comparison of the prior year. Approximately 28.1 percent of the combined fund balances, or \$8,120,863 was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund fund balance was \$11,969,398, or 21.4 percent of the total General Fund budgetary revenues and other financing sources. Of the total \$11.97 million fund balance, \$1,145,445 was nonspendable, leaving \$10.8 million, or 19.3 percent of budgetary revenues and other financing sources. The General Fund *GAAP* unassigned fund balance for the general fund was \$8,120,863, or 14.5 percent of total general fund revenues and other financing sources.
- Combined enterprise funds net position increased \$302,180. This included a decrease of \$1,540,505 in the net position in the Wastewater Fund, and a \$1,844,415 increase of net position in the Water 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 and OPEB Bond Debt Service Fund, which are considered to be major funds of the City. Data from the other seventeen (17) 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 20-59 of this report.

## **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to schedules concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 60-65 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 66-106 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 \$414,819,485 at the close of the most recent fiscal year.

A significant portion of the City's net position, \$262,795,747, 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, \$17,031,566, 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 \$134,992,172, representing the amount of money that the City has to instantaneously satisfy all accrued future liabilities.

## Management's Discussion and Analysis

Generally accepted accounting principles (GAAP) require that the City show our liability for pension benefits promised in the future as an asset on our entity-wide financial statements. An actuarial valuation as of December 31, 2016, provided a total pension obligation of \$448,065,551. The City had plan fiduciary net position of \$613,027,375 as of year end. The resulting net pension asset of \$165 million was allocated to the Governmental Activities and Business-type Activities.

GAAP also require that the City show our liability for 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 January 1, 2016 provided the total Actuarially Accrued Liability (AAL) of \$62 million and estimated the Annual Required Contribution (ARC) of \$6.7 million for 2016. After crediting current payments for retiree health care and contributions to the OPEB Trust fund of \$3.5 million, a net OPEB loss of \$3.33 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, 2015 and December 31, 2016

	Governmental activities		Business-type activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 147,440,777	\$ 189,811,851	\$ 65,357,954	\$ 73,272,426	\$ 212,798,731	\$ 263,084,277
Capital assets, net	170,352,424	171,472,043	169,720,313	167,645,156	340,072,737	339,117,199
Total assets	317,793,201	361,283,894	235,078,267	240,917,582	552,871,468	602,201,476
Deferred outflows of resources	42,273,721	11,441,375	9,632,485	3,027,409	51,906,206	14,468,784
Current liabilities	17,083,486	22,981,417	5,954,156	7,015,081	23,037,642	29,996,498
Noncurrent liabilities	118,490,365	121,153,249	46,474,839	44,081,646	164,965,204	165,234,895
Total liabilities	135,573,851	144,134,666	52,428,995	51,096,727	188,002,846	195,231,393
Deferred inflows of resources	5,018,883	6,151,653	203,402	467,729	5,222,285	6,619,382
Net position:						
Investment in capital assets	121,402,730	122,361,164	141,668,888	140,434,583	263,071,618	262,795,747
Restricted	13,951,012	14,937,512	2,164,039	2,094,054	16,115,051	17,031,566
Unrestricted	84,120,446	85,140,274	48,245,428	49,851,898	132,365,874	134,992,172
Total net position	\$ 219,474,188	\$ 222,438,950	\$ 192,078,355	\$ 192,380,535	\$ 411,552,543	\$ 414,819,485

The government's total net position increased by \$3.27 million or .8 percent. This net increase was a combination of a \$2.96 million increase in governmental activities net position and a \$302 thousand increase in business-type activity net position.

# Management's Discussion and Analysis

## City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2015 and December 31, 2016

	Governmental activities		Business-type activities		Total	
	2015	2016	2015	2016	2015	2016
Revenue:						
Program revenue:						
Charges for services	\$ 13,882,579	\$ 11,811,304	\$ 35,863,570	\$ 36,725,512	\$ 49,746,149	\$ 48,536,816
Operating grants and contributions	13,957,992	14,323,779	90,507	131,334	14,048,499	14,455,113
Capital grants and contributions	43,390	10,944	3,154,597	2,130,600	3,197,987	2,141,544
General revenue:						
Property taxes	32,085,449	34,350,331	-	-	32,085,449	34,350,331
State shared revenues - unrestricted	8,505,032	8,563,853	-	-	8,505,032	8,563,853
Other	224,937	1,097,321	217,498	276,801	442,435	1,374,122
Total revenue	<u>68,699,379</u>	<u>70,157,532</u>	<u>39,326,172</u>	<u>39,264,247</u>	<u>108,025,551</u>	<u>109,421,779</u>
Expenses:						
General government	8,766,309	5,721,625	-	-	8,766,309	5,721,625
Public safety	41,688,680	35,180,743	-	-	41,688,680	35,180,743
Public works	3,814,595	5,072,156	-	-	3,814,595	5,072,156
Streets	13,931,244	9,881,654	-	-	13,931,244	9,881,654
Community and economic development	6,429,186	4,500,102	-	-	6,429,186	4,500,102
Parks and recreation	2,026,717	2,100,881	-	-	2,026,717	2,100,881
Interest on long-term debt	4,626,913	4,735,609	-	-	4,626,913	4,735,609
Wastewater	-	-	21,637,512	21,294,272	21,637,512	21,294,272
Water	-	-	16,069,239	15,953,040	16,069,239	15,953,040
KMGA	-	-	1,682,965	1,697,267	1,682,965	1,697,267
City market	-	-	21,847	17,488	21,847	17,488
Total expenses	<u>81,283,644</u>	<u>67,192,770</u>	<u>39,411,563</u>	<u>38,962,067</u>	<u>120,695,207</u>	<u>106,154,837</u>
Change in net position	(12,584,265)	2,964,762	(85,391)	302,180	(12,669,656)	3,266,942
Net position - beginning of year	<u>232,058,453</u>	<u>219,474,188</u>	<u>192,163,746</u>	<u>192,078,355</u>	<u>424,222,199</u>	<u>411,552,543</u>
Net position - end of year	<u>\$ 219,474,188</u>	<u>\$ 222,438,950</u>	<u>\$ 192,078,355</u>	<u>\$ 192,380,535</u>	<u>\$ 411,552,543</u>	<u>\$ 414,819,485</u>

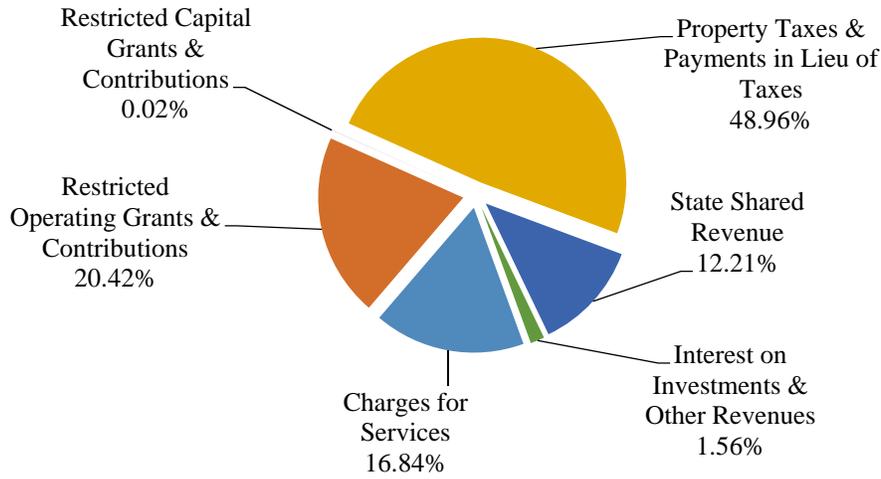
### Governmental activities

Governmental activities increased the City's net position \$2.96 million. The City recognized a \$14 million decrease of governmental activities expenses compared to 2015. Public safety expenses decreased by \$6.51 million in 2016. The remaining decrease in expenses is due primarily to the \$3 million net decrease in general government expense in 2016.

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 \$41 million in 2016 and \$53.3 million in 2015. In total, for fiscal year 2016, 63.5% 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.

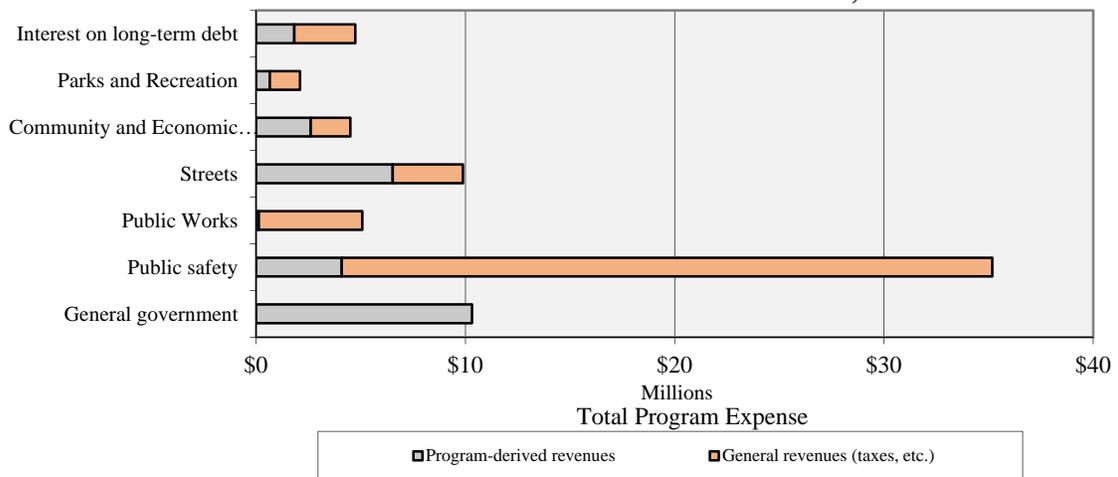
## Management's Discussion and Analysis

### Revenues by Source - Governmental Activities Year Ended December 31, 2016



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.

### Governmental Programs - Expenses by Funding Type Year Ended December 31, 2016



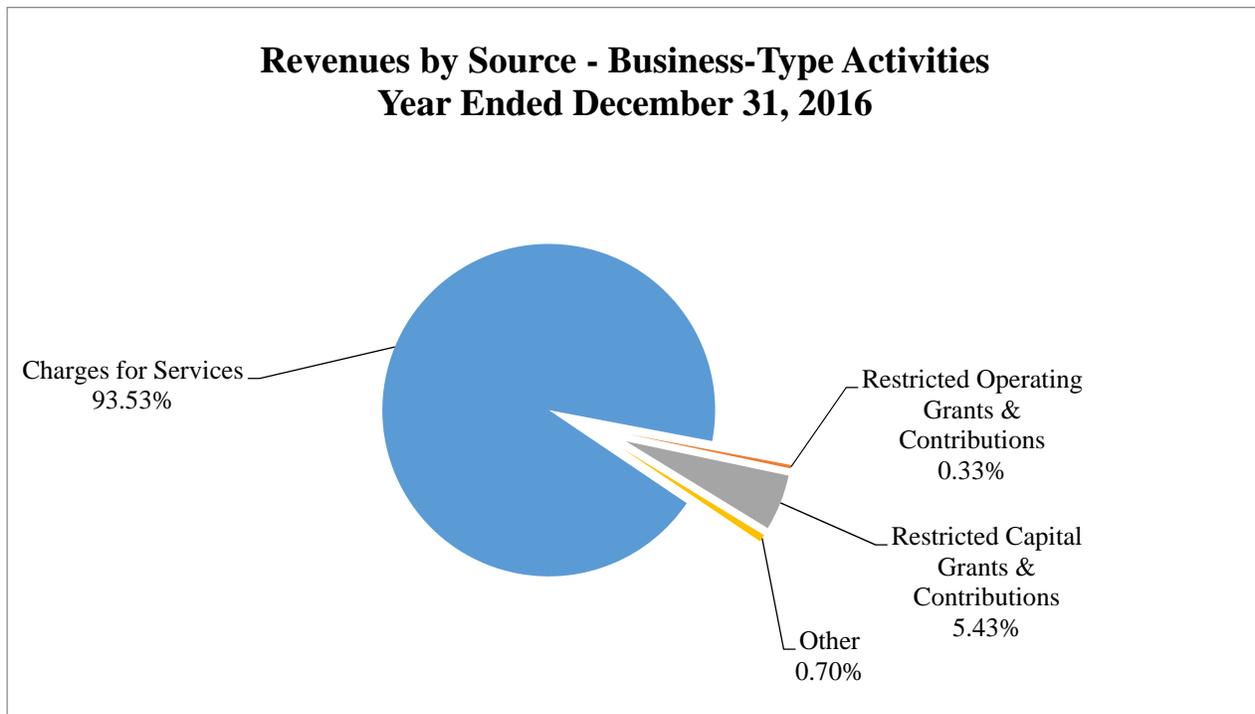
# Management's Discussion and Analysis

## Business-type activities

Business-type activities increased the City's net position by \$302,180. The key elements of this increase are as follows:

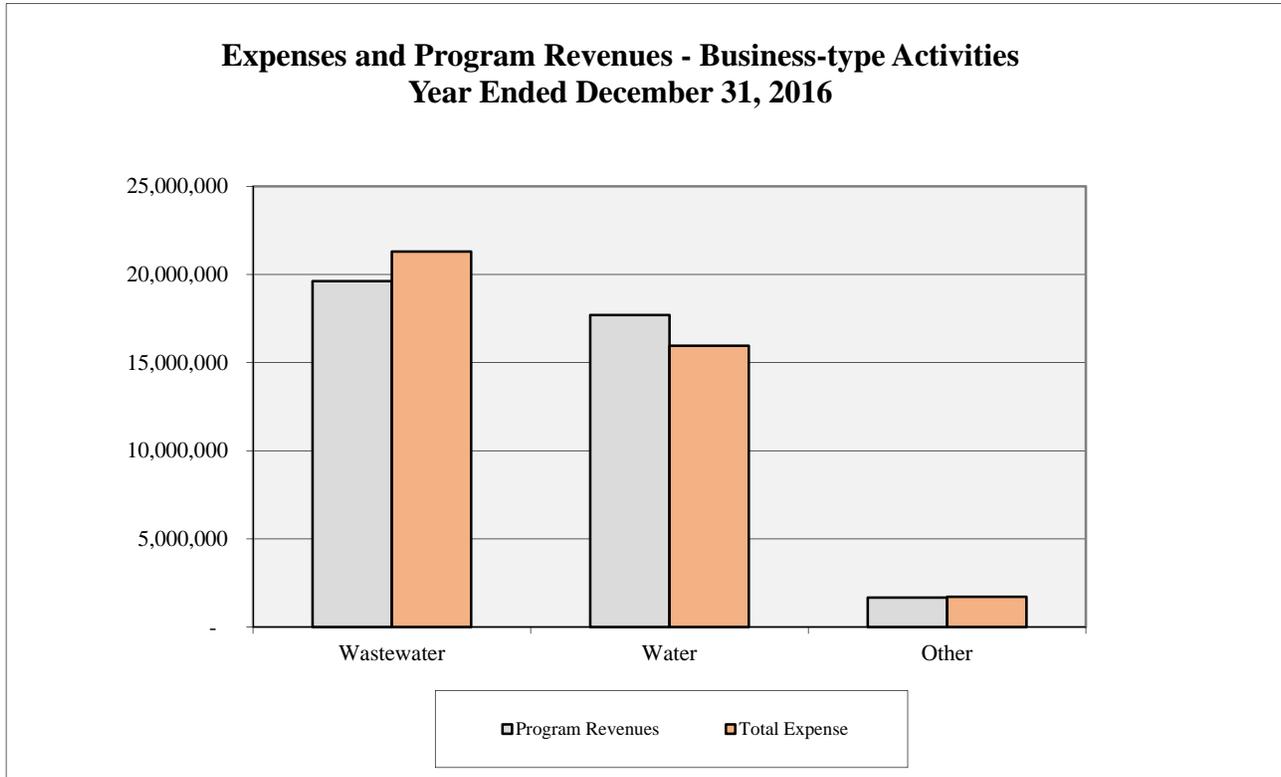
- Wastewater system operating revenues decreased by \$184 thousand due primarily to decrease in surcharges to industrial customers for additional quantities and qualities of treatment. Net nonoperating expenses decreased \$159,893 from 2015, due primarily to a change in capital gains on the disposal of capital assets of \$4,000 as compared to a loss on disposal of \$171,510 in 2015.
- Water system operating revenues increased \$1.104 million due to increased volumes of water billed, while operation and maintenance expenses decreased \$322 thousand due largely to changes in expenses associated with employee pension and OEPB benefits, offset by other operation expense increases.
- Capital infrastructure contributions of \$2.1 million for water infrastructure represented a major revenue source for the Water system in 2016.
- Wastewater losses of \$1.5 million were due primarily to a planned use of reserves in 2016.

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 2016, the Wastewater system used \$1.5 million of existing reserves while the Water system added \$1.8 million to 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 \$28,947,682 an increase of \$1,035,378 in comparison of the prior year. Approximately 28.1% of the combined fund balances, or \$8,120,863, 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, \$1,727,899 for 2016, are collected after the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP). During 2016, the City converted its practice of budgeting property taxes in year in which they are levied to the GAAP recognition. There is no longer a difference between the budgetary basis of fund balance to the fund balance presented on the Governmental Funds Balance Sheet.

The City's budget policies targets undesignated reserves to be 13-15% of total general fund revenues and other financing sources. The General Fund balance was \$11,969,398, or 21.4% of the total General Fund revenues. Of the total, \$11.97 million fund balance, \$1,145,445 was nonspendable or committed, and \$2,703,090 was assigned for subsequent year's expenditures, leaving \$8.1 million of unassigned fund balance, or 14.5% of revenues.

Revenues and other financing sources came in \$3,177,518 more than the amended budget. Expenditures and other financing uses were \$1,123,361 below budget, resulting in the favorable variance of \$4,300,879. Revenues exceeded budget due primarily to increase in tax, license, and intergovernmental revenue. The savings in General Fund operating expenses was due primarily to various departmental spending reductions and personnel vacancies, including a total savings of \$374,522 in general government, \$244,270 in public safety and \$721,789 in public services.

During the year, there was an increase of \$516,341 in appropriations between the original and final amended General Fund budget adopted by the City Commission. Of this, \$245,991 was for the carryforward of budgets for expenses budgeted in 2015, but not expended by the close of the prior fiscal year. The remaining \$270,350 was increased for planned technology upgrades, public engagement and community planning services, and other expenditures.

## OPEB Bond Debt Service

The OPEB Bond Debt Service Fund is used to account for the debt service activity of the OPEB General Obligation bond issue. Financing is provided by transfers from the General Fund and Major Streets, Local Streets, and Solid Waste special revenue funds.

## Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds increased from \$16,707,403 to \$16,978,284. The \$16.98 million fund balance is attributable to capital projects funds (\$2.1 million), special revenue funds (\$8.0 million), debt service funds (\$58.469), and endowments held for recreational and cemetery perpetual care purposes (\$6.8 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 \$34.1 million as of December 31, 2016. The fund had a decrease in total net position for the year of \$1,540,505.

The Wastewater Fund experienced an operating loss of \$945,932.

- Wastewater operating revenues decreased \$184,473 due to decrease in surcharges to industrial customers for additional quantities and qualities of treatment.
- Operating expenses decreased \$178,803 primarily due to reductions in pension and OPEB expenses, which was offset by increases in inventory adjustments due to a clearing of inventory held at hand, additional chemical expenses used in treatment, and other operating costs. Depreciation expense increased \$46,814 due to additions to the Wastewater system.
- The annual accrual of net OPEB expenses of \$671,850 is included in operating expenses, of which \$357,700 was contributed to the OPEB Trust. The Wastewater Fund has a net OPEB asset of \$3.6 million included in the Statement of Net Position in 2016. The portion of the 2015 OPEB bond reported in the Wastewater Fund at December 31, 2016 was \$9,567,345.
- Operating expenses includes \$35,887 of pension expenses. The Fund did not make contributions to the pension system in 2016. The Fund had a net pension benefit as of \$16,692,487, deferred outflows of resources related to pensions of \$1,447,574, and deferred inflows of resources related to pensions of \$262,373 included in the Statement of Net Position at December 31, 2016.

### Water Fund

*Unrestricted* net position (the amount available for future spending) of the City's Water fund amounted to \$15.5 million as of December 31, 2016. The fund had an increase in total net position for the year of \$1,844,415.

The Water Fund experienced operating income of \$902,554.

- Water system operating revenues increased \$1.104 million due to increased volumes of water billed in 2016 as compared to 2015.

Operation and maintenance expenses decreased \$462 thousand primarily due to reductions in pension and OPEB expenses, which is offset by increased services for water storage tank painting and other operational expenses.

- The annual accrual of net OPEB expenses of \$509,742 is included in operating expenses, of which \$298,200 was contributed to the OPEB Trust. The Water Fund has a net OPEB asset of \$1.4 million included in the Statement of Net Position in 2016. The portion of the 2015 OPEB bond reported in the Water Fund at December 31, 2015 was \$8,766,439.

## Management's Discussion and Analysis

- Operating expenses includes \$104,268 of pension expenses. The Fund did not make contributions to the pension system in 2016. The Fund had a net pension benefit as of \$13,064,976, deferred outflows of resources related to pensions of \$1,350,590, and deferred inflows of resources related to pensions of \$205,356 included in the Statement of Net Position at December 31, 2016.
- Capital contributions of \$2,130,600 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 decreased by \$1,006,169 from 2015 as more projects were completed by users of the system in 2015 as compared to 2016.

### Other Enterprise Funds

During the year, the net position for the City's nonmajor proprietary funds decreased from \$313,880 to \$312,150. The \$312,150 of net position is attributable to the Kalamazoo Municipal Golf Association Fund (\$200,542) and City Market Fund (\$111,608).

### 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, 2016, totaled \$339 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 increased \$1.12 million for governmental activities while net business-type activity net position decreased \$2.075 million.

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

#### Governmental Activities:

- Construction of capital projects totaling \$6.5 million was completed in 2016 and transferred to other asset categories. Completed projects included the construction, reconstruction, widening of public streets, erosion control at Riverside cemetery, sidewalk improvements, and other facility and equipment improvements. Approximately \$5.2 million of additional improvements are in progress.
- Land additions include property and easements for right of way of streets and sidewalks.
- Land improvements of \$570 thousand include Riverside Cemetery land improvements of \$310 thousand, various sidewalk improvements of \$149 thousand, and miscellaneous improvements of \$111 thousand.
- Community and Economic Development vehicle additions of \$35 thousand include two Ford Fusions.
- Parks and Recreation vehicle addition of 31 thousands includes a 2016 GMC Sierra.

## Management's Discussion and Analysis

- Public Safety vehicle additions of \$1.09 million include six 2016 Chevy Tahoe's, three Chevy Impalas, a firetruck, and four other vehicles.
- Machinery and Equipment additions of \$736 thousand primarily include various public safety equipment totaling \$570 thousand, information technology equipment totaling \$71 thousand, and various equipment of \$95 thousand.
- The City disposed of various infrastructure, and vehicles with a cost of \$429,792, most of which was fully depreciated. The City also disposed of land with a cost of \$25 thousand.

### Business-type Activities:

- Wastewater added \$1.532 million to machinery and equipment. Purchases consisted of four new pumps, and other various machinery parts and equipment. Wastewater also added \$85 thousand to vehicles which included a new A-504 T740 Bobcat Compact Track Loader.
- Wastewater upgraded the system infrastructure consisting of various mains and sewer linings totaling \$359 thousand.
- Wastewater building improvements of \$313 thousand included an upgraded gear box covers and various other improvements to Wastewater facilities.
- Wastewater had \$708 thousand of construction in progress for treatment buildings and various system improvements in progress at year end.
- Wastewater disposals totaled \$68 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 \$3 million.
- Water additions of \$3.3 million consisted of \$10 thousand in building and land improvements, \$271 thousand in machinery and equipment, and \$6 thousand in intangibles.
- Water disposed of assets with original costs totaling \$1.2 million, of which most was fully depreciated. The disposals consisted of various equipment and vehicles.
- The Kalamazoo Municipal Golf Association (KMGA) fund reduced capital by \$131 thousand, including \$70 thousand addition to building improvements. The KMGA had no disposals in 2016.

## Management's Discussion and Analysis

Additional information on the City's capital assets, including detailed changes during 2015, can be found in Note F on pages 35-38 of this report.

	Governmental activities		Business-type activities		Total	
	Governmental activities		Business-type activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 29,986,151	\$ 30,056,675	\$ 3,296,680	\$ 3,296,680	\$ 33,282,831	\$ 33,353,355
Building & improvements	35,232,132	35,224,707	44,467,136	43,395,092	79,699,268	78,619,799
Land improvements	9,018,257	9,592,139	4,182,229	3,787,005	13,200,486	13,379,144
Machinery & equipment	3,580,318	3,545,121	16,937,751	16,786,316	20,518,069	20,331,437
Vehicles	3,463,878	4,042,769	1,202,325	1,119,877	4,666,203	5,162,646
Infrastructure	81,656,817	83,539,185	97,166,298	96,708,098	178,823,115	180,247,283
Intangible Assets	283,455	282,576	64,810	126,114	348,265	408,690
Rights to liquor license	-	-	139,200	139,200	139,200	139,200
Construction in progress	7,131,416	5,188,871	2,263,884	2,286,774	9,395,300	7,475,645
<b>Total</b>	<b>\$ 170,352,424</b>	<b>\$ 171,472,043</b>	<b>\$ 169,720,313</b>	<b>\$ 167,645,156</b>	<b>\$ 340,072,737</b>	<b>\$ 339,117,199</b>

### *Long-term debt*

- The City's balance of bonded debt increased by \$3.4 million during the current fiscal year. The City issued \$5.58 million in General Obligation Bonds and \$1.645 million in Revenue Bonds. The City refunded \$2.08 million of existing debt and made scheduled bond principal payments totaling \$10.64 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. General Obligation bonds issued in 2016 consisted of a \$5,580,000 par value bond issued to fund the City's debt obligation. Of this bond, \$5,490,000 was recorded in the City's governmental activities and \$90,000 was recorded in the City's business type activities. The balance of outstanding general obligation bonds as of December 31, 2016 is \$118.3 million for governmental activities and \$19.4 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 City issued \$1,645,000 of revenue bonds in 2016. The balance of outstanding revenue bonds as of December 31, 2016 is \$1.9 million for governmental activities and \$26.7 million for business-type activities.

#### Compensated Absences

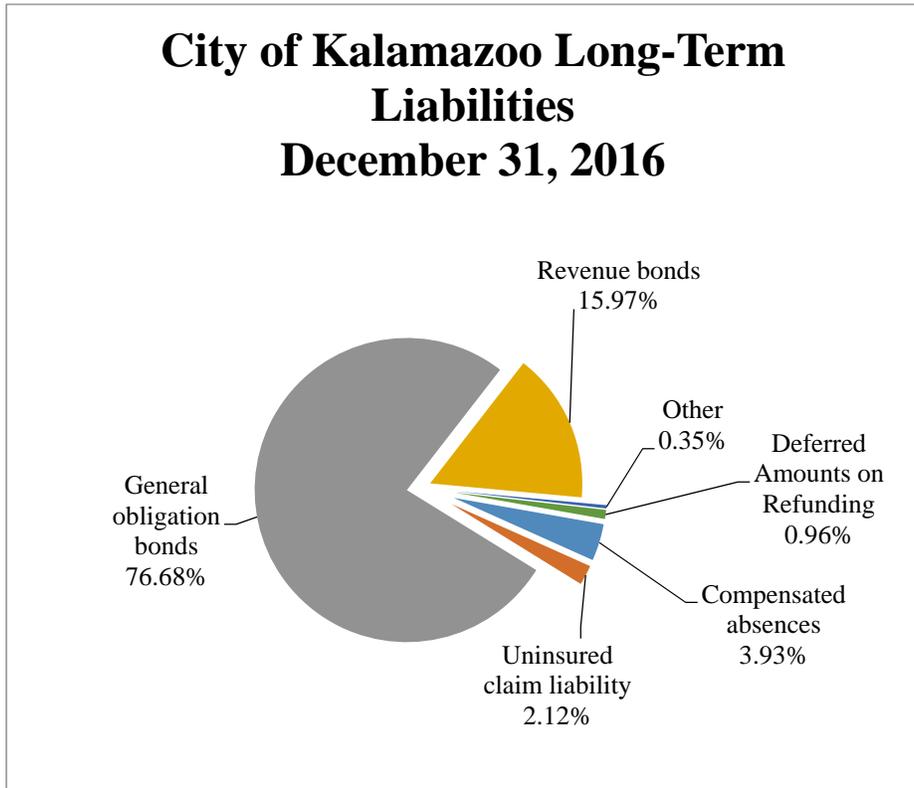
The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of December 31, 2016 is \$7.05 million.

#### Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2016. The estimated liability to the City is \$4.32 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 can be found in Note G on pages 42-48.

The following chart depicts the City’s credit rating for the various outstanding debt and the different rating agencies as of December 31, 2016.

	<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. According to the Michigan Municipal League's calculator at SaveMICity.org, Kalamazoo has lost \$43 million in State Revenue sharing from 2003-2016, assuming the statutory revenue sharing continued on the same gain or loss pattern as was the case with the constitutional revenue sharing. State revenue sharing remained steady in 2016 versus 2015, however remains low relative to historic norms. State Revenues represented only 16% of the General Fund Budgeted revenues in 2016 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. Over the last ten years, the City's peak unemployment rate was 13.9% in 2009. The unemployment rate in 2016 has greatly improved at 4.9%. However, per capita income remains low at approximately \$19,242 in 2016 as compared to \$26,241 in 2008.

Assessed property taxes decreased approximately \$61 million or 3.9% in 2016 as compared to 2015. Overall, the City has experienced a decline in property tax levies of nearly \$4.9 million since 2009, primarily due to a decline in commercial and residential property values.

