

CITY OF KALAMAZOO, MICHIGAN
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2021

Prepared by:
Management Services Department, Budget & Accounting Division

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-6
GFOA Certificate of Achievement	7
List of City Officials	8
Organizational Chart.....	9
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	10-13
MANAGEMENT'S DISCUSSION AND ANALYSIS	14-34
BASIC FINANCIAL STATEMENTS.....	35
Government-wide Financial Statements	
Statement of Net Position	36-38
Statement of Activities	39
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	40-41
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	42-43
Statement of Revenues, Expenditures, and Changes in Fund Balances	44-45
Reconciliation of the Changes in Fund Balances of the Governmental Funds to the Statement of Activities	46-47
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	48-51
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Grants and Donations Fund.....	52
Proprietary Funds	
Statement of Net Position.....	53-55
Statement of Revenues, Expenses, and Changes in Net Position.....	56-57
Statement of Cash Flows.....	58-60
Fiduciary Funds	
Statement of Fiduciary Net Position	61
Statement of Changes in Fiduciary Net Position.....	62-63

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
BASIC FINANCIAL STATEMENTS (CONCLUDED)	
Discretely Presented Component Unit Financial Statements	
Combining Statement of Net Position.....	64-65
Combining Statement of Activities	66
Notes to Financial Statements	67-130
REQUIRED SUPPLEMENTARY INFORMATION.....	131
Defined Benefit Pension Plan	
Schedules of Changes in the City's Net Pension Asset and Related Ratios	132
Schedule of City Contributions	133
Schedule of Investment Returns	134
Other Post-Employment Benefits Plan	
Schedule of Changes in the Plan's Net OPEB Liability and Related Ratios	135
Schedule of Employer OPEB Contributions	136
Schedule of Investment Returns	137
Notes to Required Supplementary Information	138-139
OTHER SUPPLEMENTARY INFORMATION	140
Nonmajor Governmental Funds	
Combining Balance Sheet	141
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	142
Nonmajor Special Revenue Funds	
Fund Descriptions	143
Combining Balance Sheet	144
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	145
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	146-154

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
OTHER SUPPLEMENTARY INFORMATION (CONCLUDED)	
Nonmajor Debt Service Funds	
Fund Descriptions	155
Combining Balance Sheet	156
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	157
Nonmajor Capital Projects Funds	
Fund Descriptions	158
Combining Balance Sheet	159
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	160
Nonmajor Permanent Funds	
Fund Descriptions	161
Combining Balance Sheet	162
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	163
Pension and Other Post-Employment Benefits Trust Funds	
Fund Descriptions	164
Combining Statement of Net Position	165
Combining Statement of Changes in Net Position	166
DISCRETELY PRESENTED COMPONENT UNIT FUNDS	
Economic Development Corporation	
Balance Sheet	167
Reconciliation of the Balance Sheet to the Statement of Net Position	168
Statement of Revenues, Expenditures, and Changes in Fund Balance	169
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	170
Brownfield Redevelopment Authority	
Balance Sheet	171
Reconciliation of the Balance Sheet to the Statement of Net Position	172
Statement of Revenues, Expenditures, and Changes in Fund Balance	173
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	174

TABLE OF CONTENTS

	<u>PAGE</u>
STATISTICAL SECTION (UNAUDITED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION	
Statistical Section Description	175
Financial Trends	
Net Position by Component.....	176
Changes in Net Position.....	177-178
Fund Balances - Governmental Funds	179
Changes in Fund Balances - Governmental Funds.....	180
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property	181
Property Tax Rates - Direct and Overlapping Governments	182
Principal Property Taxpayers	183
Property Tax Levies and Collections.....	184
Debt Capacity	
Ratios of Outstanding Debt by Type	185
Ratios of General Bonded Debt Outstanding.....	186
Direct and Overlapping Governmental Activities Debt.....	187
Computation of Legal Debt Margin.....	188
Legal Debt Margin Historical Information	189
Pledged-Revenue Coverage.....	190-192
Downtown Development Authority - Projected Tax Increment Revenues and Debt Service Coverage	193

TABLE OF CONTENTS

	<u>PAGE</u>
STATISTICAL SECTION (UNAUDITED) (CONTINUED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION (CONTINUED)	
Demographic and Economic Information	
Demographic and Economic Statistics.....	194
Principal Employers in Kalamazoo County	195
Operating Information	
Full Time Equivalent City Government Employees by Function	196
Operating Indicators by Function	197-198
Capital Asset Statistics by Function.....	199-200
Supplementary Schedules	
Schedule of Revenues and Expenditures for Activities Related to the State Construction Code Act	201
Employees' Retirement System - Revenues by Source and Expense by Type	202
Security and Exchange Commission (SEC) Additional Disclosures	
Taxable Value	
Total Taxable Value.....	203
Total Taxable Value by Use and Class	204
Percent of Total Taxable Value by Use and Class	204
State Equalized Value (SEV)	
Total SEV	205
Total SEV by Use and Class.....	206
Percent of Total SEV by Use and Class.....	206
Maximum and Actual Tax Rates.....	207
Revenue Sharing Payments from the State of Michigan	208
Receipts from Michigan Transportation Fund.....	209
Labor Contracts	210
Employment Statistics	211
Water Supply Franchises.....	212
Approximate Number of Water Supply Customers	
by Location and User Classification	213
by Location and Size of Meter or Fire Protection Line/Hydrant.....	214-215
Water Supply Ready-to-Serve Charges by Meter Location and Size.....	216-217
Water Supply Commodity Charges by Meter Location and Classification.....	218

TABLE OF CONTENTS

	<u>PAGE</u>
STATISTICAL SECTION (UNAUDITED) (CONCLUDED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION (CONCLUDED)	
Security and Exchange Commission (SEC) Additional Disclosures (concluded)	
History of Water System Rate Increases.....	219
Water Supply Volume as Pumped and Billed.....	220
Water Volume as Billed by Meter Location and Classification	221
Average and Peak Daily Water Supply Volume.....	222
Water Supply Revenue as Billed by Meter Location and Classification	223
Ten Largest Water Customers by Volume and Revenue	224
Wastewater Service Agreements.....	225
Approximate Number of Wastewater Customers by Location and User Classification.....	226
Number of Retail Customers by Meter Size.....	227
Wastewater Ready-to-Serve Charges by Water Meter Location and Size	228
Wastewater Treatment Charges by Customer Classification.....	229-230
Wastewater Treatment Volume as Billed by Customer and User Classification	231
Wastewater Volume as Treated and Billed	232
Average and Peak Daily Wastewater Treatment Volume	233
Ten Largest Wastewater Customers by Wastewater System Revenue and Volume as Billed.....	234
Wastewater Treatment Revenue as Billed by Meter Location and Classification	235
History of Wastewater System Rate Increases.....	236

INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

241 W. South Street
Kalamazoo, MI 49007-4796
Phone: (269) 337-8047
Fax: (269) 337-8182
www.kalamazoocity.org

June 30, 2022

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, 2021.

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 unqualified opinion on the City of Kalamazoo's financial statements for the year ended December 31, 2021. The independent auditor's report is located at the front of the financial sections of this report (page 10).

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 73,000. 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.

A tax-increment financing (TIF) district captures incremental increases in property tax revenues and reinvests them within that district. The City has four TIF districts within its boundaries that are discretely presented component units of the City: a Downtown Development Authority (DDA) and Downtown Economic Growth Authority (DEGA) for its downtown area, a Brownfield Redevelopment Authority to redevelop blighted properties within its boundaries, and a Northside Cultural Business Development Authority with a focus to increase the number of resident owned businesses.

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 2020 unemployment rate for the city was 6.3%, which was lower than the state unemployment rate of 3.7% and the national average of 3.9%. The percentages both locally and nationally saw a significant decline after the early stages of the Covid-19 pandemic. At the same time, enrollment in local universities and colleges exceeds 31,000 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 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

In the summer of 2016, the City’s Foundation for Excellence (FFE) was introduced as a new public-nonprofit partnership funded by area philanthropists, institutions, and other donors to provide resources for the City in perpetuity. The FFE was incorporated as a 501(c)3 Type III nonprofit in October of 2017 and empaneled its first complete 15-member board in 2018.

The purpose of the FFE is to stabilize the City budget, provide tax relief for City residents, and drive forward aspirational projects of Kalamazoo’s award-winning Imagine Kalamazoo 2025 Strategic Vision and Master Plan, with historically unprecedented investments in youth development, economic development, affordable housing, efforts to end generational poverty, revitalize neighborhoods, and modernize infrastructure.

Initial Phases (2017 - 2022):

The major donors of the FFE provided donations of \$128 million over a five-year period (2017 - 2022), during which time the board was created, policies put into place, and an endowment fund created including a binding Investment Policy Statement.

During this time, the City developed a budget that incorporated the following contributions for FFE and improvements :

- \$10.9 million annually to backfill the reduction of the General Operating property tax from 19.2705 mills to 12.0000 mills;
- \$3.8 million annually of budget0 stabilization funds 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.
- \$10 million per year to fund new aspirational projects;
- Continued exploration of further budgetary savings through shared services;
- Best practices and measures to demonstrate the impact of the donation, efforts and initiatives.

The Endowment and Beyond

On July 12, 2021, the FFE received written notice of a structured gift of \$40 million per year over ten consecutive years beginning in 2021, totaling \$400 million. This builds on a previous gift received on March 3, 2020 of \$86,685,300, towards the endowment target of \$500 million.

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 Imagine Kalamazoo 2025 as a budgeting guide 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. The City's budgeting process also involves continuous improvement in efficiencies by way of new technologies, better organization, and leveraging partnerships or handing off functions to other overlapping entities, 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's Fiscal Year 2022 budget and 5-year Fiscal Plan through 2026 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 3% to 4% as the City intentionally plans to utilize excess reserves in the 5-year Fiscal Plan.

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, 2020. This was the twenty third 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrell

Executive Director/CEO

**CITY OF KALAMAZOO
LIST OF CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2021**

CITY COMMISSION

David Anderson, Mayor
Don Cooney, Vice Mayor
Stephanie Hoffman Esteven Juarez
Qianna Decker Jeanne Hess
Chris Praedel

CITY MANAGER

James Ritsema

DEPUTY CITY MANAGERS

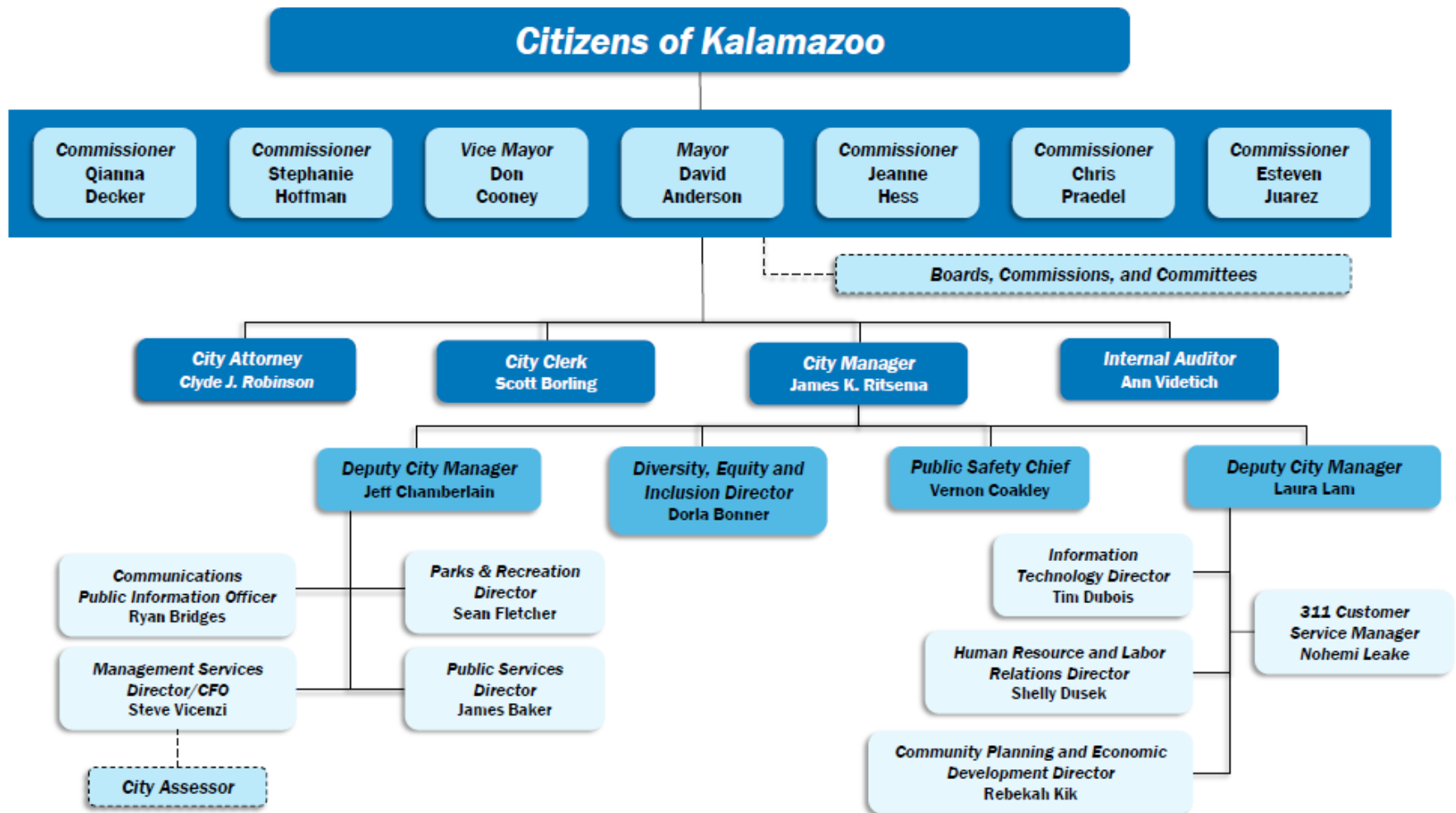
Jeff Chamberlain, Strategic Planning
Laura Lam, Chief Innovation Officer

MANAGEMENT SERVICES DEPARTMENT

Steve Vicenzi, Management Services Director/CFO
Melissa Fuller, Management Services Deputy Director/Purchasing Agent
Tania Sheely-Myers, 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





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

☎ 517.323.7500

📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the Grants and Donations Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Downtown Development Authority or the Downtown Economic Growth Authority, which represent 1%, 0%, and 1%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of December 31, 2021, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Downtown Development Authority and Downtown Economic Growth Authority, are based solely on the reports of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Kalamazoo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kalamazoo's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City of Kalamazoo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kalamazoo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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 30, 2022, 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 Costeiran PC

June 30, 2022

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, 2021. 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 1-6).

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$356.5 million (*net position*);
- The City's total net position increased by approximately \$869,000 or <1%. This net increase was a combination of a \$10.9 million decrease in governmental activities net position and an \$11.8 million increase in business-type activities net position.
- The City's balance of bonded debt decreased by \$630,000 during the current fiscal year. The City issued \$16.885 million in General Obligation Bonds and \$10.585 million in Revenue Bonds. The City made scheduled bond principal payments and refunded bonds totaling \$28.1 million.
- As of the close of the 2021 fiscal year, the City's *governmental funds* reported combined ending fund balances of \$78.88 million, an increase of \$8.4 million in comparison of the prior year. Approximately 16% of the combined fund balances, or \$12.63 million was available for spending at the government's discretion ("*unassigned fund balance*").
- The General Fund balance was \$17.65 million, or 25% of the total General Fund budgetary revenues and other financing sources. Of the total \$17.65 million fund balance, \$2.74 million was nonspendable, leaving \$14.9 million, or 21.35% of budgetary revenues and other financing sources. The unassigned fund balance for the General Fund was \$12.64 million, or 18.11% of total General Fund revenues and other financing sources.
- Combined enterprise funds net position increased \$11.8 million. This included a decrease of \$6.3 million of net position in the Wastewater Fund, due primarily to the rising costs of operations and slow revenue recovery from the COVID-19 pandemic. The net position of the Water Fund increased \$18.1 million as a result of favorable operating revenues and increased capital contributions for continued system growth in the service area.
- The City received almost \$27.1 million under the Foundation for Excellence memorandum of understanding in 2020. Of the total donations, \$17.1 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 \$10 million is in the Special Revenue Aspirational Project Fund and is restricted for aspirational projects targeted to reduce poverty, enhance youth development, and support other community and economic development within the City.
- The City received \$19.4 million under the Federal Coronavirus State and Local Recover Funds (SLFRF) program, a part of the American Rescue Plan. The funds are recorded as unearned liabilities as of December 31, 2021 in the Grants and Donations fund.

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 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 and water 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 36-39 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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 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 Grants and Donations Fund, which are considered to be major funds of the City. Data from the other 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 40-52 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 and water utilities. *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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The basic proprietary fund financial statements can be found on pages 53-60 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 on pages 61-63 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 67-131 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to schedules concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 133-138 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 142-167 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$356,455,027 at the close of the most recent fiscal year.

A significant portion of the City's net position, \$302,811,763, reflects its investment in capital assets (e.g., land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$262,133,819, represents resources that are subject to external restrictions on how they may be used. Restricted net position includes amounts set aside for pension benefits, 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 (\$212,118,119), representing the resources of the City would not 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, 2020, provided a total pension liability of \$533,960,407. The City had plan fiduciary net position of \$805,924,795 as of year end, exceeding the total pension obligation by \$271,964,388. The resulting net pension asset of \$272 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, 2020 provided the City's share of total OPEB liability of \$313,973,782. The City's share of plan fiduciary net position was \$97,598,495. The resulting net OPEB liability of \$216,375,287 was allocated to the Governmental Activities and Business-type Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Kalamazoo's Net Position December 31, 2020 and December 31, 2021

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 260,341,402	\$ 363,146,984	\$ 99,486,064	\$ 98,339,095	\$ 359,827,466	\$ 461,486,079
Capital assets, net	<u>183,522,142</u>	<u>191,680,683</u>	<u>230,830,802</u>	<u>270,739,220</u>	<u>414,352,944</u>	<u>462,419,903</u>
Total assets	<u>443,863,544</u>	<u>554,827,667</u>	<u>330,316,866</u>	<u>369,078,315</u>	<u>774,180,410</u>	<u>923,905,982</u>
Deferred outflows of resources	<u>54,170,224</u>	<u>40,359,265</u>	<u>15,250,880</u>	<u>10,877,298</u>	<u>69,421,104</u>	<u>51,236,563</u>
Current liabilities	22,068,073	43,697,396	11,470,356	13,014,044	33,538,429	56,711,440
Noncurrent liabilities	<u>264,627,894</u>	<u>305,317,372</u>	<u>151,409,543</u>	<u>163,506,312</u>	<u>416,037,437</u>	<u>468,823,684</u>
Total liabilities	<u>286,695,967</u>	<u>349,014,768</u>	<u>162,879,899</u>	<u>176,520,356</u>	<u>449,575,866</u>	<u>525,535,124</u>
Deferred inflows of resources	<u>31,969,885</u>	<u>77,738,499</u>	<u>6,469,795</u>	<u>15,413,895</u>	<u>38,439,680</u>	<u>93,152,394</u>
Net position						
Net investment in capital assets	126,527,295	133,948,050	153,783,289	168,863,713	280,310,584	302,811,763
Restricted	196,897,575	224,313,087	38,299,446	41,448,296	235,197,021	265,761,383
Unrestricted	<u>(144,056,954)</u>	<u>(189,827,472)</u>	<u>(15,864,683)</u>	<u>(22,290,647)</u>	<u>(159,921,637)</u>	<u>(212,118,119)</u>
Total net position	<u>\$ 179,367,916</u>	<u>\$ 168,433,665</u>	<u>\$ 176,218,052</u>	<u>\$ 188,021,362</u>	<u>\$ 355,585,968</u>	<u>\$ 356,455,027</u>

The government's total net position increased by \$869 thousand or less than 1%. This net increase was a combination of a \$10.9 million decrease in governmental activities net position and a \$11.8 million increase in business-type activities net position.

Current and other assets increased \$102.8 million or 39.5% in governmental activities and decreased \$1.1 million or 1.2% in business-type activities. Current liabilities increased in governmental activities by \$21.6 million or 98% and \$1.5 million or 13.5% in business type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Kalamazoo's Changes in Net Position For the Year Ended December 31, 2020 and December 31, 2021

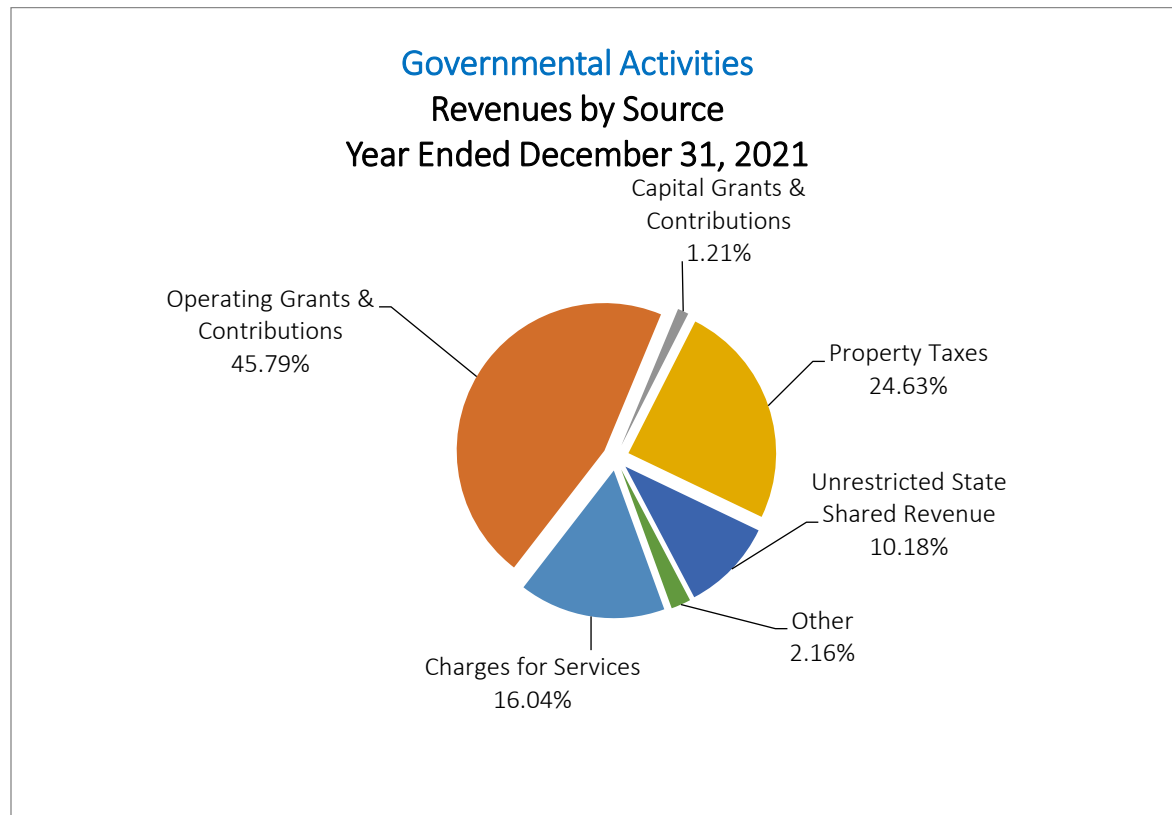
	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Revenue						
Program revenue						
Charges for services	\$ 15,157,756	\$ 16,454,649	\$ 45,892,559	\$ 49,830,894	\$ 61,050,315	\$ 66,285,543
Operating grants and contributions	45,878,127	46,975,411	2,111,355	118,137	47,989,482	47,093,548
Capital grants and contributions	535,170	1,242,023	9,594,948	20,441,810	10,130,118	21,683,833
General revenue						
Property taxes	24,628,307	25,268,136	-	-	24,628,307	25,268,136
State shared revenues - unrestricted	9,115,496	10,442,055	-	-	9,115,496	10,442,055
Legal settlement	-	-	5,400,000	-	5,400,000	-
Other	978,980	2,262,154	628,499	589,980	1,607,479	2,852,134
Total revenue	96,293,836	102,644,428	63,627,361	70,980,821	159,921,197	173,625,249
Expenses						
General government	5,421,764	13,435,805	-	-	5,421,764	13,435,805
Public safety	57,333,724	63,817,583	-	-	57,333,724	63,817,583
Public works	9,012,610	8,373,080	-	-	9,012,610	8,373,080
Streets	9,369,058	7,551,650	-	-	9,369,058	7,551,650
Community and economic development	13,505,444	14,348,148	-	-	13,505,444	14,348,148
Parks and recreation	4,954,960	909,314	-	-	4,954,960	909,314
Interest on long-term debt	4,756,337	4,765,099	-	-	4,756,337	4,765,099
Wastewater	-	-	32,304,437	32,768,446	32,304,437	32,768,446
Water	-	-	23,330,783	26,787,065	23,330,783	26,787,065
Total expenses	104,353,897	113,200,679	55,635,220	59,555,511	159,989,117	172,756,190
Change in net position before transfers	(8,060,061)	(10,556,251)	7,992,141	11,425,310	(67,920)	869,059
Transfers (out) in	(378,000)	(378,000)	378,000	378,000	-	-
Change in net position	(8,438,061)	(10,934,251)	8,370,141	11,803,310	(67,920)	869,059
Net position - beginning of year	187,805,977	179,367,916	167,847,911	176,218,052	355,653,888	355,585,968
Net position - end of year	\$ 179,367,916	\$ 168,433,665	\$ 176,218,052	\$ 188,021,362	\$ 355,585,968	\$ 356,455,027

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

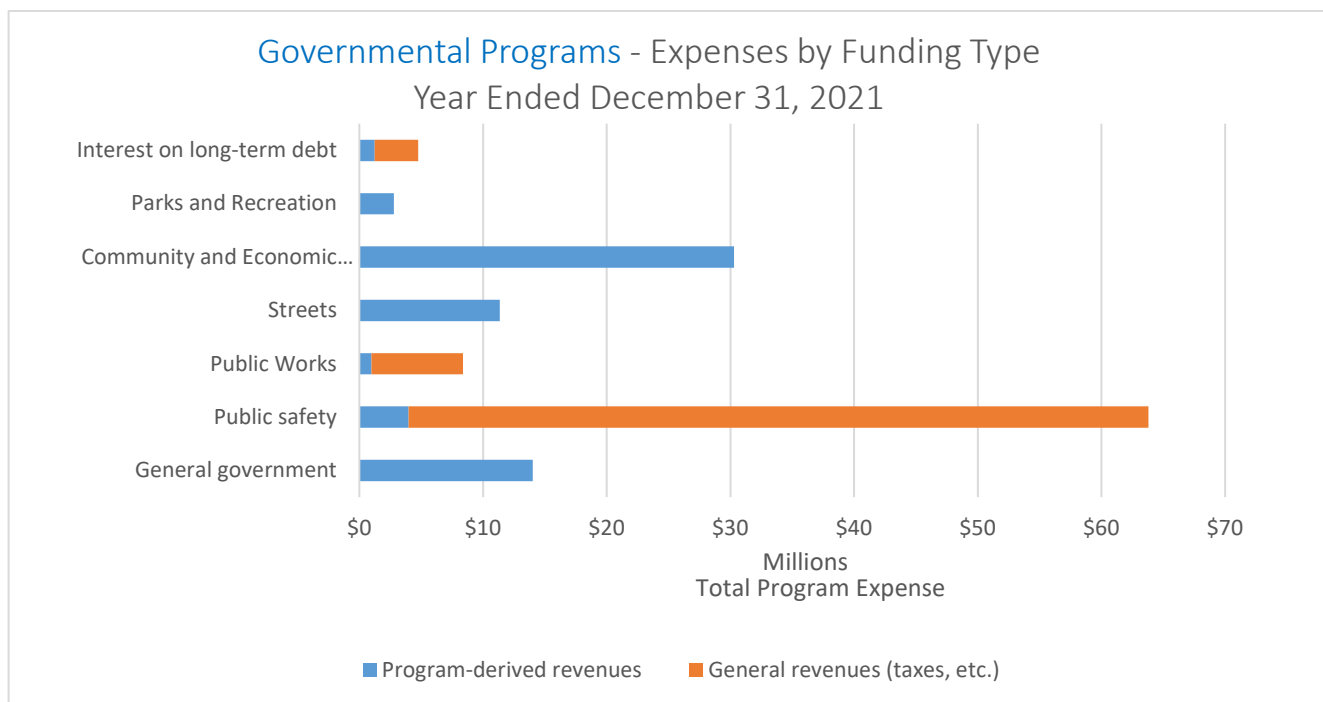
Governmental activities decreased the City's net position \$10.9 million in 2021 as compared to a net decrease of \$8.4 million in 2020. Governmental revenues increased by \$6.3 million or 6.55% due to increases across all areas of revenues. There was an increase of \$8.8 million in total governmental expenditures as compared to 2020.

