

CITY OF KALAMAZOO, MICHIGAN

Comprehensive Annual Financial Report
Year Ended December 31, 2018

Prepared by:
Management Services Department, Budget & Accounting Division

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2018

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INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

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June 28, 2019

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 Comprehensive Annual Financial Report (CAFR) is published to fulfill the City of Kalamazoo's requirement for the fiscal year ended December 31, 2018.

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.

Maner Costerisan, Certified Public Accounts, have issued an unmodified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2018. The independent auditor's report is located at the front of the financial sections of this report (page ix).

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 76,000. 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.

The statistical section found at the end of this report provides additional information on the City of Kalamazoo's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as well as other supplementary schedules.

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 parks activities; the maintenance and construction of streets and other infrastructure; and water and wastewater services. Unique for a City of its size, the City operates its police, fire and medical first responder services under a public safety concept, in which members of the department are cross-trained to perform police, fire and medical first responder 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.

A tax-increment financing (TIF) district captures incremental increases in property tax revenues and reinvests them within that district. The City has three TIF 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 (LDFA) for a business and technology research park.

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.

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.

Transportation services are no longer provided by the City of Kalamazoo. Citizens are now 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.

Budgeting Control

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

The budget is adopted at the fund level; Department directors may transfer resources within a department as they see fit, 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 in accordance with GAAP 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.

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 Comprehensive Annual Financial Report (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 the Bureau of Labor Statistics, the December 2018 unemployment rate for the city was 3.7%, which was lower than the state unemployment rate of 4.0% and the national average of 3.9%. 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.

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

The 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 2500 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. Approximately 90% of promise eligible students have started college since its inception, as compared to 56% of ineligible students. Promise eligible students receiving bachelor's degrees in six years is approximately 31% as compared to 28% of ineligible students.

Foundation for Excellence

Initial Phase (2017 - 2019):

The major donors of the FFE have provided donations of \$70.3 million over a three-year period (2017 - 2019). This initial infusion of \$70.3 million stabilizes the City's budget, allowed for the City property tax rate to be reduced by more than a third from 19.2705 mills to 12 mills, and continues to allow for substantially more investment in programs for youth, ending generational poverty, neighborhoods, place-making projects, streets and infrastructure, targeted economic development and other initiatives. During this initial period, the major donors of the FFE have begun to generate support from additional donors for the FFE beyond the first three years.

The City created the FFE as a non-profit entity; and create a separate City controlled fund to receive the initial donations as well as future contributions.

The City developed a budget for the initial period of 2017 - 2019 that incorporates the following:

- A reduction of the General Operating property tax rate from 19.2705 mills to 12.0000 mills; along with \$10.9 million per year of dollars from FFE donors which will "backfill" the property tax revenue reduction;
- \$3.8 million per year of budgetary stabilization funds in 2018 and 2019, to offset projected deficits caused by restrictive revenue sources (property taxes and State revenue sharing) whose inflationary rate generally lags behind the City's inflation rate for expenditures.
- A new \$10 million per year (in addition to the property tax "backfill" amount above) to fund new aspirational projects, which focuses on youth development, poverty reduction, investments in capital and human infrastructure, and neighborhood improvement projects;
- Continue exploring further budgetary savings through shared services;
- Develop best practices and measures to demonstrate the impact of the donation, efforts and initiatives.

The 2019 Endowment and Beyond

The MOU includes a commitment from the major donors of the FFE to act as campaign co-chairs for an endowment fund of \$500 million, the earned interest of which will annually fund the property tax reduction to 12.0000 mills, the annual budgetary stabilization, and aspirational projects in perpetuity. The major donors have, furthermore, indicated to City leadership that adequate sustaining funds will be provided to the City and FFE beyond 2019, between the MOU phase and endowment revenue phases of the project.

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 continues to utilize Priority-Based Budgeting (PBB) to ensure that the financial resources of the City aligns with the City Commission and community priorities. 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.

The City finished Fiscal Year 2018 with higher General Fund expenditures and more General Fund revenues than originally expected; resulting in a fund balance decrease of \$563,000.

The City's Fiscal Year 2019 budget and 5-year Fiscal Plan for the years 2020-2023 project exceeding the target fund balance of 15% of General Fund revenues. The plan projects the continuation of support from the Foundation for Excellence (FFE) to sustain a reduced property tax millage of 12.0000 mills, saving the average resident over \$300 per year. The 5-year Fiscal Plan projects a rise in revenues between 2% and 3% annually. Expenditures are generally anticipated to rise 2%, with the exception of health insurance which anticipates a 6% increase.

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, 2017. This was the twentieth 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 Steve Vicenzi, Director of Management Services and Chief Financial Officer, Jennifer Clark, Accounting Division Manager, and the Budget and Accounting staff. Credit also must be given to the Mayor and the City Commission as a whole for their unfailing support to maintaining the highest standards of professionalism in the management of the City of Kalamazoo's finances.

Respectfully submitted,



James K. Ritsema
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Kalamazoo
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

City of Kalamazoo

Comprehensive Annual Financial Report
Year Ended December 31, 2018

LIST OF CITY OFFICIALS

CITY COMMISSION

Bobby J. Hopewell, Mayor

Erin Knott, Vice Mayor

Donald Cooney Jack Urban

Shannon Sykes Eric Cunningham

David Anderson

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

Patsy Moore, Operations Jeff Chamberlain, Strategic Planning

ASSISTANT CITY MANAGERS

Jerome Kisscorni, Economic Development Laura Lam, Chief Innovation Officer

MANAGEMENT SERVICES DEPARTMENT

Steve Vicenzi, Management Services Director/CFO

Melissa Fuller, Management Services Deputy Director/Purchasing Agent

Stephanie McGowan, City Treasurer Aaron Powers, City Assessor

Jennifer Clark, Accounting and Budget Manager

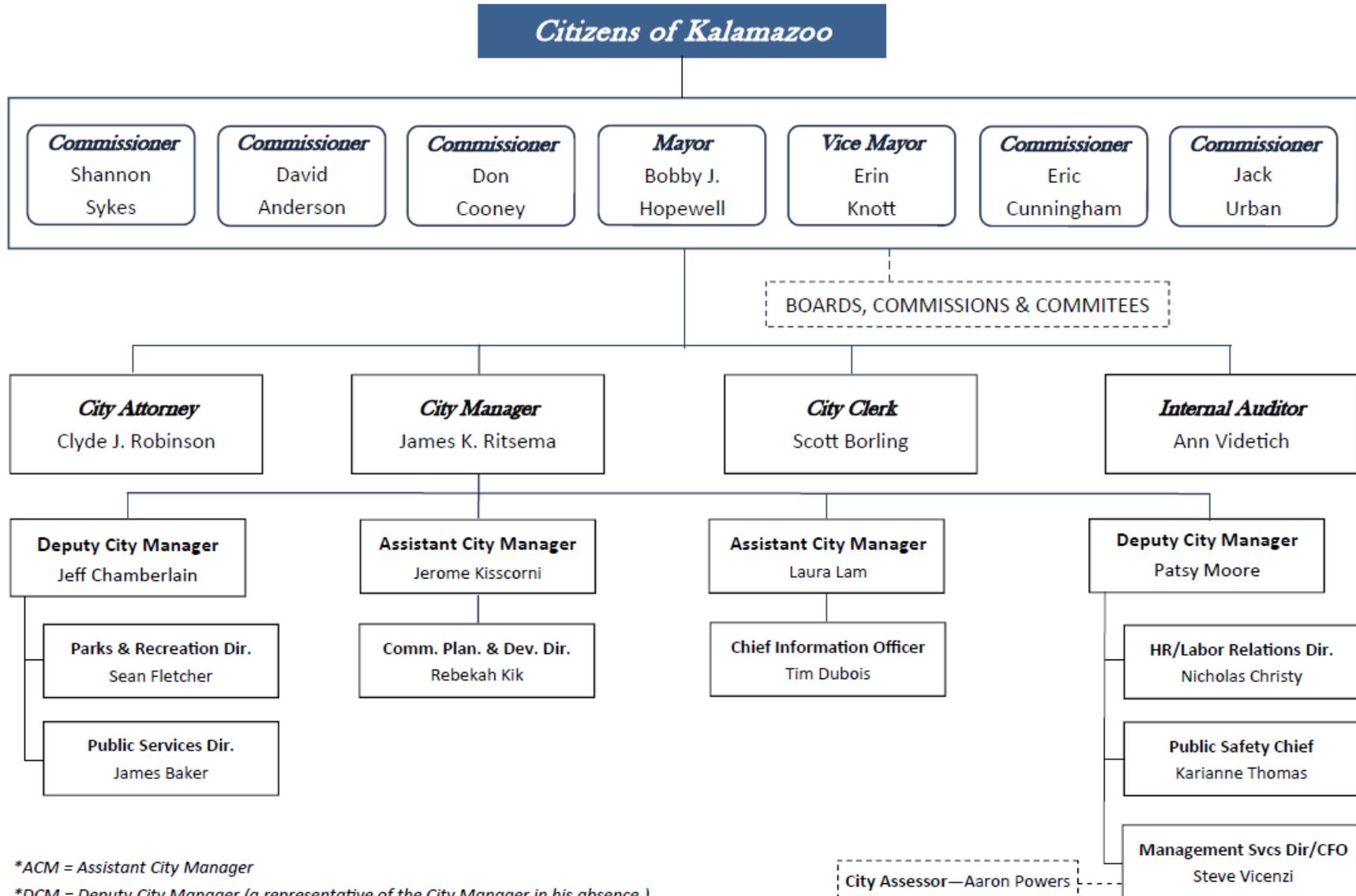
CITY COMMISSION APPOINTEES

Scott Borling, City Clerk Aaron Powers, City Assessor

Ann Videtich, Internal Auditor Clyde Robinson, City Attorney

City of Kalamazoo

2018 Organizational Chart



*ACM = Assistant City Manager

*DCM = Deputy City Manager (a representative of the City Manager in his absence.)

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, 2018, 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 46 percent, 46 percent, and 70 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General and FFE Aspirational Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note O to the financial statements, the City implemented Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73*. Our opinions are not modified with respect to these matters.

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, 2019, 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.

Maney Costerian PC

June 28, 2019

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, 2018. 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 \$354.25 million (*net position*);
- The government's total net position decreased by \$9.25 million or 2.5%. This net decrease was a combination of a \$6.6 million decrease in governmental activities net position and a \$2.65 million decrease in business-type activities net position.
- The City's balance of bonded debt increased by \$13.65 million during the current fiscal year. The City issued \$7.750 million in General Obligation Bonds and \$15.225 million in Revenue Bonds. The City made scheduled bond principal payments totaling \$9.325 million.
- As of the close of the 2018 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$43.50 million, an increase of \$6.44 million in comparison of the prior year. Approximately 21.2% of the combined fund balances, or \$9.24 million was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund balance was \$11.82 million, or 18.4% of the total General Fund budgetary revenues and other financing sources. Of the total \$11.82 million fund balance, \$1.23 million was nonspendable, leaving \$10.6 million, or 16.5% of budgetary revenues and other financing sources. The General Fund unassigned fund balance for the general fund was \$9.24 million, or 14.4% of total general fund revenues and other financing sources.
- Combined enterprise funds net position decreased \$2.65 million. This included a decrease of \$5.16 million of net position in the Wastewater Fund, due to an increase in operating expenses that exceeded the growth in revenues. The net position of the Water Fund increased \$2.88 million as a result of favorable operating income and increased capital contributions.
- The City received almost \$28 million under the Foundation for Excellence memorandum of understanding in 2018. Of the total donations, \$15 million is included in Donations and Contributions in the General Fund to support operations, including a reduction of the General Fund operations property tax millage from 19.2705 mills to 12.0000 mills. This reduction saves property owners \$7.2705 per \$1,000 of assessed value. The remaining \$12.6 million is in the Special Revenue Aspirational Project Funds, and is restricted for aspirational projects targeted to reduce poverty, enhance youth development, and support other community and economic development within the City.

Management's Discussion and Analysis

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.

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.

Management's Discussion and Analysis

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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains approximately twenty-one (21) 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 FFE Aspirational Projects Fund, which are considered to be major funds of the City. Data from the other nineteen (19) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

Proprietary funds

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

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

Management's Discussion and Analysis

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 11-14 of this report.

Fiduciary Funds

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

The basic fiduciary funds financial statements can be found of pages 15-16 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 21-61 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 62-69 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 70-116 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 \$354,247,334 at the close of the most recent fiscal year.

A significant portion of the City's net position, \$268,186,102, 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.

Management's Discussion and Analysis

An additional portion of the City's net position, \$32,411,124, 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 \$53,650,108, representing the amount of resources that the City could utilize to promptly satisfy all accrued future liabilities.

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, 2017, provided a total pension liability of \$471,236,087. The City had plan fiduciary net position of \$594,371,413 as of year end, exceeding the total pension obligation by \$123,135,326. The resulting net pension asset of \$123 million was allocated to the Governmental Activities and Business-type Activities.

GAAP also require that the City show our liability for retiree health care and death benefits or other post-employment benefits (OPEB) promised in the future as a liability on our entity-wide financial statements. An actuarial valuation as of January 1, 2017 provided the City's share of total OPEB liability of \$220,115,159. The City's share of plan fiduciary net position was \$96,599,453. The resulting net OPEB liability of \$123,515,706 was allocated to the Governmental Activities and Business-type Activities. Beginning net position of the Governmental Activities and Business-type Activities were restated to reflect the implementation of this new accounting standard in the current year.

City of Kalamazoo's Net Position December 31, 2017 and December 31, 2018 (PY numbers are restated for implementation of GASB Statement No. 75)

	Governmental activities		Business-type activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 236,419,322	\$ 174,642,584	\$ 75,949,890	\$ 66,791,537	\$ 312,369,212	\$ 241,434,121
Capital assets, net	172,346,844	176,602,399	174,099,628	182,486,578	346,446,472	359,088,977
Total assets	408,766,166	351,244,983	250,049,518	249,278,115	658,815,684	600,523,098
Deferred outflows of resources	7,266,630	80,329,770	2,497,551	20,518,989	9,764,181	100,848,759
Current liabilities	17,957,613	18,604,478	7,456,970	7,755,887	25,414,583	26,360,365
Noncurrent liabilities	173,470,513	220,875,527	64,191,054	89,069,634	237,661,567	309,945,161
Total liabilities	191,428,126	239,480,005	71,648,024	96,825,521	263,076,150	336,305,526
Deferred inflows of resources	35,244,192	9,336,682	6,760,712	1,482,315	42,004,904	10,818,997
Net position:						
Investment in capital assets	120,389,124	122,213,595	144,557,184	145,972,507	264,946,308	268,186,102
Restricted	22,611,812	29,541,823	2,089,731	2,811,148	24,701,543	32,352,971
Unrestricted	46,359,542	31,002,648	27,491,418	22,705,613	73,850,960	53,708,261
Total net position	\$ 189,360,478	\$ 182,758,066	\$ 174,138,333	\$ 171,489,268	\$ 363,498,811	\$ 354,247,334

The government's total net position decreased by \$9.25 million or 2.5%. This net decrease was a combination of a \$6.6 million decrease in governmental activities net position and a \$2.65 million decrease in business-type activities net position.

Current and other assets decreased \$61.8 million or 26.13% in governmental activities and \$9.1 million or 12.05% in business-type activities. Current liabilities increased in governmental activities by \$647 thousand or 3.6% and \$299 thousand or 4.0% in business type activities.

Management's Discussion and Analysis

City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2017 and December 31, 2018 (PY numbers are not restated for implementation of GASB Statement No. 75)

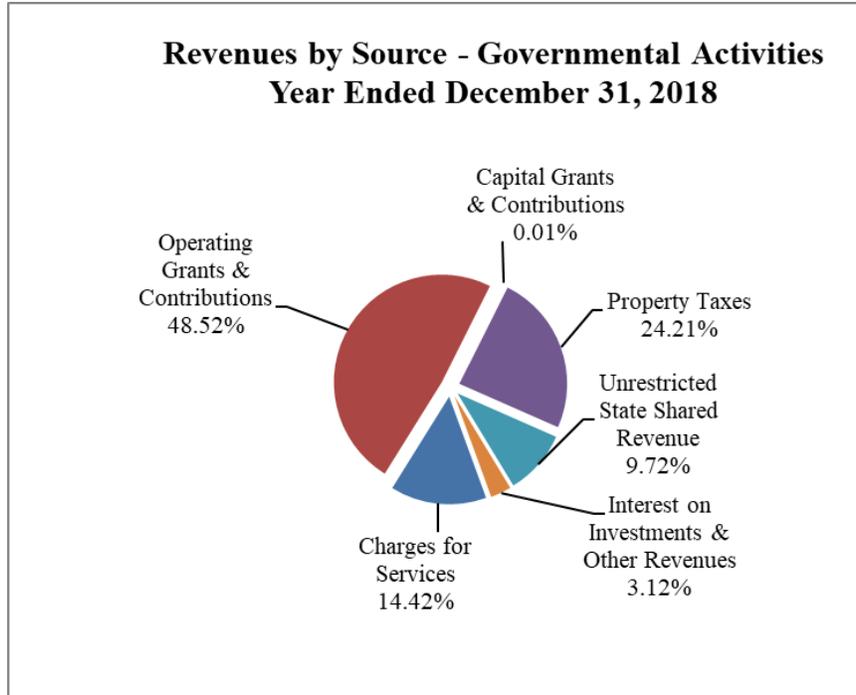
	Governmental activities		Business-type activities		Total	
	2017	2018	2017	2018	2017	2018
Revenue:						
Program revenue:						
Charges for services	\$ 12,138,997	\$ 13,659,569	\$ 34,169,410	\$ 38,308,182	\$ 46,308,407	\$ 51,967,751
Operating grants and contributions	33,765,675	45,961,378	36,855	1,646,220	33,802,530	47,607,598
Capital grants and contributions	18,008	9,077	3,186,467	2,734,745	3,204,475	2,743,822
General revenue:						
Property taxes	24,802,341	22,927,422	-	-	24,802,341	22,927,422
State shared revenues - unrestricted	9,046,844	9,208,199	-	-	9,046,844	9,208,199
Other	3,512,734	2,952,287	341,304	636,050	3,854,038	3,588,337
Total revenue	<u>83,284,599</u>	<u>94,717,932</u>	<u>37,734,036</u>	<u>43,325,197</u>	<u>121,018,635</u>	<u>138,043,129</u>
Expenses:						
General government	3,749,149	14,756,851	-	-	3,749,149	14,756,851
Public safety	37,129,688	48,251,573	-	-	37,129,688	48,251,573
Public works	3,082,441	8,312,495	-	-	3,082,441	8,312,495
Streets	12,451,466	8,743,623	-	-	12,451,466	8,743,623
Community and economic development	4,536,753	11,683,998	-	-	4,536,753	11,683,998
Parks and recreation	3,168,551	4,039,342	-	-	3,168,551	4,039,342
Interest on long-term debt	5,174,409	4,700,844	-	-	5,174,409	4,700,844
Wastewater	-	-	21,035,419	26,827,856	21,035,419	26,827,856
Water	-	-	15,509,780	19,978,024	15,509,780	19,978,024
KMGMA	-	-	1,665,069	-	1,665,069	-
City market	-	-	11,684	-	11,684	-
Total expenses	<u>69,292,457</u>	<u>100,488,726</u>	<u>38,221,952</u>	<u>46,805,880</u>	<u>107,514,409</u>	<u>147,294,606</u>
Change in net position before transfers	13,992,142	(5,770,794)	(487,916)	(3,480,683)	13,504,226	(9,251,477)
Transfers (out) in	(222,281)	(831,618)	222,281	831,618	-0-	-0-
Change in net position	<u>\$ 13,769,861</u>	<u>\$ (6,602,412)</u>	<u>\$ (265,635)</u>	<u>\$ (2,649,065)</u>	<u>\$ 13,504,226</u>	<u>\$ (9,251,477)</u>

Governmental activities

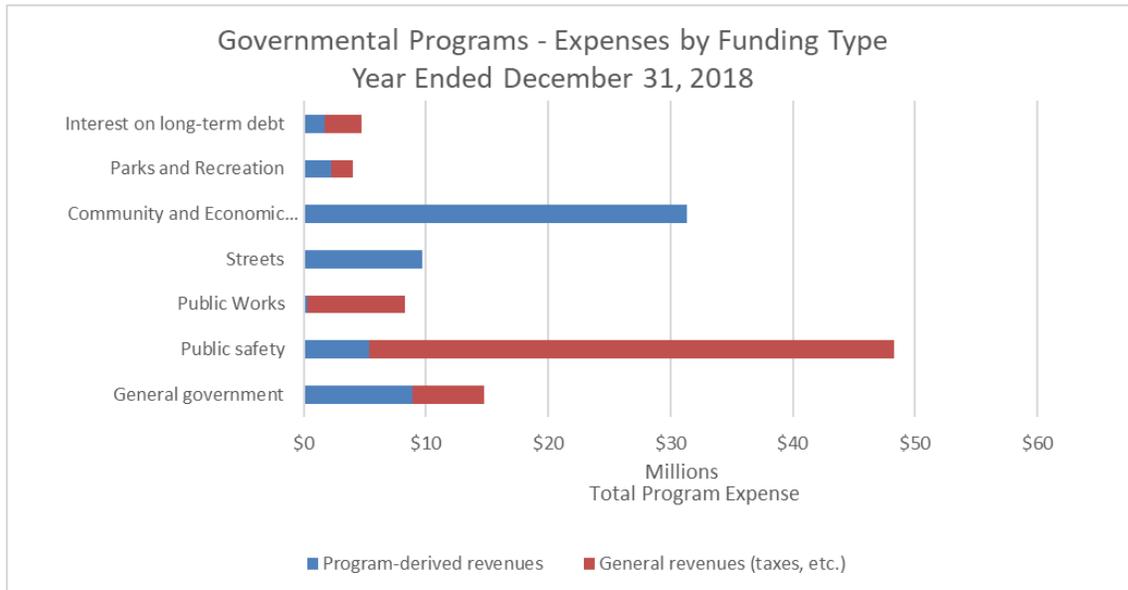
Governmental activities decreased the City's net position \$6.6 million. The City recognized a \$31 million increase of governmental activities expenses compared to 2017. Significant changes in 2018 included an increase of \$11 million in general government, \$11.1 million in public safety, \$5.2 million in public works, \$7.1 million in community and economic development expenses and decreases of \$3.7 million in streets.

While some revenue for governmental activities is derived from charges specific to programs, the majority of programs are generally subsidized by tax revenues and intergovernmental aid. Expenses in governmental activities exceeded charges for services, grants, and contributions by \$40 million in 2018 and \$23 million in 2017. In 2018, 37% of governmental revenues were funded from general sources that consisted of property taxes, revenue sharing from the State of Michigan, unrestricted grants and contributions, interest earnings, and other miscellaneous revenues. The remaining 63% of revenues were derived from charges or restricted to specific programs as depicted on the following chart.

Management's Discussion and Analysis



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



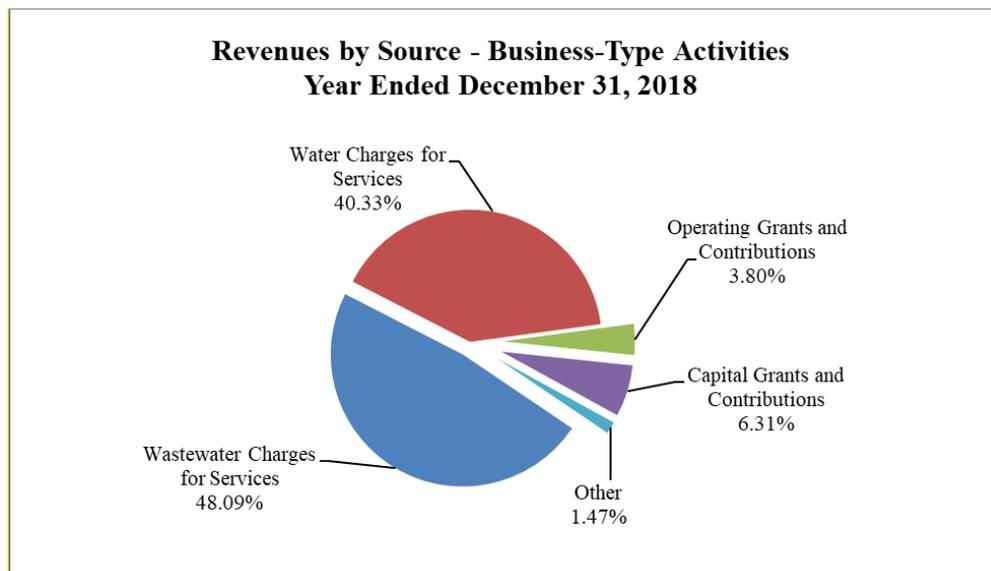
Management's Discussion and Analysis

Business-type activities

Business-type activities decreased the City's net position by \$2.65 million. The key elements of this decrease are as follows:

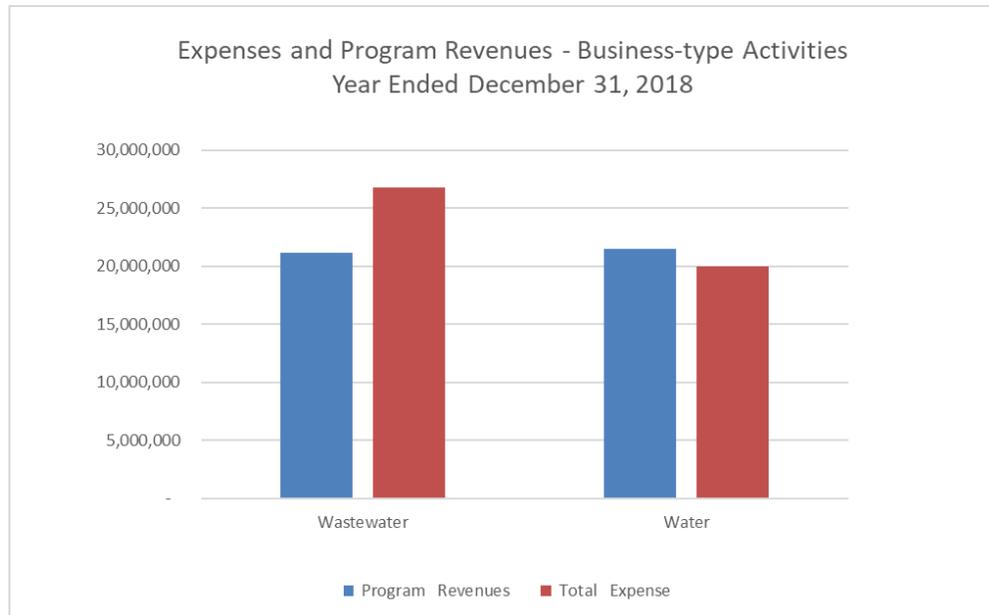
- Wastewater system operating revenues increased \$5.09 million due to increased billing rates and volumes billed, while operation and maintenance expenses increased \$5.86 million from 2017.
- Water system operating revenues increased \$795 thousand due to increased billing rates offset by a reduction in water volume, while operation and maintenance expenses increased \$4.15 million.
- The Wastewater and Water systems implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions in 2018 which increased OPEB expenses by \$2.67 million as compared to 2017.
- The Wastewater and Water systems report pension expense under GASB 68, Accounting and Financial Reporting for Pensions, which increased \$2.66 million as compared to 2017.
- Capital infrastructure contributions of \$2.7 million for water infrastructure represented a major revenue source for the Water system in 2018. These contributions consist of water mains, service connections, and hydrants that are paid by developers or property owners and transferred to the system.
- Wastewater losses of \$5.1 million were due primarily to a planned use of reserves in 2018.

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 and a water system. The activities of the city market and municipal golf courses were transferred to the governmental activities due to a change in the scope of the City's operations in these activities.



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 2018, the Wastewater system used \$5.1 million of existing reserves while the Water system added \$2.9 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 \$43,503,103, an increase of \$6,439,552 in comparison of the prior year. Approximately 21.2% of the combined fund balances, or \$9,244,320 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. Property tax collections not collected in the time period allowed for revenue recognition by Generally Accepted Accounting Principles (GAAP) are included in deferred inflows of resources as unavailable revenues. At December 31, 2018, the amount of unavailable property taxes was \$1,202,049, a \$26 thousand decrease from 2017. Other unavailable revenues totaling \$1,003,510 is primarily due to other receivables not collected within 60 days after year-end.

The City's budget policies target undesignated reserves to be 13-15% of total general fund revenues and other financing sources. The General Fund balance was \$11,822,606, or 18.4% of the total General Fund revenues. Of the total, \$11.82 million fund balance, \$1.23 million was nonspendable or committed, and \$1.35 was assigned for subsequent year's expenditures, leaving \$9.24 million of unassigned fund balance, or 14.38% of revenues.

The General Fund favorably increased the fund balance a total of \$1,972,604 over the amended budget. Revenues favorably exceeded budget by \$1.56 million due primarily to favorable intergovernmental revenue due to increased State of Michigan revenue sharing and fire reimbursement revenues. The savings in General Fund operating expenses of \$1.04 million was due primarily to various departmental spending reductions and personnel vacancies, including a total savings of \$302,936 in general government, \$433,161 in public safety and \$321,621 in public services.

During the year, there was an increase of \$4.83 million in appropriations between the original and final amended General Fund expenditure budget adopted by the City Commission. Of this, \$1.1 million thousand was for the carryforward of budgets for expenses budgeted in 2017, but not expended by the close of the prior fiscal year and new initiatives utilizing savings from 2017. The City Commission approved an increase of \$1.40 million for the sale of parking lots and the transfer of funds to the Downtown Development Authority to support the parking system and \$1.99 million for increases in the Department of Public Safety due to the continuation of the City's dispatch operations beyond the budgeted expected transfer date and overtime resulting from staffing shortages. The remaining \$340 thousand was increased for various operational initiatives, contracts and capital improvements.

FFE Aspirational Projects

The FFE Aspirational Projects Fund is used to account for revenues received from private donors to fund aspirational projects based on the results of the Imagine Kalamazoo 2025 plan including generational poverty, youth development, employment, capital and human infrastructure, economic development and inviting public spaces. During the year, the FFE Aspiration Projects Fund received \$12.59 million of contributions. The fund balance increased by \$2.78 million to \$8.37 million during the year.

Other (Nonmajor) Governmental Funds

The Foundation for Excellence Aspirational fund reported in 2017 under the Other (Nonmajor Governmental Funds) was reclassified as a major fund in 2018. However, the OPEB Bond Debt Service fund did not meet the criteria of a major fund in 2018, and was moved into this category. Finally, the Kalamazoo Municipal Golf activity was reclassified from Enterprise Funds to Nonmajor Special Revenue funds in 2018.

Management's Discussion and Analysis

During the year, the combined fund balance for the City's nonmajor governmental funds increased by \$4.23 million in 2018. The combined \$23.3 million fund balance is attributable to capital projects funds (\$2.6 million), special revenue funds (\$14.2 million), debt service funds (\$60,376), and endowments held for recreational and cemetery perpetual care purposes (\$6.4 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.

Nonmajor governmental revenues decreased \$6.3 million or 23% from 2017. The decrease is primarily attributed to decreases in donations and contributions in 2018 due to the reclassification of the FFE Aspirational Projects fund as a major fund.

Charges for services increased \$1.8 million due primarily to reclassification of the operations of the municipal golf courses from a proprietary fund to a governmental fund in 2018.

Nonmajor governmental expenditures increased \$6.8 million or 23%. The special revenue funds expenditures increased \$2.7 million, debt service increased \$4.3 million, capital projects decreased \$172 thousand, and permanent funds decreased \$55 thousand. For further information on capital expenditures in 2018, see the Capital Asset and Debt Administration section.

Proprietary Funds

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

Wastewater Fund

Unrestricted net position (the amount available for future spending) of the City's Wastewater fund amounted to \$11.7 million as of December 31, 2018. The fund had a decrease in total net position for the year of \$5,161,751.

The Wastewater Fund experienced an operating loss of \$5,208,469.

- Wastewater operating revenues increased \$5 million due to a combination of rate and volume increases. In 2018, there was no true-up settlement adjusted to revenues.
- Operating expenses increased \$5.7 million as compared to 2017. Of this, \$2.94 million was attributable to increases in pension and OPEB related expenses. The remaining \$2.92 million was due to various increases in the cost of operations including a 13% increase in the cost of supplies, a 10% increase in the cost of payroll, and a 10% increase in the cost of services.
- The system implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions in 2018, increasing OPEB expenses by \$1.46 million as compared to 2017. The annual accrual of net OPEB expenses of \$2.3 million is included in operating expenses, of which \$357,700 was contributed to the OPEB Trust. The Wastewater Fund has a net OPEB liability of \$15.2 million, deferred outflows of resources related to OPEB of \$6.3 million, and deferred inflows of resources related to OPEB of \$712 thousand included in the Statement of Net Position in 2018. The portion of the 2015 OPEB bond reported in the Wastewater Fund at December 31, 2018 was \$9,149,725.

Management's Discussion and Analysis

- Operating expenses includes an adjustment \$882 thousand of net pension expense, which was an increase of \$1.4 million over the net pension benefit recognized in 2017. The Fund was not required and did not make contributions to the pension system in 2018. The Fund had a net pension benefit of \$11.9 million, deferred outflows of resources related to pensions of \$5.0 million, and deferred inflows of resources related to pensions of \$67 thousand included in the Statement of Net Position at December 31, 2018.