The City has been working with the community to identify solutions to continue to serve the community's needs with reduced revenues. In October 2016, the City Commission voted to approve an initial agreement for the creation of a proposed Foundation For Excellence (FFE). Under this initial agreement, the FFE's lead donors will provide a donation over the next three years of \$70.3 million to support a reduction in the City's tax mill rate (from 19.2705 mills to 12.0000 mills) and allocate \$10 million annually for aspirational projects. In conjunction with this historic agreement, the City is redoubling its transformational efforts towards becoming a High Performance Organization, utilizing Priority Based Budgeting to ensure that our programs are aligned with the City's Strategic Vision, which was produced by the Imagine Kalamazoo 2025 process.

On October 1, 2016, the City transferred the operations of Metro Transit System, a component unit, to the Central County Transportation Authority, a component unit of the County. The information presented within this report for Metro Transit is as of September 30, 2016. Effective October 1, 2016, all assets and liabilities of the Metro Transit System were transferred to the CCTA.

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

In 2016 the value of the Retirement System "net position" held in trust for pension benefits increased 4% as compared to decrease of 5.7% in 2015. 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. In addition, the Retirement System reports a \$12.7 million transfer as a Special Item in 2016. This represented a transfer of approximately 75% of plan assets for Metro Transit that was transferred to the CCTA's pension plan and employee trust.

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 2017 budget increases operational General Fund spending by 4.13% from the 2016 adopted budget. The General Fund will transfer a \$2.1 million for capital improvement program projects.

The General Fund is budgeted to pay \$3.8 million in 2017 in debt service for the 2015 Other Post Employment Benefit Bonds and is budgeted to contribute an additional \$2.5 million to the OPEB trust.

The 2016 General Fund budget anticipates an ending fund balance of 13.8% of revenues, exceeding the City Commission Budget Policy minimum target of 13% of revenues.

Property tax millage rates are budgeted to decrease from 19.2705 mills to 12.0000 mills in the General Fund as noted in the Foundation for Excellence agreement. The Solid Waste Fund is budgeted to remain at 1.8 mills in 2017.

### **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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 20,413,245	\$ 17,370,645	\$ 37,783,890	\$ 5,802,403
Cash and cash equivalents, restricted	5,620,472	2,659,566	8,280,038	1,701,589
Investments	8,035,751	10,768,636	18,804,387	631,978
Investments with agents	2,988,479	-	2,988,479	-
Current portion of receivables	7,003,559	5,635,249	12,638,808	1,657,374
Current portion of advance to other governmental units	5,906	-	5,906	-
Internal balances	(1,606,306)	1,606,306	-0-	-
Due from other governmental units	3,763,005	32,496	3,795,501	4,080,222
Inventories	369,502	385,805	755,307	409,174
Prepays	43,385	39,397	82,782	44,245
<b>Total current assets</b>	<b>46,636,998</b>	<b>38,498,100</b>	<b>85,135,098</b>	<b>14,326,985</b>
Noncurrent assets				
Advance to other governmental units	1,018,502	-	1,018,502	-
Net other post-employment benefits asset	1,355,406	5,016,863	6,372,269	3,273,602
Noncurrent portion of receivables	1,457,322	-	1,457,322	1,018,173
Noncurrent portion of amounts due from other governmental units	4,139,262	-	4,139,262	-
Net pension asset	135,204,361	29,757,463	164,961,824	6,486,345
Capital assets not being depreciated	35,245,546	5,722,654	40,968,200	2,070,793
Capital assets, net of accumulated depreciation	136,226,497	161,922,502	298,148,999	22,320,650
<b>Total noncurrent assets</b>	<b>314,646,896</b>	<b>202,419,482</b>	<b>517,066,378</b>	<b>35,169,563</b>
<b>TOTAL ASSETS</b>	<b>361,283,894</b>	<b>240,917,582</b>	<b>602,201,476</b>	<b>49,496,548</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	419,293	229,245	648,538	-
Deferred outflows of resources related to pensions	11,022,082	2,798,164	13,820,246	2,777,421
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>11,441,375</b>	<b>3,027,409</b>	<b>14,468,784</b>	<b>2,777,421</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	2,454,986	1,511,919	3,966,905	1,438,039
Accrued payroll	1,014,481	-	1,014,481	-
Accrued interest payable	684,363	384,554	1,068,917	113,705
Other accrued liabilities	1,574,334	115	1,574,449	384,421
Deposits payable	157,772	747,215	904,987	-
Due to other governmental units	5,515,767	1,196,157	6,711,924	384,125
Unearned revenue	291,238	149,185	440,423	415,146
Current portion of advances from other governmental units	-	-	-0-	5,906
Current portion of compensated absences	2,251,115	420,853	2,671,968	242,239
Current portion of long-term debt	6,406,284	2,605,083	9,011,367	657,371
Current portion of uninsured claim liability	2,631,077	-	2,631,077	-
<b>Total current liabilities</b>	<b>22,981,417</b>	<b>7,015,081</b>	<b>29,996,498</b>	<b>3,640,952</b>
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	1,018,502
Noncurrent portion of compensated absences	4,032,286	347,615	4,379,901	56,165
Noncurrent portion of long-term debt	115,954,164	43,734,031	159,688,195	5,551,424
Noncurrent portion of uninsured claim liability	1,166,799	-	1,166,799	-
<b>Total noncurrent liabilities</b>	<b>121,153,249</b>	<b>44,081,646</b>	<b>165,234,895</b>	<b>6,626,091</b>
<b>TOTAL LIABILITIES</b>	<b>144,134,666</b>	<b>51,096,727</b>	<b>195,231,393</b>	<b>10,267,043</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred sales of future revenues	4,026,510	-	4,026,510	-
Deferred inflows of resources related to pensions	2,125,143	467,729	2,592,872	60,275
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,151,653</b>	<b>467,729</b>	<b>6,619,382</b>	<b>60,275</b>
<b>NET POSITION</b>				
Net investment in capital assets	122,361,164	140,434,583	262,795,747	24,391,443
Restricted				
Nonexpendable				
Expendable, restricted for:	3,627,564	-	3,627,564	-
Major and local street projects				
Solid waste program	3,792,719	-	3,792,719	-
Parks and recreation	148,933	-	148,933	-
Neighborhood and community development	1,005,770	-	1,005,770	-
Other purposes	988,829	-	988,829	-
Unrestricted	5,373,697	2,094,054	7,467,751	-
<b>TOTAL NET POSITION</b>	<b>\$ 222,438,950</b>	<b>\$ 192,380,535</b>	<b>\$ 414,819,485</b>	<b>\$ 41,946,651</b>

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
General government	\$ 5,721,625	\$ 7,581,047	\$ 2,734,757	\$ -
Public safety	35,180,743	1,396,170	2,685,374	10,944
Public works	5,072,156	7,285	117,773	-
Streets	9,881,654	1,893	6,522,300	-
Community and economic development	4,500,102	1,573,669	1,031,997	-
Parks and recreation	2,100,881	400,472	254,828	-
Interest on long-term debt	4,735,609	850,768	976,750	-
Total governmental activities	67,192,770	11,811,304	14,323,779	10,944
Business-type activities				
Wastewater	21,294,272	19,599,234	-	17,958
Water	15,953,040	15,451,374	131,334	2,112,642
Kalamazoo Municipal Golf Association	1,697,267	1,657,484	-	-
City Market	17,488	17,420	-	-
Total business-type activities	38,962,067	36,725,512	131,334	2,130,600
Total primary government	\$ 106,154,837	\$ 48,536,816	\$ 14,455,113	\$ 2,141,544
<b>Component units</b>				
Downtown Development Authority	\$ 3,853,833	\$ 2,950,606	\$ -	\$ -
Economic Development Corporation	122,586	-	276,732	-
Brownfield Redevelopment Authority	1,128,769	-	192,583	-
Local Development Finance Authority	612,993	-	-	-
Metro Transit	12,696,425	2,157,790	9,853,486	723,852
Total component units	\$ 18,414,606	\$ 5,108,396	\$ 10,322,801	\$ 723,852

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

Total general revenues

Change in net position

Net position, beginning of the year

Net position, end of the year

City of Kalamazoo

STATEMENT OF ACTIVITIES - CONCLUDED

Year Ended December 31, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 4,594,179	\$ -	\$ 4,594,179	\$ -
(31,088,255)	-	(31,088,255)	-
(4,947,098)	-	(4,947,098)	-
(3,357,461)	-	(3,357,461)	-
(1,894,436)	-	(1,894,436)	-
(1,445,581)	-	(1,445,581)	-
(2,908,091)	-	(2,908,091)	-
(41,046,743)	-0-	(41,046,743)	-0-
-	(1,677,080)	(1,677,080)	-
-	1,742,310	1,742,310	-
-	(39,783)	(39,783)	-
-	(68)	(68)	-
-0-	25,379	25,379	-0-
(41,046,743)	25,379	(41,021,364)	-0-
-	-	-0-	(903,227)
-	-	-0-	154,146
-	-	-0-	(936,186)
-	-	-0-	(612,993)
-	-	-0-	38,703
-0-	-0-	-0-	(2,259,557)
34,350,331	-	34,350,331	3,689,337
8,563,853	-	8,563,853	-
997,789	124,116	1,121,905	11,976
8,850	4,008	12,858	-
90,682	148,677	239,359	421,229
44,011,505	276,801	44,288,306	4,122,542
2,964,762	302,180	3,266,942	1,862,985
219,474,188	192,078,355	411,552,543	40,083,666
<u>\$ 222,438,950</u>	<u>\$ 192,380,535</u>	<u>\$ 414,819,485</u>	<u>\$ 41,946,651</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2016

	General	OPEB Bond Debt Service	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,319,971	\$ -	\$ 5,844,382	\$ 13,164,353
Cash and cash equivalents - restricted	-	-	5,620,472	5,620,472
Investments	2,131,354	-	4,024,636	6,155,990
Investments with agents	-	-	2,924,111	2,924,111
Receivables				
Accounts	1,575,351	-	186,012	1,761,363
Interest	32,458	-	-	32,458
Special assessments	3,909	-	-	3,909
Taxes	3,332,848	-	275,709	3,608,557
Notes	655,782	-	900,636	1,556,418
Due from other funds	3,036,678	-	1,362,365	4,399,043
Due from other governmental units	261,724	4,230,873	3,387,403	7,880,000
Advances to other funds	340,000	-	-	340,000
Advances to other governmental units	-	-	1,024,408	1,024,408
Inventories	106,278	-	263,224	369,502
Prepays	43,385	-	-	43,385
	<u>\$ 18,839,738</u>	<u>\$ 4,230,873</u>	<u>\$ 25,813,358</u>	<u>\$ 48,883,969</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 811,993	\$ -	\$ 1,553,455	\$ 2,365,448
Accrued liabilities	30,774	-	148,027	178,801
Due to other funds	2,416,423	-	5,581,051	7,997,474
Due to other governmental units	183,543	-	186	183,729
Deposits payable	500	-	157,272	157,772
Unearned revenue	-	-	291,238	291,238
	<u>3,443,233</u>	<u>-0-</u>	<u>7,731,229</u>	<u>11,174,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	3,427,107	4,230,873	1,103,845	8,761,825
<b>FUND BALANCES</b>				
Nonspendable	1,145,445	-	5,815,832	6,961,277
Restricted	-	-	10,320,453	10,320,453
Committed	-	-	841,999	841,999
Assigned	2,703,090	-	-	2,703,090
Unassigned	8,120,863	-	-	8,120,863
	<u>11,969,398</u>	<u>-0-</u>	<u>16,978,284</u>	<u>28,947,682</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 18,839,738</u>	<u>\$ 4,230,873</u>	<u>\$ 25,813,358</u>	<u>\$ 48,883,969</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, 2016

**Total fund balance - governmental funds** \$ 28,947,682

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	\$ 352,793,385	
Accumulated depreciation is	<u>(181,321,342)</u>	
Capital assets, net		171,472,043

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

Net pension asset	135,204,361	
Portion of net pension asset due to other governmental unit	(5,316,273)	
Net other post-employment benefits asset	1,355,406	
Deferred outflows of resources related to pensions	11,022,082	
Deferred inflows of resources related to pensions	(2,125,143)	
Deferred charges on refunding	<u>419,293</u>	
		140,559,726

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds. 8,761,825

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

Net position of governmental activities accounted for in governmental activities internal service funds		2,025,886
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds and loans payable	(120,181,184)	
Environmental matters liability	(524,808)	
Unamortized deferred amounts on debt issuance	(1,654,456)	
Accrued interest payable	(684,363)	
Compensated absences	<u>(6,283,401)</u>	
		<u>(129,328,212)</u>

**Net position of governmental activities** \$ 222,438,950

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2016

	General	OPEB Bond Debt Service	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 31,796,809	\$ -	\$ 2,553,522	\$ 34,350,331
Licenses and permits	2,401,934	-	-	2,401,934
Intergovernmental	10,244,776	-	11,007,484	21,252,260
Charges for services	10,258,149	-	307,181	10,565,330
Fines and forfeits	13,981	-	230,297	244,278
Interest and rents	179,255	-	1,653,548	1,832,803
Net investment earnings	-	-	585,136	585,136
Other revenue	372,481	178,236	706,573	1,257,290
<b>TOTAL REVENUES</b>	<b>55,267,385</b>	<b>178,236</b>	<b>17,043,741</b>	<b>72,489,362</b>
<b>EXPENDITURES</b>				
Current				
General government	6,950,210	-	391,685	7,341,895
Public safety	28,425,240	-	2,103,026	30,528,266
Public works	4,809,317	-	2,601,311	7,410,628
Streets	-	-	7,379,742	7,379,742
Community and economic development	1,607,209	-	2,624,747	4,231,956
Parks and recreation	1,946,085	-	466,839	2,412,924
Other	4,789,158	-	-	4,789,158
Debt service				
Principal	-	1,468,284	4,890,000	6,358,284
Interest and fiscal charges	31,771	2,766,450	1,860,139	4,658,360
Capital outlay	-	-	2,072,309	2,072,309
<b>TOTAL EXPENDITURES</b>	<b>48,558,990</b>	<b>4,234,734</b>	<b>24,389,798</b>	<b>77,183,522</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,708,395</b>	<b>(4,056,498)</b>	<b>(7,346,057)</b>	<b>(4,694,160)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	-	7,135,000	7,135,000
Payments to escrow agent	-	-	(2,156,567)	(2,156,567)
Bond premium	18,960	-	732,145	751,105
Transfers in	650,000	4,056,498	9,194,631	13,901,129
Transfers out	(6,612,858)	-	(7,288,271)	(13,901,129)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,943,898)</b>	<b>4,056,498</b>	<b>7,616,938</b>	<b>5,729,538</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>764,497</b>	<b>-0-</b>	<b>270,881</b>	<b>1,035,378</b>
Fund balances, beginning of year	11,204,901	-	16,707,403	27,912,304
Fund balances, end of year	\$ 11,969,398	\$ -0-	\$ 16,978,284	\$ 28,947,682

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, 2016

**Net change in fund balances - total governmental funds** \$ 1,035,378

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

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	\$ 6,695,224
Depreciation expense	(5,541,939)
Net effect of disposal of capital assets	<u>(33,666)</u>

Excess of capital outlay over depreciation expense and other items	1,119,619
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(271,171)
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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 income of governmental activities internal service funds	3,134,927
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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	(7,135,000)
Debt principal retirement	<u>8,315,715</u>

	1,180,715
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in net pension asset	32,045,123
(Decrease) in deferred outflows of resources related to pensions	(30,873,796)
(Increase) in deferred inflows of resources related to pensions	(1,215,933)
Increase in deferred charges on refunding	41,450
(Increase) in deferred amounts on debt issuance	(632,813)
(Increase) in accrued interest payable	(16,674)
Decrease in compensated absences	35,328
(Increase) in environmental matters liability	(92,355)
(Decrease) in other post-employment benefits asset	<u>(2,525,036)</u>

	<u>(3,234,706)</u>
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<b>Change in net position of governmental activities</b>	<b><u><u>\$ 2,964,762</u></u></b>
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City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2016

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 29,544,748	\$ 29,544,748	\$ 31,796,809	\$ 2,252,061
Licenses and permits	2,220,640	2,220,640	2,401,934	181,294
Intergovernmental	9,620,633	9,680,628	10,244,776	564,148
Charges for services	9,885,751	9,911,051	10,258,149	347,098
Fines and forfeits	36,800	36,800	13,981	(22,819)
Interest and rents	223,808	223,808	179,255	(44,553)
Other	403,252	469,152	372,481	(96,671)
<b>TOTAL REVENUES</b>	<b>51,935,632</b>	<b>52,086,827</b>	<b>55,267,385</b>	<b>3,180,558</b>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	73,708	73,708	71,852	1,856
Manager	860,447	871,964	864,025	7,939
Attorney	649,270	669,126	653,679	15,447
Clerk				
Administration	163,575	172,399	163,976	8,423
Election	303,682	303,682	313,399	(9,717)
Records management	155,216	155,216	139,399	15,817
Internal audit	85,957	87,667	86,707	960
Human resources	672,028	685,302	718,614	(33,312)
Management services				
Administration	208,240	208,240	214,280	(6,040)
Budget & accounting	437,188	451,648	452,772	(1,124)
Financial services	429,394	501,288	476,460	24,828
Assessor	478,534	494,758	440,413	54,345
Treasurer	1,121,041	1,135,099	1,088,451	46,648
Purchasing	225,862	229,901	202,065	27,836
Information technology	1,184,453	1,284,734	1,064,118	220,616
<b>Total general government</b>	<b>7,048,595</b>	<b>7,324,732</b>	<b>6,950,210</b>	<b>374,522</b>
Public safety				
Administration	998,228	891,434	1,038,056	(146,622)
K-Vet drug enforcement	1,678,201	1,679,659	1,662,347	17,312
Operations division	15,692,122	15,692,122	15,310,299	381,823
Criminal investigations	3,017,882	3,017,882	3,154,572	(136,690)
Service division	7,276,924	7,388,413	7,259,966	128,447
<b>Total public safety</b>	<b>28,663,357</b>	<b>28,669,510</b>	<b>28,425,240</b>	<b>244,270</b>
Public services				
Public works				
Forestry, creek, and environmental inspections	447,578	447,578	430,332	17,246
Sidewalks and pedestrian mall maintenance	513,108	513,108	433,353	79,755
Equipment maintenance	2,384,515	2,386,614	1,875,620	510,994
Engineering	1,185,537	1,199,833	1,177,910	21,923
City maintenance	983,455	983,973	892,102	91,871
<b>Total public services</b>	<b>5,514,193</b>	<b>5,531,106</b>	<b>4,809,317</b>	<b>721,789</b>

See accompanying notes to financial statements.

CONTINUED

City of Kalamazoo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONCLUDED

Year Ended December 31, 2016

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Current - concluded				
Community and economic development				
Economic development	\$ 105,540	\$ 115,444	\$ 38,207	\$ 77,237
Code administration	1,190,557	1,208,216	1,208,665	(449)
Planning	315,655	369,476	360,337	9,139
Total community and economic development	1,611,752	1,693,136	1,607,209	85,927
Parks and recreation				
Parks maintenance	815,894	849,507	855,500	(5,993)
Recreation	1,008,223	1,034,938	1,090,585	(55,647)
Total parks and recreation	1,824,117	1,884,445	1,946,085	(61,640)
Nondepartmental				
Street lighting	1,260,273	1,260,273	1,078,010	182,263
Contribution to OPEB trust	2,491,300	2,491,300	2,491,300	-0-
Other	1,199,602	1,275,028	1,219,848	55,180
Debt service	26,000	26,000	31,771	(5,771)
Total nondepartmental	4,977,175	5,052,601	4,820,929	231,672
TOTAL EXPENDITURES	49,639,189	50,155,530	48,558,990	1,596,540
EXCESS OF REVENUES OVER EXPENDITURES	2,296,443	1,931,297	6,708,395	4,777,098
OTHER FINANCING SOURCES (USES)				
Bond premium	22,000	22,000	18,960	(3,040)
Transfers in	650,000	650,000	650,000	-0-
Transfers out	(6,022,925)	(6,139,679)	(6,612,858)	(473,179)
TOTAL OTHER FINANCING SOURCES (USES)	(5,350,925)	(5,467,679)	(5,943,898)	(476,219)
NET CHANGE IN FUND BALANCE	(3,054,482)	(3,536,382)	764,497	4,300,879
Fund balance, beginning of year	11,204,901	11,204,901	11,204,901	-0-
Fund balance, end of year	\$ 8,150,419	\$ 7,668,519	\$ 11,969,398	\$ 4,300,879

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2016

	Enterprise Funds				Internal Service Fund
	Wastewater	Water	Nonmajor	Total	Insurance and Benefits
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 11,374,905	\$ 5,691,748	\$ 303,992	\$ 17,370,645	\$ 7,248,892
Cash and cash equivalents - restricted	787,812	1,871,754	-	2,659,566	-
Investments	7,451,574	3,317,062	-	10,768,636	1,879,761
Investments with agents	-	-	-	-0-	64,368
Receivables					
Customers	3,277,716	2,212,539	-	5,490,255	1,498,176
Interest	44,062	-	-	44,062	-
Special assessment	1,208	-	-	1,208	-
Due from management corporation	-	-	99,724	99,724	-
Due from other funds	2,476,716	120,741	-	2,597,457	2,003,688
Due from other governmental units	-	32,496	-	32,496	22,267
Inventories	137,262	248,543	-	385,805	-
Prepays	33,882	5,515	-	39,397	-
Total current assets	25,585,137	13,500,398	403,716	39,489,251	12,717,152
Noncurrent assets					
Net other post-employment benefits asset	3,664,014	1,352,849	-	5,016,863	-
Net pension asset	16,692,487	13,064,976	-	29,757,463	-
Capital assets not being depreciated	1,384,777	4,195,316	142,561	5,722,654	-
Capital assets, net of accumulated depreciation	70,653,244	90,142,812	1,126,446	161,922,502	-
Total noncurrent assets	92,394,522	108,755,953	1,269,007	202,419,482	-0-
TOTAL ASSETS	117,979,659	122,256,351	1,672,723	241,908,733	12,717,152
DEFERRED OUTFLOW OF RESOURCES					
Deferred amounts on refunding	53,727	175,518	-	229,245	-
Deferred outflows of resources related to pensions	1,447,574	1,350,590	-	2,798,164	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,501,301	1,526,108	-0-	3,027,409	-0-
LIABILITIES					
Current liabilities					
Accounts payable	943,926	567,970	23	1,511,919	89,538
Accrued payroll	-	-	-	-0-	1,014,481
Other accrued liabilities	-	115	-	115	1,395,533
Accrued interest payable	110,122	250,488	23,944	384,554	-
Deposit payable	-	747,215	-	747,215	-
Due to other funds	447,553	543,311	287	991,151	11,563
Due to other governmental units	667,177	528,980	-	1,196,157	15,765
Unearned revenue	-	-	149,185	149,185	4,026,510
Current portion of compensated absences	239,869	180,962	22	420,853	-
Current portion of long-term debt	888,323	1,374,384	342,376	2,605,083	-
Current portion of uninsured claim liability	-	-	-	-0-	2,631,077
Total current liabilities	3,296,970	4,193,425	515,837	8,006,232	9,184,467
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Noncurrent portion of compensated absences	238,553	109,015	47	347,615	-
Noncurrent portion of long-term debt	17,319,989	25,569,353	844,689	43,734,031	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,166,799
Total noncurrent liabilities	17,558,542	25,678,368	844,736	44,081,646	1,506,799
TOTAL LIABILITIES	20,855,512	29,871,793	1,360,573	52,087,878	10,691,266
DEFERRED INFLOWS OF RESOURCES					
Deferred sales of future revenues	-	-	-	-0-	4,026,510
Deferred inflows of resources related to pensions	262,373	205,356	-	467,729	-
TOTAL DEFERRED INFLOWS OF RESOURCES	262,373	205,356	-0-	467,729	4,026,510
NET POSITION					
Net investment in capital assets	63,457,819	76,894,822	81,942	140,434,583	-
Restricted for bond reserves	780,774	1,313,280	-	2,094,054	-
Unrestricted	34,124,482	15,497,208	230,208	49,851,898	2,025,886
TOTAL NET POSITION	\$ 98,363,075	\$ 93,705,310	\$ 312,150	\$ 192,380,535	\$ 2,025,886

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2016

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
<b>OPERATING REVENUES</b>					
Charges for services	\$ 19,599,234	\$ 15,451,374	\$ 1,674,904	\$ 36,725,512	\$ 15,442,406
Other	47,178	54,998	38,073	140,249	83,163
<b>TOTAL OPERATING REVENUES</b>	<b>19,646,412</b>	<b>15,506,372</b>	<b>1,712,977</b>	<b>36,865,761</b>	<b>15,525,569</b>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	16,036,230	11,468,537	1,472,402	28,977,169	-
Risk management	-	-	-	-0-	12,407,916
Depreciation	4,556,114	3,135,281	205,552	7,896,947	-
<b>TOTAL OPERATING EXPENSES</b>	<b>20,592,344</b>	<b>14,603,818</b>	<b>1,677,954</b>	<b>36,874,116</b>	<b>12,407,916</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(945,932)</b>	<b>902,554</b>	<b>35,023</b>	<b>(8,355)</b>	<b>3,117,653</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	-	131,334	-	131,334	-
Interest revenue	84,217	39,851	48	124,116	17,274
Other	10	2,692	-	2,702	-
Gain (loss) on sale of capital assets	4,008	(290,909)	-	(286,901)	-
Amortization of:					
Bond defeasance expenses	(9,314)	(17,789)	-	(27,103)	-
Bond premiums and discounts	1,162	4,564	-	5,726	-
Interest expense and fiscal charges	(692,614)	(1,040,524)	(36,801)	(1,769,939)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(612,531)</b>	<b>(1,170,781)</b>	<b>(36,753)</b>	<b>(1,820,065)</b>	<b>17,274</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,558,463)</b>	<b>(268,227)</b>	<b>(1,730)</b>	<b>(1,828,420)</b>	<b>3,134,927</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>17,958</b>	<b>2,112,642</b>	<b>-</b>	<b>2,130,600</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>(1,540,505)</b>	<b>1,844,415</b>	<b>(1,730)</b>	<b>302,180</b>	<b>3,134,927</b>
Net position (deficit), beginning of year	99,903,580	91,860,895	313,880	192,078,355	(1,109,041)
Net position, end of year	<u>\$ 98,363,075</u>	<u>\$ 93,705,310</u>	<u>\$ 312,150</u>	<u>\$ 192,380,535</u>	<u>\$ 2,025,886</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 20,009,315	\$ 15,274,675	\$ 1,730,737	\$ 37,014,727	\$ 14,489,896
Cash paid to suppliers	(10,477,773)	(7,493,474)	(1,541,989)	(19,513,236)	-
Cash paid to employees	(3,631,846)	(2,359,455)	(871)	(5,992,172)	-
Cash paid for employee benefits	(1,717,915)	(1,154,647)	(314)	(2,872,876)	(12,487,569)
Cash paid for interfund services provided	(479,844)	(60,386)	-	(540,230)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,701,937</b>	<b>4,206,713</b>	<b>187,563</b>	<b>8,096,213</b>	<b>2,002,327</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental grant	-	131,334	-	131,334	-
Other	10	2,692	-	2,702	-
Interest paid on OPEB bonds	(397,269)	(364,013)	-	(761,282)	-
Payments on OPEB bonds	(204,414)	(187,302)	-	(391,716)	-
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(601,673)</b>	<b>(417,289)</b>	<b>-0-</b>	<b>(1,018,962)</b>	<b>-0-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(1,977,093)	(2,094,604)	(70,512)	(4,142,209)	-
Contributions received	17,958	132,478	-	150,436	-
Cash received for disposal of capital assets	4,008	9,672	-	13,680	-
Interest paid	(299,462)	(662,936)	(17,814)	(980,212)	-
Proceeds from bond issuance	-	-	90,000	90,000	-
Payments on borrowings	(675,000)	(1,225,000)	(99,162)	(1,999,162)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,929,589)</b>	<b>(3,840,390)</b>	<b>(97,488)</b>	<b>(6,867,467)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(6,182,939)	(3,317,062)	-	(9,500,001)	(869,732)
Maturity of investments	7,184,118	2,815,882	-	10,000,000	-
Interest received	66,672	39,851	48	106,571	17,274
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,067,851</b>	<b>(461,329)</b>	<b>48</b>	<b>606,570</b>	<b>(852,458)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,238,526</b>	<b>(512,295)</b>	<b>90,123</b>	<b>816,354</b>	<b>1,149,869</b>
Cash and cash equivalents, beginning of year	10,924,191	8,075,797	213,869	19,213,857	6,099,023
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,162,717</b>	<b>\$ 7,563,502</b>	<b>\$ 303,992</b>	<b>\$ 20,030,211</b>	<b>\$ 7,248,892</b>