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. In 2021, 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

Expenses in governmental activities exceeded charges for services, grants, and contributions by \$48 million in 2021 and \$43 million in 2020. 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 or subsidized.



Business-type Activities

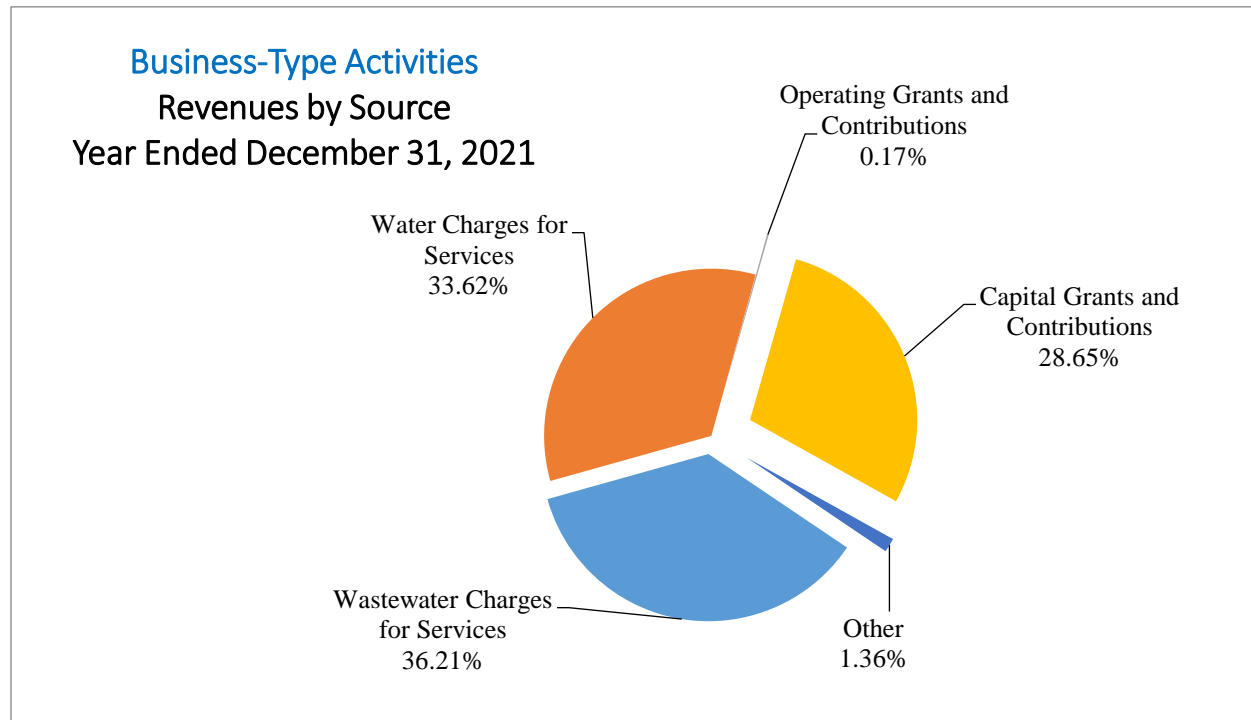
Business-type activities increased the City's net position by \$11.8 million. The key elements of this increase are as follows:

- Wastewater system operating revenues increased \$2.13 million due to increased billing rates offset by a reduction in billed wholesale municipal volumes, while operation and maintenance expenses increased \$267 thousand from 2020.
- Water system operating revenues increased \$2.055 million due to increased billing rates and an increase in water billed volumes, while operation and maintenance expenses increased \$2.66 million from 2020.
- The Wastewater and Water systems report OPEB expense under GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which increased by \$3.35 million as compared to 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

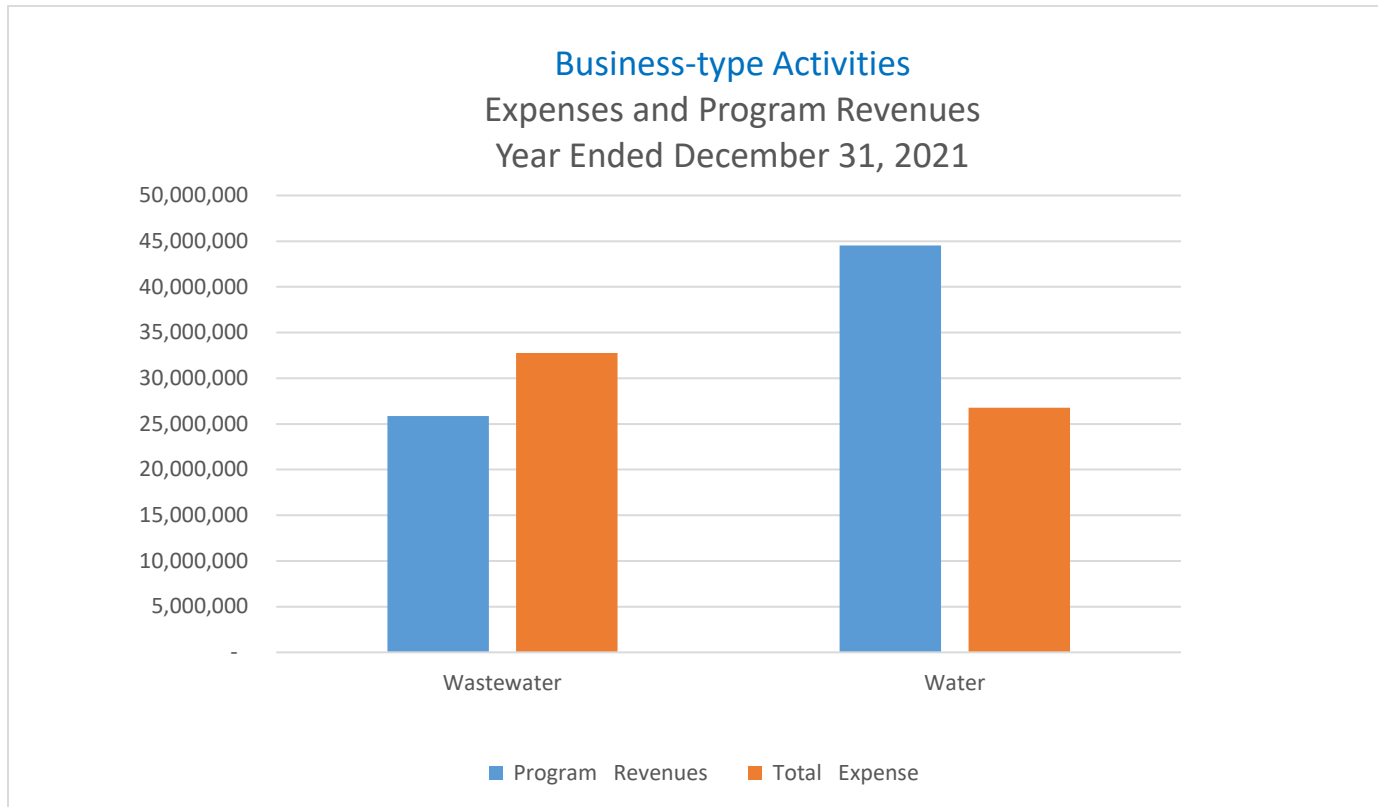
- The Wastewater and Water systems report pension expense under GASB 68, *Accounting and Financial Reporting for Pensions*, which decreased \$1.9 million as compared to 2020.
- Capital infrastructure contributions of \$20.4 million for water infrastructure represented a major revenue source for the Water system in 2021. 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 \$6.3 million were due primarily to reduced commercial and industrial revenue growth from anticipated volumes and increased costs for system operations.

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.



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 2021, the Wastewater system used \$6.3 million of existing reserves while the Water system added \$18.1 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$78,880,792, an increase of \$8,407,946 in comparison of the prior year. Approximately 16% of the combined fund balances, or \$12,638,766 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.

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, 2021, the amount of unavailable property taxes was \$533,496, a \$8 thousand increase from 2020. Other unavailable revenues totaling \$261,542 consist of other receivables not collected within 60 days after year-end.

The City's budget policies target undesignated reserves to be 15% of general fund operating revenues. The General Fund balance was \$17,645,078, or 26% of the total General Fund revenues. Of the total, \$17.645 million fund balance, \$2.743 million was nonspendable, and \$1.263 million was assigned, leaving \$12.639 million of unassigned fund balance, or 18.1% of revenues.

The General Fund increased the fund balance a total of \$1.9 million due to increases in property taxes, licenses and permits, and investment earnings offset by increases in operating expenses. Revenues favorably exceeded budget by \$1.85 million due primarily to favorable intergovernmental revenue and investment performance. The savings in General Fund operating expenses of \$1.2 million was due primarily to various departmental spending reductions and personnel vacancies, including a total savings of \$523 thousand in general government, \$270 thousand in public safety, and \$484 thousand in community and economic development.

Grants and Donations Fund

The Grant and Donations Fund fund balance decreased by \$145 thousand during the year. Revenues decreased \$598 thousand from 2020, primarily from the expiration of multi-year grant awards. Expenditures decreased by \$1.352 million from 2020, primarily related to general government and public safety expenditures. The Grants and Donations Fund received \$19.4 million in ARPA revenue during the year, the majority of which was unspent at year end and reflected in unearned revenue on the balance sheet.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other (Nonmajor) Governmental Funds

During the year, the combined fund balance for the City's nonmajor governmental funds increased by \$6.68 million in 2021. The combined \$60 million fund balance is attributable to special revenue funds (\$32.8 million), debt service funds (\$56,346), capital projects funds (\$19.4 million), and endowments held for recreational and cemetery perpetual care purposes (\$8.1 million). Because resources for these funds are, for the most part, restricted to specific purposes, their fund balances are not available for general government use.

Nonmajor governmental revenues increased \$4.86 million or 17% from 2020. Revenues increased across most revenue categories, most notably in the intergovernmental revenues, interest and rents, and donations and contributions.

Nonmajor governmental expenditures increased \$2.1 million or 4.7%. The special revenue funds expenditures increased \$725 thousand, debt service increased \$806 thousand, capital projects increased \$497 thousand, and permanent funds decreased \$71 thousand.

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 (\$16.8 million) as of December 31, 2021. The fund had a decrease in total net position for the year of \$6.3 million.

The Wastewater Fund experienced an operating loss of \$5.3 million.

- Wastewater operating revenues increased \$2.13 million due to increased billing rates offset by a reduction in billed wholesale municipal volumes.
- Operating expenses increased \$439 thousand as compared to 2020, with operations and maintenance increasing \$267 thousand and depreciation \$172 thousand.
- Operating expenses includes an adjustment of \$6.7 million of net OPEB expense, which was an increase of \$2.27 million over the net OPEB expense adjustment recognized in 2020. The Fund made contributions of \$371,400 to the OPEB trust in 2021. The Fund had a net OPEB liability of \$26.25 million, deferred outflows of resources related to OPEB of \$4.8 million, and deferred inflows of resources related to OPEB of \$853 thousand included in the Statement of Net Position at December 31, 2021. The portion of the 2015 OPEB bond reported in the Wastewater Fund at December 31, 2021 was \$8.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Operating expenses includes an adjustment \$1.85 million of net pension expense, which was a decrease of \$1.1 million from the net pension expense recognized in 2020. The Fund was not required and did not make contributions to the pension system in 2021. The Fund had a net pension asset of \$25 million, deferred outflows of resources related to pensions of \$1.3 million, and deferred inflows of resources related to pensions of \$7.6 million included in the Statement of Net Position at December 31, 2021.
- Nonoperating Revenues and Expenses reduced net position by a total of \$1.2 million, an increase of \$947 thousand as compared to 2020. The system did not recognize any intergovernmental revenues in 2020 as compared to \$673 thousand in 2020 due to the completion of a grant award from the State of Michigan in 2020. Interest earnings decreased by \$162 thousand, whereas interest expense and fiscal charges increased \$85 thousand as compared to 2020.

Water Fund

Unrestricted net position (the amount available for future spending) of the City's Water fund amounted to (\$5.5 million) as of December 31, 2021. The fund had an increase in total net position for the year of \$18.1 million.

The Water Fund experienced an operating loss of \$514 thousand.

- Water system operating revenues increased \$2 million due to increased billing rates and an increase in water billed volumes.
- Operating expenses increased \$3.3 million as compared to 2020. Of this increase, \$2.7 million was in operation and maintenance costs, primarily due to rising costs of materials and services utilized in the maintenance of the water system and the increase in OPEB expenses discussed further below. Depreciation increased \$634 thousand as compared to 2020 as a result of increased investment in the water system infrastructure.
- Operating expenses includes an adjustment of \$3.92 million of net OPEB expense, which was an increase of \$1.04 million over the net OPEB expense recognized in 2020. The Fund made contributions of \$259,700 to the OPEB trust in 2021. The Fund had a net OPEB liability of \$18.63 million, deferred outflows of resources related to OPEB of \$3.4 million, and deferred inflows of resources related to OPEB of \$1 million included in the Statement of Net Position at December 31, 2021. The portion of the 2015 OPEB bond reported in the Water Fund at December 31, 2021 was \$7.8 million.
- Operating expenses includes an adjustment of \$1.3 million of net pension expense which was a decrease of \$804 thousand over the net pension expense recognized in 2020. The Fund was not required to and did not make contributions to the pension system in 2021. The Fund had a net pension asset of \$19.77 million, deferred outflows of resources related to pensions of \$1.2 million, and deferred inflows of resources related to pensions of \$6 million included in the Statement of Net Position at December 31, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Nonoperating Revenues and Expenses reduced net position by a total of \$2 million as compared an increase to net position of \$5 million in 2020. In 2020, the system received a legal settlement of \$5.4 million for the system's response to PFAS contamination in surrounding areas. In addition, grants associated with this contamination response expired in 2021, reducing the total intergovernmental revenues by \$1.3 million. Interest expense and fiscal charges also increased \$267 thousand due to debt financed capital improvements.
- Capital contributions of \$20.4 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 increased by \$10.8 million from 2020 as more projects were completed by users of the system in 2021 as compared to 2020.

Capital Asset and Debt Administration

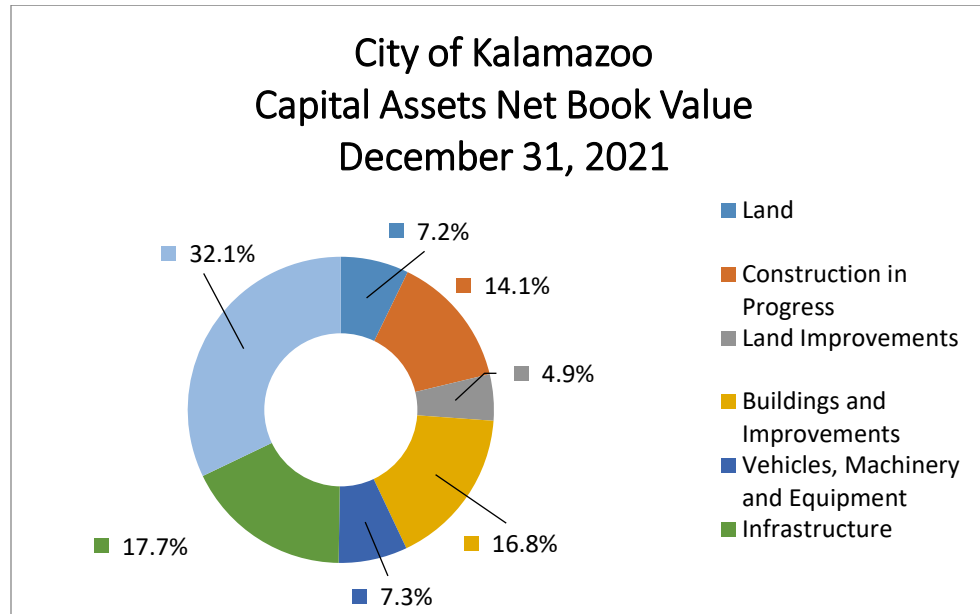
Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, totaled \$462 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, 2021 and the asset has not yet been placed into service.

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Land	\$ 30,029,845	\$ 29,966,986	\$ 3,293,620	\$ 3,293,620	\$ 33,323,465	\$ 33,260,606
Building and improvements	29,687,622	28,743,870	41,080,171	49,040,756	70,767,793	77,784,626
Land improvements	16,027,062	20,197,275	2,321,406	2,421,566	18,348,468	22,618,841
Machinery and equipment	3,934,852	6,869,683	16,150,407	17,219,146	20,085,259	24,088,829
Vehicles	5,046,043	4,993,272	4,336,628	4,524,059	9,382,671	9,517,331
Infrastructure	81,248,247	81,591,811	121,067,068	148,229,107	202,315,315	229,820,918
Intangible Assets	203,460	116,937	98,199	80,336	301,659	197,273
Rights to liquor license	139,200	139,200	-	-	139,200	139,200
Construction in progress	17,205,811	19,061,649	42,483,303	45,930,630	59,689,114	64,992,279
Total	<u>\$ 183,522,142</u>	<u>\$ 191,680,683</u>	<u>\$ 230,830,802</u>	<u>\$ 270,739,220</u>	<u>\$ 414,352,944</u>	<u>\$ 462,419,903</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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



Net capital assets increased \$8.159 million for governmental activities while net business-type activity capital assets increased \$39.91 million.

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

Governmental Activities:

- Construction of capital projects totaling \$14.4 million was completed in 2021 and transferred to other asset categories. Completed projects included the construction, reconstruction, widening of public streets, sidewalk improvements, parks improvements and other facility and equipment improvements. Approximately \$19.1 million of additional improvements are in progress.
- Land additions include property purchased for parks improvement projects and right of way for streets projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Land improvements of \$5.3 million include improvements to City parks, golf courses, sidewalks, storm water improvements, and parking facilities.
- Building improvements of \$96 thousand include health and safety upgrades and other improvements to City buildings.
- Vehicle additions of \$812 thousand included sixteen public safety operations vehicles, one public works dump truck, and various other vehicular equipment.
- Machinery and Equipment additions of \$4 million include \$2.2 million for public safety equipment, \$1.2 million for general government information systems equipment, \$492 thousand for public works and streets equipment, \$273 thousand for public safety equipment, and \$123 thousand in parks equipment.
- Infrastructure additions of \$4.1 million include various street and signal projects completed during 2021.
- The City disposed of assets with an original cost of \$1.2 million, and a net book value of \$144 thousand. Vehicular and other machinery and equipment with a net book value of \$53 thousand was disposed as the equipment was no longer in a condition to support City operations.

Business-type Activities:

Wastewater:

- Construction of Wastewater capital projects totaling \$7 million was completed in 2021 and transferred to other asset categories. Wastewater had \$14.7 million in construction in progress for treatment plant upgrades and infrastructure improvements.
- Wastewater added \$2.7 million of building improvements for treatment plant upgrades.
- Wastewater added \$2.3 million of machinery and equipment in heavy equipment and various treatment and process control upgrades.
- Wastewater added \$463 thousand in vehicles that included a hydro excavator vehicle.
- Wastewater upgraded the system infrastructure consisting of various mains, interceptors, and sewer linings totaling \$2 million.
- Wastewater disposed of fully depreciated vehicles and other machinery and equipment that was no longer able to support system operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Water:

- Construction of Water capital projects totaling \$39 million was completed in 2021 and transferred to other asset categories. Water had \$31 million in construction in progress for station improvements, storage tank improvements and various infrastructure improvements in progress at year end.
- Water upgraded the system infrastructure totaling \$29 million in 2021, including replacement of lead service connections and various improvements to mains, hydrants, and meters. Of this, \$19 million was constructed by third parties and transferred to the system for ownership and maintenance.
- Water added \$7.2 million in buildings and improvements for various station improvements, most notably was \$6.3 million for the Elevated Storage/Booster for Station 22.
- Water added \$754 thousand in machinery and equipment, consisting of various pumps, valves, well equipment, and other various system equipment.
- Water added \$271 thousand of vehicles, including one pickup trucks and one dump truck.
- Water disposed of assets with original costs totaling \$276 thousand, with a net book value of \$35 thousand. The disposals consisted of hydrants, vehicles, and various equipment no longer used in operations.

Additional information on the City's capital assets, including detailed changes during 2021, can be found in Note 5 on pages 96-100 of this report.

Long-term debt

The City's balance of bonded debt decreased by \$630 thousand during the current fiscal year. The City issued \$16.9 million in General Obligation Bonds and \$10.6 million in Revenue Bonds. The City made scheduled bond principal payments totaling \$11.9 million and refunded \$5.8 million in General Obligation bonds and \$10.4 million in Revenue Bonds.

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 2021 consisted of \$16,885,000 par value bonds issued to refund existing debt and fund capital improvements for streets, facility improvements, park improvements, golf course improvements, and various heavy equipment. The balance of outstanding general obligation bonds as of December 31, 2021 is \$130 million for governmental activities and \$16.3 million for business-type activities, of which \$61 million for governmental activities and \$16.3 million for business type activities is due to the 2015 financing of OPEB obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$10,585,000 of revenue bonds in 2021 to refund existing debt of the Wastewater and Water funds. The balance of outstanding revenue bonds as of December 31, 2021 is \$330 thousand for governmental activities and \$86 million for business-type activities.

Drinking Water Revolving Funds (DWRf) Bonds

The City also issues bonds through agreements with the State of Michigan Finance Authority and State of Michigan Department of Environment, Great Lakes, and Energy (EGLE) under the Drinking Water Revolving Fund created by 1997 Public Act 26 and 27. Business-type activities increased obligations by \$9 million in 2021 and made \$29 thousand of principal payments under this program.

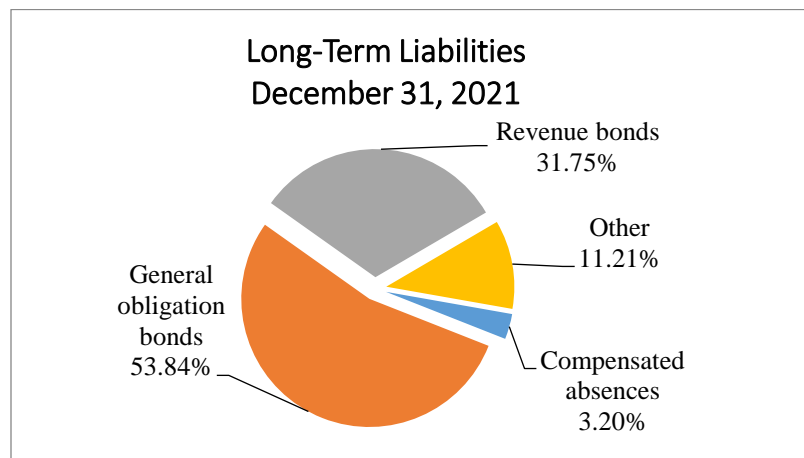
Compensated Absences

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, 2021 is \$8.7 million.

Insurance Claims and Environmental Matters

The City has estimated its liability for various legal issues that the City is aware of as of 2021. The estimated liability to the City is \$3.31 million.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the City's long-term debt can be found in Note 7 on pages 101-111.

The following is the City's credit rating for the various outstanding debt as rated by Standard and Poor's as of December 31, 2021.

	<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 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 (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. The agreement was amended in 2019 to provide an additional \$28.2 million in funding for aspirational projects in the City and \$54 million of new funds to support the budget stabilization and tax reduction in the General Fund through 2022. Beginning in 2023, funding is anticipated to be received through the FFE endowment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2021, State shared revenues in the General Fund had a 15% or \$1.3 million increase. 2020 included the reduction of the August revenue sharing payment accounting for \$507 thousand of the total difference. The remaining increase is expected due to economic recovery following removal of pandemic restrictions. State revenue remains low relative to historic norms. According to the Michigan Municipal League's calculator at SaveMICity.org, Kalamazoo has lost over \$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.

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 2022 General Fund budget includes anticipated \$18.2 million of FFE funded support of operations. As further discussed in the Note 17 in the Notes to the Financial Statements, the City has received the funds to support 2022 operations as of the date of this report. The City's budgeted operating expenditures in 2022 is \$6.2 million more than the 2021 adopted budget. This includes an increased transfer of \$1.7 million of excess reserves to the CIP fund. The General Fund will transfer a total of \$5.6 million to the CIP fund, pay \$3.8 million for the 2015 Other Post Employment Benefit Bonds, and make employer contributions of \$2.7 million to the OPEB Trust.

Property tax millage rates are budgeted in 2022 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 2022.

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 15% of budgeted annual operating revenues. The City has an additional reserve account of \$500 thousand for contingency reserves. The projected fund balance in 2022 is targeted to exceed the City Commission Budget Policy target of 15% of revenues.

In 2022, the City of Kalamazoo FFE Aspirational Projects fund has budgeted \$8.6 million for FFE operations and aspirational projects. The aspirational projects include: \$1.3 million for youth development and employment, \$2.4 million for complete neighborhoods and connected city, \$3.4 million for economic vitality, and \$42 thousand for environmental responsibility. In addition to the adopted initiatives, budgets for incomplete projects will be carried forward into 2022.

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, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 66,783,026	\$ 18,890,503	\$ 85,673,529	\$ 4,970,644
Cash and cash equivalents, restricted	19,498,158	11,974,582	31,472,740	269,283
Investments	23,476,868	8,843,666	32,320,534	1,333,372
Investments with agents	4,211,818	-	4,211,818	-
Current portion of receivables	4,569,670	8,074,865	12,644,535	41,503,169
Internal balances	1,411,260	(1,411,260)	-	-
Due from other governmental units	6,252,666	6,281,164	12,533,830	16,440
Inventories	741,318	766,313	1,507,631	19,126
Prepays	474,966	110,409	585,375	-
Total current assets	127,419,750	53,530,242	180,949,992	48,112,034
Noncurrent assets				
Advance to other governmental units	620,623	-	620,623	-
Advance to developers	-	-	-	500,000
Noncurrent investments	-	-	-	150,683,478
Noncurrent portion of receivables	4,298,786	-	4,298,786	289,952,523
Noncurrent portion of amounts due from other governmental units	3,652,290	-	3,652,290	-
Net pension asset	227,155,535	44,808,853	271,964,388	-
Capital assets not being depreciated	49,167,835	49,224,250	98,392,085	58,162
Capital assets, net of accumulated depreciation	142,512,848	221,514,970	364,027,818	208,179
Total noncurrent assets	427,407,917	315,548,073	742,955,990	441,402,342
TOTAL ASSETS	554,827,667	369,078,315	923,905,982	489,514,376
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	297,042	122,492	419,534	-
Deferred outflows of resources related to pensions	7,837,109	2,535,321	10,372,430	-
Deferred outflows of resources related to OPEB	32,225,114	8,219,485	40,444,599	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,359,265	10,877,298	51,236,563	-

See accompanying notes to financial statements.