Water Fund

Unrestricted net position (the amount available for future spending) of the City's Water fund amounted to \$11.0 million as of December 31, 2018. The fund had an increase in total net position for the year of \$2,878,787.

The Water Fund experienced an operating loss of \$1,059,956.

- Water system operating revenues increased \$795 thousand due to increased billing rates offset by decreased volumes billed as compared to 2017.
- Operating expenses increased \$4.26 million as compared to 2017. Of this, \$2.42 million was attributable to increases in pension and OPEB related expenses. The remaining \$1.34 million was due to various increases in the cost of operations including a 40% increase in supplies, a 45% increase in payroll expenses, and a 3% reduction in the cost of services.
- The system implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions in 2018, increasing OPEB expenses by \$1.20 million as compared to 2017. The annual accrual of net OPEB expenses of \$1.84 million is included in operating expenses, of which \$298,200 was contributed to the OPEB Trust. The Water Fund has a net OPEB liability of \$12 million, deferred outflows of resources related to OPEB of \$5 million, and deferred inflows of resources related to OPEB of \$566 thousand included in the Statement of Net Position in 2018. The portion of the 2015 OPEB bond reported in the Water Fund at December 31, 2018 was \$8,383,779.
- Operating expenses includes \$622,100 of net pension expense which was an increase of \$1.22 million over the net pension benefit recognized in 2017. The Fund was not required to and did not make contributions to the pension system in 2018. The Fund had a net pension benefit of \$9.74 million, deferred outflows of resources related to pensions of \$4.07 million, and deferred inflows of resources related to pensions of \$137 thousand included in the Statement of Net Position at December 31, 2018.
- Capital contributions of \$2.7 million represented a major revenue source for the Water system during the current fiscal year. Contributions consist primarily of infrastructure improvements in the form of water mains, service connections, and hydrants paid by various users of the water system. Total contributions decreased by \$457,196 from 2017 as less projects were completed by users of the system in 2018 as compared to 2017.

Management’s Discussion and Analysis

Other Enterprise Funds

During the year, the City closed the two nonmajor proprietary funds (the City Market Fund and the Kalamazoo Municipal Golf Association Fund), transfer the existing capital assets and related debt of those funds to the governmental activities of the City.

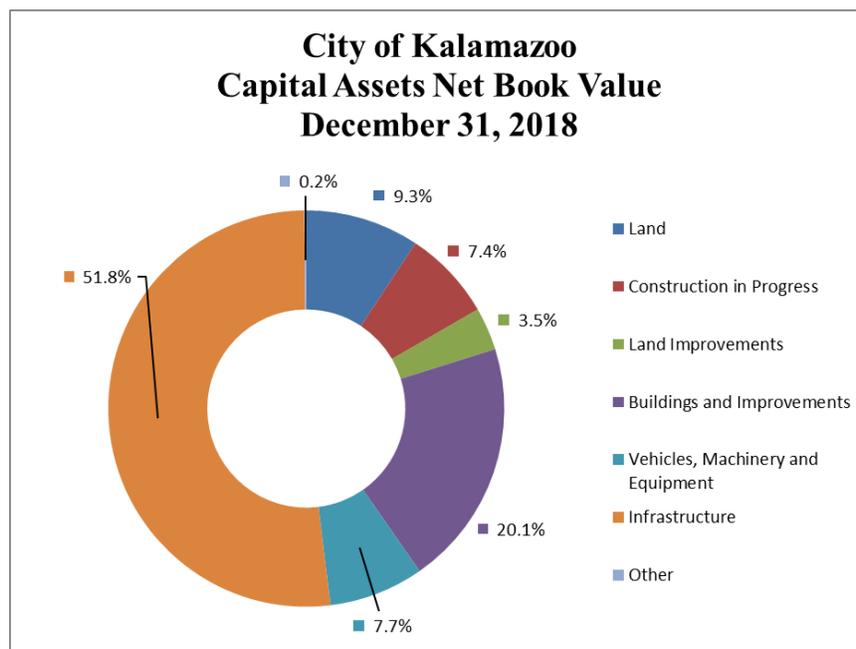
Capital Asset and Debt Administration

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2018, totaled \$359 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles, machinery and equipment, intangible assets, and infrastructure consisting of water, wastewater, and storm sewer systems, roads, highways, and bridges. Construction in progress includes capital outlay expenditures for projects that are not completed at December 31, 2018 and the asset has not yet been placed into service.

	Governmental activities		Business-type activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 30,289,096	\$ 30,109,883	\$ 3,296,680	\$ 3,293,620	\$ 33,585,776	\$ 33,403,503
Building & improvements	30,871,292	30,781,778	41,655,088	41,534,533	72,526,380	72,316,311
Land improvements	9,761,135	9,804,859	3,377,797	2,725,167	13,138,932	12,530,026
Machinery & equipment	3,673,515	3,905,794	15,807,560	15,529,623	19,481,075	19,435,417
Vehicles	4,765,790	5,475,132	2,541,791	2,917,956	7,307,581	8,393,088
Infrastructure	81,474,183	82,487,611	100,241,870	103,470,333	181,716,053	185,957,944
Intangible Assets	301,700	342,630	132,107	133,926	433,807	476,556
Rights to liquor license	-	139,200	139,200	-	139,200	139,200
Construction in progress	11,210,133	13,555,512	6,907,535	12,881,420	18,117,668	26,436,932
Total	\$ 172,346,844	\$ 176,602,399	\$ 174,099,628	\$ 182,486,578	\$ 346,446,472	\$ 359,088,977

The net book value (the cost net of accumulated depreciation) of the City’s investment in capital assets is represented in the following graph.



Management's Discussion and Analysis

Net capital assets increased \$4.26 million for governmental activities while net business-type activity capital assets increased \$8.39 million.

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

Governmental Activities:

- Construction of capital projects totaling \$8.3 million was completed in 2018 and transferred to other asset categories. Completed projects included the construction, reconstruction, widening of public streets, sidewalk improvements, and other facility and equipment improvements. Approximately \$13.6 million of additional improvements are in progress.
- Land additions include property for the expansion of the City Farmer's market.
- Land improvements of \$3.0 million include the transfer of the Kalamazoo Municipal Golf fund improvements of \$2.7 million and other improvements to the Kalamazoo River Valley Trailway, sidewalks, and cemeteries.
- Building improvements of \$1.8 million include the transfer of the Kalamazoo Municipal Golf fund improvements of \$1.2 million, \$346 thousand for Homer Stryker Field, and various improvements to City buildings.
- Vehicle additions of \$1.5 million included fourteen Public Safety SUV's and two fire engines.
- Machinery and Equipment additions of \$2.3 million include the transfer of Kalamazoo Municipal Golf fund assets of \$1.4 million, \$549 thousand for public works and streets equipment, and \$129 thousand of various other equipment.
- Infrastructure additions of \$4.8 million include various street projects completed during 2018.
- The City disposed of assets with an original cost of \$1.3 million, and a net book value of \$240 thousand. The City various aged vehicular equipment with an original cost of \$1.0 million. In addition, the City disposed of three properties associated with the sale of parking lots, vacated sections of a streets, and disposed of various equipment that was no longer meeting the City's needs.

Business-type Activities:

- Wastewater added \$5.2 million of assets into service and disposed \$97 thousand of fully depreciated assets in 2018.
- Wastewater had \$4.3 million in construction in progress for communication system upgrades, various treatment buildings and process upgrades as well as infrastructure improvements in progress at year end.
- Wastewater added \$2.1 million in building improvements in 2018, primarily due to the completion of a sewer equipment facility of \$2.0 million in progress at the end of 2017.

Management's Discussion and Analysis

- Wastewater added \$829 thousand of machinery and equipment that included various pumps, actuators, analyzers, fine screens, and other technical equipment.
- Wastewater added \$587 thousand in vehicles that included a vactor truck and dump truck.
- Wastewater upgraded the system infrastructure consisting of various mains, interceptors, and sewer linings totaling \$1.7 million.
- Wastewater other additions of \$28 thousand consisted of office furniture and equipment and intangibles.
- Wastewater disposed of one van with an original cost of \$97,019.
- Water added \$17.3 million of assets into service and disposed \$94 thousand of nearly fully depreciated assets in 2018.
- Water had \$8.6 million in construction in progress at year end. Various station, storage tanks, and communication systems upgrades totaled \$6.0 million. Infrastructure upgrades for water mains, connections and hydrants in progress totaled \$2.4 million.
- Water upgraded the system infrastructure consisting of various mains, service connections, hydrants, and meters totaling \$5.3 million. Of this total, \$2.5 million was contributed from customers.
- Water added \$792 thousand in machinery and equipment, consisting of excavators, pumps, compressors and various other equipment.
- Water other additions of \$107 thousand consisted of \$22 thousand in building improvements, \$73 thousand in vehicles, and \$13 thousand in intangibles.
- Water disposed of assets with original costs totaling \$94 thousand, with a net book value of \$9 thousand. The disposals consisted of a backhoe, industrial steam cleaner, and three hydrants.
- The Kalamazoo Municipal Golf Association (KMGA) fund transferred its assets to the governmental activities in 2018. The ending balances of these assets had an original cost of \$5.5 million, accumulated depreciation of \$4.5 million, and a net book value of \$1.1 million at December 31, 2017.

Additional information on the City's capital assets, including detailed changes during 2018, can be found in Note F on pages 38-40 of this report.

Long-term debt

The City's balance of bonded debt increased by \$13.65 million during the current fiscal year. The City issued \$7.750 million in General Obligation Bonds and \$15.225 million in Revenue Bonds. The City made scheduled bond principal payments totaling \$9.325 million.

Management's Discussion and Analysis

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 2018 consisted of a \$7,750,000 par value bond issued to fund capital improvements for streets, parking improvements, and other capital improvements. The balance of outstanding general obligation bonds as of December 31, 2018 is \$122.1 million for governmental activities and \$17.5 million 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 \$15,225,000 of revenue bonds in 2018 to fund Wastewater and Water fund capital projects. The balance of outstanding revenue bonds as of December 31, 2018 is \$1.3 million for governmental activities and \$43 million for business-type activities.

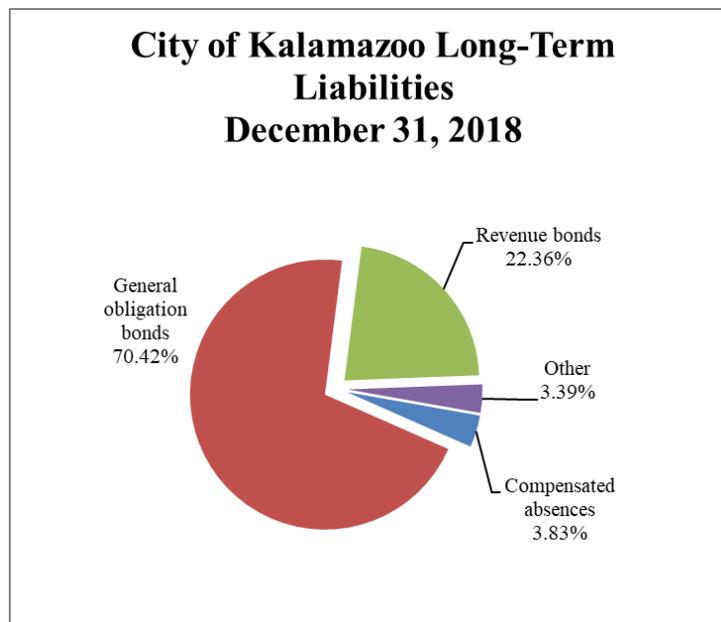
Compensated Absences

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, 2017 is \$7.60 million.

Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2018. The estimated liability to the City is \$3.64 million.

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 41-45.

Management's Discussion and Analysis

The following is the City's credit rating for the various outstanding debt as rated by Standard and Poor's as of December 31, 2018.

	<u>Standard & Poor's</u>
General obligation bonds	AA-
Water revenue bonds	AA-
Wastewater revenue bonds	AA

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.

The City is home to the main campuses of Western Michigan University and Kalamazoo College, from which the City derives immense economic and intellectual benefits. However, because of the university's location, as well as being the County seat, approximately 50% of the City's land area is considered non-taxable. Furthermore, State of Michigan has property tax growth control measures that 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.

The City has been working with the community to identify solutions to continue to serve the community's needs with reduced revenues. In collaboration with our Priority Based Budgeting process, the City worked with the community to develop the Imagine Kalamazoo 2025 Strategic Vision and Master Plan (IK 2025). This master plan has defined strategic goals for: shared prosperity, connected city, inviting public places, environmental responsibility, safe community, youth development, complete neighborhoods, strength through diversity, economic vitality, and good governance. In addition, City leadership has initiated efforts to move the City operations to the characteristics of a high-performing organization and utilizing lean/six sigma strategies to improve City processes and procedures.

In concert with these improvement efforts, the City Commission voted in 2016 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 three years, starting in 2017, 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 targeting youth employment and development, reducing poverty, and other goal areas of the IK 2025 plan.

In 2018, the City received \$15.1 million in the General Fund in FFE donations to support operations. In addition, \$12.6 million was received in the FFE Aspirational Projects fund. The City Commission approved \$14.0 million in the City's amended budget for FFE operations and aspirational projects including: Youth development and employment, shared prosperity, complete neighborhoods, and water system lead service replacements.

Management's Discussion and Analysis

In 2018, State shared revenues in the General Fund had a 1.8% or \$161 thousand increase. State revenue remains low relative to historic norms. According to the Michigan Municipal League's calculator at SaveMICity.org, Kalamazoo has lost \$60 million in State Revenue sharing from 2003-2017, assuming the statutory revenue sharing continued on the same gain or loss pattern as was the case with the constitutional revenue sharing. State Revenues represented only 16% of the General Fund Budgeted revenues in 2017 as compared to 28% in 2001.

The Foundation for Excellence has provided the ability for the City to shift our budget plans towards economic and strategic growth rather than service reductions. The 2019 General Fund budget includes anticipated \$15.0 million of FFE funded support of operations. As further discussed in the Note R in the Notes to the Financial Statements, the City has received \$4.1 million to support 2019 operations as of the date of this report. The City's budgeted operating expenditures in 2019 is \$2.7 million more than the 2018 adopted budget. The General Fund will transfer \$3.2 million to the CIP fund, pay \$3.8 million for the 2015 Other Post Employment Benefit Bonds, and make employer contributions of \$2.4 million to the OPEB Trust.

Property tax millage rates are budgeted in 2019 to remain at 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 2019.

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 \$500 thousand for contingency reserves. The projected fund balance in 2019 is targeted to be 15.3% of operating revenues, which will exceed the City Commission Budget Policy minimum target of 13% of revenues.

In 2019, the City of Kalamazoo FFE Aspirational Projects fund has budgeted \$10.0 million for FFE operations (\$203 thousand) and aspirational projects. The aspirational projects include: \$1.3 million for youth development and employment, \$2.0 million for shared prosperity, \$2.8 million for complete neighborhoods, \$3.3 million for economic vitality, and \$500 thousand for water system lead services improvements.

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 Steve Vicenzi, Director of Management Services, at 241 W. South Street, Kalamazoo, Michigan 49007.

BASIC FINANCIAL STATEMENTS

City of Kalamazoo

STATEMENT OF NET POSITION

December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 32,145,846	\$ 10,852,820	\$ 42,998,666	\$ 3,316,662
Cash and cash equivalents, restricted	7,454,444	9,767,169	17,221,613	2,976,770
Investments	13,758,989	14,782,310	28,541,299	639,272
Investments with agents	2,887,809	-	2,887,809	-
Current portion of receivables	7,675,781	5,306,300	12,982,081	960,023
Internal balances	(2,357,919)	2,357,919	-0-	-
Due from other governmental units	4,038,079	1,468,623	5,506,702	-
Inventories	354,149	544,982	899,131	-
Prepays	150,146	38,365	188,511	250,000
Total current assets	66,107,324	45,118,488	111,225,812	8,142,727
Noncurrent assets				
Advance to other governmental units	1,854,255	-	1,854,255	-
Noncurrent portion of receivables	1,267,305	-	1,267,305	1,676,611
Noncurrent portion of amounts due from other governmental units	3,951,423	-	3,951,423	-
Net pension asset	101,462,277	21,673,049	123,135,326	-
Capital assets not being depreciated	43,804,595	16,175,040	59,979,635	58,162
Capital assets, net of accumulated depreciation	132,797,804	166,311,538	299,109,342	308,930
Total noncurrent assets	285,137,659	204,159,627	489,297,286	2,043,703
TOTAL ASSETS	351,244,983	249,278,115	600,523,098	10,186,430
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	465,037	173,555	638,592	-
Deferred outflows of resources related to pensions	39,800,406	9,102,761	48,903,167	-
Deferred outflows of resources related to OPEB	40,064,327	11,242,673	51,307,000	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	80,329,770	20,518,989	100,848,759	-0-
LIABILITIES				
Current liabilities				
Accounts payable	3,028,760	2,834,724	5,863,484	198,100
Accrued payroll	1,164,999	-	1,164,999	-
Accrued interest payable	747,962	548,404	1,296,366	61,125
Other accrued liabilities	1,371,146	535	1,371,681	-
Deposits payable	251,743	886,358	1,138,101	-
Due to other governmental units	252,178	51,994	304,172	42,645
Unearned revenue	208,105	-	208,105	30,000
Current portion of compensated absences	2,427,358	623,110	3,050,468	19,292
Current portion of long-term debt	7,136,379	2,810,762	9,947,141	754,192
Current portion of uninsured claim liability	2,015,848	-	2,015,848	-
Total current liabilities	18,604,478	7,755,887	26,360,365	1,105,354
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-0-	894,256
Noncurrent portion of compensated absences	4,224,480	321,693	4,546,173	13,672
Noncurrent portion of true-up settlement	-	3,155,000	3,155,000	-
Noncurrent portion of long-term debt	119,223,649	58,366,389	177,590,038	1,251,685
Noncurrent portion of uninsured claim liability	1,138,244	-	1,138,244	-
Net other post-employment benefits liability	96,289,154	27,226,552	123,515,706	-
Total noncurrent liabilities	220,875,527	89,069,634	309,945,161	2,159,613
TOTAL LIABILITIES	239,480,005	96,825,521	336,305,526	3,264,967
DEFERRED INFLOWS OF RESOURCES				
Deferred sales of future revenues	3,860,184	-	3,860,184	-
Deferred inflows of resources related to pensions	955,270	203,901	1,159,171	-
Deferred inflows of resources related to OPEB	4,521,228	1,278,414	5,799,642	-
TOTAL DEFERRED INFLOWS OF RESOURCES	9,336,682	1,482,315	10,818,997	-0-
NET POSITION				
Net investment in capital assets	122,213,595	145,972,507	268,186,102	367,092
Restricted				
Nonexpendable	3,627,564	-	3,627,564	-
Expendable, restricted for:				
Major and local street projects	8,036,467	-	8,036,467	-
FFE aspirational projects	8,374,150	-	8,374,150	-
Solid waste program	518,201	-	518,201	-
Parks and recreation	873,148	-	873,148	-
Neighborhood and community development	1,327,691	-	1,327,691	-
Other purposes	6,784,602	2,811,148	9,595,750	-
Unrestricted	31,002,648	22,705,613	53,708,261	6,554,371
TOTAL NET POSITION	\$ 182,758,066	\$ 171,489,268	\$ 354,247,334	\$ 6,921,463

See accompanying notes to financial statements.

City of Kalamazoo

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 14,756,851	\$ 7,020,944	\$ 1,909,300	\$ -
Public safety	48,251,573	1,615,652	3,754,948	9,077
Public works	8,312,495	128,811	219,257	-
Streets	8,743,623	143,351	9,560,743	-
Community and economic development	11,683,998	1,955,984	29,373,623	-
Parks and recreation	4,039,342	2,105,669	136,781	-
Interest on long-term debt	4,700,844	689,158	1,006,726	-
Total governmental activities	100,488,726	13,659,569	45,961,378	9,077
Business-type activities				
Wastewater	26,827,856	20,836,363	327,025	31,574
Water	19,978,024	17,471,819	1,319,195	2,703,171
Kalamazoo Municipal Golf Association	-	-	-	-
City Market	-	-	-	-
Total business-type activities	46,805,880	38,308,182	1,646,220	2,734,745
Total primary government	\$ 147,294,606	\$ 51,967,751	\$ 47,607,598	\$ 2,743,822
Component units				
Downtown Development Authority	\$ 3,431,834	\$ 2,277,939	\$ -	\$ -
Economic Development Corporation	118,418	-	-	-
Brownfield Redevelopment Authority	796,642	-	-	-
Local Development Finance Authority	-	-	-	-
Kalamazoo Foundation For Excellence	734	-	38,180	-
Total component units	\$ 4,347,628	\$ 2,277,939	\$ 38,180	\$ -0-

General revenues

Property taxes

Unrestricted state shared revenues

Local community stabilization

Investment earnings

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Restated net position, beginning of the year

Net position, end of the year

City of Kalamazoo

STATEMENT OF ACTIVITIES - CONCLUDED

Year Ended December 31, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,826,607)	\$ -	\$ (5,826,607)	\$ -
(42,871,896)	-	(42,871,896)	-
(7,964,427)	-	(7,964,427)	-
960,471	-	960,471	-
19,645,609	-	19,645,609	-
(1,796,892)	-	(1,796,892)	-
(3,004,960)	-	(3,004,960)	-
(40,858,702)	-0-	(40,858,702)	-0-
-	(5,632,894)	(5,632,894)	-
-	1,516,161	1,516,161	-
-	-	-0-	-
-	-	-0-	-
-0-	(4,116,733)	(4,116,733)	-0-
(40,858,702)	(4,116,733)	(44,975,435)	-0-
-	-	-0-	(1,153,895)
-	-	-0-	(118,418)
-	-	-0-	(796,642)
-	-	-0-	-
-	-	-0-	37,446
-0-	-0-	-0-	(2,031,509)
22,927,422	-	22,927,422	1,350,021
9,208,199	-	9,208,199	-
1,147,203	-	1,147,203	-
43,192	432,037	475,229	79,944
1,485,625	37,839	1,523,464	1,395,922
276,267	166,174	442,441	1,062,372
(831,618)	831,618	-0-	-
34,256,290	1,467,668	35,723,958	3,888,259
(6,602,412)	(2,649,065)	(9,251,477)	1,856,750
189,360,478	174,138,333	363,498,811	5,064,713
<u>\$ 182,758,066</u>	<u>\$ 171,489,268</u>	<u>\$ 354,247,334</u>	<u>\$ 6,921,463</u>

City of Kalamazoo

Governmental Funds

BALANCE SHEET

December 31, 2018

	General	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,338,612	\$ 9,045,011	\$ 8,801,201	\$ 22,184,824
Cash and cash equivalents - restricted	-	-	7,454,444	7,454,444
Investments	2,915,333	3,000,000	3,440,567	9,355,900
Investments with agents	-	-	2,852,209	2,852,209
Receivables				
Accounts	1,866,302	-	735,959	2,602,261
Interest	67,336	1,102	-	68,438
Special assessments	2,212	-	-	2,212
Taxes	2,254,974	-	249,670	2,504,644
Notes	653,782	-	813,347	1,467,129
Due from other funds	3,965,035	-	3,465,853	7,430,888
Due from other governmental units	640,976	-	7,334,538	7,975,514
Advances to other funds	340,000	-	-	340,000
Advances to other governmental units	-	-	1,854,255	1,854,255
Inventories	86,554	-	267,595	354,149
Prepays	150,146	-	-	150,146
TOTAL ASSETS	\$ 17,281,262	\$ 12,046,113	\$ 37,269,638	\$ 66,597,013
LIABILITIES				
Accounts payable	\$ 965,483	\$ 59,424	\$ 1,814,217	\$ 2,839,124
Accrued liabilities	42,003	-	15,673	57,676
Due to other funds	2,191,488	3,612,539	5,787,939	11,591,966
Due to other governmental units	54,123	-	198,055	252,178
Advances from other funds	-	-	287,000	287,000
Deposits payable	-	-	251,743	251,743
Unearned revenue	-	-	208,105	208,105
TOTAL LIABILITIES	3,253,097	3,671,963	8,562,732	15,487,792
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,205,559	-	5,400,559	7,606,118
FUND BALANCES				
Nonspendable	1,230,482	-	4,708,506	5,938,988
Restricted	-	8,374,150	16,560,038	24,934,188
Committed	-	-	2,037,803	2,037,803
Assigned	1,347,804	-	-	1,347,804
Unassigned	9,244,320	-	-	9,244,320
TOTAL FUND BALANCES	11,822,606	8,374,150	23,306,347	43,503,103
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,281,262	\$ 12,046,113	\$ 37,269,638	\$ 66,597,013

See accompanying notes to financial statements.

City of Kalamazoo

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

December 31, 2018

Total fund balance - governmental funds \$ 43,503,103

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	\$ 373,160,324	
Accumulated depreciation is	<u>(196,557,925)</u>	
Capital assets, net		176,602,399

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

Net pension asset	101,462,277	
Deferred outflows of resources related to pensions	39,800,406	
Deferred outflows of resources related to OPEB	40,064,327	
Deferred inflows of resources related to pensions	(955,270)	
Deferred inflows of resources related to OPEB	(4,521,228)	
Deferred charges on refunding	<u>465,037</u>	
		176,315,549

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds. 7,606,118

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		8,779,879
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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	(123,417,101)	
Net other post-employment benefits liability	(96,289,154)	
Environmental matters liability	(490,399)	
Unamortized deferred amounts on debt issuance	(2,452,528)	
Accrued interest payable	(747,962)	
Compensated absences	<u>(6,651,838)</u>	
		<u>(230,048,982)</u>

Net position of governmental activities \$ 182,758,066

City of Kalamazoo

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2018

	General	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 20,210,090	\$ -	\$ 2,717,333	\$ 22,927,423
Licenses and permits	2,709,592	-	-	2,709,592
Intergovernmental	13,228,804	-	13,027,679	26,256,483
Charges for services	8,956,826	-	2,133,566	11,090,392
Fines and forfeits	4,820	-	210,767	215,587
Interest and rents	281,093	22,468	1,684,242	1,987,803
Net investment earnings	-	-	(754,813)	(754,813)
Other				
Donations and contributions	15,155,810	12,585,400	1,353,516	29,094,726
Other	1,876,801	-	736,841	2,613,642
TOTAL REVENUES	62,423,836	12,607,868	21,109,131	96,140,835
EXPENDITURES				
Current				
General government	10,600,877	-	6,277	10,607,154
Public safety	32,083,001	-	1,399,896	33,482,897
Public works	5,055,252	-	2,793,715	7,848,967
Streets	-	-	9,776,794	9,776,794
Community and economic development	3,992,681	3,586,277	2,704,291	10,283,249
Parks and recreation	2,364,745	-	2,668,864	5,033,609
Other	3,694,424	-	-	3,694,424
Debt service				
Principal	-	-	6,960,929	6,960,929
Interest and fiscal charges	-	-	4,822,209	4,822,209
Capital outlay	-	-	5,847,792	5,847,792
TOTAL EXPENDITURES	57,790,980	3,586,277	36,980,767	98,358,024
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,632,856	9,021,591	(15,871,636)	(2,217,189)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	7,750,000	7,750,000
Bond premium	-	-	383,270	383,270
Transfers in	1,860,672	-	19,429,284	21,289,956
Transfers out	(7,056,959)	(6,244,384)	(7,465,142)	(20,766,485)
TOTAL OTHER FINANCING SOURCES (USES)	(5,196,287)	(6,244,384)	20,097,412	8,656,741
NET CHANGE IN FUND BALANCES	(563,431)	2,777,207	4,225,776	6,439,552
Fund balances, beginning of year	12,386,037	5,596,943	19,080,571	37,063,551
Fund balances, end of year	<u>\$ 11,822,606</u>	<u>\$ 8,374,150</u>	<u>\$ 23,306,347</u>	<u>\$ 43,503,103</u>

See accompanying notes to financial statements.

City of Kalamazoo

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

Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 6,439,552

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	\$ 10,579,616
Depreciation expense	(7,270,666)
Net effect of transfer of capital assets from nonmajor enterprise funds	1,186,436
Net effect of disposal of capital assets	<u>(239,831)</u>

Excess of capital outlay over depreciation expense and other items 4,255,555

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (313,305)

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 3,026,737

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	(7,750,000)
Reclassification of debt from nonmajor enterprise funds	(931,521)
Debt principal retirement	<u>6,960,930</u>

(1,720,591)

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:

(Decrease) in net pension asset	(71,265,894)
Increase in deferred outflows of resources related to pensions	35,685,348
Increase in deferred outflows of resources related to OPEB	37,441,077
Decrease in deferred inflows of resources related to pensions	30,345,575
(Increase) in deferred inflows of resources related to OPEB	(4,521,228)
(Decrease) in deferred charges on refunding	(63,285)
(Increase) in deferred amounts on debt issuance	(161,277)
(Increase) in accrued interest payable	(37,352)
(Increase) in compensated absences	(552,254)
Decrease in environmental matters liability	64,012
(Increase) in net OPEB liability	<u>(45,225,082)</u>

(18,290,360)

Change in net position of governmental activities \$ (6,602,412)

See accompanying notes to financial statements.

City of Kalamazoo

General Fund

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

Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 20,655,312	\$ 20,655,312	\$ 20,210,090	\$ (445,222)
Licenses and permits	2,350,900	2,350,900	2,709,592	358,692
Intergovernmental	10,803,890	11,806,390	13,228,804	1,422,414
Charges for services	9,016,237	9,016,237	8,956,826	(59,411)
Fines and forfeits	36,300	36,300	4,820	(31,480)
Interest and rents	172,652	172,652	281,093	108,441
Other				
Donations and contributions	15,195,225	15,195,225	15,155,810	(39,415)
Other	238,700	1,634,622	1,876,801	242,179
TOTAL REVENUES	58,469,216	60,867,638	62,423,836	1,556,198
EXPENDITURES				
Current				
General government				
Commission	85,607	85,607	76,266	9,341
Manager	1,827,015	1,880,904	1,850,188	30,716
Attorney	766,240	819,472	699,237	120,235
Clerk				
Administration	211,242	221,487	210,234	11,253
Election	291,040	296,819	300,789	(3,970)
Records management	298,733	302,411	265,706	36,705
Internal audit	87,961	94,975	93,293	1,682
Human resources	788,879	831,764	912,804	(81,040)
Customer service	-	281,735	281,947	(212)
Management services				
Administration	304,861	370,298	326,414	43,884
Budget & accounting	613,362	630,965	583,549	47,416
Financial services	477,095	481,430	498,329	(16,899)
Assessor	473,335	473,335	443,073	30,262
Treasurer	1,336,309	1,340,320	1,352,410	(12,090)
Purchasing	359,587	370,500	376,835	(6,335)
Information technology	1,924,094	2,421,791	2,329,803	91,988
Total general government	9,845,360	10,903,813	10,600,877	302,936
Public safety				
Administration	1,327,679	1,380,557	1,255,945	124,612
K-Vet drug enforcement	1,877,348	1,877,348	2,073,642	(196,294)
Operations division	16,454,862	17,168,272	16,546,044	622,228
Criminal investigations	3,146,855	3,193,855	3,148,795	45,060
Service division	7,565,888	8,896,130	9,058,575	(162,445)
Total public safety	30,372,632	32,516,162	32,083,001	433,161
Public services				
Public works				
Forestry, creek, and environmental inspections	842,604	978,344	824,386	153,958
Sidewalks and pedestrian mall maintenance	389,919	462,402	452,308	10,094
Equipment maintenance	2,265,405	2,273,661	2,470,348	(196,687)
Emergency recovery	-	95,000	93,736	1,264
City maintenance	1,281,685	1,567,466	1,214,474	352,992
Total public services	4,779,613	5,376,873	5,055,252	321,621

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, 2018

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Current - concluded				
Community and economic development				
Community development	\$ -	\$ 5,845	\$ 2,494	\$ 3,351
Downtown development authority	-	1,395,922	1,395,922	-0-
Economic development	307,656	315,360	201,957	113,403
Code administration	1,450,733	1,479,559	1,587,143	(107,584)
Planning	816,550	907,668	805,165	102,503
Total community and economic development	2,574,939	4,104,354	3,992,681	111,673
Parks and recreation				
Parks maintenance	1,004,634	1,042,212	1,096,185	(53,973)
Recreation	1,283,496	1,215,862	1,268,560	(52,698)
Total parks and recreation	2,288,130	2,258,074	2,364,745	(106,671)
Nondepartmental				
Street lighting	1,176,000	1,176,000	1,201,129	(25,129)
Contribution to OPEB trust	2,491,300	2,491,300	2,491,300	-0-
Other	469,657	-	1,995	(1,995)
Total nondepartmental	4,136,957	3,667,300	3,694,424	(27,124)
TOTAL EXPENDITURES	53,997,631	58,826,576	57,790,980	1,035,596
EXCESS OF REVENUES OVER EXPENDITURES	4,471,585	2,041,062	4,632,856	2,591,794
OTHER FINANCING SOURCES (USES)				
Transfers in	1,978,000	2,108,015	1,860,672	(247,343)
Transfers out	(6,375,112)	(6,685,112)	(7,056,959)	(371,847)
TOTAL OTHER FINANCING SOURCES (USES)	(4,397,112)	(4,577,097)	(5,196,287)	(619,190)
NET CHANGE IN FUND BALANCE	74,473	(2,536,035)	(563,431)	1,972,604
Fund balance, beginning of year	12,386,037	12,386,037	12,386,037	-0-
Fund balance, end of year	<u>\$ 12,460,510</u>	<u>\$ 9,850,002</u>	<u>\$ 11,822,606</u>	<u>\$ 1,972,604</u>

See accompanying notes to financial statements.