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2016

	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)	\$ (945,932)	\$ 902,554	\$ 35,023	\$ (8,355)	\$ 3,117,653
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,556,114	3,135,281	205,552	7,896,947	-
(Increase) decrease in:					
Accounts receivable	362,903	(231,499)	-	131,404	(1,026,632)
Due from other funds	1,515,349	6,206	-	1,521,555	(214,690)
Due from other governmental units	-	(19,615)	-	(19,615)	191,481
Due from management corporation	-	-	(70,630)	(70,630)	-
Inventories	231,306	29,937	-	261,243	-
Prepays	603	(135)	-	468	42,845
Net other post-employment benefits asset	314,150	211,542	-	525,692	-
Net pension asset	(4,530,116)	(3,338,614)	-	(7,868,730)	-
Increase (decrease) in:					
Accounts payable	(337,359)	50,379	15	(286,965)	49,688
Accrued liabilities	-	115	-	115	373,315
Due to other funds	(1,995,193)	(66,592)	(173)	(2,061,958)	(1,250)
Due to other governmental units	658,945	521,841	-	1,180,786	15,418
Deposits payable	-	19,417	-	19,417	-
Compensated absences	(38,481)	56,732	16	18,267	(83,163)
Uninsured claim liability	-	-	-	-0-	(462,338)
Unearned revenue	-	-	17,760	17,760	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,701,937</b>	<b>\$ 4,206,713</b>	<b>\$ 187,563</b>	<b>\$ 8,096,213</b>	<b>\$ 2,002,327</b>
<b>NONCASH FINANCING ACTIVITIES</b>					
Contributions of capital assets	\$ -	\$ 1,980,164	\$ -	\$ 1,980,164	\$ -
Loss on sale of capital assets	-	(300,582)	-	(300,582)	-
<b>TOTAL NONCASH FINANCING ACTIVITIES</b>	<b>\$ -0-</b>	<b>\$ 1,679,582</b>	<b>\$ -0-</b>	<b>\$ 1,679,582</b>	<b>\$ -0-</b>

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF NET POSITION

December 31, 2016

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 487,610	\$ 121,868	\$ 17,853,427
Investments			
U.S. Treasuries	90,496,618	-	-
U.S. Agencies	1,534,634	-	-
Corporate bonds	73,532,067	-	-
Collateralized mortgage obligations	23,453,358	-	-
Equity mutual funds	502,036,893	-	-
Real estate mutual funds	38,155,984	-	-
Receivables			
Interest and dividends	1,396,170	-	-
Taxes	-	-	-
Other	-	-	459
	<u>731,093,334</u>	<u>121,868</u>	<u>\$ 17,853,886</u>
<b>LIABILITIES</b>			
Accounts payable	986,881	-	\$ -
Due to other governmental units	21,700,000	-	17,852,316
Due to individuals and agencies	-	52,620	1,570
	<u>22,686,881</u>	<u>52,620</u>	<u>\$ 17,853,886</u>
<b>NET POSITION</b>			
Restricted for pension and OPEB	708,406,453	-	
Held in trust for other purposes	-	69,248	
	<u>\$ 708,406,453</u>	<u>\$ 69,248</u>	

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2016

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust
ADDITIONS TO NET POSITION		
Investment income		
Change in fair value of investments	\$ 66,773,057	\$ -
Interest and dividends	19,449,808	-
	<hr/>	<hr/>
Total investment (loss)	86,222,865	-0-
Less investment expense	(2,297,585)	-
	<hr/>	<hr/>
Net investment (loss)	83,925,280	-0-
Contributions		
Employer	3,500,000	-
Plan members	1,971,013	-
Other	-	24,993
	<hr/>	<hr/>
Total contributions	5,471,013	24,993
	<hr/>	<hr/>
TOTAL ADDITIONS TO NET POSITION	89,396,293	24,993
DEDUCTIONS FROM NET POSITION		
Benefits	38,759,107	-
Refunds of contributions	22,652	-
Administrative expenses	250,069	-
Miscellaneous	175,722	-
	<hr/>	<hr/>
TOTAL DEDUCTIONS	39,207,550	-0-
SPECIAL ITEM		
Transfer of assets to other governmental unit	(21,700,000)	-
	<hr/>	<hr/>
CHANGE IN NET POSITION	28,488,743	24,993
Net position, beginning of year	679,917,710	44,255
	<hr/>	<hr/>
Net position, end of year	<u>\$ 708,406,453</u>	<u>\$ 69,248</u>

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION

December 31, 2016

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 35,808	\$ 623,634	\$ 2,376,375
Cash and cash equivalents - restricted	1,701,589	-	-
Investments	-	-	631,978
Accounts receivable	92,922	-	-
Taxes receivable	550,094	-	417,308
Due from other governmental units	-	23,091	195,293
Inventories	-	-	-
Prepays	1,000	-	-
Current portion of notes receivable	-	5,906	17,145
Total current assets	2,381,413	652,631	3,638,099
Noncurrent assets			
Net pension asset	-	-	-
Net other post-employment benefits asset	-	-	-
Noncurrent portion of notes receivable	-	100,402	917,771
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	443,234	-	-
Total noncurrent assets	501,396	100,402	917,771
TOTAL ASSETS	2,882,809	753,033	4,555,870
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of resources related to pensions	-	-	-
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	237,196	-	298,100
Accrued liabilities	-	-	-
Accrued interest payable	55,145	-	-
Due to other governmental units	-	4,779	66,814
Unearned revenue	10,294	-	59,000
Current portion of advances from other governmental units	-	5,906	-
Current portion of compensated absences	-	7,310	12,664
Current portion of long-term debt	566,975	-	-
Total current liabilities	869,610	17,995	436,578
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	9,324	8,008
Noncurrent portion of long-term debt	1,126,616	-	193,935
Noncurrent portion of advances from other governmental units	-	100,402	918,100
Total noncurrent liabilities	1,126,616	109,726	1,120,043
TOTAL LIABILITIES	1,996,226	127,721	1,556,621
DEFERRED INFLOW OF RESOURCES			
Deferred inflows of resources related to pensions	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	501,396	-	-
Unrestricted	385,187	625,312	2,999,249
TOTAL NET POSITION	\$ 886,583	\$ 625,312	\$ 2,999,249

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION - CONCLUDED

December 31, 2016

Local Development Finance Authority	Metro Transit	Total Component Units
\$ 120,221	\$ 2,646,365	\$ 5,802,403
-	-	1,701,589
-	-	631,978
-	268,312	361,234
274,560	31,127	1,273,089
-	3,861,838	4,080,222
-	409,174	409,174
-	43,245	44,245
-	-	23,051
<u>394,781</u>	<u>7,260,061</u>	<u>14,326,985</u>
-	6,486,345	6,486,345
-	3,273,602	3,273,602
-	-	1,018,173
-	2,012,631	2,070,793
-	<u>21,877,416</u>	<u>22,320,650</u>
<u>-0-</u>	<u>33,649,994</u>	<u>35,169,563</u>
394,781	40,910,055	49,496,548
-	2,777,421	2,777,421
333,371	569,372	1,438,039
-	384,421	384,421
-	58,560	113,705
23,302	289,230	384,125
-	345,852	415,146
-	-	5,906
-	222,265	242,239
-	<u>90,396</u>	<u>657,371</u>
356,673	1,960,096	3,640,952
-	38,833	56,165
-	4,230,873	5,551,424
-	-	1,018,502
<u>-0-</u>	<u>4,269,706</u>	<u>6,626,091</u>
356,673	6,229,802	10,267,043
-	60,275	60,275
-	23,890,047	24,391,443
<u>38,108</u>	<u>13,507,352</u>	<u>17,555,208</u>
<u>\$ 38,108</u>	<u>\$ 37,397,399</u>	<u>\$ 41,946,651</u>

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Downtown Development Authority	\$ 3,853,833	\$ 2,950,606	\$ -	\$ -
Economic Development Corporation	122,586	-	276,732	-
Brownfield Redevelopment Authority	1,128,769	-	192,583	-
Local Development Finance Authority	612,993	-	-	-
<b>Business-type Activities</b>				
Metro Transit	12,696,425	2,157,790	9,853,486	723,852
<b>TOTALS</b>	<b>\$ 18,414,606</b>	<b>\$ 5,108,396</b>	<b>\$ 10,322,801</b>	<b>\$ 723,852</b>

General revenues

Property taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position (deficit), beginning of year

Net position, end of year

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES - CONCLUDED

Year Ended December 31, 2016

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
\$ (903,227)	\$ -	\$ -	\$ -	\$ -	\$ (903,227)
-	154,146	-	-	-	154,146
-	-	(936,186)	-	-	(936,186)
-	-	-	(612,993)	-	(612,993)
-	-	-	-	38,703	38,703
(903,227)	154,146	(936,186)	(612,993)	38,703	(2,259,557)
1,783,391	-	1,162,529	632,825	110,592	3,689,337
861	30	9,495	-	1,590	11,976
90,476	-	330,753	-	-	421,229
1,874,728	30	1,502,777	632,825	112,182	4,122,542
971,501	154,176	566,591	19,832	150,885	1,862,985
(84,918)	471,136	2,432,658	18,276	37,246,514	40,083,666
<u>\$ 886,583</u>	<u>\$ 625,312</u>	<u>\$ 2,999,249</u>	<u>\$ 38,108</u>	<u>\$ 37,397,399</u>	<u>\$ 41,946,651</u>

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**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 75,922. 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, 2016

**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, 2016.

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. The Metro Transit System has been reported with a fiscal year end of September 30, 2016.

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. Interfund services provided and used are not eliminated in the process of consolidation. 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, 2016

**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.
- b. The OPEB Bond Debt Service Fund is used to account for the debt service activity of the OPEB General Obligation bond issue. Financing is provided by transfers from the General Fund and Major Streets, Local Streets, and Solid Waste special revenue funds.

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, 2016

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

4. Basis of Presentation - 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, 2016

**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).

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 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

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.

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 acquisition 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

14. Long-Term Obligations - Concluded

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.

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 and liabilities, the statement of net position and balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position or in the governmental funds balance sheet.

The City reports deferred outflows of resources which correspond to the City's net pension asset and are related to differences between projected and actual pension plan investment earnings and changes in assumptions. The City also reports deferred outflows of resources in governmental activities, business-type activities, and certain funds for deferred charges on refunding. The City reports deferred inflows of resources in certain funds for long-term receivables that are not available to pay for current period expenditures. The City also reports deferred inflows of resources which correspond to the City's net pension asset and are related to differences between expected and actual experience. The City reports deferred inflows of resources for the sale of future revenues on cell tower leases in the statement of net position.

17. Net Pension Asset

The net pension asset is deemed to be a noncurrent asset and is recognized in the government-wide financial statements as well as the enterprise funds.

18. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

18. Property Taxes - Concluded

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, 2016, the City levied 19.2705 mills for general governmental services and 1.8000 mills for waste collection. The total taxable value for the 2016 levy for property within the City was \$1,453,019,420.

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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

24. 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: DEPOSITS 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.
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, 2016, the carrying amount of the City's deposits was \$74,055,451 and the bank balance was \$74,720,451. The financial statements include \$6,400 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, 2016, the City accounts were insured by the Federal Deposit Insurance Corporation for \$1,766,113 and the amount of \$72,954,338 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.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

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

Fair Value Measurement

Fair value is defined as 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. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period).

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

As of December 31, 2016, the carrying amounts and market values for the investments are as follows:

INVESTMENT TYPE	Level 1	Level 2	Level 3	Total	Standard & Poor's Rating	Weighted Average Maturity
Federal Home Loan Bank	\$ 3,750,000	\$ -	\$ -	\$ 3,750,000	AA+	1,707 days
Fannie Mae	7,008,522	-	-	7,008,522	AA+	1,078 days
Freddie Mac	2,500,000	-	-	2,500,000	AA+	1,605 days
Equity mutual funds	3,659,207	-	-	3,659,207	Not Rated	N/A
	<u>\$ 16,917,729</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,917,729</u>		

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

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

Custodial Credit Risk of Deposits - Concluded

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 \$2,924,111 and \$64,368, respectively, as of December 31, 2016, 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, 2016, 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, 2016, 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.

**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, 2016, the System's investments represented approximately 86.8 percent of the portfolio and the Trust's investments represented approximately 13.2 percent of the portfolio.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

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

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, 2016, was \$487,610. These amounts were fully insured as of December 31, 2016.

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, 2016, 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%

The System's and Trust's investments are held in nine (9) portfolios administered by five (5) investment managers. Following is a summary of the portfolio's investments as of December 31, 2016:

U.S. Treasuries	\$ 90,496,618
U.S. Agencies	1,534,634
Corporate bonds	73,532,067
Collateralized mortgage obligations	23,453,358
Equity mutual funds	502,036,893
Real estate mutual funds	38,155,984
Total investments	<u>\$ 729,209,554</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

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

Fair Value Measurements

Fair value is defined as 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. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of December 31, 2016, the carrying amount and fair value for each investment are as follows:

INVESTMENT TYPE	Level 1	Level 2	Level 3	Fair Value
U.S. Strips	\$ 1,534,634	\$ -	\$ -	\$ 1,534,634
Federal Home Loan	227,130	-	-	227,130
Fannie Mae	23,226,228	-	-	23,226,228
U.S. Treasury Notes	90,496,618	-	-	90,496,618
Corporate Bonds	-	73,532,067	-	73,532,067
Equity mutual funds	502,036,893	-	-	502,036,893
Real estate mutual funds	38,155,984	-	-	38,155,984
	<u>\$ 655,677,487</u>	<u>\$ 73,532,067</u>	<u>\$ -0-</u>	<u>\$ 729,209,554</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.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

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

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four (4) major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2016, 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	\$ -	\$ 7,666,374	\$ -
AA	-	8,681,191	23,453,358
A	-	28,180,038	-
BBB	-	28,204,710	-
Not rated	1,534,634	799,754	-
	<u>\$ 1,534,634</u>	<u>\$ 73,532,067</u>	<u>\$ 23,453,358</u>
 <u>Moody's</u>			
Aaa	\$ -	\$ 5,711,572	\$ 23,453,358
Aa	-	7,199,903	-
A	-	28,874,695	-
Baa	-	27,976,093	-
Not rated	1,534,634	3,769,804	-
	<u>\$ 1,534,634</u>	<u>\$ 73,532,067</u>	<u>\$ 23,453,358</u>

Concentration of Credit Risk

The System's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund. At December 31, 2016, 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, 2016, equity holdings accounted for 69% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2016.

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, 2016, maturities of the portfolio's debt securities were as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

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

Interest Rate Risk - Concluded

	Fair Value	Investment Maturities (fair value by years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 90,496,618	\$ -	\$ 47,547,763	\$ 6,641,796	\$ 36,307,059
U.S. Agencies	1,534,634	-	-	-	1,534,634
Corporate bonds	73,532,067	2,184,009	26,621,827	28,367,046	16,359,185
Collateralized mortgage obligations	23,453,358	-	6,822	-	23,446,536
	<u>\$ 189,016,677</u>	<u>\$ 2,184,009</u>	<u>\$ 74,176,412</u>	<u>\$ 35,008,842</u>	<u>\$ 77,647,414</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, 2016, the portfolio had no U.S. currency futures contracts.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The System's exposure to foreign currency risk derives from its positions in foreign currency-denominated fixed-income investments. The System's investment policy permits it to invest up to 10 percent of total investments in foreign currency-denominated investments.

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2016, is summarized below:

<u>Currency</u>	<u>Fixed Income</u>
Canadian Dollar	\$ 908,243
Euro	6,730,845
Norwegian Krone	187,899
British Pound Sterling	3,201,145
Mexican Peso	342,414
	<u>\$ 11,370,546</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS AND INVESTMENTS - CONCLUDED**

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, 2016:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 37,783,890	\$ 5,802,403	\$ 18,462,905	\$ 62,049,198
Cash and cash equivalents - restricted	8,280,038	1,701,589	-	9,981,627
Investments	18,804,387	631,978	729,209,554	748,645,919
Investments with agents	2,988,479	-	-	2,988,479
	<u>\$ 67,856,794</u>	<u>\$ 8,135,970</u>	<u>\$ 747,672,459</u>	<u>\$ 823,665,223</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2016, are as follows:

Due to General Fund from:		
Wastewater Fund		\$ 217,605
Water Fund		310,234
Nonmajor governmental funds		2,497,083
Nonmajor enterprise funds		243
Internal service fund		11,513
		<u>\$ 3,036,678</u>
Due to Wastewater Fund from:		
General Fund		\$ 4,457
Water Fund		108,593
Nonmajor governmental funds		2,363,616
Internal service fund		50
		<u>\$ 2,476,716</u>
Due to Water Fund from:		
General Fund		\$ 50,498
Wastewater Fund		36,028
Nonmajor governmental funds		34,215
		<u>\$ 120,741</u>
Due to nonmajor governmental funds from:		
General Fund		\$ 844,104
Wastewater Fund		380
Nonmajor governmental funds		517,881
		<u>\$ 1,362,365</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED**

Due to Internal service fund from:	
General Fund	\$ 1,517,364
Wastewater Fund	193,540
Water Fund	124,484
Nonmajor governmental funds	168,256
Nonmajor enterprise funds	44
	<u>                    </u>
	<u>\$ 2,003,688</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.

**NOTE D: ADVANCES RECEIVABLE AND PAYABLES**

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2016:

Advance from General Fund to:	
Internal service fund	\$ 340,000
	<u>                    </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:	
Nonmajor governmental fund	\$ 650,000
	<u>                    </u>
Transfers to OPEB Bond Debt Service Fund from:	
General Fund	\$ 3,833,673
Nonmajor governmental funds	222,825
	<u>                    </u>
	<u>\$ 4,056,498</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,779,185
Nonmajor governmental funds	6,415,446
	<u>                    </u>
	<u>\$ 9,194,631</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE E: INTERFUND TRANSFERS - CONCLUDED**

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.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

**Primary Government**

	<u>Balance Jan. 1, 2016</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2016</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 29,986,151	\$ 95,667	\$ (25,143)	\$ 30,056,675
Construction in progress	7,131,416	4,556,421	(6,498,966)	5,188,871
Subtotal	37,117,567	4,652,088	(6,524,109)	35,245,546
Capital assets being depreciated				
Land improvements	15,133,122	570,229	-	15,703,351
Buildings and improvements	53,904,500	279,170	-	54,183,670
Vehicles	14,161,951	1,162,855	(403,792)	14,921,014
Machinery and equipment	15,401,325	736,730	-	16,138,055
Intangible assets	2,548,907	89,247	-	2,638,154
Infrastructure	208,283,724	5,703,871	(24,000)	213,963,595
Subtotal	309,433,529	8,542,102	(427,792)	317,547,839
Less accumulated depreciation for:				
Land improvements	(6,114,865)	-	3,653	(6,111,212)
Buildings and improvements	(18,672,368)	(286,595)	-	(18,958,963)
Vehicles	(10,698,073)	(577,788)	397,616	(10,878,245)
Machinery and equipment	(11,821,007)	(771,927)	-	(12,592,934)
Intangible assets	(2,265,452)	(90,126)	-	(2,355,578)
Infrastructure	(126,626,907)	(3,815,503)	18,000	(130,424,410)
Subtotal	(176,198,672)	(5,541,939)	419,269	(181,321,342)
Net capital assets being depreciated	133,234,857	3,000,163	(8,523)	136,226,497
Capital assets, net	<u>\$ 170,352,424</u>	<u>\$ 7,652,251</u>	<u>\$ (6,532,632)</u>	<u>\$ 171,472,043</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

Depreciation expense was charged to the following governmental activities:

General government	\$ 240,480
Public safety	1,156,072
Community and economic development	44,145
Streets	3,823,094
Public works	<u>278,148</u>
Total depreciation expense	<u><u>\$ 5,541,939</u></u>

	<u>Balance Jan. 1, 2016</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2016</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,296,680	\$ -	\$ -	\$ 3,296,680
Rights to liquor license	139,200	-	-	139,200
Construction in progress	<u>2,263,884</u>	<u>4,545,010</u>	<u>(4,522,120)</u>	<u>2,286,774</u>
Subtotal	5,699,764	4,545,010	(4,522,120)	5,722,654
Capital assets being depreciated				
Land improvements	16,384,688	63,444	-	16,448,132
Building and improvements	93,013,057	578,185	-	93,591,242
Vehicles	3,805,176	85,273	(100,476)	3,789,973
Machinery and equipment	65,211,460	1,856,123	(64,599)	67,002,984
Infrastructure	175,730,724	3,401,889	(1,148,410)	177,984,203
Intangible assets	<u>1,677,619</u>	<u>114,568</u>	<u>-</u>	<u>1,792,187</u>
Subtotal	355,822,724	6,099,482	(1,313,485)	360,608,721
Less accumulated depreciation for:				
Land improvements	(12,202,459)	(458,668)	-	(12,661,127)
Building and improvements	(48,545,921)	(1,650,229)	-	(50,196,150)
Vehicles	(2,602,851)	(167,721)	100,476	(2,670,096)
Machinery and equipment	(48,273,709)	(2,007,558)	64,599	(50,216,668)
Infrastructure	(78,564,426)	(3,559,507)	847,828	(81,276,105)
Intangible assets	<u>(1,612,809)</u>	<u>(53,264)</u>	<u>-</u>	<u>(1,666,073)</u>
Subtotal	<u>(191,802,175)</u>	<u>(7,896,947)</u>	<u>1,012,903</u>	<u>(198,686,219)</u>
Net capital assets being depreciated	<u>164,020,549</u>	<u>(1,797,465)</u>	<u>(300,582)</u>	<u>161,922,502</u>
Capital assets, net	<u><u>\$ 169,720,313</u></u>	<u><u>\$ 2,747,545</u></u>	<u><u>\$ (4,822,702)</u></u>	<u><u>\$ 167,645,156</u></u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Concluded**

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

Wastewater	\$ 4,556,114
Water	3,135,281
Kalamazoo Municipal Golf Association	201,592
City Market	<u>3,960</u>
Total depreciation expense	<u><u>\$ 7,896,947</u></u>

**Component Units**

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
<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	620,580	18,311	(11,970)	626,921
Equipment under capital lease	<u>157,621</u>	<u>-</u>	<u>-</u>	<u>157,621</u>
Subtotal	1,673,806	18,311	(11,970)	1,680,147
Less accumulated depreciation for:				
Leasehold improvements	(291,142)	(41,277)	-	(332,419)
General and administrative equipment	(210,723)	-	-	(210,723)
Equipment	(520,250)	(27,870)	11,970	(536,150)
Equipment under capital lease	<u>(157,621)</u>	<u>-</u>	<u>-</u>	<u>(157,621)</u>
Subtotal	<u>(1,179,736)</u>	<u>(69,147)</u>	<u>11,970</u>	<u>(1,236,913)</u>
Net capital assets being depreciated	<u>494,070</u>	<u>(50,836)</u>	<u>-0-</u>	<u>443,234</u>
Capital assets, net	<u><u>\$ 552,232</u></u>	<u><u>\$ (50,836)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 501,396</u></u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE F: CAPITAL ASSETS - CONCLUDED**

**Component Units - Concluded**

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
<b>Metro Transit</b>				
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Capital assets being depreciated				
Building and improvements	18,175,850	-	(118,811)	18,057,039
Land improvements	325,335	-	-	325,335
Machinery and equipment	2,326,119	35,255	(37,928)	2,323,446
Vehicles	17,636,804	673,764	(112,825)	18,197,743
Intangible assets	2,940,444	-	-	2,940,444
Subtotal	41,404,552	709,019	(269,564)	41,844,007
Less accumulated depreciation for:				
Building and improvements	(7,100,647)	(155,849)	50,099	(7,206,397)
Land improvements	(276,886)	(3,771)	-	(280,657)
Machinery and equipment	(1,779,115)	(86,782)	37,928	(1,827,969)
Vehicles	(8,748,566)	(1,019,382)	112,825	(9,655,123)
Intangible assets	(771,204)	(225,241)	-	(996,445)
Subtotal	(18,676,418)	(1,491,025)	200,852	(19,966,591)
Net capital assets being depreciated	22,728,134	(782,006)	(68,712)	21,877,416
Capital assets, net	<u>\$ 24,740,765</u>	<u>\$ (782,006)</u>	<u>\$ (68,712)</u>	<u>\$ 23,890,047</u>

**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, 2016:

**Primary Government**

	Restated Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amounts Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 119,056,899	\$ 5,490,000	\$ (6,285,715)	\$ 118,261,184	\$ 5,957,842
Revenue bonds	2,305,000	1,645,000	(2,030,000)	1,920,000	305,000
Compensated absences	6,318,729	3,546,812	(3,582,140)	6,283,401	2,251,115
Environmental matters	432,453	92,355	-	524,808	-
Uninsured claim liability	4,260,214	19,518,406	(19,980,744)	3,797,876	2,631,077
Subtotal	132,373,295	30,292,573	(31,878,599)	130,787,269	11,145,034
Deferred amounts on refunding	1,021,643	732,146	(99,333)	1,654,456	143,442
Total Governmental Activities	133,394,938	31,024,719	(31,977,932)	132,441,725	11,288,476

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

**Primary Government - Concluded**

	Restated Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amounts Due Within One Year
Business-type Activities					
General obligation bonds	\$ 19,747,705	\$ 90,000	\$ (423,889)	\$ 19,413,816	\$ 692,158
Revenue bonds	28,655,000	-	(1,900,000)	26,755,000	1,860,000
Compensated absences	750,201	756,343	(738,076)	768,468	420,853
EDC contract	121,064	-	(32,488)	88,576	33,476
Equipment acquisitions	52,958	-	(34,501)	18,457	13,723
Subtotal	49,326,928	846,343	(3,128,954)	47,044,317	3,020,210
Deferred amounts on refunding	68,991	-	(5,726)	63,265	5,726
Total Business-type Activities	49,395,919	846,343	(3,134,680)	47,107,582	3,025,936
TOTAL PRIMARY GOVERNMENT	\$ 182,790,857	\$ 31,871,062	\$ (35,112,612)	\$ 179,549,307	\$ 14,314,412

**Component Units**

	Restated Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 1,501,377	\$ -	\$ (471,688)	\$ 1,029,689	\$ 456,688
Rebated tax liabilities	774,189	-	(110,287)	663,902	110,287
Total Downtown Development Authority	\$ 2,275,566	\$ -0-	\$ (581,975)	\$ 1,693,591	\$ 566,975
Economic Development Corporation					
Compensated absences	\$ 24,684	\$ -	\$ (8,050)	\$ 16,634	\$ 7,310
Brownfield Redevelopment Authority					
Loan payable	\$ -	\$ 193,935	\$ -	\$ 193,935	\$ -
Compensated absences	14,956	9,995	(4,279)	20,672	12,664
Total Brownfield Redevelopment Authority	\$ 14,956	\$ 9,995	\$ (4,279)	\$ 20,672	\$ 12,664
Metro Transit					
Bonds and notes payable	\$ 90,396	\$ -	\$ (90,396)	\$ -0-	\$ -
Compensated absences	186,099	262,333	(187,334)	261,098	222,265
Total Metro Transit	\$ 276,495	\$ 262,333	\$ (277,730)	\$ 261,098	\$ 222,265

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.

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 \$165,635,000. General obligation bonds currently outstanding are as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

General Obligation Bonds - Concluded

**Primary Government**

	Issuance Date	Interest Rates	Restated Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amounts Due Within One Year
<b>Governmental Activities</b>							
1998 Building Authority Refunding	11/17/1998	3.35%-5.25%	\$ 435,000	\$ -	\$ (195,000)	\$ 240,000	\$ 240,000
2006B Building Authority	10/26/2006	4.00%-4.40%	200,000	-	(200,000)	-0-	-
2007 Capital Improvement	7/12/2007	3.90%-4.75%	595,000	-	(555,000)	40,000	40,000
2008 Capital Improvement	7/1/2008	3.25%-4.375%	2,525,000	-	(275,000)	2,250,000	285,000
2009 Capital Improvement	6/24/2009	2.50%-4.45%	3,105,000	-	(285,000)	2,820,000	300,000
2010 Capital Improvement	6/22/2010	2.00%-4.00%	2,055,000	-	(175,000)	1,880,000	180,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	1,320,000	-	(420,000)	900,000	450,000
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	2,166,943	-	(350,000)	1,816,943	47,802
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	3,665,000	-	(275,000)	3,390,000	285,000
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	3,500,049	-	(275,000)	3,225,049	253,125
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	3,509,514	-	(247,624)	3,261,890	247,624
2014 Capital Improvement Bonds*	5/1/2014	2.88%	5,048,004	-	(476,656)	4,571,348	486,459
2015 Capital Improvement Bonds*	6/2/2015	2.00%-3.375%	4,953,285	-	(283,547)	4,669,738	289,813
2015 OPEB Bonds*	1/22/2015	0.75%-4.67%	70,099,104	-	(1,377,888)	68,721,216	1,488,019
2015A Refunding Bonds	8/4/2015	2.00%-5.00%	7,465,000	-	(390,000)	7,075,000	600,000
2015B Refunding Bonds	8/4/2015	0.54%-4.41%	8,415,000	-	(505,000)	7,910,000	515,000
2016 Capital Improvement Refunding Bonds*	7/19/2016	2.00%-4.00%	-	5,490,000	-	5,490,000	250,000
<b>Total Governmental Activities</b>			<b>119,056,899</b>	<b>5,490,000</b>	<b>(6,285,715)</b>	<b>118,261,184</b>	<b>5,957,842</b>
<b>Business-type Activities</b>							
2011 Building Authority Refunding*	3/1/2011	2.00%-4.875%	363,058	-	-	363,058	237,198
2012 Capital Improvement Bonds*	3/29/2012	2.00%-3.60%	144,951	-	-	144,951	21,875
2013 Capital Improvement Bonds*	4/11/2013	2.00%-2.75%	175,486	-	(12,376)	163,110	12,376
2014 Capital Improvement Bonds*	5/1/2014	2.88%	141,995	-	(8,344)	133,651	8,541
2015 Capital Improvement Bonds*	6/2/2015	2.00%-3.375%	196,715	-	(11,453)	185,262	10,187
2015 OPEB Bonds*	1/22/2015	0.75%-4.67%	18,725,500	-	(391,716)	18,333,784	396,981
2016 Capital Improvement Refunding Bonds*	7/19/2016	2.00%-4.00%	-	90,000	-	90,000	5,000
<b>Total Business-type Activities</b>			<b>19,747,705</b>	<b>90,000</b>	<b>(423,889)</b>	<b>19,413,816</b>	<b>692,158</b>
<b>Total General Obligation Bonds</b>			<b>\$ 138,804,604</b>	<b>\$ 5,580,000</b>	<b>\$ (6,709,604)</b>	<b>\$ 137,675,000</b>	<b>\$ 6,650,000</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 \$5,505,000 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 2016, pledged revenue of \$5,718,840 funded debt service of \$542,508. The original amount of revenue bonds issued was \$37,365,000 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 2016 pledged revenues of \$8,488,717 funded debt service of \$2,871,856. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amounts Due Within One Year
<b>Governmental Activities</b>							
2007 Michigan Transportation Fund	7/12/2007	4.00%-4.50%	\$ 2,105,000	\$ -	\$ (1,830,000)	\$ 275,000	\$ 275,000
2011 Michigan Transportation Fund	7/26/2011	2.00%-3.00%	200,000	-	(200,000)	-0-	-
2016 Michigan Transportation Fund	7/14/2016	1.43%	-	1,645,000	-	1,645,000	30,000
<b>Total Governmental Activities</b>			<b>2,305,000</b>	<b>1,645,000</b>	<b>(2,030,000)</b>	<b>1,920,000</b>	<b>305,000</b>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

Revenue Bonds - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amounts Due Within One Year
Business-type Activities							
2006 Water Supply System and Refunding	11/29/2006	4.00%-4.25%	\$ 1,535,000	\$ -	\$ (115,000)	\$ 1,420,000	\$ 120,000
2007 Water Supply System	7/12/2007	4.00%-4.65%	1,485,000	-	(60,000)	1,425,000	65,000
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	1,705,000	-	(325,000)	1,380,000	330,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	5,410,000	-	(265,000)	5,145,000	265,000
2012 Water System Refunding	6/5/2012	1.50%	2,415,000	-	(650,000)	1,765,000	620,000
2014 Wastewater System Refunding	5/1/2014	3.45%	2,180,000	-	(85,000)	2,095,000	85,000
2014 Water Supply System Refunding	5/1/2014	3.45%	10,890,000	-	(285,000)	10,605,000	290,000
2015 Water Supply System	12/10/2015	2.00%-3.375%	3,035,000	-	(115,000)	2,920,000	85,000
Total Business-type Activities			28,655,000	-0-	(1,900,000)	26,755,000	1,860,000
Total Revenue Bonds			<u>\$ 30,960,000</u>	<u>\$ 1,645,000</u>	<u>\$ (3,930,000)</u>	<u>\$ 28,675,000</u>	<u>\$ 2,165,000</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:

	2016	2015
Estimated liability, beginning of year	\$ 4,260,214	\$ 4,251,576
Estimated claims incurred, including changes in estimates	19,518,406	19,661,320
Claim payments	(19,980,744)	(19,652,682)
Estimated liability, end of year	<u>\$ 3,797,876</u>	<u>\$ 4,260,214</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.