CONTINUED

CITY OF KALAMAZOO
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current liabilities				
Accounts payable	\$ 4,723,746	\$ 5,804,822	\$ 10,528,568	\$ 365,693
Accrued payroll	1,848,085	-	1,848,085	-
Accrued interest payable	886,727	988,602	1,875,329	79,032
Other accrued liabilities	1,131,744	96	1,131,840	-
Deposits payable	259,327	922,604	1,181,931	-
Due to other governmental units	363,959	189,038	552,997	29,758
Unearned revenue	20,280,764	-	20,280,764	33,872
Current portion of compensated absences	2,943,867	587,068	3,530,935	5,210
Current portion of long-term debt	9,439,888	4,521,814	13,961,702	908,573
Current portion of uninsured claim liability	1,819,289	-	1,819,289	-
Total current liabilities	43,697,396	13,014,044	56,711,440	1,422,138
Noncurrent liabilities				
Noncurrent portion of advances from other governmental units	-	-	-	620,623
Noncurrent portion of compensated absences	4,597,201	570,017	5,167,218	3,626
Noncurrent portion of long-term debt	128,746,035	118,056,787	246,802,822	1,617,317
Noncurrent portion of uninsured claim liability	478,357	-	478,357	-
Net other post-employment benefits liability	171,495,779	44,879,508	216,375,287	-
Total noncurrent liabilities	305,317,372	163,506,312	468,823,684	2,241,566
TOTAL LIABILITIES	349,014,768	176,520,356	525,535,124	3,663,704
DEFERRED INFLOWS OF RESOURCES				
Deferred sales of future revenues	3,610,694	-	3,610,694	-
Deferred inflows of resources related to pensions	69,735,025	13,560,814	83,295,839	-
Deferred inflows of resources related to OPEB	4,392,780	1,853,081	6,245,861	-
TOTAL DEFERRED INFLOWS OF RESOURCES	77,738,499	15,413,895	93,152,394	-

CITY OF KALAMAZOO
STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 133,948,050	\$ 168,863,713	\$ 302,811,763	\$ 266,341
Restricted				
Nonexpendable	3,627,564	-	3,627,564	-
Expendable, restricted for:				
Major and local street projects	15,485,575	-	15,485,575	-
FFE aspirational projects	9,327,208	-	9,327,208	-
Solid waste program	2,731,696	-	2,731,696	-
Parks and recreation	1,919,152	-	1,919,152	-
Neighborhood and community development	2,736,184	-	2,736,184	-
Pensions	165,257,619	33,783,360	199,040,979	-
Other purposes	23,228,089	7,664,936	30,893,025	328,223,775
Unrestricted	<u>(189,827,472)</u>	<u>(22,290,647)</u>	<u>(212,118,119)</u>	<u>157,360,556</u>
 TOTAL NET POSITION	 <u>\$ 168,433,665</u>	 <u>\$ 188,021,362</u>	 <u>\$ 356,455,027</u>	 <u>\$ 485,850,672</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
Primary government								
Governmental activities								
General government	\$ 13,435,805	\$ 10,336,312	\$ 3,456,386	\$ 230,000	\$ 586,893	\$ -	\$ 586,893	\$ -
Public safety	63,817,583	468,695	3,492,263	25,918	(59,830,707)	-	(59,830,707)	-
Public works	8,373,080	-	-	986,105	(7,386,975)	-	(7,386,975)	-
Streets	7,551,650	170,770	11,188,156	-	3,807,276	-	3,807,276	-
Community and economic development	14,348,148	2,142,154	28,143,514	-	15,937,520	-	15,937,520	-
Parks and recreation	909,314	2,650,992	143,391	-	1,885,069	-	1,885,069	-
Interest on long-term debt	4,765,099	685,726	551,701	-	(3,527,672)	-	(3,527,672)	-
Total governmental activities	113,200,679	16,454,649	46,975,411	1,242,023	(48,528,596)	-	(48,528,596)	-
Business-type activities								
Wastewater	32,768,446	25,836,935	-	12,500	-	(6,919,011)	(6,919,011)	-
Water	26,787,065	23,993,959	118,137	20,429,310	-	17,754,341	17,754,341	-
Total business-type activities	59,555,511	49,830,894	118,137	20,441,810	-	10,835,330	10,835,330	-
Total primary government	\$ 172,756,190	\$ 66,285,543	\$ 47,093,548	\$ 21,683,833	(48,528,596)	10,835,330	(37,693,266)	-
Component units								
Downtown Development Authority	\$ 2,531,746	\$ 1,479,989	\$ 167,593	\$ -	-	-	-	(884,164)
Economic Development Corporation	30,681	-	27,930	-	-	-	-	(2,751)
Brownfield Redevelopment Authority	1,744,166	-	144,412	-	-	-	-	(1,599,754)
Kalamazoo Foundation For Excellence	297,350	-	367,158,392	-	-	-	-	366,861,042
Downtown Economic Growth Authority	665,204	-	-	-	-	-	-	(665,204)
Total component units	\$ 5,269,147	\$ 1,479,989	\$ 367,498,327	\$ -	-	-	-	363,709,169
General revenues								
Property taxes					25,268,136	-	25,268,136	2,749,950
Unrestricted state shared revenues					10,442,055	-	10,442,055	-
Investment earnings					1,813,305	115,869	1,929,174	16,562,369
Gain on disposal of capital assets					2,961	107,726	110,687	-
Miscellaneous					445,888	366,385	812,273	188,337
Transfers					(378,000)	378,000	-	-
Total general revenues and transfers					37,594,345	967,980	38,562,325	19,500,656
Change in net position					(10,934,251)	11,803,310	869,059	383,209,825
Restated net position, beginning of the year					179,367,916	176,218,052	355,585,968	102,640,847
Net position, end of the year					\$ 168,433,665	\$ 188,021,362	\$ 356,455,027	\$ 485,850,672

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2021**

	General	Grants and Donations	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,520,841	\$ 19,068,475	\$ 30,231,435	\$ 53,820,751
Cash and cash equivalents - restricted	-	-	19,498,158	19,498,158
Investments	5,916,992	-	8,324,184	14,241,176
Investments with agents	-	151,787	3,811,556	3,963,343
Receivables				
Accounts	794,922	1,083,100	323,072	2,201,094
Interest	39,378	-	2,734	42,112
Taxes	1,029,372	-	137,895	1,167,267
Notes	2,109,782	-	2,593,672	4,703,454
Due from other funds	11,183,858	570,499	674,576	12,428,933
Due from other governmental units	446,224	1,223,334	8,221,292	9,890,850
Advances to other governmental units	-	-	620,623	620,623
Inventories	158,269	-	583,049	741,318
Prepays	474,966	-	-	474,966
	<u>26,674,604</u>	<u>22,097,195</u>	<u>75,022,246</u>	<u>123,794,045</u>
TOTAL ASSETS	<u>\$ 26,674,604</u>	<u>\$ 22,097,195</u>	<u>\$ 75,022,246</u>	<u>\$ 123,794,045</u>

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
BALANCE SHEET (CONCLUDED)
DECEMBER 31, 2021**

	General	Grants and Donations	Nonmajor Governmental Funds	Total
LIABILITIES				
Accounts payable	\$ 994,502	\$ 217,637	\$ 2,864,775	\$ 4,076,914
Accrued liabilities	123,879	-	22,251	146,130
Due to other funds	6,752,279	1,511,760	6,664,028	14,928,067
Due to other governmental units	363,828	131	-	363,959
Deposits payable	-	-	259,327	259,327
Unearned revenue	-	19,486,001	794,763	20,280,764
TOTAL LIABILITIES	8,234,488	21,215,529	10,605,144	40,055,161
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	795,038	1,600	4,061,454	4,858,092
FUND BALANCES				
Nonspendable	2,743,017	-	4,210,613	6,953,630
Restricted	-	880,066	54,021,135	54,901,201
Committed	-	-	2,123,900	2,123,900
Assigned	2,263,295	-	-	2,263,295
Unassigned	12,638,766	-	-	12,638,766
TOTAL FUND BALANCES	17,645,078	880,066	60,355,648	78,880,792
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 26,674,604	\$ 22,097,195	\$ 75,022,246	\$ 123,794,045

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total fund balance - governmental funds	\$	78,880,792
--	-----------	-------------------

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	\$ 408,865,389	
Accumulated depreciation is	<u>(217,184,706)</u>	
Capital assets, net		191,680,683

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

Net pension asset	227,155,535	
Deferred outflows of resources related to pensions	7,837,109	
Deferred outflows of resources related to OPEB	32,225,114	
Deferred inflows of resources related to pensions	(69,735,025)	
Deferred inflows of resources related to OPEB	(4,392,780)	
Deferred charges on refunding	<u>297,042</u>	
		193,386,995

Other resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.		4,858,092
---	--	-----------

**CITY OF KALAMAZOO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2021**

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	\$ 17,736,600
--	---------------

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	\$ (130,429,735)	
Net other post-employment benefits liability	(171,495,779)	
Environmental matters liability	(1,013,859)	
Unamortized deferred amounts on debt issuance	(6,742,329)	
Accrued interest payable	(886,727)	
Compensated absences	(7,541,068)	
		(318,109,497)
 Net position of governmental activities		 \$ 168,433,665

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	General	Grants and Donations	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 22,261,237	\$ -	\$ 3,027,891	\$ 25,289,128
Special assessments	40,075	-	-	40,075
Licenses and permits	2,844,543	-	-	2,844,543
Intergovernmental	15,603,315	847,261	14,258,545	30,709,121
Charges for services	9,571,294	16,079	2,976,384	12,563,757
Fines and forfeits	7,970	-	183,078	191,048
Interest and rents	476,788	24,223	2,174,008	2,675,019
Other				
Donations and contributions	17,198,965	196,542	10,239,332	27,634,839
Other	621,044	-	737,523	1,358,567
TOTAL REVENUES	68,625,231	1,084,105	33,596,761	103,306,097
EXPENDITURES				
Current				
General government	12,938,994	32,714	-	12,971,708
Public safety	32,153,615	809,348	174,419	33,137,382
Public works	5,359,207	-	3,351,984	8,711,191
Streets	-	-	11,806,781	11,806,781
Community and economic development	2,926,487	540,142	10,845,218	14,311,847
Parks and recreation	2,609,868	834,714	2,399,163	5,843,745
Other	4,055,619	-	-	4,055,619
Debt service				
Principal	-	-	8,166,132	8,166,132
Interest and fiscal charges	-	-	5,182,682	5,182,682
Capital outlay	-	-	5,180,605	5,180,605
TOTAL EXPENDITURES	60,043,790	2,216,918	47,106,984	109,367,692
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,581,441	(1,132,813)	(13,510,223)	(6,061,595)

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONCLUDED)
YEAR ENDED DECEMBER 31, 2021**

	General	Grants and Donations	Nonmajor Governmental Funds	Total
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	\$ -	\$ -	\$ 16,885,000	\$ 16,885,000
Payments to escrow agent	-	-	(6,090,000)	(6,090,000)
Bond premium	-	-	2,602,545	2,602,545
Transfers in	1,161,996	1,149,587	21,251,711	23,563,294
Transfers out	<u>(7,870,196)</u>	<u>(162,000)</u>	<u>(14,459,102)</u>	<u>(22,491,298)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,708,200)</u>	<u>987,587</u>	<u>20,190,154</u>	<u>14,469,541</u>
NET CHANGE IN FUND BALANCES	1,873,241	(145,226)	6,679,931	8,407,946
Fund balances, beginning of year	15,771,837	1,025,292	51,949,915	68,747,044
Priod period adjustment	<u>-</u>	<u>-</u>	<u>1,725,802</u>	<u>1,725,802</u>
Fund balances, end of year	<u><u>\$ 17,645,078</u></u>	<u><u>\$ 880,066</u></u>	<u><u>\$ 60,355,648</u></u>	<u><u>\$ 78,880,792</u></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, 2021**

Net change in fund balances - total governmental funds **\$ 8,407,946**

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	\$	16,267,303
Depreciation expense		(7,964,616)
Net effect of disposal of capital assets		<u>(144,146)</u>

Excess of capital outlay over depreciation expense and other items	8,158,541
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(682,984)
--	-----------

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.

Change in net position of governmental activities internal service funds	2,431,043
--	-----------

CITY OF KALAMAZOO
RECONCILIATION OF THE CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONCLUDED)
YEAR ENDED DECEMBER 31, 2021

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	\$ (16,885,000)	
Debt principal retirement	<u>14,256,133</u>	
		\$ (2,628,867)

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

Increase in net pension asset	72,710,923	
(Decrease) in deferred outflows of resources related to pensions	(3,065,588)	
(Decrease) in deferred outflows of resources related to OPEB	(10,658,211)	
(Increase) in deferred inflows of resources related to pensions	(50,420,673)	
Decrease in deferred inflows of resources related to OPEB	4,568,895	
(Decrease) in deferred charges on refunding	(87,160)	
(Increase) in deferred amounts on debt issuance	(2,067,645)	
(Increase) in accrued interest payable	(30,157)	
(Increase) in compensated absences	(127,757)	
(Increase) in environmental matters liability	(6,203)	
(Increase) in net OPEB liability	<u>(37,436,354)</u>	
		<u>(26,619,930)</u>
Change in net position of governmental activities		<u><u>\$ (10,934,251)</u></u>

**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 21,967,189	\$ 22,079,689	\$ 22,261,237	\$ 181,548
Special assessments	42,000	42,000	40,075	(1,925)
Licenses and permits	2,833,725	2,833,725	2,844,543	10,818
Intergovernmental	13,894,105	13,781,605	15,603,315	1,821,710
Charges for services	10,126,407	10,136,923	9,571,294	(565,629)
Fines and forfeits	8,000	8,000	7,970	(30)
Interest and rents	207,750	207,750	476,788	269,038
Other				
Donations and contributions	17,299,624	17,372,665	17,198,965	(173,700)
Other	310,050	310,050	621,044	310,994
TOTAL REVENUES	66,688,850	66,772,407	68,625,231	1,852,824
EXPENDITURES				
Current				
General government				
Commission	123,000	294,408	101,316	193,092
Manager	1,598,242	1,586,242	2,054,618	(468,376)
Diversity, equity, and inclusion	283,420	428,420	279,613	148,807
Attorney	876,419	880,806	753,011	127,795
Clerk				
Administration	292,980	314,178	335,869	(21,691)
Election	280,574	283,634	408,948	(125,314)
Records management	239,763	241,463	153,237	88,226
Internal audit	97,768	100,254	97,875	2,379
Human resources	652,609	664,609	814,205	(149,596)
Customer service	745,484	745,484	562,027	183,457

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Current (continued)				
General government (concluded)				
Management services				
Administration	\$ 274,902	\$ 274,902	\$ 266,738	\$ 8,164
Budget and accounting	671,665	671,665	668,806	2,859
Financial services	620,759	620,759	580,794	39,965
Assessor	507,632	507,632	494,837	12,795
Treasurer	1,320,118	1,320,118	1,226,383	93,735
Purchasing	420,766	420,766	414,760	6,006
Information technology	4,083,789	4,107,020	3,725,957	381,063
Total general government	13,089,890	13,462,360	12,938,994	523,366
Public safety				
Administration	1,382,548	1,382,548	1,828,976	(446,428)
K-Vet drug enforcement	2,657,165	2,657,165	1,718,697	938,468
Operations division	18,717,874	18,717,874	19,928,737	(1,210,863)
Criminal investigations	3,105,585	3,105,585	3,022,450	83,135
Service division	6,556,514	6,560,514	5,654,755	905,759
Total public safety	32,419,686	32,423,686	32,153,615	270,071

**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Current (continued)				
Public services				
Public works				
Forestry, creek, and environmental inspections	\$ 719,508	\$ 719,508	\$ 809,281	\$ (89,773)
Sidewalks and pedestrian mall maintenance	234,431	234,431	149,050	85,381
Equipment maintenance	2,795,089	2,795,089	2,862,526	(67,437)
Emergency recovery	-	-	124,977	(124,977)
City maintenance	1,555,607	1,555,607	1,413,373	142,234
Total public services	5,304,635	5,304,635	5,359,207	(54,572)
Community and economic development				
Community development	3,000	3,000	445	2,555
Economic development	417,463	413,618	360,399	53,219
Code administration	2,015,550	2,019,395	1,749,461	269,934
Planning	974,821	974,821	816,182	158,639
Total community and economic development	3,410,834	3,410,834	2,926,487	484,347
Parks and recreation				
Parks maintenance	1,222,720	1,238,358	1,235,917	2,441
Recreation	1,281,048	1,333,750	1,373,951	(40,201)
Total parks and recreation	2,503,768	2,572,108	2,609,868	(37,760)

**CITY OF KALAMAZOO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONCLUDED)
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
EXPENDITURES (CONCLUDED)				
Current (concluded)				
Nondepartmental				
Street lighting	\$ 1,212,000	\$ 1,212,000	\$ 1,410,826	\$ (198,826)
Contribution to OPEB trust	2,488,400	2,488,400	2,484,677	3,723
Other	405,993	392,493	160,116	232,377
Total nondepartmental	4,106,393	4,092,893	4,055,619	37,274
TOTAL EXPENDITURES	60,835,206	61,266,516	60,043,790	1,222,726
EXCESS OF REVENUES OVER EXPENDITURES	5,853,644	5,505,891	8,581,441	3,075,550
OTHER FINANCING SOURCES (USES)				
Transfers in	1,162,000	1,162,000	1,161,996	(4)
Transfers out	(7,466,174)	(7,466,174)	(7,870,196)	(404,022)
TOTAL OTHER FINANCING SOURCES (USES)	(6,304,174)	(6,304,174)	(6,708,200)	(404,026)
NET CHANGE IN FUND BALANCE	(450,530)	(798,283)	1,873,241	2,671,524
Fund balance, beginning of year	15,771,837	15,771,837	15,771,837	-
Fund balance, end of year	<u>\$ 15,321,307</u>	<u>\$ 14,973,554</u>	<u>\$ 17,645,078</u>	<u>\$ 2,671,524</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
GRANTS AND DONATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 11,500	\$ 4,593,681	\$ 847,261	\$ (3,746,420)
Charges for services	-	10,000	16,079	6,079
Interest	-	-	24,223	24,223
Other				
Donations and contributions	-	149,734	196,542	46,808
	<u>11,500</u>	<u>4,753,415</u>	<u>1,084,105</u>	<u>(3,669,310)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	-	2,658,119	32,714	2,625,405
Public safety	-	934,856	809,348	125,508
Community and economic development	-	1,953,357	540,142	1,413,215
Parks and recreation	1,146,532	1,313,374	834,714	478,660
	<u>1,146,532</u>	<u>6,859,706</u>	<u>2,216,918</u>	<u>4,642,788</u>
TOTAL EXPENDITURES				
	<u>1,146,532</u>	<u>6,859,706</u>	<u>2,216,918</u>	<u>4,642,788</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES				
	<u>(1,135,032)</u>	<u>(2,106,291)</u>	<u>(1,132,813)</u>	<u>973,478</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,135,032	2,012,273	1,149,587	(862,686)
Transfers out	(162,000)	(162,000)	(162,000)	-
	<u>973,032</u>	<u>1,850,273</u>	<u>987,587</u>	<u>(862,686)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>973,032</u>	<u>1,850,273</u>	<u>987,587</u>	<u>(862,686)</u>
NET CHANGE IN FUND BALANCE				
	<u>(162,000)</u>	<u>(256,018)</u>	<u>(145,226)</u>	<u>110,792</u>
Fund balance, beginning of year	<u>1,025,292</u>	<u>1,025,292</u>	<u>1,025,292</u>	<u>-</u>
Fund balance, end of year	<u>\$ 863,292</u>	<u>\$ 769,274</u>	<u>\$ 880,066</u>	<u>\$ 110,792</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,329,953	\$ 11,560,550	\$ 18,890,503	\$ 12,962,275
Cash and cash equivalents - restricted	3,232,419	8,742,163	11,974,582	-
Investments	4,137,748	4,705,918	8,843,666	9,235,692
Investments with agents	-	-	-	248,475
Receivables				
Customers	4,336,568	3,721,471	8,058,039	754,529
Interest	16,826	-	16,826	-
Due from other funds	2,845,811	409,578	3,255,389	8,103,527
Due from other governmental units	-	6,281,164	6,281,164	14,106
Inventories	152,667	613,646	766,313	-
Prepays	63,567	46,842	110,409	-
Total current assets	22,115,559	36,081,332	58,196,891	31,318,604
Noncurrent assets				
Net pension asset	25,042,481	19,766,372	44,808,853	-
Capital assets not being depreciated	15,323,297	33,900,953	49,224,250	-
Capital assets, net of accumulated depreciation	70,667,004	150,847,966	221,514,970	-
Total noncurrent assets	111,032,782	204,515,291	315,548,073	-
TOTAL ASSETS	133,148,341	240,596,623	373,744,964	31,318,604

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts on refunding	\$ 15,293	\$ 107,199	\$ 122,492	\$ -
Deferred outflows of resources related to pensions	1,337,226	1,198,095	2,535,321	-
Deferred outflows of resources related to OPEB	4,820,042	3,399,443	8,219,485	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,172,561	4,704,737	10,877,298	-
LIABILITIES				
Current liabilities				
Accounts payable	2,446,554	3,358,268	5,804,822	646,832
Accrued payroll	-	-	-	1,848,085
Other accrued liabilities	96	-	96	985,614
Accrued interest payable	285,538	703,064	988,602	-
Deposit payable	-	922,604	922,604	-
Due to other funds	1,299,746	3,366,903	4,666,649	4,193,133
Due to other governmental units	159,351	29,687	189,038	-
Current portion of compensated absences	325,993	261,075	587,068	-
Current portion of long-term debt	1,363,258	3,158,556	4,521,814	-
Current portion of uninsured claim liability	-	-	-	1,819,289
Total current liabilities	5,880,536	11,800,157	17,680,693	9,492,953

See accompanying notes to financial statements.

CONTINUED

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
LIABILITIES (CONCLUDED)				
Noncurrent liabilities				
Net other post-employment benefits liability	\$ 26,253,175	\$ 18,626,333	\$ 44,879,508	\$ -
Noncurrent portion of compensated absences	366,288	203,729	570,017	-
Noncurrent portion of long-term debt	38,427,727	79,629,060	118,056,787	-
Noncurrent portion of uninsured claim liability	-	-	-	478,357
Total noncurrent liabilities	65,047,190	98,459,122	163,506,312	478,357
TOTAL LIABILITIES	70,927,726	110,259,279	181,187,005	9,971,310
DEFERRED INFLOWS OF RESOURCES				
Deferred sales of future revenues	-	-	-	3,610,694
Deferred inflows of resources related to pensions	7,578,780	5,982,034	13,560,814	-
Deferred inflows of resources related to OPEB	853,106	999,975	1,853,081	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,431,886	6,982,009	15,413,895	3,610,694
NET POSITION				
Net investment in capital assets	55,301,229	113,562,484	168,863,713	-
Restricted for bond reserves	2,636,673	5,028,263	7,664,936	-
Restricted for pensions	18,800,927	14,982,433	33,783,360	-
Unrestricted	(16,777,539)	(5,513,108)	(22,290,647)	17,736,600
TOTAL NET POSITION	\$ 59,961,290	\$ 128,060,072	\$ 188,021,362	\$ 17,736,600

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
OPERATING REVENUES				
Charges for services	\$ 25,836,935	\$ 23,993,959	\$ 49,830,894	\$ 15,965,639
Other	258,891	103	258,994	83,163
TOTAL OPERATING REVENUES	26,095,826	23,994,062	50,089,888	16,048,802
OPERATING EXPENSES				
Operation and maintenance	26,693,797	19,734,595	46,428,392	-
Risk management	-	-	-	12,189,078
Depreciation	4,705,439	4,773,064	9,478,503	-
TOTAL OPERATING EXPENSES	31,399,236	24,507,659	55,906,895	12,189,078
OPERATING INCOME (LOSS)	(5,303,410)	(513,597)	(5,817,007)	3,859,724

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONCLUDED)
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	\$ -	\$ 118,137	\$ 118,137	\$ -
Interest revenue	56,376	59,493	115,869	21,315
Other	76,578	30,813	107,391	-
Gain on sale of capital assets	4,551	103,175	107,726	-
Amortization of:				
Bond defeasance expenses	(1,176)	(7,728)	(8,904)	-
Bond premiums and discounts	51,369	106,314	157,683	-
Interest expense and fiscal charges	(1,419,403)	(2,377,992)	(3,797,395)	-
 TOTAL NONOPERATING REVENUES (EXPENSES)	 (1,231,705)	 (1,967,788)	 (3,199,493)	 21,315
 NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	 (6,535,115)	 (2,481,385)	 (9,016,500)	 3,881,039
 CAPITAL CONTRIBUTIONS	 12,500	 20,429,310	 20,441,810	 -
TRANSFERS IN	216,000	162,000	378,000	-
TRANSFERS OUT	-	-	-	(1,449,996)
 CHANGE IN NET POSITION	 (6,306,615)	 18,109,925	 11,803,310	 2,431,043
 Net position, beginning of year	 66,267,905	 109,950,147	 176,218,052	 15,305,557
 Net position, end of year	 \$ 59,961,290	 \$ 128,060,072	 \$ 188,021,362	 \$ 17,736,600

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 25,794,496	\$ 23,055,845	\$ 48,850,341	\$ -
Cash received from interfund services provided	-	1,847,965	1,847,965	16,674,846
Cash paid for interfund services provided	(1,316,050)	-	(1,316,050)	-
Cash paid to suppliers	(15,133,551)	(10,691,955)	(25,825,506)	-
Cash paid to employees	(4,811,324)	(4,072,747)	(8,884,071)	-
Cash paid for employee benefits	(2,170,113)	(1,673,496)	(3,843,609)	(12,207,745)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,363,458	8,465,612	10,829,070	4,467,101
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental grant	-	118,137	118,137	-
Tax liens and reimbursements	76,578	30,813	107,391	-
Interest paid on OPEB bonds	(376,890)	(373,617)	(750,507)	-
Payments on OPEB bonds	(225,295)	(206,435)	(431,730)	-
Transfer in	216,000	162,000	378,000	-
Transfer out	-	-	-	(1,449,996)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(309,607)	(269,102)	(578,709)	(1,449,996)

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	\$ (8,431,663)	\$ (21,516,624)	\$ (29,948,287)	\$ -
Contributions received	12,500	955,452	967,952	-
Cash received for disposal of capital assets	4,551	138,399	142,950	-
Interest paid	(1,060,300)	(2,009,901)	(3,070,201)	-
Proceeds from debt issuance	1,670,000	17,898,415	19,568,415	-
Payments on borrowings	(2,680,000)	(10,779,412)	(13,459,412)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(10,484,912)	(15,313,671)	(25,798,583)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(4,137,748)	(4,705,918)	(8,843,666)	(9,484,167)
Maturity of investments	7,883,328	1,486,035	9,369,363	6,082,494
Interest received	59,760	59,493	119,253	21,315
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,805,340	(3,160,390)	644,950	(3,380,358)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,625,721)	(10,277,551)	(14,903,272)	(363,253)
Cash and cash equivalents, beginning of year	15,188,093	30,580,264	45,768,357	13,325,528
Cash and cash equivalents, end of year	\$ 10,562,372	\$ 20,302,713	\$ 30,865,085	\$ 12,962,275

**CITY OF KALAMAZOO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONCLUDED)
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds			Internal Service Fund
	Wastewater	Water	Total	Insurance and Benefits
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (5,303,410)	\$ (513,597)	\$ (5,817,007)	\$ 3,859,724
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	4,705,439	4,773,064	9,478,503	-
(Increase) decrease in:				
Accounts receivable	(496,162)	(382,501)	(878,663)	(103,693)
Due from other funds	(410,871)	(102,976)	(513,847)	(3,307,603)
Due from other governmental units	194,832	(487,302)	(292,470)	(4,230)
Inventories	64,166	(124,567)	(60,401)	-
Prepays	(45,337)	(95)	(45,432)	55,430
Net pension asset	(7,468,447)	(6,071,886)	(13,540,333)	-
Deferred outflows of resources related to pensions	139,053	429,107	568,160	-
Deferred outflows of resources related to OPEB	2,045,159	1,751,359	3,796,518	-
Increase (decrease) in:				
Accounts payable	(37,602)	750,445	712,843	228,722
Accrued liabilities	96	-	96	392,434
Due to other funds	(905,179)	1,950,941	1,045,762	4,041,570
Due to other governmental units	100,599	3,117	103,716	-
Deposits payable	-	(68,414)	(68,414)	-
Compensated absences	(6,294)	15,629	9,335	(83,164)
Uninsured claim liability	-	-	-	(612,089)
Net other post-employment benefits liability	4,887,067	2,499,537	7,386,604	-
Deferred inflows of resources related to pensions	5,478,435	4,348,543	9,826,978	-
Deferred inflows of resources related to OPEB	(578,086)	(304,792)	(882,878)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,363,458	\$ 8,465,612	\$ 10,829,070	\$ 4,467,101
NONCASH FINANCING ACTIVITIES				
Contributions of capital assets	\$ -	\$ 19,473,858	\$ 19,473,858	\$ -

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021**

	Pension and Other Post-Employment Benefits Trusts	General Private Purpose Trust Fund	Tax Collector's Custodial Fund
ASSETS			
Cash and cash equivalents	\$ 491,732	\$ 102,011	\$ 15,523,037
Investments			
U.S. Treasuries	86,265,725	-	-
Corporate bonds	76,230,415	-	-
Municipal bonds	258,669	-	-
Collateralized mortgage obligations	61,943,770	-	-
Equity mutual funds	649,012,847	-	-
Real estate mutual funds	49,470,821	-	-
Receivables			
Interest and dividends	822,882	-	-
Investments sold	2,912,421	-	-
	<u>927,409,282</u>	<u>102,011</u>	<u>15,523,037</u>
TOTAL ASSETS			
	<u>927,409,282</u>	<u>102,011</u>	<u>15,523,037</u>
LIABILITIES			
Accounts payable	739,718	-	-
Undistributed tax collections	-	-	15,523,037
Due to individuals and agencies	-	54,778	-
	<u>739,718</u>	<u>54,778</u>	<u>15,523,037</u>
TOTAL LIABILITIES			
	<u>739,718</u>	<u>54,778</u>	<u>15,523,037</u>
NET POSITION			
Restricted for:			
Pension	805,924,795	-	-
OPEB	120,744,769	-	-
Individuals, organizations, and other governments	-	47,233	-
	<u>-</u>	<u>47,233</u>	<u>-</u>
TOTAL NET POSITION			
	<u>\$ 926,669,564</u>	<u>\$ 47,233</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	Pension and Other Post-Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Custodial Fund
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 128,352,349	\$ -	\$ -
Interest	3,039,240	12	-
Dividends	24,802,620	-	-
Total investment income	156,194,209	12	-
Less investment expense	(2,549,706)	-	-
Net investment income	153,644,503	12	-
Contributions			
Employer	3,500,000	-	-
Plan members	2,325,317	-	-
Other	-	10,275	-
Total contributions	5,825,317	10,275	-
Other additions			
Tax collections for other governments	-	-	73,121,999
TOTAL ADDITIONS TO NET POSITION	159,469,820	10,287	73,121,999

**CITY OF KALAMAZOO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (CONCLUDED)
YEAR ENDED DECEMBER 31, 2021**

	Pension and Other Post-Employment Benefits Trusts	General Private Purpose Trust	Tax Collector's Custodial Fund
DEDUCTIONS FROM NET POSITION			
Benefits	\$ 41,543,634	\$ -	\$ -
Refunds of contributions	59,568	-	-
Administrative expenses	355,263	80,275	-
Payment of taxes collected for other governments	-	-	73,121,999
Miscellaneous expenses	333,861	-	-
	<u>42,292,326</u>	<u>80,275</u>	<u>73,121,999</u>
TOTAL DEDUCTIONS			
	117,177,494	(69,988)	-
CHANGE IN NET POSITION			
	809,492,070	117,221	-
Net position, beginning of year	<u>809,492,070</u>	<u>117,221</u>	<u>-</u>
Net position, end of year	<u>\$ 926,669,564</u>	<u>\$ 47,233</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Kalamazoo Foundation For Excellence	Downtown Economic Growth Authority	Total Discretely Presented Component Units
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,489,792	\$ 453,461	\$ 2,817,127	\$ 6,332	\$ 203,932	\$ 4,970,644
Cash and cash equivalents - restricted	269,283	-	-	-	-	269,283
Investments	-	-	1,333,372	-	-	1,333,372
Accounts receivable	71,103	-	-	-	20,008	91,111
Taxes receivable	-	-	772,122	-	414,030	1,186,152
Due from other governmental units	-	-	16,440	-	-	16,440
Inventories	-	-	-	-	19,126	19,126
Current portion of contributions receivable	-	-	-	39,873,000	-	39,873,000
Current portion of notes receivable	300,000	-	52,906	-	-	352,906
Total current assets	2,130,178	453,461	4,991,967	39,879,332	657,096	48,112,034
Noncurrent assets						
Noncurrent investments	-	-	-	150,683,478	-	150,683,478
Noncurrent portion of contributions receivable	-	-	-	288,646,000	-	288,646,000
Noncurrent portion of notes receivable	243,341	-	1,063,182	-	-	1,306,523
Advance to developers	-	-	500,000	-	-	500,000
Capital assets not being depreciated	58,162	-	-	-	-	58,162
Capital assets, net of accumulated depreciation	208,179	-	-	-	-	208,179
Total noncurrent assets	509,682	-	1,563,182	439,329,478	-	441,402,342
TOTAL ASSETS	2,639,860	453,461	6,555,149	479,208,810	657,096	489,514,376

See accompanying notes to financial statements.