City of Kalamazoo

FFE Aspirational Projects Fund

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

Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 22,468	\$ 22,468
Donations and contributions	12,428,000	14,039,433	12,585,400	(1,454,033)
TOTAL REVENUES	12,428,000	14,039,433	12,607,868	(1,431,565)
EXPENDITURES				
Current				
Community and economic development				
Inviting public spaces	500,000	453,000	86,277	366,723
Economic vitality	3,500,000	3,500,000	3,500,000	-0-
TOTAL EXPENDITURES	4,000,000	3,953,000	3,586,277	366,723
EXCESS OF REVENUES OVER EXPENDITURES	8,428,000	10,086,433	9,021,591	(1,064,842)
OTHER FINANCING (USES)				
Transfers out for:				
FFE aspirational operations	(182,618)	(195,748)	(157,038)	38,710
Youth development and employment	(944,337)	(1,072,210)	(1,067,873)	4,337
Shared prosperity	(141,045)	(89,505)	(86,154)	3,351
Complete neighborhoods	(5,160,000)	(6,404,251)	(3,789,898)	2,614,353
Inviting public spaces	-	(47,000)	(47,000)	-0-
Economic vitality	(1,500,000)	(1,500,000)	(318,702)	1,181,298
Capital improvements	(500,000)	(777,719)	(777,719)	-0-
TOTAL OTHER FINANCING (USES)	(8,428,000)	(10,086,433)	(6,244,384)	3,842,049
NET CHANGE IN FUND BALANCE	-0-	-0-	2,777,207	2,777,207
Fund balance, beginning of year	5,596,943	5,596,943	5,596,943	-0-
Fund balance, end of year	<u>\$ 5,596,943</u>	<u>\$ 5,596,943</u>	<u>\$ 8,374,150</u>	<u>\$ 2,777,207</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2018

	Enterprise Funds				Internal Service Fund
	Wastewater	Water	Nonmajor	Total	Insurance and Benefits
ASSETS					
Current assets					
Cash and cash equivalents	\$ 5,615,586	\$ 5,237,234	\$ -	\$ 10,852,820	\$ 9,961,022
Cash and cash equivalents - restricted	4,180,412	5,586,757	-	9,767,169	-
Investments	8,451,441	6,330,869	-	14,782,310	4,403,089
Investments with agents	-	-	-	-0-	35,600
Receivables					
Customers	2,456,537	2,761,996	-	5,218,533	2,298,402
Interest	86,559	-	-	86,559	-
Special assessment	1,208	-	-	1,208	-
Due from other funds	2,557,930	963,474	-	3,521,404	2,357,246
Due from other governmental units	142,985	1,325,638	-	1,468,623	13,988
Inventories	153,363	391,619	-	544,982	-
Prepays	2,440	35,925	-	38,365	-
Total current assets	23,648,461	22,633,512	-0-	46,281,973	19,069,347
Noncurrent assets					
Advance to other funds	-	-	-	-0-	287,000
Net pension asset	11,930,582	9,742,467	-	21,673,049	-
Capital assets not being depreciated	4,957,136	11,217,904	-	16,175,040	-
Capital assets, net of accumulated depreciation	69,501,862	96,809,676	-	166,311,538	-
Total noncurrent assets	86,389,580	117,770,047	-0-	204,159,627	287,000
TOTAL ASSETS	110,038,041	140,403,559	-0-	250,441,600	19,356,347
DEFERRED OUTFLOW OF RESOURCES					
Deferred amounts on refunding	35,099	138,456	-	173,555	-
Deferred outflows of resources related to pensions	5,036,618	4,066,143	-	9,102,761	-
Deferred outflows of resources related to OPEB	6,259,221	4,983,452	-	11,242,673	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,330,938	9,188,051	-0-	20,518,989	-0-
LIABILITIES					
Current liabilities					
Accounts payable	1,401,887	1,432,837	-	2,834,724	189,636
Accrued payroll	-	-	-	-0-	1,164,999
Other accrued liabilities	-	535	-	535	1,313,470
Accrued interest payable	156,188	392,216	-	548,404	-
Deposit payable	-	886,358	-	886,358	-
Due to other funds	587,979	575,506	-	1,163,485	554,087
Due to other governmental units	28,264	23,730	-	51,994	-
Unearned revenue	-	-	-	-0-	3,860,184
Current portion of compensated absences	318,798	304,312	-	623,110	-
Current portion of long-term debt	1,070,582	1,740,180	-	2,810,762	-
Current portion of uninsured claim liability	-	-	-	-0-	2,015,848
Total current liabilities	3,563,698	5,355,674	-0-	8,919,372	9,098,224
Noncurrent liabilities					
Advances from other funds	-	-	-	-0-	340,000
Net other post-employment benefits liability	15,177,247	12,049,305	-	27,226,552	-
Noncurrent portion of compensated absences	195,463	126,230	-	321,693	-
Noncurrent portion of true-up settlement	3,155,000	-	-	3,155,000	-
Noncurrent portion of long-term debt	21,300,785	37,065,604	-	58,366,389	-
Noncurrent portion of uninsured claim liability	-	-	-	-0-	1,138,244
Total noncurrent liabilities	39,828,495	49,241,139	-0-	89,069,634	1,478,244
TOTAL LIABILITIES	43,392,193	54,596,813	-0-	97,989,006	10,576,468
DEFERRED INFLOWS OF RESOURCES					
Deferred sales of future revenues	-	-	-	-0-	3,860,184
Deferred inflows of resources related to pensions	67,277	136,624	-	203,901	-
Deferred inflows of resources related to OPEB	712,643	565,771	-	1,278,414	-
TOTAL DEFERRED INFLOWS OF RESOURCES	779,920	702,395	-0-	1,482,315	3,860,184
NET POSITION					
Net investment in capital assets	64,517,124	81,455,383	-	145,972,507	-
Restricted for bond reserves	935,743	1,875,405	-	2,811,148	-
Unrestricted	11,743,999	10,961,614	-	22,705,613	8,779,879
TOTAL NET POSITION	\$ 77,196,866	\$ 94,292,402	\$ -0-	\$ 171,489,268	\$ 8,779,879

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2018

	Enterprise Funds			Total	Internal
	Wastewater	Water	Nonmajor		Service Fund Insurance and Benefits
OPERATING REVENUES					
Charges for services	\$ 20,836,363	\$ 17,471,819	\$ -	\$ 38,308,182	\$ 17,706,683
Other	157	79,094	-	79,251	83,163
TOTAL OPERATING REVENUES	20,836,520	17,550,913	-0-	38,387,433	17,789,846
OPERATING EXPENSES					
Operation and maintenance	21,684,795	15,175,424	-	36,860,219	-
Risk management	-	-	-	-0-	13,310,791
Depreciation	4,360,194	3,435,445	-	7,795,639	-
TOTAL OPERATING EXPENSES	26,044,989	18,610,869	-0-	44,655,858	13,310,791
OPERATING INCOME (LOSS)	(5,208,469)	(1,059,956)	-0-	(6,268,425)	4,479,055
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	327,025	1,319,195	-	1,646,220	-
Interest revenue	213,890	218,147	-	432,037	157,686
Other	9,049	52,782	-	61,831	-
Gain on sale of capital assets	1,770	36,069	-	37,839	-
Amortization of:					
Bond defeasance expenses	(9,314)	(15,800)	-	(25,114)	-
Bond premiums and discounts	6,277	18,815	-	25,092	-
Interest expense and fiscal charges	(773,553)	(1,351,355)	-	(2,124,908)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(224,856)	277,853	-0-	52,997	157,686
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(5,433,325)	(782,103)	-0-	(6,215,428)	4,636,741
CAPITAL CONTRIBUTIONS	31,574	2,703,171	-	2,734,745	-
TRANSFERS IN	240,000	957,719	-	1,197,719	-
TRANSFERS OUT	-	-	(366,101)	(366,101)	(1,610,004)
CHANGE IN NET POSITION	(5,161,751)	2,878,787	(366,101)	(2,649,065)	3,026,737
Restated net position, beginning of year	82,358,617	91,413,615	366,101	174,138,333	5,753,142
Net position, end of year	<u>\$ 77,196,866</u>	<u>\$ 94,292,402</u>	<u>\$ -0-</u>	<u>\$ 171,489,268</u>	<u>\$ 8,779,879</u>

See accompanying notes to financial statements.

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

	Enterprise Funds				Internal
	Wastewater	Water	Nonmajor	Total	Service Fund Insurance and Benefits
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 20,746,114	\$ 16,219,559	\$ -	\$ 36,965,673	\$ -
Cash received from interfund services provided	-	-	-	-0-	17,267,745
Cash paid to suppliers	(13,276,505)	(6,896,721)	-	(20,173,226)	-
Cash paid to employees	(4,092,658)	(3,815,089)	-	(7,907,747)	-
Cash paid for employee benefits	(1,988,409)	(1,708,368)	-	(3,696,777)	(13,566,821)
Cash paid for interfund services provided	(183,149)	(714,255)	-	(897,404)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,205,393	3,085,126	-0-	4,290,519	3,700,924
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental grant	327,025	1,319,195	-	1,646,220	-
Tax liens and reimbursements	9,049	52,782	-	61,831	-
Interest paid on OPEB bonds	(375,339)	(375,339)	-	(750,678)	-
Payments on OPEB bonds	(210,459)	(192,840)	-	(403,299)	-
Advance to other fund	-	-	-	-0-	(287,000)
Transfer in	240,000	957,719	-	1,197,719	-
Transfer out	-	-	(306,193)	(306,193)	(1,610,004)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(9,724)	1,761,517	(306,193)	1,445,600	(1,897,004)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(5,165,437)	(9,755,400)	-	(14,920,837)	-
Contributions received	31,574	245,561	-	277,135	-
Cash received for disposal of capital assets	1,770	45,491	-	47,261	-
Interest paid	(347,511)	(874,699)	-	(1,222,210)	-
Proceeds from bond issuance	5,968,114	9,571,119	-	15,539,233	-
Payments on borrowings	(700,000)	(1,300,000)	-	(2,000,000)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(211,490)	(2,067,928)	-0-	(2,279,418)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(8,451,441)	(6,330,869)	-	(14,782,310)	(4,438,689)
Maturity of investments	9,620,472	6,158,289	-	15,778,761	2,415,195
Interest received	173,826	218,147	-	391,973	157,686
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,342,857	45,567	-0-	1,388,424	(1,865,808)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,327,036	2,824,282	(306,193)	4,845,125	(61,888)
Cash and cash equivalents, beginning of year	7,468,962	7,999,709	306,193	15,774,864	10,022,910
Cash and cash equivalents, end of year	\$ 9,795,998	\$ 10,823,991	\$ -0-	\$ 20,619,989	\$ 9,961,022

City of Kalamazoo

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended December 31, 2018

	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)	\$ (5,208,469)	\$ (1,059,956)	\$ -	\$ (6,268,425)	\$ 4,479,055
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	4,360,194	3,435,445	-	7,795,639	-
(Increase) decrease in:					
Accounts receivable	52,579	(83,640)	-	(31,061)	(535,751)
Due from other funds	(304,788)	(649,284)	-	(954,072)	(145,041)
Due from other governmental units	(142,985)	(1,256,287)	-	(1,399,272)	1,332
Inventories	8,527	(98,397)	-	(89,870)	-
Prepays	21,006	(29,947)	-	(8,941)	-
Net pension asset	8,387,786	7,133,177	-	15,520,963	-
Deferred outflows of resources related to pensions	(3,962,072)	(3,497,709)	-	(7,459,781)	-
Deferred outflows of resources related to OPEB	(5,901,519)	(4,685,252)	-	(10,586,771)	-
Increase (decrease) in:					
Accounts payable	(547,737)	627,386	-	79,649	(15,919)
Accrued liabilities	(23,231)	410	-	(22,821)	(3,074)
Due to other funds	121,639	(64,971)	-	56,668	157,359
Due to other governmental units	17,049	2,242	-	19,291	-
Deposits payable	-	8,573	-	8,573	-
Compensated absences	29,765	91,616	-	121,381	(83,163)
Uninsured claim liability	-	-	-	-0-	(153,874)
Net other post-employment benefits liability	7,128,449	5,659,317	-	12,787,766	-
Deferred inflows of resources related to pensions	(3,543,443)	(3,013,368)	-	(6,556,811)	-
Deferred inflows of resources related to OPEB	712,643	565,771	-	1,278,414	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,205,393	\$ 3,085,126	\$ -0-	\$ 4,290,519	\$ 3,700,924
NONCASH FINANCING ACTIVITIES					
Contributions of capital assets	\$ -	\$ 2,457,610	\$ -	\$ 2,457,610	\$ -
Loss on sale of capital assets	-	(9,422)	-	(9,422)	-
TOTAL NONCASH FINANCING ACTIVITIES	\$ -0-	\$ 2,448,188	\$ -0-	\$ 2,448,188	\$ -0-

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF NET POSITION

December 31, 2018

	Pension and Other Post- Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Agency Fund
ASSETS			
Cash and cash equivalents	\$ 256,355	\$ 162,593	\$ 15,168,612
Investments			
U.S. Treasuries	87,091,556	-	-
Corporate bonds	65,812,754	-	-
Collateralized mortgage obligations	21,000,288	-	-
Equity mutual funds	474,516,175	-	-
Real estate mutual funds	36,393,726	-	-
Receivables			
Interest and dividends	1,148,962	-	-
Investments sold	282,221	-	-
	<u>686,502,037</u>	<u>162,593</u>	<u>\$ 15,168,612</u>
TOTAL ASSETS			
	686,502,037	162,593	\$ 15,168,612
LIABILITIES			
Accounts payable	1,194,379	-	\$ -
Due to other governmental units	-	-	12,088,306
Due to individuals and agencies	-	53,344	3,080,306
	<u>1,194,379</u>	<u>53,344</u>	<u>\$ 15,168,612</u>
TOTAL LIABILITIES			
	1,194,379	53,344	\$ 15,168,612
NET POSITION			
Restricted for pension and OPEB	685,307,658	-	
Held in trust for other purposes	-	109,249	
	<u>\$ 685,307,658</u>	<u>\$ 109,249</u>	
TOTAL NET POSITION			

See accompanying notes to financial statements.

City of Kalamazoo

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2018

	<u>Pension and Other Post- Employment Benefits Trusts</u>	<u>General Private Purpose Trust</u>
ADDITIONS TO NET POSITION		
Investment income (loss)		
Change in fair value of investments	\$ (74,182,583)	\$ -
Interest	5,005,816	1,541
Dividends	16,929,258	-
	<u>(52,247,509)</u>	<u>1,541</u>
Total investment income (loss)		
Less investment expense	<u>(2,546,712)</u>	<u>-</u>
Net investment income (loss)	(54,794,221)	1,541
Contributions		
Employer	3,500,000	-
Plan members	2,180,052	-
Other	-	27,929
	<u>5,680,052</u>	<u>27,929</u>
Total contributions		
TOTAL ADDITIONS (REDUCTIONS) TO NET POSITION	(49,114,169)	29,470
DEDUCTIONS FROM NET POSITION		
Benefits	40,163,865	-
Refunds of contributions	72,516	-
Administrative expenses	254,086	-
Miscellaneous expenses	246,932	-
	<u>40,737,399</u>	<u>-0-</u>
TOTAL DEDUCTIONS		
CHANGE IN NET POSITION	(89,851,568)	29,470
Net position, beginning of year	<u>775,159,226</u>	<u>79,779</u>
Net position, end of year	<u>\$ 685,307,658</u>	<u>\$ 109,249</u>

See accompanying notes to financial statements.

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION

December 31, 2018

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 98,393	\$ 446,919	\$ 2,761,043
Cash and cash equivalents - restricted	2,976,770	-	-
Investments	-	-	639,272
Accounts receivable	73,600	-	18,752
Taxes receivable	15,315	-	444,543
Prepays	-	-	250,000
Current portion of notes receivable	300,000	-	71,750
Total current assets	3,464,078	446,919	4,185,360
Noncurrent assets			
Noncurrent portion of notes receivable	841,074	-	835,537
Capital assets not being depreciated	58,162	-	-
Capital assets, net of accumulated depreciation	308,930	-	-
Total noncurrent assets	1,208,166	-0-	835,537
TOTAL ASSETS	4,672,244	446,919	5,020,897
LIABILITIES			
Current liabilities			
Accounts payable	192,499	-	5,155
Accrued interest payable	61,125	-	-
Due to other governmental units	-	29,507	12,638
Unearned revenue	-	-	30,000
Current portion of compensated absences	-	7,968	11,324
Current portion of long-term debt	754,192	-	-
Total current liabilities	1,007,816	37,475	59,117
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	7,717	5,955
Noncurrent portion of long-term debt	448,945	-	802,740
Noncurrent portion of advances from other governmental units	-	-	894,256
Total noncurrent liabilities	448,945	7,717	1,702,951
TOTAL LIABILITIES	1,456,761	45,192	1,762,068
NET POSITION			
Net investment in capital assets	367,092	-	-
Unrestricted	2,848,391	401,727	3,258,829
TOTAL NET POSITION	\$ 3,215,483	\$ 401,727	\$ 3,258,829

See accompanying notes to financial statements.

CONTINUED

City of Kalamazoo

Component Units

STATEMENT OF NET POSITION - CONCLUDED

December 31, 2018

Local Development Finance Authority	Kalamazoo Foundation For Excellence	Total Component Units
\$ -	\$ 10,307	\$ 3,316,662
-	-	2,976,770
-	-	639,272
-	28,085	120,437
7,978	-	467,836
-	-	250,000
-	-	371,750
<u>7,978</u>	<u>38,392</u>	<u>8,142,727</u>
-	-	1,676,611
-	-	58,162
-	-	308,930
<u>-0-</u>	<u>-0-</u>	<u>2,043,703</u>
7,978	38,392	10,186,430
-	446	198,100
-	-	61,125
-	500	42,645
-	-	30,000
-	-	19,292
-	-	754,192
<u>-0-</u>	<u>946</u>	<u>1,105,354</u>
-	-	13,672
-	-	1,251,685
-	-	894,256
<u>-0-</u>	<u>-0-</u>	<u>2,159,613</u>
<u>-0-</u>	<u>946</u>	<u>3,264,967</u>
-	-	367,092
7,978	37,446	6,554,371
<u>\$ 7,978</u>	<u>\$ 37,446</u>	<u>\$ 6,921,463</u>

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Downtown Development Authority	\$ 3,431,834	\$ 2,277,939	\$ -
Economic Development Corporation	118,418	-	-
Brownfield Redevelopment Authority	796,642	-	-
Local Development Finance Authority	-	-	-
Kalamazoo Foundation For Excellence	734	-	38,180
TOTALS	<u>\$ 4,347,628</u>	<u>\$ 2,277,939</u>	<u>\$ 38,180</u>

General revenues

- Property taxes
- Investment earnings
- Gain on sale
- Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

City of Kalamazoo

Component Units

STATEMENT OF ACTIVITIES - CONCLUDED

Year Ended December 31, 2018

Net (Expense) Revenues and Changes in Net Position

Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Kalamazoo Foundation For Excellence	Total Component Units
\$ (1,153,895)	\$ -	\$ -	\$ -	\$ -	\$ (1,153,895)
-	(118,418)	-	-	-	(118,418)
-	-	(796,642)	-	-	(796,642)
-	-	-	-	-	-
-	-	-	-	37,446	37,446
(1,153,895)	(118,418)	(796,642)	-0-	37,446	(2,031,509)
277,554	-	1,072,467	-	-	1,350,021
47,548	1,214	31,182	-	-	79,944
1,395,922	-	-	-	-	1,395,922
317,386	-	744,986	-	-	1,062,372
2,038,410	1,214	1,848,635	-0-	-0-	3,888,259
884,515	(117,204)	1,051,993	-0-	37,446	1,856,750
2,330,968	518,931	2,206,836	7,978	-0-	5,064,713
<u>\$ 3,215,483</u>	<u>\$ 401,727</u>	<u>\$ 3,258,829</u>	<u>\$ 7,978</u>	<u>\$ 37,446</u>	<u>\$ 6,921,463</u>

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 76,000. 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, 2018

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, 2018.

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. On October 2, 2017, the City Commission adopted a resolution to dissolve the LDFA and distribute its remaining assets. The final disbursements were payable at December 31, 2017 and the uncollected tax receivables and associated deferred inflows will be held by the City's General Fund until the property tax can be collected or adjusted.

The Foundation For Excellence was created to help the City of Kalamazoo accomplish priorities established, from time to time, by the City Commission to set the course for the City of Kalamazoo's future direction, to provide budget stability to the City resulting from the City's reduction of the ad valorem tax rate on property in addition to the reduction of payments received from the State, to provide for aspirational projects which the City of Kalamazoo wishes to undertake, and to perform any activities that may assist in exploring budgetary savings of the City or assisting the City which would be the best way to utilize the grants transferred to the City from the Foundation. The majority of the Foundation's revenue is from donations received from the general public.

Complete financial statements of the Downtown Development Authority may be obtained at their administrative office: 141 East Michigan Avenue, Kalamazoo, MI 49007. Complete financial statements of the Kalamazoo Foundation for Excellence may be obtained at their administrative office: 241 West South Street, 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, 2018

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 Foundation For Excellence (FFE) Aspirational Projects Fund is used to account for revenues received from private donors to fund aspirational projects based on the results of the Imagine Kalamazoo 2025 plan including generational poverty, youth development, employment, capital and human infrastructure, economic development and inviting public spaces.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

- g. Pension and other post-employment benefits trust funds account for the activities of the Employees' Retirement System, a defined-benefit pension plan, and Other Post-Employment Benefits Plan, which accumulates resources for retirement and other post-employment benefit payments to qualified employees.
- h. The private purpose trust fund accounts for assets of non-profit organizations held for outside parties in a trustee capacity for purposes other than those that support the government's programs.
- i. The agency fund accounts for taxes collected and distributed to other governments in an agency capacity.

5. Measurement Focus

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - Concluded

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

7. Budgets and Budgetary Accounting

The City adopts a formal budget for the General and Special Revenue funds. The City Charter requires that the City Manager submit to the City Commission an estimate of revenues and contemplate expenditures for the following calendar year by December 1. An interim appropriation is authorized by City budget policy 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. The City Manager is authorized to accept grants and donations under \$25,000. The acceptance of grants shall be considered as authority to expend funds for those purposes. A summary of grants and donations accepted by the City Manager will be presented to the City Commission twice a year as an information item. 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 first in-first out 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, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Prepays

Prepaid expenditures in the governmental and proprietary funds, such as memberships, software agreements and 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 cost 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, 2018

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. In the Wastewater Fund utility rates are set based on projected requirement needs. When the actual results in more revenues collected than required under the City's rate agreements with outside City customers, the system owes those funds back to the customers. The True-up represents the long-term portion of that agreement.

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, in the governmental funds balance sheet, or in the proprietary funds statement of net position.

The City reports items in both categories, deferred outflows and inflows of resources, which correspond to the City's net pension asset and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual plan investment earnings, and contributions subsequent to the measurement date. 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 governmental funds for long-term receivables that are not available to pay for current period expenditures. 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

A net pension liability is calculated by subtracting the pension net position from the total pension liability. Because net position is greater than the total pension liability, this results in a net pension asset to the City. 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. Net OPEB Liability

A net OPEB liability is calculated by subtracting the OPEB net position from the total OPEB liability. Because net position is less than the total OPEB liability, this results in a net OPEB liability to the City. The net OPEB liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements as well as the enterprise funds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. 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 Kalamazoo County, Kalamazoo Valley Community College, the District Library, and various school districts. Collections of property taxes and remittances of them to the appropriate authorities are accounted for in the Tax Collector's Agency Fund.

The City is permitted by state statute to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for waste collection. For the year ended December 31, 2018, the City levied 12.0000 mills for general governmental services and 1.8000 mills for waste collection. The total taxable value for the 2018 levy for property within the City was \$1,554,527,056.

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.

20. 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.

21. 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.

22. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

23. 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.

24. 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.

25. 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, 2018, the carrying amount of the City's deposits was \$88,128,418 and the bank balance was \$89,157,665. The financial statements include \$5,450 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, 2018, the City accounts were insured by the Federal Deposit Insurance Corporation for \$1,606,983 and the amount of \$87,550,682 was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

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

Deposits - Concluded

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.

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, 2018, the carrying amounts and market values for the investments are as follows:

<u>INVESTMENT TYPE</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Standard & Poor's Rating</u>	<u>Weighted Average Maturity</u>
Federal Home Loan Bank	\$ 2,750,000	\$ -	\$ -	\$ 2,750,000	AA+	953 days
Fannie Mae	5,000,000	-	-	5,000,000	AA+	554 days
Freddie Mac	1,500,000	-	-	1,500,000	AA+	953 days
Municipal bonds	-	4,277,039	-	4,277,039	Not Rated	1,955 days
Commercial paper	5,924,013	-	-	5,924,013	A-2	78 days
Equity mutual funds	3,440,567	-	-	3,440,567	Not Rated	N/A
	<u>\$ 18,614,580</u>	<u>\$ 4,277,039</u>	<u>\$ -0-</u>	<u>\$ 22,891,619</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, 2018

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 \$2,852,209 and \$35,600, respectively, as of December 31, 2018, 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, 2018, 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, 2018, 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 City of Kalamazoo Employees' Retirement System (the System) and the Central County Transportation Authority (CCTA) Pension Plan. The Trust has effectively adopted the investment policies and strategies of the System. The purchases, maturities, and investment performance are allocated between the System, the Trust, and the CCTA Pension Plan based on the fair value of their respective investments. As of December 31, 2018, the System's investments represented approximately 83.0 percent of the portfolio and the Trust's investments represented approximately 12.9 percent of the portfolio.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018, was \$256,355. These amounts were fully insured as of December 31, 2018.

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, 2018, is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long Term Expected Rate of Return</u>
Micro Capitalization Domestic Equity	5.00%	4.60%
Small Capitalization Domestic Equity	10.00%	4.60%
Small Capitalization Value International Equity	10.00%	4.10%
S&P Index Funds	30.00%	4.10%
Large Capitalization Domestic Equity	5.00%	4.20%
Emerging Markets Equity	10.00%	6.60%
Intermediate Fixed Income	12.50%	1.00%
Long Fixed Income	12.50%	1.00%
Real Estate Securities	2.50%	2.90%
Real Estate	2.50%	2.90%

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, 2018:

U.S. Treasuries	\$ 87,091,556
Corporate bonds	65,812,754
Collateralized mortgage obligations (CMO)	21,000,288
Equity mutual funds	474,516,175
Real estate mutual funds	<u>36,393,726</u>
Total investments	<u>\$ 684,814,499</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018, the carrying amount and fair value for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Federal Home Loan	\$ 142,703	\$ -	\$ -	\$ 142,703
Fannie Mae	20,857,585	-	-	20,857,585
U.S. Treasury Notes	87,091,556	-	-	87,091,556
Corporate Bonds	-	65,812,754	-	65,812,754
Equity mutual funds	474,516,175	-	-	474,516,175
Real estate mutual funds	36,393,726	-	-	36,393,726
	<u>\$ 619,001,745</u>	<u>\$ 65,812,754</u>	<u>\$ -0-</u>	<u>\$ 684,814,499</u>

Custodial Credit Risk

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

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four (4) major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2018, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

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

Credit Risk - Concluded

<u>Standard & Poor's</u>	<u>Corporate Bonds</u>	<u>CMO</u>
AAA	\$ 8,655,562	\$ -
AA	9,073,709	21,000,288
A	22,854,195	-
BBB	23,996,126	-
Not rated	1,233,162	-
	<u>\$ 65,812,754</u>	<u>\$ 21,000,288</u>
<u>Moody's</u>		
Aaa	\$ 3,094,421	\$ 21,000,288
Aa	8,521,540	-
A	24,939,836	-
Baa	21,681,969	-
Not rated	7,574,988	-
	<u>\$ 65,812,754</u>	<u>\$ 21,000,288</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, 2018, 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, 2018, equity holdings accounted for 69% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2018.

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, 2018, maturities of the portfolio's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasuries	\$ 87,091,556	\$ -	\$ 44,880,328	\$ -	\$ 42,211,228
Corporate bonds	65,812,754	1,252,744	37,088,048	12,443,309	15,028,653
Collateralized mortgage obligations	21,000,288	-	-	-	21,000,288
	<u>\$ 173,904,598</u>	<u>\$ 1,252,744</u>	<u>\$ 81,968,376</u>	<u>\$ 12,443,309</u>	<u>\$ 78,240,169</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B: DEPOSITS AND INVESTMENTS - CONCLUDED

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

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, 2018, 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, 2018, is summarized below:

<u>Currency</u>	<u>Fixed Income</u>
Canadian Dollar	\$ 1,482,478
Euro	3,869,968
Norwegian Krone	175,853
British Pound Sterling	3,826,083
Swiss Franc	339,591
	<u>\$ 9,693,973</u>

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, 2018:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 42,998,666	\$ 3,316,662	\$ 15,587,560	\$ 61,902,888
Cash and cash equivalents - restricted	17,221,613	2,976,770	-	20,198,383
Investments	28,541,299	639,272	684,814,499	713,995,070
Investments with agents	2,887,809	-	-	2,887,809
	<u>\$ 91,649,387</u>	<u>\$ 6,932,704</u>	<u>\$ 700,402,059</u>	<u>\$ 798,984,150</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2018, are as follows:

Due to General Fund from:	
FFE Aspirational Projects Fund	\$ 283,491
Wastewater Fund	289,826
Water Fund	311,449
Internal service fund	99,920
Nonmajor governmental funds	<u>2,980,349</u>
	<u><u>\$ 3,965,035</u></u>
Due to Wastewater Fund from:	
General Fund	\$ 1,184
Water Fund	26,565
Internal service fund	240,000
Nonmajor governmental funds	<u>2,290,181</u>
	<u><u>\$ 2,557,930</u></u>
Due to Water Fund from:	
General Fund	\$ 39,666
FFE Aspirational Projects Fund	667,528
Wastewater Fund	28,218
Internal service fund	180,000
Nonmajor governmental funds	<u>48,062</u>
	<u><u>\$ 963,474</u></u>
Due to nonmajor governmental funds from:	
General Fund	\$ 485,505
FFE Aspirational Projects Fund	2,661,520
Wastewater Fund	172
Water Fund	14,404
Internal service fund	34,167
Nonmajor governmental funds	<u>270,085</u>
	<u><u>\$ 3,465,853</u></u>
Due to internal service fund from:	
General Fund	\$ 1,665,133
Wastewater Fund	269,763
Water Fund	223,088
Nonmajor governmental funds	<u>199,262</u>
	<u><u>\$ 2,357,246</u></u>

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D: ADVANCES RECEIVABLE AND PAYABLES

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2018:

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

Advance from internal service fund to:	
Nonmajor governmental funds	<u>\$ 287,000</u>

The advance to the internal service fund (Insurance and Benefit Fund) from the General Fund was made for the purpose of financing electronic payroll transfers. The advance to the nonmajor governmental funds (Economic Development Programs Fund) from the internal service fund (Insurance and Benefit Fund) was made for the purpose of financing operating expenditures.