Equipment Acquisitions

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

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 \$6,283,401 and \$768,468 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2016. Of those amounts, \$2,251,115 and \$420,853 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 July 14, 2016, the City defeased a portion of the 2007 Michigan Transportation Fund Refunding Bonds, which were due and payable through April 1, 2022. 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 2016 Michigan Transportation Funding Refunding Bonds in the amount of \$1,645,000. 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 \$99,819, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$93,589.

On July 19, 2016, the City defeased a portion of the 2007 Capital Improvement Bonds, which were due and payable through October 1, 2027. 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 2016 Capital Improvement Bonds in the amount of \$5,580,000. 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 \$75,244, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$63,689.

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, 2016, \$23,620,000 of bonds outstanding from current and prior year refundings are considered defeased.

No Commitment Debt

Excluded from the statement of net position 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 \$276,380,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

**Component Units**

Downtown Development Authority

Long-term bonds and notes at December 31, 2016, 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	12/31/2020	N/A	\$ 174,689

The Downtown Development Authority is also responsible for rebated tax liabilities with a balance of \$663,902 as of December 31, 2016, and debt service payments on \$855,000 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 \$16,634 for vacation and sick at December 31, 2016. Of that total amount, \$7,310 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 \$20,672 for vacation and sick at December 31, 2016. Of that total amount, \$12,664 has been recorded as a current liability.

Brownfield Redevelopment Loan Contract is due in annual installments of \$16,348 to \$18,972 through June 23, 2031, with interest of 1.50%.

Metro Transit

In accordance with the City of Kalamazoo Metro Transit System's personnel policies and/or contracts negotiated with 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 their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$261,098 for vacation and sick at December 31, 2016. Of that total amount, \$222,265 has been recorded as a current liability.

The Metro Transit System ceased operations on September 30, 2016. The outstanding balance of the Limited Tax General Obligation bonds, in the amount of \$4,230,873, was transferred to the City and is reflected in the City's debt summary as of December 31, 2016.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

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

Year Ending Dec. 31,	Primary Government							
	General Obligation Bonds				Revenue Bonds			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,957,842	\$ 4,579,981	\$ 692,158	\$ 786,645	\$ 305,000	\$ 28,947	\$ 1,860,000	\$ 941,713
2018	5,978,209	4,418,024	576,791	774,491	320,000	20,807	1,865,000	895,132
2019	5,671,087	4,249,588	458,913	760,365	320,000	16,231	1,865,000	847,240
2020	5,571,063	4,084,964	468,937	749,642	320,000	11,655	1,460,000	796,550
2021	5,750,869	3,909,324	484,131	737,329	325,000	7,043	1,135,000	746,527
2022-2026	29,558,423	16,416,168	2,651,577	3,452,820	330,000	2,360	6,335,000	3,075,466
2027-2031	18,286,983	11,552,442	3,028,017	2,938,498	-	-	7,640,000	1,772,122
2032-2036	13,151,404	8,463,428	3,508,596	2,257,915	-	-	3,915,000	415,769
2037-2041	16,468,257	5,145,245	4,395,222	1,372,674	-	-	680,000	58,556
2042-2045	11,867,047	1,123,645	3,149,474	299,771	-	-	-	-
	<u>\$ 118,261,184</u>	<u>\$ 63,942,809</u>	<u>\$ 19,413,816</u>	<u>\$ 14,130,150</u>	<u>\$ 1,920,000</u>	<u>\$ 87,043</u>	<u>\$ 26,755,000</u>	<u>\$ 9,549,075</u>

Year Ending Dec. 31,	Primary Government				Component Units			
	EDC Contract		Equipment Acquisitions		Downtown Development Authority		Brownfield Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 33,476	\$ 2,199	\$ 13,723	\$ 630	\$ 566,975	\$ 40,783	\$ -	\$ -
2018	34,495	1,181	4,734	51	611,975	21,473	-	-
2019	20,605	207	-	-	161,975	11,162	-	-
2020	-	-	-	-	86,233	9,852	-	-
2021	-	-	-	-	66,608	9,852	18,972	-
2022-2026	-	-	-	-	199,825	29,556	84,227	10,633
2027-2031	-	-	-	-	-	-	90,736	4,124
2032-2036	-	-	-	-	-	-	-	-
2037-2041	-	-	-	-	-	-	-	-
2042-2045	-	-	-	-	-	-	-	-
	<u>\$ 88,576</u>	<u>\$ 3,587</u>	<u>\$ 18,457</u>	<u>\$ 681</u>	<u>\$ 1,693,591</u>	<u>\$ 122,678</u>	<u>\$ 193,935</u>	<u>\$ 14,757</u>

**NOTE H: SHORT-TERM DEBT**

During the year ended December 31, 2016, 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, 2016	Additions	Deletions	Balance Dec. 31, 2016
Tax Anticipation Note, Series 2016	1/13/2016	1.25%	\$ -0-	\$ 3,000,000	\$ (3,000,000)	\$ -0-

**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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

Plan Description - Concluded

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, Kalamazoo, MI 49007.

Effective October 1, 2016, the pension assets related to the Kalamazoo Metro Transit System were transferred to the newly established Central County Transportation Authority (CCTA) employee retirement system. This transfer of assets is reported as a special item in the financial statements of the Pension Trust Fund financial statements.

Plan Membership

At December 31, 2016, pension plan membership consisted of the following:

Inactive employees or beneficiaries receiving benefits	906
Inactive employees entitled to but not yet receiving benefits	53
Active employees	<u>522</u>
Total employees covered by the Plan	<u><u>1,481</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, and AFSCME 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, 2016

**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, 2016.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.64 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset

The net pension asset reported at December 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

Net Pension Asset - Concluded

Changes in the net pension asset during the measurement year were as follows:

<u>Changes in Net Pension Liability (Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension (Asset) (a)-(b)</u>
Balances at December 31, 2015	\$ 463,309,018	\$ 589,527,061	\$ (126,218,043)
Changes for the Year			
Service cost	5,683,351	-	5,683,351
Interest on total pension liability	33,892,669	-	33,892,669
Changes in benefit terms	(23,809,450)	-	(23,809,450)
Difference between expected and actual experience	(2,513,167)	-	(2,513,167)
Employee contributions	-	1,085,940	(1,085,940)
Net investment income	-	72,939,990	(72,939,990)
Benefit payments, including employee refunds	(28,496,870)	(28,496,870)	-0-
Administrative expense	-	(153,024)	153,024
Other	-	(21,875,722)	21,875,722
Net changes	<u>(15,243,467)</u>	<u>23,500,314</u>	<u>(38,743,781)</u>
Balances as of December 31, 2016	<u>\$ 448,065,551</u>	<u>\$ 613,027,375</u>	<u>\$ (164,961,824)</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the City recognized pension expense of \$184,761. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,592,872
Changes in assumptions	5,810,149	-
Net difference between projected and actual earnings on pension plan investments	<u>8,010,097</u>	<u>-</u>
Total	<u>\$ 13,820,246</u>	<u>\$ 2,592,872</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Concluded

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

<u>Years Ending December 31,</u>	<u>Pension Expense</u>
2017	\$ 6,649,677
2018	6,434,479
2019	4,096,356
2020	<u>(5,953,138)</u>
	<u>\$ 11,227,374</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods including in the measurement:

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.

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent-of-Payroll, Open Period
Remaining Amortization Period	10 years
Asset Valuation Method	5-Year smoothed market
Inflation	3.5% (which includes price inflation of 2.75%)
Salary Increases	3.5% to 15.5% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2009 - 2013.
Mortality	RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale BB

The actuarial assumptions used in the December 31, 2016, valuation were based upon the results of an actuarial experience study for the period January 1, 2009 through December 31, 2013.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

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.

Projected Cash Flows

Based on those assumptions, the 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 future periods of projected benefit payments to determine the total pension liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Small Cap (Manager 1)	5.00%	4.60%
U.S. Small Cap (Manager 2)	10.00%	4.60%
International Developed Equity	10.00%	4.10%
U.S. Large Cap (Manager 1)	30.00%	4.10%
U.S. Large Cap (Manager 2)	5.00%	4.20%
Emerging Markets	10.00%	6.60%
Domestic Fixed Income	25.00%	1.00%
Real Estate (Manager 1)	2.50%	2.90%
Real Estate (Manager 2)	2.50%	2.90%

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:

	<u>1% Decrease Rate 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase Rate 8.50%</u>
Total pension liability	\$ 501,029,951	\$ 448,065,551	\$ 403,925,336
Plan fiduciary net position	613,027,375	613,027,375	613,027,375
City's net pension liability (asset)	<u>\$ (111,997,424)</u>	<u>\$ (164,961,824)</u>	<u>\$ (209,102,039)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**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 January 1, 2016 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	950
Active plan members	414
	<hr/>
	1,364
	<hr/> <hr/>

Funded Status and Funding Progress

Plan members are expected to contribute 0.5% of their annual covered payroll to the Plan. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. 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, 2016, the City's annual cost for other post-employment benefits (OPEB) was \$6,853,533. The estimated annual required contribution was determined as part of an actuarial valuation at January 1, 2016, using the individual entry age method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 7.5% investment rate of return (b) projected salary increases of 3.5% 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 3.5% 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, 2016

**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)	\$ 6,728,006
Interest on net OPEB obligation	(973,455)
Adjustment to annual required contribution	<u>1,098,982</u>
Annual OPEB cost	6,853,533
Contributions made	<u>3,520,000</u>
Increase (decrease) in net OPEB obligation	3,333,533
Net OPEB (asset) - beginning of year	<u>(12,979,404)</u>
Net OPEB (asset) - end of year	<u><u>\$ (9,645,871)</u></u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual required contribution	\$ 14,115,049	\$ 14,118,858	\$ 6,728,006
Percentage contributed	72.6%	646.8%	52.3%
Net OPEB obligation (asset)	65,384,020	(12,979,404)	(9,645,871)

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

	<u>2011</u>	<u>2013</u>	<u>2016</u>
Actuarial value of assets	\$ -	\$ 6,931,353	\$ 94,643,208
Actuarial accrued liability (AAL)	190,631,174	194,792,158	156,809,472
Unfunded AAL (UAAL)	190,631,174	187,860,805	62,166,264
Funded ratio	0%	4%	60%
Annual covered payroll	44,227,533	37,509,463	38,760,334
Ratio of UAAL to covered payroll	431.0%	500.8%	160.4%

**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, 2016

**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 is used to pay claims to the retention limits, the ultimate liability for those claims remains with the City.

**NOTE L: COMMITMENTS AND CONTINGENCIES**

Legal Contingencies

Contingent liabilities represent items that are not recognized in the Statement of Net Position at December 31, 2016 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 Contingencies

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 \$524,808 in the government-wide financial statements. The City has set aside \$92,360 in its Cork Street Landfill Cap 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 the above referenced 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 \$3,722,534, community development grants for \$719,519, public safety grants for \$321,269, equipment purchases of \$1,313,483, and general contractual commitments for \$1,405,092. 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, 2016

**NOTE M: 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, 2016:

PRIMARY GOVERNMENT	
Governmental Activities	
Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	3,792,719
Solid waste program	148,933
Parks and recreation	1,005,770
Neighborhood and community development	988,829
Other purposes	
Drug enforcement	343,873
Cemetery perpetual care	2,168,500
Capital improvements	1,992,581
Cork Street Landfill cap	86,079
Grants and donations	782,664
	<u>782,664</u>
	<u>\$ 14,937,512</u>
Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 780,774
Water Fund	1,313,280
	<u>1,313,280</u>
	<u>\$ 2,094,054</u>

**NOTE N: TAX ABATEMENTS**

INDUSTRIAL FACILITIES EXEMPTION

The City has entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as high-tech personal property, is computed at 50% of the property tax millage rate for new property. For rehabilitation purposes, the taxable values can be frozen.

For the year ended December 31, 2016, the City abated property tax revenues totaling \$321,075, under this program. There are no provisions to recapture taxes, however the abatement may be eliminated if taxes are not paid timely.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE N: TAX ABATEMENTS - CONTINUED**

NEIGHBORHOOD ENTERPRISE (NEZ) ZONE ACT

The City has entered into property tax abatement agreements with property owners under the Neighborhood Enterprise Zone Act, PA 147 of 1992, as amended. A Neighborhood Enterprise Zone Act certificate entitles the property owner to exemption from ad valorem real and/or personal property taxes for a term of 6-15 years as determined by the local unit of government. The tax abatement on a rehabilitated facility, is computed by multiplying the total mills levied as ad valorem taxes by the taxable value of the rehabilitated facility, not including land, for the tax year immediately preceding the effective date of the certificate until the certificate expires.

For the year ended December 31, 2016, the City abated property tax revenues totaling \$27,442, under this program. There are no provisions to recapture taxes, however the abatement may be eliminated if taxes are not paid timely.

**NOTE O: 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, 2016

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

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Inventory	\$ 106,278	\$ 263,224	\$ 369,502
Prepays	43,385	-	43,385
Advances	340,000	1,024,408	1,364,408
Notes receivable	655,782	900,636	1,556,418
Cemetery perpetual care	-	1,735,160	1,735,160
Endowments	-	1,892,404	1,892,404
Restricted			
Highways	-	3,536,702	3,536,702
Solid waste	-	148,933	148,933
Grants and donations	-	979,546	979,546
Drug enforcement	-	343,873	343,873
Recreation activities	-	586,276	586,276
Park activities	-	419,494	419,494
Cemetery perpetual care	-	2,168,500	2,168,500
Debt service	-	58,469	58,469
Capital improvements	-	2,078,660	2,078,660
Committed			
Economic development programs	-	623,031	623,031
Cemeteries	-	218,968	218,968
Assigned			
Subsequent year's expenditures	2,703,090	-	2,703,090
Unassigned	8,120,863	-	8,120,863
	<u>\$ 11,969,398</u>	<u>\$ 16,978,284</u>	<u>\$ 28,947,682</u>
TOTAL FUND BALANCES	<u>\$ 11,969,398</u>	<u>\$ 16,978,284</u>	<u>\$ 28,947,682</u>

**NOTE P: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the year. 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.

GASB Statement No. 77, *Tax Abatement Disclosures*, was implemented during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**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, 2016, is as follows:

	Employees' Retirement System	Other Post- Employment Benefits	Total
Additions			
Employer contributions	\$ -	\$ 3,500,000	\$ 3,500,000
Plan member contributions	1,085,940	885,073	1,971,013
Net investment income	72,939,990	10,985,290	83,925,280
Deductions			
Benefits	28,474,218	10,284,889	38,759,107
Refunds of contributions	22,652	-	22,652
Administrative expenses	153,024	97,045	250,069
Miscellaneous expenses	175,722	-	175,722
Special item	(21,700,000)	-	(21,700,000)
Change in net position	23,500,314	4,988,429	28,488,743
Total assets	634,781,714	96,311,620	731,093,334
Total liabilities	54,339	932,542	986,881
Net position	613,027,375	95,379,078	708,406,453

**NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS**

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 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 2018 fiscal year.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The statement amends the blending requirements for the financial statement presentation of component units of all state and local governments and requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONCLUDED**

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Kalamazoo

Defined Benefit Pension Plan

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

Last Three Fiscal Years (Ultimately ten years will be displayed)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CHANGE IN TOTAL PENSION LIABILITY</b>			
Service cost	\$ 5,683,351	\$ 6,187,334	\$ 6,259,728
Interest	33,892,669	32,334,356	31,603,299
Changes of benefit terms	(23,809,450)	-	-
Difference between expected and actual experience	(2,513,167)	(1,574,739)	-
Changes of assumptions	-	12,509,343	-
Benefit payments, including employee refunds	<u>(28,496,870)</u>	<u>(28,356,700)</u>	<u>(27,802,129)</u>
Net Change in Total Pension Liability	(15,243,467)	21,099,594	10,060,898
Total Pension Liability, beginning	<u>463,309,018</u>	<u>442,209,424</u>	<u>432,148,526</u>
Total Pension Liability, ending	<u>\$ 448,065,551</u>	<u>\$ 463,309,018</u>	<u>\$ 442,209,424</u>
<b>CHANGE IN PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ -	\$ 1,602,053	\$ 760,912
Contributions - employee	1,085,940	1,084,798	1,067,029
Net investment income (loss)	72,939,990	(9,974,517)	41,065,447
Benefit payments, including employee refunds	(28,496,870)	(28,356,700)	(27,802,131)
Administrative expenses	(153,024)	(125,770)	(122,107)
Other	<u>(21,875,722)</u>	<u>(174,885)</u>	<u>(110,326)</u>
Net Change in Plan Fiduciary Net Position	23,500,314	(35,945,021)	14,858,824
Plan Fiduciary Net Position, beginning	<u>589,527,061</u>	<u>625,472,082</u>	<u>610,613,258</u>
Plan Fiduciary Net Position, ending	<u>\$ 613,027,375</u>	<u>\$ 589,527,061</u>	<u>\$ 625,472,082</u>
City's Net Pension (Asset)	<u>\$ (164,961,824)</u>	<u>\$ (126,218,043)</u>	<u>\$ (183,262,658)</u>
Plan fiduciary net position as a percentage of the total pension liability	136.82%	127.24%	141.44%
Covered employee payroll	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892
City's net pension asset as a percentage of covered employee payroll	(442.36%)	(339.31%)	(504.41%)

City of Kalamazoo  
 Defined Benefit Pension Plan  
 SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	1,602,053	760,912	905,746	905,746	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ (1,602,053)</u>	<u>\$ (760,912)</u>	<u>\$ (905,746)</u>	<u>\$ (905,746)</u>	<u>\$ -0-</u>				
Covered employee payroll	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892	\$ 36,539,969	\$ 42,305,663	\$ 43,007,800	\$ 44,435,753	\$ 44,159,590	\$ 42,889,419	\$ 42,165,958
Contributions as a percentage of covered employee payroll	0.00%	4.31%	2.09%	2.48%	2.14%	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 immediately 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 Percent-of-Payroll, Open Period  
 Remaining amortization period: 10 years  
 Asset valuation method: 5 years smoothed market  
 Inflation: 3.5% (which includes price inflation of 2.75%)  
 Salary increases: 3.5% to 15.5% including inflation  
 Investment rate of return: 7.50%  
 Retirement Age: Experience-based table of rates that are specific to the types of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2009 - 2013.  
 Mortality rates: RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projections Scale BB.

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULE OF INVESTMENT RETURNS

Last Three Fiscal Years (Ultimately ten years will be displayed)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	12.64%	-1.62%	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]
1/1/2016	\$ 94,643,208	\$ 156,809,472	\$ 62,166,264	60.4%	\$ 38,760,334	160.4%
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 Required Contribution	Percentage Contribution
2016	\$ 6,728,006	52%
2015	14,118,858	647%
2014	14,115,049	73%
2013	14,648,903	100%
2012	14,789,698	46%
2011	23,118,784	29%
2010	23,118,784	31%
2009	19,533,175	33%
2008	18,129,246	34%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

**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, 2016
Basis for contribution	December 31, 2015
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	3.5% - 15.5%
*Includes inflation at:	3.5%
Cost-of living adjustments	Determined annually
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2000 Mortality Combined Healthy Tables

OPEB Plan

Actuarial valuation:	
Frequency	Biennially
Latest date	January 1, 2016
Basis for contribution	January 1, 2016
Actuarial cost method	Individual entry age
Amortization method	Level dollar on a closed basis
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	3.5% - 15.5%
*Includes inflation at:	3.5%
Healthcare cost trend rate	3.5% - 9.0%

City of Kalamazoo

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONCLUDED

December 31, 2016

**NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the basic financial statements and other supplementary information to the financial statements, 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 function level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2016, the City incurred expenditures in the following Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Funds			
Grants and Donations	\$ 2,445,696	\$ 2,446,424	\$ 728
Drug Enforcement Fund	363,334	388,567	25,233

## **OTHER SUPPLEMENTARY INFORMATION**

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,453,700	\$ 600,428	\$ 543,997	\$ 246,257	\$ 5,844,382
Cash and cash equivalents - restricted	1,727,017	-	3,893,455	-	5,620,472
Investments	365,429	-	-	3,659,207	4,024,636
Investments with agents	25,937	-	-	2,898,174	2,924,111
Receivables					
Accounts	82,628	-	103,384	-	186,012
Taxes	275,709	-	-	-	275,709
Notes	900,636	-	-	-	900,636
Due from other funds	1,146,101	500	215,764	-	1,362,365
Due from other governmental units	2,290,434	1,043,266	53,703	-	3,387,403
Advances to other governmental units	1,024,408	-	-	-	1,024,408
Inventories	263,224	-	-	-	263,224
<b>TOTAL ASSETS</b>	<b>\$ 12,555,223</b>	<b>\$ 1,644,194</b>	<b>\$ 4,810,303</b>	<b>\$ 6,803,638</b>	<b>\$ 25,813,358</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,468,139	\$ -	\$ 85,258	\$ 58	\$ 1,553,455
Accrued liabilities	146,281	-	-	1,746	148,027
Due to other funds	2,389,543	685,725	2,505,783	-	5,581,051
Due to other governmental units	186	-	-	-	186
Deposits payable	64,912	-	92,360	-	157,272
Unearned revenue	291,238	-	-	-	291,238
<b>TOTAL LIABILITIES</b>	<b>4,360,299</b>	<b>685,725</b>	<b>2,683,401</b>	<b>1,804</b>	<b>7,731,229</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	155,603	900,000	48,242	-	1,103,845
<b>FUND BALANCES</b>					
Nonspendable	2,188,268	-	-	3,627,564	5,815,832
Restricted	5,009,054	58,469	2,078,660	3,174,270	10,320,453
Committed	841,999	-	-	-	841,999
<b>TOTAL FUND BALANCES</b>	<b>8,039,321</b>	<b>58,469</b>	<b>2,078,660</b>	<b>6,801,834</b>	<b>16,978,284</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,555,223</b>	<b>\$ 1,644,194</b>	<b>\$ 4,810,303</b>	<b>\$ 6,803,638</b>	<b>\$ 25,813,358</b>

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
<b>REVENUES</b>					
Property taxes	\$ 2,553,522	\$ -	\$ -	\$ -	\$ 2,553,522
Intergovernmental	10,391,343	-	616,141	-	11,007,484
Charges for services	280,338	-	-	26,843	307,181
Fines and forfeits	230,297	-	-	-	230,297
Interest and rents	52,506	1,453,061	3,871	144,110	1,653,548
Net investment earnings	2,891	-	-	582,245	585,136
Other	500,951	195,382	10,000	240	706,573
<b>TOTAL REVENUES</b>	<b>14,011,848</b>	<b>1,648,443</b>	<b>630,012</b>	<b>753,438</b>	<b>17,043,741</b>
<b>EXPENDITURES</b>					
Current					
General government	369,585	-	-	22,100	391,685
Public safety	2,103,026	-	-	-	2,103,026
Public works	2,601,311	-	-	-	2,601,311
Streets	7,379,742	-	-	-	7,379,742
Community and economic development	2,624,747	-	-	-	2,624,747
Parks and recreation	289,689	-	-	177,150	466,839
Debt service					
Principal	-	4,890,000	-	-	4,890,000
Interest and fiscal charges	-	1,860,139	-	-	1,860,139
Capital outlay	-	-	2,072,309	-	2,072,309
<b>TOTAL EXPENDITURES</b>	<b>15,368,100</b>	<b>6,750,139</b>	<b>2,072,309</b>	<b>199,250</b>	<b>24,389,798</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,356,252)</b>	<b>(5,101,696)</b>	<b>(1,442,297)</b>	<b>554,188</b>	<b>(7,346,057)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	2,650,000	2,135,000	2,350,000	-	7,135,000
Payments to escrow agent	-	(2,156,567)	-	-	(2,156,567)
Bond premium	350,000	57,764	324,381	-	732,145
Transfers in	2,031,103	5,063,528	2,100,000	-	9,194,631
Transfers out	(4,401,438)	-	(2,691,890)	(194,943)	(7,288,271)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>629,665</b>	<b>5,099,725</b>	<b>2,082,491</b>	<b>(194,943)</b>	<b>7,616,938</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(726,587)</b>	<b>(1,971)</b>	<b>640,194</b>	<b>359,245</b>	<b>270,881</b>
Fund balances, beginning of year	8,765,908	60,440	1,438,466	6,442,589	16,707,403
Fund balances, end of year	<u>\$ 8,039,321</u>	<u>\$ 58,469</u>	<u>\$ 2,078,660</u>	<u>\$ 6,801,834</u>	<u>\$ 16,978,284</u>

## 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.

City of Kalamazoo  
 Nonmajor Special Revenue Funds  
 COMBINING BALANCE SHEET

December 31, 2016

	Major Streets	Local Streets	Cemeteries	Solid Waste
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,632,432	\$ 550,433	\$ 189,628	\$ 125,920
Cash and cash equivalents - restricted	797,482	929,535	-	-
Investments	-	-	34,025	16,705
Investments with agents	-	-	-	-
Receivables				
Accounts	2,639	-	2,710	26,548
Taxes	-	-	-	275,709
Notes	-	-	-	-
Due from other funds	109,238	246,743	-	2,707
Due from other governmental units	879,562	213,733	-	-
Advances to other governmental units	-	-	-	-
Inventories	256,017	-	-	-
	<b>\$ 3,677,370</b>	<b>\$ 1,940,444</b>	<b>\$ 226,363</b>	<b>\$ 447,589</b>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 869,786	\$ 18,973	\$ 4,029	\$ 78,901
Accrued liabilities	-	-	-	-
Due to other funds	753,796	182,540	3,366	64,152
Due to other governmental units	-	-	-	-
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
	1,623,582	201,513	7,395	143,053
<b>TOTAL LIABILITIES</b>				
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	-	-	155,603
<b>FUND BALANCES</b>				
Nonspendable	256,017	-	-	-
Restricted	1,797,771	1,738,931	-	148,933
Committed	-	-	218,968	-
	2,053,788	1,738,931	218,968	148,933
<b>TOTAL FUND BALANCES</b>				
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
	<b>\$ 3,677,370</b>	<b>\$ 1,940,444</b>	<b>\$ 226,363</b>	<b>\$ 447,589</b>

City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING BALANCE SHEET - CONCLUDED

December 31, 2016

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Total
\$ 278,307	\$ 600,937	\$ 626,909	\$ 449,134	\$ 4,453,700
-	-	-	-	1,727,017
-	99,726	146,222	68,751	365,429
-	-	25,937	-	25,937
44,139	-	6,592	-	82,628
-	-	-	-	275,709
784,740	115,896	-	-	900,636
188,968	214	598,231	-	1,146,101
800,879	-	381,704	14,556	2,290,434
-	1,024,408	-	-	1,024,408
7,207	-	-	-	263,224
<u>\$ 2,104,240</u>	<u>\$ 1,841,181</u>	<u>\$ 1,785,595</u>	<u>\$ 532,441</u>	<u>\$ 12,555,223</u>
\$ 289,662	\$ -	\$ 174,608	\$ 32,180	\$ 1,468,139
-	-	-	146,281	146,281
704,123	77,846	599,838	3,882	2,389,543
-	-	186	-	186
58,687	-	-	6,225	64,912
62,939	-	228,299	-	291,238
1,115,411	77,846	1,002,931	188,568	4,360,299
-	-	-	-	155,603
791,947	1,140,304	-	-	2,188,268
196,882	-	782,664	343,873	5,009,054
-	623,031	-	-	841,999
<u>988,829</u>	<u>1,763,335</u>	<u>782,664</u>	<u>343,873</u>	<u>8,039,321</u>
<u>\$ 2,104,240</u>	<u>\$ 1,841,181</u>	<u>\$ 1,785,595</u>	<u>\$ 532,441</u>	<u>\$ 12,555,223</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2016