CONTINUED

CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION (CONCLUDED)
DECEMBER 31, 2021

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Kalamazoo Foundation For Excellence	Downtown Economic Growth Authority	Total Discretely Presented Component Units
LIABILITIES						
Current liabilities						
Accounts payable	\$ 132,690	\$ -	\$ 114,620	\$ 21,832	\$ 96,551	\$ 365,693
Accrued interest payable	79,032	-	-	-	-	79,032
Due to other governmental units	-	4,466	24,291	1,001	-	29,758
Unearned revenue	3,872	-	30,000	-	-	33,872
Current portion of compensated absences	-	649	4,561	-	-	5,210
Current portion of long-term debt	858,648	-	49,925	-	-	908,573
Total current liabilities	1,074,242	5,115	223,397	22,833	96,551	1,422,138
Noncurrent liabilities						
Noncurrent portion of compensated absences	-	601	3,025	-	-	3,626
Noncurrent portion of long-term debt	133,216	-	484,101	-	1,000,000	1,617,317
Noncurrent portion of advances from other governmental units	-	-	620,623	-	-	620,623
Total noncurrent liabilities	133,216	601	1,107,749	-	1,000,000	2,241,566
TOTAL LIABILITIES	1,207,458	5,716	1,331,146	22,833	1,096,551	3,663,704
NET POSITION						
Net investment in capital assets	266,341	-	-	-	-	266,341
Restricted	269,283	-	-	327,954,492	-	328,223,775
Unrestricted	896,778	447,745	5,224,003	151,231,485	(439,455)	157,360,556
TOTAL NET POSITION	\$ 1,432,402	\$ 447,745	\$ 5,224,003	\$ 479,185,977	\$ (439,455)	\$ 485,850,672

See accompanying notes to financial statements.

CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Kalamazoo Foundation For Excellence	Downtown Economic Growth Authority	Total Component Units
Governmental Activities									
Downtown Development Authority	\$ 2,531,746	\$ 1,479,989	\$ 167,593	\$ (884,164)	\$ -	\$ -	\$ -	\$ -	\$ (884,164)
Economic Development Corporation	30,681	-	27,930	-	(2,751)	-	-	-	(2,751)
Brownfield Redevelopment Authority	1,744,166	-	144,412	-	-	(1,599,754)	-	-	(1,599,754)
Kalamazoo Foundation For Excellence	297,350	-	367,158,392	-	-	-	366,861,042	-	366,861,042
Downtown Economic Growth Authority	665,204	-	-	-	-	-	-	(665,204)	(665,204)
TOTALS	\$ 5,269,147	\$ 1,479,989	\$ 367,498,327	(884,164)	(2,751)	(1,599,754)	366,861,042	(665,204)	363,709,169
General revenues									
Property taxes				260,293	-	2,074,763	-	414,894	2,749,950
Investment earnings				24,905	-	2,167	16,535,170	127	16,562,369
Miscellaneous				70,422	-	54,059	-	63,856	188,337
Total general revenues				355,620	-	2,130,989	16,535,170	478,877	19,500,656
Change in net position				(528,544)	(2,751)	531,235	383,396,212	(186,327)	383,209,825
Restated net position, beginning of year				1,960,946	450,496	4,692,768	95,789,765	(253,128)	102,640,847
Net position, end of year				\$ 1,432,402	\$ 447,745	\$ 5,224,003	\$ 479,185,977	\$ (439,455)	\$ 485,850,672

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - 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 73,500. 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.

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.

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-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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units

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

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

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

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

The Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City of Kalamazoo, Michigan. The Authority's budget is subject to approval by the City Commission. The Authority had no activity during the year ended December 31, 2021.

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.

The Downtown Economic Growth Authority was created as a tax-increment financing (TIF) district to replace and reset the existing DDA TIF funding model to enable key investments to be made in downtown infrastructure. The Authority's budget is subject to approval by the City Commission.

Complete financial statements of the Downtown Development Authority and the Downtown Economic Growth 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Component Units

The Employees' Retirement System Trust Fund was established to account for the assets set aside to fund the City's Employees' Retirement System. The primary purpose of the System is to provide the necessary funding for the pension benefits provided to eligible City employees and their beneficiaries during retirement. The System is administered by the City of Kalamazoo Employees' Retirement System Pension Board of Trustees. The assets of the System are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

The Other Post-Employment Benefits Trust Fund was established to account for the assets set aside from multiple employers to fund the City's Other Post-Employment Benefits Plan. The primary purpose of the Plan is to provide the necessary funding for the medical insurance benefits provided to eligible City employees and their beneficiaries during retirement. The Plan is a cost sharing multiple-employer plan with the City as the fiduciary. The Plan is administered by the City of Kalamazoo Other Post-Employment Benefits Fund trustee. The assets of the Plan are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

Complete financial statements of the Employees' Retirement System and the Other Post-Employment Benefits Trust Fund may be obtained at their administrative office: 241 West South Street, Kalamazoo, MI 49007.

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONCLUDED)

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

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- 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 Grants and Donations Fund is used to account for a variant of award programs, most notably the Justice Assistance grants (JAG), COPS Hiring Program Grants (CHP), the Coronavirus State and Local Fiscal Recover Funds (SLFRF) under the American Rescue Plan Act (ARPA).

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (concluded)

FUND FINANCIAL STATEMENTS (CONCLUDED)

Additionally, the City reports the following fund types:

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

The government-wide, proprietary fund, and 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.

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 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.

If/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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of various checking, savings, money market, and investment trust fund accounts and cash on hand. The cash and cash equivalents are recorded at cost, which approximates fair 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Investments (concluded)

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. 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.
- c. The United States government or federal agency obligations repurchase agreements.
- d. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

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.

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 and are reported using the consumption method.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepays

Prepaid expenditures/expenses 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. Prepaid expenditures in the governmental funds are reported using the consumption method.

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 one year. 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.

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

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from debt proceeds received, are reported as expenses.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned Revenue

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The General Fund, Grants and Donations, nonmajor governmental, Wastewater, and Water funds contribute to the Employees' Retirement System, as necessary.

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. The General Fund, Grants and Donations, nonmajor governmental, Wastewater, and Water funds contribute to the Other Post-Employment Benefits Trust, as necessary.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (lien date) on the taxable valuation of property as of the preceding December 31 and are payable without penalty through August 14. After August 14, unpaid property taxes are considered past due and the applicable property is subject to lien. 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 Custodial 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, 2021, the City levied 12.0000 mills for general governmental services and 1.8000 mills for waste collection. The total taxable value for the 2021 levy for property within the City was \$1,719,330,362.

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.

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.

Advances to Other Governmental Units

Long-term advances from the primary government to 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fund Balance Classifications

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:

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**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Fund Balance Classifications (concluded)

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.

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.

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.

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - 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. At December 31, 2021, \$108,885,222 of the City's bank balance of \$114,052,011 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount on the books for deposits at the end of the year was \$115,882,667. The financial statements include \$5,600 of imprest cash.

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

As permitted by State statutes, the City has placed monies for investment with the Kalamazoo Community Foundation (KCF) and Michigan Municipal Risk Management Authority (MMRMA). These monies, amounting to \$3,963,343 and \$248,475, respectively, as of December 31, 2021, 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 - Investments

For an investment, this 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, 2021, 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.

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, 2021, the City investment in the Michigan CLASS investments was rated AAAM by S&P Global Ratings and the City's investments 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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 18 months. As of December 31, 2021, the City's investment in the Michigan CLASS investments had a weighted average maturity of 68 days.

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.

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

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 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).

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Fair Value Measurement (concluded)

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, 2021, the carrying amounts and fair 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	\$ -	\$ 1,845,000	\$ -	\$ 1,845,000	AA+	1,127 days
Freddie Mac	-	4,000,067	-	4,000,067	AA+	1,127 days
Farm Credit	-	5,250,000	-	5,250,000	AA+	1,673 days
Treasury bills	-	1,042,738	-	1,042,738	AA+	30 days
Governments and agencies	-	24,161,211	-	24,161,211	AA+	7,359 days
Municipal bonds	-	9,006,749	-	9,006,749	Not Rated	504 days
Corporate bonds	-	12,264,612	-	12,264,612	Not Rated	4,331 days
Commercial paper	749,166	-	-	749,166	Not Rated	208 days
Equity mutual funds	120,402,226	-	-	120,402,226	Not Rated	N/A
	<u>\$ 121,151,392</u>	<u>\$ 57,570,377</u>	<u>\$ -</u>	<u>\$ 178,721,769</u>		

Investments in Entities that Calculate Net Asset Value Per Share

The City holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments in Entities that Calculate Net Asset Value Per Share (concluded)

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended December 31, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS	<u>\$ 27,738,592</u>	<u>\$ -</u>	No restrictions	None

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, 2021, the System's investments represented approximately 83.3% of the portfolio and the Trust's investments represented approximately 12.6% of the portfolio.

Deposits

Checking or other demand/time deposit accounts are not maintained. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments in money market accounts held by the investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The carrying amount of these accounts as of December 31, 2021, was \$491,732. These amounts were fully insured as of December 31, 2021.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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, 2021, is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long Term Expected Rate of Return</u>
U.S. Small Cap (Manager 1)	5.00%	4.12%
U.S. Small Cap (Manager 2)	10.00%	4.12%
International Developed Equity	10.00%	3.42%
U.S. Large Cap (Manager 1)	30.00%	3.62%
U.S. Large Cap (Manager 2)	5.00%	3.62%
Emerging Markets	10.00%	5.22%
Domestic Fixed Income	25.00%	-0.88%
Real Estate (Manager 1)	2.50%	1.82%
Real Estate (Manager 2)	2.50%	1.82%

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments (concluded)

The System's and Trust's investments are held in nine portfolios administered by five investment managers. Following is a summary of the portfolio's investments as of December 31, 2021:

U.S. Treasuries	\$ 86,265,725
Corporate bonds	76,230,415
Municipal bonds	258,669
Collateralized mortgage obligations	61,943,770
Equity mutual funds	649,012,847
Real estate mutual funds	<u>49,470,821</u>
Total investments	<u><u>\$ 923,182,247</u></u>

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 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Fair Value Measurements (concluded)

As of December 31, 2021, 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	\$ -	\$ 20,934,773	\$ -	\$ 20,934,773
Fannie Mae	-	40,477,340	-	40,477,340
Ginnie Mae	-	531,657	-	531,657
U.S. Treasury Notes	-	86,265,725	-	86,265,725
Corporate bonds	-	76,230,415	-	76,230,415
Municipal bonds	-	258,669	-	258,669
Equity mutual funds	649,012,847	-	-	649,012,847
Real estate mutual funds	49,470,821	-	-	49,470,821
	<u>\$ 698,483,668</u>	<u>\$ 224,698,579</u>	<u>\$ -</u>	<u>\$ 923,182,247</u>

Custodial Credit Risk

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

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2021, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

<u>Standard & Poor's</u>	<u>Corporate Bonds</u>	<u>Municipal Bonds</u>	<u>CMO</u>
AAA	\$ 4,029,896	\$ 258,669	\$ -
AA	9,708,716	-	61,943,770
A	25,861,048	-	-
BBB	36,110,091	-	-
Not rated	520,664	-	-
	<u>\$ 76,230,415</u>	<u>\$ 258,669</u>	<u>\$ 61,943,770</u>
<u>Moody's</u>	<u>Corporate Bonds</u>	<u>Municipal Bonds</u>	<u>CMO</u>
Aaa	\$ 5,115,662	\$ 258,669	\$ 61,943,770
Aa	7,911,572	-	-
A	33,234,880	-	-
Baa	27,961,787	-	-
Ba	220,116	-	-
Not rated	1,786,398	-	-
	<u>\$ 76,230,415</u>	<u>\$ 258,669</u>	<u>\$ 61,943,770</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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, 2021, 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, 2021, equity holdings accounted for 70% of the total investment portfolio; the holdings in real estate were 5% at December 31, 2021.

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, 2021, maturities of the portfolio's debt securities were as follows:

	Fair Value	Investment Maturities (Fair Value by Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 86,265,725	\$ -	\$ 26,956,865	\$ 39,305,280	\$ 20,003,580
Corporate bonds	76,230,415	987,414	28,941,936	18,631,910	27,669,155
Municipal bonds	258,669	-	-	-	258,669
Collateralized mortgage obligations	61,943,770	-	1,534,666	465,365	59,943,739
	<u>\$ 224,698,579</u>	<u>\$ 987,414</u>	<u>\$ 57,433,467</u>	<u>\$ 58,402,555</u>	<u>\$ 107,875,143</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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, 2021, 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% of total investments in foreign currency-denominated investments.

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2021, is summarized below:

<u>Currency</u>	<u>Fixed Income</u>
Canadian Dollar	\$ 495,379
Euro	1,817,090
Norwegian Krone	1,648,176
British Pound Sterling	2,183,312
	\$ 6,143,957

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

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

Foreign Currency Risk (concluded)

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of December 31, 2021:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 85,673,529	\$ 4,970,644	\$ 16,116,780	\$ 106,760,953
Cash and cash equivalents - restricted	31,472,740	269,283	-	31,742,023
Investments	32,320,534	152,016,850	923,182,247	1,107,519,631
Investments with agents	4,211,818	-	-	4,211,818
	<u>\$ 153,678,621</u>	<u>\$ 157,256,777</u>	<u>\$ 939,299,027</u>	<u>\$ 1,250,234,425</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2021, are as follows:

Due to General Fund from:		Due to Water Fund from:	
Grants and Donations Fund	\$ 1,443,139	General Fund	\$ 299,072
Wastewater Fund	355,154	Wastewater Fund	35,610
Water Fund	323,637	Internal service fund	14,201
Internal service fund	4,154,099	Nonmajor governmental funds	60,695
Nonmajor governmental funds	<u>4,907,829</u>		<u>60,695</u>
	<u>\$ 11,183,858</u>		<u>\$ 409,578</u>
Due to Grants and Donations Fund from:		Due to nonmajor governmental funds from:	
General Fund	\$ 334,609	General Fund	\$ 311,150
Nonmajor governmental funds	<u>235,890</u>	Water Fund	7,901
	<u>\$ 570,499</u>	Internal service fund	6,000
		Nonmajor governmental funds	<u>349,525</u>
			<u>\$ 674,576</u>
Due to Wastewater Fund from:		Due to internal service fund from:	
General Fund	\$ 93,421	General Fund	\$ 5,714,027
Water Fund	2,267,409	Grants and Donations Fund	68,621
Internal service fund	18,833	Wastewater Fund	908,982
Nonmajor governmental funds	<u>466,148</u>	Water Fund	767,956
	<u>\$ 2,845,811</u>	Nonmajor governmental funds	<u>643,941</u>
			<u>\$ 8,103,527</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

NOTE 4 - 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:		Transfers to Water Fund from:	
Grants and Donations Fund	\$ 162,000	Internal service fund	\$ 162,000
Internal service fund	999,996		
	<u>1,161,996</u>	Transfers to nonmajor governmental funds from:	
		General Fund	\$ 7,465,928
Transfers to Grants and Donations Fund from:		Internal service fund	72,000
General Fund	\$ 404,268	Nonmajor governmental funds	13,713,783
Nonmajor governmental funds	745,319		
	<u>1,149,587</u>		<u>\$ 21,251,711</u>
Transfer to Wastewater Fund from:			
Internal service fund	<u>\$ 216,000</u>		

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

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

Primary Government

	Balance Jan. 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 30,029,845	\$ 27,641	\$ (90,500)	\$ 29,966,986
Rights to liquor license	139,200	-	-	139,200
Construction in progress	17,205,811	16,227,228	(14,371,390)	19,061,649
	<u>47,374,856</u>	<u>16,254,869</u>	<u>(14,461,890)</u>	<u>49,167,835</u>
Subtotal				
Capital assets being depreciated				
Land improvements	27,443,296	5,293,707	-	32,737,003
Buildings and improvements	51,813,421	95,539	-	51,908,960
Vehicles	16,415,957	812,568	(695,673)	16,532,852
Machinery and equipment	21,026,884	4,060,373	(481,226)	24,606,031
Intangible assets	2,949,858	-	-	2,949,858
Infrastructure	226,841,213	4,121,637	-	230,962,850
	<u>346,490,629</u>	<u>14,383,824</u>	<u>(1,176,899)</u>	<u>359,697,554</u>
Subtotal				

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Primary Government (continued)

	<u>Balance Jan. 1, 2021</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2021</u>
Governmental Activities (concluded)				
Less accumulated depreciation for:				
Land improvements	\$ (11,416,234)	\$ (1,123,494)	\$ -	\$ (12,539,728)
Buildings and improvements	(22,125,799)	(1,039,291)	-	(23,165,090)
Vehicles	(11,369,914)	(811,693)	642,027	(11,539,580)
Machinery and equipment	(17,092,032)	(1,125,542)	481,226	(17,736,348)
Intangible assets	(2,746,398)	(86,523)	-	(2,832,921)
Infrastructure	(145,592,966)	(3,778,073)	-	(149,371,039)
Subtotal	<u>(210,343,343)</u>	<u>(7,964,616)</u>	<u>1,123,253</u>	<u>(217,184,706)</u>
Net capital assets being depreciated	<u>136,147,286</u>	<u>6,419,208</u>	<u>(53,646)</u>	<u>142,512,848</u>
Capital assets, net	<u><u>\$ 183,522,142</u></u>	<u><u>\$ 22,674,077</u></u>	<u><u>\$ (14,515,536)</u></u>	<u><u>\$ 191,680,683</u></u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 901,909
Public safety	1,710,343
Community and economic development	11,574
Parks and recreation	789,538
Streets	3,959,579
Public works	<u>591,673</u>
Total depreciation expense	<u><u>\$ 7,964,616</u></u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Primary Government (continued)

	Balance Jan. 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2021
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,293,620	\$ -	\$ -	\$ 3,293,620
Construction in progress	42,483,303	49,085,223	(45,637,896)	45,930,630
Subtotal	45,776,923	49,085,223	(45,637,896)	49,224,250
Capital assets being depreciated				
Land improvements	14,155,850	439,393	-	14,595,243
Building and improvements	97,731,975	9,937,597	-	107,669,572
Vehicles	7,240,190	734,795	(244,550)	7,730,435
Machinery and equipment	71,970,459	3,024,185	(11,228)	74,983,416
Infrastructure	217,828,170	31,838,848	(35,443)	249,631,575
Intangible assets	1,836,698	-	-	1,836,698
Subtotal	410,763,342	45,974,818	(291,221)	456,446,939

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Primary Government (concluded)

	Balance Jan. 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2021
Business-Type Activities (concluded)				
Less accumulated depreciation for:				
Land improvements	\$ (11,834,444)	\$ (339,233)	\$ -	\$ (12,173,677)
Building and improvements	(56,651,804)	(1,977,012)	-	(58,628,816)
Vehicles	(2,903,562)	(536,822)	234,008	(3,206,376)
Machinery and equipment	(55,820,052)	(1,955,446)	11,228	(57,764,270)
Infrastructure	(96,761,102)	(4,652,127)	10,761	(101,402,468)
Intangible assets	(1,738,499)	(17,863)	-	(1,756,362)
Subtotal	<u>(225,709,463)</u>	<u>(9,478,503)</u>	<u>255,997</u>	<u>(234,931,969)</u>
Net capital assets being depreciated	<u>185,053,879</u>	<u>36,496,315</u>	<u>(35,224)</u>	<u>221,514,970</u>
Capital assets, net	<u><u>\$ 230,830,802</u></u>	<u><u>\$ 85,581,538</u></u>	<u><u>\$ (45,673,120)</u></u>	<u><u>\$ 270,739,220</u></u>

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

Wastewater	\$ 4,705,439
Water	<u>4,773,064</u>
Total depreciation expense	<u><u>\$ 9,478,503</u></u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONCLUDED)

Component Units

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021
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	656,964	-	-	656,964
Subtotal	1,552,569	-	-	1,552,569
Less accumulated depreciation for:				
Leasehold improvements	(468,895)	(29,824)	-	(498,719)
General and administrative equipment	(210,724)	-	-	(210,724)
Equipment	(629,985)	(4,962)	-	(634,947)
Subtotal	(1,309,604)	(34,786)	-	(1,344,390)
Net capital assets being depreciated	242,965	(34,786)	-	208,179
Capital assets, net	\$ 301,127	\$ (34,786)	\$ -	\$ 266,341

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - SHORT-TERM OBLIGATIONS

During the year ended December 31, 2020, the City partnered with Kalamazoo Township to enter into a short term equipment lease purchase agreement in the amount of \$758,464 to fund public safety radio equipment. The City paid off the lease purchase agreement in April 2021.

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021
Equipment lease	\$ 758,464	\$ -	\$ (758,464)	\$ -

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended December 31, 2021:

Primary Government

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021	Amounts Due Within One Year
Governmental Activities					
Direct borrowing/placements					
Revenue bonds	\$ 655,000	\$ -	\$ (325,000)	\$ 330,000	\$ 330,000
Equipment acquisitions	63,554	-	(17,863)	45,691	18,869
Total direct borrowings/placements	718,554	-	(342,863)	375,691	348,869
Other debt					
General obligation bonds	127,082,314	16,885,000	(13,913,270)	130,054,044	8,485,634
Bond premiums/discounts	4,674,684	2,581,255	(513,610)	6,742,329	605,385
Total other debt	131,756,998	19,466,255	(14,426,880)	136,796,373	9,091,019

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (concluded)

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021	Amounts Due Within One Year
Governmental Activities (continued)					
Other long-term obligations					
Compensated absences	\$ 7,413,311	\$ 5,052,120	\$ (4,924,363)	\$ 7,541,068	\$ 2,943,867
Environmental matters	1,007,656	6,203	-	1,013,859	-
Uninsured claim liability	2,909,735	11,532,989	(12,145,078)	2,297,646	1,819,289
Total other long-term obligations	11,330,702	16,591,312	(17,069,441)	10,852,573	4,763,156
Total Governmental Activities	143,806,254	36,057,567	(31,839,184)	148,024,637	14,203,044
Business-type Activities					
Direct borrowing/placements					
2019 DWRP loan	852,601	-	(29,412)	823,189	29,412
2020 DWRP loan	6,866,037	8,983,415	-	15,849,452	805,353
Total direct borrowings/placements	7,718,638	8,983,415	(29,412)	16,672,641	834,765
Other debt					
General obligation bonds	16,702,686	-	(431,730)	16,270,956	444,366
Revenue bonds	88,800,000	10,585,000	(13,430,000)	85,955,000	3,085,000
Bond premiums/discounts	3,837,687	-	(157,683)	3,680,004	157,683
Total other debt	109,340,373	10,585,000	(14,019,413)	105,905,960	3,687,049
Other long-term obligations					
Compensated absences	1,147,750	858,247	(848,912)	1,157,085	587,068
Total Business-type Activities	118,206,761	20,426,662	(14,897,737)	123,735,686	5,108,882
TOTAL PRIMARY GOVERNMENT	\$ 262,013,015	\$ 56,484,229	\$ (46,736,921)	\$ 271,760,323	\$ 19,311,926

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Component Units

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021	Amounts Due Within One Year
Downtown Development Authority					
Direct borrowing/placements					
Bonds and notes payable	\$ 626,593	\$ -	\$ (167,593)	\$ 459,000	\$ 459,000
Rebated tax liabilities	532,864	-	-	532,864	399,648
	<u>1,159,457</u>	<u>-</u>	<u>(167,593)</u>	<u>991,864</u>	<u>858,648</u>
Total Downtown Development Authority	<u>\$ 1,159,457</u>	<u>\$ -</u>	<u>\$ (167,593)</u>	<u>\$ 991,864</u>	<u>\$ 858,648</u>
Economic Development Corporation					
Other long-term obligations					
Compensated absences	\$ 1,816	\$ -	\$ (566)	\$ 1,250	\$ 649
	<u>1,816</u>	<u>-</u>	<u>(566)</u>	<u>1,250</u>	<u>649</u>
Brownfield Redevelopment Authority					
Direct borrowing/placements					
Loans payable	\$ 793,935	\$ -	\$ (259,909)	\$ 534,026	\$ 49,925
Other long-term obligations					
Compensated absences	6,527	2,060	(1,001)	7,586	4,561
	<u>6,527</u>	<u>2,060</u>	<u>(1,001)</u>	<u>7,586</u>	<u>4,561</u>
Total Brownfield Redevelopment Authority	<u>\$ 800,462</u>	<u>\$ 2,060</u>	<u>\$ (260,910)</u>	<u>\$ 541,612</u>	<u>\$ 54,486</u>
Downtown Economic Growth Authority					
Direct borrowing/placements					
Notes payable	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, infrastructure, and equipment. General obligation bonds have been issued to refund both general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. The original amount of the general obligation bonds issued was \$185,220,000. General obligation bonds currently outstanding are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021	Amounts Due Within One Year
Governmental Activities							
2011 Capital Improvement Bonds	7/14/2011	2.00%-4.25%	\$ 2,190,000	\$ -	\$ (2,190,000)	\$ -	\$ -
2012 Capital Improvement Bonds	3/29/2012	2.00%-3.60%	2,240,000	-	(2,240,000)	-	-
2013 Capital Improvement Bonds	4/11/2013	2.00%-2.75%	2,360,000	-	(275,000)	2,085,000	280,000
2014 Capital Improvement Bonds	5/1/2014	2.88%	2,885,000	-	(2,580,000)	305,000	305,000
2015 Capital Improvement Bonds	6/2/2015	2.00%-3.375%	3,620,000	-	(320,000)	3,300,000	330,000
2016 Capital Improvement Refunding Bonds	6/28/2016	2.00% - 4.00%	4,370,000	-	(345,000)	4,025,000	360,000
2017 Capital Improvement Bonds	5/2/2017	3.00%-5.00%	6,380,000	-	(455,000)	5,925,000	480,000
2018 Capital Improvement Bonds	5/23/2018	2.00%-5.00%	6,965,000	-	(415,000)	6,550,000	420,000
2019 Capital Improvement Bonds	12/11/2019	5.00%	7,845,000	-	(710,000)	7,135,000	745,000
2020 Capital Improvement Bonds	9/10/2020	5.00%	12,600,000	-	(790,000)	11,810,000	845,000
2021 Capital Improvement Refunding Bonds	4/27/2021	1.85%	-	2,335,000	-	2,335,000	15,000
2021 Capital Improvement Refunding Bonds	9/16/2021	4.00%	-	14,550,000	-	14,550,000	1,020,000
2015 OPEB Bonds	1/7/2015	0.75%-4.67%	62,607,314	-	(1,618,270)	60,989,044	1,665,634
2015A Refunding Bonds	8/4/2015	2.00%-5.00%	4,570,000	-	(680,000)	3,890,000	705,000
2015 B Refunding Bonds	8/4/2015	5.00%-5.250%	5,790,000	-	(560,000)	5,230,000	570,000
2017 Refunding Bond	8/29/2017	1.89%	2,660,000	-	(735,000)	1,925,000	745,000
Total Governmental Activities			127,082,314	16,885,000	(13,913,270)	130,054,044	8,485,634
Business-type Activities							
2015 OPEB Bonds	1/7/2015	0.75%-4.67%	16,702,686	-	(431,730)	16,270,956	444,366
Total General Obligation Bonds			<u>\$ 143,785,000</u>	<u>\$ 16,885,000</u>	<u>\$ (14,345,000)</u>	<u>\$ 146,325,000</u>	<u>\$ 8,930,000</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (continued)