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:	
FFE Aspirational Projects Fund	\$ 697,639
Internal service fund	1,110,000
Nonmajor enterprise funds	<u>53,033</u>
	<u>\$ 1,860,672</u>

Transfer to Wastewater Fund from:	
Internal service fund	<u>\$ 240,000</u>

Transfers to Water Fund from:	
FFE Aspirational Projects Fund	\$ 777,719
Internal service fund	<u>180,000</u>
	<u>\$ 957,719</u>

Transfers to nonmajor governmental funds from:	
General Fund	\$ 7,056,959
FFE Aspirational Projects Fund	4,769,026
Internal service fund	80,004
Nonmajor enterprise funds	58,153
Nonmajor governmental funds	<u>7,465,142</u>
	<u>\$ 19,429,284</u>

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

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E: INTERFUND TRANSFERS - CONCLUDED

The interfund transfers in and out at December 31, 2018, totaled \$22,487,675 and \$22,742,590, respectively. The difference of \$254,915 is due to transfers between governmental activities and nonmajor enterprise funds related to capital assets and long-term debt which are not recorded in the governmental funds. Transfers to the General Fund from the nonmajor enterprise funds were transfers of assets and liabilities upon closing of the nonmajor enterprise funds in 2018.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

Primary Government

	<u>Balance Jan. 1, 2018</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2018</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 30,289,096	\$ 39,587	\$ (218,800)	\$ 30,109,883
Rights to liquor license	-	139,200	-	139,200
Construction in progress	11,210,133	10,621,157	(8,275,778)	13,555,512
Subtotal	41,499,229	10,799,944	(8,494,578)	43,804,595
Capital assets being depreciated				
Land improvements	16,514,425	3,042,268	-	19,556,693
Buildings and improvements	49,015,609	1,848,325	-	50,863,934
Vehicles	15,918,439	1,457,536	(1,050,193)	16,325,782
Machinery and equipment	16,901,439	2,328,305	(11,590)	19,218,154
Intangible assets	2,753,105	138,393	-	2,891,498
Infrastructure	215,718,535	4,839,443	(58,310)	220,499,668
Subtotal	316,821,552	13,654,270	(1,120,093)	329,355,729
Less accumulated depreciation for:				
Land improvements	(6,753,290)	(2,998,544)	-	(9,751,834)
Buildings and improvements	(18,144,317)	(1,937,839)	-	(20,082,156)
Vehicles	(11,152,649)	(738,242)	1,040,241	(10,850,650)
Machinery and equipment	(13,227,924)	(2,096,026)	11,590	(15,312,360)
Intangible assets	(2,451,405)	(97,463)	-	(2,548,868)
Infrastructure	(134,244,352)	(3,814,936)	47,231	(138,012,057)
Subtotal	(185,973,937)	(11,683,050)	1,099,062	(196,557,925)
Net capital assets being depreciated	130,847,615	1,971,220	(21,031)	132,797,804
Capital assets, net	<u>\$ 172,346,844</u>	<u>\$ 12,771,164</u>	<u>\$ (8,515,609)</u>	<u>\$ 176,602,399</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 765,320
Public safety	1,588,245
Community and economic development	12,535
Parks and recreation	638,195
Streets	3,835,539
Public works	<u>430,832</u>
Total depreciation expense	<u>\$ 7,270,666</u>

	<u>Balance Jan. 1, 2018</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2018</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,296,680	\$ 300	\$ (3,360)	\$ 3,293,620
Rights to liquor license	139,200	-	(139,200)	-0-
Construction in progress	<u>6,907,535</u>	<u>15,362,896</u>	<u>(9,389,011)</u>	<u>12,881,420</u>
Subtotal	10,343,415	15,363,196	(9,531,571)	16,175,040
Capital assets being depreciated				
Land improvements	16,461,208	-	(2,583,867)	13,877,341
Building and improvements	93,691,119	2,097,198	(1,344,419)	94,443,898
Vehicles	5,086,019	660,384	(171,479)	5,574,924
Machinery and equipment	67,917,348	1,643,193	(1,536,931)	68,023,610
Infrastructure	185,148,124	6,983,078	(10,659)	192,120,543
Intangible assets	<u>1,816,291</u>	<u>20,408</u>	<u>-</u>	<u>1,836,699</u>
Subtotal	370,120,109	11,404,261	(5,647,355)	375,877,015
Less accumulated depreciation for:				
Land improvements	(13,083,411)	(340,863)	2,272,100	(11,152,174)
Building and improvements	(52,036,031)	(1,826,841)	953,507	(52,909,365)
Vehicles	(2,544,228)	(284,220)	171,480	(2,656,968)
Machinery and equipment	(52,109,788)	(1,579,932)	1,195,733	(52,493,987)
Infrastructure	(84,906,254)	(3,745,194)	1,238	(88,650,210)
Intangible assets	<u>(1,684,184)</u>	<u>(18,589)</u>	<u>-</u>	<u>(1,702,773)</u>
Subtotal	<u>(206,363,896)</u>	<u>(7,795,639)</u>	<u>4,594,058</u>	<u>(209,565,477)</u>
Net capital assets being depreciated	<u>163,756,213</u>	<u>3,608,622</u>	<u>(1,053,297)</u>	<u>166,311,538</u>
Capital assets, net	<u>\$ 174,099,628</u>	<u>\$ 18,971,818</u>	<u>\$ (10,584,868)</u>	<u>\$ 182,486,578</u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE F: CAPITAL ASSETS - CONCLUDED

Primary Government - Concluded

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

Wastewater	\$ 4,360,194
Water	<u>3,435,445</u>
Total depreciation expense	<u><u>\$ 7,795,639</u></u>

During 2018, the City restructured contractual agreements for the operations of the municipal golf courses. Such restructuring resulted in a change in classification of the fund type used to account for the operations of the municipal golf courses from a proprietary fund to a governmental fund. In addition, during 2018, the City closed the City Market proprietary fund. As a result, the net capital assets, consisting of \$5,598,820 of original cost and \$4,412,384 of accumulated depreciation, of those two activities have been reclassified from business-type activities to governmental activities and are included in the reclassifications noted above.

Component Units

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
Downtown Development Authority				
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	587,808	7,176	(104,485)	490,499
Equipment under capital lease	<u>157,621</u>	<u>-</u>	<u>-</u>	<u>157,621</u>
Subtotal	1,641,034	7,176	(104,485)	1,543,725
Less accumulated depreciation for:				
Leasehold improvements	(373,695)	(35,552)	-	(409,247)
General and administrative equipment	(210,724)	-	-	(210,724)
Equipment	(511,719)	(9,745)	64,261	(457,203)
Equipment under capital lease	<u>(157,621)</u>	<u>-</u>	<u>-</u>	<u>(157,621)</u>
Subtotal	<u>(1,253,759)</u>	<u>(45,297)</u>	<u>64,261</u>	<u>(1,234,795)</u>
Net capital assets being depreciated	<u>387,275</u>	<u>(38,121)</u>	<u>(40,224)</u>	<u>308,930</u>
Capital assets, net	<u><u>\$ 445,437</u></u>	<u><u>\$ (38,121)</u></u>	<u><u>\$ (40,224)</u></u>	<u><u>\$ 367,092</u></u>

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018:

Primary Government

	Balance Jan. 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2018	Amounts Due Within One Year
Governmental Activities					
General obligation bonds	\$ 120,081,510	\$ 8,621,687	\$ (6,601,701)	\$ 122,101,496	\$ 6,579,330
Revenue bonds	1,615,000	-	(320,000)	1,295,000	320,000
Compensated absences	6,099,584	3,985,956	(3,433,702)	6,651,838	2,427,358
EDC contract	-	55,100	(34,495)	20,605	20,605
Equipment acquisitions	-	4,734	(4,734)	-0-	-
Environmental matters	554,411	-	(64,012)	490,399	-
Uninsured claim liability	3,307,966	16,283,521	(16,437,395)	3,154,092	2,015,848
Subtotal	131,658,471	28,950,998	(26,896,039)	133,713,430	11,363,141
Deferred amounts on refunding	2,291,251	383,270	(221,993)	2,452,528	216,444
Total Governmental Activities	133,949,722	29,334,268	(27,118,032)	136,165,958	11,579,585
Business-type Activities					
General obligation bonds	18,808,490	-	(1,274,986)	17,533,504	410,670
Revenue bonds	29,820,000	15,225,000	(2,000,000)	43,045,000	2,375,000
Compensated absences	823,422	942,046	(820,665)	944,803	623,110
EDC contract	55,100	-	(55,100)	-0-	-
Equipment acquisitions	4,734	-	(4,734)	-0-	-
Subtotal	49,511,746	16,167,046	(4,155,485)	61,523,307	3,408,780
Deferred amounts on refunding	309,503	314,236	(25,092)	598,647	25,092
Total Business-type Activities	49,821,249	16,481,282	(4,180,577)	62,121,954	3,433,872
TOTAL PRIMARY GOVERNMENT	\$ 183,770,971	\$ 45,815,550	\$ (31,298,609)	\$ 198,287,912	\$ 15,013,457

Component Units

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018	Amounts Due Within One Year
Downtown Development Authority					
Bonds and notes payable	\$ 572,593	\$ 459,000	\$ (405,000)	\$ 626,593	\$ 510,688
Rebated tax liabilities	620,223	-	(43,679)	576,544	243,504
Total Downtown Development Authority	\$ 1,192,816	\$ 459,000	\$ (448,679)	\$ 1,203,137	\$ 754,192
Economic Development Corporation					
Compensated absences	\$ 17,054	\$ 548	\$ (1,917)	\$ 15,685	\$ 7,968
Brownfield Redevelopment Authority					
Loans payable	\$ 205,000	\$ 597,740	\$ -	\$ 802,740	\$ -
Compensated absences	20,698	-	(3,419)	17,279	11,324
Total Brownfield Redevelopment Authority	\$ 225,698	\$ 597,740	\$ (3,419)	\$ 820,019	\$ 11,324

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G: LONG-TERM DEBT - CONTINUED

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.

During 2018, the City restructured contractual agreements for the operations of the municipal golf courses. Such restructuring resulted in a change in classification of the fund type used to account for the operations of the municipal golf courses from a proprietary fund to a governmental fund.

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 \$173,965,000. General obligation bonds currently outstanding are as follows:

Primary Government

	Issuance Date	Interest Rates	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018	Amounts Due Within One Year
Governmental Activities							
2008 Capital Improvement Bonds	7/1/2008	3.25%-4.375%	\$ 295,000	\$ -	\$ (295,000)	\$ -0-	\$ -
2009 Capital Improvement Bonds	6/24/2009	2.50%-4.45%	635,000	-	(310,000)	325,000	325,000
2010 Capital Improvement Bonds	6/22/2010	2.00%-4.00%	1,700,000	-	(185,000)	1,515,000	190,000
2011 Downtown Development Refunding	3/1/2011	2.50%-4.00%	450,000	-	(450,000)	-0-	-
2011 Building Authority Refunding	3/1/2011	2.00%-4.875%	1,769,140	125,860	(295,000)	1,600,000	170,000
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	3,105,000	-	(295,000)	2,810,000	305,000
2012 Capital Improvement Bonds	3/29/2012	2.00%-3.60%	2,971,939	123,061	(280,000)	2,815,000	285,000
2013 Capital Improvement Bonds	4/11/2013	2.00%-2.75%	3,014,266	150,734	(265,000)	2,900,000	270,000
2014 Capital Improvement Bonds	5/1/2014	0.0288	4,084,882	125,118	(510,000)	3,700,000	525,000
2015 Capital Improvement Bonds	6/2/2015	2.00%-3.375%	4,378,086	176,914	(305,000)	4,250,000	310,000
2016 Capital Improvement Refunding Bonds	6/28/2016	2% - 4.00%	5,240,000	85,000	(305,000)	5,020,000	320,000
2017 Capital Improvement Bonds	5/2/2017	3.00%-5.00%	7,555,000	85,000	(400,000)	7,240,000	420,000
2018 Capital Improvement Bonds	5/23/2018	2.00%-5.00%	-	7,750,000	-	7,750,000	385,000
2015 OPEB Bond	1/7/2015	.750%-4.670%	67,233,197	-	(1,511,701)	65,721,496	1,539,330
2015A Refunding Bonds	8/4/2015	2.00%-5.00%	6,475,000	-	(615,000)	5,860,000	640,000
2015 B Refunding Bonds	8/4/2015	5.00%-5.250%	7,395,000	-	(530,000)	6,865,000	535,000
2017 Refunding Bond	8/29/2017	1.89%	3,780,000	-	(50,000)	3,730,000	360,000
Total Governmental Activities			120,081,510	8,621,687	(6,601,701)	122,101,496	6,579,330
Business-type Activities							
2011 Refunding Bonds (KMGA)	3/1/2011	2.00%-4.875%	125,860	-	(125,860)	-0-	-
2012 Capital Improvement Bonds (KMGA)	3/29/2012	2.00%-3.60%	123,061	-	(123,061)	-0-	-
2013 Capital Improvement Bonds (KMGA)	4/11/2013	2.00%-2.75%	150,734	-	(150,734)	-0-	-
2014 Capital Improvement Bonds (KMGA)	5/1/2014	2.88%	125,118	-	(125,118)	-0-	-
2015 Capital Improvement Bonds (KMGA)	6/2/2015	2.00%-3.375%	176,914	-	(176,914)	-0-	-
2016 Capital Improvement Bonds (KMGA)	6/28/2016	2% - 4.00%	85,000	-	(85,000)	-0-	-
2017 Capital Improvement Bonds (KMGA)	5/2/2017	3.00%-5.00%	85,000	-	(85,000)	-0-	-
2015 OPEB Bond	1/7/2015	.750%-4.670%	17,936,803	-	(403,299)	17,533,504	410,670
Total Business-type Activities			18,808,490	-0-	(1,274,986)	17,533,504	410,670
Total General Obligation Bonds			\$ 138,890,000	\$ 8,621,687	\$ (7,876,687)	\$ 139,635,000	\$ 6,990,000

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 \$1,645,000 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 2018, pledged revenue of \$6,091,576 funded debt service of \$340,768. The original amount of revenue bonds issued was \$53,860,000 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 2018 pledged revenues of \$8,102,127 funded debt service of \$3,374,231. Revenue bonds outstanding at year end are as follows:

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G: LONG-TERM DEBT - CONTINUED

Revenue Bonds - Concluded

	Issuance Date	Interest Rates	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018	Amounts Due Within One Year
Governmental Activities							
2016 Michigan Transportation Fund	7/14/2016	1.43%	\$ 1,615,000	\$ -	\$ (320,000)	\$ 1,295,000	\$ 320,000
Business-type Activities							
2011 Wastewater System Refunding	7/26/2011	2.00%-3.25%	1,050,000	-	(340,000)	710,000	350,000
2012 Wastewater System	3/29/2012	2.00%-4.00%	4,880,000	-	(270,000)	4,610,000	275,000
2012 Water System Refunding	6/5/2012	1.50%	1,145,000	-	(590,000)	555,000	555,000
2014 Wastewater System Refunding	5/1/2014	3.45%	2,010,000	-	(90,000)	1,920,000	90,000
2014 Water Supply System Refunding	5/1/2014	3.95%	10,315,000	-	(300,000)	10,015,000	310,000
2015 Water Supply System	12/10/2015	2.00%-3.375%	2,835,000	-	(90,000)	2,745,000	90,000
2017 Water Supply System Refunding	5/2/2017	3.00%-5.00%	7,585,000	-	(320,000)	7,265,000	335,000
2018 Wastewater System	5/23/2018	3.125%-5.00%	-	5,830,000	-	5,830,000	135,000
2018 Water Supply System	5/23/2018	3.00%-5.00%	-	9,395,000	-	9,395,000	235,000
Total Business-type Activities			29,820,000	15,225,000	(2,000,000)	43,045,000	2,375,000
Total Revenue Bonds			<u>\$ 31,435,000</u>	<u>\$ 15,225,000</u>	<u>\$ (2,320,000)</u>	<u>\$ 44,340,000</u>	<u>\$ 2,695,000</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:

	2018	2017
Estimated liability, beginning of year	\$ 3,307,966	\$ 3,797,876
Estimated claims incurred, including changes in estimates	16,283,521	16,724,304
Claim payments	<u>(16,437,395)</u>	<u>(17,214,214)</u>
Estimated liability, end of year	<u>\$ 3,154,092</u>	<u>\$ 3,307,966</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 pay an indirect general insurance fee. In addition, all City departments and funds with employees pay a workers compensation fee as a personnel benefit cost.

EDC Contract

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 \$6,651,838 and \$944,803 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2018. Of those amounts, \$2,427,358 and \$623,110 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 Refundings

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

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2018, \$22,970,000 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 \$263,775,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

Component Units

Downtown Development Authority

Long-term bonds and notes at December 31, 2018, 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	\$ 167,593
The City of Kalamazoo Note	12/31/2019	N/A	459,000
			<u>\$ 626,593</u>

The Downtown Development Authority is also responsible for rebated tax liabilities with a balance of \$576,544 as of December 31, 2018.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G: LONG-TERM DEBT - CONCLUDED

Component Units - Concluded

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 \$15,685 vacation and sick at December 31, 2018. Of that total amount, \$7,968 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 \$17,279 for vacation and sick at December 31, 2018. Of that total amount, \$11,324 has been recorded as a current liability.

Brownfield Redevelopment Loan Contract dated June 23, 2016 is due in annual installments of \$16,348 to \$18,972 through June 23, 2031, with interest of 1.50%. Brownfield Redevelopment Loan Contract dated April 20, 2018 is due in annual installments of \$58,696 to \$57,828 through April 20, 2033, with interest of 1.50%.

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
2019	\$ 6,579,330	\$ 4,775,150	\$ 410,670	\$ 742,732	\$ 320,000	\$ 16,231	\$ 2,375,000	\$ 1,561,338
2020	6,509,853	4,580,103	420,147	733,205	320,000	11,655	1,980,000	1,492,563
2021	6,713,270	4,390,924	431,730	722,230	325,000	7,043	1,675,000	1,424,291
2022	6,915,634	4,173,999	444,366	709,658	330,000	2,360	1,740,000	1,361,181
2023	7,157,998	3,937,929	457,002	696,074	-	-	1,800,000	1,294,745
2024 - 2028	31,767,535	15,759,313	2,532,465	3,234,530	-	-	10,175,000	5,349,975
2029 - 2033	19,904,710	10,813,706	3,085,290	2,681,519	-	-	11,405,000	3,282,186
2034 - 2038	14,364,506	7,245,495	3,833,973	1,932,989	-	-	6,475,000	1,583,545
2039 - 2043	18,049,631	3,570,558	4,815,369	952,571	-	-	5,420,000	538,081
2044	4,139,029	192,998	1,102,492	51,486	-	-	-	-
	<u>\$ 122,101,496</u>	<u>\$ 59,440,175</u>	<u>\$ 17,533,504</u>	<u>\$ 12,456,994</u>	<u>\$ 1,295,000</u>	<u>\$ 37,289</u>	<u>\$ 43,045,000</u>	<u>\$ 17,887,905</u>

Year Ending Dec. 31,	Primary Government		Component Units			
	EDC Contract		Downtown Development Authority		Brownfield Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 20,605	\$ 207	\$ 754,192	\$ 11,162	\$ -
2020	-	-	118,296	9,852	-	-
2021	-	-	118,296	9,852	18,972	-
2022	-	-	79,137	9,852	16,348	2,624
2023	-	-	66,608	9,852	75,289	2,379
2024 - 2028	-	-	66,608	9,852	347,355	40,984
2029 - 2033	-	-	-	-	344,776	14,424
2034 - 2038	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
	<u>\$ 20,605</u>	<u>\$ 207</u>	<u>\$ 1,203,137</u>	<u>\$ 60,422</u>	<u>\$ 802,740</u>	<u>\$ 60,411</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H: DEFINED BENEFIT PENSION PLAN

Plan Description

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

The System was originally established by City ordinance on February 5, 1952 and is maintained as a Pension Trust Fund in the accompanying financial statements. The System is administered by the City of Kalamazoo Employees' Retirement System Pension Board of Trustees. The Board consists of five (5) individual trustees either elected or appointed in accordance with the City Ordinance. One (1) member is a City Commissioner and one (1) member is the City Manager. The remaining three (3) members, including one (1) Public Safety representative and one (1) General Member representative, are elected by active members of the retirement system. All elected terms are three (3) years. Plan benefit provisions were established and may be amended under the authority of City Ordinances. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City Commission of the City of Kalamazoo. The System issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to the City of Kalamazoo Employees' Retirement System, 241 W. South Street, Kalamazoo, MI 49007.

Plan Membership

At December 31, 2018, pension plan membership consisted of the following:

Inactive employees or beneficiaries receiving benefits	903
Inactive employees entitled to but not yet receiving benefits	66
Active employees	<u>573</u>
 Total employees covered by the Plan	 <u><u>1,542</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. Exempt members are eligible for benefits at age 62 with 5 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 the City manager and public safety members. The maximum benefit is 70.2 percent of final average compensation for public safety members.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits Provided - Concluded

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.

Deferred retirement - Members are eligible for benefits with 10 years of service for most members, 5 years for exempt members, 9 years for AFSCME members hired before October 2, 2016, 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 are calculated as regular or early retirement but based upon service and final average compensation at termination date for general members as early retirement for public safety members.

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, 9 years for AFSCME members hired before October 2, 2016, 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' 64th birthday and 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. Pensions of the City manager are increased 2 percent per year, compounded annually.

Deferred Retirement Option Program

Public safety administrators meeting relevant provisions for an unreduced retirement allowance, authorization by the City Manager, and approval of the City Commission are eligible for the deferred retirement option program (DROP). The annual benefit is computed as regular retirement but is frozen at date of DROP election. For the year ended December 31, 2018, the balance of amounts held by the Plan pursuant to the DROP is \$56,687.

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, 2018.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -7.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Asset

The net pension asset reported at December 31, 2018 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018, total pension liability was determined by an actuarial valuation performed as of December 31, 2017.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a)-(b)
Balances at December 31, 2017	\$ 461,005,777	\$ 670,927,960	\$ (209,922,183)
Changes for the Year			
Service cost	5,894,750	-	5,894,750
Interest on total pension liability	33,674,057	-	33,674,057
Benefit changes	279,702	-	279,702
Difference between expected and actual experience	313,218	-	313,218
Employee contributions	-	1,209,623	(1,209,623)
Net investment income (loss)	-	(47,440,721)	47,440,721
Benefit payments, including employee refunds	(29,931,417)	(29,931,417)	-0-
Administrative expense	-	(147,100)	147,100
Other	-	(246,932)	246,932
Net changes	<u>10,230,310</u>	<u>(76,556,547)</u>	<u>86,786,857</u>
Balances as of December 31, 2018	<u>\$ 471,236,087</u>	<u>\$ 594,371,413</u>	<u>\$ (123,135,326)</u>

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

For the year ended December 31, 2018, the City recognized pension expense of \$6,739,346. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,591,297	\$ 558,055
Changes in proportion and differences between employer contributions and share of contributions	601,116	601,116
Net difference between projected and actual earnings on pension plan investments	<u>46,710,754</u>	<u>-</u>
Total	<u>\$ 48,903,167</u>	<u>\$ 1,159,171</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H: 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>
2019	\$ 14,596,058
2020	4,183,398
2021	9,630,842
2022	<u>19,333,698</u>
	<u><u>\$ 47,743,996</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, 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, 2017, 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, 2018

NOTE H: 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>
Micro Capitalization Domestic Equity	5.00%	4.60%
Small Capitalization Domestic Equity	10.00%	4.60%
Small Capitalization Value International Equity	10.00%	4.10%
S&P Index Funds	30.00%	4.10%
Large Capitalization Domestic Equity	5.00%	4.20%
Emerging Markets Equity	10.00%	6.60%
Intermediate Fixed Income	12.50%	1.00%
Long Fixed Income	12.50%	1.00%
Real Estate Securities	2.50%	2.90%
Real Estate	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	\$ 525,987,570	\$ 471,236,087	\$ 425,502,088
Plan fiduciary net position	594,371,413	594,371,413	594,371,413
City's net pension liability (asset)	<u>\$ (68,383,843)</u>	<u>\$ (123,135,326)</u>	<u>\$ (168,869,325)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Kalamazoo Postretirement Welfare Benefits Plan (the "Plan") is a cost sharing multiple-employer defined benefit other post-employment benefit plan. The plan is administered by the City of Kalamazoo Other Post-Employment Benefits Trust Fund Trustee. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the respective employers. Plan benefit provisions were established and may be amended under the authority of the respective employers. 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 Postretirement Welfare Benefits Plan, 241 W. South Street, Kalamazoo, MI 49007.

Effective October 1, 2016, the Central County Transportation Authority, an employer with a fiscal year-end of September 30 joined the City of Kalamazoo Other Post-Employment Benefits Plan, making it a cost sharing multiple-employer defined benefit OPEB plan. It was determined to use the December 31, 2017 measurement of the plan for purposes of implementing GASB Statement No. 75 for the Central County Transportation Authority's fiscal year ended September 30, 2018 and the City of Kalamazoo's fiscal year ended December 31, 2018.

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. The Plan 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.

Contributions

The employers are required to contribute such amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. For the year ended December 31, 2018, the actuarially determined contributions for the employers were \$8,111,777 and actual employer contributions were \$3,500,000. The City's share of the actuarially determined contributions were \$7,518,840 and actual City contributions were \$3,279,150.

Investment Policy

The Michigan Public Employees Retirement System Investment Act, Public Act 314 of 1965, as amended, authorizes the Plan to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Plan's Trustee is responsible for recommending to the respective governing bodies the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries and other fiduciaries utilized by the Plan. The respective governing bodies are responsible for approving the recommendations of the Plan's Trustee. All investment decisions are subject to Michigan law and the investment policy established by the respective governing bodies. As City of Kalamazoo OPEB Trust Fund and Employees' Retirement System assets are commingled for investment purposes, the Plan's Trustee has adopted the policies, strategies, and approaches used by the Employees' Retirement System's Investment Committee.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUEDInvestment Policy - Concluded

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Micro Capitalization Domestic Equity	5.00%	4.60%
Small Capitalization Domestic Equity	10.00%	4.60%
Small Capitalization Value International Equity	10.00%	4.10%
S&P Index Funds	30.00%	4.10%
Large Capitalization Domestic Equity	5.00%	4.20%
Emerging Markets Equity	10.00%	6.60%
Intermediate Fixed Income	12.50%	1.00%
Long Fixed Income	12.50%	1.00%
Real Estate Securities	2.50%	2.90%
Real Estate	2.50%	2.90%

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported for the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Actuarial Assumptions

The total OPEB liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	25 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:	7.5%, net of OPEB plan investment expense
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality:	RP-2000 Mortality Table, projected 20 years with U.S. Projection Scale BB, rates set-forward 7 years for disabled members.
Health Care Trend Rates:	9.0% trend for the first year, gradually decreasing to 3.5% in year 10.
Aging factors:	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the City reported a liability of \$123,515,706 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of December 31, 2016 and rolled-forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on present value of future benefits. At December 31, 2017, the City's proportion was 92.678%.

	December 31, 2017	
	Plan	City's Share
Total OPEB Liability	\$ 237,505,296	\$ 220,115,159
Plan Fiduciary Net Position	104,231,266	96,599,453
Net OPEB Liability	133,274,030	123,515,706
Proportionate Share	92.678%	92.678%

For the year ended December 31, 2017, the City recognized OPEB expense of \$19,028,370.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 48,027,850	\$ -
Differences between expected and actual experience	-	32,792
Net difference between projected and actual earnings on plan investments	-	5,766,850
Contributions subsequent to the measurement date*	3,279,150	-
Total	<u>\$ 51,307,000</u>	<u>\$ 5,799,642</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending December 31, 2019.

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

Year Ending December 31,	OPEB Expense
2019	\$ 12,707,358
2020	12,707,358
2021	12,707,358
2022	4,106,134

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONCLUDED

Discount Rate

A single discount rate of 4.60 percent was used to measure the total OPEB liability. This single discount rate was based on an expected rate of return on OPEB plan investments of 7.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to \$3,500,000 per year. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2035. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2035, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.60 percent) or 1-percentage-point higher (5.60 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 154,473,342</u>	<u>\$ 123,515,706</u>	<u>\$ 98,173,368</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (8.00 percent) or 1-percentage-point higher (10.00 percent) than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 94,333,397</u>	<u>\$ 123,515,706</u>	<u>\$ 159,421,744</u>

NOTE J: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for excess claims for workers' compensation, medical claims, general and auto liability, auto physical damage and property loss claims. The City is primarily self-insured for workers' compensation, medical claims, general liability and property damage claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE K: COMMITMENTS AND CONTINGENCIES

Legal Contingencies

Contingent liabilities represent items that are not recognized in the Statement of Net Position at December 31, 2018 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.

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 \$490,399 in the government-wide financial statements. 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 has approximately \$43,722,000 in various contractual commitments and agreements at December 31, 2018. Commitments include obligation for various goods and services, including approximately \$22,276,000 for construction contracts on various construction projects, \$2,457,000 for equipment purchases and inventory contracts, and \$4,557,000 for various other goods and services. The City also has term contracts for agreements for goods and services expiring between one and ten years, totaling \$14,432,345. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements.

True-Up Settlement

A 1988 legal settlement with Wastewater customers outside the City limits requires a true-up calculation to compare the projected revenue requirements to actual results. The difference between projected and actual results can result in either a receivable from outside city customers or a payable to outside city customers. While the agreement requires the calculation to be performed at least every two years, the City was in negotiations with the townships and therefore true-up calculations were put on hold pending negotiations. The true-up calculations for the years 2013, 2014, 2015, and 2016 is now complete, resulting in a \$3,155,000 liability to the customers. A true-up of the 2017 and 2018 results cannot be reasonably estimated at the time of this report.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE L: 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, 2018:

PRIMARY GOVERNMENT	
Governmental Activities	
Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	8,036,467
FFE aspirational projects	8,374,150
Solid waste program	518,201
Parks and recreation	873,148
Neighborhood and community development	1,327,691
Other purposes	
Drug enforcement	289,468
Cemetery perpetual care	1,940,905
Capital improvements	2,608,145
Grants and donations	1,946,084
	<u>\$ 29,541,823</u>
Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 935,743
Water Fund	1,875,405
	<u>\$ 2,811,148</u>

NOTE M: 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, 2018, the City abated property tax revenues totaling \$138,139, under this program. There are no provisions to recapture taxes, however the abatement may be eliminated if taxes are not paid timely.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE M: TAX ABATEMENTS - CONCLUDED

NEIGHBORHOOD ENTERPRISE (NEZ) ZONE ACT - CONCLUDED

For the year ended December 31, 2018, the City abated property tax revenues totaling \$18,049, under this program. There are no provisions to recapture taxes, however the abatement may be eliminated if taxes are not paid timely.

BROWNFIELD REDEVELOPMENT AUTHORITY

The City of Kalamazoo Brownfield Redevelopment Authority enters into agreements with private developers as approved by the Brownfield Plan created under section 13(1) of Michigan's Brownfield Redevelopment Financing Act, Public Act No. 381 of 1996, as amended. The Brownfield Plan must be approved by the Brownfield Redevelopment Authority and the City of Kalamazoo. Prior to capturing school taxes for eligible activities, remedial action plans must be also approved by the Michigan Department of Environmental Quality and/or the Michigan Economic Growth Authority. The Brownfield Plan captures Tax Increment Financing revenues from eligible properties in the plan. The BRA will capture taxes for not more than five years after the time that capture is required to cover eligible activities. The final five years of TIF revenue is captured in the Brownfield's Local Site Remediation Revolving Fund (LSRRF) to be used for eligible activities on eligible properties.

The BRA's mission is to clean up environmentally challenged properties in the city and prepare them for desirable and productive re-uses which enhance the City's tax base. The City of Kalamazoo is a "Core Community", allowing reimbursement for additional eligible activities such as infrastructure improvements, demolition, lead or asbestos abatement, and certain site preparation activities. The BRA prioritizes abandoned sites for which there are no other resources available to facilitate redevelopment.

For the year ended December 31, 2018, the BRA reimbursed developers approximately \$157,000 for eligible activities. The LSRRF had no disbursements in 2018.

NOTE N: 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.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED

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.

	General Fund	FFE Aspirational Projects	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventory	\$ 86,554	\$ -	\$ 267,595	\$ 354,149
Prepays	150,146	-	-	150,146
Advances	340,000	-	-	340,000
Notes receivable	653,782	-	813,347	1,467,129
Cemetery perpetual care	-	-	1,735,160	1,735,160
Endowments	-	-	1,892,404	1,892,404
Restricted				
Highways	-	-	7,776,079	7,776,079
Solid waste	-	-	518,201	518,201
Grants and donations	-	-	2,493,716	2,493,716
FFE aspirational projects	-	8,374,150	-	8,374,150
Drug enforcement	-	-	289,468	289,468
Recreation activities	-	-	467,988	467,988
Park activities	-	-	405,160	405,160
Cemetery perpetual care	-	-	1,940,905	1,940,905
Debt service	-	-	60,376	60,376
Capital improvements	-	-	2,608,145	2,608,145
Committed				
Economic development programs	-	-	1,747,542	1,747,542
Recreation activities	-	-	58,153	58,153
Cemeteries	-	-	232,108	232,108
Assigned				
Subsequent year's expenditures	1,347,804	-	-	1,347,804
Unassigned	9,244,320	-	-	9,244,320
TOTAL FUND BALANCES	\$ 11,822,606	\$ 8,374,150	\$ 23,306,347	\$ 43,503,103

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE O: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* was also implemented during the year. This 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.

NOTE P: 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, 2018, is as follows:

	Employees' Retirement System	Other Post- Employment Benefits	Total
Additions			
Employer contributions	\$ -	\$ 3,500,000	\$ 3,500,000
Plan member contributions	1,209,623	970,429	2,180,052
Net investment income (loss)	(47,440,721)	(7,353,500)	(54,794,221)
Deductions			
Benefits	29,858,901	10,304,964	40,163,865
Refunds of contributions	72,516	-	72,516
Administrative expenses	147,100	106,986	254,086
Miscellaneous expenses	246,932	-	246,932
Change in net position	(76,556,547)	(13,295,021)	(89,851,568)
Total assets	594,407,875	92,094,162	686,502,037
Total liabilities	36,462	1,157,917	1,194,379
Net position	594,371,413	90,936,245	685,307,658

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred inflow of resources for asset retirement obligations (AROs). This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019 fiscal year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONCLUDED

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 2019 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021 fiscal year.

NOTE R: SUBSEQUENT EVENTS

The City issued two (2) bonds after the end of the year. On June 25, 2019, the City issued Water Supply System Revenue Bonds, Series 2019 for \$10,270,000 and Wastewater System Revenue Bonds, Series 2019 for \$9,600,000.

In addition, the City Commission adopted an Ordinance authorizing the issuance of up to \$10,500,000 of General Obligation Capital Bonds. The sale of these bonds was not complete as of the date of this report.

The City is pursuing a State of Michigan Drinking Water Revolving Fund bond of \$1,730,000 which is anticipated to be finalized in August 2019.

On January 7, 2019, the City Commission approved an agreement with the Michigan Department of Transportation for the jurisdictional transfer of certain road segments within the City, and to accept \$11,689,997 from MDOT as a part of this agreement. In accordance with this agreement, the City received \$7,013,998 in 2019, restricted for road projects as identified within the terms of the agreement. The remaining \$4,675,999 is to be received between 4 and 6 years or when 60% of the road projects are completed.