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 2,553,522
Intergovernmental	5,235,498	1,557,974	-	-
Charges for services	-	-	145,620	92,374
Fines and forfeits	-	-	-	-
Interest	5,384	3,276	412	162
Net investment earnings	-	-	-	-
Other	8,746	6,800	2,467	1,585
	<u>5,249,628</u>	<u>1,568,050</u>	<u>148,499</u>	<u>2,647,643</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Current				
General government	-	-	369,585	-
Public safety	-	-	-	-
Public works	-	-	-	2,601,311
Streets	5,031,361	2,348,381	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
	<u>5,031,361</u>	<u>2,348,381</u>	<u>369,585</u>	<u>2,601,311</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	218,267	(780,331)	(221,086)	46,332
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,770,000	880,000	-	-
Bond premium	230,000	120,000	-	-
Transfers in	-	999,996	194,943	-
Transfers out	(2,758,117)	(754,767)	-	(81,575)
	<u>(758,117)</u>	<u>1,245,229</u>	<u>194,943</u>	<u>(81,575)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
<b>NET CHANGE IN FUND BALANCES</b>				
	(539,850)	464,898	(26,143)	(35,243)
Fund balances, beginning of year	<u>2,593,638</u>	<u>1,274,033</u>	<u>245,111</u>	<u>184,176</u>
Fund balances, end of year	<u>\$ 2,053,788</u>	<u>\$ 1,738,931</u>	<u>\$ 218,968</u>	<u>\$ 148,933</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2016

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,553,522
1,997,105	-	1,570,590	30,176	10,391,343
26,987	-	9,260	6,097	280,338
-	-	-	230,297	230,297
1,227	40,341	1,052	652	52,506
-	-	2,891	-	2,891
-	-	450,330	31,023	500,951
<u>2,025,319</u>	<u>40,341</u>	<u>2,034,123</u>	<u>298,245</u>	<u>14,011,848</u>
-	-	-	-	369,585
-	-	1,714,459	388,567	2,103,026
-	-	-	-	2,601,311
-	-	-	-	7,379,742
2,182,471	-	442,276	-	2,624,747
-	-	289,689	-	289,689
<u>2,182,471</u>	<u>-0-</u>	<u>2,446,424</u>	<u>388,567</u>	<u>15,368,100</u>
(157,152)	40,341	(412,301)	(90,322)	(1,356,252)
-	-	-	-	2,650,000
-	-	-	-	350,000
156,979	-	679,185	-	2,031,103
(79,133)	(727,846)	-	-	(4,401,438)
<u>77,846</u>	<u>(727,846)</u>	<u>679,185</u>	<u>-0-</u>	<u>629,665</u>
(79,306)	(687,505)	266,884	(90,322)	(726,587)
<u>1,068,135</u>	<u>2,450,840</u>	<u>515,780</u>	<u>434,195</u>	<u>8,765,908</u>
<u>\$ 988,829</u>	<u>\$ 1,763,335</u>	<u>\$ 782,664</u>	<u>\$ 343,873</u>	<u>\$ 8,039,321</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2016

	<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	\$ 2,774,000	\$ 2,774,000	\$ -	\$ (2,774,000)
State trunkline maintenance	250,000	250,000	291,810	41,810
Gas and weight tax distribution	4,187,394	4,187,394	4,458,804	271,410
Other state revenue	447,187	447,187	432,077	(15,110)
Local revenue	1,281,000	1,306,226	52,807	(1,253,419)
Interest	5,000	5,000	5,384	384
Other	10,000	10,000	8,746	(1,254)
	<u>8,954,581</u>	<u>8,979,807</u>	<u>5,249,628</u>	<u>(3,730,179)</u>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	890,712	890,712	978,468	(87,756)
Repair	222,859	222,859	298,033	(75,174)
Maintenance	1,102,013	1,102,179	652,426	449,753
Pavement painting	132,000	132,000	141,334	(9,334)
Traffic signals	284,615	284,615	434,024	(149,409)
Traffic signs	14,250	14,250	51,111	(36,861)
Construction	6,005,166	7,220,380	2,475,965	4,744,415
	<u>8,651,615</u>	<u>9,866,995</u>	<u>5,031,361</u>	<u>4,835,634</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	302,966	(887,188)	218,267	1,105,455
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,000,000	1,770,000	1,770,000	-0-
Bond premium	-	230,000	230,000	-0-
Transfers out	(2,755,004)	(2,755,004)	(2,758,117)	(3,113)
	<u>(755,004)</u>	<u>(755,004)</u>	<u>(758,117)</u>	<u>(3,113)</u>
NET CHANGE IN FUND BALANCE	(452,038)	(1,642,192)	(539,850)	1,102,342
Fund balance, beginning of year	<u>2,593,638</u>	<u>2,593,638</u>	<u>2,593,638</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 2,141,600</u>	<u>\$ 951,446</u>	<u>\$ 2,053,788</u>	<u>\$ 1,102,342</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2016

	<u>Local 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				
Gas and weight tax distribution	\$ 1,182,517	\$ 1,182,517	\$ 1,260,035	\$ 77,518
Other state revenue	191,651	191,651	297,939	106,288
Interest	2,000	2,000	3,276	1,276
Other	500	500	6,800	6,300
<b>TOTAL REVENUES</b>	<b>1,376,668</b>	<b>1,376,668</b>	<b>1,568,050</b>	<b>191,382</b>
<b>EXPENDITURES</b>				
Current				
Streets				
Administration	725,540	725,540	690,270	35,270
Repair	178,135	178,135	384,403	(206,268)
Maintenance	903,463	903,463	594,490	308,973
Pavement painting	6,000	6,000	-	6,000
Traffic signs	17,000	17,000	19,490	(2,490)
Construction	1,000,000	1,171,637	659,728	511,909
<b>TOTAL EXPENDITURES</b>	<b>2,830,138</b>	<b>3,001,775</b>	<b>2,348,381</b>	<b>653,394</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,453,470)</b>	<b>(1,625,107)</b>	<b>(780,331)</b>	<b>844,776</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,000,000	880,000	880,000	-0-
Bond premium	-	120,000	120,000	-0-
Transfers in	1,000,000	1,000,000	999,996	(4)
Transfers out	(748,307)	(748,307)	(754,767)	(6,460)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,251,693</b>	<b>1,251,693</b>	<b>1,245,229</b>	<b>(6,464)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(201,777)</b>	<b>(373,414)</b>	<b>464,898</b>	<b>838,312</b>
Fund balance, beginning of year	1,274,033	1,274,033	1,274,033	-0-
Fund balance, end of year	<u>\$ 1,072,256</u>	<u>\$ 900,619</u>	<u>\$ 1,738,931</u>	<u>\$ 838,312</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2016

	<u>Cemeteries Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 151,350	\$ 151,350	\$ 145,620	\$ (5,730)
Interest	-	-	412	412
Other revenue	-	-	2,467	2,467
TOTAL REVENUES	<u>151,350</u>	<u>151,350</u>	<u>148,499</u>	<u>(2,851)</u>
EXPENDITURES				
Current				
General government				
Burials	148,027	148,027	153,481	(5,454)
Maintenance	204,784	204,784	201,161	3,623
Construction	159,000	159,322	14,943	144,379
TOTAL EXPENDITURES	<u>511,811</u>	<u>512,133</u>	<u>369,585</u>	<u>142,548</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(360,461)	(360,783)	(221,086)	139,697
OTHER FINANCING SOURCES				
Transfers in	314,407	314,729	194,943	(119,786)
NET CHANGE IN FUND BALANCE	(46,054)	(46,054)	(26,143)	19,911
Fund balance, beginning of year	245,111	245,111	245,111	-0-
Fund balance, end of year	<u>\$ 199,057</u>	<u>\$ 199,057</u>	<u>\$ 218,968</u>	<u>\$ 19,911</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2016

	<u>Solid Waste Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 2,721,150	\$ 2,721,150	\$ 2,553,522	\$ (167,628)
Charges for services	41,300	41,300	92,374	51,074
Interest	5,000	5,000	162	(4,838)
Other	-	-	1,585	1,585
TOTAL REVENUES	2,767,450	2,767,450	2,647,643	(119,807)
EXPENDITURES				
Current				
Public works	2,557,358	2,623,358	2,601,311	22,047
EXCESS OF REVENUES OVER EXPENDITURES	210,092	144,092	46,332	(97,760)
OTHER FINANCING (USES)				
Transfers out	(81,574)	(81,574)	(81,575)	(1)
NET CHANGE IN FUND BALANCE	128,518	62,518	(35,243)	(97,761)
Fund balance, beginning of year	184,176	184,176	184,176	-0-
Fund balance, end of year	<u>\$ 312,694</u>	<u>\$ 246,694</u>	<u>\$ 148,933</u>	<u>\$ (97,761)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2016

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,101,888	\$ 3,497,205	\$ 1,997,105	\$ (1,500,100)
Charges for services	13,000	27,151	26,987	(164)
Interest	-	-	1,227	1,227
<b>TOTAL REVENUES</b>	<b>1,114,888</b>	<b>3,524,356</b>	<b>2,025,319</b>	<b>(1,499,037)</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development				
Demolition revolving	-	-	237	(237)
Program administration services	964,884	908,157	855,249	52,908
Community Development Block Grant	150,004	1,766,680	538,279	1,228,401
Emergency shelter	-	259,865	151,619	108,246
HOME	-	735,933	637,087	98,846
<b>TOTAL EXPENDITURES</b>	<b>1,114,888</b>	<b>3,670,635</b>	<b>2,182,471</b>	<b>1,488,164</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-0-</b>	<b>(146,279)</b>	<b>(157,152)</b>	<b>(10,873)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	146,279	156,979	10,700
Transfers out	-	-	(79,133)	(79,133)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>146,279</b>	<b>77,846</b>	<b>(68,433)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>-0-</b>	<b>(79,306)</b>	<b>(79,306)</b>
Fund balance, beginning of year	1,068,135	1,068,135	1,068,135	-0-
Fund balance, end of year	<u>\$ 1,068,135</u>	<u>\$ 1,068,135</u>	<u>\$ 988,829</u>	<u>\$ (79,306)</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2016

	<u>Economic Development Programs Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Interest	\$ 42,323	\$ 42,323	\$ 40,341	\$ (1,982)
EXPENDITURES				
Current				
Community and economic development	<u>281,701</u>	<u>281,701</u>	<u>-</u>	<u>281,701</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(239,378)	(239,378)	40,341	279,719
OTHER FINANCING (USES)				
Transfers out	<u>(651,323)</u>	<u>(651,323)</u>	<u>(727,846)</u>	<u>(76,523)</u>
NET CHANGE IN FUND BALANCE	(890,701)	(890,701)	(687,505)	203,196
Fund balance, beginning of year	<u>2,450,840</u>	<u>2,450,840</u>	<u>2,450,840</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,560,139</u>	<u>\$ 1,560,139</u>	<u>\$ 1,763,335</u>	<u>\$ 203,196</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2016

	<u>Grants and Donations</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 832,002	\$ 1,922,422	\$ 1,570,590	\$ (351,832)
Charges for services	2,324	2,324	9,260	6,936
Interest	63	63	1,052	989
Net investment earnings	1,900	1,900	2,891	991
Other	95,758	238,630	450,330	211,700
	<u>932,047</u>	<u>2,165,339</u>	<u>2,034,123</u>	<u>(131,216)</u>
TOTAL REVENUES	932,047	2,165,339	2,034,123	(131,216)
EXPENDITURES				
Current				
Public safety	894,597	1,454,063	1,714,459	(260,396)
Community and economic development	100,045	593,929	442,276	151,653
Parks and recreation	64	397,704	289,689	108,015
	<u>994,706</u>	<u>2,445,696</u>	<u>2,446,424</u>	<u>(728)</u>
TOTAL EXPENDITURES	994,706	2,445,696	2,446,424	(728)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(62,659)	(280,357)	(412,301)	(131,944)
OTHER FINANCING SOURCES				
Transfers in	-	217,698	679,185	461,487
	<u>-</u>	<u>217,698</u>	<u>679,185</u>	<u>461,487</u>
NET CHANGE IN FUND BALANCE	(62,659)	(62,659)	266,884	329,543
Fund balance, beginning of year	515,780	515,780	515,780	-0-
	<u>515,780</u>	<u>515,780</u>	<u>515,780</u>	<u>-0-</u>
Fund balance, end of year	\$ 453,121	\$ 453,121	\$ 782,664	\$ 329,543
	<u>\$ 453,121</u>	<u>\$ 453,121</u>	<u>\$ 782,664</u>	<u>\$ 329,543</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONCLUDED

Year Ended December 31, 2016

	<u>Drug Enforcement Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 30,176	\$ 10,176
Charges for services	1,600	1,600	6,097	4,497
Fines and forfeits	230,000	230,000	230,297	297
Interest	-	-	652	652
Other	50,000	50,000	31,023	(18,977)
TOTAL REVENUES	301,600	301,600	298,245	(3,355)
EXPENDITURES				
Current				
Public safety	363,334	363,334	388,567	(25,233)
NET CHANGE IN FUND BALANCE	(61,734)	(61,734)	(90,322)	(28,588)
Fund balance, beginning of year	434,195	434,195	434,195	-0-
Fund balance, end of year	<u>\$ 372,461</u>	<u>\$ 372,461</u>	<u>\$ 343,873</u>	<u>\$ (28,588)</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, 2016

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 594,226	\$ 237	\$ 1,675	\$ 4,290	\$ 600,428
Due from other funds	-	-	-	500	500
Due from other governmental units	1,023,149	-	-	20,117	1,043,266
<b>TOTAL ASSETS</b>	<b>\$ 1,617,375</b>	<b>\$ 237</b>	<b>\$ 1,675</b>	<b>\$ 24,907</b>	<b>\$ 1,644,194</b>
<b>LIABILITIES</b>					
Due to other funds	\$ 660,318	\$ -	\$ 500	\$ 24,907	\$ 685,725
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	900,000	-	-	-	900,000
<b>FUND BALANCES</b>					
Restricted	57,057	237	1,175	-	58,469
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,617,375</b>	<b>\$ 237</b>	<b>\$ 1,675</b>	<b>\$ 24,907</b>	<b>\$ 1,644,194</b>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2016

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service	Total
<b>REVENUES</b>					
Interest and rents	\$ 1,453,061	\$ -	\$ -	\$ -	\$ 1,453,061
Other	130,120	-	-	65,262	195,382
<b>TOTAL REVENUES</b>	<b>1,583,181</b>	<b>-0-</b>	<b>-0-</b>	<b>65,262</b>	<b>1,648,443</b>
<b>EXPENDITURES</b>					
Debt service					
Principal	2,060,000	-	465,000	2,365,000	4,890,000
Interest and fiscal charges	759,845	-	114,205	986,089	1,860,139
<b>TOTAL EXPENDITURES</b>	<b>2,819,845</b>	<b>-0-</b>	<b>579,205</b>	<b>3,351,089</b>	<b>6,750,139</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,236,664)</b>	<b>-0-</b>	<b>(579,205)</b>	<b>(3,285,827)</b>	<b>(5,101,696)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Payments to escrow agent	-	-	(1,608,803)	(547,764)	(2,156,567)
Issuance of debt	-	-	1,645,000	490,000	2,135,000
Bond premium	-	-	-	57,764	57,764
Transfers in	1,234,693	-	543,008	3,285,827	5,063,528
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,234,693</b>	<b>-0-</b>	<b>579,205</b>	<b>3,285,827</b>	<b>5,099,725</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,971)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(1,971)</b>
Fund balances, beginning of year	59,028	237	1,175	-	60,440
Fund balances, end of year	\$ 57,057	\$ 237	\$ 1,175	\$ -0-	\$ 58,469

## 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, 2016

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 543,997	\$ 543,997
Cash and cash equivalents - restricted	2,036,219	1,857,236	3,893,455
Accounts receivable	102,384	1,000	103,384
Due from other funds	-	215,764	215,764
Due from other governmental units	-	53,703	53,703
	<u>\$ 2,138,603</u>	<u>\$ 2,671,700</u>	<u>\$ 4,810,303</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 85,258	\$ 85,258
Due to other funds	1,960,164	545,619	2,505,783
Deposits payable	92,360	-	92,360
	<u>2,052,524</u>	<u>630,877</u>	<u>2,683,401</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	48,242	48,242
<b>FUND BALANCES</b>			
Restricted	<u>86,079</u>	<u>1,992,581</u>	<u>2,078,660</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 2,138,603</u>	<u>\$ 2,671,700</u>	<u>\$ 4,810,303</u>

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2016

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
REVENUES			
Intergovernmental	\$ -	\$ 616,141	\$ 616,141
Interest	-	3,871	3,871
Other	-	10,000	10,000
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>630,012</b>	<b>630,012</b>
EXPENDITURES			
Capital outlay	1,822	2,070,487	2,072,309
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,822)</b>	<b>(1,440,475)</b>	<b>(1,442,297)</b>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	2,350,000	2,350,000
Bond premium	-	324,381	324,381
Transfers in	-	2,100,000	2,100,000
Transfers out	-	(2,691,890)	(2,691,890)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>2,082,491</b>	<b>2,082,491</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,822)</b>	<b>642,016</b>	<b>640,194</b>
Fund balances, beginning of year	87,901	1,350,565	1,438,466
Fund balances, end of year	<u>\$ 86,079</u>	<u>\$ 1,992,581</u>	<u>\$ 2,078,660</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, 2016

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 246,257	\$ -	\$ -	\$ 246,257
Investments	3,659,207	-	-	3,659,207
Investments with agents	-	1,523,482	1,374,692	2,898,174
<b>TOTAL ASSETS</b>	<b><u>\$ 3,905,464</u></b>	<b><u>\$ 1,523,482</u></b>	<b><u>\$ 1,374,692</u></b>	<b><u>\$ 6,803,638</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 58	\$ -	\$ -	\$ 58
Contract payable	1,746	-	-	1,746
<b>TOTAL LIABILITIES</b>	1,804	-0-	-0-	1,804
<b>FUND BALANCES</b>				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	2,168,500	586,276	419,494	3,174,270
<b>TOTAL FUND BALANCES</b>	<b><u>3,903,660</u></b>	<b><u>1,523,482</u></b>	<b><u>1,374,692</u></b>	<b><u>6,801,834</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,905,464</u></b>	<b><u>\$ 1,523,482</u></b>	<b><u>\$ 1,374,692</u></b>	<b><u>\$ 6,803,638</u></b>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2016

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
<b>REVENUES</b>				
Charges for services	\$ 26,843	\$ -	\$ -	\$ 26,843
Interest and dividends	144,110	-	-	144,110
Net investment earnings	256,383	173,043	152,819	582,245
Other	-	240	-	240
<b>TOTAL REVENUES</b>	<b>427,336</b>	<b>173,283</b>	<b>152,819</b>	<b>753,438</b>
<b>EXPENDITURES</b>				
Current				
General government	22,100	-	-	22,100
Parks and recreation	-	103,625	73,525	177,150
<b>TOTAL EXPENDITURES</b>	<b>22,100</b>	<b>103,625</b>	<b>73,525</b>	<b>199,250</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>405,236</b>	<b>69,658</b>	<b>79,294</b>	<b>554,188</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(194,943)	-	-	(194,943)
<b>NET CHANGE IN FUND BALANCES</b>	<b>210,293</b>	<b>69,658</b>	<b>79,294</b>	<b>359,245</b>
Fund balances, beginning of year	3,693,367	1,453,824	1,295,398	6,442,589
Fund balances, end of year	<u>\$ 3,903,660</u>	<u>\$ 1,523,482</u>	<u>\$ 1,374,692</u>	<u>\$ 6,801,834</u>

## NONMAJOR ENTERPRISE FUNDS

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

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

City of Kalamazoo

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

December 31, 2016

	Kalamazoo Municipal Golf Association	City Market	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 246,195	\$ 57,797	\$ 303,992
Due from management corporation	99,724	-	99,724
Total current assets	345,919	57,797	403,716
Noncurrent assets			
Capital assets not being depreciated	139,200	3,361	142,561
Capital assets, net of accumulated depreciation	1,075,617	50,829	1,126,446
Total noncurrent assets	1,214,817	54,190	1,269,007
<b>TOTAL ASSETS</b>	<b>1,560,736</b>	<b>111,987</b>	<b>1,672,723</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	23	23
Accrued interest payable	23,944	-	23,944
Due to other funds	-	287	287
Unearned revenue	149,185	-	149,185
Current portion of compensated absences	-	22	22
Current portion of long-term debt	342,376	-	342,376
Total current liabilities	515,505	332	515,837
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	47	47
Noncurrent portion of long-term debt	844,689	-	844,689
Total noncurrent liabilities	844,689	47	844,736
<b>TOTAL LIABILITIES</b>	<b>1,360,194</b>	<b>379</b>	<b>1,360,573</b>
<b>NET POSITION</b>			
Net investment in capital assets	27,752	54,190	81,942
Unrestricted	172,790	57,418	230,208
<b>TOTAL NET POSITION</b>	<b>\$ 200,542</b>	<b>\$ 111,608</b>	<b>\$ 312,150</b>

City of Kalamazoo

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

Year Ended December 31, 2016

	Kalamazoo Municipal Golf Association	City Market	Total
OPERATING REVENUES			
Charges for services	\$ 1,657,484	\$ 17,420	\$ 1,674,904
Other	38,073	-	38,073
<b>TOTAL OPERATING REVENUES</b>	<b>1,695,557</b>	<b>17,420</b>	<b>1,712,977</b>
OPERATING EXPENSES			
Operation and maintenance	1,458,874	13,528	1,472,402
Depreciation	201,592	3,960	205,552
<b>TOTAL OPERATING EXPENSES</b>	<b>1,660,466</b>	<b>17,488</b>	<b>1,677,954</b>
OPERATING INCOME (LOSS)	35,091	(68)	35,023
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	48	48
Interest expense and fiscal charges	(36,801)	-	(36,801)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(36,801)</b>	<b>48</b>	<b>(36,753)</b>
CHANGE IN NET POSITION	(1,710)	(20)	(1,730)
Net position, beginning of year	202,252	111,628	313,880
Net position, end of year	<u>\$ 200,542</u>	<u>\$ 111,608</u>	<u>\$ 312,150</u>

City of Kalamazoo

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

	Kalamazoo Municipal Golf Association	City Market	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 1,713,317	\$ 17,420	\$ 1,730,737
Cash paid to suppliers	(1,529,504)	(12,485)	(1,541,989)
Cash paid to employees	-	(871)	(871)
Cash paid for employee benefits	-	(314)	(314)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>183,813</b>	<b>3,750</b>	<b>187,563</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(70,512)	-	(70,512)
Interest paid	(17,814)	-	(17,814)
Proceeds from bond issuance	90,000	-	90,000
Payments on borrowings	(99,162)	-	(99,162)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(97,488)</b>	<b>-0-</b>	<b>(97,488)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	48	48
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>86,325</b>	<b>3,798</b>	<b>90,123</b>
Cash and cash equivalents, beginning of year	159,870	53,999	213,869
Cash and cash equivalents, end of year	<u>\$ 246,195</u>	<u>\$ 57,797</u>	<u>\$ 303,992</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 35,091	\$ (68)	\$ 35,023
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	201,592	3,960	205,552
(Increase) in:			
Due from management corporation	(70,630)	-	(70,630)
Increase (decrease) in:			
Accounts payable	-	15	15
Due to other funds	-	(173)	(173)
Unearned revenue	17,760	-	17,760
Compensated absences	-	16	16
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 183,813</u></b>	<b><u>\$ 3,750</u></b>	<b><u>\$ 187,563</u></b>

## 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, 2016

	Employees' Retirement System	Other Post- Employment Benefits	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 375,575	\$ 112,035	\$ 487,610
Investments			
U.S. Treasuries	78,580,836	11,915,782	90,496,618
U.S. Agencies	1,332,567	202,067	1,534,634
Corporate bonds	63,850,025	9,682,042	73,532,067
Collateralized mortgage obligations	20,365,231	3,088,127	23,453,358
Equity mutual funds	435,933,185	66,103,708	502,036,893
Real estate mutual funds	33,131,947	5,024,037	38,155,984
Receivables			
Interest and dividends	1,212,348	183,822	1,396,170
<b>TOTAL ASSETS</b>	<b>634,781,714</b>	<b>96,311,620</b>	<b>731,093,334</b>
<b>LIABILITIES</b>			
Accounts payable	54,339	932,542	986,881
Due to other governmental units	21,700,000	-	21,700,000
<b>TOTAL LIABILITIES</b>	<b>21,754,339</b>	<b>932,542</b>	<b>22,686,881</b>
<b>NET POSITION</b>			
Restricted for pension and OPEB	<u>\$ 613,027,375</u>	<u>\$ 95,379,078</u>	<u>\$ 708,406,453</u>

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2016

	Employees' Retirement System	Other Post- Employment Benefits	Total
<b>ADDITIONS TO NET POSITION</b>			
Investment income			
Change in fair value of investments	\$ 58,071,951	\$ 8,701,106	\$ 66,773,057
Interest and dividends	16,891,539	2,558,269	19,449,808
Total investment income	74,963,490	11,259,375	86,222,865
Less investment expense	(2,023,500)	(274,085)	(2,297,585)
Net investment income	72,939,990	10,985,290	83,925,280
Contributions			
Employer	-	3,500,000	3,500,000
Plan members	1,085,940	885,073	1,971,013
Total contributions	1,085,940	4,385,073	5,471,013
TOTAL ADDITIONS TO NET POSITION	74,025,930	15,370,363	89,396,293
<b>DEDUCTIONS FROM NET POSITION</b>			
Benefits	28,474,218	10,284,889	38,759,107
Refunds of contributions	22,652	-	22,652
Administrative expenses	153,024	97,045	250,069
Miscellaneous expenses	175,722	-	175,722
TOTAL DEDUCTIONS	28,825,616	10,381,934	39,207,550
<b>SPECIAL ITEM</b>			
Transfer of assets to other governmental unit	(21,700,000)	-	(21,700,000)
CHANGE IN NET POSITION	23,500,314	4,988,429	28,488,743
Net position, beginning of year	589,527,061	90,390,649	679,917,710
Net position, end of year	<u>\$ 613,027,375</u>	<u>\$ 95,379,078</u>	<u>\$ 708,406,453</u>

## **AGENCY FUND**

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

City of Kalamazoo

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2016

	<u>Tax Collector's Fund</u>			
	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,613,238	\$ 97,626,720	\$ 90,386,531	\$ 17,853,427
Taxes receivable	33,840,763	629,664	34,470,427	-0-
Other receivables	-	460	1	459
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 44,454,001</u>	<u>\$ 98,256,844</u>	<u>\$ 124,856,959</u>	<u>\$ 17,853,886</u>
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 3,538	\$ 54,983,533	\$ 54,985,501	\$ 1,570
Due to other governmental units	44,450,463	69,108,260	95,706,407	17,852,316
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>\$ 44,454,001</u>	<u>\$ 124,091,793</u>	<u>\$ 150,691,908</u>	<u>\$ 17,853,886</u>

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2016

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,376,375
Investments	631,978
Receivables	
Taxes	417,308
Notes	934,916
Due from other governmental units	<u>195,293</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 4,555,870</u></u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 298,100
Due to other governmental units	66,814
Advance from other governmental units	918,100
Unearned revenue	<u>59,000</u>
<b>TOTAL LIABILITIES</b>	<b>1,342,014</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	54,346
<b>FUND BALANCE</b>	
Nonspendable	16,816
Committed	475,998
Unassigned	<u>2,666,696</u>
<b>TOTAL FUND BALANCE</b>	<b><u>3,159,510</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b><u><u>\$ 4,555,870</u></u></b>

City of Kalamazoo

Component Unit Fund

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

December 31, 2016

**Total fund balance - governmental fund** \$ 3,159,510

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

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

Unavailable revenue 54,346

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:

Loan payable \$ (193,935)  
Compensated absences (20,672)

(214,607)

**Net position of governmental activities**

\$ 2,999,249

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2016

	<u>General</u>
REVENUES	
Taxes	\$ 1,119,413
Intergovernmental	192,583
Interest	9,495
Other	<u>330,753</u>
TOTAL REVENUES	1,652,244
EXPENDITURES	
Current	
Community and economic development	<u>1,123,053</u>
EXCESS OF REVENUES OVER EXPENDITURES	529,191
OTHER FINANCING SOURCES	
Loan proceeds	<u>193,935</u>
NET CHANGE IN FUND BALANCE	723,126
Fund balance, beginning of year	<u>2,436,384</u>
Fund balance, end of year	<u><u>\$ 3,159,510</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, 2016

**Net change in fund balance - governmental fund** \$ 723,126

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 43,116

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:

Loan proceeds (193,935)

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 (5,716)

**Change in net position of governmental activities** \$ 566,591

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2016

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 120,221
Taxes receivable	<u>274,560</u>
TOTAL ASSETS	<u>\$ 394,781</u>
LIABILITIES	
Accounts payable	\$ 333,371
Due to other governmental units	<u>23,302</u>
TOTAL LIABILITIES	356,673
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	18,595
FUND BALANCE	
Unassigned	<u>19,513</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 394,781</u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2016