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 2021, pledged revenue of \$9,982,172 funded debt service of \$332,030. The original amount of revenue bonds issued was \$93,375,000 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 2045. In 2021 pledged revenues of \$10,624,718 funded debt service of \$6,015,708. Revenue bonds outstanding at year end are as follows:

	Issuance Date	Interest Rates	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021	Amounts Due Within One Year
Governmental Activities							
2016 Michigan Transportation Fund	7/14/2016	1.43%	\$ 655,000	\$ -	\$ (325,000)	\$ 330,000	\$ 330,000
Business-type Activities							
2012 Wastewater System	3/29/2012	2.00%-4.00%	4,055,000	-	(290,000)	3,765,000	295,000
2014 Wastewater System Refunding	5/1/2014	3.45%	1,735,000	-	(1,735,000)	-	-
2014 Water Supply System Refunding	5/1/2014	3.95%	9,275,000	-	(9,275,000)	-	-
2015 Water Supply System	12/10/2015	2.00%-3.375%	2,565,000	-	(90,000)	2,475,000	95,000
2017 Water Supply System Refunding	5/2/2017	3.00%-5.00%	6,585,000	-	(355,000)	6,230,000	370,000
2018 Wastewater System	5/23/2018	3.125%-5.00%	5,555,000	-	(150,000)	5,405,000	155,000
2018 Water Supply System	5/23/2018	3.00%-5.00%	8,920,000	-	(250,000)	8,670,000	260,000
2019 Water Supply System	6/25/2019	3.00%-5.00%	10,030,000	-	(250,000)	9,780,000	265,000
2018 Wastewater System	6/25/2019	3.00%-5.00%	9,380,000	-	(235,000)	9,145,000	245,000
2020 Water System	6/25/2019	3.00%-5.00%	20,325,000	-	(485,000)	19,840,000	510,000
2020 Wastewater System	6/25/2019	3.00%-5.00%	10,375,000	-	(260,000)	10,115,000	275,000
2021 Wastewater System Refunding	4/27/2021	2.42%	-	1,670,000	(10,000)	1,660,000	110,000
2021 Water Supply System Refunding	4/27/2021	2.75%	-	8,915,000	(45,000)	8,870,000	505,000
Total Business-type Activities			88,800,000	10,585,000	(13,430,000)	85,955,000	3,085,000
Total Revenue Bonds			\$ 89,455,000	\$ 10,585,000	\$ (13,755,000)	\$ 86,285,000	\$ 3,415,000

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (continued)

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:

	<u>2021</u>	<u>2020</u>
Estimated liability, beginning of year	\$ 2,909,735	\$ 2,901,349
Estimated claims incurred, including changes in estimates	11,532,989	13,187,247
Claim payments	<u>(12,145,078)</u>	<u>(13,178,861)</u>
Estimated liability, end of year	<u>\$ 2,297,646</u>	<u>\$ 2,909,735</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 worker's compensation fee as a personnel benefit cost.

Equipment Acquisitions

The 2018 Toro equipment acquisition lease is payable in monthly installments of \$1,742, including imputed interest of 5.50%, through April 2024.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (continued)

State Drinking Water Revolving Fund (DWRF) Loans

2019 State DWRF Loan dated August 22, 2019, is payable in annual installments ranging from \$29,412 to \$64,368 through October 1, 2039, with interest of 2%, payable semi-annually. 2020 State DWRF Loan dated August 7, 2020, is payable in annual installments ranging from \$865,000 to \$1,270,000 through April 1, 2041, with interest of 2% payable semi-annually.

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 \$7,541,068 and \$1,157,085 for vacation and sick for governmental and business-type activities, respectively, at December 31, 2021. Of those amounts, \$2,943,867 and \$587,068 have been recorded as current liabilities for governmental and business-type activities, respectively.

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

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 \$249,770,000, are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable sources.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (concluded)

Current Refundings

On April 27, 2021, the City defeased a portion of the 2014 LTGO Bonds, which were due and payable through April 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2021 LTGO Bond Rate Replacement Bonds in the amount of \$2,335,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$70,647, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$64,865.

On April 27, 2021, the City defeased a portion of the 2014 Wastewater System Revenue Refunding Bonds, which were due and payable through September 1, 2034. This was accomplished by establishing an irrevocable trust with an escrow agent composed of U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2021 Wastewater Revenue Bond Rate Replacement Bonds in the amount of \$1,670,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$106,344, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$88,697.

On April 27, 2021, the City defeased a portion of the 2014 Water System Revenue Bonds, which were due and payable through September 1, 2034. This was accomplished by establishing an irrevocable trust with an escrow agent composed of U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2021 Water Revenue Bond Rate Replacement Bonds in the amount of \$8,915,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$854,846, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$710,174.

On September 16, 2021, the City defeased a portion of the 2011 Capital Improvement Bonds, which were due and payable through October 1, 2026, and a portion of the 2012 Capital Improvement Bonds, which were due and payable through October 1, 2027. This was accomplished by establishing an irrevocable trust with an escrow agent composed of U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2021 Capital Improvement and Refunding Bonds in the amount of \$14,550,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by \$346,638, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$325,612.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Component Units

Downtown Development Authority

Long-term notes at December 31, 2021, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
The City of Kalamazoo Note	12/31/2022	N/A	\$ 459,000
The City of Kalamazoo Note	7/2/2024	2.59%	<u>532,864</u>
			<u><u>\$ 991,864</u></u>

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 \$1,250 for vacation and sick at December 31, 2021. Of that total amount, \$649 has been recorded as a current liability.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Component Units (concluded)

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 \$7,586 for vacation and sick at December 31, 2021. Of that total amount, \$4,561 has been recorded as a current liability.

Brownfield Redevelopment Loan Contract dated June 23, 2016 is due in annual installments of \$15,750 to \$18,008 through June 23, 2031, with interest of 1.50%. Brownfield Redevelopment Loan Contract dated April 20, 2018 is due in annual installments of \$27,925 to \$32,409 from April 20, 2023 through April 20, 2033, with interest of 1.50%.

Downtown Economic Growth Authority

Long-term notes at December 31, 2021, are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
The City of Kalamazoo Note	7/1/2024	2.00%	\$ 300,000
The City of Kalamazoo Note	7/1/2029	2.00%	<u>700,000</u>
			<u><u>\$ 1,000,000</u></u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (CONCLUDED)

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

Year Ending Dec. 31,	Primary Government							
	Direct Borrowings/Placements				Other Debt			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 348,869	\$ 4,399	\$ 29,412	\$ 13,994	\$ 8,485,634	\$ 5,261,318	\$ 3,529,366	\$ 3,560,733
2023	19,932	976	35,294	13,494	8,832,998	4,930,435	3,662,002	3,421,232
2024	6,890	78	35,294	12,894	8,793,256	4,600,041	3,806,744	3,274,755
2025	-	-	35,294	12,294	8,682,461	4,259,565	3,972,539	3,121,201
2026	-	-	35,294	11,694	8,799,560	3,908,968	4,125,440	2,956,584
2027-2031	-	-	217,646	48,370	33,725,059	15,104,428	23,314,941	12,198,427
2032-2036	-	-	264,705	27,970	21,226,404	9,648,497	22,528,596	8,069,715
2037-2041	-	-	170,250	5,982	19,653,257	5,446,464	22,550,222	4,682,064
2042-2045	-	-	-	-	11,855,415	1,123,645	14,736,106	1,012,134
	<u>\$ 375,691</u>	<u>\$ 5,453</u>	<u>\$ 823,189</u>	<u>\$ 146,692</u>	<u>\$ 130,054,044</u>	<u>\$ 54,283,361</u>	<u>\$ 102,225,956</u>	<u>\$ 42,296,845</u>

Year Ending Dec. 31,	Component Units					
	Direct Borrowing/Placements					
	Downtown Development Authority		Brownfield Redevelopment Authority		Downtown Economic Growth Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 858,648	\$ 88,884	\$ 49,925	\$ 2,528	\$ -	\$ 20,000
2023	66,608	9,852	48,394	2,292	-	20,000
2024	66,608	9,852	44,151	6,536	300,000	20,000
2025	-	-	44,813	5,873	134,511	14,000
2026	-	-	45,486	5,201	137,201	11,310
2027-2031	-	-	237,869	15,564	428,288	17,246
2032-2036	-	-	63,388	1,431	-	-
2037-2041	-	-	-	-	-	-
2042-2045	-	-	-	-	-	-
	<u>\$ 991,864</u>	<u>\$ 108,588</u>	<u>\$ 534,026</u>	<u>\$ 39,425</u>	<u>\$ 1,000,000</u>	<u>\$ 102,556</u>

Outstanding principal and interest on the 2020 State DWRF loan has been excluded from the schedules above because the loan has not been drawn in full. An amortization schedule will be determined at the completion of the project.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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 individual trustees either elected or appointed in accordance with the City Ordinance. One member is a City Commissioner and one member is the City Manager. The remaining three members, including one Public Safety representative and one General Member representative, are elected by active members of the retirement system. All elected terms are three 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, 2021, pension plan membership consisted of the following:

Inactive employees or beneficiaries receiving benefits	918
Inactive employees entitled to but not yet receiving benefits	70
Active employees	<u>622</u>
Total employees covered by the Plan	<u><u>1,610</u></u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 and general member administrators 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% for each year of service for general plan members, Kalamazoo Municipal Employee's Association (KMEA) members, and AFSCME members, 2.3% for each year of service for exempt members and 2.7% for each year of service for the City manager and public safety members. Maximum benefit for exempt members hired on or before March 1, 1999 is equal to 70% of final average compensation. Maximum benefit for exempt members hired after March 1, 1999 is equal to 70% of final average compensation. Maximum benefit for public safety members is equal to 70.2% of final average compensation.

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 one 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% 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (concluded)

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% per year, compounded annually, beginning 1 year after retirement and 2% per year, compounded annually, beginning at age 75. Pensions of KMEA members are increased 1.5% per year, compounded annually, beginning the latter of the retirees' 64th birthday and 1 year after retirement and 2% 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% per year, compounded annually. Pensions of exempt members are increased 1.5% 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% 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, 2021, the balance of amounts held by the Plan pursuant to the DROP is \$121,743.

Contributions

System members are required to contribute between 1.0% to 6.5% of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for year ended December 31, 2021.

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.36%. 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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Asset

The net pension asset reported at December 31, 2021 was determined using a measure of the total pension liability and the pension net position as of December 31, 2021 and an actuarial valuation date of December 31, 2020. Changes in the net pension asset during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a)-(b)
<u>Changes in Net Pension Liability (Asset)</u>			
Balances at December 31, 2020	\$ 518,863,651	\$ 704,576,783	\$ (185,713,132)
Changes for the Year			
Service cost	7,116,766	-	7,116,766
Interest on total pension liability	36,676,997	-	36,676,997
Difference between expected and actual experience	4,367,838	-	4,367,838
Employee contributions	-	1,345,658	(1,345,658)
Net investment income	-	133,637,208	(133,637,208)
Benefit payments, including refunds of employee contributions	(33,064,845)	(33,064,845)	-
Administrative expense	-	(236,148)	236,148
Other	-	(333,861)	333,861
Net changes	15,096,756	101,348,012	(86,251,256)
Balances as of December 31, 2021	<u>\$ 533,960,407</u>	<u>\$ 805,924,795</u>	<u>\$ (271,964,388)</u>

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended December 31, 2021, the City recognized pension benefit of \$22,369,856. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 4,167,576	\$ 1,287,812
Assumption changes	5,215,486	-
Changes in proportion and differences between employer contributions and share of contributions	989,368	989,368
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>81,018,659</u>
Total	<u>\$ 10,372,430</u>	<u>\$ 83,295,839</u>

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

Years Ending December 31,	Pension Expense
	<u> </u>
2022	\$ (6,550,869)
2023	(31,943,268)
2024	(17,684,097)
2025	<u>(16,745,175)</u>
	<u>\$ (72,923,409)</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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 2.25%)
Salary Increases	3.5% to 15.5% including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	The Pub-2010 Amount-Weighted, Safety, Employee, Male and Female tables with future mortality improvements projected to 2025 using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based upon the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 determined 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Small Cap (Manager 1)	5.00%	4.12%
U.S. Small Cap (Manager 2)	10.00%	4.12%
International Developed Equity	10.00%	3.42%
U.S. Large Cap (Manager 1)	30.00%	3.62%
U.S. Large Cap (Manager 2)	5.00%	3.62%
Emerging Markets	10.00%	5.22%
Domestic Fixed Income	25.00%	-0.88%
Real Estate (Manager 1)	2.50%	1.82%
Real Estate (Manager 2)	2.50%	1.82%

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONCLUDED)

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 7.25%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease Rate 6.25%	Current Discount Rate 7.25%	1% Increase Rate 8.25%
Total pension liability	\$ 597,246,646	\$ 533,960,407	\$ 481,277,118
Plan fiduciary net position	<u>805,924,795</u>	<u>805,924,795</u>	<u>805,924,795</u>
City's net pension liability (asset)	<u><u>\$ (208,678,149)</u></u>	<u><u>\$ (271,964,388)</u></u>	<u><u>\$ (324,647,677)</u></u>

NOTE 9 - 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.

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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions

The employers contribute such amounts, as necessary, to provide assets sufficient to pay for member benefits. For the year ended December 31, 2021, the actuarially determined contributions for the employers were \$4,200,466 and actual employer contributions were \$3,500,000. The City's share of the actuarially determined contributions were \$3,907,526 and actual City contributions were \$3,255,910.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Small Cap (Manager 1)	5.00%	4.12%
U.S. Small Cap (Manager 2)	10.00%	4.12%
International Developed Equity	10.00%	3.42%
U.S. Large Cap (Manager 1)	30.00%	3.62%
U.S. Large Cap (Manager 2)	5.00%	3.62%
Emerging Markets	10.00%	5.22%
Domestic Fixed Income	25.00%	-0.88%
Real Estate (Manager 1)	2.50%	1.82%
Real Estate (Manager 2)	2.50%	1.82%

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2019, 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	22 years
Asset valuation method	5 years smoothed market
Inflation	3.50% (which includes price inflation of 2.25%)
Projected salary increases	3.50% to 15.50% (includes inflation)
Investment rate of return	7.25%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	Pub-2010 Amount-Weighted, Male and Female tables for General and Safety 7 years for disabled members
Health care trend rates	8.25% for the first year, gradually decreasing to 3.50% 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**

NOTE 9 - 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, 2021, the City reported a liability of \$216,375,287 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of December 31, 2019 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, 2020, the City's proportion was 93.026%.

	December 31, 2020	
	Plan	City's Share
Total OPEB Liability	\$ 337,511,859	\$ 313,973,782
Plan Fiduciary Net Position	104,915,287	97,598,495
Net OPEB Liability	232,596,572	216,375,287
Proportionate Share	N/A	93.026%

For the year ended December 31, 2021, the City recognized OPEB expense of \$57,087,322. The net OPEB liability is generally liquidated by the General, Major Street, Local Street, Solid Waste, Wastewater, and Water funds.

CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At December 31, 2021, 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	\$ 33,322,449	\$ -
Differences between expected and actual experience	2,897,633	2,813,843
Net difference between projected and actual earnings on plan investments	-	2,728,503
Changes in proportion and differences between employer contributions and share of contributions	973,517	703,515
Contributions subsequent to the measurement date*	<u>3,251,000</u>	<u>-</u>
Total	<u>\$ 40,444,599</u>	<u>\$ 6,245,861</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, 2022.

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
2022	\$ 30,567,547
2023	2,819,159
2024	(2,202,314)
2025	(236,654)

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

Discount Rate

A single discount rate of 2.85% 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 7.25% and a municipal bond rate of 2.00%. 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 2034. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2034, 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 (1.85%) or 1-percentage-point higher (3.85%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 371,822,246	\$ 337,511,859	\$ 280,697,656
Plan fiduciary net position	<u>104,915,287</u>	<u>104,915,287</u>	<u>104,915,287</u>
Net OPEB liability	<u><u>\$ 266,906,959</u></u>	<u><u>\$ 216,375,287</u></u>	<u><u>\$ 175,782,369</u></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 or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u><u>\$ 170,757,655</u></u>	<u><u>\$ 216,375,287</u></u>	<u><u>\$ 273,640,854</u></u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - 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 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.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Legal Contingencies

Contingent liabilities represent items that are not recognized in the Statement of Net Position at December 31, 2021 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. In the opinion of the City Attorney and management, the potential uninsured liability that may result from legal 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 \$1,013,859 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.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

Environmental Contingencies (concluded)

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.

Commitments

The City has approximately \$75,310,809 in various contractual commitments and agreements at December 31, 2021. Commitments include obligations for various goods and services, including approximately \$26,392,642 for construction contracts on various construction projects, \$6,747,371 for equipment purchases and inventory contracts, and \$15,167,869 for various other goods and services. The City also has term contracts for agreements for goods and services expiring between one and six years, totaling \$27,002,927. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements. A portion of these commitments were encumbered in the Governmental funds at the end of the year. The General Fund encumbered \$806,195, the Grants and Donations Fund encumbered \$1,479,984 and the nonmajor governmental funds encumbered \$10,138,824.

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. A true-up of the 2017, 2018, 2019, 2020, and 2021 results cannot be reasonably estimated at the time of this report.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - 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, 2021:

PRIMARY GOVERNMENT	
Governmental Activities	
Nonexpendable	\$ 3,627,564
Expendable	
Major and local street projects	15,485,575
FFE aspirational projects	9,327,208
Solid waste program	2,731,696
Parks and recreation	1,919,152
Neighborhood and community development	2,736,184
Pensions	165,257,619
Other purposes	
Drug enforcement	434,796
Cemetery perpetual care	2,555,014
Capital improvements	19,358,213
Grants and donations	880,066
	<u>\$ 224,313,087</u>
 Business-type Activities	
Restricted for bond reserves	
Wastewater Fund	\$ 2,636,673
Water Fund	5,028,263
Restricted for pensions	
Wastewater Fund	18,800,927
Water Fund	14,982,433
	<u>\$ 41,448,296</u>
 COMPONENT UNITS	
Restricted for:	
Downtown Development Authority	\$ 269,283
Kalamazoo Foundation for Excellence	327,954,492
	<u>\$ 328,223,775</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - 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, 2021, the City abated property tax revenues totaling \$49,053, 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.

For the year ended December 31, 2021, the City abated property tax revenues totaling \$68,135, under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - FUND BALANCE CLASSIFICATIONS

The following are the various fund balance classifications as of December 31, 2021:

	General Fund	Grants and Donations Fund	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventory	\$ 158,269	\$ -	\$ 583,049	\$ 741,318
Prepays	474,966	-	-	474,966
Notes receivable	2,109,782	-	-	2,109,782
Cemetery perpetual care	-	-	1,735,160	1,735,160
Endowments	-	-	1,892,404	1,892,404
Restricted				
Highways	-	-	14,908,451	14,908,451
Solid waste	-	-	2,731,696	2,731,696
Grants and donations	-	880,066	2,730,259	3,610,325
FFE aspirational projects	-	-	9,327,208	9,327,208
Drug enforcement	-	-	434,796	434,796
Recreation activities	-	-	952,292	952,292
Park activities	-	-	966,860	966,860
Cemetery perpetual care	-	-	2,555,014	2,555,014
Debt service	-	-	56,346	56,346
Capital improvements	-	-	19,358,213	19,358,213
Committed				
Economic development programs	-	-	1,915,288	1,915,288
Recreation activities	-	-	58,153	58,153
Cemeteries	-	-	150,459	150,459
Assigned				
Subsequent year's expenditures	2,263,295	-	-	2,263,295
Unassigned	12,638,766	-	-	12,638,766
TOTAL FUND BALANCES	<u>\$ 17,645,078</u>	<u>\$ 880,066</u>	<u>\$ 60,355,648</u>	<u>\$ 78,880,792</u>

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - RESTATEMENT/PRIOR PERIOD ADJUSTMENT

Beginning net position for governmental activities and discretely presented component units and beginning fund balance for nonmajor governmental funds have been adjusted to correct understated notes receivable as noted below.

	Governmental Activities	Nonmajor Governmental Funds	Aggregate Discretely Presented Component Units
Beginning net position/fund balance	\$ 177,642,114	\$ 51,949,915	\$ 102,111,937
Notes receivable	1,725,802	1,725,802	528,910
Restated beginning net position/fund balance	<u>\$ 179,367,916</u>	<u>\$ 53,675,717</u>	<u>\$ 102,640,847</u>

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 2022 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 2022 fiscal year.

**CITY OF KALAMAZOO
NOTES TO FINANCIAL STATEMENTS**

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS (CONCLUDED)

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

NOTE 17 - SUBSEQUENT EVENTS

On March 7, 2022, the City's FFE Aspirational Projects fund (nonmajor governmental fund) received contributions of stock valued at \$9,910,430 and an additional grant of \$34,976 for the Foundation of Excellence support of the 2021 aspirational projects.

On March 7, 2022, the City's General Fund received contributions of stock valued at \$17,775,076 and an additional grant of \$62,315 for the Foundation of Excellence support of the 2022 General Fund operations.

On April 14, 2022, the City issued the Wastewater System Revenue and Refunding Bonds, series 2022 for \$27,560,000, of which \$3,560,000 refunded the 2012 Wastewater System Revenue bonds.

On May 3, 2022, the City issued the Water Supply System Revenue Bonds, Series 2022 for \$29,480,000.

On June 6, 2022, the City issued the Water Supply System Revenue Bonds, Series 2022B under a Purchase Contract with the State of Michigan Department of Environment, Great Lakes, and Energy (EGLE) in the amount of \$4,890,000. Under this agreement, the entire \$4,890,000 loan amount will be forgiven.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KALAMAZOO
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION ASSET AND RELATED RATIOS
LAST EIGHT FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)

	2021	2020	2019	2018	2017	2016	2015	2014
CHANGE IN TOTAL PENSION LIABILITY								
Service cost	\$ 7,116,766	\$ 7,038,828	\$ 6,377,103	\$ 5,894,750	\$ 5,604,960	\$ 5,683,351	\$ 6,187,334	\$ 6,259,728
Interest	36,676,997	36,008,134	34,448,827	33,674,057	32,746,676	33,892,669	32,334,356	31,603,299
Changes of benefit terms	-	875,728	-	279,702	-	(23,809,450)	-	-
Difference between expected and actual experience	4,367,838	(2,647,268)	4,007,357	313,218	3,079,970	(2,513,167)	(1,574,739)	-
Changes of assumptions	-	-	22,845,295	-	-	-	12,509,343	-
Benefit payments, including employee refunds	<u>(33,064,845)</u>	<u>(31,112,544)</u>	<u>(30,213,896)</u>	<u>(29,931,417)</u>	<u>(28,491,380)</u>	<u>(28,496,870)</u>	<u>(28,356,700)</u>	<u>(27,802,129)</u>
Net Change in Total Pension Liability	15,096,756	10,162,878	37,464,686	10,230,310	12,940,226	(15,243,467)	21,099,594	10,060,898
Total Pension Liability, beginning	<u>518,863,651</u>	<u>508,700,773</u>	<u>471,236,087</u>	<u>461,005,777</u>	<u>448,065,551</u>	<u>463,309,018</u>	<u>442,209,424</u>	<u>432,148,526</u>
Total Pension Liability, ending	<u>\$ 533,960,407</u>	<u>\$ 518,863,651</u>	<u>\$ 508,700,773</u>	<u>\$ 471,236,087</u>	<u>\$ 461,005,777</u>	<u>\$ 448,065,551</u>	<u>\$ 463,309,018</u>	<u>\$ 442,209,424</u>
CHANGE IN PLAN FIDUCIARY NET POSITION								
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,602,053	\$ 760,912
Contributions - employee	1,345,658	1,285,845	1,238,420	1,209,623	1,086,257	1,085,940	1,084,798	1,067,029
Net investment income (loss)	133,637,208	57,798,914	112,193,170	(47,440,721)	94,301,279	72,939,990	(9,974,517)	41,065,447
Benefit payments, including employee refunds	(33,064,845)	(31,112,544)	(30,213,896)	(29,931,417)	(28,491,380)	(28,496,870)	(28,356,700)	(27,802,131)
Administrative expenses	(236,148)	(224,903)	(220,934)	(147,100)	(147,099)	(153,024)	(125,770)	(122,107)
Other	<u>(333,861)</u>	<u>(309,797)</u>	<u>(228,905)</u>	<u>(246,932)</u>	<u>(8,848,472)</u>	<u>(21,875,722)</u>	<u>(174,885)</u>	<u>(110,326)</u>
Net Change in Plan Fiduciary Net Position	101,348,012	27,437,515	82,767,855	(76,556,547)	57,900,585	23,500,314	(35,945,021)	14,858,824
Plan Fiduciary Net Position, beginning	<u>704,576,783</u>	<u>677,139,268</u>	<u>594,371,413</u>	<u>670,927,960</u>	<u>613,027,375</u>	<u>589,527,061</u>	<u>625,472,082</u>	<u>610,613,258</u>
Plan Fiduciary Net Position, ending	<u>\$ 805,924,795</u>	<u>\$ 704,576,783</u>	<u>\$ 677,139,268</u>	<u>\$ 594,371,413</u>	<u>\$ 670,927,960</u>	<u>\$ 613,027,375</u>	<u>\$ 589,527,061</u>	<u>\$ 625,472,082</u>
City's Net Pension (Asset)	<u>\$ (271,964,388)</u>	<u>\$ (185,713,132)</u>	<u>\$ (168,438,495)</u>	<u>\$ (123,135,326)</u>	<u>\$ (209,922,183)</u>	<u>\$ (164,961,824)</u>	<u>\$ (126,218,043)</u>	<u>\$ (183,262,658)</u>
Plan fiduciary net position as a percentage of the total pension liability	150.93%	135.79%	133.11%	126.13%	145.54%	136.82%	127.24%	141.44%
Covered payroll	\$ 39,983,168	\$ 39,215,899	\$ 37,425,219	\$ 34,999,543	\$ 32,780,965	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892
City's net pension asset as a percentage of covered payroll	(680.20%)	(473.57%)	(450.07%)	(351.82%)	(640.38%)	(442.36%)	(339.31%)	(504.41%)

**CITY OF KALAMAZOO
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	1,602,053	760,912	905,746	905,746
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,602,053)</u>	<u>\$ (760,912)</u>	<u>\$ (905,746)</u>	<u>\$ (905,746)</u>
Covered payroll	\$ 39,983,168	\$ 39,215,899	\$ 37,425,219	\$ 34,999,543	\$ 32,780,965	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892	\$ 36,539,969	\$ 42,305,663
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.31%	2.09%	2.48%	2.14%

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-year smoothed market
Inflation	3.5% (which includes price inflation of 2.25%)
Salary increases	3.5% to 15.5% including inflation
Investment rate of return	7.25%
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	The Pub-2010 Amount-Weighted, Safety, Employee, Male and Female tables, with future mortality improvements projected to 2025 using MP-2019.