City of Kalamazoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE R: SUBSEQUENT EVENTS - CONCLUDED

On March 4, 2019, the City Commission approved an agreement with the City of Parchment to acquire the Parchment water system and purchase the assets of the system for \$492,137. In addition, the Wastewater Service agreement was modified to change Parchment from a wholesale to a retail customer of the system.

The City Commission adopted an ordinance on May 20, 2019 to terminate the Amended Restated Development Plan and Tax Increment Financing (TIF) Plan for the City of Kalamazoo Downtown Development Authority (DDA). The City DDA will continue to be authorized to collect up to a 2.0 mill tax levy and manage the City's public parking system.

On May 11, 2019, the City's General Fund received contributions of stock valued at \$3,996,242 for the Foundation of Excellence support of the 2019 General Fund operations.

NOTE S: RESTATEMENT OF NET POSITION

Beginning net position has been restated for governmental activities, business-type activities, Wastewater Fund, and Water Fund for the implementation of GASB Statement No. 75.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Wastewater Fund</u>	<u>Water Fund</u>
Beginning net position	\$ 236,208,811	\$ 192,114,900	\$ 93,231,705	\$ 98,517,094
Net other post-employment benefits obligation (asset)	1,592,489	(4,193,683)	(3,181,992)	(1,011,691)
Net other post-employment benefits liability	(51,064,072)	(14,438,786)	(8,048,798)	(6,389,988)
Deferred outflows of resources related to OPEB	<u>2,623,250</u>	<u>655,902</u>	<u>357,702</u>	<u>298,200</u>
Restated beginning net position	<u>\$ 189,360,478</u>	<u>\$ 174,138,333</u>	<u>\$ 82,358,617</u>	<u>\$ 91,413,615</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Kalamazoo

Defined Benefit Pension Plan

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
CHANGE IN TOTAL PENSION LIABILITY			
Service cost	\$ 5,894,750	\$ 5,604,960	\$ 5,683,351
Interest	33,674,057	32,746,676	33,892,669
Changes of benefit terms	279,702	-	(23,809,450)
Difference between expected and actual experience	313,218	3,079,970	(2,513,167)
Changes of assumptions	-	-	-
Benefit payments, including employee refunds	<u>(29,931,417)</u>	<u>(28,491,380)</u>	<u>(28,496,870)</u>
Net Change in Total Pension Liability	10,230,310	12,940,226	(15,243,467)
Total Pension Liability, beginning	<u>461,005,777</u>	<u>448,065,551</u>	<u>463,309,018</u>
Total Pension Liability, ending	<u><u>\$ 471,236,087</u></u>	<u><u>\$ 461,005,777</u></u>	<u><u>\$ 448,065,551</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - employee	1,209,623	1,086,257	1,085,940
Net investment income (loss)	(47,440,721)	94,301,279	72,939,990
Benefit payments, including employee refunds	(29,931,417)	(28,491,380)	(28,496,870)
Administrative expenses	(147,100)	(147,099)	(153,024)
Other	<u>(246,932)</u>	<u>(8,848,472)</u>	<u>(21,875,722)</u>
Net Change in Plan Fiduciary Net Position	(76,556,547)	57,900,585	23,500,314
Plan Fiduciary Net Position, beginning	<u>670,927,960</u>	<u>613,027,375</u>	<u>589,527,061</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 594,371,413</u></u>	<u><u>\$ 670,927,960</u></u>	<u><u>\$ 613,027,375</u></u>
City's Net Pension (Asset)	<u><u>\$ (123,135,326)</u></u>	<u><u>\$ (209,922,183)</u></u>	<u><u>\$ (164,961,824)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	126.13%	145.54%	136.82%
Covered payroll	\$ 34,999,543	\$ 32,780,965	\$ 37,291,474
City's net pension asset as a percentage of covered payroll	(351.82%)	(640.38%)	(442.36%)

City of Kalamazoo

Defined Benefit Pension Plan

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

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

<u>2015</u>	<u>2014</u>
\$ 6,187,334	\$ 6,259,728
32,334,356	31,603,299
-	-
(1,574,739)	-
12,509,343	-
<u>(28,356,700)</u>	<u>(27,802,129)</u>
21,099,594	10,060,898
<u>442,209,424</u>	<u>432,148,526</u>
<u>\$ 463,309,018</u>	<u>\$ 442,209,424</u>
\$ 1,602,053	\$ 760,912
1,084,798	1,067,029
(9,974,517)	41,065,447
(28,356,700)	(27,802,131)
(125,770)	(122,107)
<u>(174,885)</u>	<u>(110,326)</u>
(35,945,021)	14,858,824
<u>625,472,082</u>	<u>610,613,258</u>
<u>\$ 589,527,061</u>	<u>\$ 625,472,082</u>
<u>\$ (126,218,043)</u>	<u>\$ (183,262,658)</u>
127.24%	141.44%
\$ 37,198,788	\$ 36,331,892
(339.31%)	(504.41%)

City of Kalamazoo

Defined Benefit Pension Plan

SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (1,602,053)</u>	<u>\$ (760,912)</u>	<u>\$ (905,746)</u>	<u>\$ (905,746)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	\$ 34,999,543	\$ 32,780,965	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892	\$ 36,539,969	\$ 42,305,663	\$ 43,007,800	\$ 44,435,753	\$ 44,159,590
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	4.31%	2.09%	2.48%	2.14%	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 Five Fiscal Years (Ultimately ten years will be displayed)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-7.22%	15.72%	12.64%	-1.62%	6.82%

City of Kalamazoo

Other Post-Employment Benefits Plan

SCHEDULE OF CHANGES IN THE PLAN'S NET OPEB LIABILITY AND RELATED RATIOS

Last Measurement Date (Ultimately ten years will be displayed)

	<u>2017</u>
CHANGE IN TOTAL OPEB LIABILITY	
Service cost	\$ 1,490,221
Interest	12,162,956
Difference between expected and actual experience	(45,814)
Changes of assumptions	67,099,621
Benefit payments, including refunds of member contributions	<u>(9,258,659)</u>
 Net Change in Total OPEB Liability	 71,448,325
 Total OPEB Liability, beginning	 <u>166,056,971</u>
 Total OPEB Liability, ending	 <u><u>\$ 237,505,296</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION	
Employer contributions	\$ 3,500,000
OPEB plan net investment income	14,711,769
Benefit payments, including refunds of member contributions	(9,258,659)
Administrative expenses	<u>(100,922)</u>
 Net Change in Plan Fiduciary Net Position	 8,852,188
 Plan Fiduciary Net Position, beginning	 <u>95,379,078</u>
 Plan Fiduciary Net Position, ending	 <u><u>\$ 104,231,266</u></u>
 Plan's Net OPEB Liability	 <u><u>\$ 133,274,030</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 43.89%
 Covered payroll	 \$ 37,363,784
 Plan's net OPEB liability as a percentage of covered payroll	 356.69%

Note: Effective October 1, 2016, the Central County Transportation Authority, an employer with a fiscal year-end of September 30 joined the City of Kalamazoo Other Post-Employment Benefits Plan, making it a cost sharing multiple-employer defined benefit OPEB plan. It was determined to use the December 31, 2017 measurement of the plan for purposes of implementing GASB Statement No. 75 for the Central County Transportation Authority's fiscal year ended September 30, 2018 and the City of Kalamazoo's fiscal year ended December 31, 2018.

City of Kalamazoo

Other Post-Employment Benefits Plan

SCHEDULE OF INVESTMENT RETURNS

Last Measurement Date (Ultimately ten years will be displayed)

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	15.81%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

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, 2018
Basis for contribution	December 31, 2017
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	Annual
Latest date	December 31, 2016
Basis for contribution	December 31, 2016 rolled forward to December 31, 2017
Actuarial cost method	Individual entry age
Amortization method	Level dollar on a closed basis
Remaining amortization period	24 Years
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%
Healthcare cost trend rate	3.5% - 8.25%

OTHER SUPPLEMENTARY INFORMATION

City of Kalamazoo

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS					
Cash and cash equivalents	\$ 7,830,785	\$ 60,750	\$ 614,091	\$ 295,575	\$ 8,801,201
Cash and cash equivalents - restricted	2,533,209	-	4,921,235	-	7,454,444
Investments	-	-	-	3,440,567	3,440,567
Investments with agents	86,657	-	-	2,765,552	2,852,209
Receivables					
Accounts	423,668	-	312,291	-	735,959
Taxes	249,670	-	-	-	249,670
Notes	813,347	-	-	-	813,347
Due from other funds	2,551,477	-	914,376	-	3,465,853
Due from other governmental units	3,197,021	4,046,193	91,324	-	7,334,538
Advances to other governmental units	894,255	-	960,000	-	1,854,255
Inventories	267,595	-	-	-	267,595
TOTAL ASSETS	\$ 18,847,684	\$ 4,106,943	\$ 7,813,317	\$ 6,501,694	\$ 37,269,638
LIABILITIES					
Accounts payable	\$ 1,456,923	\$ -	\$ 357,294	\$ -	\$ 1,814,217
Accrued liabilities	14,946	-	-	727	15,673
Due to other funds	1,888,579	374	3,839,636	59,350	5,787,939
Due to other governmental units	198,055	-	-	-	198,055
Advances from other funds	287,000	-	-	-	287,000
Deposits payable	251,743	-	-	-	251,743
Unearned revenue	208,105	-	-	-	208,105
TOTAL LIABILITIES	4,305,351	374	4,196,930	60,077	8,562,732
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	346,124	4,046,193	1,008,242	-	5,400,559
FUND BALANCES					
Nonspendable	1,080,942	-	-	3,627,564	4,708,506
Restricted	11,077,464	60,376	2,608,145	2,814,053	16,560,038
Committed	2,037,803	-	-	-	2,037,803
TOTAL FUND BALANCES	14,196,209	60,376	2,608,145	6,441,617	23,306,347
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,847,684	\$ 4,106,943	\$ 7,813,317	\$ 6,501,694	\$ 37,269,638

City of Kalamazoo

Nonmajor Governmental Funds

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

Year Ended December 31, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES					
Property taxes	\$ 2,717,333	\$ -	\$ -	\$ -	\$ 2,717,333
Intergovernmental	12,671,197	-	356,482	-	13,027,679
Charges for services	2,098,748	-	-	34,818	2,133,566
Fines and forfeits	210,767	-	-	-	210,767
Interest and rents	117,091	1,247,631	158,448	161,072	1,684,242
Net investment earnings	(3,032)	-	-	(751,781)	(754,813)
Other					
Donations and contributions	1,239,899	-	113,617	-	1,353,516
Other	78,319	449,052	208,970	500	736,841
TOTAL REVENUES	19,130,322	1,696,683	837,517	(555,391)	21,109,131
EXPENDITURES					
Current					
General government	6,277	-	-	-	6,277
Public safety	1,399,896	-	-	-	1,399,896
Public works	2,773,715	-	-	20,000	2,793,715
Streets	9,776,794	-	-	-	9,776,794
Community and economic development	2,704,291	-	-	-	2,704,291
Parks and recreation	2,521,530	-	-	147,334	2,668,864
Debt service					
Principal	39,229	6,921,700	-	-	6,960,929
Interest and fiscal charges	1,181	4,821,028	-	-	4,822,209
Capital outlay	-	-	5,847,792	-	5,847,792
TOTAL EXPENDITURES	19,222,913	11,742,728	5,847,792	167,334	36,980,767
EXCESS OF REVENUES (UNDER) EXPENDITURES	(92,591)	(10,046,045)	(5,010,275)	(722,725)	(15,871,636)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	2,890,000	-	4,860,000	-	7,750,000
Bond premium	142,000	-	241,270	-	383,270
Transfers in	5,615,957	10,043,460	3,769,867	-	19,429,284
Transfers out	(4,172,528)	(238)	(3,039,379)	(252,997)	(7,465,142)
TOTAL OTHER FINANCING SOURCES (USES)	4,475,429	10,043,222	5,831,758	(252,997)	20,097,412
NET CHANGE IN FUND BALANCES	4,382,838	(2,823)	821,483	(975,722)	4,225,776
Fund balances, beginning of year	9,813,371	63,199	1,786,662	7,417,339	19,080,571
Fund balances, end of year	\$ 14,196,209	\$ 60,376	\$ 2,608,145	\$ 6,441,617	\$ 23,306,347

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.

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

City of Kalamazoo
 Nonmajor Special Revenue Funds
 COMBINING BALANCE SHEET

December 31, 2018

	Major Streets	Local Streets	Cemeteries	Solid Waste
ASSETS				
Cash and cash equivalents	\$ 2,924,438	\$ 253,861	\$ 181,113	\$ 508,967
Cash and cash equivalents - restricted	2,018,345	514,864	-	-
Investments with agents	-	-	-	-
Receivables				
Accounts	107,921	-	2,250	144,355
Taxes	-	-	-	249,670
Notes	-	-	-	-
Due from other funds	650,145	1,344,534	60,076	35,202
Due from other governmental units	1,376,354	257,482	-	1,467
Advances to other governmental units	-	-	-	-
Inventories	260,388	-	-	-
	\$ 7,337,591	\$ 2,370,741	\$ 243,439	\$ 939,661
LIABILITIES				
Accounts payable	\$ 692,127	\$ 404,012	\$ 5,637	\$ 43,730
Accrued liabilities	-	-	-	-
Due to other funds	255,357	105,205	5,694	103,738
Due to other governmental units	154,002	43,922	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
	1,101,486	553,139	11,331	147,468
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	17,240	-	-	273,992
FUND BALANCES				
Nonspendable	260,388	-	-	-
Restricted	5,958,477	1,817,602	-	518,201
Committed	-	-	232,108	-
	6,218,865	1,817,602	232,108	518,201
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,337,591	\$ 2,370,741	\$ 243,439	\$ 939,661

City of Kalamazoo

Nonmajor Special Revenue Funds

COMBINING BALANCE SHEET - CONCLUDED

December 31, 2018

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Kalamazoo Municipal Golf Association	Total
\$ 693,631	\$ 1,144,705	\$ 1,815,643	\$ 308,427	\$ -	\$ 7,830,785
-	-	-	-	-	2,533,209
-	-	86,657	-	-	86,657
51,074	-	59,915	-	58,153	423,668
-	-	-	-	-	249,670
772,852	40,495	-	-	-	813,347
35,418	4,946	421,156	-	-	2,551,477
974,461	-	587,257	-	-	3,197,021
-	894,255	-	-	-	894,255
7,207	-	-	-	-	267,595
<u>\$ 2,534,643</u>	<u>\$ 2,084,401</u>	<u>\$ 2,970,628</u>	<u>\$ 308,427</u>	<u>\$ 58,153</u>	<u>\$ 18,847,684</u>
\$ 287,321	\$ 4,946	\$ 16,482	\$ 2,668	\$ -	\$ 1,456,923
-	-	-	14,946	-	14,946
615,399	4,418	798,419	349	-	1,888,579
-	-	131	-	-	198,055
-	287,000	-	-	-	287,000
250,747	-	-	996	-	251,743
4,033	-	204,072	-	-	208,105
1,157,500	296,364	1,019,104	18,959	-0-	4,305,351
49,452	-	5,440	-	-	346,124
780,059	40,495	-	-	-	1,080,942
547,632	-	1,946,084	289,468	-	11,077,464
-	1,747,542	-	-	58,153	2,037,803
<u>1,327,691</u>	<u>1,788,037</u>	<u>1,946,084</u>	<u>289,468</u>	<u>58,153</u>	<u>14,196,209</u>
<u>\$ 2,534,643</u>	<u>\$ 2,084,401</u>	<u>\$ 2,970,628</u>	<u>\$ 308,427</u>	<u>\$ 58,153</u>	<u>\$ 18,847,684</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2018

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemeteries</u>	<u>Solid Waste</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 2,717,333
Intergovernmental	8,090,260	1,783,788	-	1,150
Charges for services	143,351	-	152,475	88,387
Fines and forfeits	-	-	-	-
Interest	45,711	18,175	2,582	3,546
Net investment earnings	-	-	-	-
Other				
Donations and contributions	-	-	-	-
Other	47,517	6,700	-	-
TOTAL REVENUES	8,326,839	1,808,663	155,057	2,810,416
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	420,776	2,352,939
Streets	5,807,262	3,969,532	-	-
Community and economic development	-	-	-	-
Parks and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	5,807,262	3,969,532	420,776	2,352,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,519,577	(2,160,869)	(265,719)	457,477
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,960,000	930,000	-	-
Bond premium	97,000	45,000	-	-
Transfers in	797,498	2,380,372	252,997	30,000
Transfers out	(3,035,519)	(841,375)	-	(81,644)
TOTAL OTHER FINANCING SOURCES (USES)	(181,021)	2,513,997	252,997	(51,644)
NET CHANGE IN FUND BALANCES	2,338,556	353,128	(12,722)	405,833
Fund balances, beginning of year	3,880,309	1,464,474	244,830	112,368
Fund balances, end of year	<u>\$ 6,218,865</u>	<u>\$ 1,817,602</u>	<u>\$ 232,108</u>	<u>\$ 518,201</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2018

Neighborhood and Community Development	Economic Development Programs	Grants and Donations	Drug Enforcement	Kalamazoo Municipal Golf Association	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,717,333
1,850,776	-	920,772	24,451	-	12,671,197
20,802	600	9,786	4,054	1,679,293	2,098,748
-	-	-	210,767	-	210,767
4,535	34,988	6,301	1,253	-	117,091
-	-	(3,032)	-	-	(3,032)
-	-	1,239,899	-	-	1,239,899
-	-	3,479	20,623	-	78,319
<u>1,876,113</u>	<u>35,588</u>	<u>2,177,205</u>	<u>261,148</u>	<u>1,679,293</u>	<u>19,130,322</u>
-	-	6,277	-	-	6,277
-	-	1,306,675	93,221	-	1,399,896
-	-	-	-	-	2,773,715
-	-	-	-	-	9,776,794
1,901,603	318,800	483,888	-	-	2,704,291
-	-	1,091,511	-	1,430,019	2,521,530
-	-	-	-	39,229	39,229
-	-	-	-	1,181	1,181
<u>1,901,603</u>	<u>318,800</u>	<u>2,888,351</u>	<u>93,221</u>	<u>1,470,429</u>	<u>19,222,913</u>
(25,490)	(283,212)	(711,146)	167,927	208,864	(92,591)
-	-	-	-	-	2,890,000
-	-	-	-	-	142,000
405,126	318,702	1,373,109	-	58,153	5,615,957
-	(5,126)	-	-	(208,864)	(4,172,528)
<u>405,126</u>	<u>313,576</u>	<u>1,373,109</u>	<u>-0-</u>	<u>(150,711)</u>	<u>4,475,429</u>
379,636	30,364	661,963	167,927	58,153	4,382,838
948,055	1,757,673	1,284,121	121,541	-	9,813,371
<u>\$ 1,327,691</u>	<u>\$ 1,788,037</u>	<u>\$ 1,946,084</u>	<u>\$ 289,468</u>	<u>\$ 58,153</u>	<u>\$ 14,196,209</u>

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2018

	<u>Major Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental				
Federal revenue	\$ 2,069,000	\$ 2,069,000	\$ -	\$ (2,069,000)
State trunkline maintenance	250,000	250,000	167,104	(82,896)
Gas and weight tax distribution	6,028,505	6,028,505	6,091,576	63,071
Other state revenue	275,000	275,000	1,830,182	1,555,182
Local revenue	-	93,871	1,398	(92,473)
Charges for services	5,000	5,000	143,351	138,351
Interest	6,000	6,000	45,711	39,711
Other	55,000	55,000	47,517	(7,483)
TOTAL REVENUES	8,688,505	8,782,376	8,326,839	(455,537)
EXPENDITURES				
Current				
Streets				
Administration	1,504,147	1,504,146	970,969	533,177
Repair	310,982	309,182	484,358	(175,176)
Maintenance	1,254,678	1,256,478	1,033,497	222,981
Pavement painting	143,020	143,020	156,292	(13,272)
Traffic signals	510,424	510,424	479,377	31,047
Traffic signs	100,663	100,663	89,331	11,332
Construction	6,165,200	8,545,531	2,539,700	6,005,831
Emergency recovery	-	-	53,738	(53,738)
TOTAL EXPENDITURES	9,989,114	12,369,444	5,807,262	6,562,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,300,609)	(3,587,068)	2,519,577	6,106,645
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,057,000	1,960,000	1,960,000	-0-
Bond premium	-	97,000	97,000	-0-
Transfers in	2,059,200	2,106,200	797,498	(1,308,702)
Transfers out	(3,021,967)	(3,021,967)	(3,035,519)	(13,552)
TOTAL OTHER FINANCING SOURCES (USES)	1,094,233	1,141,233	(181,021)	(1,322,254)
NET CHANGE IN FUND BALANCE	(206,376)	(2,445,835)	2,338,556	4,784,391
Fund balance, beginning of year	3,880,309	3,880,309	3,880,309	-0-
Fund balance, end of year	\$ 3,673,933	\$ 1,434,474	\$ 6,218,865	\$ 4,784,391

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2018

	<u>Local Streets Fund</u>			Variances with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental				
Gas and weight tax distribution	\$ 1,703,526	\$ 1,703,526	\$ 1,720,581	\$ 17,055
Other state revenue	953,564	953,564	50,707	(902,857)
Local revenue	-	12,500	12,500	-
Interest	2,000	2,000	18,175	16,175
Other	500	17,000	6,700	(10,300)
TOTAL REVENUES	2,659,590	2,688,590	1,808,663	(879,927)
EXPENDITURES				
Current				
Streets				
Administration	785,313	785,313	652,689	132,624
Repair	313,400	313,400	272,942	40,458
Maintenance	1,114,981	1,114,981	502,817	612,164
Pavement painting	7,020	7,020	-	7,020
Traffic signs	124,040	124,040	39,679	84,361
Construction	3,576,864	4,090,052	2,492,303	1,597,749
Emergency recovery	-	-	9,102	(9,102)
TOTAL EXPENDITURES	5,921,618	6,434,806	3,969,532	2,465,274
EXCESS OF REVENUES (UNDER) EXPENDITURES	(3,262,028)	(3,746,216)	(2,160,869)	1,585,347
OTHER FINANCING SOURCES (USES)				
Issuance of debt	975,000	930,000	930,000	-0-
Bond premium	-	45,000	45,000	-0-
Transfers in	2,990,800	3,302,080	2,380,372	(921,708)
Transfers out	(831,485)	(831,485)	(841,375)	(9,890)
TOTAL OTHER FINANCING SOURCES (USES)	3,134,315	3,445,595	2,513,997	(931,598)
NET CHANGE IN FUND BALANCE	(127,713)	(300,621)	353,128	653,749
Fund balance, beginning of year	1,464,474	1,464,474	1,464,474	-0-
Fund balance, end of year	<u>\$ 1,336,761</u>	<u>\$ 1,163,853</u>	<u>\$ 1,817,602</u>	<u>\$ 653,749</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, 2018

	<u>Cemeteries Fund</u>			Variances with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
REVENUES				
Charges for services	\$ 146,102	\$ 146,102	\$ 152,475	\$ 6,373
Interest	400	400	2,582	2,182
TOTAL REVENUES	146,502	146,502	155,057	8,555
EXPENDITURES				
Current				
Public works				
Burials	218,292	335,292	243,569	91,723
Maintenance	152,593	157,891	163,560	(5,669)
Construction	162,180	177,180	13,647	163,533
TOTAL EXPENDITURES	533,065	670,363	420,776	249,587
EXCESS OF REVENUES (UNDER) EXPENDITURES	(386,563)	(523,861)	(265,719)	258,142
OTHER FINANCING SOURCES				
Transfers in	297,168	429,168	252,997	(176,171)
NET CHANGE IN FUND BALANCE	(89,395)	(94,693)	(12,722)	81,971
Fund balance, beginning of year	244,830	244,830	244,830	-0-
Fund balance, end of year	\$ 155,435	\$ 150,137	\$ 232,108	\$ 81,971

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2018

	<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	\$ 2,843,141	\$ 2,843,141	\$ 2,717,333	\$ (125,808)
Intergovernmental	-	-	1,150	1,150
Charges for services	103,000	103,000	88,387	(14,613)
Interest	5,000	5,000	3,546	(1,454)
	<u>2,951,141</u>	<u>2,951,141</u>	<u>2,810,416</u>	<u>(140,725)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>2,459,890</u>	<u>2,459,890</u>	<u>2,352,939</u>	<u>106,951</u>
EXCESS OF REVENUES OVER EXPENDITURES	491,251	491,251	457,477	(33,774)
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	30,000	-0-
Transfers out	<u>(81,574)</u>	<u>(81,574)</u>	<u>(81,644)</u>	<u>(70)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(51,574)</u>	<u>(51,574)</u>	<u>(51,644)</u>	<u>(70)</u>
NET CHANGE IN FUND BALANCE	439,677	439,677	405,833	(33,844)
Fund balance, beginning of year	<u>112,368</u>	<u>112,368</u>	<u>112,368</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 552,045</u>	<u>\$ 552,045</u>	<u>\$ 518,201</u>	<u>\$ (33,844)</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, 2018

Neighborhood and Community Development Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,960,414	\$ 2,532,259	\$ 1,850,776	\$ (681,483)
Charges for services	19,000	19,000	20,802	1,802
Interest	7,628	7,628	4,535	(3,093)
TOTAL REVENUES	1,987,042	2,558,887	1,876,113	(682,774)
EXPENDITURES				
Current				
Community and economic development				
Demolition revolving	25,440	425,440	18,631	406,809
Program administration services	894,996	894,996	672,609	222,387
Community Development Block Grant	774,611	1,215,952	839,042	376,910
Emergency shelter	107,000	188,401	183,395	5,006
HOME	213,307	262,410	187,926	74,484
TOTAL EXPENDITURES	2,015,354	2,987,199	1,901,603	1,085,596
EXCESS OF REVENUES (UNDER) EXPENDITURES	(28,312)	(428,312)	(25,490)	402,822
OTHER FINANCING SOURCES (USES)				
Transfers in	10,500	410,500	405,126	(5,374)
Transfers out	(6,708)	(6,708)	-	6,708
TOTAL OTHER FINANCING SOURCES (USES)	3,792	403,792	405,126	1,334
NET CHANGE IN FUND BALANCE	(24,520)	(24,520)	379,636	404,156
Fund balance, beginning of year	948,055	948,055	948,055	-0-
Fund balance, end of year	<u>\$ 923,535</u>	<u>\$ 923,535</u>	<u>\$ 1,327,691</u>	<u>\$ 404,156</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, 2018

Economic Development Programs Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ 600	\$ 600
Interest	35,703	35,703	34,988	(715)
TOTAL REVENUES	35,703	35,703	35,588	(115)
EXPENDITURES				
Current				
Community and economic development	1,610,000	1,610,000	318,800	1,291,200
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,574,297)	(1,574,297)	(283,212)	1,291,085
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500,000	1,500,000	318,702	(1,181,298)
Transfers out	(10,500)	(10,500)	(5,126)	5,374
TOTAL OTHER FINANCING SOURCES (USES)	1,489,500	1,489,500	313,576	(1,175,924)
NET CHANGE IN FUND BALANCE	(84,797)	(84,797)	30,364	115,161
Fund balance, beginning of year	1,757,673	1,757,673	1,757,673	-0-
Fund balance, end of year	<u>\$ 1,672,876</u>	<u>\$ 1,672,876</u>	<u>\$ 1,788,037</u>	<u>\$ 115,161</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, 2018

	<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	\$ 1,427,995	\$ 1,508,657	\$ 920,772	\$ (587,885)
Charges for services	250	8,561	9,786	1,225
Interest	633	633	6,301	5,668
Net investment earnings	1,659	1,659	(3,032)	(4,691)
Other				
Donations and contributions	494,630	1,527,071	1,239,899	(287,172)
Other	24,000	24,000	3,479	(20,521)
TOTAL REVENUES	1,949,167	3,070,581	2,177,205	(893,376)
EXPENDITURES				
Current				
General government	-	20,000	6,277	13,723
Public safety	1,409,432	1,870,500	1,306,675	563,825
Community and economic development	531,819	1,531,819	483,888	1,047,931
Parks and recreation	945,269	1,110,260	1,091,511	18,749
TOTAL EXPENDITURES	2,886,520	4,532,579	2,888,351	1,644,228
EXCESS OF REVENUES (UNDER) EXPENDITURES	(937,353)	(1,461,998)	(711,146)	750,852
OTHER FINANCING SOURCES				
Transfers in	840,000	1,377,447	1,373,109	(4,338)
NET CHANGE IN FUND BALANCE	(97,353)	(84,551)	661,963	746,514
Fund balance, beginning of year	1,284,121	1,284,121	1,284,121	-0-
Fund balance, end of year	<u>\$ 1,186,768</u>	<u>\$ 1,199,570</u>	<u>\$ 1,946,084</u>	<u>\$ 746,514</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, 2018

	<u>Drug Enforcement Fund</u>			Variances with Final Budget
	Original Budget	Final Amended Budget	Actual	Positive (Negative)
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 24,451	\$ 4,451
Charges for services	3,555	3,555	4,054	499
Fines and forfeits	230,000	230,000	210,767	(19,233)
Interest	-	-	1,253	1,253
Other	50,000	50,000	20,623	(29,377)
TOTAL REVENUES	303,555	303,555	261,148	(42,407)
EXPENDITURES				
Current				
Public safety	354,680	354,680	93,221	261,459
NET CHANGE IN FUND BALANCE	(51,125)	(51,125)	167,927	219,052
Fund balance, beginning of year	121,541	121,541	121,541	-0-
Fund balance, end of year	\$ 70,416	\$ 70,416	\$ 289,468	\$ 219,052

City of Kalamazoo

Nonmajor Special Revenue Funds

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

Year Ended December 31, 2018

Kalamazoo Municipal Golf Association Fund

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 1,715,000	\$ 1,715,000	\$ 1,679,293	\$ (35,707)
EXPENDITURES				
Current				
Recreation and culture	1,438,500	1,438,500	1,430,019	8,481
Debt service				
Principal	39,229	39,229	39,229	-0-
Interest and fiscal charges	1,181	1,181	1,181	-0-
TOTAL EXPENDITURES	1,478,910	1,478,910	1,470,429	8,481
EXCESS OF REVENUES OVER EXPENDITURES	236,090	236,090	208,864	(27,226)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	58,153	58,153
Transfers out	(205,795)	(205,795)	(208,864)	(3,069)
TOTAL OTHER FINANCING SOURCES (USES)	(205,795)	(205,795)	(150,711)	55,084
NET CHANGE IN FUND BALANCE	30,295	30,295	58,153	27,858
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	\$ 30,295	\$ 30,295	\$ 58,153	\$ 27,858

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.