**Total fund balance - governmental fund** \$ 19,513

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 18,595

**Net position of governmental activities** \$ 38,108

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2016

	<u>General</u>
REVENUES	
Taxes	\$ 623,926
EXPENDITURES	
Current	
Community and economic development	<u>612,993</u>
NET CHANGE IN FUND BALANCE	10,933
Fund balance, beginning of year	<u>8,580</u>
Fund balance, end of year	<u><u>\$ 19,513</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, 2016

**Net change in fund balance - governmental fund** \$ 10,933

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 8,899

**Change in net position of governmental activities** \$ 19,832

## 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	108-117
<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	118-121
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	122-129
<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	130-131
<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	132-138
<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	139-171

## NET POSITION BY COMPONENT

2007-2016  
(Unaudited)  
(Accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 114,330,019	\$ 117,057,211	\$ 116,294,415	\$ 123,355,990
Restricted	30,795,758	26,784,242	12,721,683	12,050,021
Unrestricted	<u>15,674,572</u>	<u>6,069,437</u>	<u>13,197,414</u>	<u>(8,666,188)</u>
Total governmental activities net position	<u>\$ 160,800,349</u>	<u>\$ 149,910,890</u>	<u>\$ 142,213,512</u>	<u>\$ 126,739,823</u>
Business-type activities				
Net investment in capital assets	\$ 154,384,778	\$ 154,535,045	\$ 143,501,852	\$ 150,485,254
Restricted	10,915,639	-	2,577,935	2,577,960
Unrestricted	<u>9,931,524</u>	<u>21,785,289</u>	<u>26,067,765</u>	<u>18,046,633</u>
Total business-type activities net position	<u>\$ 175,231,941</u>	<u>\$ 176,320,334</u>	<u>\$ 172,147,552</u>	<u>\$ 171,109,847</u>
Primary government				
Net investment in capital assets	\$ 268,714,797	\$ 271,592,256	\$ 259,796,267	\$ 273,841,244
Restricted	41,711,397	26,784,242	15,299,618	14,627,981
Unrestricted	<u>25,606,096</u>	<u>27,854,726</u>	<u>39,265,179</u>	<u>9,380,445</u>
Total primary government net position	<u>\$ 336,032,290</u>	<u>\$ 326,231,224</u>	<u>\$ 314,361,064</u>	<u>\$ 297,849,670</u>

## NET POSITION BY COMPONENT - CONCLUDED

2007-2016  
(Unaudited)  
(Accrual basis of accounting)

2011	2012	2013	2014	2015	2016
\$ 125,529,739	\$ 122,960,589	\$ 123,492,323	\$ 122,338,669	\$ 121,402,730	\$ 122,361,164
11,045,791	13,946,502	14,512,704	15,031,494	13,951,012	14,937,512
(22,606,617)	(35,131,160)	(42,557,926)	(46,283,678)	84,120,446	85,140,274
<u>\$ 113,968,913</u>	<u>\$ 101,775,931</u>	<u>\$ 95,447,101</u>	<u>\$ 91,086,485</u>	<u>\$ 219,474,188</u>	<u>\$ 222,438,950</u>
\$ 152,806,937	\$ 149,416,222	\$ 145,375,261	\$ 143,182,090	\$ 141,668,888	\$ 140,434,583
2,524,960	2,831,960	2,831,960	2,454,033	2,164,039	2,094,054
7,408,224	11,411,854	15,684,847	16,092,853	48,245,428	49,851,898
<u>\$ 162,740,121</u>	<u>\$ 163,660,036</u>	<u>\$ 163,892,068</u>	<u>\$ 161,728,976</u>	<u>\$ 192,078,355</u>	<u>\$ 192,380,535</u>
\$ 278,336,676	\$ 272,376,811	\$ 268,867,584	\$ 265,520,759	\$ 263,071,618	\$ 262,795,747
13,570,751	16,778,462	17,344,664	17,485,527	16,115,051	17,031,566
(15,198,393)	(23,719,306)	(26,873,079)	(30,190,825)	132,365,874	134,992,172
<u>\$ 276,709,034</u>	<u>\$ 265,435,967</u>	<u>\$ 259,339,169</u>	<u>\$ 252,815,461</u>	<u>\$ 411,552,543</u>	<u>\$ 414,819,485</u>

## CHANGES IN NET POSITION

2007-2016  
(Unaudited)  
(Accrual basis of accounting)

	2007	2008	2009	2010
<b>Expenses</b>				
Governmental activities:				
General government	\$ 3,370,219	\$ 11,449,623	\$ 8,805,148	\$ 9,371,185
Public safety	31,437,072	37,207,556	43,098,269	43,495,846
Public works	19,369,127	17,285,103	13,479,086	13,814,938
Community and economic development	5,685,485	7,505,930	6,430,431	8,746,176
Recreation and culture	3,093,331	2,099,090	2,554,547	3,223,463
Interest on long-term debt	2,986,121	2,957,164	2,792,089	2,672,721
Total governmental activities expenses	65,941,355	78,504,466	77,159,570	81,324,329
Business-type activities:				
Wastewater	20,240,292	20,584,823	22,079,492	22,825,084
Water	13,819,287	14,686,137	13,944,668	14,946,226
Other	44,672	49,291	48,805	44,230
Total business-type activities expenses	34,104,251	35,320,251	36,072,965	37,815,540
Total primary government expenses	<u>\$ 100,045,606</u>	<u>\$ 113,824,717</u>	<u>\$ 113,232,535</u>	<u>\$ 119,139,869</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 2,797,940	\$ -	\$ 5,094,411	\$ 4,731,626
Community development and planning	1,748,885	-	642,866	246,453
Other	1,310,053	-	616,485	733,970
Operating grants and contributions	15,685,545	12,966,562	12,915,313	15,255,631
Capital grants and contributions	661,968	151,241	21,686	868,221
Total governmental activities program revenues	22,204,391	13,117,803	19,290,761	21,835,901
Business-type activities:				
Charges for services				
Wastewater	15,941,791	21,201,437	18,220,534	19,085,813
Water	11,774,026	11,604,749	11,922,529	12,759,940
Other	45,071	50,244	52,059	58,832
Operating grants and contributions	962,170	451,421	-	-
Capital grants and contributions	3,965,417	2,959,418	2,599,746	4,001,255
Total business-type activities program revenues	32,688,475	36,267,269	32,794,868	35,905,840
Total primary government program revenues	<u>\$ 54,892,866</u>	<u>\$ 49,385,072</u>	<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>
Net (Expense) Revenue				
Governmental activities	\$ (43,736,964)	\$ (65,386,663)	\$ (57,868,809)	\$ (59,488,428)
Business-type activities	(1,415,776)	947,018	(3,278,097)	(1,909,700)
Total primary government net expense	<u>\$ (45,152,740)</u>	<u>\$ (64,439,645)</u>	<u>\$ (61,146,906)</u>	<u>\$ (61,398,128)</u>

## CHANGES IN NET POSITION - CONTINUED

2007-2016  
(Unaudited)  
(Accrual basis of accounting)

2011	2012	2013	2014	2015	2016
\$ 8,471,082	\$ 10,168,516	\$ 8,416,014	\$ 9,930,643	\$ 8,766,309	\$ 5,721,625
45,215,879	36,120,760	36,060,961	34,662,862	41,688,680	35,180,743
20,094,540	16,862,523	18,023,279	17,534,605	17,745,839	14,953,810
15,666,823	8,667,696	5,056,773	4,718,105	6,429,186	4,500,102
3,182,766	2,781,196	2,589,433	3,054,139	2,026,717	2,100,881
2,717,822	2,378,583	2,169,930	2,189,831	4,626,913	4,735,609
<u>95,348,912</u>	<u>76,979,274</u>	<u>72,316,390</u>	<u>72,090,185</u>	<u>81,283,644</u>	<u>67,192,770</u>
23,435,464	21,769,136	22,461,092	22,214,421	21,637,512	21,294,272
15,415,808	14,525,327	14,019,746	14,617,217	16,069,239	15,953,040
135,204	67,778	1,616,741	1,638,861	1,704,812	1,714,755
<u>38,986,476</u>	<u>36,362,241</u>	<u>38,097,579</u>	<u>38,470,499</u>	<u>39,411,563</u>	<u>38,962,067</u>
<u>\$ 134,335,388</u>	<u>\$ 113,341,515</u>	<u>\$ 110,413,969</u>	<u>\$ 110,560,684</u>	<u>\$ 120,695,207</u>	<u>\$ 106,154,837</u>
\$ 11,900,982	\$ 10,614,076	\$ 10,880,322	\$ 11,316,006	\$ 10,972,764	\$ 7,581,047
1,240,353	1,069,568	1,525,283	1,471,008	1,668,372	1,573,669
1,023,442	975,170	1,029,481	1,052,534	1,241,443	1,805,820
20,982,518	15,765,684	11,661,313	12,679,339	13,957,992	14,323,779
1,163,643	655,181	5,744	6,618	43,390	10,944
<u>36,310,938</u>	<u>29,079,679</u>	<u>25,102,143</u>	<u>26,525,505</u>	<u>27,883,961</u>	<u>25,295,259</u>
18,178,855	20,484,471	21,111,243	20,758,450	19,819,546	19,599,234
12,451,401	14,583,205	13,480,979	12,948,883	14,348,122	15,451,374
67,287	91,621	1,628,563	1,566,381	1,695,902	1,674,904
238,233	266,929	212,011	155,215	90,507	131,334
3,308,895	1,733,898	1,834,883	870,240	3,154,597	2,130,600
<u>34,244,671</u>	<u>37,160,124</u>	<u>38,267,679</u>	<u>36,299,169</u>	<u>39,108,674</u>	<u>38,987,446</u>
<u>\$ 70,555,609</u>	<u>\$ 66,239,803</u>	<u>\$ 63,369,822</u>	<u>\$ 62,824,674</u>	<u>\$ 66,992,635</u>	<u>\$ 64,282,705</u>
\$ (59,037,974)	\$ (47,899,595)	\$ (47,214,247)	\$ (45,564,680)	\$ (53,399,683)	\$ (41,046,743)
(4,741,805)	797,883	170,100	(2,171,330)	(302,889)	25,379
<u>\$ (63,779,779)</u>	<u>\$ (47,101,712)</u>	<u>\$ (47,044,147)</u>	<u>\$ (47,736,010)</u>	<u>\$ (53,702,572)</u>	<u>\$ (41,021,364)</u>

## CHANGES IN NET POSITION - CONTINUED

2007-2016  
(Unaudited)  
(Accrual basis of accounting)

	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
General revenues				
Property taxes	\$ 35,263,246	\$ 36,221,234	\$ 36,421,813	\$ 34,292,608
Grants and contributions not restricted to specific programs	10,243,913	10,548,626	8,968,211	8,669,650
Unrestricted investment earnings	2,038,489	1,382,472	1,999,482	1,411,281
Gain on sale of assets	-	-	-	-
Contributions to permanent funds	36,458	34,800	-	-
Other	-	-	60,947	304,588
Transfers - internal activities	432,487	(97,939)	(455,622)	(663,388)
<b>Total governmental activities</b>	<b>48,014,593</b>	<b>48,089,193</b>	<b>46,994,831</b>	<b>44,014,739</b>
Business-type activities:				
Grants and contributions not restricted to specific programs	7,390	1,326	-	-
Unrestricted investment earnings	41,592	3,590	165,786	28,161
Gain on sale of assets	50,597	38,520	41,767	7,418
Other	-	-	572,923	173,028
Transfers - internal activities	(432,487)	97,939	455,622	663,388
Special item - loss on sale of capital assets/inventory	-	-	-	-
<b>Total business-type activities</b>	<b>(332,908)</b>	<b>141,375</b>	<b>1,236,098</b>	<b>871,995</b>
<b>Total primary government</b>	<b>\$ 47,681,685</b>	<b>\$ 48,230,568</b>	<b>\$ 48,230,929</b>	<b>\$ 44,886,734</b>
<b>Change in Net Position</b>				
Governmental activities	\$ 4,277,629	\$ (17,297,470)	\$ (10,873,978)	\$ (15,473,689)
Business-type activities	(1,748,684)	1,088,393	(2,041,999)	(1,037,705)
<b>Total primary government</b>	<b>\$ 2,528,945</b>	<b>\$ (16,209,077)</b>	<b>\$ (12,915,977)</b>	<b>\$ (16,511,394)</b>

## CHANGES IN NET POSITION - CONCLUDED

2007-2016  
(Unaudited)  
(Accrual basis of accounting)

2011	2012	2013	2014	2015	2016
\$ 33,313,845	\$ 30,457,012	\$ 31,011,014	\$ 31,834,240	\$ 32,085,449	\$ 34,350,331
8,063,444	7,939,441	8,851,208	8,441,077	8,505,032	8,563,853
206,017	1,285,649	1,438,503	672,910	74,925	997,789
6,270	-	7,800	74,590	31,638	8,850
-	-	-	-	-	-
900,135	824,508	219,059	167,497	118,374	90,682
<u>3,777,353</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>46,267,064</u>	<u>40,506,610</u>	<u>41,477,584</u>	<u>41,190,314</u>	<u>40,815,418</u>	<u>44,011,505</u>
-	-	-	-	-	-
32,163	41,803	48,810	56,253	111,566	124,116
6,346	4,450	168,408	(98,631)	-	4,008
110,923	75,779	170,578	50,616	105,932	148,677
(3,777,353)	-	50,000	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,627,921)</u>	<u>122,032</u>	<u>437,796</u>	<u>8,238</u>	<u>217,498</u>	<u>276,801</u>
<u>\$ 42,639,143</u>	<u>\$ 40,628,642</u>	<u>\$ 41,915,380</u>	<u>\$ 41,198,552</u>	<u>\$ 41,032,916</u>	<u>\$ 44,288,306</u>
\$ (12,770,910)	\$ (7,392,985)	\$ (5,736,663)	\$ (4,360,616)	\$ (12,584,265)	\$ 2,964,762
<u>(8,369,726)</u>	<u>919,915</u>	<u>607,896</u>	<u>(2,163,092)</u>	<u>(85,391)</u>	<u>302,180</u>
<u>\$ (21,140,636)</u>	<u>\$ (6,473,070)</u>	<u>\$ (5,128,767)</u>	<u>\$ (6,523,708)</u>	<u>\$ (12,669,656)</u>	<u>\$ 3,266,942</u>

## FUND BALANCES

## GOVERNMENTAL FUNDS

2007-2016  
(Unaudited)  
(Modified accrual basis of accounting)

	2007	2008	2009	2010	2011
General fund					
Reserved	\$ 673,046	\$ 756,760	\$ 504,595	\$ 504,164	\$ -
Unreserved	4,617,629	3,461,861	4,740,113	3,881,019	-
Nonspendable	-	-	-	-	730,673
Assigned	-	-	-	-	3,504,897
Unassigned	-	-	-	-	5,325,787
Total general fund	<u>\$ 5,290,675</u>	<u>\$ 4,218,621</u>	<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>
All other governmental funds					
Reserved	\$ 12,935,798	\$ 9,410,736	\$ 10,641,923	\$ 12,011,218	\$ -
Unreserved, reported in:					
Special revenue funds	4,141,477	4,241,786	4,874,600	5,028,383	-
Debt service funds	210,130	124,551	127,942	91,569	-
Capital project funds	3,751,120	3,934,958	3,847,713	1,994,543	-
Permanent funds	2,658,294	1,195,345	1,956,373	-	-
Nonspendable	-	-	-	-	13,522,951
Restricted	-	-	-	-	7,509,890
Committed	-	-	-	-	1,660,542
Total all other governmental funds	<u>\$ 23,696,819</u>	<u>\$ 18,907,376</u>	<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>	<u>\$ 22,693,383</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 the footnotes to the financial statements.

FUND BALANCES

GOVERNMENTAL FUNDS - CONCLUDED

2007-2016  
(Unaudited)  
(Modified accrual basis of accounting)

2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
626,548	637,833	1,339,401	1,212,622	1,145,445
3,503,397	922,527	403,248	3,459,061	2,703,090
3,557,092	3,921,706	5,975,442	6,533,218	8,120,863
<u>\$ 7,687,037</u>	<u>\$ 5,482,066</u>	<u>\$ 7,718,091</u>	<u>\$ 11,204,901</u>	<u>\$ 11,969,398</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,698,303	7,774,612	7,286,926	5,628,997	5,815,832
8,419,230	9,264,935	10,133,623	9,337,109	10,320,453
2,756,697	2,864,507	1,660,293	1,741,297	841,999
<u>\$ 19,874,230</u>	<u>\$ 19,904,054</u>	<u>\$ 19,080,842</u>	<u>\$ 16,707,403</u>	<u>\$ 16,978,284</u>

## CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

2007-2016  
(Unaudited)  
(Modified accrual basis of accounting)

	2007	2008	2009	2010
<b>Revenues</b>				
Property taxes and special assessments	\$ 35,199,103	\$ 35,569,119	\$ 37,997,860	\$ 35,071,496
Licenses and permits	2,077,407	1,951,085	1,770,824	1,867,123
Intergovernmental revenue	21,082,782	20,762,621	19,150,714	22,470,227
Charges for services	1,417,088	1,582,665	5,289,988	5,622,676
Fines and forfeits	288,650	279,435	326,755	296,200
Interest and rents	5,310,737	4,507,507	3,989,784	3,429,583
Net investment earnings	(22,516)	(1,858,775)	1,207,786	780,472
Other revenue	7,650,248	6,696,145	1,699,387	1,668,632
<b>Total revenues</b>	<b>73,003,499</b>	<b>69,489,802</b>	<b>71,433,098</b>	<b>71,206,409</b>
<b>Expenditures</b>				
Current Expenditures:				
General government	9,992,094	10,767,415	7,300,485	7,169,369
Public safety	33,513,942	33,718,520	34,409,853	34,804,767
Public works	13,413,733	12,038,364	11,703,326	11,981,237
Community and economic development	5,743,272	6,921,457	5,803,640	7,763,530
Recreation and culture	2,971,644	2,820,672	2,598,348	2,806,451
Other	50,000	-	1,184,639	2,761,908
Debt service:				
Principal	5,206,300	4,997,000	5,245,000	5,125,000
Interest and fiscal charges	2,930,686	2,932,497	2,796,889	2,721,982
Capital outlay	5,692,545	5,264,042	1,869,810	2,861,401
<b>Total expenditures</b>	<b>79,514,216</b>	<b>79,459,967</b>	<b>72,911,990</b>	<b>77,995,645</b>
Excess (deficiency) of revenues over expenditures	(6,510,717)	(9,970,165)	(1,478,892)	(6,789,236)
Other financing sources (uses)				
Transfers in	11,474,277	8,280,263	8,772,072	10,646,777
Transfers out	(11,041,790)	(8,378,202)	(8,272,072)	(9,962,957)
Proceeds from the sale of capital assets	274,136	32,020	-	-
Issuance of long-term debt	4,715,000	4,165,000	4,585,000	2,855,000
Issuance of OPEB debt	-	-	-	-
Payments to advance refunding escrow agent	-	-	-	-
Bond premium (discount)	(20,235)	9,587	(38,846)	68,053
<b>Total other financing sources (uses)</b>	<b>5,401,388</b>	<b>4,108,668</b>	<b>5,046,154</b>	<b>3,606,873</b>
Special items				
Contribution to OPEB trust	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ (1,109,329)</b>	<b>\$ (5,861,497)</b>	<b>\$ 3,567,262</b>	<b>\$ (3,182,363)</b>
Debt service as a percentage of noncapital expenditures	11.8%	11.3%	11.7%	11.6%

CHANGES IN FUND BALANCES - CONCLUDED

GOVERNMENTAL FUNDS

2007-2016  
(Unaudited)  
(Modified accrual basis of accounting)

2011	2012	2013	2014	2015	2016
\$ 35,163,954	\$ 32,665,097	\$ 31,172,950	\$ 31,922,256	\$ 32,258,838	\$ 34,350,331
1,897,096	1,641,248	2,060,482	2,183,405	2,464,874	2,401,934
28,241,290	22,421,096	18,992,137	19,362,091	20,836,848	21,252,260
10,318,577	9,022,197	9,173,002	9,571,894	10,283,027	10,565,330
642,680	280,426	262,385	529,900	222,239	244,278
3,304,621	3,219,392	2,936,162	2,568,116	2,064,308	1,832,803
(370,143)	688,741	1,053,215	191,328	(349,763)	585,136
1,474,703	1,902,634	1,129,797	1,434,156	1,363,588	1,257,290
<u>80,672,778</u>	<u>71,840,831</u>	<u>66,780,130</u>	<u>67,763,146</u>	<u>69,143,959</u>	<u>72,489,362</u>
7,618,751	7,255,900	6,615,189	6,643,957	7,194,591	7,341,895
35,476,959	32,805,831	32,188,577	32,709,081	29,206,949	30,528,266
16,122,984	14,588,245	14,955,973	14,961,783	14,532,464	14,790,370
14,182,010	8,562,088	4,682,899	4,653,737	5,410,168	4,231,956
2,806,756	2,359,248	2,129,592	2,222,040	2,133,438	2,412,924
2,560,728	3,161,774	2,793,985	2,254,801	2,261,078	4,789,158
5,510,000	5,650,000	5,928,958	5,606,130	6,023,928	6,358,284
2,757,767	2,378,365	2,332,509	2,211,867	4,423,291	4,658,360
3,408,241	1,338,386	2,123,126	1,595,160	2,546,759	2,072,309
<u>90,444,196</u>	<u>78,099,837</u>	<u>73,750,808</u>	<u>72,858,556</u>	<u>73,732,666</u>	<u>77,183,522</u>
(9,771,418)	(6,259,006)	(6,970,678)	(5,095,410)	(4,588,707)	(4,694,160)
16,291,542	11,821,576	11,376,270	11,702,851	13,303,995	13,901,129
(9,009,217)	(9,887,596)	(10,485,854)	(9,389,594)	(12,778,406)	(13,901,129)
-	-	-	-	-	-
12,910,000	4,400,000	4,000,000	5,510,000	21,035,000	7,135,000
-	-	-	-	66,995,633	-
(8,051,763)	-	-	(1,336,964)	(16,821,549)	(2,156,567)
145,167	31,550	80,115	21,930	933,117	751,105
<u>12,285,729</u>	<u>6,365,530</u>	<u>4,970,531</u>	<u>6,508,223</u>	<u>72,667,790</u>	<u>5,729,538</u>
-	-	-	-	(66,965,712)	-
<u>\$ 2,514,311</u>	<u>\$ 106,524</u>	<u>\$ (2,000,147)</u>	<u>\$ 1,412,813</u>	<u>\$ 1,113,371</u>	<u>\$ 1,035,378</u>
10.0%	10.9%	12.1%	11.4%	15.6%	15.6%

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				
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%
2015	1,293,261,250	209,982,700	53,831,794	1,557,075,744	21.4205	3,310,022,160	47.0%
2016	1,309,987,962	153,133,500	32,866,275	1,495,987,737	21.0705	3,216,646,530	46.5%

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, 2016. 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 2016 roll by \$4,428,265.

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
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
2015	19.2705	1.5500	0.6000	21.4205	24.9500	6.8890	6.0000	6.4066	2.8135	3.9583	72.4379	54.4379
2016	19.2705	1.8000	0.0000	21.0705	24.9500	7.6163	6.0000	6.4066	2.8135	3.9583	72.8152	54.8152

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, 2016 ranged from \$23.0000 to 27.0100 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	2016					2006 (C)			
		Taxable Value of Property			Rank	(B) Percent of Total	Taxable Assessed Value	Rank	Percent of Total	
		Ad Valorem	Abated (A)	Total						
Zoetis	Pharmaceuticals	\$ 60,127,145	\$ -	\$ 60,127,145	1	4.02%	\$ 104,261,837	1	6.37%	
Consumer's Energy	Utility	48,615,721	-	48,615,721	2	3.25%	25,653,550	3	1.57%	
Catalyst Development	Real Estate	22,964,264	-	22,964,264	3	1.54%	25,546,265	4	1.56%	
Graphic Packaging	Paper Products	9,780,624	9,616,300	19,396,924	4	1.30%	29,962,141	2	1.83%	
Plaza Corp Properties	Real estate development, property holdings	13,807,900	-	13,807,900	5	0.92%	-		0.80%	
MIMG LXVI Drakes Pond, LLC	Apartment complexes	11,575,500	-	11,575,500	6	0.77%	13,133,742	5	0.67%	
Bronson Hospital	Healthcare services, property holdings	11,277,067	-	11,277,067	7	0.75%	10,976,380	7	0.00%	
Fabri-Kal Corporation	Plastics production, design	2,328,671	8,482,712	10,811,383	8	0.72%	-		0.00%	
Lifecare (Friendship Village)	Retirement Community	10,719,195	-	10,719,195	9	0.72%	9,837,399	9	0.60%	
Zeus Associates & Hera Associates	Apartment complexes	9,534,334	-	9,534,334	10	0.64%	-		0.00%	
Former Top 10 Taxpayers	various						33,153,263	6,8,10	2.02%	
		<u>\$ 200,730,421</u>	<u>\$ 18,099,012</u>	<u>\$ 218,829,433</u>		<u>14.63%</u>	<u>\$ 252,524,577</u>		<u>15.42%</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 \$1,495,987,737 for the year ending December 31, 2016 includes the taxable value of property granted tax abatement under Act 198 and board adjustments through April 8, 2017. See Table 5 for data on taxable values.
- (C) Values are the basis for the 2006 Assessment Roll and the 2006 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,637,853,813.

## 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		
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%	1,052,663	28,577,796	99.13%
2015	29,455,095	28,435,803	96.54%	965,227	29,401,030	99.82%
2016	28,478,647	27,466,876	96.45%	940,793	28,407,669	99.75%

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

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

(B) Data totals for Tax Years 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 2016 are current through 12-31-16 including settlement figures with County Treasurer as of 5-26-2017.

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 (D)	Revenue Bonds	Installment Purchase Contracts	Special Assessment Bonds (A)	General Obligation Bonds (D)	Revenue Bonds	Installment Purchase Contracts			
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
2015	120,078,542	2,305,000	-	-	19,816,696	28,655,000	-	170,855,238	11.80%	2,250
2016	119,915,640	1,920,000	-	-	19,477,081	26,755,000	-	168,067,721	11.49%	2,210

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).
- (C) See the Schedule of Demographic and Economic Statistics at Table 14 for personal income and population data.
- (D) During 2015 a General Obligation Bond was issued in the amount of \$90,955,000 for Other Post Employment Benefits

## 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)
2007	\$ 48,070,000	\$ 46,450	\$ 48,023,550	1.35%	\$ 661
2008	48,765,000	48,270	48,716,730	1.33%	671
2009	49,590,000	127,942	49,462,058	1.29%	679
2010	48,775,000	49,257	48,725,743	1.23%	656
2011	49,640,000	61,469	49,578,531	1.23%	668
2012	49,750,000	237,326	49,512,674	1.30%	662
2013	49,320,000	61,851	49,258,149	1.35%	656
2014	49,140,000	62,266	49,077,734	1.36%	650
2015	139,895,238	59,966	139,835,272	4.06%	1,842
2016	139,392,721	58,232	139,334,489	4.33%	1,832

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

- (A) The net position 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 5 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, 2016  
(Unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 9,928,000	12.05%	\$ 1,196,324
Kalamazoo School District	194,360,000	57.48%	111,718,128
Parchment School District	36,607,012	0.99%	362,409
Portage School District	156,810,000	1.62%	2,540,322
Kalamazoo County	35,558,790	18.30%	6,507,259
Kalamazoo Intermediate School District	12,525,000	20.09%	2,516,273
Kalamazoo Community College	9,305,000	18.18%	1,691,649
<b>Total overlapping debt</b>	<b><u>\$ 455,093,802</u></b>		<b><u>\$ 126,532,364</u></b>

**Direct:**

	<u>Gross Debt</u>
General obligation bonds:	
Building Authority	\$ 17,041,943
Downtown Development	900,000
Capital improvement	33,252,481
OPEB	68,721,216
Revenue bonds	
Michigan Transportation Fund	1,920,000
<b>Total direct debt</b>	<b><u>\$ 121,835,640</u></b>
<b>Total net direct and overlapping debt of governmental activities</b>	<b><u>\$ 248,368,004</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, 2016  
(Unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,573,619,120
Tax abated property	18,031,750
Revenue Sharing	<u>406,437,911</u>
<b>Total State Equalized Value (SEV)</b>	<b><u><u>\$ 1,998,088,781</u></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><u>\$ 199,808,878</u></u></b>
Debt Obligations of the Primary Government (B)	\$ 168,067,721
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (26,755,000)
Michigan Transportation Fund Bonds	<u>(1,920,000)</u>
	<u>(28,675,000)</u>
<b>Total Debt of the City Subject to Limitation</b>	<b><u><u>\$ 139,392,721</u></u></b>
<b>LEGAL DEBT MARGIN</b>	<b><u><u>\$ 60,416,157</u></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, 2015 for the basis of the year ending December 31, 2016 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
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%
2015	202,333,982	137,575,000	64,758,982	68.0%
2016	199,808,878	139,392,721	60,416,157	69.8%

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

## PLEDGED-REVENUE COVERAGE

Last Ten Years  
(Unaudited)

<b>Michigan Transportation Revenue Bonds (A)</b>					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
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
2015	5,562,139	730,000	104,293	834,293	6.67
2016	5,718,839	465,000	77,508	542,508	10.54

<b>Special Assessment Bonds (B)</b>					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
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	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-

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)

	Wastewater System Revenue Bonds									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues (C)										
Operating Revenues	\$ 15,949,058	\$ 21,202,678	\$ 18,302,929	\$ 19,146,754	\$ 18,207,086	\$ 20,488,376	\$ 21,113,101	\$ 20,758,450	\$ 19,819,546	\$ 19,599,234
Interest Revenue	594,163	288,958	155,562	(4,039)	20,167	30,564	36,474	41,072	82,258	84,217
Intergovernmental	-	-	-	-	50,628	50,044	46,020	55,906	13,521	-
<b>Total Revenues</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>	<b>19,915,325</b>	<b>19,683,451</b>
Direct Operating Expenses (D)										
Operation and Maintenance (O&M)	15,896,890	15,588,587	17,932,573	18,852,129	18,947,736	17,199,488	17,260,718	17,305,246	16,261,847	16,036,230
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	-	-	-	224,196	204,414
Interest	-	-	-	-	-	-	-	-	342,432	397,269
Less: Net OPEB in O&M	-	-	(1,390,123)	(1,720,948)	(1,853,618)	(768,134)	(642,212)	(404,370)	(1,358,067)	(671,850)
Add: OPEB Contributions Made (E)	-	-	-	-	-	-	-	-	-	357,700
Less:										
Payment in Lieu of Taxes	(611,381)	(627,809)	(659,336)	(649,932)	(656,772)	(680,148)	(691,464)	(703,596)	(718,176)	(719,064)
<b>Total Direct Operating Expenses</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>14,752,232</b>	<b>15,604,699</b>
<b>Net Available Revenue</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>	<b>5,163,093</b>	<b>4,078,752</b>
Debt Service										
Principal	200,000	210,000	220,000	330,000	310,000	295,000	495,000	595,000	660,000	675,000
Interest	177,810	170,010	161,610	254,199	302,267	211,699	494,608	355,092	352,909	295,345
<b>Total Debt Service</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>1,012,909</b>	<b>970,345</b>
<b>Coverage</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>	<b>5.10</b>	<b>4.20</b>

	Water System Revenue Bonds									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues (C)										
Operating Revenues	\$ 11,793,782	\$ 11,675,879	\$ 12,018,699	\$ 12,872,027	\$ 12,526,187	\$ 14,609,342	\$ 13,560,159	\$ 12,976,357	\$ 14,402,391	\$ 15,451,374
Interest Revenue	348,374	91,418	6,710	28,312	11,916	11,179	12,316	15,160	29,280	39,851
Intergovernmental	-	-	-	-	187,605	216,885	165,991	99,309	76,986	131,334
<b>Total Revenues</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>	<b>14,508,657</b>	<b>15,622,559</b>
Direct Operating Expenses (D)										
Operation and Maintenance (O&M)	9,930,265	10,546,477	10,500,491	10,888,856	10,877,839	9,802,781	9,715,638	10,565,861	11,791,040	11,468,537
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	-	-	-	205,428	187,302
Interest	-	-	-	-	-	-	-	-	313,767	364,013
Less: Net OPEB in O&M	-	-	(1,224,116)	(1,515,414)	(1,632,255)	(676,485)	(565,523)	(427,422)	(1,085,867)	(509,742)
Add: OPEB Contributions Made (E)	-	-	-	-	-	-	-	-	-	298,200
Less:										
Payment in Lieu of Taxes	(506,500)	(520,110)	(546,229)	(538,440)	(544,104)	(563,472)	(572,844)	(582,900)	(584,724)	(595,716)
<b>Total Direct Operating Expenses</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>10,639,624</b>	<b>11,212,594</b>
<b>Net Available Revenue</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>	<b>3,869,033</b>	<b>4,409,965</b>
Debt Service										
Principal	1,220,000	1,250,000	1,315,000	1,360,000	1,425,000	1,351,351	1,600,000	1,675,000	1,825,000	1,225,000
Interest	821,500	918,596	859,744	1,150,010	1,247,232	1,255,318	968,005	798,448	651,950	676,511
<b>Total Debt Service</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>2,476,950</b>	<b>1,901,511</b>
<b>Coverage</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>	<b>1.56</b>	<b>2.32</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. Debt service for the OPEB bond and contributions made to the OPEB Trust are included as expenses for the purpose of calculating debt service coverage.
- (E) In 2015, the City issued a general obligation bond for the purpose of funding OPEB liabilities. For the purpose of debt service coverage, the bond proceeds and associated contribution from proceeds are excluded from this calculation. The City did not have any contractually obligated contributions in 2015. Contributions made prior to 2015 are not considered operating expenses for the purpose of calculating debt service coverage.