**CITY OF KALAMAZOO
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST EIGHT FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<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	19.36%	8.71%	19.30%	-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 FOUR MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)

	2020	2019	2018	2017
CHANGE IN TOTAL OPEB LIABILITY				
Service cost	\$ 3,521,372	\$ 2,734,661	\$ 2,740,829	\$ 1,490,221
Interest	10,492,915	11,124,987	10,773,588	12,162,956
Change of benefit terms	-	-	(3,068,315)	-
Difference between expected and actual experience	(3,102,684)	(17,999,270)	8,398,776	(45,814)
Changes of assumptions	48,509,288	47,299,449	6,299,583	67,099,621
Benefit payments, including refunds of member contributions	(9,018,385)	(9,365,696)	(9,334,535)	(9,258,659)
 Net Change in Total OPEB Liability	 50,402,506	 33,794,131	 15,809,926	 71,448,325
 Total OPEB Liability, beginning	 287,109,353	 253,315,222	 237,505,296	 166,056,971
 Total OPEB Liability, ending	 <u>\$ 337,511,859</u>	 <u>\$ 287,109,353</u>	 <u>\$ 253,315,222</u>	 <u>\$ 237,505,296</u>
 CHANGE IN PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
Employee contributions	999,874	978,010	970,429	920,121
OPEB plan net investment income	8,469,461	17,160,651	(7,353,500)	14,711,769
Benefit payments, including refunds of member contributions	(10,018,259)	(10,343,706)	(10,304,964)	(10,178,780)
Administrative expenses	(141,174)	(125,815)	(106,986)	(100,922)
 Net Change in Plan Fiduciary Net Position	 2,809,902	 11,169,140	 (13,295,021)	 8,852,188
 Plan Fiduciary Net Position, beginning	 102,105,385	 90,936,245	 104,231,266	 95,379,078
 Plan Fiduciary Net Position, ending	 <u>\$ 104,915,287</u>	 <u>\$ 102,105,385</u>	 <u>\$ 90,936,245</u>	 <u>\$ 104,231,266</u>
 Plan's Net OPEB Liability	 <u>\$ 232,596,572</u>	 <u>\$ 185,003,968</u>	 <u>\$ 162,378,977</u>	 <u>\$ 133,274,030</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 31.08%	 35.56%	 35.90%	 43.89%
 Covered payroll	 \$ 21,057,232	 \$ 22,773,155	 \$ 39,920,744	 \$ 37,363,784
 Plan's net OPEB liability as a percentage of covered payroll	 1104.59%	 812.38%	 406.75%	 356.69%

**CITY OF KALAMAZOO
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
LAST FIVE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	2021	2020	2019	2018	2017
Actuarially determined contributions	\$ 4,200,466	\$ 9,838,111	\$ 8,012,819	\$ 8,111,777	\$ 7,610,636
Contributions in relation to the actuarially determined contribution	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Contribution deficiency	<u>\$ 700,466</u>	<u>\$ 6,338,111</u>	<u>\$ 4,512,819</u>	<u>\$ 4,611,777</u>	<u>\$ 4,110,636</u>
Covered payroll	\$ 18,758,015	\$ 21,057,232	\$ 22,773,155	\$ 39,920,744	\$ 37,363,784
Contributions as a percentage of covered payroll	18.66%	16.62%	15.37%	8.77%	9.37%

Actuarial valuation information relative to the determination of contributions:

Valuation date January 1, 2021
Actuarially determined contribution amounts are calculated as of January 1 every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	21 years
Asset valuation method	5 years smoothed market
Inflation	3.50% (which includes price inflation of 2.25%)
Projected salary increases	3.50% to 15.50% (including inflation)
Investment rate of return	7.25%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	Pub-2010 Amount-Weighted, Male and Female tables
Health care trend rates	Pre-65: 7.50% for the first year, gradually decreasing to 3.50% in year 12 Post-65: 6.25% for the first year, gradually decreasing to 3.50% in year 12
Aging factors	Based on the 2013 SOA study "Health Care Costs - From Birth to Death"

**CITY OF KALAMAZOO
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	8.33%	18.87%	-6.98%	15.81%

CITY OF KALAMAZOO
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - 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 30 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, 2021
Basis for contribution	December 31, 2020
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*	7.25%
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	Pub-2010 Amount-Weighted, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019

CITY OF KALAMAZOO
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - DEFINED BENEFIT PENSION AND OPEB PLANS (CONCLUDED)

OPEB Plan

Actuarial valuation:	
Frequency	Annual
Latest date	January 1, 2021
Basis for contribution	January 1, 2021
Actuarial cost method	Individual entry age
Amortization method	Level dollar on a closed basis
Remaining amortization period	21 Years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases	3.5% - 15.5%
*Includes inflation at:	3.5%
Healthcare cost trend rate	3.5% - 7.50%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF KALAMAZOO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS					
Cash and cash equivalents	\$ 23,259,448	\$ 56,871	\$ 6,885,892	\$ 29,224	\$ 30,231,435
Cash and cash equivalents - restricted	8,250,814	-	11,247,344	-	19,498,158
Investments	1,563,248	-	2,500,000	4,260,936	8,324,184
Investments with agents	-	-	-	3,811,556	3,811,556
Receivables					
Accounts	288,282	-	34,607	183	323,072
Interest	-	-	2,734	-	2,734
Taxes	137,895	-	-	-	137,895
Notes	2,593,672	-	-	-	2,593,672
Due from other funds	369,022	1,000	304,554	-	674,576
Due from other governmental units	3,648,511	3,754,836	817,945	-	8,221,292
Advances to other governmental units	620,623	-	-	-	620,623
Inventories	583,049	-	-	-	583,049
TOTAL ASSETS	\$ 41,314,564	\$ 3,812,707	\$ 21,793,076	\$ 8,101,899	\$ 75,022,246
LIABILITIES					
Accounts payable	\$ 2,116,907	\$ -	\$ 747,868	\$ -	\$ 2,864,775
Accrued liabilities	22,082	-	-	169	22,251
Due to other funds	5,800,905	1,525	861,598	-	6,664,028
Deposits payable	259,327	-	-	-	259,327
Unearned revenue	17,608	-	777,155	-	794,763
TOTAL LIABILITIES	8,216,829	1,525	2,386,621	169	10,605,144
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	258,376	3,754,836	48,242	-	4,061,454
FUND BALANCES					
Nonspendable	583,049	-	-	3,627,564	4,210,613
Restricted	30,132,410	56,346	19,358,213	4,474,166	54,021,135
Committed	2,123,900	-	-	-	2,123,900
TOTAL FUND BALANCES	32,839,359	56,346	19,358,213	8,101,730	60,355,648
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 41,314,564	\$ 3,812,707	\$ 21,793,076	\$ 8,101,899	\$ 75,022,246

CITY OF KALAMAZOO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES					
Property taxes	\$ 3,027,891	\$ -	\$ -	\$ -	\$ 3,027,891
Intergovernmental	13,496,996	-	761,549	-	14,258,545
Charges for services	2,909,447	-	-	66,937	2,976,384
Fines and forfeits	183,078	-	-	-	183,078
Interest and rents	244,026	782,852	125,554	1,021,576	2,174,008
Other					
Donations and contributions	10,014,776	-	224,556	-	10,239,332
Other	53,125	454,398	230,000	-	737,523
TOTAL REVENUES	29,929,339	1,237,250	1,341,659	1,088,513	33,596,761
EXPENDITURES					
Current					
Public safety	174,419	-	-	-	174,419
Public works	3,331,984	-	-	20,000	3,351,984
Streets	11,806,781	-	-	-	11,806,781
Community and economic development	10,845,218	-	-	-	10,845,218
Parks and recreation	2,242,103	-	-	157,060	2,399,163
Debt service					
Principal	17,862	8,148,270	-	-	8,166,132
Interest and fiscal charges	3,047	5,179,635	-	-	5,182,682
Capital outlay	-	-	5,180,605	-	5,180,605
TOTAL EXPENDITURES	28,421,414	13,327,905	5,180,605	177,060	47,106,984
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,507,925	(12,090,655)	(3,838,946)	911,453	(13,510,223)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding debt	5,441,800	5,800,000	5,643,200	-	16,885,000
Payments to escrow agent	-	(6,090,000)	-	-	(6,090,000)
Bond premium	1,068,438	404,660	1,129,447	-	2,602,545
Transfers in	3,447,307	12,020,299	5,784,105	-	21,251,711
Transfers out	(9,909,279)	(45,247)	(4,191,892)	(312,684)	(14,459,102)
TOTAL OTHER FINANCING SOURCES (USES)	48,266	12,089,712	8,364,860	(312,684)	20,190,154
NET CHANGE IN FUND BALANCES	1,556,191	(943)	4,525,914	598,769	6,679,931
Fund balances, beginning of year	29,557,366	57,289	14,832,299	7,502,961	51,949,915
Prior period adjustment	1,725,802	-	-	-	1,725,802
Fund balances, end of year	\$ 32,839,359	\$ 56,346	\$ 19,358,213	\$ 8,101,730	\$ 60,355,648

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.

Foundation For Excellence (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.

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 golf courses in the City of Kalamazoo.

**CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

	Major Streets	Local Streets	Cemeteries	Solid Waste	Neighborhood and Community Development	Economic Development Programs	FFE Aspirational Projects	Drug Enforcement	Kalamazoo Municipal Golf Association	Total
ASSETS										
Cash and cash equivalents	\$ 4,668,965	\$ 1,156,728	\$ 830,891	\$ 1,906,867	\$ 303,933	\$ 879,177	\$ 13,038,024	\$ 474,863	\$ -	\$ 23,259,448
Cash and cash equivalents - restricted	6,857,843	1,392,971	-	-	-	-	-	-	-	8,250,814
Investments	-	-	-	1,132,110	-	431,138	-	-	-	1,563,248
Receivables										
Accounts	19,526	500	19,738	148,422	41,392	50	501	-	58,153	288,282
Taxes	-	-	-	137,895	-	-	-	-	-	137,895
Notes	-	-	-	-	2,565,200	28,472	-	-	-	2,593,672
Due from other funds	239,919	102,032	-	2,273	20,919	-	3,879	-	-	369,022
Due from other governmental units	1,297,246	384,527	-	-	1,966,738	-	-	-	-	3,648,511
Advances to other governmental units	-	-	-	-	-	620,623	-	-	-	620,623
Inventories	577,124	-	-	-	5,925	-	-	-	-	583,049
TOTAL ASSETS	\$ 13,660,623	\$ 3,036,758	\$ 850,629	\$ 3,327,567	\$ 4,904,107	\$ 1,959,460	\$ 13,042,404	\$ 474,863	\$ 58,153	\$ 41,314,564
LIABILITIES										
Accounts payable	\$ 568,953	\$ 58,841	\$ 691,005	\$ 204,167	\$ 275,015	\$ 40,000	\$ 268,412	\$ 10,514	\$ -	\$ 2,116,907
Accrued liabilities	-	-	-	-	-	-	-	22,082	-	22,082
Due to other funds	363,649	213,380	8,875	179,950	1,577,370	4,172	3,446,784	6,725	-	5,800,905
Deposits payable	-	-	-	-	258,581	-	-	746	-	259,327
Unearned revenue	-	-	-	-	17,608	-	-	-	-	17,608
TOTAL LIABILITIES	932,602	272,221	699,880	384,117	2,128,574	44,172	3,715,196	40,067	-	8,216,829
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	6,983	-	290	211,754	39,349	-	-	-	-	258,376
FUND BALANCES										
Nonspendable	577,124	-	-	-	5,925	-	-	-	-	583,049
Restricted	12,143,914	2,764,537	-	2,731,696	2,730,259	-	9,327,208	434,796	-	30,132,410
Committed	-	-	150,459	-	-	1,915,288	-	-	58,153	2,123,900
TOTAL FUND BALANCES	12,721,038	2,764,537	150,459	2,731,696	2,736,184	1,915,288	9,327,208	434,796	58,153	32,839,359
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 13,660,623	\$ 3,036,758	\$ 850,629	\$ 3,327,567	\$ 4,904,107	\$ 1,959,460	\$ 13,042,404	\$ 474,863	\$ 58,153	\$ 41,314,564

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	Major Streets	Local Streets	Cemeteries	Solid Waste	Neighborhood and Community Development	Economic Development Programs	FFE Aspirational Projects	Drug Enforcement	Kalamazoo Municipal Golf Association	Total
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ 3,027,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,027,891
Intergovernmental	8,938,016	2,197,015	3,600	431,758	1,758,773	-	20,000	147,834	-	13,496,996
Charges for services	170,770	-	248,571	137,966	66,026	6,130	-	-	2,279,984	2,909,447
Fines and forfeits	-	-	-	-	-	-	-	183,078	-	183,078
Interest	735	511	41	1,462	227	23,402	217,620	28	-	244,026
Other										
Donations and contributions	-	-	-	-	-	-	10,014,776	-	-	10,014,776
Other	52,140	985	-	-	-	-	-	-	-	53,125
TOTAL REVENUES	9,161,661	2,198,511	252,212	3,599,077	1,825,026	29,532	10,252,396	330,940	2,279,984	29,929,339
EXPENDITURES										
Current										
Public safety	-	-	-	-	-	-	-	174,419	-	174,419
Public works	-	-	519,656	2,812,328	-	-	-	-	-	3,331,984
Streets	8,177,537	3,629,244	-	-	-	-	-	-	-	11,806,781
Community and economic development	-	-	-	-	1,943,921	1,627,716	7,273,581	-	-	10,845,218
Parks and recreation	-	-	-	-	-	-	-	-	2,242,103	2,242,103
Debt service										
Principal	-	-	-	-	-	-	-	-	17,862	17,862
Interest and fiscal charges	-	-	-	-	-	-	-	-	3,047	3,047
TOTAL EXPENDITURES	8,177,537	3,629,244	519,656	2,812,328	1,943,921	1,627,716	7,273,581	174,419	2,263,012	28,421,414
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	984,124	(1,430,733)	(267,444)	786,749	(118,895)	(1,598,184)	2,978,815	156,521	16,972	1,507,925
OTHER FINANCING SOURCES (USES)										
Issuance of refunding debt	4,495,000	845,000	-	-	-	-	-	-	101,800	5,441,800
Bond premium	881,902	166,136	-	-	-	-	-	-	20,400	1,068,438
Transfers in	241,981	1,127,004	312,684	27,000	110,922	1,627,716	-	-	-	3,447,307
Transfers out	(4,031,323)	(1,063,630)	-	(81,643)	-	(4,172)	(4,589,339)	-	(139,172)	(9,909,279)
TOTAL OTHER FINANCING SOURCES (USES)	1,587,560	1,074,510	312,684	(54,643)	110,922	1,623,544	(4,589,339)	-	(16,972)	48,266
NET CHANGE IN FUND BALANCES	2,571,684	(356,223)	45,240	732,106	(7,973)	25,360	(1,610,524)	156,521	-	1,556,191
Fund balances, beginning of year	10,149,354	3,120,760	105,219	1,999,590	1,018,355	1,889,928	10,937,732	278,275	58,153	29,557,366
Prior period adjustment	-	-	-	-	1,725,802	-	-	-	-	1,725,802
Fund balances, end of year	\$ 12,721,038	\$ 2,764,537	\$ 150,459	\$ 2,731,696	\$ 2,736,184	\$ 1,915,288	\$ 9,327,208	\$ 434,796	\$ 58,153	\$ 32,839,359

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021

	<u>Major Streets Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
Federal revenue	\$ 720,000	\$ 720,000	\$ -	\$ (720,000)
Gas and weight tax distribution	7,628,943	7,628,943	7,785,158	156,215
State trunkline maintenance	25,000	25,000	13,224	(11,776)
Other state revenue	275,000	1,106,536	1,139,634	33,098
Local revenue	-	79,602	-	(79,602)
Charges for services	125,000	125,000	170,770	45,770
Interest	95,000	95,000	735	(94,265)
Other	10,000	10,000	52,140	42,140
TOTAL REVENUES	8,878,943	9,790,081	9,161,661	(628,420)
EXPENDITURES				
Current				
Streets				
Administration	1,553,632	1,553,632	1,218,466	335,166
Repair	437,286	434,226	306,236	127,990
Maintenance	1,113,882	1,116,942	1,001,641	115,301
Pavement painting	142,000	142,000	188,159	(46,159)
Traffic signals	584,962	584,962	651,706	(66,744)
Traffic signs	101,300	101,300	59,333	41,967
Construction	6,076,335	12,383,865	4,751,996	7,631,869
TOTAL EXPENDITURES	10,009,397	16,316,927	8,177,537	8,139,390
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,130,454)	(6,526,846)	984,124	7,510,970
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	4,269,233	4,269,233	4,495,000	225,767
Bond premium	881,902	881,902	881,902	-
Transfers in	223,200	243,200	241,981	(1,219)
Transfers out	(4,096,047)	(4,096,047)	(4,031,323)	64,724
TOTAL OTHER FINANCING SOURCES (USES)	1,278,288	1,298,288	1,587,560	289,272
NET CHANGE IN FUND BALANCE	147,834	(5,228,558)	2,571,684	7,800,242
Fund balance, beginning of year	10,149,354	10,149,354	10,149,354	-
Fund balance, end of year	\$ 10,297,188	\$ 4,920,796	\$ 12,721,038	\$ 7,800,242

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

	<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	\$ 2,156,748	\$ 2,156,748	\$ 2,197,015	\$ 40,267
Interest	20,000	20,000	511	(19,489)
Other	-	-	985	985
TOTAL REVENUES	<u>2,176,748</u>	<u>2,176,748</u>	<u>2,198,511</u>	<u>21,763</u>
EXPENDITURES				
Current				
Streets				
Administration	1,116,232	1,116,232	971,711	144,521
Repair	338,633	338,633	309,234	29,399
Maintenance	1,102,969	1,102,969	876,824	226,145
Pavement painting	6,000	6,000	8,943	(2,943)
Traffic signs	73,600	73,600	88,462	(14,862)
Construction	999,000	1,826,605	1,374,070	452,535
TOTAL EXPENDITURES	<u>3,636,434</u>	<u>4,464,039</u>	<u>3,629,244</u>	<u>834,795</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(1,459,686)</u>	<u>(2,287,291)</u>	<u>(1,430,733)</u>	<u>856,558</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	332,864	332,864	845,000	512,136
Bond premium	166,136	166,136	166,136	-
Transfers in	1,127,000	1,127,000	1,127,004	4
Transfers out	(1,072,544)	(1,072,544)	(1,063,630)	8,914
TOTAL OTHER FINANCING SOURCES (USES)	<u>553,456</u>	<u>553,456</u>	<u>1,074,510</u>	<u>521,054</u>
NET CHANGE IN FUND BALANCE	<u>(906,230)</u>	<u>(1,733,835)</u>	<u>(356,223)</u>	<u>1,377,612</u>
Fund balance, beginning of year	<u>3,120,760</u>	<u>3,120,760</u>	<u>3,120,760</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,214,530</u>	<u>\$ 1,386,925</u>	<u>\$ 2,764,537</u>	<u>\$ 1,377,612</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, 2021

	<u>Cemeteries Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 687,820	\$ 3,600	\$ (684,220)
Charges for services	175,100	175,100	248,571	73,471
Interest	3,000	3,000	41	(2,959)
TOTAL REVENUES	178,100	865,920	252,212	(613,708)
EXPENDITURES				
Current				
Public works				
Burials	193,073	163,573	186,267	(22,694)
Maintenance	217,608	247,108	319,789	(72,681)
Construction	-	728,670	13,600	715,070
TOTAL EXPENDITURES	410,681	1,139,351	519,656	619,695
EXCESS OF REVENUES (UNDER) EXPENDITURES	(232,581)	(273,431)	(267,444)	5,987
OTHER FINANCING SOURCES				
Transfers in	502,684	543,534	312,684	(230,850)
NET CHANGE IN FUND BALANCE	270,103	270,103	45,240	(224,863)
Fund balance, beginning of year	105,219	105,219	105,219	-
Fund balance, end of year	\$ 375,322	\$ 375,322	\$ 150,459	\$ (224,863)

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

	<u>Solid Waste Fund</u>			Variances with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
REVENUES				
Taxes	\$ 2,972,247	\$ 2,972,247	\$ 3,027,891	\$ 55,644
Intergovernmental	319,281	319,281	431,758	112,477
Charges for services	100,000	100,000	137,966	37,966
Interest	10,000	10,000	1,462	(8,538)
TOTAL REVENUES	<u>3,401,528</u>	<u>3,401,528</u>	<u>3,599,077</u>	<u>197,549</u>
EXPENDITURES				
Current				
Public works	<u>2,988,077</u>	<u>3,029,194</u>	<u>2,812,328</u>	<u>216,866</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>413,451</u>	<u>372,334</u>	<u>786,749</u>	<u>414,415</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	27,000	27,000	27,000	-
Transfers out	<u>(81,643)</u>	<u>(81,643)</u>	<u>(81,643)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,643)</u>	<u>(54,643)</u>	<u>(54,643)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	358,808	317,691	732,106	414,415
Fund balance, beginning of year	<u>1,999,590</u>	<u>1,999,590</u>	<u>1,999,590</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,358,398</u>	<u>\$ 2,317,281</u>	<u>\$ 2,731,696</u>	<u>\$ 414,415</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, 2021

	<u>Neighborhood and Community Development Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 431,507	\$ 3,466,700	\$ 1,758,773	\$ (1,707,927)
Charges for services	-	-	66,026	66,026
Interest	500	500	227	(273)
TOTAL REVENUES	432,007	3,467,200	1,825,026	(1,642,174)
EXPENDITURES				
Current				
Community and economic development				
Demolition revolving	-	108,192	125,179	(16,987)
Program administration services	442,508	442,508	556,764	(114,256)
Community Development Block Grant	-	2,415,471	1,088,518	1,326,953
Housing rehabilitation	-	106,750	6,750	100,000
HOME	-	619,722	166,710	453,012
TOTAL EXPENDITURES	442,508	3,692,643	1,943,921	1,748,722
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,501)	(225,443)	(118,895)	106,548
OTHER FINANCING SOURCES				
Transfers in	5,000	111,750	110,922	(828)
NET CHANGE IN FUND BALANCE	499	(107,693)	(7,973)	99,720
Fund balance, beginning of year	1,018,355	1,018,355	1,018,355	-
Prior period adjustment	-	-	1,725,802	1,725,802
Fund balance, end of year	\$ 1,018,854	\$ 910,662	\$ 2,736,184	\$ 1,825,522

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

	<u>Economic Development Programs Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 2,400	\$ 2,400	\$ 6,130	\$ 3,730
Interest	46,640	46,640	23,402	(23,238)
TOTAL REVENUES	49,040	49,040	29,532	(19,508)
EXPENDITURES				
Current				
Community and economic development	2,295,000	2,476,803	1,627,716	849,087
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,245,960)	(2,427,763)	(1,598,184)	829,579
OTHER FINANCING SOURCES (USES)				
Transfers in	1,795,000	1,976,803	1,627,716	(349,087)
Transfers out	-	-	(4,172)	(4,172)
TOTAL OTHER FINANCING SOURCES (USES)	1,795,000	1,976,803	1,623,544	(353,259)
NET CHANGE IN FUND BALANCE	(450,960)	(450,960)	25,360	476,320
Fund balance, beginning of year	1,889,928	1,889,928	1,889,928	-
Fund balance, end of year	\$ 1,438,968	\$ 1,438,968	\$ 1,915,288	\$ 476,320

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

	<u>FFE Aspirational Projects</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 20,000	\$ 20,000	\$ -
Interest	-	-	217,620	217,620
Donations and contributions	8,539,090	8,539,090	10,014,776	1,475,686
TOTAL REVENUES	8,539,090	8,559,090	10,252,396	1,693,306
EXPENDITURES				
Current				
Community and economic development				
Operations	243,238	476,767	306,222	170,545
Youth development and employment	169,686	270,836	94,902	175,934
Shared prosperity	83,807	1,159,670	554,931	604,739
Complete neighborhoods	1,972,127	3,283,873	2,010,675	1,273,198
Inviting public spaces	-	155,676	64,908	90,768
Economic vitality	2,548,200	6,523,898	3,404,588	3,119,310
Environmental responsibility	92,000	181,200	22,331	158,869
Construction	500,000	853,105	815,024	38,081
TOTAL EXPENDITURES	5,609,058	12,905,025	7,273,581	5,631,444
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,930,032	(4,345,935)	2,978,815	7,324,750
OTHER FINANCING (USES)				
Transfers out for:				
Youth development and employment	(1,135,032)	(1,166,093)	(745,319)	420,774
Complete neighborhoods	-	(2,109,554)	(2,109,554)	-
Connected city	-	(558,119)	-	558,119
Economic vitality	(1,795,000)	(2,083,553)	(1,734,466)	349,087
TOTAL OTHER FINANCING (USES)	(2,930,032)	(5,917,319)	(4,589,339)	1,327,980
NET CHANGE IN FUND BALANCE	-	(10,263,254)	(1,610,524)	8,652,730
Fund balance, beginning of year	10,937,732	10,937,732	10,937,732	-
Fund balance, end of year	\$ 10,937,732	\$ 674,478	\$ 9,327,208	\$ 8,652,730

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

	<u>Drug Enforcement Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 50,000	\$ 147,834	\$ 97,834
Fines and forfeits	-	-	183,078	183,078
Interest	-	-	28	28
TOTAL REVENUES	-	50,000	330,940	280,940
EXPENDITURES				
Current				
Public safety	124,503	174,503	174,419	84
NET CHANGE IN FUND BALANCE	(124,503)	(124,503)	156,521	281,024
Fund balance, beginning of year	278,275	278,275	278,275	-
Fund balance, end of year	\$ 153,772	\$ 153,772	\$ 434,796	\$ 281,024

CITY OF KALAMAZOO
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONCLUDED)
YEAR ENDED DECEMBER 31, 2021

	<u>Kalamazoo Municipal Golf Association Fund</u>			
	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 1,735,000	\$ 2,280,495	\$ 2,279,984	\$ (511)
EXPENDITURES				
Current				
Recreation and culture	1,574,408	2,242,103	2,242,103	-
Debt service				
Principal	17,862	17,862	17,862	-
Interest and fiscal charges	3,047	3,047	3,047	-
TOTAL EXPENDITURES	1,595,317	2,263,012	2,263,012	-
EXCESS OF REVENUES OVER EXPENDITURES	139,683	17,483	16,972	(511)
OTHER FINANCING (USES)				
Issuance of refunding debt	-	101,800	101,800	-
Bond premium	-	20,400	20,400	-
Transfers out	(139,683)	(139,683)	(139,172)	511
TOTAL OTHER FINANCING SOURCES (USES)	(139,683)	(17,483)	(16,972)	511
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	58,153	58,153	58,153	-
Fund balance, end of year	\$ 58,153	\$ 58,153	\$ 58,153	\$ -

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.

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, 2021**

	Building Authority Debt Service	Michigan Transportation Fund	General Debt Service	OPEB Bond Debt Service	Total
ASSETS					
Cash and cash equivalents	\$ 56,298	\$ -	\$ 573	\$ -	\$ 56,871
Due from other funds	500	-	500	-	1,000
Due from other governmental units	-	-	-	3,754,836	3,754,836
TOTAL ASSETS	<u>\$ 56,798</u>	<u>\$ -</u>	<u>\$ 1,073</u>	<u>\$ 3,754,836</u>	<u>\$ 3,812,707</u>
LIABILITIES					
Due to other funds	\$ 512	\$ -	\$ 1,013	\$ -	\$ 1,525
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	3,754,836	3,754,836
FUND BALANCES					
Restricted	56,286	-	60	-	56,346
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 56,798</u>	<u>\$ -</u>	<u>\$ 1,073</u>	<u>\$ 3,754,836</u>	<u>\$ 3,812,707</u>

**CITY OF KALAMAZOO
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	Building Authority Debt Service	Michigan Transportation Fund	General Debt Service	OPEB Bond Debt Service	Total
REVENUES					
Interest and rents	\$ 782,852	\$ -	\$ -	\$ -	\$ 782,852
Other	-	-	188,100	266,298	454,398
TOTAL REVENUES	782,852	-	188,100	266,298	1,237,250
EXPENDITURES					
Debt service					
Principal	1,240,000	325,000	4,965,000	1,618,270	8,148,270
Interest and fiscal charges	438,505	7,030	2,026,437	2,707,663	5,179,635
TOTAL EXPENDITURES	1,678,505	332,030	6,991,437	4,325,933	13,327,905
EXCESS OF REVENUES (UNDER) EXPENDITURES	(895,653)	(332,030)	(6,803,337)	(4,059,635)	(12,090,655)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding debt	-	-	5,800,000	-	5,800,000
Payments to escrow agent	-	-	(6,090,000)	-	(6,090,000)
Bond premium	-	-	404,660	-	404,660
Transfers in	894,650	332,030	6,733,984	4,059,635	12,020,299
Transfers out	-	-	(45,247)	-	(45,247)
TOTAL OTHER FINANCING SOURCES (USES)	894,650	332,030	6,803,397	4,059,635	12,089,712
NET CHANGE IN FUND BALANCES	(1,003)	-	60	-	(943)
Fund balances, beginning of year	57,289	-	-	-	57,289
Fund balances, end of year	\$ 56,286	\$ -	\$ 60	\$ -	\$ 56,346

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.