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

City of Kalamazoo

Nonmajor Debt Service Funds

COMBINING BALANCE SHEET

December 31, 2018

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service
ASSETS				
Cash and cash equivalents	\$ 59,075	\$ -	\$ 1,675	\$ -
Due from other governmental units	-	-	-	-
TOTAL ASSETS	<u>\$ 59,075</u>	<u>\$ -0-</u>	<u>\$ 1,675</u>	<u>\$ -0-</u>
LIABILITIES				
Due to other funds	\$ 374	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES				
Restricted	<u>58,701</u>	<u>-</u>	<u>1,675</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 59,075</u>	<u>\$ -0-</u>	<u>\$ 1,675</u>	<u>\$ -0-</u>

City of Kalamazoo

Nonmajor Debt Service Funds

COMBINING BALANCE SHEET - CONCLUDED

December 31, 2018

<u>OPEB Bond Debt Service</u>	<u>Total</u>
\$ -	\$ 60,750
<u>4,046,193</u>	<u>4,046,193</u>
<u>\$ 4,046,193</u>	<u>\$ 4,106,943</u>
\$ -	\$ 374
4,046,193	4,046,193
<u>-</u>	<u>60,376</u>
<u>\$ 4,046,193</u>	<u>\$ 4,106,943</u>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2018

	Building Authority Debt Service	Special Assessments	Michigan Transportation Fund	General Debt Service
REVENUES				
Interest and rents	\$ 1,247,631	\$ -	\$ -	\$ -
Other	-	-	-	182,750
TOTAL REVENUES	1,247,631	-0-	-0-	182,750
EXPENDITURES				
Debt service				
Principal	1,890,000	-	320,000	3,200,000
Interest and fiscal charges	640,454	-	20,768	1,345,514
TOTAL EXPENDITURES	2,530,454	-0-	340,768	4,545,514
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,282,823)	-0-	(340,768)	(4,362,764)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,283,798	-	340,768	4,359,204
Transfers out	-	(238)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,283,798	(238)	340,768	4,359,204
NET CHANGE IN FUND BALANCES	975	(238)	-0-	(3,560)
Fund balances, beginning of year	57,726	238	1,675	3,560
Fund balances, end of year	<u>\$ 58,701</u>	<u>\$ -0-</u>	<u>\$ 1,675</u>	<u>\$ -0-</u>

City of Kalamazoo

Nonmajor Debt Service Funds

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

Year Ended December 31, 2018

<u>OPEB Bond Debt Service</u>	<u>Total</u>
\$ -	\$ 1,247,631
266,302	449,052
<u>266,302</u>	<u>1,696,683</u>
1,511,700	6,921,700
2,814,292	4,821,028
<u>4,325,992</u>	<u>11,742,728</u>
(4,059,690)	(10,046,045)
4,059,690	10,043,460
-	(238)
<u>4,059,690</u>	<u>10,043,222</u>
-0-	(2,823)
-	63,199
<u>\$ -0-</u>	<u>\$ 60,376</u>

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

City of Kalamazoo
 Nonmajor Capital Projects Funds
 COMBINING BALANCE SHEET
 December 31, 2018

	<u>Cork Street Landfill Cap Construction</u>	<u>Capital Improvement Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 614,091	\$ 614,091
Cash and cash equivalents - restricted	2,160,152	2,761,083	4,921,235
Accounts receivable	73,214	239,077	312,291
Due from other funds	-	914,376	914,376
Due from other governmental units	-	91,324	91,324
Advances to other governmental units	-	960,000	960,000
	<u>\$ 2,233,366</u>	<u>\$ 5,579,951</u>	<u>\$ 7,813,317</u>
LIABILITIES			
Accounts payable	\$ -	\$ 357,294	\$ 357,294
Due to other funds	2,233,366	1,606,270	3,839,636
	<u>2,233,366</u>	<u>1,963,564</u>	<u>4,196,930</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	1,008,242	1,008,242
FUND BALANCES			
Restricted	<u>-</u>	<u>2,608,145</u>	<u>2,608,145</u>
	<u>\$ 2,233,366</u>	<u>\$ 5,579,951</u>	<u>\$ 7,813,317</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,233,366</u>	<u>\$ 5,579,951</u>	<u>\$ 7,813,317</u>

City of Kalamazoo

Nonmajor Capital Projects Funds

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

Year Ended December 31, 2018

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Total
REVENUES			
Intergovernmental	\$ -	\$ 356,482	\$ 356,482
Interest and rents	14,706	143,742	158,448
Other			
Donations and contributions	-	113,617	113,617
Other	-	208,970	208,970
TOTAL REVENUES	14,706	822,811	837,517
EXPENDITURES			
Capital outlay	39,096	5,808,696	5,847,792
EXCESS OF REVENUES (UNDER) EXPENDITURES	(24,390)	(4,985,885)	(5,010,275)
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	4,860,000	4,860,000
Bond premium	-	241,270	241,270
Transfers in	-	3,769,867	3,769,867
Transfers out	-	(3,039,379)	(3,039,379)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	5,831,758	5,831,758
NET CHANGE IN FUND BALANCES	(24,390)	845,873	821,483
Fund balances, beginning of year	24,390	1,762,272	1,786,662
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ 2,608,145</u>	<u>\$ 2,608,145</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, 2018

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
ASSETS				
Cash and cash equivalents	\$ 295,575	\$ -	\$ -	\$ 295,575
Investments	3,440,567	-	-	3,440,567
Investments with agents	-	1,405,194	1,360,358	2,765,552
TOTAL ASSETS	<u>\$ 3,736,142</u>	<u>\$ 1,405,194</u>	<u>\$ 1,360,358</u>	<u>\$ 6,501,694</u>
LIABILITIES				
Contract payable	\$ 727	\$ -	\$ -	\$ 727
Due to other funds	59,350	-	-	59,350
TOTAL LIABILITIES	60,077	-0-	-0-	60,077
FUND BALANCES				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	1,940,905	467,988	405,160	2,814,053
TOTAL FUND BALANCES	<u>3,676,065</u>	<u>1,405,194</u>	<u>1,360,358</u>	<u>6,441,617</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,736,142</u>	<u>\$ 1,405,194</u>	<u>\$ 1,360,358</u>	<u>\$ 6,501,694</u>

City of Kalamazoo

Nonmajor Permanent Funds

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

Year Ended December 31, 2018

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 34,818	\$ -	\$ -	\$ 34,818
Interest and dividends	161,072	-	-	161,072
Net investment earnings	(526,332)	(115,355)	(110,094)	(751,781)
Other	-	500	-	500
TOTAL REVENUES	(330,442)	(114,855)	(110,094)	(555,391)
EXPENDITURES				
Current				
Public works	20,000	-	-	20,000
Parks and recreation	-	114,561	32,773	147,334
TOTAL EXPENDITURES	20,000	114,561	32,773	167,334
EXCESS OF REVENUES (UNDER) EXPENDITURES	(350,442)	(229,416)	(142,867)	(722,725)
OTHER FINANCING (USES)				
Transfers out	(252,997)	-	-	(252,997)
NET CHANGE IN FUND BALANCES	(603,439)	(229,416)	(142,867)	(975,722)
Fund balances, beginning of year	4,279,504	1,634,610	1,503,225	7,417,339
Fund balances, end of year	<u>\$ 3,676,065</u>	<u>\$ 1,405,194</u>	<u>\$ 1,360,358</u>	<u>\$ 6,441,617</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, 2018

	Kalamazoo Municipal Golf Association	City Market	Total
ASSETS			
Current assets			
TOTAL ASSETS	\$ -0-	\$ -0-	\$ -0-
LIABILITIES			
Current liabilities			
TOTAL LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET POSITION			
Unrestricted	<u>-</u>	<u>-</u>	<u>-0-</u>
TOTAL NET POSITION	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

City of Kalamazoo

Nonmajor Enterprise Funds

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

Year Ended December 31, 2018

	Kalamazoo Municipal Golf Association	City Market	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
TOTAL OPERATING REVENUES	\$ -0-	\$ -0-	\$ -0-
OPERATING EXPENSES			
TOTAL OPERATING EXPENSES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET INCOME BEFORE TRANSFERS	-0-	-0-	-0-
TRANSFERS OUT	<u>(262,837)</u>	<u>(103,264)</u>	<u>(366,101)</u>
CHANGE IN NET POSITION	(262,837)	(103,264)	(366,101)
Net position, beginning of year	<u>262,837</u>	<u>103,264</u>	<u>366,101</u>
Net position, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

City of Kalamazoo

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

	Kalamazoo Municipal Golf Association	City Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES	\$ -	\$ -	\$ -0-
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers out	<u>(252,882)</u>	<u>(53,311)</u>	<u>(306,193)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(252,882)	(53,311)	(306,193)
Cash and cash equivalents, beginning of year	<u>252,882</u>	<u>53,311</u>	<u>306,193</u>
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

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

Other Post-Employment Benefits - The OPEB Fund accounts for contributions from the multiple employers. As the fiduciary 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 Trustee.

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF NET POSITION

December 31, 2018

	Employees' Retirement System	Other Post- Employment Benefits	Total
ASSETS			
Cash and cash equivalents	\$ 239,863	\$ 16,492	\$ 256,355
Investments			
U.S. Treasuries	75,405,975	11,685,581	87,091,556
Corporate bonds	56,982,274	8,830,480	65,812,754
Collateralized mortgage obligations	18,182,557	2,817,731	21,000,288
Equity mutual funds	410,847,485	63,668,690	474,516,175
Real estate mutual funds	31,510,568	4,883,158	36,393,726
Receivables			
Interest and dividends	994,799	154,163	1,148,962
Investments sold	244,354	37,867	282,221
	<u>594,407,875</u>	<u>92,094,162</u>	<u>686,502,037</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	<u>36,462</u>	<u>1,157,917</u>	<u>1,194,379</u>
NET POSITION			
Restricted for pension and OPEB	<u>\$ 594,371,413</u>	<u>\$ 90,936,245</u>	<u>\$ 685,307,658</u>

City of Kalamazoo

Pension and Other Post-Employment Benefits Trust Funds

COMBINING STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2018

	Employees' Retirement System	Other Post- Employment Benefits	Total
ADDITIONS TO NET POSITION			
Investment income (loss)			
Change in fair value of investments	\$ (64,225,595)	\$ (9,956,988)	\$ (74,182,583)
Interest	4,332,651	673,165	5,005,816
Dividends	14,655,560	2,273,698	16,929,258
	<u>(45,237,384)</u>	<u>(7,010,125)</u>	<u>(52,247,509)</u>
Total investment income (loss)			
Less investment expense	<u>(2,203,337)</u>	<u>(343,375)</u>	<u>(2,546,712)</u>
Net investment income (loss)	(47,440,721)	(7,353,500)	(54,794,221)
Contributions			
Employer	-	3,500,000	3,500,000
Plan members	1,209,623	970,429	2,180,052
	<u>1,209,623</u>	<u>4,470,429</u>	<u>5,680,052</u>
Total contributions			
TOTAL ADDITIONS (REDUCTIONS) TO NET POSITION	(46,231,098)	(2,883,071)	(49,114,169)
DEDUCTIONS FROM NET POSITION			
Benefits	29,858,901	10,304,964	40,163,865
Refunds of contributions	72,516	-	72,516
Administrative expenses	147,100	106,986	254,086
Miscellaneous expenses	246,932	-	246,932
	<u>30,325,449</u>	<u>10,411,950</u>	<u>40,737,399</u>
TOTAL DEDUCTIONS			
CHANGE IN NET POSITION	(76,556,547)	(13,295,021)	(89,851,568)
Net position, beginning of year	<u>670,927,960</u>	<u>104,231,266</u>	<u>775,159,226</u>
Net position, end of year	<u><u>\$ 594,371,413</u></u>	<u><u>\$ 90,936,245</u></u>	<u><u>\$ 685,307,658</u></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, 2018

	<u>Tax Collector's Fund</u>			
	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
ASSETS				
Cash and cash equivalents	\$ 14,529,093	\$ 146,731,613	\$ 146,092,094	\$ 15,168,612
Other receivables	85	-	85	-0-
TOTAL ASSETS	\$ 14,529,178	\$ 146,731,613	\$ 146,092,179	\$ 15,168,612
LIABILITIES				
Due to individuals and agencies	\$ 4,593	\$ 64,610,433	\$ 61,534,720	\$ 3,080,306
Due to other governmental units	14,524,585	85,197,284	87,633,563	12,088,306
TOTAL LIABILITIES	\$ 14,529,178	\$ 149,807,717	\$ 149,168,283	\$ 15,168,612

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 446,919</u>
LIABILITIES	
Due to other governmental units	\$ 29,507
FUND BALANCE	
Unassigned	<u>417,412</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 446,919</u>

City of Kalamazoo

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET POSITION - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2018

Total fund balance - governmental fund \$ 417,412

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

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Compensated absences (15,685)

Net position of governmental activities \$ 401,727

City of Kalamazoo

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2018

	<u>General</u>
REVENUES	
Interest	\$ 1,214
EXPENDITURES	
Current	
Community and economic development	<u>119,787</u>
NET CHANGE IN FUND BALANCE	(118,573)
Fund balance, beginning of year	<u>535,985</u>
Fund balance, end of year	<u><u>\$ 417,412</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 - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2018

Net change in fund balance - governmental fund \$ (118,573)

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

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	1,369
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Change in net position of governmental activities	\$ (117,204)
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City of Kalamazoo

Component Unit Fund

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,761,043
Investments	639,272
Receivables	
Accounts	18,752
Taxes	444,543
Notes	907,287
Prepays	<u>250,000</u>
 TOTAL ASSETS	 <u><u>\$ 5,020,897</u></u>
LIABILITIES	
Accounts payable	\$ 5,155
Due to other governmental units	12,638
Advance from other governmental units	894,256
Unearned revenue	<u>30,000</u>
 TOTAL LIABILITIES	 942,049
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	4,437
FUND BALANCE	
Nonspendable	263,031
Committed	45,822
Unassigned	<u>3,765,558</u>
 TOTAL FUND BALANCE	 <u>4,074,411</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 <u><u>\$ 5,020,897</u></u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2018

Total fund balance - governmental fund \$ 4,074,411

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 4,437

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:

 Loans payable \$ (802,740)
 Compensated absences (17,279)

(820,019)

Net position of governmental activities

\$ 3,258,829

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2018

	<u>General</u>
REVENUES	
Taxes	\$ 1,139,865
Interest	31,182
Other	<u>744,986</u>
TOTAL REVENUES	1,916,033
EXPENDITURES	
Current	
Community and economic development	<u>800,061</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,115,972
OTHER FINANCING SOURCES	
Loan proceeds	<u>597,740</u>
NET CHANGE IN FUND BALANCE	1,713,712
Fund balance, beginning of year	<u>2,360,699</u>
Fund balance, end of year	<u><u>\$ 4,074,411</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, 2018

Net change in fund balance - governmental fund **\$ 1,713,712**

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 (67,398)

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 (597,740)

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

Change in compensated absences 3,419

Change in net position of governmental activities **\$ 1,051,993**

City of Kalamazoo

Component Unit Fund

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

December 31, 2018

	<u>General</u>
ASSETS	
Taxes receivable	<u>\$ 7,978</u>
LIABILITIES	\$ -
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	7,978
FUND BALANCE	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 7,978</u>

City of Kalamazoo

Component Unit Fund

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

December 31, 2018

Total fund balance - governmental fund \$ -

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 7,978

Net position of governmental activities \$ 7,978

City of Kalamazoo

Component Unit Fund

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

Year Ended December 31, 2018

	<u>General</u>
REVENUES	\$ -
EXPENDITURES	<u>-</u>
NET CHANGE IN FUND BALANCE	-0-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance of the governmental fund was equal to the change in net position for the year ended December 31, 2018.

STATISTICAL SECTION

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

Contents	Page
Financial Trends	118-127
<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	128-131
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	132-139
<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	140-141
<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	142-148
<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	149-181

NET POSITION BY COMPONENT

2009-2018
(Unaudited)
(Accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 116,294,415	\$ 123,355,990	\$ 125,529,739	\$ 122,960,589
Restricted	12,721,683	12,050,021	11,045,791	13,946,502
Unrestricted	<u>13,197,414</u>	<u>(8,666,188)</u>	<u>(22,606,617)</u>	<u>(35,131,160)</u>
Total governmental activities net position	<u>\$ 142,213,512</u>	<u>\$ 126,739,823</u>	<u>\$ 113,968,913</u>	<u>\$ 101,775,931</u>
Business-type activities				
Net investment in capital assets	\$ 143,501,852	\$ 150,485,254	\$ 152,806,937	\$ 149,416,222
Restricted	2,577,935	2,577,960	2,524,960	2,831,960
Unrestricted	<u>26,067,765</u>	<u>18,046,633</u>	<u>7,408,224</u>	<u>11,411,854</u>
Total business-type activities net position	<u>\$ 172,147,552</u>	<u>\$ 171,109,847</u>	<u>\$ 162,740,121</u>	<u>\$ 163,660,036</u>
Primary government				
Net investment in capital assets	\$ 259,796,267	\$ 273,841,244	\$ 278,336,676	\$ 272,376,811
Restricted	15,299,618	14,627,981	13,570,751	16,778,462
Unrestricted	<u>39,265,179</u>	<u>9,380,445</u>	<u>(15,198,393)</u>	<u>(23,719,306)</u>
Total primary government net position	<u>\$ 314,361,064</u>	<u>\$ 297,849,670</u>	<u>\$ 276,709,034</u>	<u>\$ 265,435,967</u>

NET POSITION BY COMPONENT - CONCLUDED

2009-2018
(Unaudited)
(Accrual basis of accounting)

2013	2014	2015	2016	2017	2018
\$ 123,492,323	\$ 122,338,669	\$ 121,402,730	\$ 122,361,164	\$ 120,389,124	\$ 122,213,595
14,512,704	15,031,494	13,951,012	14,937,512	22,611,812	29,541,823
(42,557,926)	(46,283,678)	84,120,446	85,140,274	93,207,875	31,002,648
<u>\$ 95,447,101</u>	<u>\$ 91,086,485</u>	<u>\$ 219,474,188</u>	<u>\$ 222,438,950</u>	<u>\$ 236,208,811</u>	<u>\$ 182,758,066</u>
\$ 145,375,261	\$ 143,182,090	\$ 141,668,888	\$ 140,434,583	\$ 144,557,184	\$ 145,972,507
2,831,960	2,454,033	2,164,039	2,094,054	2,089,731	2,811,148
15,684,847	16,092,853	48,245,428	49,851,898	45,467,985	22,705,613
<u>\$ 163,892,068</u>	<u>\$ 161,728,976</u>	<u>\$ 192,078,355</u>	<u>\$ 192,380,535</u>	<u>\$ 192,114,900</u>	<u>\$ 171,489,268</u>
\$ 268,867,584	\$ 265,520,759	\$ 263,071,618	\$ 262,795,747	\$ 264,946,308	\$ 268,186,102
17,344,664	17,485,527	16,115,051	17,031,566	24,701,543	32,352,971
(26,873,079)	(30,190,825)	132,365,874	134,992,172	138,675,860	53,708,261
<u>\$ 259,339,169</u>	<u>\$ 252,815,461</u>	<u>\$ 411,552,543</u>	<u>\$ 414,819,485</u>	<u>\$ 428,323,711</u>	<u>\$ 354,247,334</u>

CHANGES IN NET POSITION

2009-2018
(Unaudited)
(Accrual basis of accounting)

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 8,805,148	\$ 9,371,185	\$ 8,471,082	\$ 10,168,516
Public safety	43,098,269	43,495,846	45,215,879	36,120,760
Public works	13,479,086	13,814,938	20,094,540	16,862,523
Community and economic development	6,430,431	8,746,176	15,666,823	8,667,696
Recreation and culture	2,554,547	3,223,463	3,182,766	2,781,196
Interest on long-term debt	2,792,089	2,672,721	2,717,822	2,378,583
Total governmental activities expenses	<u>77,159,570</u>	<u>81,324,329</u>	<u>95,348,912</u>	<u>76,979,274</u>
Business-type activities:				
Wastewater	22,079,492	22,825,084	23,435,464	21,769,136
Water	13,944,668	14,946,226	15,415,808	14,525,327
Other	48,805	44,230	135,204	67,778
Total business-type activities expenses	<u>36,072,965</u>	<u>37,815,540</u>	<u>38,986,476</u>	<u>36,362,241</u>
Total primary government expenses	<u>\$ 113,232,535</u>	<u>\$ 119,139,869</u>	<u>\$ 134,335,388</u>	<u>\$ 113,341,515</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ 5,094,411	\$ 4,731,626	\$ 11,900,982	\$ 10,614,076
Community development and planning	642,866	246,453	1,240,353	1,069,568
Other	616,485	733,970	1,023,442	975,170
Operating grants and contributions	12,915,313	15,255,631	20,982,518	15,765,684
Capital grants and contributions	21,686	868,221	1,163,643	655,181
Total governmental activities program revenues	<u>19,290,761</u>	<u>21,835,901</u>	<u>36,310,938</u>	<u>29,079,679</u>
Business-type activities:				
Charges for services				
Wastewater	18,220,534	19,085,813	18,178,855	20,484,471
Water	11,922,529	12,759,940	12,451,401	14,583,205
Other	52,059	58,832	67,287	91,621
Operating grants and contributions	-	-	238,233	266,929
Capital grants and contributions	2,599,746	4,001,255	3,308,895	1,733,898
Total business-type activities program revenues	<u>32,794,868</u>	<u>35,905,840</u>	<u>34,244,671</u>	<u>37,160,124</u>
Total primary government program revenues	<u>\$ 52,085,629</u>	<u>\$ 57,741,741</u>	<u>\$ 70,555,609</u>	<u>\$ 66,239,803</u>
Net (Expense) Revenue				
Governmental activities	\$ (57,868,809)	\$ (59,488,428)	\$ (59,037,974)	\$ (47,899,595)
Business-type activities	<u>(3,278,097)</u>	<u>(1,909,700)</u>	<u>(4,741,805)</u>	<u>797,883</u>
Total primary government net expense	<u>\$ (61,146,906)</u>	<u>\$ (61,398,128)</u>	<u>\$ (63,779,779)</u>	<u>\$ (47,101,712)</u>

CHANGES IN NET POSITION - CONTINUED

2009-2018
(Unaudited)
(Accrual basis of accounting)

2013	2014	2015	2016	2017	2018
\$ 8,416,014	\$ 9,930,643	\$ 8,766,309	\$ 5,721,625	\$ 3,749,149	\$ 14,756,851
36,060,961	34,662,862	41,688,680	35,180,743	37,129,688	48,251,573
18,023,279	17,534,605	17,745,839	14,953,810	15,533,907	17,056,118
5,056,773	4,718,105	6,429,186	4,500,102	4,536,753	11,683,998
2,589,433	3,054,139	2,026,717	2,100,881	3,168,551	4,039,342
2,169,930	2,189,831	4,626,913	4,735,609	5,174,409	4,700,844
<u>72,316,390</u>	<u>72,090,185</u>	<u>81,283,644</u>	<u>67,192,770</u>	<u>69,292,457</u>	<u>100,488,726</u>
22,461,092	22,214,421	21,637,512	21,294,272	21,035,419	26,827,856
14,019,746	14,617,217	16,069,239	15,953,040	15,509,780	19,978,024
1,616,741	1,638,861	1,704,812	1,714,755	1,676,753	-
<u>38,097,579</u>	<u>38,470,499</u>	<u>39,411,563</u>	<u>38,962,067</u>	<u>38,221,952</u>	<u>46,805,880</u>
<u>\$ 110,413,969</u>	<u>\$ 110,560,684</u>	<u>\$ 120,695,207</u>	<u>\$ 106,154,837</u>	<u>\$ 107,514,409</u>	<u>\$ 147,294,606</u>
\$ 10,880,322	\$ 11,316,006	\$ 10,972,764	\$ 7,581,047	\$ 7,798,637	\$ 7,020,944
1,525,283	1,471,008	1,668,372	1,573,669	1,686,416	1,955,984
1,029,481	1,052,534	1,241,443	1,805,820	2,653,944	4,682,641
11,661,313	12,679,339	13,957,992	14,323,779	33,765,675	45,961,378
5,744	6,618	43,390	10,944	18,008	9,077
<u>25,102,143</u>	<u>26,525,505</u>	<u>27,883,961</u>	<u>25,295,259</u>	<u>45,922,680</u>	<u>59,630,024</u>
21,111,243	20,758,450	19,819,546	19,599,234	15,736,474	20,836,363
13,480,979	12,948,883	14,348,122	15,451,374	16,726,191	17,471,819
1,628,563	1,566,381	1,695,902	1,674,904	1,706,745	-
212,011	155,215	90,507	131,334	36,855	1,646,220
1,834,883	870,240	3,154,597	2,130,600	3,186,467	2,734,745
<u>38,267,679</u>	<u>36,299,169</u>	<u>39,108,674</u>	<u>38,987,446</u>	<u>37,392,732</u>	<u>42,689,147</u>
<u>\$ 63,369,822</u>	<u>\$ 62,824,674</u>	<u>\$ 66,992,635</u>	<u>\$ 64,282,705</u>	<u>\$ 83,315,412</u>	<u>\$ 102,319,171</u>
\$ (47,214,247)	\$ (45,564,680)	\$ (53,399,683)	\$ (41,046,743)	\$ (23,369,777)	\$ (40,858,702)
170,100	(2,171,330)	(302,889)	25,379	(829,220)	(4,116,733)
<u>\$ (47,044,147)</u>	<u>\$ (47,736,010)</u>	<u>\$ (53,702,572)</u>	<u>\$ (41,021,364)</u>	<u>\$ (24,198,997)</u>	<u>\$ (44,975,435)</u>

CHANGES IN NET POSITION - CONTINUED

2009-2018
(Unaudited)
(Accrual basis of accounting)

	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
General revenues				
Property taxes	\$ 36,421,813	\$ 34,292,608	\$ 33,313,845	\$ 30,457,012
Grants and contributions not restricted to specific programs	8,968,211	8,669,650	8,063,444	7,939,441
Unrestricted investment earnings	1,999,482	1,411,281	206,017	1,285,649
Gain on sale of assets	-	-	6,270	-
Contributions to permanent funds	-	-	-	-
Other	60,947	304,588	900,135	824,508
Transfers - internal activities	(455,622)	(663,388)	3,777,353	-
Total governmental activities	<u>46,994,831</u>	<u>44,014,739</u>	<u>46,267,064</u>	<u>40,506,610</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	-	-	-	-
Unrestricted investment earnings	165,786	28,161	32,163	41,803
Gain on sale of assets	41,767	7,418	6,346	4,450
Other	572,923	173,028	110,923	75,779
Transfers - internal activities	455,622	663,388	(3,777,353)	-
Special item - loss on sale of capital assets/inventory	-	-	-	-
Total business-type activities	<u>1,236,098</u>	<u>871,995</u>	<u>(3,627,921)</u>	<u>122,032</u>
Total primary government	<u>\$ 48,230,929</u>	<u>\$ 44,886,734</u>	<u>\$ 42,639,143</u>	<u>\$ 40,628,642</u>
Change in Net Position				
Governmental activities	\$ (10,873,978)	\$ (15,473,689)	\$ (12,770,910)	\$ (7,392,985)
Business-type activities	(2,041,999)	(1,037,705)	(8,369,726)	919,915
Total primary government	<u>\$ (12,915,977)</u>	<u>\$ (16,511,394)</u>	<u>\$ (21,140,636)</u>	<u>\$ (6,473,070)</u>

CHANGES IN NET POSITION - CONCLUDED

2009-2018
(Unaudited)
(Accrual basis of accounting)

2013	2014	2015	2016	2017	2018
\$ 31,011,014	\$ 31,834,240	\$ 32,085,449	\$ 34,350,331	\$ 24,802,341	\$ 22,927,422
8,851,208	8,441,077	8,505,032	8,563,853	9,046,844	10,355,402
1,438,503	672,910	74,925	997,789	1,913,430	43,192
7,800	74,590	31,638	8,850	1,487,317	1,485,625
-	-	-	-	-	-
219,059	167,497	118,374	90,682	111,987	276,267
(50,000)	-	-	-	(222,281)	(831,618)
<u>41,477,584</u>	<u>41,190,314</u>	<u>40,815,418</u>	<u>44,011,505</u>	<u>37,139,638</u>	<u>34,256,290</u>
-	-	-	-	-	-
48,810	56,253	111,566	124,116	182,701	432,037
168,408	(98,631)	-	4,008	25,605	37,839
170,578	50,616	105,932	148,677	132,998	166,174
50,000	-	-	-	222,281	831,618
-	-	-	-	-	-
<u>437,796</u>	<u>8,238</u>	<u>217,498</u>	<u>276,801</u>	<u>563,585</u>	<u>1,467,668</u>
<u>\$ 41,915,380</u>	<u>\$ 41,198,552</u>	<u>\$ 41,032,916</u>	<u>\$ 44,288,306</u>	<u>\$ 37,703,223</u>	<u>\$ 35,723,958</u>
\$ (5,736,663)	\$ (4,360,616)	\$ (12,584,265)	\$ 2,964,762	\$ 13,769,861	\$ (6,602,412)
607,896	(2,163,092)	(85,391)	302,180	(265,635)	(2,649,065)
<u>\$ (5,128,767)</u>	<u>\$ (6,523,708)</u>	<u>\$ (12,669,656)</u>	<u>\$ 3,266,942</u>	<u>\$ 13,504,226</u>	<u>\$ (9,251,477)</u>

FUND BALANCES

GOVERNMENTAL FUNDS

2009-2018
(Unaudited)
(Modified accrual basis of accounting)

	2009	2010	2011	2012	2013
General fund					
Reserved	\$ 504,595	\$ 504,164	\$ -	\$ -	\$ -
Unreserved	4,740,113	3,881,019	-	-	-
Nonspendable	-	-	730,673	626,548	637,833
Assigned	-	-	3,504,897	3,503,397	922,527
Unassigned	-	-	5,325,787	3,557,092	3,921,706
Total general fund	<u>\$ 5,244,708</u>	<u>\$ 4,385,183</u>	<u>\$ 9,561,357</u>	<u>\$ 7,687,037</u>	<u>\$ 5,482,066</u>
All other governmental funds					
Reserved	\$ 10,641,923	\$ 12,011,218	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	4,874,600	5,028,383	-	-	-
Debt service funds	127,942	91,569	-	-	-
Capital project funds	3,847,713	1,994,543	-	-	-
Permanent funds	1,956,373	-	-	-	-
Nonspendable	-	-	13,522,951	8,698,303	7,774,612
Restricted	-	-	7,509,890	8,419,230	9,264,935
Committed	-	-	1,660,542	2,756,697	2,864,507
Total all other governmental funds	<u>\$ 21,448,551</u>	<u>\$ 19,125,713</u>	<u>\$ 22,693,383</u>	<u>\$ 19,874,230</u>	<u>\$ 19,904,054</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

2009-2018
(Unaudited)
(Modified accrual basis of accounting)

2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,339,401	1,212,622	1,145,445	1,166,644	1,230,482
403,248	3,459,061	2,703,090	407,342	1,347,804
5,975,442	6,533,218	8,120,863	10,812,051	9,244,320
<u>\$ 7,718,091</u>	<u>\$ 11,204,901</u>	<u>\$ 11,969,398</u>	<u>\$ 12,386,037</u>	<u>\$ 11,822,606</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
7,286,926	5,628,997	5,815,832	3,880,499	4,708,506
10,133,623	9,337,109	10,320,453	18,794,512	24,934,188
1,660,293	1,741,297	841,999	2,002,503	2,037,803
<u>\$ 19,080,842</u>	<u>\$ 16,707,403</u>	<u>\$ 16,978,284</u>	<u>\$ 24,677,514</u>	<u>\$ 31,680,497</u>

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

2009-2018
(Unaudited)

(Modified accrual basis of accounting)

	2009	2010	2011	2012
Revenues				
Property taxes and special assessments	\$ 37,997,860	\$ 35,071,496	\$ 35,163,954	\$ 32,665,097
Licenses and permits	1,770,824	1,867,123	1,897,096	1,641,248
Intergovernmental revenue	19,150,714	22,470,227	28,241,290	22,421,096
Charges for services	5,289,988	5,622,676	10,318,577	9,022,197
Fines and forfeits	326,755	296,200	642,680	280,426
Interest and rents	3,989,784	3,429,583	3,304,621	3,219,392
Net investment earnings	1,207,786	780,472	(370,143)	688,741
Other revenue				
Donations and contributions	-	-	-	-
Other	1,699,387	1,668,632	1,474,703	1,902,634
Total revenues	71,433,098	71,206,409	80,672,778	71,840,831
Expenditures				
Current Expenditures:				
General government	7,300,485	7,169,369	7,618,751	7,255,900
Public safety	34,409,853	34,804,767	35,476,959	32,805,831
Public works	11,703,326	11,981,237	16,122,984	14,588,245
Community and economic development	5,803,640	7,763,530	14,182,010	8,562,088
Recreation and culture	2,598,348	2,806,451	2,806,756	2,359,248
Other	1,184,639	2,761,908	2,560,728	3,161,774
Debt service:				
Principal	5,245,000	5,125,000	5,510,000	5,650,000
Interest and fiscal charges	2,796,889	2,721,982	2,757,767	2,378,365
Capital outlay	1,869,810	2,861,401	3,408,241	1,338,386
Total expenditures	72,911,990	77,995,645	90,444,196	78,099,837
Excess (deficiency) of revenues over expenditures	(1,478,892)	(6,789,236)	(9,771,418)	(6,259,006)
Other financing sources (uses)				
Transfers in	8,772,072	10,646,777	16,291,542	11,821,576
Transfers out	(8,272,072)	(9,962,957)	(9,009,217)	(9,887,596)
Proceeds from the sale of capital assets	-	-	-	-
Issuance of long-term debt	4,585,000	2,855,000	12,910,000	4,400,000
Issuance of refunding debt	-	-	-	-
Issuance of OPEB debt	-	-	-	-
Payments to advance refunding escrow agent	-	-	(8,051,763)	-
Bond premium (discount)	(38,846)	68,053	145,167	31,550
Total other financing sources (uses)	5,046,154	3,606,873	12,285,729	6,365,530
Special items				
Contribution to OPEB trust	-	-	-	-
Net change in fund balances	\$ 3,567,262	\$ (3,182,363)	\$ 2,514,311	\$ 106,524
Debt service as a percentage of noncapital expenditures	11.7%	11.6%	10.0%	10.9%

CHANGES IN FUND BALANCES - CONCLUDED

GOVERNMENTAL FUNDS

2009-2018
(Unaudited)
(Modified accrual basis of accounting)

2013	2014	2015	2016	2017	2018
\$ 31,172,950	\$ 31,922,256	\$ 32,258,838	\$ 34,350,331	\$ 24,802,341	\$ 22,927,423
2,060,482	2,183,405	2,464,874	2,401,934	2,467,735	2,709,592
18,992,137	19,362,091	20,836,848	21,252,260	23,524,707	26,256,483
9,173,002	9,571,894	10,283,027	10,565,330	9,664,577	11,090,392
262,385	529,900	222,239	244,278	154,511	215,587
2,936,162	2,568,116	2,064,308	1,832,803	1,961,057	1,987,803
1,053,215	191,328	(349,763)	585,136	840,048	(754,813)
-	-	-	-	19,775,051	29,094,726
<u>1,129,797</u>	<u>1,434,156</u>	<u>1,363,588</u>	<u>1,257,290</u>	<u>2,505,971</u>	<u>2,613,642</u>
<u>66,780,130</u>	<u>67,763,146</u>	<u>69,143,959</u>	<u>72,489,362</u>	<u>85,695,998</u>	<u>96,140,835</u>
6,615,189	6,643,957	7,194,591	7,341,895	9,157,348	10,607,154
32,188,577	32,709,081	29,206,949	30,528,266	31,105,681	33,482,897
14,955,973	14,961,783	14,532,464	14,790,370	17,129,352	17,625,761
4,682,899	4,653,737	5,410,168	4,231,956	4,012,858	10,283,249
2,129,592	2,222,040	2,133,438	2,412,924	3,300,482	5,033,609
2,793,985	2,254,801	2,261,078	4,789,158	3,660,911	3,694,424
5,928,958	5,606,130	6,023,928	6,358,284	6,903,019	6,960,929
2,332,509	2,211,867	4,423,291	4,658,360	4,816,081	4,822,209
<u>2,123,126</u>	<u>1,595,160</u>	<u>2,546,759</u>	<u>2,072,309</u>	<u>6,019,394</u>	<u>5,847,792</u>
<u>73,750,808</u>	<u>72,858,556</u>	<u>73,732,666</u>	<u>77,183,522</u>	<u>86,105,126</u>	<u>98,358,024</u>
(6,970,678)	(5,095,410)	(4,588,707)	(4,694,160)	(409,128)	(2,217,189)
11,376,270	11,702,851	13,303,995	13,901,129	14,184,803	21,289,956
(10,485,854)	(9,389,594)	(12,778,406)	(13,901,129)	(14,407,084)	(20,766,485)
-	-	-	-	-	-
4,000,000	5,510,000	21,035,000	7,135,000	7,895,000	7,750,000
-	-	-	-	3,780,000	-
-	-	66,995,633	-	-	-
-	(1,336,964)	(16,821,549)	(2,156,567)	(3,722,683)	-
<u>80,115</u>	<u>21,930</u>	<u>933,117</u>	<u>751,105</u>	<u>794,961</u>	<u>383,270</u>
<u>4,970,531</u>	<u>6,508,223</u>	<u>72,667,790</u>	<u>5,729,538</u>	<u>8,524,997</u>	<u>8,656,741</u>
-	-	(66,965,712)	-	-	-
<u>\$ (2,000,147)</u>	<u>\$ 1,412,813</u>	<u>\$ 1,113,371</u>	<u>\$ 1,035,378</u>	<u>\$ 8,115,869</u>	<u>\$ 6,439,552</u>
12.1%	11.4%	15.6%	15.6%	15.6%	13.4%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years
(Unaudited)

Year	Taxable Assessed Value (A)			Total Taxable Assessed Value (A)	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real	Personal	Industrial and Commercial Subject to Act 198				
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%
2017	1,321,157,164	156,804,200	30,651,422	1,508,612,786	13.8000	3,379,206,496	44.6%
2018	1,378,858,390	153,497,100	22,410,089	1,554,765,579	13.8000	3,458,363,098	45.0%

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, 2018. 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 2018 roll by \$376,179.