## DOWNTOWN DEVELOPMENT AUTHORITY

## PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE

December 31, 2016  
(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
2007	72,637	\$ 24,180	\$ 1,756,362,660	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%
2015	75,922	19,064	1,447,377,008	26.2	12,538	5.2%
2016	76,041	19,242	1,463,180,922	25.7	12,764	4.9%

## Data Sources:

- (A) United States Census Bureau. Based on 2016 Census estimates.
- (B) City of Kalamazoo, Management Services Department. Michigan.gov
- (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 fall 2016.

PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY

Current Year and Ten Years Ago  
(Unaudited)

Company	Principal Product or Service	2016			2006		
		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%	3,400	2	2.7%
Borgess Medical Center	Pharmaceuticals	4,201	2	3.2%	2,685	3	2.1%
Western Michigan University	Education	4,045	3	3.1%	2,657	4	2.1%
Pfizer Corporation	Pharmaceuticals	3,200	4	2.5%	4,300	1	3.4%
Kalamazoo Public Schools	Education	2,220	5	1.7%	2,200	5	1.7%
Stryker Corporation	Medical Equipment	2,089	6	1.6%	1,750	6	1.4%
PNC Bank	Banking Services	1,700	7	1.3%	1,500	7	1.2%
MPI Research	Toxicology Contract & Research	1,600	8	1.2%	1,400	9	1.1%
Meijer, Inc.	Retail Goods & Household Products	1,500	9	1.2%	1,500	8	1.2%
Summit Polymers	Auto Supplier - Interior Trim	1,200	10	0.9%	-	0	0.0%
Total		26,534		20.4%	21,392		16.9%

Sources:

Kalamazoo Regional Chamber of Commerce

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

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

(B) Percentage of employment from major employers is based on the total labor force for Kalamazoo-Portage Metropolitan Statistical Area (MSA) as employees above are not limited to residents of the City of Kalamazoo.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years  
(Unaudited)

Function/Program	Full-time Equivalent Employees (A)									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	74	74	75	65	75	65	60	60	59	61
Public safety	301	301	301	287	287	290	262	257	259	259
Economic development	6	6	6	6	6	5	4	4	4	6
Community development and planning	40	40	40	39	40	37	36	30	30	30
Parks and recreation	19	19	19	18	18	22	14	14	14	13
Public works	50	49	44	43	42	47	39	37	37	39
Streets	33	33	33	30	35	28	27	23	25	25
Wastewater	103	90	94	87	87	84	64	67	68	67
Water	85	85	79	76	61	63	50	51	47	46
<b>Total</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>	<b>543</b>	<b>546</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>2007</u>	<u>2008</u>	<u>2009</u>
General Government:			
Assessors:			
Number of real property parcels	24,404	22,848	23,430
Cost to assess real property - per parcel	\$16.21	\$17.29	\$21.90
Revenue gained per real property parcel for new development	\$11.37	\$11.00	(\$9.70)
Number of personal property accounts	3,030	3,180	3,632
Cost to assess personal property - per parcel	\$38.38	\$37.18	\$49.89
New personal property accounts	270	150	292
Cost savings due to office realignment - per period			
Treasury:			
Percent of City operation tax collected at year end	85%	84%	92%
		T-Bill + 22 basis points	T-Bill + 203 basis points
Average rate of return on investments	4.95%		
Public Safety:			
Fire safety:			
Number of residential fires/Number of fatal fires	120 / 1	140 / 1	140 / 2
Number of fire inspections completed	2,700	2,700	2,700
Kalamazoo Valley Enforcement Team (KVET):			
Number of investigations	979	989	989
Number of arrests (includes warrants)	724	704	783
Operations:			
Number of calls for service	93,444	96,603	97,100
Number of persons arrested	9,850	8,975	8,672
Traffic citations issued	35,070	30,567	28,058
Traffic accidents / OUIL Arrests	3,123 / 312	3,001 / 373	3,069 / 393
Economic development:			
Number of tax exempt acres redeveloped	1.2	34.4	34.4
Private investment leveraged / jobs created	\$3,100,000 / 50	\$17,000,000 / 82	\$17,000,000 / 82
New taxable value added to the City	\$812,500	\$4,200,000	\$4,200,000
Community development and planning:			
Number of housing inspections	14,828	14,357	13,654
Number of rental units inspected/reinspected	N/A	N/A	N/A
Number of rental units certified	N/A	N/A	N/A
Zoning enforcement actions	245	216	235
Number of persons impacted by housing-related grant award activities	820	2,452	2,063
Parks and recreation:			
Number of park reservations and public events	190	196	194
Number of family programs	14	12	12
Number of people served through family programs	10,425	7,311	9,083
Number of youth development programs	43	56	57
Number of people served through youth development programs	9,230	9,520	10,818
Number of youth served through grant programs	-	-	-

OPERATING INDICATORS BY FUNCTION - CONTINUED

Last Ten Years  
(Unaudited)

2010	2011	2012	2013	2014	2015 (B)	2016 (A)
23,987	23,350	23,380	23,256	23,788	23,275	23,300
\$18.29	\$22.09	\$21.49	\$18.38	\$18.38	\$17.27	\$17.46
(\$85.14)	(\$0.36)	\$0.60	\$3.11	\$0.00	\$0.00	(\$0.19)
3,322	3,064	2,935	2,985	3,243	3,064	3,200
\$43.71	\$42.08	\$42.79	\$23.93	\$23.79	\$23.15	\$22.43
184	N/A	N/A	N/A	N/A	N/A	N/A
	(\$2.86)	(\$0.71)	\$18.86	\$0.14	\$0.78	\$0.72
93%	94%	94%	95%	95%	95%	95%
T-Bill + 63 basis points	T-Bill +22 basis points	T-Bill +20 basis points	T-Bill + 15 basis pts			
140 / 0	N/A	N/A	N/A	N/A	N/A	N/A
2,700	N/A	N/A	N/A	N/A	N/A	N/A
909	975	871	640	871	1,000	1,100
729	790	871	660	871	800	900
94,100	73,433	101,000	101,000	101,000	102,000	102,000
8,900	7,800	8,836	8,500	8,836	8,500	8,200
25,000	12,348	17,537	15,000	17,537	15,000	12,000
3,069 / 400	2,917	2,700	3,000	2,700	3,000	3,000
0	2.19	0.98	2.62	2.62	2.23	7.133
\$6,100,000 / 120	\$16,800,000 / 114	\$12,500,000/28	\$12,900,000/47	\$12,900,000/47	\$10,100,000/128	\$23,000,000/182
\$2,400,000	\$2,199,000	\$822,000	\$727,000	\$727,000	\$4,400,000	\$4,400,000
14,089	12,802	7,364	10,100	10,310	12,900	13,000
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
568	N/A	147	268	N/A	N/A	N/A
2,702	N/A	510	428	N/A	N/A	N/A
211	225	225	170	180	180	185
7	9	9	N/A	N/A	N/A	N/A
7,212	6,788	3,851	N/A	N/A	N/A	N/A
54	48	48	50	N/A	N/A	N/A
12,566	2,440	6,245	4,883	N/A	N/A	N/A
-	-	-	-	-	-	N/A

## OPERATING INDICATORS BY FUNCTION - CONTINUED

Last Ten Years  
(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government - Concluded:			
Public works:			
Number of sidewalk repairs	127	85	87
Volume of leaves collected (cubic yards)	67,879	70,000	90,000
Volume of material recycled (tons)	2,224	2,350	2,400
Number of housing units participating in recycling activities	20,000	21,000	21,500
Volume of solid waste collected (cubic yards)	9,972	9,975	9,845
Streets:			
Number of repairs on major streets	105	181	185
Value of Repairs per staff hour on major streets	\$326	\$295	\$300
Number of repairs on local streets	307	484	475
Value of Repairs per staff hour on local streets	\$226	\$245	\$255
Water:			
Cubic meters of water billed (millions)	22.8	22.4	22.6
Average operating cost to produce one cubic meter of water	\$0.438	\$0.440	\$0.460
Number of utility bills mailed	225,961	251,449	252,780
Wastewater:			
Cubic meters of wastewater treated (millions)	36.0	36.2	36.2
Average operating cost to treat one cubic meter of wastewater	\$0.442	\$0.440	\$0.440
Number of sanitary main line stoppages	26	14	14

Source: City of Kalamazoo Adopted Budget

(A) 2016 data is projected in conjunction with the City of Kalamazoo 2017 proposed budget procedures.  
Actual data is not currently available.

(B) 2015 data has been updated from estimated to actual numbers.

OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Ten Years  
(Unaudited)

2010	2011	2012	2013	2014	2015 (B)	2016 (A)
92	N/A	N/A	N/A	N/A	N/A	N/A
90,000	90,500	90,500	90,000	90,000	90,000	90,000
2,400	2,510	2,510	2,550	2,550	2,550	2,550
21,500	21,575	21,575	21,700	8,200	8,200	10,000
9,958	9,989	9,989	10,000	17,451	15,625	16,000
180	N/A	N/A	N/A	N/A	N/A	N/A
\$315	N/A	N/A	N/A	N/A	N/A	N/A
450	N/A	N/A	N/A	N/A	N/A	N/A
\$265	N/A	N/A	N/A	N/A	N/A	N/A
22.6	22.4	22.4	22.9	21.36	20.19	20.89
\$0.460	\$0.550	\$0.520	\$0.510	\$0.500	\$0.800	\$0.830
252,780	N/A	N/A	N/A	N/A	N/A	N/A
34.9	35.6	35.5	35.2	35.58	35.95	36.054
\$0.550	\$0.650	\$0.620	\$0.610	\$0.500	\$0.660	\$0.590
28	N/A	N/A	N/A	N/A	N/A	N/A

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years  
(Unaudited)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	8	8	8	7	7	7	4	4	4	4
Parking lots	7	7	7	7	7	7	7	7	12	12
Parking ramps	3	3	3	3	3	3	3	3	3	3
Public safety:										
Public safety headquarters building	1	1	1	1	1	1	1	1	1	1
Public safety stations	7	7	7	7	7	6	6	6	6	6
Training facility	1	1	1	1	1	1	1	1	1	1
Vehicles	193	198	196	191	192	204	165	162	161	163
Community development and planning:										
Vehicles	26	27	27	27	27	24	15	13	13	13
Parks and recreation:										
Administration building	1	1	1	1	1	1	1	1	1	1
Youth development center	1	1	1	1	1	1	1	1	1	1
Acreage of parks:										
Mini-parks	8.9	8.9	8.9	8.9	8.9	4.8	5.7	5.7	5.7	5.7
Neighborhood parks and playgrounds	111.5	111.5	111.5	111.5	111.5	87.1	86.5	86.5	86.5	86.5
Major community parks	728.5	728.5	728.5	728.5	728.5	n/a	n/a	n/a	n/a	n/a
Open green space and preserves	137.0	137.0	137.0	137.0	137.0	n/a	n/a	n/a	n/a	n/a
Community parks	n/a	n/a	n/a	n/a	n/a	161.7	188.2	158.2	158.2	158.2
Large urban parks	n/a	n/a	n/a	n/a	n/a	181.0	181.0	181.0	181.0	181.0
Small urban parks	n/a	n/a	n/a	n/a	n/a	6.2	6.2	6.1	6.1	6.1
Sports complex	n/a	n/a	n/a	n/a	n/a	93.1	93.1	93.1	93.1	93.1
Natural resources areas	n/a	n/a	n/a	n/a	n/a	89.2	89.2	92.6	92.6	92.6
Green spaces	n/a	n/a	n/a	n/a	n/a	6.0	6.0	25.9	25.9	25.9
Islands and right of ways	n/a	n/a	n/a	n/a	n/a	16.2	16.2	182.2	182.2	182.2
Number of parks (C):										
Mini-parks	9	9	9	9	9	7	8	8	8	8
Neighborhood parks and playgrounds	14	14	14	14	14	15	14	14	14	14
Major community parks	8	8	8	8	8	n/a	n/a	n/a	n/a	n/a
Open green space and preserves	17	17	17	17	17	n/a	n/a	n/a	n/a	n/a
Community parks	n/a	n/a	n/a	n/a	n/a	6.0	6	6	6	6
Large urban parks	n/a	n/a	n/a	n/a	n/a	1.0	1	1	1	1
Small urban parks	n/a	n/a	n/a	n/a	n/a	4.0	4	4	4	4
Sports complex	n/a	n/a	n/a	n/a	n/a	1.0	1	1	1	1
Natural resources areas	n/a	n/a	n/a	n/a	n/a	1.0	1	2	2	2
Green spaces	n/a	n/a	n/a	n/a	n/a	6.0	6	10	10	10
Islands and right of ways	n/a	n/a	n/a	n/a	n/a	28.0	28	40	40	40
Festival site	1	1	1	1	1	1	1	1	1	1
Farmers market	1	1	1	1	1	1	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
Swimming pool	1	1	1	1	1	1	1	1	1	1
Beach	1	1	1	1	1	1	1	1	1	1
Golf courses	3	3	3	3	3	3	3	3	3	3
Vehicles	2	2	3	3	3	3	2	3	3	3
Public works:										
Gravel pit	1	1	1	1	1	1	1	1	1	1
Salt storage building	1	1	1	1	1	1	1	1	1	1
Streets:										
Local streets (miles)	166.29	166.29	166.29	166.29	166.29	166.38	166.38	166.38	166.30	166.24
Major streets (miles)	82.39	82.39	82.39	82.39	82.39	83.62	83.62	83.62	83.62	83.62
Traffic signals	135	135	135	135	136	85	85	85	85	84

## CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Ten Years  
(Unaudited)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Wastewater:										
Sanitary sewers (miles)	293	293	293	293	293	294	294	294	294	295
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	187.5	188.0	188.1	188.7	188.9	188.9
Number of lift stations maintained	54	54	54	54	59	60	60	60	60	62
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.3	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	16	16	16	17	16
Booster/bleeder stations	13	13	13	13	15	17	17	17	15	19
Water mains (miles)	665	665	665	807	812	753	755	756	758	761
Wells in Service	99	99	99	99	99	99	99	99	98	98
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79	66.79	60.00	60.00	60.00	66.75	71.86
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80	17.80	15.10	15.10	15.10	15.30	151.00
Internal service:										
Public works equipment (A)										
Utility and other vehicles	93	90	91	95	76	112	107	99	99	103
Public utilities equipment (B)										
Utility and other vehicles	136	136	136	130	115	89	81	79	86	84

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, 2016  
(Unaudited)

REVENUES	
Building Permits	\$ 383,065
Electrical Permits	191,745
Mechanical Permits	206,425
Plumbing Permits	92,668
Other Permits & License Fees	<u>48,357</u>
TOTAL REVENUES	922,260
EXPENDITURES	
Wages, Salaries and Benefits	405,981
Supplies	3,014
Services	139,260
Administrative Overhead*	<u>142,622</u>
TOTAL EXPENDITURES	<u>690,877</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ 231,383</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
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
2015	1,084,798	1,602,053	2.05%	(9,974,518)	(7,287,667)
2016	1,085,940	-	-	72,939,990	74,025,930

**Expenses by Type**

Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
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
2015	28,156,585	300,655	200,115	28,657,355
2016	28,474,218	153,024	22,652	28,649,894

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

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

TAXABLE VALUE

Last 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
2007	2008	2008	\$ 1,719,463,219	\$ 15,674,097	\$ 1,735,137,316	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%
2014	2015	2015	1,500,947,195	28,072,053	1,529,019,248	1.77%
2015	2016	2016	1,462,099,732	17,628,144	1,479,727,876	-1.62%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2016 (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, 2016, the Taxable Value of the property located in the Zone totaled \$223,971.

(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								
		2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Use</b>										
Commercial	\$	589,583,943	606,607,218	563,036,502	541,614,381	507,611,427	495,648,966	486,985,744	495,189,274	496,931,154
Industrial		289,483,928	288,393,750	267,710,185	266,864,890	256,822,892	249,610,325	258,266,381	193,572,902	137,394,270
Residential		856,069,445	857,033,288	836,667,489	818,666,198	761,980,961	757,157,146	758,825,584	771,446,995	782,369,508
	\$	<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>	<u>1,460,209,171</u>	<u>1,416,694,932</u>
<b>Class</b>										
Real	\$	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	1,302,965,923	1,318,176,726
Personal		223,960,600	240,339,200	239,249,150	240,657,650	236,675,150	232,811,600	225,108,500	226,053,325	161,551,150
	\$	<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>	<u>1,529,019,248</u>	<u>1,479,727,876</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

		Years Ended December 31								
		2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Use</b>										
Commercial		33.98%	34.62%	33.77%	33.29%	33.26%	32.99%	32.38%	33.91%	35.08%
Industrial		16.68%	16.46%	16.06%	16.40%	16.83%	16.61%	17.17%	13.26%	9.70%
Residential		49.34%	48.92%	50.18%	50.31%	49.92%	50.40%	50.45%	52.83%	55.22%
		<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		87.09%	86.28%	85.65%	85.21%	84.49%	84.50%	85.03%	85.22%	89.08%
Personal		12.91%	13.72%	14.35%	14.79%	15.51%	15.50%	14.97%	14.78%	10.92%
		<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 Nine 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
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%
2014	2015	2015	1,595,505,852	28,476,200	1,623,982,052	2.94%
2015	2016	2016	1,573,619,120	18,031,750	1,591,650,870	-1.99%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2016 (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, 2016, the State Equalized Value of the property located in the Zone totaled \$229,600.

(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

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Use</b>									
Commercial	\$ 655,406,800	\$ 659,635,900	\$ 594,185,500	\$ 572,537,400	\$ 525,231,000	\$ 509,014,740	\$ 517,882,600	\$ 528,394,800	\$ 528,941,500
Industrial	297,254,500	295,190,600	272,429,550	270,606,100	259,257,328	251,795,650	260,347,050	264,425,400	46,079,516
Residential	1,036,579,306	958,208,614	913,804,795	877,311,809	791,395,636	788,431,162	799,430,100	831,161,852	859,518,620
	<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>	<u>\$ 1,623,982,052</u>	<u>\$ 1,434,539,636</u>
<b>Class</b>									
Real	\$ 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	\$ 1,398,629,102	\$ 1,430,195,920
Personal	223,960,600	240,295,600	239,246,450	240,669,150	236,681,250	232,577,750	224,602,400	225,352,950	161,454,950
	<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>	<u>\$ 1,623,982,052</u>	<u>\$ 1,591,650,870</u>

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

Years Ended December 31

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Use</b>									
Commercial	32.95%	34.48%	33.37%	33.28%	33.33%	32.86%	32.83%	32.54%	36.87%
Industrial	14.94%	15.43%	15.30%	15.73%	16.45%	16.25%	16.50%	16.28%	3.21%
Residential	52.11%	50.09%	51.33%	50.99%	50.22%	50.89%	50.67%	51.18%	59.92%
	<u>100.0%</u>								
<b>Class</b>									
Real	88.74%	87.44%	86.56%	86.01%	84.98%	84.99%	85.76%	86.12%	89.86%
Personal	11.26%	12.56%	13.44%	13.99%	15.02%	15.01%	14.24%	13.88%	10.14%
	<u>100.0%</u>								

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

## MAXIMUM AND ACTUAL TAX RATES

December 31, 2016  
(Unaudited)

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction (A)</u>	<u>Maximum Allowable Millage</u>	<u>Actual Millage Levied</u>
Operating	20.0000	0.9635	19.2705	19.2705
Refuse Collection and Disposal	<u>3.0000</u>	0.9635	<u>2.8906</u>	<u>1.8000</u>
	<u><u>23.0000</u></u>		<u><u>22.1611</u></u>	<u><u>21.0705</u></u>

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

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

REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN

Last Ten Years  
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Constitutional	\$ 5,169,916	\$ 5,342,525	\$ 5,038,645	\$ 4,997,354	\$ 5,234,462	\$ 5,376,641	\$ 5,451,748	\$ 5,619,666	\$ 5,591,705	\$ 5,650,526
Statutory	4,797,829	4,625,220	4,625,220	3,597,688	2,828,982	2,517,264	2,517,264	2,855,788	2,913,327	2,913,324
Total payments received	9,967,745	9,967,745	9,663,865	8,595,042	8,063,444	7,893,905	7,969,012	8,475,454	8,505,032	8,563,850
Disbursement to other governmental units (1)	(243,183)	-	-	-	-	-	-	-	-	-
Net revenue sharing	<u>\$ 9,724,562</u>	<u>\$ 9,967,745</u>	<u>\$ 9,663,865</u>	<u>\$ 8,595,042</u>	<u>\$ 8,063,444</u>	<u>\$ 7,893,905</u>	<u>\$ 7,969,012</u>	<u>\$ 8,475,454</u>	<u>\$ 8,505,032</u>	<u>\$ 8,563,850</u>
% of General Fund revenue (2)	18.4%	18.5%	18.6%	16.8%	15.0%	16.1%	16.1%	16.6%	16.0%	16.0%

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.

RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Ten Years  
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Cash Basis</b>										
Major Streets	\$ 4,100,045	\$ 4,444,710	\$ 3,785,194	\$ 3,800,114	\$ 3,856,427	\$ 3,970,573	\$ 4,058,818	\$ 4,142,990	\$ 4,305,689	\$ 4,364,625
Local Streets	1,146,604	1,193,602	1,073,035	1,076,285	1,089,278	1,119,306	1,144,434	1,170,270	1,216,344	1,233,421
	<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>\$ 5,522,033</u>	<u>\$ 5,598,046</u>
<b>Accrual Basis</b>										
Major Streets	\$ 4,099,179	\$ 3,912,153	\$ 3,792,932	\$ 3,803,492	\$ 3,885,881	\$ 3,982,120	\$ 4,064,225	\$ 4,144,079	\$ 4,336,895	\$ 4,458,804
Local Streets	1,146,418	1,105,811	1,075,337	1,076,655	1,097,173	1,122,618	1,146,275	1,170,571	1,225,244	1,260,035
	<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>	<u>\$ 5,562,139</u>	<u>\$ 5,718,839</u>

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

## LABOR CONTRACTS

December 31, 2016  
(Unaudited)

<u>Bargaining Unit</u>	<u>Membership</u>	<u>Contract Expiration Date</u>
American Federation of State, County and Municipal Employees	103	October 2, 2019
Kalamazoo Municipal Employees Association	84	December 31, 2017
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	52	December 31, 2017
Kalamazoo Police Officers Association (Officers and Detectives)	186	December 31, 2017
<u>Non-Union</u>	<u>106</u>	<u>Not Applicable</u>
<b>Total Employees</b>	<b><u><u>531</u></u></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
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%
2015	35,088	1,910	36,998	5.2%	4,493,000	258,000	4,751,000	5.4%
2016	35,616	1,820	37,436	4.9%	4,599,000	238,000	4,837,000	4.9%

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

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

## WATER SUPPLY SYSTEM

Water Supply Franchises  
(Unaudited)

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

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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) while new agreements are being negotiated.