Streets Jurisdiction Transfer - The Streets Jurisdiction Transfer Fund accounts for earmarked revenue set aside for road projects. Revenue sources include grants from the State of Michigan.

**CITY OF KALAMAZOO
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Streets Jurisdiction Transfer	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,056,533	\$ 4,829,359	\$ 6,885,892
Cash and cash equivalents - restricted	480,310	10,767,034	-	11,247,344
Investments	-	-	2,500,000	2,500,000
Receivables				
Accounts	34,607	-	-	34,607
Interest	-	-	2,734	2,734
Due from other funds	-	304,554	-	304,554
Due from other governmental units	-	817,945	-	817,945
TOTAL ASSETS	<u>\$ 514,917</u>	<u>\$ 13,946,066</u>	<u>\$ 7,332,093</u>	<u>\$ 21,793,076</u>
LIABILITIES				
Accounts payable	\$ -	\$ 747,868	\$ -	\$ 747,868
Due to other funds	514,917	122,700	223,981	861,598
Unearned revenue	-	777,155	-	777,155
TOTAL LIABILITIES	<u>514,917</u>	<u>1,647,723</u>	<u>223,981</u>	<u>2,386,621</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	48,242	-	48,242
FUND BALANCES				
Restricted	-	12,250,101	7,108,112	19,358,213
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 514,917</u>	<u>\$ 13,946,066</u>	<u>\$ 7,332,093</u>	<u>\$ 21,793,076</u>

CITY OF KALAMAZOO
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	Cork Street Landfill Cap Construction	Capital Improvement Projects	Streets Jurisdiction Transfer	Total
REVENUES				
Intergovernmental	\$ -	\$ 761,549	\$ -	\$ 761,549
Interest and rents	-	102,689	22,865	125,554
Other				
Donations and contributions	-	224,556	-	224,556
Other	-	230,000	-	230,000
TOTAL REVENUES	-	1,318,794	22,865	1,341,659
EXPENDITURES				
Capital outlay	-	5,180,605	-	5,180,605
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,861,811)	22,865	(3,838,946)
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	-	5,643,200	-	5,643,200
Bond premium	-	1,129,447	-	1,129,447
Transfers in	-	5,784,105	-	5,784,105
Transfers out	-	(3,967,911)	(223,981)	(4,191,892)
TOTAL OTHER FINANCING SOURCES (USES)	-	8,588,841	(223,981)	8,364,860
NET CHANGE IN FUND BALANCES	-	4,727,030	(201,116)	4,525,914
Fund balances, beginning of year	-	7,523,071	7,309,228	14,832,299
Fund balances, end of year	\$ -	\$ 12,250,101	\$ 7,108,112	\$ 19,358,213

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, 2021**

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
ASSETS				
Cash and cash equivalents	\$ 29,224	\$ -	\$ -	\$ 29,224
Investments	4,260,936	-	-	4,260,936
Investments with agents	-	1,889,498	1,922,058	3,811,556
Accounts receivable	183	-	-	183
TOTAL ASSETS	<u><u>\$ 4,290,343</u></u>	<u><u>\$ 1,889,498</u></u>	<u><u>\$ 1,922,058</u></u>	<u><u>\$ 8,101,899</u></u>
LIABILITIES				
Contract payable	\$ 169	\$ -	\$ -	\$ 169
FUND BALANCES				
Nonspendable	1,735,160	937,206	955,198	3,627,564
Restricted	2,555,014	952,292	966,860	4,474,166
TOTAL FUND BALANCES	<u>4,290,174</u>	<u>1,889,498</u>	<u>1,922,058</u>	<u>8,101,730</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,290,343</u></u>	<u><u>\$ 1,889,498</u></u>	<u><u>\$ 1,922,058</u></u>	<u><u>\$ 8,101,899</u></u>

**CITY OF KALAMAZOO
NONMAJOR PERMANENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	Cemetery Perpetual Care	Recreation Endowment	Parks Endowment	Total
REVENUES				
Charges for services	\$ 66,937	\$ -	\$ -	\$ 66,937
Interest and dividends	394,166	310,475	316,935	1,021,576
TOTAL REVENUES	461,103	310,475	316,935	1,088,513
EXPENDITURES				
Current				
Public works	20,000	-	-	20,000
Parks and recreation	-	95,625	61,435	157,060
TOTAL EXPENDITURES	20,000	95,625	61,435	177,060
EXCESS OF REVENUES OVER EXPENDITURES	441,103	214,850	255,500	911,453
OTHER FINANCING (USES)				
Transfers out	(312,684)	-	-	(312,684)
NET CHANGE IN FUND BALANCES	128,419	214,850	255,500	598,769
Fund balances, beginning of year	4,161,755	1,674,648	1,666,558	7,502,961
Fund balances, end of year	\$ 4,290,174	\$ 1,889,498	\$ 1,922,058	\$ 8,101,730

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, 2021

	Employees' Retirement System	Other Post- Employment Benefits	Total
ASSETS			
Cash and cash equivalents	\$ 445,370	\$ 46,362	\$ 491,732
Investments			
U.S. Treasuries	74,969,240	11,296,485	86,265,725
Corporate bonds	66,248,053	9,982,362	76,230,415
Municipal bonds	224,796	33,873	258,669
Collateralized mortgage obligations	53,832,242	8,111,528	61,943,770
Equity mutual funds	564,024,705	84,988,142	649,012,847
Real estate mutual funds	42,992,624	6,478,197	49,470,821
Receivables			
Interest and dividends	715,125	107,757	822,882
Investments sold	2,531,040	381,381	2,912,421
 TOTAL ASSETS	 805,983,195	 121,426,087	 927,409,282
 LIABILITIES			
Accounts payable	58,400	681,318	739,718
 NET POSITION			
Restricted for pension and OPEB	\$ 805,924,795	\$ 120,744,769	\$ 926,669,564

CITY OF KALAMAZOO
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021

	Employees' Retirement System	Other Post- Employment Benefits	Total
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 111,649,407	\$ 16,702,942	\$ 128,352,349
Interest	2,643,486	395,754	3,039,240
Dividends	21,558,645	3,243,975	24,802,620
Total investment income	135,851,538	20,342,671	156,194,209
Less investment expense	(2,214,330)	(335,376)	(2,549,706)
Net investment income	133,637,208	20,007,295	153,644,503
Contributions			
Employer	-	3,500,000	3,500,000
Plan members	1,345,658	979,659	2,325,317
Total contributions	1,345,658	4,479,659	5,825,317
TOTAL ADDITIONS TO NET POSITION	134,982,866	24,486,954	159,469,820
DEDUCTIONS FROM NET POSITION			
Benefits	33,005,277	8,538,357	41,543,634
Refunds of contributions	59,568	-	59,568
Administrative expenses	236,148	119,115	355,263
Miscellaneous expenses	333,861	-	333,861
TOTAL DEDUCTIONS	33,634,854	8,657,472	42,292,326
CHANGE IN NET POSITION	101,348,012	15,829,482	117,177,494
Net position, beginning of year	704,576,783	104,915,287	809,492,070
Net position, end of year	\$ 805,924,795	\$ 120,744,769	\$ 926,669,564

**CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNIT FUND
BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION
DECEMBER 31, 2021**

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 453,461</u>
LIABILITIES	
Due to other governmental units	<u>\$ 4,466</u>
FUND BALANCE	
Unassigned	<u>448,995</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 453,461</u>

**CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNIT FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -
ECONOMIC DEVELOPMENT CORPORATION
DECEMBER 31, 2021**

Total fund balance - governmental fund	\$ 448,995
---	------------

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	<u>(1,250)</u>
----------------------	----------------

Net position of governmental activities	<u><u>\$ 447,745</u></u>
--	--------------------------

**CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNIT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ECONOMIC DEVELOPMENT CORPORATION
YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>
REVENUES	
Other	<u>\$ 27,930</u>
EXPENDITURES	
Current	
Community and economic development	<u>31,247</u>
NET CHANGE IN FUND BALANCE	(3,317)
Fund balance, beginning of year	<u>452,312</u>
Fund balance, end of year	<u><u>\$ 448,995</u></u>

**CITY OF KALAMAZOO
DISCRETELY PRESENTED 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, 2021**

Net change in fund balance - governmental fund	\$ (3,317)
---	------------

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	<u>566</u>
Change in net position of governmental activities	<u><u>\$ (2,751)</u></u>

**CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNIT FUND
BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY
DECEMBER 31, 2021**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,817,127
Investments	1,333,372
Receivables	
Taxes	772,122
Notes	1,116,088
Due from other governmental units	16,440
Advance to developers	<u>500,000</u>
TOTAL ASSETS	<u><u>\$ 6,555,149</u></u>
LIABILITIES	
Accounts payable	\$ 114,620
Due to other governmental units	24,291
Advance from other governmental units	620,623
Unearned revenue	<u>30,000</u>
TOTAL LIABILITIES	<u>789,534</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>883</u>
FUND BALANCE	
Nonspendable	995,465
Committed	310,052
Unassigned	<u>4,459,215</u>
TOTAL FUND BALANCE	<u>5,764,732</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 6,555,149</u></u>

**CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNIT FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -
BROWNFIELD REDEVELOPMENT AUTHORITY
DECEMBER 31, 2021**

Total fund balance - governmental fund	\$ 5,764,732
---	---------------------

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	883
---------------------	-----

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	\$ (534,026)	
Compensated absences	<u>(7,586)</u>	
		<u>(541,612)</u>

Net position of governmental activities	<u><u>\$ 5,224,003</u></u>
--	-----------------------------------

CITY OF KALAMAZOO
DISCRETELY PRESENTED COMPONENT UNIT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BROWNFIELD REDEVELOPMENT AUTHORITY
YEAR ENDED DECEMBER 31, 2021

	<u>General</u>
REVENUES	
Taxes	\$ 2,074,763
Intergovernmental	144,412
Interest	2,167
Other	<u>54,059</u>
TOTAL REVENUES	<u>2,275,401</u>
EXPENDITURES	
Current	
Community and economic development	1,743,107
Debt service	<u>259,909</u>
TOTAL EXPENDITURES	<u>2,003,016</u>
NET CHANGE IN FUND BALANCE	272,385
Fund balance, beginning of year	4,963,437
Prior period adjustment	<u>528,910</u>
Fund balance, end of year	<u><u>\$ 5,764,732</u></u>

**CITY OF KALAMAZOO
DISCRETELY PRESENTED 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, 2021**

Net change in fund balance - governmental fund	\$ 272,385
---	-------------------

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

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:

Loans repayments	259,909
------------------	---------

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	<u>(1,059)</u>
--------------------------------	----------------

Change in net position of governmental activities	<u>\$ 531,235</u>
--	--------------------------

STATISTICAL SECTION

This part of the City of Kalamazoo's annual comprehensive 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.....	176-180
<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.....	181-184
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity.....	185-193
<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	194-195
<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.....	196-200
<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	201-236

TABLE 1

**CITY OF KALAMAZOO
NET POSITION BY COMPONENT
2012-2021
(UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)**

	2012	2013	2014	2015	2016	2017	0	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 122,960,589	\$ 123,492,323	\$ 122,338,669	\$ 121,402,730	\$ 122,361,164	\$ 120,389,124	\$ 122,213,595	\$ 124,191,725	\$ 126,527,295	\$ 133,948,050
Restricted	13,946,502	14,512,704	15,031,494	13,951,012	14,937,512	22,611,812	29,541,823	46,788,941	196,897,575	224,313,087
Unrestricted	(35,131,160)	(42,557,926)	(46,283,678)	84,120,446	85,140,274	93,207,875	31,002,648	15,099,509	(145,782,756)	(189,827,472)
Total governmental activities net position	<u>\$ 101,775,931</u>	<u>\$ 95,447,101</u>	<u>\$ 91,086,485</u>	<u>\$ 219,474,188</u>	<u>\$ 222,438,950</u>	<u>\$ 236,208,811</u>	<u>\$ 182,758,066</u>	<u>\$ 186,080,175</u>	<u>\$ 177,642,114</u>	<u>\$ 168,433,665</u>
Business-type activities										
Net investment in capital assets	\$ 149,416,222	\$ 145,375,261	\$ 143,182,090	\$ 141,668,888	\$ 140,434,583	\$ 144,557,184	\$ 145,972,507	\$ 148,065,618	\$ 153,783,289	\$ 168,863,713
Restricted	2,831,960	2,831,960	2,454,033	2,164,039	2,094,054	2,089,731	2,811,148	4,112,996	38,299,446	41,448,296
Unrestricted	11,411,854	15,684,847	16,092,853	48,245,428	49,851,898	45,467,985	22,705,613	14,617,705	(15,864,683)	(22,290,647)
Total business-type activities net position	<u>\$ 163,660,036</u>	<u>\$ 163,892,068</u>	<u>\$ 161,728,976</u>	<u>\$ 192,078,355</u>	<u>\$ 192,380,535</u>	<u>\$ 192,114,900</u>	<u>\$ 171,489,268</u>	<u>\$ 166,796,319</u>	<u>\$ 176,218,052</u>	<u>\$ 188,021,362</u>
Primary government										
Net investment in capital assets	\$ 272,376,811	\$ 268,867,584	\$ 265,520,759	\$ 263,071,618	\$ 262,795,747	\$ 264,946,308	\$ 268,186,102	\$ 272,257,343	\$ 280,310,584	\$ 302,811,763
Restricted	16,778,462	17,344,664	17,485,527	16,115,051	17,031,566	24,701,543	32,352,971	50,901,937	235,197,021	265,761,383
Unrestricted	(23,719,306)	(26,873,079)	(30,190,825)	132,365,874	134,992,172	138,675,860	53,708,261	29,717,214	(161,647,439)	(212,118,119)
Total primary government net position	<u>\$ 265,435,967</u>	<u>\$ 259,339,169</u>	<u>\$ 252,815,461</u>	<u>\$ 411,552,543</u>	<u>\$ 414,819,485</u>	<u>\$ 428,323,711</u>	<u>\$ 354,247,334</u>	<u>\$ 352,876,494</u>	<u>\$ 353,860,166</u>	<u>\$ 356,455,027</u>

TABLE 2

**CITY OF KALAMAZOO
CHANGES IN NET POSITION
2012-2021
(UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities										
General government	\$ 10,168,516	\$ 8,416,014	\$ 9,930,643	\$ 8,766,309	\$ 5,721,625	\$ 3,749,149	\$ 14,756,851	\$ 13,337,417	\$ 5,421,764	\$ 13,435,805
Public safety	36,120,760	36,060,961	34,662,862	41,688,680	35,180,743	37,129,688	48,251,573	44,946,326	57,333,724	63,817,583
Public works	16,862,523	18,023,279	17,534,605	17,745,839	14,953,810	15,533,907	17,056,118	21,434,101	18,381,668	15,924,730
Community and economic development	8,667,696	5,056,773	4,718,105	6,429,186	4,500,102	4,536,753	11,683,998	9,779,012	13,505,444	14,348,148
Recreation and culture	2,781,196	2,589,433	3,054,139	2,026,717	2,100,881	3,168,551	4,039,342	6,299,389	4,954,960	909,314
Interest on long-term debt	2,378,583	2,169,930	2,189,831	4,626,913	4,735,609	5,174,409	4,700,844	4,630,744	4,756,337	4,765,099
Total governmental activities expenses	76,979,274	72,316,390	72,090,185	81,283,644	67,192,770	69,292,457	100,488,726	100,426,989	104,353,897	113,200,679
Business-type activities										
Wastewater	21,769,136	22,461,092	22,214,421	21,637,512	21,294,272	21,035,419	26,827,856	29,961,234	32,304,437	32,768,446
Water	14,525,327	14,019,746	14,617,217	16,069,239	15,953,040	15,509,780	19,978,024	21,391,499	23,330,783	26,787,065
Other	67,778	1,616,741	1,638,861	1,704,812	1,714,755	1,676,753	-	-	-	-
Total business-type activities expenses	36,362,241	38,097,579	38,470,499	39,411,563	38,962,067	38,221,952	46,805,880	51,352,733	55,635,220	59,555,511
Total primary government expenses	\$ 113,341,515	\$ 110,413,969	\$ 110,560,684	\$ 120,695,207	\$ 106,154,837	\$ 107,514,409	\$ 147,294,606	\$ 151,779,722	\$ 159,989,117	\$ 172,756,190
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 10,614,076	\$ 10,880,322	\$ 11,316,006	\$ 10,972,764	\$ 7,581,047	\$ 7,798,637	\$ 7,020,944	\$ 8,785,840	\$ 9,946,432	\$ 10,336,312
Community development and planning	1,069,568	1,525,283	1,471,008	1,668,372	1,573,669	1,686,416	1,955,984	2,072,539	1,741,114	2,142,154
Other	975,170	1,029,481	1,052,534	1,241,443	1,805,820	2,653,944	4,682,641	4,485,685	3,470,210	3,976,183
Operating grants and contributions	15,765,684	11,661,313	12,679,339	13,957,992	14,323,779	33,765,675	45,961,378	41,823,581	45,878,127	46,975,411
Capital grants and contributions	655,181	5,744	6,618	43,390	10,944	18,008	9,077	8,958,293	535,170	1,242,023
Total governmental activities program revenues	29,079,679	25,102,143	26,525,505	27,883,961	25,295,259	45,922,680	59,630,024	66,125,938	61,571,053	64,672,083
Business-type activities										
Charges for services										
Wastewater	20,484,471	21,111,243	20,758,450	19,819,546	19,599,234	15,736,474	20,836,363	23,805,086	23,954,176	25,836,935
Water	14,583,205	13,480,979	12,948,883	14,348,122	15,451,374	16,726,191	17,471,819	18,616,280	21,938,383	23,993,959
Other	91,621	1,628,563	1,566,381	1,695,902	1,674,904	1,706,745	-	-	-	-
Operating grants and contributions	266,929	212,011	155,215	90,507	131,334	36,855	1,646,220	860,080	2,111,355	118,137
Capital grants and contributions	1,733,898	1,834,883	870,240	3,154,597	2,130,600	3,186,467	2,734,745	1,857,181	9,594,948	20,441,810
Total business-type activities program revenues	37,160,124	38,267,679	36,299,169	39,108,674	38,987,446	37,392,732	42,689,147	45,138,627	57,598,862	70,390,841
Total primary government program revenues	\$ 66,239,803	\$ 63,369,822	\$ 62,824,674	\$ 66,992,635	\$ 64,282,705	\$ 83,315,412	\$ 102,319,171	\$ 111,264,565	\$ 119,169,915	\$ 135,062,924
Net (Expense) Revenue										
Governmental activities	\$ (47,899,595)	\$ (47,214,247)	\$ (45,564,680)	\$ (53,399,683)	\$ (41,046,743)	\$ (23,369,777)	\$ (40,858,702)	\$ (34,301,051)	\$ (42,782,844)	\$ (48,528,596)
Business-type activities	797,883	170,100	(2,171,330)	(302,889)	25,379	(829,220)	(4,116,733)	(6,214,106)	1,963,642	10,835,330
Total primary government net expense	\$ (47,101,712)	\$ (47,044,147)	\$ (47,736,010)	\$ (53,702,572)	\$ (41,021,364)	\$ (24,198,997)	\$ (44,975,435)	\$ (40,515,157)	\$ (40,819,202)	\$ (37,693,266)

TABLE 2

CITY OF KALAMAZOO
CHANGES IN NET POSITION (CONCLUDED)
2012-2021
(UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities										
General revenues										
Property taxes	\$ 30,457,012	\$ 31,011,014	\$ 31,834,240	\$ 32,085,449	\$ 34,350,331	\$ 24,802,341	\$ 22,927,422	\$ 23,498,110	\$ 24,628,307	\$ 25,268,136
Grants and contributions not restricted to specific programs	7,939,441	8,851,208	8,441,077	8,505,032	8,563,853	9,046,844	10,355,402	11,303,841	9,115,496	10,442,055
Unrestricted investment earnings	1,285,649	1,438,503	672,910	74,925	997,789	1,913,430	43,192	3,191,077	538,957	1,813,305
Gain on sale of assets	-	7,800	74,590	31,638	8,850	1,487,317	1,485,625	69,257	14,980	2,961
Other	824,508	219,059	167,497	118,374	90,682	111,987	276,267	213,867	425,043	445,888
Transfers - internal activities	-	(50,000)	-	-	-	(222,281)	(831,618)	(652,992)	(378,000)	(378,000)
Total governmental activities	40,506,610	41,477,584	41,190,314	40,815,418	44,011,505	37,139,638	34,256,290	37,623,160	34,344,783	37,594,345
Business-type activities										
Unrestricted investment earnings	41,803	48,810	56,253	111,566	124,116	182,701	432,037	723,717	280,428	115,869
Gain on sale of assets	4,450	168,408	(98,631)	-	4,008	25,605	37,839	29,641	38,839	107,726
Legal settlement	-	-	-	-	-	-	-	-	5,400,000	-
Other	75,779	170,578	50,616	105,932	148,677	132,998	166,174	114,807	309,232	366,385
Transfers - internal activities	-	50,000	-	-	-	222,281	831,618	652,992	378,000	378,000
Total business-type activities	122,032	437,796	8,238	217,498	276,801	563,585	1,467,668	1,521,157	6,406,499	967,980
Total primary government	<u>\$ 40,628,642</u>	<u>\$ 41,915,380</u>	<u>\$ 41,198,552</u>	<u>\$ 41,032,916</u>	<u>\$ 44,288,306</u>	<u>\$ 37,703,223</u>	<u>\$ 35,723,958</u>	<u>\$ 39,144,317</u>	<u>\$ 40,751,282</u>	<u>\$ 38,562,325</u>
Change in Net Position										
Governmental activities	\$ (7,392,985)	\$ (5,736,663)	\$ (4,360,616)	\$ (12,584,265)	\$ 2,964,762	\$ 13,769,861	\$ (6,602,412)	\$ 3,322,109	\$ (8,438,061)	\$ (10,934,251)
Business-type activities	919,915	607,896	(2,163,092)	(85,391)	302,180	(265,635)	(2,649,065)	(4,692,949)	8,370,141	11,803,310
Total primary government	<u>\$ (6,473,070)</u>	<u>\$ (5,128,767)</u>	<u>\$ (6,523,708)</u>	<u>\$ (12,669,656)</u>	<u>\$ 3,266,942</u>	<u>\$ 13,504,226</u>	<u>\$ (9,251,477)</u>	<u>\$ (1,370,840)</u>	<u>\$ (67,920)</u>	<u>\$ 869,059</u>

TABLE 3

**CITY OF KALAMAZOO
FUND BALANCES
GOVERNMENTAL FUNDS
2012-2021
(UNAUDITED)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ 626,548	\$ 637,833	\$ 1,339,401	\$ 1,212,622	\$ 1,145,445	\$ 1,166,644	\$ 1,230,482	\$ 1,230,482	\$ 2,482,065	\$ 2,743,017
Assigned	3,503,397	922,527	403,248	3,459,061	2,703,090	407,342	1,347,804	1,347,804	1,012,279	2,263,295
Unassigned	<u>3,557,092</u>	<u>3,921,706</u>	<u>5,975,442</u>	<u>6,533,218</u>	<u>8,120,863</u>	<u>10,812,051</u>	<u>9,244,320</u>	<u>9,244,320</u>	<u>12,277,493</u>	<u>12,638,766</u>
Total general fund	<u>\$ 7,687,037</u>	<u>\$ 5,482,066</u>	<u>\$ 7,718,091</u>	<u>\$ 11,204,901</u>	<u>\$ 11,969,398</u>	<u>\$ 12,386,037</u>	<u>\$ 11,822,606</u>	<u>\$ 11,822,606</u>	<u>\$ 15,771,837</u>	<u>\$ 17,645,078</u>
All other governmental funds										
Nonspendable	\$ 8,698,303	\$ 7,774,612	\$ 7,286,926	\$ 5,628,997	\$ 5,815,832	\$ 3,880,499	\$ 4,708,506	\$ 4,708,506	\$ 4,727,448	\$ 4,210,613
Restricted	8,419,230	9,264,935	10,133,623	9,337,109	10,320,453	18,794,512	24,934,188	24,934,188	46,851,013	54,901,201
Committed	<u>2,756,697</u>	<u>2,864,507</u>	<u>1,660,293</u>	<u>1,741,297</u>	<u>841,999</u>	<u>2,002,503</u>	<u>2,037,803</u>	<u>2,037,803</u>	<u>1,396,746</u>	<u>2,123,900</u>
Total all other governmental funds	<u>\$ 19,874,230</u>	<u>\$ 19,904,054</u>	<u>\$ 19,080,842</u>	<u>\$ 16,707,403</u>	<u>\$ 16,978,284</u>	<u>\$ 24,677,514</u>	<u>\$ 31,680,497</u>	<u>\$ 31,680,497</u>	<u>\$ 52,975,207</u>	<u>\$ 61,235,714</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.

TABLE 4

**CITY OF KALAMAZOO
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
2012-2021
(UNAUDITED)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Property taxes and special assessments	\$ 32,665,097	\$ 31,172,950	\$ 31,922,256	\$ 32,258,838	\$ 34,350,331	\$ 24,802,341	\$ 22,927,423	\$ 23,836,445	\$ 24,652,041	\$ 25,329,203
Licenses and permits	1,641,248	2,060,482	2,183,405	2,464,874	2,401,934	2,467,735	2,709,592	2,786,500	2,460,132	2,844,543
Intergovernmental revenue	22,421,096	18,992,137	19,362,091	20,836,848	21,252,260	23,524,707	26,256,483	35,456,567	28,999,795	30,709,121
Charges for services	9,022,197	9,173,002	9,571,894	10,283,027	10,565,330	9,664,577	11,090,392	11,556,318	11,793,440	12,563,757
Fines and forfeits	280,426	262,385	529,900	222,239	244,278	154,511	215,587	66,726	126,869	191,048
Interest and rents	3,219,392	2,936,162	2,568,116	2,064,308	1,832,803	1,961,057	1,987,803	3,192,420	1,292,139	2,675,019
Net investment earnings	688,741	1,053,215	191,328	(349,763)	585,136	840,048	(754,813)	643,463	-	-
Other revenue										
Donations and contributions	-	-	-	-	-	19,775,051	29,094,726	27,253,766	25,502,915	27,634,839
Other	1,902,634	1,129,797	1,434,156	1,363,588	1,257,290	2,505,971	2,613,642	1,415,191	1,366,097	1,358,567
Total revenues	71,840,831	66,780,130	67,763,146	69,143,959	72,489,362	85,695,998	96,140,835	106,207,396	96,193,428	103,306,097
Expenditures										
Current Expenditures										
General government	7,255,900	6,615,189	6,643,957	7,194,591	7,341,895	9,157,348	10,607,154	11,099,230	12,450,620	12,971,708
Public safety	32,805,831	32,188,577	32,709,081	29,206,949	30,528,266	31,105,681	33,482,897	33,488,526	34,087,818	33,137,382
Public works	14,588,245	14,955,973	14,961,783	14,532,464	14,790,370	17,129,352	17,625,761	17,718,363	19,073,957	20,517,972
Community and economic development	8,562,088	4,682,899	4,653,737	5,410,168	4,231,956	4,012,858	10,283,249	9,862,013	11,278,596	14,311,847
Recreation and culture	2,359,248	2,129,592	2,222,040	2,133,438	2,412,924	3,300,482	5,033,609	5,819,733	4,627,442	5,843,745
Other	3,161,774	2,793,985	2,254,801	2,261,078	4,789,158	3,660,911	3,694,424	3,882,174	3,795,578	4,055,619
Debt service										
Principal	5,650,000	5,928,958	5,606,130	6,023,928	6,358,284	6,903,019	6,960,929	6,928,137	7,601,761	8,166,132
Interest and fiscal charges	2,378,365	2,332,509	2,211,867	4,423,291	4,658,360	4,816,081	4,822,209	4,804,497	4,940,694	5,182,682
Capital outlay	1,338,386	2,123,126	1,595,160	2,546,759	2,072,309	6,019,394	5,847,792	5,447,404	4,830,724	5,180,605
Total expenditures	78,099,837	73,750,808	72,858,556	73,732,666	77,183,522	86,105,126	98,358,024	99,050,077	102,687,190	109,367,692
Excess (deficiency) of revenues over expenditures	(6,259,006)	(6,970,678)	(5,095,410)	(4,588,707)	(4,694,160)	(409,128)	(2,217,189)	7,157,319	(6,493,762)	(6,061,595)
Other financing sources (uses)										
Transfers in	11,821,576	11,376,270	11,702,851	13,303,995	13,901,129	14,184,803	21,289,956	21,030,157	21,241,047	23,563,294
Transfers out	(9,887,596)	(10,485,854)	(9,389,594)	(12,778,406)	(13,901,129)	(14,407,084)	(20,766,485)	(19,205,149)	(20,169,051)	(22,491,298)
Issuance of long-term debt	4,400,000	4,000,000	5,510,000	21,035,000	7,135,000	7,895,000	7,750,000	8,688,665	12,600,000	16,885,000
Issuance of refunding debt	-	-	-	-	-	3,780,000	-	-	-	-
Issuance of OPEB debt	-	-	-	66,995,633	-	-	-	-	-	-
Payments to advance refunding escrow agent	-	-	(1,336,964)	(16,821,549)	(2,156,567)	(3,722,683)	-	-	(2,428,136)	(6,090,000)
Bond premium (discount)	31,550	80,115	21,930	933,117	751,105	794,961	383,270	1,580,851	1,242,000	2,602,545
Total other financing sources (uses)	6,365,530	4,970,531	6,508,223	72,667,790	5,729,538	8,524,997	8,656,741	12,094,524	12,485,860	14,469,541
Special items										
Contribution to OPEB trust	-	-	-	(66,965,712)	-	-	-	-	-	-
Net change in fund balances	\$ 106,524	\$ (2,000,147)	\$ 1,412,813	\$ 1,113,371	\$ 1,035,378	\$ 8,115,869	\$ 6,439,552	\$ 19,251,843	\$ 5,992,098	\$ 8,407,946
 Debt service as a percentage of noncapital expenditures	 10.9%	 12.1%	 11.4%	 15.6%	 15.6%	 15.6%	 13.4%	 13.4%	 13.9%	 14.3%

TABLE 5

**CITY OF KALAMAZOO
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				
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%
2019	1,436,532,666	161,537,300	15,894,342	1,613,964,308	13.8000	3,736,212,958	43.2%
2020	1,506,412,301	166,266,600	13,475,178	1,686,154,079	13.8000	4,136,406,164	40.8%
2021	1,573,007,345	170,248,600	7,109,097	1,750,365,042	13.8000	4,411,866,260	39.7%

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, 2020. These values do not reflect adjustments for real estate taxes cancelled through foreclosure, or personal property taxes cancelled by the Circuit Court.