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 (D)	Total City Millage (A)	Kalamazoo Public Schools (B)	County (D)	State Education Tax	Kalamazoo Valley Intermediate School District	Kalamazoo Valley Community College	District Library	Non- Homestead	(C) Homestead
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
2017	12.0000	1.8000	0.0000	13.8000	24.8204	7.5920	6.0000	6.4028	2.8089	3.9487	65.3728	47.3728
2018	12.0000	1.8000	0.0000	13.8000	26.0704	7.8298	6.0000	6.4028	2.8089	3.9487	66.8606	48.8606

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, 2018 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.
- (D) Transportation millage rate is now issued under the County via the Central County Transportation Authority (CCTA).

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago
(Unaudited)

Taxpayer	Industry	2018				2008 (C)			
		Taxable Value of Property			Rank	(B) Percent of Total	Taxable Assessed Value	Rank	Percent of Total
		Ad Valorem	Abated (A)	Total					
Consumer's Energy	Utility	\$ 56,449,920	\$ -	\$ 56,449,920	1	3.66%	\$ 27,794,773	3	1.60%
Zoetis	Pharmaceuticals	40,713,642	-	40,713,642	2	2.64%	114,870,313	1	6.61%
Catalyst Development	Real Estate	25,513,893	-	25,513,893	3	1.66%	33,436,648	2	1.92%
MIMG LXVI Drakes Pond, LLC	Apartment Complexes	19,616,961	-	19,616,961	4	1.27%	12,726,000	5	0.73%
Plaza Corp Properties	Real estate development, property holdings	17,960,418	-	17,960,418	5	1.17%			0.65%
Graphic Packaging	Paper Products	9,075,795	8,069,500	17,145,295	6	1.11%	26,684,876	4	0.00%
Knollwood Loft, LLC	Apartment Complexes	14,324,000	-	14,324,000	7	0.93%			
Bronson Hospital	Healthcare services, property holdings	14,294,836	-	14,294,836	8	0.93%	11,326,766	6	0.62%
Lifecare (Friendship Village)	Retirement Community	15,504,664	-	15,504,664	9	1.01%	10,738,205	7	0.62%
Treystar Holdings	Real estate development, property holdings	11,264,963	-	11,264,963	10	0.73%			0.00%
Former Top 10 Taxpayers	various						28,081,345	8,9,10	1.62%
		<u>\$ 224,719,092</u>	<u>\$ 8,069,500</u>	<u>\$ 232,788,592</u>		<u>15.10%</u>	<u>\$ 265,658,926</u>		<u>15.29%</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 \$1,541,454,356 for the year ending December 31, 2018 includes the taxable value of property granted tax abatement under Act 198 and board adjustments. See Table 5 for data on taxable values.
- (C) Values are the basis for the 2008 Assessment Roll and the 2008 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,737,126,792.

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		
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%
2017	17,919,973	17,441,490	97.33%	447,199	17,888,689	99.83%
2018	18,372,464	17,859,355	97.21%	476,118	18,335,473	99.80%

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 2018 are current through 12-31-18 including settlement figures with County Treasurer as of 05-26-2019.

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			
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
2017	122,372,761	1,615,000	-	-	19,117,993	29,820,000	-	172,925,754	11.42%	2,281
2018	124,554,024	1,295,000	-	-	18,132,151	43,045,000	-	187,026,175	11.03%	2,443

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)
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
2017	141,490,754	62,691	141,427,793	4.19%	1,866
2018	142,686,175	60,376	142,625,799	4.12%	1,863

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, 2018
(Unaudited)**Overlapping:**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Comstock School District	\$ 21,350,000	11.62%	\$ 2,480,870
Kalamazoo School District	207,595,000	56.58%	117,457,251
Parchment School District	33,019,717	1.01%	333,499
Portage School District	131,935,000	1.73%	2,282,476
Kalamazoo County	27,165,000	17.99%	4,886,984
Kalamazoo Intermediate School District	5,375,000	19.78%	1,063,175
Kalamazoo Community College	7,620,000	17.85%	1,360,170
Total overlapping debt	<u>\$ 434,059,717</u>		<u>\$ 129,864,425</u>

Direct:

	<u>Gross Debt</u>
General obligation bonds:	
Building Authority	\$ 14,325,000
Capital improvement	44,507,528
OPEB	65,721,496
Revenue bonds	
Michigan Transportation Fund	1,295,000
Total direct debt	<u>\$ 125,849,024</u>
Total net direct and overlapping debt of governmental activities	<u>\$ 255,713,449</u>

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

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

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2018
(Unaudited)

State Equalized Value (A)	
Ad valorem property	\$ 1,700,749,306
Tax abated property	15,553,589
Revenue Sharing	<u>667,260,797</u>
Total State Equalized Value (SEV)	<u><u>\$ 2,383,563,692</u></u>
Limitation per Section 5.2074 of the Home Rule Act of the State of Michigan	<u>10.0%</u>
Legal Limitation	<u><u>\$ 238,356,369</u></u>
Debt Obligations of the Primary Government (B)	\$ 187,026,175
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	\$ (43,045,000)
Michigan Transportation Fund Bonds	<u>(1,295,000)</u>
	<u>(44,340,000)</u>
Total Debt of the City Subject to Limitation	<u><u>\$ 142,686,175</u></u>
LEGAL DEBT MARGIN	<u><u>\$ 95,670,194</u></u>

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

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

(A) State equalized assessed property values are assessed at December 31, 2017 for the basis of the year ending December 31, 2018 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
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%
2017	209,685,061	141,490,754	68,194,307	67.5%
2018	238,356,369	142,686,175	95,670,194	59.9%

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

PLEDGED-REVENUE COVERAGE

Last Ten Years
(Unaudited)

Michigan Transportation Revenue Bonds (A)					
Year	Gas and Weight Tax Revenues (A)	Debt Service			Coverage
		Principal	Interest	Total	
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
2017	7,454,420	305,000	28,947	333,947	22.32
2018	7,812,157	320,000	20,768	340,768	22.93

Special Assessment Bonds (B)					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
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	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-

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.

PLEGGED-REVENUE COVERAGE - CONCLUDED

Last Ten Years
(Unaudited)

Wastewater System Revenue Bonds										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues (B)										
Operating Revenues	\$ 18,302,929	\$ 19,146,754	\$ 18,207,086	\$ 20,488,376	\$ 21,113,101	\$ 20,758,450	\$ 19,819,546	\$ 19,599,234	\$ 15,748,201	\$ 20,836,520
Interest Revenue	155,562	(4,039)	20,167	30,564	36,474	41,072	82,258	84,217	105,670	213,890
Intergovernmental	-	-	50,628	50,044	46,020	55,906	13,521	-	-	327,025
Total Revenues	20,368,388	20,667,651	18,277,881	20,568,984	21,195,595	20,855,428	19,915,325	19,683,451	15,853,871	21,377,435
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	17,932,573	18,852,129	18,947,736	17,199,488	17,260,718	17,305,246	16,261,847	16,036,230	15,822,715	21,684,795
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	-	224,196	204,414	207,162	210,459
Interest	-	-	-	-	-	-	342,432	397,269	427,638	391,735
Add: OPEB Contributions Made (D)	-	-	-	-	-	-	-	357,700	357,700	357,700
Less:										
Payment in Lieu of Taxes	(659,336)	(649,932)	(656,772)	(680,148)	(691,464)	(703,596)	(718,176)	(719,064)	(722,952)	(734,592)
Pension and OPEB (E)	(1,390,123)	(1,720,948)	(1,853,618)	(768,134)	(642,212)	(404,370)	(1,358,067)	(350,037)	78,839	(2,821,842)
Total Direct Operating Expenses	15,883,114	16,481,249	16,437,346	15,751,206	15,927,042	16,197,280	14,752,232	15,926,512	16,171,102	19,088,255
Net Available Revenue	4,485,274	4,186,402	1,840,535	4,817,778	5,268,553	4,658,148	5,163,093	3,756,939	(317,231)	2,289,180
Debt Service										
Principal	220,000	330,000	310,000	295,000	495,000	595,000	660,000	675,000	680,000	700,000
Interest	161,610	254,199	302,267	211,699	494,608	355,092	352,909	295,345	247,449	398,214
Total Debt Service	381,610	584,199	612,267	506,699	989,608	950,092	1,012,909	970,345	927,449	1,098,214
Coverage (A)	11.75	7.17	3.01	9.51	5.32	4.90	5.10	3.87	-0.34	2.08

Water System Revenue Bonds										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues (B)										
Operating Revenues	\$ 12,018,699	\$ 12,872,027	\$ 12,526,187	\$ 14,609,342	\$ 13,560,159	\$ 12,976,357	\$ 14,402,391	\$ 15,451,374	\$ 16,755,588	\$ 17,550,913
Interest Revenue	6,710	28,312	11,916	11,179	12,316	15,160	29,280	39,851	77,031	218,147
Intergovernmental	-	-	187,605	216,885	165,991	99,309	76,986	131,334	36,855	1,319,195
Total Revenues	12,025,409	12,900,339	12,725,708	14,837,406	13,738,466	13,090,826	14,508,657	15,622,559	16,869,474	19,088,255
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	10,500,491	10,888,856	10,877,839	9,802,781	9,715,638	10,565,861	11,791,040	11,468,537	11,028,537	15,175,424
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	-	-	-	205,428	187,302	189,820	192,841
Interest	-	-	-	-	-	-	313,767	364,013	391,840	375,339
Add: OPEB Contributions Made (D)	-	-	-	-	-	-	-	298,200	298,200	298,200
Less:										
Payment in Lieu of Taxes	(546,229)	(538,440)	(544,104)	(563,472)	(572,844)	(582,900)	(584,724)	(595,716)	(598,188)	(604,560)
Pension and OPEB (E)	(1,224,116)	(1,515,414)	(1,632,255)	(676,485)	(565,523)	(427,422)	(1,085,887)	(315,810)	256,436	(2,161,936)
Total Direct Operating Expenses	8,730,146	8,835,002	8,701,480	8,562,824	8,577,271	9,555,539	10,639,624	11,406,526	11,566,645	13,275,308
Net Available Revenue	3,295,263	4,065,337	4,024,228	6,274,582	5,161,195	3,535,287	3,869,033	4,216,033	5,302,829	5,812,947
Debt Service										
Principal	1,315,000	1,360,000	1,425,000	1,351,351	1,600,000	1,675,000	1,825,000	1,225,000	1,335,000	1,300,000
Interest	859,744	1,150,010	1,247,232	1,255,318	968,005	798,448	651,950	676,511	720,214	976,017
Total Debt Service	2,174,744	2,510,010	2,672,232	2,606,669	2,568,005	2,473,448	2,476,950	1,901,511	2,055,214	2,276,017
Coverage	1.52	1.62	1.51	2.41	2.01	1.43	1.56	2.22	2.58	2.55

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

- (A) The Wastewater coverage is artificially low in 2017 due to a true-up adjustment of \$3,155,000 accrued for the 2013-2016 true up settlement to be returned to customers through rate reductions in future years. If this is factored in, the debt service coverage would be 3.08 in 2017.
- (B) 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.
- (C) 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.
- (D) 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.
- (E) The reduction for Pension and Post Employment benefits was restated in 2016 to include pension adjustment and remove employer contribution from OPEB adjustment. In 2018, this is a negative adjustment as the pension adjustment increased operating expenses due to an unfavorable change in the net pension benefit.

DOWNTOWN DEVELOPMENT AUTHORITY

PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE

December 31, 2018
(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	787,418	450,000	4.00%	27,000	477,000	1.65
2018	-	450,000	4.00%	9,000	459,000	-
		<u>\$ 2,105,000</u>		<u>\$ 203,563</u>	<u>\$ 2,308,563</u>	

Source: City of Kalamazoo

Note: Tax Increment Revenues for the year December 31, 2017 represent tax year 2016 not available at December 31, 2016. There are no tax increment revenues available for tax year 2017 and none projected for 2018 due to a loss in district value in 2017.

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
2009	72,825	\$ 24,517	\$ 1,785,450,525	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%
2017	75,807	19,968	1,513,714,176	25.8	12,759	5.1%
2018	76,545	22,146	1,695,165,570	39.8	12,673	4.1%

Data Sources:

- (A) United States Census Bureau. Based on July 2018 Census estimates.
- (B) State of Michigan Fall 2016 Student Count as reported at 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	2018			2008		
		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	8,600	1	6.5%	3,729	3	2.8%
Western Michigan University	Education	4,237	2	3.2%	4,045	2	3.0%
Stryker Corporation	Medical Equipment	3,300	3	2.5%	1,792	6	1.3%
Borgess Medical Center	Pharmaceuticals	1,399	4	1.1%	4,642	1	3.5%
Pfizer Corporation	Pharmaceuticals	2,202	5	1.7%	3,200	4	2.4%
Kalamazoo Public Schools	Education	1,750	6	1.3%	2,200	5	1.6%
Portage Public Schools	Education	1,400	7	1.1%	1,229	9	0.9%
Kalamazoo Valley CC	Education	1,000	8	0.8%	1,076	11	N/A
Kalamazoo County	Government	1,000	9	0.8%	1,065	12	N/A
Zoetis	Pharmaceuticals	1,000	10	0.8%			N/A
Total		25,888		19.8%	22,978		15.5%

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)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	75	65	75	65	60	60	59	61	74	81
Public safety	301	287	287	290	262	257	259	259	270	281
Economic development	6	6	6	5	4	4	4	6	6	7
Community development and planning	40	39	40	37	36	30	30	30	33	34
Parks and recreation	19	18	18	22	14	14	14	13	14	14
Public works	44	43	42	47	39	37	37	39	41	36
Streets	33	30	35	28	27	23	25	25	30	31
Wastewater	94	87	87	84	64	67	68	67	75	73
Water	79	76	61	63	50	51	47	46	57	71
Total	691	651	651	641	556	543	543	546	600	628

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>2009</u>	<u>2010</u>	<u>2011</u>
General Government:			
Assessors:			
Number of real property parcels	23,430	23,987	23,350
Cost to assess real property - per parcel	\$21.90	\$18.29	\$22.09
Revenue gained per real property parcel for new development	(\$9.70)	(\$85.14)	(\$0.36)
Number of personal property accounts	3,632	3,322	3,064
Cost to assess personal property - per parcel	\$49.89	\$43.71	\$42.08
New personal property accounts	292	184	N/A
Cost savings due to office realignment - per period			(3)
Treasury:			
Percent of City operation tax collected at year end	92%	93%	94%
Average rate of return on investments	T-Bill + 203 basis points	T-Bill + 63 basis points	T-Bill +22 basis points
Public Safety:			
Fire safety:			
Number of residential fires/Number of fatal fires	140 / 2	140 / 0	N/A
Number of fire inspections completed	2,700	2,700	N/A
Kalamazoo Valley Enforcement Team (KVET):			
Number of investigations	989	909	975
Number of arrests (includes warrants)	783	729	790
Operations:			
Number of calls for service	97,100	94,100	73,433
Number of persons arrested	8,672	8,900	7,800
Traffic citations issued	28,058	25,000	12,348
Traffic accidents / OUIL Arrests	3,069 / 393	3,069 / 400	2,917
Economic development:			
Number of tax exempt acres redeveloped	34.4	0	2.19
Private investment leveraged / jobs created	\$17,000,000 / 82	\$6,100,000 / 120	\$16,800,000 / 114
New taxable value added to the City	\$4,200,000	\$2,400,000	\$2,199,000
Community development and planning:			
Number of housing inspections	13,654	14,089	12,802
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	235	568	N/A
Number of persons impacted by housing-related grant award activities	2,063	2,702	N/A
Parks and recreation:			
Number of park reservations and public events	194	211	225
Number of family programs	12	7	9
Number of people served through family programs	9,083	7,212	6,788
Number of youth development programs	57	54	48
Number of people served through youth development programs	10,818	12,566	2,440
Number of youth served through grant programs	-	-	-

OPERATING INDICATORS BY FUNCTION - CONTINUED

Last Ten Years
(Unaudited)

2012	2013	2014	2015 (B)	2016 (A)	2017	2018
23,380	23,256	23,788	23,275	23,300	23,840	23,644
\$21.49	\$18.38	\$18.38	\$17.27	\$17.46	N/A	N/A
\$0.60	\$3.11	\$0.00	\$0.00	(\$0.19)	N/A	N/A
2,935	2,985	3,243	3,064	3,200	3,073	2,825
\$42.79	\$23.93	\$23.79	\$23.15	\$22.43	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
(\$0.71)	\$18.86	\$0.14	\$0.78	\$0.72	N/A	N/A
94%	95%	95%	95%	95%	97%	97%
T-Bill +20 basis points	T-Bill +20 basis points	T-Bill +20 basis points	T-Bill +20 basis points	T-Bill + 15 basis pts	T-Bill + 15 basis pts	T-Bill + 5 basis pts
N/A	N/A	N/A	N/A	N/A	69 / 2	60 / 0
N/A	N/A	N/A	N/A	N/A	2,231	2,455
871	640	871	1,000	1,100	404	332
871	660	871	800	900	354	200
101,000	101,000	101,000	102,000	102,000	107,797	107,508
8,836	8,500	8,836	8,500	8,200	5,346	5,918
17,537	15,000	17,537	15,000	12,000	6,491	6,414
2,700	3,000	2,700	3,000	3,000	3,283 / 280	3136 / 273
0.98	2.62	2.62	2.23	7.133	0.21	0.564
\$12,500,000/28 \$822,000	\$12,900,000/47 \$727,000	\$12,900,000/47 \$727,000	\$10,100,000/128 \$4,400,000	\$23,000,000/182 \$4,400,000	\$8,900,000/45 \$1,330,918	5375000/55 \$1,524,906
7,364	10,100	10,310	12,900	13,000	1,681	1,495
N/A	N/A	N/A	N/A	N/A	7,461	6,310
N/A	N/A	N/A	N/A	N/A	6,318	6,160
147	268	N/A	N/A	N/A	171	159
510	428	N/A	N/A	N/A	1,027	506
225	170	180	180	185	1,750	222
9	N/A	N/A	N/A	N/A	30	53
3,851	N/A	N/A	N/A	N/A	N/A	N/A
48	50	N/A	N/A	N/A	41	45
6,245	4,883	N/A	N/A	N/A	N/A	547
-	-	-	-	N/A	N/A	N/A

OPERATING INDICATORS BY FUNCTION - CONTINUED

Last Ten Years
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government - Concluded:			
Public works:			
Number of sidewalk repairs	85	87	92
Volume of leaves collected (cubic yards)	70,000	90,000	90,000
Volume of material recycled (tons)	2,350	2,400	2,400
Number of housing units participating in recycling activities	21,000	21,500	21,500
Volume of solid waste collected (cubic yards)	9,975	9,845	9,958
Streets:			
Number of repairs on major streets	181	185	180
Value of Repairs per staff hour on major streets	\$295	\$300	\$315
Number of repairs on local streets	484	475	450
Value of Repairs per staff hour on local streets	\$245	\$255	\$265
Water:			
Cubic meters of water billed (millions)	22.4	22.6	22.6
Average operating cost to produce one cubic meter of water	\$0.440	\$0.460	\$0.460
Number of utility bills mailed	251,449	252,780	252,780
Wastewater:			
Cubic meters of wastewater treated (millions)	36.2	36.2	34.9
Average operating cost to treat one cubic meter of wastewater	\$0.440	\$0.440	\$0.550
Number of sanitary main line stoppages	14	14	28

Source: City of Kalamazoo Adopted Budget

- (A) 2016 has been adopted in conjunction with the 2016 budget. The City is undergoing reiew of the of performance measures with the implementation of priority based budgeting.
- (B) 2015 data is projected in conjunction with the City of Kalamazoo 2016 proposed budget procedures.

OPERATING INDICATORS BY FUNCTION - CONCLUDED

Last Ten Years
(Unaudited)

2012	2013	2014	2015 (B)	2016 (A)	2017 (A)	2018
N/A	N/A	N/A	N/A	N/A	N/A	N/A
90,500	90,500	90,000	90,000	90,000	90,000	N/A
2,510	2,510	2,550	2,550	2,550	588	2,140
21,575	21,575	21,700	8,200	8,200	9,500	10,812
9,989	9,989	10,000	17,451	15,625	3,572	1,652
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
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
22.4	22.4	22.9	21.36	20.19	22.24	21.14
\$0.550	\$0.520	\$0.510	\$0.500	\$0.800	\$0.496	\$0.718
N/A	N/A	N/A	N/A	N/A	N/A	N/A
35.6	35.5	35.2	35.58	35.95	36.054	28.7
\$0.650	\$0.620	\$0.610	\$0.500	\$0.660	\$0.572	\$0.755
N/A	N/A	N/A	N/A	N/A	N/A	N/A

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years
(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	8	8	7	7	7	4	4	4	4	4
Parking lots	7	7	7	7	7	7	7	12	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	6	6	6	6	5	5
Training facility	1	1	1	1	1	1	1	1	1	1
Vehicles	198	196	191	192	204	165	162	163	163	163
Community development and planning:										
Vehicles	27	27	27	27	24	15	13	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	4.8	5.7	5.7	5.71	5.71	5.71
Neighborhood parks and playgrounds	111.5	111.5	111.5	111.5	87.1	86.5	86.5	86.5	86.5	86.5
Major community parks	728.5	728.5	728.5	728.5	n/a	n/a	n/a	N/A	N/A	N/A
Open green space and preserves	137.0	137.0	137.0	137.0	n/a	n/a	n/a	N/A	N/A	N/A
Community parks	n/a	n/a	n/a	n/a	161.7	188.2	158.2	158.2	158.2	158.2
Large urban parks	n/a	n/a	n/a	n/a	181.0	181.0	181.0	181	181	181
Small urban parks	n/a	n/a	n/a	n/a	6.2	6.2	6.1	6.14	6.14	6.14
Sports complex	n/a	n/a	n/a	n/a	93.1	93.1	93.1	93.1	93.1	93.1
Natural resources areas	n/a	n/a	n/a	n/a	89.2	89.2	92.6	92.61	92.61	92.61
Green spaces	n/a	n/a	n/a	n/a	6.0	6.0	25.9	25.88	25.88	25.88
Islands and right of ways	n/a	n/a	n/a	n/a	16.2	16.2	182.2	182.23	182.23	182.23
Number of parks (C):										
Mini-parks	9	9	9	9	7	8	8	8	8	8
Neighborhood parks and playgrounds	14	14	14	14	15	14	14	14	14	14
Major community parks	8	8	8	8	n/a	n/a	n/a	N/A	N/A	N/A
Open green space and preserves	17	17	17	17	n/a	n/a	n/a	N/A	N/A	N/A
Community parks	n/a	n/a	n/a	n/a	6.0	6	6	6	6	6
Large urban parks	n/a	n/a	n/a	n/a	1.0	1	1	1	1	1
Small urban parks	n/a	n/a	n/a	n/a	4.0	4	4	4	4	4
Sports complex	n/a	n/a	n/a	n/a	1.0	1	1	1	1	1
Natural resources areas	n/a	n/a	n/a	n/a	1.0	1	2	2	2	2
Green spaces	n/a	n/a	n/a	n/a	6.0	6	10	10	10	10
Islands and right of ways	n/a	n/a	n/a	n/a	28.0	28	40	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	3	3	3	3	2	3	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	166.38	166.38	166.38	166.24	166.25	166.25
Major streets (miles)	82.39	82.39	82.39	82.39	83.62	83.62	83.62	83.62	83.62	83.62
Traffic signals	135	135	135	136	85	85	85	84	84	84

CAPITAL ASSET STATISTICS BY FUNCTION - CONCLUDED

Last Ten Years
(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Wastewater:										
Sanitary sewers (miles)	293	293	293	293	294	294	294	295	295	295
Storm sewers mains (miles)	187.5	187.5	187.5	187.5	188.0	188.1	188.7	188.9	188.9	188.9
Number of lift stations maintained	54	54	54	59	60	60	60	62	62	62
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.3	53.3	53.3
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	16	16	16	16	16	16
Booster/bleeder stations	13	13	13	15	17	17	17	19	22	22
Water mains (miles)	665	665	807	812	753	755	756	761	768	771
Wells in Service	99	99	99	99	99	99	99	98	98	98
Maximum daily well capacity (millions of gallons)	66.79	66.79	66.79	66.79	60.00	60.00	60.00	71.86	77.00	77.00
Storage capacity (millions of gallons)	17.80	17.80	17.80	17.80	15.10	15.10	15.10	15.10	15.10	15.10
Internal service:										
Public works equipment (A)										
Utility and other vehicles	90	91	95	76	112	107	99	103	103	103
Public utilities equipment (B)										
Utility and other vehicles	136	136	130	115	89	81	79	84	84	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, 2018
(Unaudited)

REVENUES	
Building Permits	\$ 404,851
Electrical Permits	212,106
Mechanical Permits	276,676
Plumbing Permits	120,568
Other Permits & License Fees	<u>35,030</u>
TOTAL REVENUES	1,049,231
EXPENDITURES	
Wages, Salaries and Benefits	563,076
Supplies	1,866
Services	166,132
Administrative Overhead*	<u>136,015</u>
TOTAL EXPENDITURES	<u>867,089</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ 182,142</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
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
2017	1,086,258	-	-	94,301,279	95,387,537
2018	1,209,623	-	-	(47,440,721)	(46,231,098)

Expenses by Type

Year Ended December 31	Benefits	Administrative Expenses (A)	Refunds	Total
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
2017	28,407,023	147,099	84,357	28,638,479
2018	29,858,901	147,100	72,516	30,078,517

(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 Ten Years
(Unaudited)

TOTAL TAXABLE VALUE

Taxable Value as of December 31	Year of State Equalization and Tax Levy	Year Ended December 31	Ad Valorem Taxable Value (1)	Abated Taxable Value (2)	Total Taxable Value	Percent Increase over Prior Year
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	0.11%
2014	2015	2015	1,500,947,195	28,072,053	1,529,019,248	1.66%
2015	2016	2016	1,462,099,732	17,628,144	1,479,727,876	-3.22%
2016	2017	2017	1,493,156,087	16,520,717	1,509,676,804	2.02%
2017	2018	2018	1,526,454,237	15,000,119	1,541,454,356	0.81%
Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2018 (3)						\$ 20,756.97

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, 2018, the Taxable Value of the property located in the Zone totaled \$169,589.

(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 Ten Years
(Unaudited)

TOTAL TAXABLE VALUE BY USE AND CLASS

Use	Years Ended December 31									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commercial	\$ 606,607,218	\$ 563,036,502	\$ 541,614,381	\$ 507,611,427	\$ 495,648,966	\$ 486,985,744	\$ 495,189,274	\$ 496,931,154	\$ 507,348,673	\$ 533,249,989
Industrial	288,393,750	267,710,185	266,864,890	256,822,892	249,610,325	258,266,381	193,572,902	137,394,270	135,331,167	115,787,489
Residential	857,033,288	836,667,489	818,666,198	761,980,961	757,157,146	758,825,584	771,446,995	782,369,508	800,965,878	826,118,059
	<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>	<u>\$ 1,443,645,718</u>	<u>\$ 1,475,155,537</u>
Class										
Real	\$ 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	\$ 1,345,071,285	\$ 1,374,007,387
Personal	240,339,200	239,249,150	240,657,650	236,675,150	232,811,600	225,108,500	226,053,325	161,551,150	164,740,950	152,446,850
	<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>	<u>\$ 1,509,812,235</u>	<u>\$ 1,526,454,237</u>

PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS

Use	Years Ended December 31									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commercial	34.62%	33.77%	33.29%	33.26%	32.99%	32.38%	33.91%	35.08%	35.14%	36.15%
Industrial	16.46%	16.06%	16.40%	16.83%	16.61%	17.17%	13.26%	9.70%	9.37%	7.85%
Residential	48.92%	50.18%	50.31%	49.92%	50.40%	50.45%	52.83%	55.22%	55.48%	56.00%
	<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>44.5%</u>	<u>100.0%</u>
Class										
Real	86.28%	85.65%	85.21%	84.49%	84.50%	85.03%	85.22%	89.08%	89.09%	90.01%
Personal	13.72%	14.35%	14.79%	15.51%	15.50%	14.97%	14.78%	10.92%	10.91%	9.99%
	<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>	<u>100.0%</u>

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

STATE EQUALIZED VALUATION

Last Ten 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
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%
2016	2017	2017	1,673,354,196	17,058,500	1,690,412,696	6.20%
2017	2018	2018	1,700,749,306	15,553,589	1,716,302,895	7.83%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2018 (3)						\$ 23,111.46

(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, 2018, the State Equalized Value of the property located in the Zone totaled \$226,900.