WATER SUPPLY SYSTEM

Approximate Number of Water Supply Customers  
by Location and User Classification

Last Five Years  
(Unaudited)

Customer Location and Classification	2012		2013		2014		2015		2016	
City:										
Residential	18,267	38.45%	17,291	37.47%	17,279	37.38%	17,289	37.08%	17,352	37.03%
Commercial / Industrial	6,052	12.74%	6,050	13.11%	6,029	13.04%	6,047	12.97%	6,039	12.89%
Total City	24,319	51.18%	23,341	50.58%	23,308	50.43%	23,336	50.04%	23,391	49.91%
Out City:										
Residential	17,192	36.18%	16,862	36.54%	17,072	36.94%	17,225	36.94%	17,444	37.22%
Commercial / Industrial	6,002	12.63%	5,946	12.88%	5,841	12.64%	6,070	13.02%	6,030	12.87%
Total Out City	23,194	48.82%	22,808	49.42%	22,913	49.57%	23,295	49.96%	23,474	50.09%
Total System:										
Residential	35,459	74.63%	34,153	74.01%	34,351	74.32%	34,514	74.02%	34,796	74.25%
Commercial / Industrial	12,054	25.37%	11,996	25.99%	11,870	25.68%	12,117	25.98%	12,069	25.75%
Total System	47,513	100.00%	46,149	100.00%	46,221	100.00%	46,631	100.00%	46,865	100.00%

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/HydrantLast Three Years  
(Unaudited)

		2014		2015		2016	
<b><u>Meter Location and Size</u></b>							
City:							
	5/8" - 3/4"	16,418	35.52%	16,401	35.29%	16,427	35.07%
	1"	2,428	5.25%	2,452	5.28%	2,472	5.28%
	1 1/2"	247	0.53%	248	0.53%	249	0.53%
	2"	1,064	2.30%	1,062	2.29%	1,063	2.27%
	3"	203	0.44%	204	0.44%	205	0.44%
	4"	102	0.22%	102	0.22%	102	0.22%
	6"	7	0.02%	0	0.00%	0	0.00%
	8"	0	0.00%	0	0.00%	0	0.00%
Total City		<u>20,469</u>	<u>44.29%</u>	<u>20,469</u>	<u>44.05%</u>	<u>20,518</u>	<u>43.80%</u>
Out City:							
	5/8" - 3/4"	8,419	18.21%	8,394	18.06%	8,422	17.98%
	1"	9,397	20.33%	9,618	20.70%	9,824	20.97%
	1 1/2"	366	0.79%	366	0.79%	367	0.78%
	2"	953	2.06%	965	2.08%	972	2.08%
	3"	118	0.26%	118	0.25%	120	0.26%
	4"	51	0.11%	53	0.11%	56	0.12%
	6"	13	0.03%	13	0.03%	13	0.03%
	8"	0	0.00%	0	0.00%	0	0.00%
Total Out City		<u>19,317</u>	<u>41.79%</u>	<u>19,527</u>	<u>42.02%</u>	<u>19,774</u>	<u>42.22%</u>
Total Meters		<u>39,786</u>	<u>86.08%</u>	<u>39,996</u>	<u>86.07%</u>	<u>40,292</u>	<u>86.02%</u>
<b><u>Location and Size of Fire Protection Line/Hydrant</u></b>							
City:							
	4"	224	0.48%	213	0.46%	226	0.48%
	6"	167	0.36%	164	0.35%	167	0.36%
	8"	86	0.19%	85	0.18%	86	0.18%
	10"	2	0.00%	2	0.00%	2	0.00%
	Hydrants	<u>2,360</u>	<u>5.11%</u>	<u>2,392</u>	<u>5.15%</u>	<u>2,415</u>	<u>5.16%</u>
Total City		<u>2,839</u>	<u>6.14%</u>	<u>2,856</u>	<u>6.15%</u>	<u>2,896</u>	<u>6.18%</u>
Out City:							
	4"	195	0.42%	198	0.43%	200	0.43%
	6"	100	0.22%	98	0.21%	101	0.22%
	8"	70	0.15%	72	0.15%	72	0.15%
	10"	5	0.01%	5	0.01%	5	0.01%
	Hydrants	<u>3,226</u>	<u>6.98%</u>	<u>3,245</u>	<u>6.98%</u>	<u>3,274</u>	<u>6.99%</u>
Total Out City		<u>3,596</u>	<u>7.78%</u>	<u>3,618</u>	<u>7.79%</u>	<u>3,652</u>	<u>7.80%</u>
Total Fire Protection		<u>6,435</u>	<u>13.92%</u>	<u>6,474</u>	<u>13.93%</u>	<u>6,548</u>	<u>13.98%</u>
Total Service Connections		<u>46,221</u>	<u>100.00%</u>	<u>46,470</u>	<u>100.00%</u>	<u>46,840</u>	<u>100.00%</u>

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

## WATER SUPPLY SYSTEM

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

Last Five Years  
(Unaudited)

<u>Meter Location and Size</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 20.70	\$ 20.70	\$ 20.35	\$ 20.35	\$ 20.35
1" Meter	27.48	27.48	27.02	27.02	27.02
1-1/2" Meter	34.25	34.25	33.69	33.69	33.69
2" Meter	52.87	52.87	52.03	52.03	52.03
City (Monthly Billed Accounts):					
5/8" Meter	9.41	9.41	9.23	9.23	9.23
1" Meter	11.67	11.67	11.45	11.45	11.45
1-1/2" Meter	13.93	13.93	13.68	13.68	13.68
2" Meter	20.14	20.14	19.79	19.79	19.79
3" Meter	65.86	65.86	64.81	64.81	64.81
4" Meter	82.79	82.79	81.49	81.49	81.49
6" Meter	122.30	122.30	120.40	120.40	120.40
8" Meter	167.45	167.45	164.86	164.86	164.86
City (Monthly Fire Protection Charge):					
4" Detector Check	23.63	23.63	21.59	21.59	21.59
6" Detector Check	28.03	28.03	26.93	26.93	26.93
8" Detector Check	37.12	37.12	37.58	37.58	37.58
10" Detector Check	77.33	77.33	80.05	80.05	80.05
Fire Hydrant	3.33	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	24.48	24.48	27.95	27.95	27.95
1" Meter	32.76	32.76	37.66	37.66	37.66
1-1/2" Meter	41.04	41.04	47.37	47.37	47.37
2" Meter	63.82	63.82	74.08	74.08	74.08
Out City (Monthly Billed Accounts):					
5/8" Meter	10.67	10.67	11.76	11.76	11.76
1" Meter	13.43	13.43	15.00	15.00	15.00
1-1/2" Meter	16.19	16.19	18.24	18.24	18.24
2" Meter	23.79	23.79	27.14	27.14	27.14
3" Meter	79.70	79.70	92.70	92.70	92.70
4" Meter	100.41	100.41	116.98	116.98	116.98
6" Meter	148.72	148.72	173.63	173.63	173.63
8" Meter	203.94	203.94	238.38	238.38	238.38
Out City (Monthly Fire Protection Charge):					
4" Detector Check	46.32	46.32	33.93	33.93	33.93
6" Detector Check	60.00	60.00	41.42	41.42	41.42
8" Detector Check	88.61	88.61	56.16	56.16	56.16
10" Detector Check	218.99	218.99	112.72	112.72	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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City:					
Residential	\$0.284	\$0.284	\$0.270	\$0.270	\$0.270
Multifamily	0.255	0.255	0.244	0.244	0.244
Commercial/Industrial	0.286	0.286	0.272	0.272	0.272
Fire Protection - First 15 M3	0.275	0.275	0.267	0.267	0.267
Fire Protection - Over 15 M3	0.825	0.825	0.801	0.801	0.801
Seasonal Uses	0.537	0.537	0.421	0.421	0.421
Out City:					
Residential	\$0.516	\$0.516	\$0.554	\$0.554	\$0.554
Multifamily	0.343	0.343	0.371	0.371	0.371
Commercial/Industrial	0.385	0.385	0.416	0.416	0.416
Fire Protection - First 15 M3	0.377	0.377	0.409	0.409	0.409
Fire Protection - Over 15 M3	1.131	1.131	1.227	1.227	1.227
Seasonal Uses	1.019	1.019	0.863	0.863	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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Pumped	27,738,740	25,374,999	23,169,006	24,493,351	25,220,179
Billed	<u>24,137,305</u>	<u>21,364,279</u>	<u>19,771,279</u>	<u>20,279,855</u>	<u>20,913,093</u>
Unaccounted (2)	<u>3,601,435</u>	<u>4,010,720</u>	<u>3,397,727</u>	<u>4,213,496</u>	<u>4,307,086</u>
Unaccounted as a Percent of Pumped	<u>12.98%</u>	<u>15.81%</u>	<u>14.66%</u>	<u>17.20%</u>	<u>17.08%</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 inaccurate 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 Classification

Last Five Years  
(Unaudited)

Meter Location and Classification	2012		2013		2014		2015		2016	
City:										
Residential	4,776,500	19.79%	4,205,806	19.69%	3,862,677	19.54%	3,944,462	19.45%	3,931,399	18.80%
Multifamily	1,893,600	7.85%	1,829,866	8.57%	1,655,786	8.38%	1,712,698	8.45%	1,682,894	8.05%
Commercial/Industrial	5,413,200	22.43%	5,077,562	23.77%	4,837,405	24.47%	4,841,171	23.87%	4,886,681	23.37%
Fire Protection	8,400	0.03%	13,935	0.07%	4,985	0.03%	4,241	0.02%	13,178	0.06%
Seasonal Uses (1)	743,500	3.08%	478,802	2.24%	488,857	2.47%	393,133	1.94%	579,154	2.77%
<b>Total City</b>	<b>12,835,200</b>	<b>53.18%</b>	<b>11,605,971</b>	<b>54.32%</b>	<b>10,849,710</b>	<b>54.88%</b>	<b>10,895,705</b>	<b>53.73%</b>	<b>11,093,306</b>	<b>53.04%</b>
Out City:										
Residential	6,372,200	26.40%	5,189,733	24.29%	4,646,594	23.50%	4,737,107	23.36%	5,247,726	25.09%
Multifamily	1,575,600	6.53%	1,555,241	7.28%	1,420,177	7.18%	1,647,921	8.13%	1,552,244	7.42%
Commercial/Industrial	2,658,600	11.01%	2,638,061	12.35%	2,543,260	12.86%	2,700,515	13.32%	2,647,074	12.66%
Fire Protection	3,300	0.01%	1,170	0.01%	2,432	0.01%	2,575	0.01%	3,330	0.02%
Seasonal Uses (1)	692,400	2.87%	374,103	1.75%	307,645	1.56%	296,032	1.46%	369,413	1.77%
<b>Total Out City</b>	<b>11,302,100</b>	<b>46.82%</b>	<b>9,758,308</b>	<b>45.68%</b>	<b>8,920,108</b>	<b>45.12%</b>	<b>9,384,150</b>	<b>46.27%</b>	<b>9,819,787</b>	<b>46.96%</b>
Total System:										
Residential	11,148,700	46.19%	9,395,539	43.98%	8,509,271	43.04%	8,681,569	42.81%	9,179,125	43.89%
Multifamily	3,469,200	14.37%	3,385,107	15.84%	3,075,963	15.56%	3,360,619	16.57%	3,235,138	15.47%
Commercial/Industrial	8,071,800	33.44%	7,715,623	36.11%	7,380,665	37.33%	7,541,686	37.19%	7,533,755	36.02%
Fire Protection	11,700	0.05%	15,105	0.07%	7,417	0.04%	6,816	0.03%	16,508	0.08%
Seasonal Uses (2)	1,435,900	5.95%	852,905	3.99%	796,502	4.03%	689,165	3.40%	948,567	4.54%
<b>Total System</b>	<b>24,137,300</b>	<b>100.00%</b>	<b>21,364,279</b>	<b>100.00%</b>	<b>19,769,818</b>	<b>100.00%</b>	<b>20,279,855</b>	<b>100.00%</b>	<b>20,913,093</b>	<b>100.00%</b>

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)

	2012	2013	2014	2015	2016
Average Daily Water Supply	19.568	20.018	18.430	17.730	18.260
Peak Daily Water Supply	45.933	36.130	29.400	29.950	31.620
Peak as a Percent of Average	234.74%	180.49%	159.52%	168.92%	173.17%

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 Classification

Last Five Years  
(Unaudited)

Meter Location and Classification	2012		2013		2014		2015		2016	
City:										
Residential	\$ 2,784,620	19.47%	\$ 2,658,128	20.40%	\$ 2,515,121	19.86%	\$ 2,507,911	19.18%	\$ 2,510,012	18.58%
Multifamily	680,756	4.76%	670,952	5.15%	615,002	4.86%	620,474	4.75%	613,546	4.54%
Commercial/Industrial	2,003,550	14.01%	1,911,231	14.67%	1,815,035	14.33%	1,788,986	13.68%	1,799,505	13.32%
Fire Protection	168,595	1.18%	163,612	1.26%	162,133	1.28%	151,119	1.16%	160,931	1.19%
Seasonal Uses	431,973	3.02%	291,039	2.23%	241,911	1.91%	198,832	1.52%	275,712	2.04%
<b>Total City</b>	<b>6,069,494</b>	<b>42.45%</b>	<b>5,694,962</b>	<b>43.70%</b>	<b>5,349,202</b>	<b>42.24%</b>	<b>5,267,322</b>	<b>40.29%</b>	<b>5,359,706</b>	<b>39.68%</b>
Out City:										
Residential	5,170,989	36.16%	4,610,290	35.38%	4,635,360	36.60%	4,888,888	37.40%	5,204,737	38.53%
Multifamily	776,386	5.43%	771,364	5.92%	768,138	6.07%	879,118	6.72%	849,589	6.29%
Commercial/Industrial	1,402,911	9.81%	1,404,193	10.77%	1,454,260	11.48%	1,576,503	12.06%	1,566,763	11.60%
Fire Protection	176,115	1.23%	157,676	1.21%	173,753	1.37%	186,327	1.43%	188,782	1.40%
Seasonal Uses	703,314	4.92%	393,780	3.02%	283,749	2.24%	274,769	2.10%	337,685	2.50%
<b>Total Out City</b>	<b>8,229,715</b>	<b>57.55%</b>	<b>7,337,303</b>	<b>56.30%</b>	<b>7,315,260</b>	<b>57.76%</b>	<b>7,805,605</b>	<b>59.71%</b>	<b>8,147,556</b>	<b>60.32%</b>
Total System:										
Residential	7,955,609	55.64%	7,268,418	55.77%	7,150,481	56.46%	7,396,799	56.58%	7,714,749	57.12%
Multifamily	1,457,142	10.19%	1,442,315	11.07%	1,383,141	10.92%	1,499,592	11.47%	1,463,135	10.83%
Commercial/Industrial	3,406,461	23.82%	3,315,424	25.44%	3,269,295	25.81%	3,365,489	25.74%	3,366,268	24.92%
Fire Protection	344,710	2.41%	321,288	2.47%	335,887	2.65%	337,446	2.58%	349,713	2.59%
Seasonal Uses	1,135,287	7.94%	684,820	5.25%	525,659	4.15%	473,601	3.62%	613,397	4.54%
<b>Total System</b>	<b>\$ 14,299,209</b>	<b>100.00%</b>	<b>\$ 13,032,265</b>	<b>100.00%</b>	<b>\$ 12,664,463</b>	<b>100.00%</b>	<b>\$ 13,072,927</b>	<b>100.00%</b>	<b>\$ 13,507,262</b>	<b>100.00%</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, 2016  
(Unaudited)

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Kalamazoo Brewing	Beer Brewing	822,663	4.1%	\$ 198,262	1.5%
Western Michigan University	Higher Education	815,185	4.0%	299,988	2.2%
Graphic Packaging	Paper Products	781,958	3.9%	287,761	2.1%
Pfizer Corporation/Zoetis	Pharmaceuticals	421,644	2.1%	155,165	1.1%
Borgess Medical Center	Hospital	397,395	2.0%	146,241	1.1%
Bronson Methodist Hospital	Hospital	298,139	1.5%	109,715	0.8%
Continental Linen	Uniform Cleaning	189,090	0.9%	69,585	0.5%
Greenleaf Hospitality Group	Hotel and Services	186,070	0.9%	68,474	0.5%
Kalsec, Inc.	Food Grade Flavoring	179,119	0.9%	43,168	0.3%
Concord Place Apartments	Apartments	111,379	0.5%	40,987	0.3%
		<u>4,202,642</u>	<u>20.8%</u>	<u>\$ 1,419,346</u>	<u>10.4%</u>

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

(1) Based on water volume of 20,913,093 cubic meters.

(2) Based on Water System billed revenue of \$13,650,299.

## WASTEWATER SYSTEM

Wastewater Service Agreements  
(Unaudited)

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

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

(1) Served by a retail service agreement.

(2) Served by a wholesale service agreement.

WASTEWATER SYSTEM

Approximate Number of Wastewater Customers  
by Location and User Classification

Last Five Years  
(Unaudited)

Customer Location and Classification	2012		2013		2014		2015		2016	
<b>Retail Customers</b>										
<i>In-City Retail Customers</i>										
Residential	17,824	52.38%	16,876	50.98%	16,861	50.73%	16,883	50.41%	16,952	50.17%
Commercial	2,673	7.86%	2,521	7.62%	2,536	7.63%	2,520	7.52%	2,519	7.46%
Industrial	97	0.29%	297	0.90%	313	0.94%	310	0.93%	307	0.91%
Sub-Total	20,594	60.52%	19,694	59.49%	19,710	59.30%	19,713	58.86%	19,778	58.53%
<i>Out-City Retail Customers</i>										
Residential	10,360	30.44%	10,321	31.18%	10,456	31.46%	10,645	31.79%	10,847	32.10%
Commercial	1,502	4.41%	1,519	4.59%	1,515	4.56%	1,530	4.57%	1,552	4.59%
Industrial	28	0.08%	29	0.09%	32	0.10%	29	0.09%	29	0.09%
Sub-Total	11,890	34.94%	11,869	35.85%	12,003	36.11%	12,204	36.44%	12,428	36.78%
Total Retail Customers	32,484	95.46%	31,563	95.34%	31,713	95.41%	31,917	95.31%	32,206	95.32%
<b>Wholesale Customers</b>										
Industries	2	0.01%	2	0.01%	2	0.01%	2	0.01%	2	0.01%
Wholesale Municipal Customers	8	0.02%	8	0.02%	8	0.02%	8	0.02%	8	0.02%
Dewatering Accounts	4	0.01%	4	0.01%	4	0.01%	4	0.01%	4	0.01%
Septage Haulers	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sub-Total	14	0.04%	14	0.04%	14	0.04%	14	0.04%	14	0.04%
Flat Rate Customers	1,531	4.50%	1,528	4.62%	1,510	4.54%	1,558	4.65%	1,569	4.64%
Total Sewer Customers	34,029	100.00%	33,105	100.00%	33,237	100.00%	33,489	100.00%	33,789	100.00%

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

WASTEWATER SYSTEM

Number of Retail Customers by Meter Size

Last Five Years  
(Unaudited)

Meter Size	2012		2013		2014		2015		2016	
5/8" - 3/4"	23,594	72.63%	22,429	71.08%	22,432	70.73%	22,420	70.24%	22,503	69.87%
1"	6,622	20.39%	6,579	20.85%	6,714	21.17%	6,912	21.65%	7,101	22.05%
1-1/2"	452	1.39%	470	1.49%	468	1.48%	471	1.48%	482	1.50%
2"	1,469	4.52%	1,622	5.14%	1,635	5.16%	1,650	5.17%	1,648	5.12%
3"	242	0.74%	292	0.93%	297	0.94%	298	0.93%	307	0.95%
4"	94	0.29%	144	0.46%	149	0.47%	150	0.47%	149	0.46%
6"	11	0.03%	19	0.06%	20	0.06%	19	0.06%	19	0.06%
	<u>32,484</u>	<u>100.00%</u>	<u>31,555</u>	<u>100.00%</u>	<u>31,715</u>	<u>100.00%</u>	<u>31,920</u>	<u>100.00%</u>	<u>32,209</u>	<u>100.00%</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)

Meter Location and Size	2012		2013		2014		2015		2016	
	Monthly	Quarterly								
City:										
5/8"	\$ 6.14	\$ 6.77	\$ 6.14	\$ 6.77	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41
3/4"	6.16	6.86	6.16	6.86	6.43	7.56	6.43	7.56	6.43	7.56
1"	6.26	7.15	6.26	7.15	6.59	8.03	6.59	8.03	6.59	8.03
1-1/2"	6.39	7.52	6.39	7.52	6.80	8.65	6.80	8.65	6.80	8.65
2"	6.73	8.57	6.73	8.57	7.36	10.34	7.36	10.34	7.36	10.34
3"	9.30	16.25	9.30	16.25	11.52	22.82	11.52	22.82	11.52	22.82
4"	10.24	19.09	10.24	19.09	13.06	27.45	13.06	27.45	13.06	27.45
6"	12.45	25.72	12.45	25.72	16.66	38.24	16.66	38.24	16.66	38.24
Flat Rate	-	36.84	-	36.84	-	42.69	-	42.69	-	42.69
Dewatering	5.38	-	5.38	-	5.52	-	5.52	-	5.52	-
Septage	5.38	-	5.38	-	5.52	-	5.52	-	5.52	-
Out City:										
5/8"	\$ 7.03	\$ 10.50	\$ 7.03	\$ 10.50	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56
3/4"	7.21	11.02	7.21	11.02	7.32	11.07	7.32	11.07	7.32	11.07
1"	7.73	12.59	7.73	12.59	7.84	12.6	7.84	12.6	7.84	12.60
1-1/2"	8.42	14.66	8.42	14.66	8.52	14.65	8.52	14.65	8.52	14.65
2"	10.33	20.39	10.33	20.39	10.39	20.27	10.39	20.27	10.39	20.27
3"	24.38	62.51	24.38	62.51	24.19	61.68	24.19	61.68	24.19	61.68
4"	29.58	78.12	29.58	78.12	29.31	77.02	29.31	77.02	29.31	77.02
6"	41.71	114.52	41.71	114.52	41.24	112.81	41.24	112.81	41.24	112.81
Flat Rate	-	75.43	-	75.43	-	74.15	-	41.15	-	74.15
Municipalities	5.38	-	5.38	-	5.52	-	5.52	-	5.52	-
Dewatering	5.38	-	5.38	-	5.52	-	5.52	-	5.52	-
Septage	5.38	-	5.38	-	5.52	-	5.52	-	5.52	-

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

The charge for wastewater treatment service is the sum of the availability fee (determined by the size of meter) plus the commodity charge (determined by the amount of water used). Commodity rates vary depending on customer class. The rates above represent the availability fee, which is a portion of the Operating, Maintenance, and Replacement fee with a capital expense charge. See Table 43 for information on commodity rates.

WASTEWATER SYSTEM

Wastewater Treatment Charges by Customer Classification (1)

Last Five Years  
(Unaudited)

Commodity Charges (per cubic meter) (1)

Fiscal Years Ended December 31	2012 (8)	2013	2014 (9)	2015	2016
In-City Retail Customers	0.358	0.358	0.420	0.420	0.420
Out-City Retail Customers	0.773	0.773	0.757	0.757	0.757
Wholesale Municipal Customers	0.504	0.504	0.492	0.492	0.492
City of Galesburg (3)	0.542	0.542	0.547	0.547	0.547
Septage Haulers	270.408	270.408	n/a (10)	n/a (10)	n/a (10)
In-City Dewatering Customers	0.331	0.331	0.395	0.395	0.395
Out-City Dewatering Customers	0.785	0.785	0.764	0.764	0.764

Additional Quantity and Quality Wastewater Treatment (2)

Fiscal Years Ended December 31	2012 (8)	2013	2014 (9)	2015	2016
Additional Quantity Charge \$/CM					
Pfizer	0.185	0.185	0.165	0.165	0.165
Graphic Packaging	0.067	0.067	0.070	0.070	0.070
Dewater - Industrial Outside City	0.447	0.447	0.433	0.433	0.433
In-City Industrial	0.080	0.080	0.130	0.130	0.130
Out-City Industrial	0.440	0.440	0.430	0.430	0.430
BOD Charge (4) \$/KG					
Pfizer	0.508	0.508	0.511	0.511	0.511
Graphic Packaging	0.418	0.418	0.468 (11)	0.468 (11)	0.468 (11)
In-City Industrial	0.441	0.441	0.468	0.468	0.468
Out-City Industrial	0.521	0.521	0.531	0.531	0.531
SS Charge \$/KG (5)					
Pfizer	0.607	0.607	0.565	0.565	0.565
Graphic Packaging	0.470	0.470	0.506 (11)	0.506 (11)	0.506 (11)
In-City Industrial	0.495	0.495	0.506	0.506	0.506
Out-City Industrial	0.622	0.622	0.576	0.576	0.576
NH3 Charge \$/KG (6)					
Pfizer	2.522	2.522	2.609	2.609	2.609
Graphic Packaging	2.261	2.261	2.518 (11)	2.518 (11)	2.518 (11)
In-City Industrial	2.385	2.385	2.518	2.518	2.518
Out-City Industrial	2.584	2.584	2.715	2.715	2.715

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

- (1) The charge for wastewater treatment service is the sum of the availability fee (determined by the size of meter) plus the commodity charge (determined by the amount of water used). Commodity rates vary depending on customer class. The rates above represent the commodity fee which is determined by the Operating, Maintenance, and Replacement cost with a capital expense charge. See Table 42 for more information on the availability fee.
- (2) Additional quantity and quality charges are fees charged to large industrial customers.
- (3) 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.
- (4) The Biochemical Oxygen Demand (BOD) is the indicator of strength of the wastewater and how much aeration (oxygen) is required to break down wastewater.
- (5) The Suspended Solids (SS) is the amount of sludge or biosolids that required treatment process and disposal.
- (6) The ammonia (NH3) is broken down in treatment by aeration.
- (7) Rate change effective March 1, 2011.
- (8) Rate change effective March 1, 2012.
- (9) Rate change effective June 1, 2014.
- (10) The City had no septage customers in 2014 or 2015.
- (11) Charged Inside City Rates starting in 2014.

WASTEWATER SYSTEM

Wastewater Treatment Volume as Billed by  
Customer and User Classification (1)

Last Five Years  
(Unaudited)

<u>Retail Customers</u>	2012		2013		2014		2015		2016	
Residential	5,719,377	20.67%	5,599,749	20.28%	5,149,458	19.61%	5,347,569	19.98%	5,221,793	19.39%
Commercial	7,705,184	27.84%	7,688,211	27.84%	7,024,938	26.75%	7,249,851	27.09%	7,278,305	27.03%
Industrial	1,743,266	6.30%	1,544,487	5.59%	1,672,179	6.37%	1,905,754	7.12%	1,940,705	7.21%
Sub-Total	15,167,827	54.80%	14,832,447	53.71%	13,846,575	52.74%	14,503,174	54.19%	14,440,803	53.63%
<u>Wholesale Customers</u>										
Industries	4,622,788	16.70%	4,681,049	16.95%	4,272,441	16.27%	4,446,124	16.61%	4,435,586	16.47%
Wholesale Municipal	7,711,750	27.86%	8,002,142	28.98%	7,981,699	30.40%	7,646,332	28.57%	7,926,786	29.44%
Dewatering Accounts	173,781	0.63%	99,344	0.36%	155,991	0.59%	169,963	0.64%	121,315	0.45%
Septage Haulers	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Sub-Total	12,508,319	45.20%	12,782,535	46.29%	12,410,131	47.26%	12,262,419	45.81%	12,483,687	46.37%
Total Wastewater Billed	27,676,146	100.00%	27,614,982	100.00%	26,256,706	100.00%	26,765,593	100.00%	26,924,490	100.00%

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Metered Wastewater Volume	34,261,717	35,580,924	36,260,219	34,584,027	36,020,893
Wastewater Consumption as Billed	<u>27,676,146</u>	<u>27,614,982</u>	<u>26,256,706</u>	<u>26,765,592</u>	<u>26,924,490</u>
Difference (2)	<u>6,585,571</u>	<u>7,965,942</u>	<u>10,003,513</u>	<u>7,818,435</u>	<u>9,096,403</u>
Difference as a % of Metered Wastewater Volume	19.2%	22.4%	27.6%	22.6%	25.3%

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Average Daily Sewage Disposal Volume	24.7	25.8	26.3	25.0	26.0
Peak Daily Sewage Disposal Volume	35.9	37.3	34.6	31.9	47.3
Peak as a Percent of Average	145.13%	144.82%	131.81%	127.57%	182.04%

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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, 2016  
(Unaudited)

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Wastewater Volume (cubic meters)</u>	<u>Percent of Total (1)</u>	<u>Wastewater Treatment Revenue</u>	<u>Wastewater Surcharge Revenue</u>	<u>Wastewater System Revenue</u>	<u>Percent of Total (2)</u>
City of Portage	Municipality	\$ 5,777,225	21.0%	\$ 2,842,387	\$ -	\$ 2,842,387	14.6%
Pfizer	Pharmaceutical	3,315,602	12.1%	547,072	3,149,009	3,696,081	19.0%
Gull Lake Water & Sewer Auth.	Municipality	953,266	3.5%	469,001	-	469,001	2.4%
Graphics Packaging	Paper Products	1,119,984	4.1%	75,038	1,158,446	1,233,484	6.3%
Mattawan	Municipality	377,638	1.4%	185,792	-	185,792	1.0%
Cytec/Allnex	Chemicals	336,516	1.2%	43,747	155,482	199,229	1.0%
Vicksburg	Municipality	315,008	1.1%	154,978	-	154,978	0.8%
Kalamazoo Brewing	Brewery	240,466	0.9%	103,400	437,184	540,584	2.8%
Parchment	Municipality	160,648	0.6%	79,033	-	79,033	0.4%
Kalsec	Food Grade Flavorings	134,913	0.5%	58,013	352,614	410,627	2.1%
		<u>\$ 12,731,266</u>	<u>46.4%</u>	<u>\$ 4,558,461</u>	<u>\$ 5,252,735</u>	<u>\$ 9,811,196</u>	<u>50.4%</u>

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

(1) Based on wastewater treatment volume of 27,484,399 cubic meters.

(2) Based on Wastewater System billed revenue of \$19,461,382.

## WASTEWATER SYSTEM

Wastewater Revenue as Billed  
By Meter Location and ClassificationLast Five Years  
(Unaudited)

<u>Meter Location and Classification</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City:					
Residential	\$ 1,693,901	\$ 1,668,898	\$ 1,723,861	\$ 1,852,612	\$ 1,810,863
Commercial	1,857,802	1,866,677	1,876,170	2,019,025	2,039,603
Industrial	251,376	213,798	256,867	320,843	321,575
Industrial Monitored	421,517	267,904	340,117	303,443	277,945
Contract	988,208	1,033,681	1,282,199	1,290,631	1,233,420
Municipalities	-	-	-	-	-
Septage Haulers	-	-	-	-	-
Dewatering	51,775	33,077	57,696	62,629	43,914
<b>Total City</b>	<b>5,264,579</b>	<b>5,084,035</b>	<b>5,536,910</b>	<b>5,849,183</b>	<b>5,727,320</b>
Out City:					
Residential	2,594,548	2,601,406	2,427,624	2,534,197	2,546,740
Commercial	2,287,881	2,266,612	2,129,952	2,248,614	2,236,474
Industrial	144,174	140,549	147,523	146,765	136,849
Industrial Monitored	1,447,864	1,565,531	1,571,709	163,222	187,438
Contract	4,931,391	5,143,946	5,153,793	3,902,303	3,696,017
Municipalities	3,870,716	4,038,334	3,977,811	3,820,535	3,907,320
Septage Haulers	596	-	-	-	-
Dewatering	6,691	2,278	5,119	5,743	4,989
<b>Total Out City</b>	<b>15,283,861</b>	<b>15,758,656</b>	<b>15,413,531</b>	<b>12,821,379</b>	<b>12,715,827</b>
Total System:					
Residential	4,288,449	4,270,304	4,151,484	4,386,809	4,357,603
Commercial	4,145,683	4,133,289	4,006,123	4,267,638	4,276,077
Industrial	395,550	354,347	404,390	467,608	458,424
Industrial Monitored	1,869,381	1,833,435	1,911,826	466,665	465,383
Contract	5,919,599	6,177,627	6,435,992	5,192,934	4,929,437
Municipalities	3,870,716	4,038,334	3,977,811	3,820,535	3,907,320
Septage Haulers	596	-	-	-	-
Dewatering	58,466	35,355	62,815	68,372	48,903
<b>Total System</b>	<b>\$ 20,548,440</b>	<b>\$ 20,842,691</b>	<b>\$ 20,950,441</b>	<b>\$ 18,670,561</b>	<b>\$ 18,443,147</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.