(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 Ten Years
(Unaudited)

Total SEV by Use and Class

Use	Years Ended December 31									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commercial	\$ 659,635,900	\$ 594,185,500	\$ 572,537,400	\$ 525,231,000	\$ 509,014,740	\$ 517,882,600	\$ 528,394,800	\$ 528,941,500	\$ 582,129,960	\$ 607,340,600
Industrial	295,190,600	272,429,550	270,606,100	259,257,328	251,795,650	260,347,050	264,425,400	46,079,516	171,329,300	119,430,400
Residential	958,208,614	913,804,795	877,311,809	791,395,636	788,431,162	799,430,100	831,161,852	859,518,620	907,877,736	922,679,606
	<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>	<u>\$ 1,661,336,996</u>	<u>\$ 1,649,450,606</u>
Class										
Real	\$ 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	\$ 1,539,350,196	\$ 1,548,326,006
Personal	240,295,600	239,246,450	240,669,150	236,681,250	232,577,750	224,602,400	225,352,950	161,454,950	121,986,800	152,423,300
	<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>	<u>\$ 1,661,336,996</u>	<u>\$ 1,700,749,306</u>

Percent of Total SEV by Use and Class

Use	Years Ended December 31									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commercial	34.48%	33.37%	33.28%	33.33%	32.86%	32.83%	32.54%	36.87%	35.04%	36.82%
Industrial	15.43%	15.30%	15.73%	16.45%	16.25%	16.50%	16.28%	3.21%	10.31%	7.24%
Residential	50.09%	51.33%	50.99%	50.22%	50.89%	50.67%	51.18%	59.92%	54.65%	55.94%
	<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>	<u>100.0%</u>
Class										
Real	87.44%	86.56%	86.01%	84.98%	84.99%	85.76%	86.12%	89.86%	92.66%	91.04%
Personal	12.56%	13.44%	13.99%	15.02%	15.01%	14.24%	13.88%	10.14%	7.34%	8.96%
	<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>	<u>100.0%</u>

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

MAXIMUM AND ACTUAL TAX RATES

December 31, 2018
(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	19.2319	19.2319	12.0000
Refuse Collection and Disposal	<u>2.8906</u>	2.8848	<u>2.8848</u>	<u>1.8000</u>
	<u>22.8906</u>		<u>22.1167</u>	<u>13.8000</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Constitutional	\$ 5,038,645	\$ 4,997,354	\$ 5,234,462	\$ 5,376,641	\$ 5,451,748	\$ 5,619,666	\$ 5,591,705	\$ 5,650,526	\$ 6,113,479	\$ 6,234,855
Statutory	4,625,220	3,597,688	2,828,982	2,517,264	2,517,264	2,855,788	2,913,327	2,913,324	2,933,365	2,973,344
Total payments received	9,663,865	8,595,042	8,063,444	7,893,905	7,969,012	8,475,454	8,505,032	8,563,850	9,046,844	9,208,199
Disbursement to other governmental units (1)	-	-	-	-	-	-	-	-	-	-
Net revenue sharing	<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>	<u>\$ 9,046,844</u>	<u>\$ 9,208,199</u>
% of General Fund revenue (2)	18.6%	16.8%	15.0%	16.1%	16.1%	16.6%	16.0%	16.0%	15.6%	14.6%

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

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

RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND

Last Ten Years
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cash Basis										
Major Streets	\$ 3,785,194	\$ 3,800,114	\$ 3,856,427	\$ 3,970,573	\$ 4,058,818	\$ 4,142,990	\$ 4,305,689	\$ 4,364,625	\$ 5,681,289	\$ 5,655,318
Local Streets	1,073,035	1,076,285	1,089,278	1,119,306	1,144,434	1,170,270	1,216,344	1,233,421	1,605,587	1,735,940
	<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>	<u>\$ 7,286,876</u>	<u>\$ 7,391,258</u>
Accrual Basis										
Major Streets	\$ 3,792,932	\$ 3,803,492	\$ 3,885,881	\$ 3,982,120	\$ 4,064,225	\$ 4,144,079	\$ 4,336,895	\$ 4,458,804	\$ 5,811,846	\$ 6,091,576
Local Streets	1,075,337	1,076,655	1,097,173	1,122,618	1,146,275	1,170,571	1,225,244	1,260,035	1,642,573	1,720,581
	<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>	<u>\$ 7,454,419</u>	<u>\$ 7,812,157</u>

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

LABOR CONTRACTS

December 31, 2018
(Unaudited)

Bargaining Unit	Membership	Contract Expiration Date
American Federation of State, County and Municipal Employees	120	October 2, 2019
Kalamazoo Municipal Employees Association	96	December 31, 2020
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	49	December 31, 2021
Kalamazoo Police Officers Association (Officers and Detectives)	212	December 31, 2021
Non-Union	151	Not Applicable
Total Employees	628	

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
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%
2017	35,396	1,917	37,313	5.1%	4,657,000	227,000	4,884,000	4.6%
2018	35,585	1,527	37,112	4.1%	4,695,000	201,000	4,896,000	4.1%

Source: Michigan Department of Technology, Management & Budget - Michigan Bureau of Labor Market Information and Strategic Initiatives

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

WATER SUPPLY SYSTEM

Water Supply Franchises
(Unaudited)

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

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

* For any contracts which have expired, the City and the affected Township(s) are continuing their relationship under the continuation portion of the agreement(s) 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	2014		2015		2016		2017		2018	
City:										
Residential	17,279	37.38%	17,289	37.08%	17,352	37.03%	17,399	36.17%	17,748	37.02%
Commercial / Industrial	6,029	13.04%	6,047	12.97%	6,039	12.89%	6,053	12.58%	5,175	10.79%
Total City	23,308	50.43%	23,336	50.04%	23,391	49.91%	23,452	48.76%	22,923	47.81%
Out City:										
Residential	17,072	36.94%	17,225	36.94%	17,444	37.22%	18,178	37.79%	18,547	38.68%
Commercial / Industrial	5,841	12.64%	6,070	13.02%	6,030	12.87%	6,467	13.45%	6,477	13.51%
Total Out City	22,913	49.57%	23,295	49.96%	23,474	50.09%	24,645	51.24%	25,024	52.19%
Total System:										
Residential	34,351	74.32%	34,514	74.02%	34,796	74.25%	35,577	73.97%	36,295	75.70%
Commercial / Industrial	11,870	25.68%	12,117	25.98%	12,069	25.75%	12,520	26.03%	11,652	24.30%
Total System	46,221	100.00%	46,631	100.00%	46,865	100.00%	48,097	100.00%	47,947	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/Hydrant

Last Three Years
(Unaudited)

		2016		2017		2018	
Meter Location and Size							
City:							
	5/8" - 3/4"	16,427	35.07%	16,440	34.97%	15,158	34.85%
	1"	2,472	5.28%	2,494	5.31%	2,991	6.88%
	1 1/2"	249	0.53%	253	0.54%	233	0.54%
	2"	1,063	2.27%	1,061	2.26%	1,181	2.72%
	3"	205	0.44%	208	0.44%	211	0.49%
	4"	102	0.22%	103	0.22%	113	0.26%
	6"	0	0.00%	0	0.00%	1	0.00%
	8"	0	0.00%	0	0.00%	0	0.00%
Total City		<u>20,518</u>	<u>43.80%</u>	<u>20,559</u>	<u>43.73%</u>	<u>19,888</u>	<u>45.73%</u>
Out City:							
	5/8" - 3/4"	8,422	17.98%	8,406	17.88%	9,718	22.34%
	1"	9,824	20.97%	9,839	20.93%	9,830	22.60%
	1 1/2"	367	0.78%	361	0.77%	351	0.81%
	2"	972	2.08%	939	2.00%	1,150	2.64%
	3"	120	0.26%	115	0.24%	122	0.28%
	4"	56	0.12%	50	0.11%	57	0.13%
	6"	13	0.03%	12	0.03%	13	0.03%
	8"	0	0.00%	0	0.00%	0	0.00%
Total Out City		<u>19,774</u>	<u>42.22%</u>	<u>19,722</u>	<u>41.95%</u>	<u>21,241</u>	<u>48.84%</u>
Total Meters		<u>40,292</u>	<u>86.02%</u>	<u>40,281</u>	<u>85.69%</u>	<u>41,129</u>	<u>94.56%</u>
Location and Size of Fire Protection Line/Hydrant							
City:							
	4"	226	0.48%	218	0.46%	922	2.12%
	6"	167	0.36%	169	0.36%	158	0.36%
	8"	86	0.18%	85	0.18%	77	0.18%
	10"	2	0.00%	2	0.00%	2	0.00%
	Hydrants	<u>2,415</u>	<u>5.16%</u>	<u>2,418</u>	<u>5.14%</u>	<u>311</u>	<u>0.72%</u>
Total City		<u>2,896</u>	<u>6.18%</u>	<u>2,892</u>	<u>6.15%</u>	<u>1,470</u>	<u>3.38%</u>
Out City:							
	4"	200	0.43%	184	0.39%	263	0.60%
	6"	101	0.22%	97	0.21%	110	0.25%
	8"	72	0.15%	68	0.14%	75	0.17%
	10"	5	0.01%	5	0.01%	34	0.08%
	Hydrants	<u>3,274</u>	<u>6.99%</u>	<u>3,483</u>	<u>7.41%</u>	<u>412</u>	<u>0.95%</u>
Total Out City		<u>3,652</u>	<u>7.80%</u>	<u>3,837</u>	<u>8.16%</u>	<u>894</u>	<u>2.06%</u>
Total Fire Protection		<u>6,548</u>	<u>13.98%</u>	<u>6,729</u>	<u>14.31%</u>	<u>2,364</u>	<u>5.44%</u>
Total Service Connections		<u>46,840</u>	<u>100.00%</u>	<u>47,010</u>	<u>100.00%</u>	<u>43,493</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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City (Quarterly Billed Accounts):					
5/8" Meter	\$ 20.35	\$ 20.35	\$ 20.35	\$ 21.98	\$ 25.72
1" Meter	27.02	27.02	27.02	29.18	34.14
1-1/2" Meter	33.69	33.69	33.69	36.39	42.58
2" Meter	52.03	52.03	52.03	56.19	65.74
City (Monthly Billed Accounts):					
5/8" Meter	9.23	9.23	9.23	9.97	11.66
1" Meter	11.45	11.45	11.45	12.37	14.47
1-1/2" Meter	13.68	13.68	13.68	14.77	17.28
2" Meter	19.79	19.79	19.79	21.37	25.00
3" Meter	64.81	64.81	64.81	69.99	81.89
4" Meter	81.49	81.49	81.49	88.01	102.97
6" Meter	120.40	120.40	120.40	130.03	152.14
8" Meter	164.86	164.86	164.86	178.05	208.32
City (Monthly Fire Protection Charge):					
4" Detector Check	21.59	21.59	21.59	23.32	27.28
6" Detector Check	26.93	26.93	26.93	29.08	34.02
8" Detector Check	37.58	37.58	37.58	40.59	47.49
10" Detector Check	80.05	80.05	80.05	86.45	101.15
Fire Hydrant	3.33	3.33	3.33	3.33	3.33
Out City (Quarterly Billed Accounts):					
5/8" Meter	27.95	27.95	27.95	30.19	30.64
1" Meter	37.66	37.66	37.66	40.67	41.28
1-1/2" Meter	47.37	47.37	47.37	51.16	51.93
2" Meter	74.08	74.08	74.08	80.01	81.21
Out City (Monthly Billed Accounts):					
5/8" Meter	11.76	11.76	11.76	12.70	12.89
1" Meter	15.00	15.00	15.00	16.20	16.44
1-1/2" Meter	18.24	18.24	18.24	19.70	20.00
2" Meter	27.14	27.14	27.14	29.31	29.75
3" Meter	92.70	92.70	92.70	100.12	101.62
4" Meter	116.98	116.98	116.98	126.34	128.24
6" Meter	173.63	173.63	173.63	187.52	190.30
8" Meter	238.38	238.38	238.38	257.45	261.31
Out City (Monthly Fire Protection Charge):					
4" Detector Check	33.93	33.93	33.93	36.64	37.19
6" Detector Check	41.42	41.42	41.42	44.73	45.40
8" Detector Check	56.16	56.16	56.16	60.65	61.56
10" Detector Check	112.72	112.72	112.72	121.74	13.57
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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City:					
Residential	\$0.270	\$0.270	\$0.270	\$0.292	\$0.342
Multifamily	0.244	0.244	0.244	0.264	0.309
Commercial/Industrial	0.272	0.272	0.272	0.294	0.344
Fire Protection - First 15 M3	0.267	0.267	0.267	0.288	0.337
Fire Protection - Over 15 M3	0.801	0.801	0.801	0.864	1.012
Seasonal Uses	0.421	0.421	0.421	0.451	0.532
Out City:					
Residential	\$0.554	\$0.554	\$0.554	\$0.598	\$0.607
Multifamily	0.371	0.371	0.371	0.401	0.407
Commercial/Industrial	0.416	0.416	0.416	0.449	0.456
Fire Protection - First 15 M3	0.409	0.409	0.409	0.442	0.449
Fire Protection - Over 15 M3	1.227	1.227	1.227	1.326	1.345
Seasonal Uses	0.863	0.863	0.863	0.932	0.946

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%
July 1, 2017	8.00%
January 29, 2018	4.00%

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

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

WATER SUPPLY SYSTEM

Water Supply Volume as Pumped and Billed (1)

Last Five Years
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Pumped	23,169,006	24,493,351	25,220,179	26,237,085	27,186,486
Billed	<u>19,771,279</u>	<u>20,279,855</u>	<u>20,913,093</u>	<u>22,238,541</u>	<u>21,137,276</u>
Unaccounted (2) (3)	<u>3,397,727</u>	<u>4,213,496</u>	<u>4,307,086</u>	<u>3,998,544</u>	<u>6,049,210</u>
Unaccounted as a Percent of Pumped (3)	<u>14.66%</u>	<u>17.20%</u>	<u>17.08%</u>	<u>15.24%</u>	<u>22.25%</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.
- (3) Back flushing for City of Parchment PFAS emergency was not billed until March 2019. The volume was not available at the time of this report. This is part of the Unaccounted Volume.

WATER SUPPLY SYSTEM

Water Volume as Billed by Meter
Location and Classification

Last Five Years
(Unaudited)

Meter Location and Classification	2014		2015		2016		2017		2018	
City:										
Residential	3,862,677	19.54%	3,944,462	19.45%	3,931,399	18.80%	4,067,472	18.29%	3,779,291	17.88%
Multifamily	1,655,786	8.38%	1,712,698	8.45%	1,682,894	8.05%	1,704,537	7.66%	1,726,211	8.17%
Commercial/Industrial	4,837,405	24.47%	4,841,171	23.87%	4,886,681	23.37%	4,961,615	22.31%	5,092,378	24.09%
Fire Protection	4,985	0.03%	4,241	0.02%	13,178	0.06%	5,959	0.03%	20,687	0.10%
Seasonal Uses (1)	488,857	2.47%	393,133	1.94%	579,154	2.77%	551,001	2.48%	450,164	2.13%
Total City	10,849,710	54.88%	10,895,705	53.73%	11,093,306	53.04%	11,290,584	50.77%	11,068,731	52.37%
Out City:										
Residential	4,646,594	23.50%	4,737,107	23.36%	5,247,726	25.09%	5,730,535	25.77%	5,146,635	24.35%
Multifamily	1,420,177	7.18%	1,647,921	8.13%	1,552,244	7.42%	1,619,700	7.28%	1,659,616	7.85%
Commercial/Industrial	2,543,260	12.86%	2,700,515	13.32%	2,647,074	12.66%	2,976,469	13.38%	2,854,022	13.50%
Fire Protection	2,432	0.01%	2,575	0.01%	3,330	0.02%	1,743	0.01%	3,662	0.02%
Seasonal Uses (1)	307,645	1.56%	296,032	1.46%	369,413	1.77%	619,510	2.79%	404,610	1.91%
Total Out City	8,920,108	45.12%	9,384,150	46.27%	9,819,787	46.96%	10,947,957	49.23%	10,068,545	47.63%
Total System:										
Residential	8,509,271	43.04%	8,681,569	42.81%	9,179,125	43.89%	9,798,007	44.06%	8,925,926	42.23%
Multifamily	3,075,963	15.56%	3,360,619	16.57%	3,235,138	15.47%	3,324,237	14.95%	3,385,827	16.02%
Commercial/Industrial	7,380,665	37.33%	7,541,686	37.19%	7,533,755	36.02%	7,938,084	35.70%	7,946,400	37.59%
Fire Protection	7,417	0.04%	6,816	0.03%	16,508	0.08%	7,702	0.03%	24,349	0.12%
Seasonal Uses (2)	796,502	4.03%	689,165	3.40%	948,567	4.54%	1,170,511	5.26%	854,774	4.04%
Total System	19,769,818	100.00%	20,279,855	100.00%	20,913,093	100.00%	22,238,541	100.00%	21,137,276	100.00%

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)

	2014	2015	2016	2017	2018
Average Daily Water Supply	18.430	17.730	18.260	18.970	15.750
Peak Daily Water Supply	29.400	29.950	31.620	37.220	34.440
Peak as a Percent of Average	159.52%	168.92%	173.17%	196.20%	218.67%

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

(1) Measured in millions of gallons per day. Water Treatment capacity is 66.79.

WATER SUPPLY SYSTEM

Water Supply Revenue as Billed by Meter
Location and Classification

Last Five Years
(Unaudited)

Meter Location and Classification	2014		2015		2016		2017		2018	
City:										
Residential	\$ 2,515,121	19.86%	\$ 2,507,911	19.18%	\$ 2,510,012	18.58%	\$ 2,755,750	17.90%	\$ 3,099,630	19.53%
Multifamily	615,002	4.86%	620,474	4.75%	613,546	4.54%	669,148	4.35%	789,785	4.98%
Commercial/Industrial	1,815,035	14.33%	1,788,986	13.68%	1,799,505	13.32%	1,975,748	12.83%	2,361,881	14.88%
Fire Protection	162,133	1.28%	151,119	1.16%	160,931	1.19%	170,342	1.11%	214,603	1.35%
Seasonal Uses	241,911	1.91%	198,832	1.52%	275,712	2.04%	286,083	1.86%	280,139	1.76%
Total City	5,349,202	42.24%	5,267,322	40.29%	5,359,706	39.68%	5,857,071	38.05%	6,746,038	42.50%
Out City:										
Residential	4,635,360	36.60%	4,888,888	37.40%	5,204,737	38.53%	5,943,255	38.61%	5,705,270	35.94%
Multifamily	768,138	6.07%	879,118	6.72%	849,589	6.29%	947,815	6.16%	977,053	6.15%
Commercial/Industrial	1,454,260	11.48%	1,576,503	12.06%	1,566,763	11.60%	1,840,893	11.96%	1,830,144	11.53%
Fire Protection	173,753	1.37%	186,327	1.43%	188,782	1.40%	206,255	1.34%	216,700	1.37%
Seasonal Uses	283,749	2.24%	274,769	2.10%	337,685	2.50%	598,942	3.89%	399,424	2.52%
Total Out City	7,315,260	57.76%	7,805,605	59.71%	8,147,556	60.32%	9,537,160	61.95%	9,128,591	57.50%
Total System:										
Residential	7,150,481	56.46%	7,396,799	56.58%	7,714,749	57.12%	8,699,005	56.51%	8,804,900	55.47%
Multifamily	1,383,141	10.92%	1,499,592	11.47%	1,463,135	10.83%	1,616,963	10.50%	1,766,838	11.13%
Commercial/Industrial	3,269,295	25.81%	3,365,489	25.74%	3,366,268	24.92%	3,816,641	24.79%	4,192,025	26.41%
Fire Protection	335,887	2.65%	337,446	2.58%	349,713	2.59%	376,597	2.45%	431,303	2.72%
Seasonal Uses	525,659	4.15%	473,601	3.62%	613,397	4.54%	885,025	5.75%	679,563	4.28%
Total System	\$ 12,664,463	100.00%	\$ 13,072,927	100.00%	\$ 13,507,262	100.00%	\$ 15,394,231	100.00%	\$ 15,874,629	100.00%

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

WATER SUPPLY SYSTEM

Ten Largest Water Customers by Volume and Revenue

Year Ended December 31, 2018
(Unaudited)

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Water Volume (cubic meters)</u>	<u>Percent of Total (1)</u>	<u>Water Revenue</u>	<u>Percent of Total (2)</u>
Graphic Packaging	Paper Products	1,050,683	5.0%	\$ 368,321	2.3%
Western Michigan University	Higher Education	763,117	3.6%	402,108	2.5%
Pfizer Corporation/Zoetis	Pharmaceuticals	458,355	2.2%	172,911	1.1%
Kalamazoo Brewing	Beer Brewing	323,950	1.5%	151,991	1.0%
Borgess Medical Center	Hospital	339,978	1.6%	150,235	0.9%
Kalsec Inc.	Food Grade Flavoring	172,247	0.8%	87,205	0.5%
Bronson Methodist Hospital	Hospital	346,726	1.6%	166,232	1.0%
Continental Linen	Uniform Cleaning	139,664	0.7%	51,249	0.3%
Concord Place Apartments	Apartments	118,887	0.6%	56,887	0.4%
Midlink Business Park	Business Park	115,992	0.5%	62,118	0.4%
		<u>3,829,599</u>	<u>18.1%</u>	<u>\$ 1,669,257</u>	<u>10.4%</u>

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

(1) Based on water volume of 21,137,276 cubic meters.

(2) Based on Water System billed revenue of \$15,874.629.

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.

* 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.

WASTEWATER SYSTEM

Approximate Number of Wastewater Customers
by Location and User Classification

Last Five Years
(Unaudited)

Customer Location and Classification	2014		2015		2016		2017		2018	
<u>Retail Customers</u>										
<i>In-City Retail Customers</i>										
Residential	16,861	50.73%	16,883	50.41%	16,952	50.17%	17,000	50.43%	17,008	49.15%
Commercial	2,536	7.63%	2,520	7.52%	2,519	7.46%	2,427	7.20%	2,512	7.26%
Industrial	<u>313</u>	<u>0.94%</u>	<u>310</u>	<u>0.93%</u>	<u>307</u>	<u>0.91%</u>	<u>92</u>	<u>0.27%</u>	<u>306</u>	<u>0.88%</u>
Sub-Total	<u>19,710</u>	<u>59.30%</u>	<u>19,713</u>	<u>58.86%</u>	<u>19,778</u>	<u>58.53%</u>	<u>19,519</u>	<u>57.90%</u>	<u>19,826</u>	<u>57.30%</u>
<i>Out-City Retail Customers</i>										
Residential	10,456	31.46%	10,645	31.79%	10,847	32.10%	11,029	32.72%	11,711	33.85%
Commercial	1,515	4.56%	1,530	4.57%	1,552	4.59%	1,531	4.54%	1,594	4.61%
Industrial	<u>32</u>	<u>0.10%</u>	<u>29</u>	<u>0.09%</u>	<u>29</u>	<u>0.09%</u>	<u>26</u>	<u>0.08%</u>	<u>29</u>	<u>0.08%</u>
Sub-Total	<u>12,003</u>	<u>36.11%</u>	<u>12,204</u>	<u>36.44%</u>	<u>12,428</u>	<u>36.78%</u>	<u>12,586</u>	<u>37.34%</u>	<u>13,334</u>	<u>38.54%</u>
Total Retail Customers	<u>31,713</u>	<u>95.41%</u>	<u>31,917</u>	<u>95.31%</u>	<u>32,206</u>	<u>95.32%</u>	<u>32,105</u>	<u>95.24%</u>	<u>33,160</u>	<u>95.84%</u>
<u>Wholesale Customers</u>										
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	<u>0</u>	<u>0.00%</u>								
Sub-Total	<u>14</u>	<u>0.04%</u>								
<u>Flat Rate Customers</u>	<u>1,510</u>	<u>4.54%</u>	<u>1,558</u>	<u>4.65%</u>	<u>1,569</u>	<u>4.64%</u>	<u>1,591</u>	<u>4.72%</u>	<u>1,427</u>	<u>4.12%</u>
Total Sewer Customers	<u>33,237</u>	<u>100.00%</u>	<u>33,489</u>	<u>100.00%</u>	<u>33,789</u>	<u>100.00%</u>	<u>33,710</u>	<u>100.00%</u>	<u>34,601</u>	<u>100.00%</u>

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

WASTEWATER SYSTEM

Number of Retail Customers by Meter Size

Last Five Years
(Unaudited)

Meter Size	2014		2015		2016		2017		2018	
5/8" - 3/4"	22,432	70.73%	22,420	70.24%	22,503	69.87%	22,517	70.13%	22,828	68.84%
1"	6,714	21.17%	6,912	21.65%	7,101	22.05%	7,263	22.62%	7,200	21.71%
1-1/2"	468	1.48%	471	1.48%	482	1.50%	460	1.43%	482	1.45%
2"	1,635	5.16%	1,650	5.17%	1,648	5.12%	1,497	4.66%	1,655	4.99%
3"	297	0.94%	298	0.93%	307	0.95%	254	0.79%	839	2.53%
4"	149	0.47%	150	0.47%	149	0.46%	103	0.32%	136	0.41%
6"	20	0.06%	19	0.06%	19	0.06%	12	0.04%	21	0.06%
	<u>31,715</u>	<u>100.00%</u>	<u>31,920</u>	<u>100.00%</u>	<u>32,209</u>	<u>100.00%</u>	<u>32,106</u>	<u>100.00%</u>	<u>33,161</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	2014		2015		2016		2017		2018	
	Monthly	Quarterly								
City:										
5/8"	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.38	\$ 7.41	\$ 6.75	\$ 8.00
3/4"	6.43	7.56	6.43	7.56	6.43	7.56	6.43	7.56	6.80	7.99
1"	6.59	8.03	6.59	8.03	6.59	8.03	6.59	8.03	6.97	8.49
1-1/2"	6.80	8.65	6.80	8.65	6.80	8.65	6.80	8.65	7.19	9.15
2"	7.36	10.34	7.36	10.34	7.36	10.34	7.36	10.34	7.78	10.93
3"	11.52	22.82	11.52	22.82	11.52	22.82	11.52	22.82	12.18	24.13
4"	13.06	27.45	13.06	27.45	13.06	27.45	13.06	27.45	13.81	29.03
6"	16.66	38.24	16.66	38.24	16.66	38.24	16.66	38.24	17.62	40.44
Flat Rate	-	42.69	-	42.69	-	42.69	-	42.69	-	45.14
Dewatering	5.52	-	5.52	-	5.52	-	5.52	-	5.38	-
Septage	5.52	-	5.52	-	5.52	-	5.52	-	5.38	-
Out City:										
5/8"	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.16	\$ 10.56	\$ 7.69	\$ 11.34
3/4"	7.32	11.07	7.32	11.07	7.32	11.07	7.32	11.07	7.86	11.89
1"	7.84	12.60	7.84	12.60	7.84	12.60	7.84	12.60	8.42	13.53
1-1/2"	8.52	14.65	8.52	14.65	8.52	14.65	8.52	14.65	9.15	15.73
2"	10.39	20.27	10.39	20.27	10.39	20.27	10.39	20.27	11.16	21.77
3"	24.19	61.68	24.19	61.68	24.19	61.68	24.19	61.68	25.98	66.24
4"	29.31	77.02	29.31	77.02	29.31	77.02	29.31	77.02	31.48	82.72
6"	41.24	112.81	41.24	112.81	41.24	112.81	41.24	112.81	44.29	121.16
Flat Rate	-	74.15	-	41.15	-	74.15	-	74.15	-	79.64
Municipalities	5.52	-	5.52	-	5.52	-	5.52	-	5.38	-
Dewatering	5.52	-	5.52	-	5.52	-	5.52	-	5.38	-
Septage	5.52	-	5.52	-	5.52	-	5.52	-	5.38	-

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	2014	2015	2016	2017	2018
In-City Retail Customers	0.420	0.420	0.420	0.420	0.444
Out-City Retail Customers	0.757	0.757	0.757	0.757	0.813
Wholesale Municipal Customers	0.492	0.492	0.492	0.492	0.492
City of Galesburg (3)	0.547	0.547	0.547	0.547	0.547
Septage Haulers	n/a (10)				
In-City Dewatering Customers	0.395	0.395	0.395	0.395	0.418
Out-City Dewatering Customers	0.764	0.764	0.764	0.764	0.821

Additional Quantity and Quality Wastewater Treatment (2)

Fiscal Years Ended December 31	2014	2015	2016	2017	2018
Additional Quantity Charge \$/CM					
Pfizer	0.165	0.165	0.165	0.165	0.165
Graphic Packaging	0.070	0.070	0.070	0.070	0.070
Dewater - Industrial Outside City	0.433	0.433	0.433	0.433	0.433
In-City Industrial	0.130	0.130	0.130	0.130	0.130
Out-City Industrial	0.430	0.430	0.430	0.430	0.430
BOD Charge (4) \$/KG					
Pfizer	0.511	0.511	0.511	0.511	0.511
Graphic Packaging	0.468 (11)	0.468 (11)	0.468 (11)	0.468 (11)	0.468 (11)
In-City Industrial	0.468	0.468	0.468	0.468	0.468
Out-City Industrial	0.531	0.531	0.531	0.531	0.531
SS Charge \$/KG (5)					
Pfizer	0.565	0.565	0.565	0.565	0.565
Graphic Packaging	0.506 (11)	0.506 (11)	0.506 (11)	0.506 (11)	0.506 (11)
In-City Industrial	0.506	0.506	0.506	0.506	0.506
Out-City Industrial	0.576	0.576	0.576	0.576	0.576
NH3 Charge \$/KG (6)					
Pfizer	2.609	2.609	2.609	2.609	2.609
Graphic Packaging	2.518 (11)	2.518 (11)	2.518 (11)	2.518 (11)	2.518 (11)
In-City Industrial	2.518	2.518	2.518	2.518	2.518
Out-City Industrial	2.715	2.715	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)

Retail Customers	2014		2015		2016		2017		2018	
Residential	5,149,458	19.61%	5,347,569	19.98%	5,221,793	19.39%	5,341,135	19.44%	5,205,459	18.23%
Commercial	7,024,938	26.75%	7,249,851	27.09%	7,278,305	27.03%	7,458,072	27.15%	7,576,651	26.54%
Industrial	1,672,179	6.37%	1,905,754	7.12%	1,940,705	7.21%	2,050,196	7.46%	2,221,252	7.78%
Sub-Total	13,846,575	52.74%	14,503,174	54.19%	14,440,803	53.63%	14,849,403	54.06%	15,003,362	52.55%
Wholesale Customers										
Industries	4,272,441	16.27%	4,446,124	16.61%	4,435,586	16.47%	4,310,417	15.69%	4,735,170	16.59%
Wholesale Municipal	7,981,699	30.40%	7,646,332	28.57%	7,926,786	29.44%	8,110,055	29.52%	8,608,753	30.15%
Dewatering Accounts	155,991	0.59%	169,963	0.64%	121,315	0.45%	198,662	0.72%	202,935	0.71%
Septage Haulers	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Sub-Total	12,410,131	47.26%	12,262,419	45.81%	12,483,687	46.37%	12,619,134	45.94%	13,546,858	47.45%
Total Wastewater Billed	26,256,706	100.00%	26,765,593	100.00%	26,924,490	100.00%	27,468,537	100.00%	28,550,220	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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Metered Wastewater Volume	36,260,219	34,584,027	36,020,893	38,410,863	40,432,778
Wastewater Consumption as Billed	<u>26,256,706</u>	<u>26,765,592</u>	<u>26,924,490</u>	<u>27,468,537</u>	<u>28,550,220</u>
Difference (2)	<u>10,003,513</u>	<u>7,818,435</u>	<u>9,096,403</u>	<u>10,942,326</u>	<u>11,882,558</u>
Difference as a % of Metered Wastewater Volume	27.6%	22.6%	25.3%	28.5%	29.4%

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

(1) Measured in Cubic Meters.

(2) The difference between the wastewater volume as treated and billed is due, in part, to inaccurate 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Average Daily Sewage Disposal Volume	26.3	25.0	26.0	27.8	29.3
Peak Daily Sewage Disposal Volume	34.6	31.9	47.3	63.7	77.4
Peak as a Percent of Average	131.81%	127.57%	182.04%	229.06%	264.47%

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, 2018
(Unaudited)

Customer	Principal Product or Service	Wastewater Volume (cubic meters)	Percent of Total (1)	Wastewater Treatment Revenue	Wastewater Surcharge Revenue	Wastewater System Revenue	Percent of Total (2)
City of Portage	Municipality	\$ 5,844,641	21.4%	\$3,158,782	\$ -	\$ 3,158,782	16.1%
Zoetis (Pfizer)	Pharmaceutical	3,891,500	14.2%	685,456	3,095,623	3,781,079	19.2%
Gull Lake Sewer Auth Dist	Municipality	1,064,068	3.9%	542,938	-	542,938	2.8%
Graphic Packaging	Paper Products	633,885	2.3%	347,675	1,384,855	1,732,530	8.8%
Village of Mattawan	Municipality	602,669	2.2%	307,497	-	307,497	1.6%
Western Michigan University	Higher Education	592,487	2.2%	263,537	-	263,537	1.3%
Allnex USA (Cytex)	Chemicals	415,747	1.5%	56,344	167,393	223,737	1.1%
Village of Vicksburg	Municipality	382,817	1.4%	195,321	-	195,321	1.0%
Kalamazoo Brewing	Beer Brewing	322,124	1.2%	124,957	748,007	872,964	4.4%
Borgess Medical Center	Hospital	308,792	1.1%	131,942	-	131,942	0.7%
		<u>\$ 14,058,730</u>	<u>51.4%</u>	<u>\$ 5,814,449</u>	<u>\$ 5,395,878</u>	<u>\$ 11,210,327</u>	<u>57.0%</u>

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

(1) Based on wastewater treatment volume of 27,364,897 cubic meters.

(2) Based on Wastewater System billed revenue of \$19,645,614.

WASTEWATER SYSTEM

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

<u>Meter Location and Classification</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City:					
Residential	\$ 1,723,861	\$ 1,852,612	\$ 1,810,863	\$ 1,848,364	\$ 1,890,660
Commercial	1,876,170	2,019,025	2,039,603	2,064,670	2,196,673
Industrial	256,867	320,843	321,575	328,629	362,788
Industrial Monitored	340,117	303,443	277,945	297,402	355,030
Contract	1,282,199	1,290,631	1,233,420	1,346,269	1,452,408
Dewatering	57,696	62,629	43,914	71,090	67,923
Total City	5,536,910	5,849,183	5,727,320	5,956,424	6,325,482
Out City:					
Residential	2,427,624	2,534,197	2,546,740	2,572,651	2,735,308
Commercial	2,129,952	2,248,614	2,236,474	2,329,114	2,545,458
Industrial	147,523	146,765	136,849	144,729	152,879
Industrial Monitored	1,571,709	163,222	187,438	242,830	1,761,331
Contract	5,153,793	3,902,303	3,696,017	4,325,343	3,594,361
Municipalities	3,977,811	3,820,535	3,907,320	3,236,659	4,514,981
Septage Haulers	-	-	-	-	-
Dewatering	5,119	5,743	4,989	8,770	15,379
Total Out City	15,413,531	12,821,379	12,715,827	12,860,096	15,319,697
Total System:					
Residential	4,151,484	4,386,809	4,357,603	4,421,015	4,625,968
Commercial	4,006,123	4,267,638	4,276,077	4,393,784	4,742,131
Industrial	404,390	467,608	458,424	473,358	515,667
Industrial Monitored	1,911,826	466,665	465,383	540,232	2,116,361
Contract	6,435,992	5,192,934	4,929,437	5,671,612	5,046,769
Municipalities	3,977,811	3,820,535	3,907,320	3,236,659	4,514,981
Septage Haulers	-	-	-	-	-
Dewatering	62,815	68,372	48,903	79,860	83,302
Total System	\$ 20,950,441	\$ 18,670,561	\$ 18,443,147	\$ 18,816,520	\$ 21,645,179

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%
January 29, 2018	5.00%

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

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