TABLE 6

**CITY OF KALAMAZOO
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	Homestead (C)
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	47.5024
2018	12.0000	1.8000	0.0000	13.8000	26.0704	7.8298	6.0000	6.4028	2.8089	3.9487	66.8606	48.9902
2019	12.0000	1.8000	0.0000	13.8000	26.0489	7.8276	6.0000	6.4028	2.8089	3.9487	66.8369	48.9880
2020	12.0000	1.8000	0.0000	13.8000	25.8757	8.4215	6.0000	6.2935	2.7970	3.9213	67.1090	49.4333
2021	12.0000	1.8000	0.0000	13.8000	25.8757	9.0652	6.0000	6.0187	2.7918	3.9117	67.4631	49.7874

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, 2020 ranged from \$24.0000 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).

TABLE 7

**CITY OF KALAMAZOO
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)**

Taxpayer	Industry	2021					2011		
		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	\$ 75,888,365	\$ -	\$ 75,888,365	1	4.34%	\$ 32,087,922	3	1.92%
Zoetis	Pharmaceuticals	36,093,498	-	36,093,498	2	2.06%	87,334,865	1	5.23%
Catalyst Development	Real Estate	40,955,503	-	40,955,503	3	2.34%	29,901,934	4	1.79%
Plaza Corp Properties	Real estate development, property holdings	29,152,616	-	29,152,616	4	1.67%			0.00%
MIMG LXVI Drakes Pond, LLC	Apartment Complexes	28,861,546	-	28,861,546	5	1.65%	10,517,200	6	0.63%
Lifecare (Friendship Village)	Retirement Community	16,533,927	-	16,533,927	6	0.94%	10,355,634	7	0.62%
Knollwood Loft, LLC	Apartment Complexes	15,036,014	-	15,036,014	7	0.86%			0.00%
Parkway Flats, LLC	Apartment Complexes	12,248,624	-	12,248,624	8	0.70%			0.00%
Treystar Holdings	Real estate development, property holdings	11,584,137	-	11,584,137	9	0.66%			0.00%
Bronson Hospital	Healthcare services, property holdings	11,070,137	-	11,070,137	10	0.63%	8,895,668	9	0.53%
Former Top 10 Taxpayers	Various	-	-	-		0.00%	73,221,725	2,5,8,10	4.38%
		\$ 277,424,367	\$ -	\$ 277,424,367		15.85%	\$ 252,314,948		15.10%

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 \$1,750,365,042 for the year ending December 31, 2021 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 2009 Assessment Roll and the 2009 Tax Roll. The City's Total Taxable Valuation, including Act 198 and Act 255 values totaled \$1,670,542,410.

TABLE 8

**CITY OF KALAMAZOO
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	Total Collections	Percent of Total Collections to Tax Levy
2012	\$ 29,256,743	\$ 27,505,148	94.01%	\$ 1,713,182	\$ 29,218,330	99.87%
2013	28,847,614	27,356,314	94.83%	1,455,479	28,811,793	99.88%
2014	28,827,524	27,525,133	95.48%	1,094,765	28,619,898	99.28%
2015	29,455,095	28,435,803	96.54%	991,796	29,427,599	99.91%
2016	28,478,647	27,466,876	96.45%	979,189	28,446,065	99.89%
2017	17,919,973	17,441,490	97.33%	454,425	17,895,915	99.87%
2018	18,372,464	17,859,355	97.21%	484,067	18,343,422	99.84%
2019	19,141,882	18,620,712	97.28%	506,856	19,127,568	99.93%
2020	20,036,179	19,557,536	97.61%	460,771	20,018,307	99.91%
2021	20,847,985	19,951,610	95.70%	401,596	20,353,206	97.63%

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.

TABLE 9

**CITY OF KALAMAZOO
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			
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	11.42%	2,443
2019	127,939,101	975,000	80,463	-	18,731,665	60,540,000	-	208,266,229	11.95%	2,733
2020	131,756,998	655,000	63,554	-	20,540,373	88,800,000	7,718,638	249,534,563	14.23%	3,360
2021	136,796,373	330,000	45,691	-	19,950,960	85,955,000	16,672,641	259,750,665	14.71%	3,529

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.

TABLE 10

**CITY OF KALAMAZOO
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)
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
2019	146,670,766	58,947	146,611,819	3.92%	1,924
2020	152,297,371	57,289	152,240,082	3.68%	2,050
2021	156,747,333	56,346	156,690,987	3.55%	2,129

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.

TABLE 11

**CITY OF KALAMAZOO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2021
(UNAUDITED)**

Overlapping			
	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Comstock School District	\$ 28,480,000	12.10%	\$ 3,446,080
Kalamazoo School District	220,790,000	56.57%	124,900,903
Parchment School District	33,073,916	0.99%	327,432
Portage School District	208,610,000	1.85%	3,859,285
Kalamazoo County	94,845,000	18.21%	17,271,275
Kalamazoo Intermediate School District	-	0.00%	-
Kalamazoo Community College	6,410,000	17.99%	1,153,159
Total overlapping debt	\$ 592,208,916		\$ 150,958,134
Direct			
			Gross Debt
General obligation bonds			
Building Authority			\$ 9,120,000
Capital improvement			66,687,329
OPEB			60,989,044
Revenue bonds			
Michigan Transportation Fund			330,000
Equipment acquisitions			45,691
Total direct debt			\$ 137,172,064
Total net direct and overlapping debt of governmental activities			\$ 288,130,198

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

TABLE 12A

**CITY OF KALAMAZOO
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2021
(UNAUDITED)**

State Equalized Value (A)	
Ad valorem property	\$ 2,186,104,330
Tax abated property	9,584,683
Revenue Sharing (B)	829,653,917
LCSA/PPT (C)	<u>144,085,308</u>
Total State Equalized Value (SEV)	<u><u>\$ 3,169,428,238</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>\$ 316,942,824</u></u>
Debt Obligations of the Primary Government (B)	\$ 259,750,665
Less debt not subject to limitation:	
Water System and Wastewater System Revenue Bonds	(85,955,000)
Water System DWRP Bonds	(16,672,641)
Michigan Transportation Fund Bonds	<u>(330,000)</u>
	<u>(102,957,641)</u>
Total Debt of the City Subject to Limitation	<u><u>\$ 156,793,024</u></u>
LEGAL DEBT MARGIN	<u><u>\$ 160,149,800</u></u>

Note: Under Michigan Home Rule Cities Act, the City of Kalamazoo's outstanding general obligation debt should not exceed 10% 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 recovery 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, 2020 for the basis of the year ending December 31, 2021 tax levy. See supplemental Schedule of State Equalized Value at Table 22 for property value data.

(B) The constitutional and CVTRS State Revenue Sharing payments divided by millage rate.

(C) The Local Community Stabilization Authority (LCSA) was established to administer distribution of the replacement of personal property tax revenues lost by local government.

TABLE 12B

**CITY OF KALAMAZOO
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
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%
2019	254,504,290	146,751,229	107,753,061	57.7%
2020	295,592,596	154,560,523	141,032,073	52.3%
2021	316,942,824	156,793,024	160,149,800	49.5%

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

TABLE 13

**CITY OF KALAMAZOO
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	
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
2019	9,095,547	320,000	16,192	336,192	27.05
2020	8,996,648	320,000	11,655	331,655	27.13
2021	9,982,172	325,000	7,030	332,030	30.06

Special Assessment Bonds (B)					
Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
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	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-

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.

TABLE 13

**CITY OF KALAMAZOO
PLEDGED-REVENUE COVERAGE (CONTINUED)
LAST TEN YEARS
(UNAUDITED)**

	Wastewater System Revenue Bonds									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues (B)										
Operating Revenues	\$ 20,488,376	\$ 21,113,101	\$ 20,758,450	\$ 19,819,546	\$ 19,599,234	\$ 15,748,201	\$ 20,836,520	\$ 23,805,086	\$ 23,965,835	\$ 26,095,826
Interest Revenue	30,564	36,474	41,072	82,258	84,217	105,670	213,890	374,336	217,973	56,376
Intergovernmental	50,044	46,020	55,906	13,521	-	-	327,025	394,098	673,392	-
Total Revenues	20,568,984	21,195,595	20,855,428	19,915,325	19,683,451	15,853,871	21,377,435	24,573,520	24,857,200	26,152,202
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	17,199,488	17,260,718	17,305,246	16,261,847	16,036,230	15,822,715	21,684,795	24,525,759	26,426,771	26,693,797
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	224,196	204,414	207,162	210,459	214,305	219,251	225,295
Interest	-	-	-	342,432	397,269	427,638	391,735	387,589	382,617	376,890
Add: OPEB Contributions Made (D)	-	-	-	-	357,700	357,700	357,700	423,390	377,400	371,400
Less:										
Payment in Lieu of Taxes	(680,148)	(691,464)	(703,596)	(718,176)	(719,064)	(722,952)	(734,592)	(747,264)	(757,104)	(757,104)
Pension and OPEB (E)	(768,134)	(642,212)	(404,370)	(1,358,067)	(350,037)	78,839	(2,821,842)	(2,923,190)	(3,328,195)	(4,485,536)
Total Direct Operating Expenses	15,751,206	15,927,042	16,197,280	14,752,232	15,926,512	16,171,102	19,088,255	21,880,589	23,320,740	22,424,742
Net Available Revenue	4,817,778	5,268,553	4,658,148	5,163,093	3,756,939	(317,231)	2,289,180	2,692,931	1,536,460	3,727,460
Debt Service										
Principal	295,000	495,000	595,000	660,000	675,000	680,000	700,000	850,000	1,095,000	1,045,000
Interest	211,699	494,608	355,092	352,909	295,345	247,449	398,214	645,813	884,533	1,060,300
Total Debt Service	506,699	989,608	950,092	1,012,909	970,345	927,449	1,098,214	1,495,813	1,979,533	2,105,300
Coverage (A)	9.51	5.32	4.90	5.10	3.87	-0.34	2.08	1.80	0.78	1.77

TABLE 13

**CITY OF KALAMAZOO
PLEDGED-REVENUE COVERAGE (CONCLUDED)
LAST TEN YEARS
(UNAUDITED)**

	Water System Revenue Bonds									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues (B)										
Operating Revenues	\$ 14,609,342	\$ 13,560,159	\$ 12,976,357	\$ 14,402,391	\$ 15,451,374	\$ 16,755,588	\$ 17,550,913	\$ 18,656,544	\$ 21,938,811	\$ 23,994,062
Interest Revenue	11,179	12,316	15,160	29,280	39,851	77,031	218,147	349,381	62,455	59,493
Intergovernmental	216,885	165,991	99,309	76,986	131,334	36,855	1,319,195	465,982	1,437,963	118,137
Total Revenues	14,837,406	13,738,466	13,090,826	14,508,657	15,622,559	16,869,474	19,088,255	19,471,907	23,439,229	24,171,692
Direct Operating Expenses (C)										
Operation and Maintenance (O&M)	9,802,781	9,715,638	10,565,861	11,791,040	11,468,537	11,028,537	15,175,424	16,033,733	17,074,341	19,734,595
Other Post Employment Benefits (OPEB)										
OPEB Debt Service										
Principal	-	-	-	205,428	187,302	189,820	192,841	196,365	200,897	206,435
Interest	-	-	-	313,767	364,013	391,840	375,339	355,143	350,587	345,340
Add: OPEB Contributions Made (D)	-	-	-	-	298,200	298,200	298,200	315,080	283,600	259,700
Less:										
Payment in Lieu of Taxes	(563,472)	(572,844)	(582,900)	(584,724)	(595,716)	(598,188)	(604,560)	(614,988)	(623,088)	(623,088)
Pension and OPEB (E)	(676,485)	(565,523)	(427,422)	(1,085,887)	(315,810)	256,436	(2,161,936)	(2,242,472)	(2,390,454)	(2,648,548)
Total Direct Operating Expenses	8,562,824	8,577,271	9,555,539	10,639,624	11,406,526	11,566,645	13,275,308	14,042,861	14,895,883	17,274,434
Net Available Revenue	6,274,582	5,161,195	3,535,287	3,869,033	4,216,033	5,302,829	5,812,947	5,429,046	8,543,346	6,897,258
Debt Service										
Principal	1,351,351	1,600,000	1,675,000	1,825,000	1,225,000	1,335,000	1,300,000	1,525,000	1,345,000	1,915,000
Interest	1,255,318	968,005	798,448	651,950	676,511	720,214	976,017	1,264,192	1,552,119	1,995,408
Total Debt Service	2,606,669	2,568,005	2,473,448	2,476,950	1,901,511	2,055,214	2,276,017	2,789,192	2,897,119	3,910,408
Coverage	2.41	2.01	1.43	1.56	2.22	2.58	2.55	1.95	2.95	1.76

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.

TABLE 13A

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE
DECEMBER 31, 2021
(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	-
2019	-	-	0.00%	-	-	-
2020	-	-	0.00%	-	-	-
2021	-	-	0.00%	-	-	-
		<u>\$ 2,105,000</u>		<u>\$ 203,563</u>	<u>\$ 2,308,563</u>	

Source: City of Kalamazoo

Note: 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 through 2021 due to a loss in district value. The Downtown Development Refunding Bonds were paid in full in the year 2018 with support from the City of Kalamazoo.

TABLE 14

**CITY OF KALAMAZOO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(UNAUDITED)**

Fiscal Year	(A) Population	(A) Per Capita Income	Personal Income	(A) Median Age	(B) School Enrollment	(C) Unemployment Rate
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%
2019	76,200	22,879	1,743,379,800	26.0	12,880	3.4%
2020	74,262	23,619	1,753,994,178	26.5	12,583	7.5%
2021	73,598	23,999	1,766,278,402	26.4	12,376	6.2%

Data Sources:

(A) United States Census Bureau. Based on United States Census estimates.

(B) State of Michigan Fall 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 2021.

TABLE 15

**CITY OF KALAMAZOO
PRINCIPAL EMPLOYERS IN KALAMAZOO COUNTY
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)**

Company	Principal Product or Service	2021			2011		
		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	5,900	1	4.8%	3,729	3	2.8%
Western Michigan University	Education	4,237	2	3.5%	4,045	2	3.0%
Stryker Corporation	Medical Equipment	3,300	3	2.7%	1,792	6	1.3%
Pfizer Corporation	Pharmaceuticals	2,200	4	1.8%	3,200	4	2.4%
Kalamazoo Public Schools	Education	1,800	5	1.5%	2,200	5	1.6%
Borgess Medical Center	Pharmaceuticals	1,400	6	1.1%	4,642	1	3.5%
Meijer, Inc.	Retail Goods	1,200	7	1.0%	1,306	9	1.0%
Kalamazoo Valley CC	Education	1,100	8	0.9%	1,076	11	N/A
Portage Public Schools	Education	1,000	9	0.8%	1,229	12	N/A
Parker Hannafin Corp	Aerospace and Aircraft Comp	1,000	10	0.8%			N/A
Total		23,137		18.9%	23,219		15.6%

Sources:

City of Kalamazoo

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.

TABLE 16

**CITY OF KALAMAZOO
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN YEARS
(UNAUDITED)**

Function/Program	Full-time Equivalent Employees (A)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	65	60	60	59	61	74	81	92	90	88
Public safety	290	262	257	259	259	270	281	276	293	294
Economic development	5	4	4	4	6	6	7	4	3	2
Community development and planning	37	36	30	30	30	33	34	35	38	37
Parks and recreation	22	14	14	14	13	14	14	15	17	17
Public works	47	39	37	37	39	41	36	32	28	23
Streets	28	27	23	25	25	30	31	30	34	36
Wastewater	84	64	67	68	67	75	73	88	91	85
Water	63	50	51	47	46	57	71	70	68	73
Total	<u>641</u>	<u>556</u>	<u>543</u>	<u>543</u>	<u>546</u>	<u>600</u>	<u>628</u>	<u>642</u>	<u>662</u>	<u>655</u>

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

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

TABLE 17

**CITY OF KALAMAZOO
OPERATING INDICATORS BY FUNCTION
LAST TEN YEARS
(UNAUDITED)**

	2012	2013	2014	2015	2015 (B)	2016 (A)	2017	2018	2019	2020	2021
General Government											
Assessors											
Number of real property parcels	23,380	23,256	23,788	23,275	23,300	23,840	23,644	23,677	23,677	23,658	23,671
Cost to assess real property - per parcel	\$21.49	\$18.38	\$18.38	\$17.27	\$17.46	N/A	N/A	N/A	N/A	N/A	N/A
Revenue gained per real property parcel for new development	\$0.60	\$3.11	\$0.00	\$0.00	(\$0.19)	N/A	N/A	N/A	N/A	N/A	N/A
Number of personal property accounts	2,935	2,985	3,243	3,064	3,200	3,073	2,825	2,797	2,797	2,777	2,837
Cost to assess personal property - per parcel	\$42.79	\$23.93	\$23.79	\$23.15	\$22.43	N/A	N/A	N/A	N/A	N/A	N/A
New personal property accounts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cost savings due to office realignment - per period	(1)	19	\$0.14	\$0.78	\$0.72	N/A	N/A	N/A	N/A	N/A	N/A
Treasury											
Percent of City operation tax collected at year end	94%	95%	95%	95%	95%	97%	97%	97%	97%	97%	96%
Average rate of return on investments	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	T-Bill + 5 basis pts	T-Bill + 5 basis pts	T-Bill + 5 basis pts	T-Bill + 5 basis pts
Public Safety											
Fire safety											
Number of residential fires/Number of fatal fires	N/A	N/A	N/A	N/A	N/A	69 / 2	60 / 0	75 / 3	75 / 3	84/2	71/2
Number of fire inspections completed	N/A	N/A	N/A	N/A	N/A	2231	2455	421	421	9 (C)	260
Kalamazoo Valley Enforcement Team (KVET)											
Number of investigations	871	640	871	1,000	1,100	404	332	345	345	228	231
Number of arrests (includes warrants)	871	660	871	800	900	354	200	159	159	338	349
Operations											
Number of calls for service	101,000	101,000	101,000	102,000	102,000	107,797	107,508	114,444	114,444	124,766	129,319
Number of persons arrested	8,836	8,500	8,836	8,500	8,200	5,346	5,918	5,422	5,422	3,412	3,008
Traffic citations issued	17,537	15,000	17,537	15,000	12,000	6,491	6,414	6,635	6,635	5,585	4,974
Traffic accidents / OUIL Arrests	2,700	3,000	2,700	3,000	3,000	3,283/280	3,136/273	3,354/243	3,354/243	2732 / 220	3160/171
Economic development											
Number of tax exempt acres redeveloped	0.98	2.62	2.62	2.23	7.133	0.21	0.564	11.3	11.3	11.49	3.95
Private investment leveraged / jobs created	\$12,500,000/28	\$12,900,000/47	\$12,900,000/47	\$10,100,000/128	\$23,000,000/182	\$8,900,000/45	\$5,375,000/55	\$53,400,000/299	\$53,400,000/299	\$39,900,000/47	\$117,000,000/97
New taxable value added to the City	\$822,000	\$727,000	\$727,000	\$4,400,000	\$4,400,000	\$1,330,918	\$1,524,906	\$9,718,209	\$9,718,209	\$5,842,900	\$8,340,000
Community development and planning											
Number of housing inspections	7,364	10,100	10,310	12,900	13,000	1,681	1,495	2,046	2,046	1,245	1,678
Number of rental units inspected/reinspected	N/A	N/A	N/A	N/A	N/A	7461	6310	6,940	6,940	2,865	2,931
Number of rental units certified	N/A	N/A	N/A	N/A	N/A	6318	6160	7,052	7,052	2,519	4,517
Zoning enforcement actions	147	268	N/A	N/A	N/A	171	159	100	100	50	140
Number of persons impacted by housing-related grant award activities	510	428	N/A	N/A	N/A	1027	506	2,117	2,117	1,491	3,164
Parks and recreation											
Number of park reservations and public events	225	170	180	180	185	1,750	222	222	222	794	2,321
Number of family programs	9	N/A	N/A	N/A	N/A	30	53	53	53	25	30
Number of people served through family programs	3,851	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,592	9,950
Number of youth development programs	48	50	N/A	N/A	N/A	41	45	45	45	16	25
Number of people served through youth development programs	6,245	4,883	N/A	N/A	N/A	N/A	547	547	547	765	1,299
Number of youth served through grant programs	-	-	-	-	N/A	N/A	N/A	N/A	N/A	25	26

TABLE 17

**CITY OF KALAMAZOO
OPERATING INDICATORS BY FUNCTION (CONCLUDED)
LAST TEN YEARS
(UNAUDITED)**

	2012	2013	2014	2015	2015 (B)	2016 (A)	2017	2018	2019	2020	2021
General Government (concluded)											
Public works											
Number of sidewalk repairs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Volume of leaves collected (cubic yards)	90,500	90,500	90,000	90,000	90,000	90,000	N/A	N/A	N/A	N/A	11,375
Volume of material recycled (tons)	2,510	2,510	2,550	2,550	2,550	588	2,140	2,220	2,220	2,262	2,216
Number of housing units participating in recycling activities	21,575	21,575	21,700	8,200	8,200	9,500	10,812	11,261	11,261	11,290	12,008
Volume of solid waste collected (cubic yards)	9,989	9,989	10,000	17,451	15,625	3,572	1,652	1,035	1,035	9,316	1,825
Streets											
Number of repairs on major streets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Value of Repairs per staff hour on major streets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of repairs on local streets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Value of Repairs per staff hour on local streets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water											
Cubic meters of water billed (millions)	22.4	22.4	22.9	21.4	20.19	22.24	21.14	21.6	21.6	21.9	22.2
Average operating cost to produce one cubic meter of water	\$0.550	\$0.520	\$0.510	\$0.500	\$0.800	\$0.496	\$0.718	\$0.758	\$0.758	\$0.971	\$1.102
Number of utility bills mailed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater											
Cubic meters of wastewater treated (millions)	35.6	35.5	35.2	35.6	35.95	36.054	28.7	30.3	30.3	37.8	27.1
Average operating cost to treat one cubic meter of wastewater	\$0.650	\$0.620	\$0.610	\$0.500	\$0.660	\$0.572	\$0.755	\$0.703	\$0.703	\$1.123	\$1.156
Number of sanitary main line stoppages	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source:

(A) 2016 has been adopted in conjunction with the 2016 budget. The City is undergoing review 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.

(C) Fire inspections were reduced due to the COVID-19 pandemic.

TABLE 18

**CITY OF KALAMAZOO
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN YEARS
(UNAUDITED)**

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	7	7	4	4	4	4	4	4	4	2
Parking lots	7	7	7	7	12	12	12	12	12	11
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	6	6	6	6	5	5	5	5	5
Training facility	1	1	1	1	1	1	1	1	1	1
Vehicles	192	204	165	162	163	163	163	163	163	170
Community development and planning										
Vehicles	27	24	15	13	13	13	13	13	13	1
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	2
Acreage of parks										
Mini-parks	8.9	4.8	5.7	5.7	5.7	5.7	5.71	5.71	5.71	5.71
Neighborhood parks and playgrounds	111.5	87.1	86.5	86.5	86.5	86.5	86.5	86.5	86.5	86.5
Major community parks	728.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Open green space and preserves	137.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community parks	N/A	161.7	188.2	158.2	158.2	158.2	158.2	158.2	158.2	158.2
Large urban parks	N/A	181.0	181.0	181.0	181.0	181.0	181	181	181	181
Small urban parks	N/A	6.2	6.2	6.1	6.1	6.1	6.14	6.14	6.14	6.14
Sports complex	N/A	93.1	93.1	93.1	93.1	93.1	93.1	93.1	93.1	93.1
Natural resources areas	N/A	89.2	89.2	92.6	92.6	92.6	92.61	92.61	92.61	92.61
Green spaces	N/A	6.0	6.0	25.9	25.9	25.9	25.88	25.88	25.88	25.88
Islands and right of ways	N/A	16.2	16.2	182.2	182.2	182.2	182.23	182.23	182.23	182.23
Number of parks (C)										
Mini-parks	9	7	8	8	8	8	8	8	8	8
Neighborhood parks and playgrounds	14	15	14	14	14	14	14	14	14	14
Major community parks	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Open green space and preserves	17	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community parks	N/A	6.0	6.0	6.0	6	6	6	6	6	6
Large urban parks	N/A	1.0	1.0	1.0	1	1	1	1	1	1
Small urban parks	N/A	4.0	4.0	4.0	4	4	4	4	4	4
Sports complex	N/A	1.0	1.0	1.0	1	1	1	1	1	1
Natural resources areas	N/A	1.0	1.0	2.0	2	2	2	2	2	2
Green spaces	N/A	6.0	6.0	10.0	10	10	10	10	10	10
Islands and right of ways	N/A	28.0	28.0	40.0	40	40	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	2
Vehicles	3	3	2	3	3	3	3	3	3	12

TABLE 18

CITY OF KALAMAZOO
CAPITAL ASSET STATISTICS BY FUNCTION (CONCLUDED)
LAST TEN YEARS
(UNAUDITED)

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	166.38	166.38	166.38	166.24	166.25	166.07	166.07	167.07
Major streets (miles)	82.39	82.39	83.62	83.62	83.62	83.62	83.62	83.62	97.27	97.27
Traffic signals	135	136	85	85	85	84	84	84	134	134
Wastewater										
Sanitary sewers (miles)	293	293	294	294	294	295	295	295	295	295
Storm sewers mains (miles)	187.5	187.5	188.0	188.1	188.7	188.9	188.9	188.9	188.9	189.0
Number of lift stations maintained	54	59	60	60	60	62	62	62	62	62
Maximum daily treatment capacity (millions of gallons)	53.5	53.5	53.5	53.5	53.5	53.3	53.3	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	9	10	9
Pumping stations	18	18	16	16	16	16	16	16	13	13
Booster/bleeder stations	13	15	17	17	17	19	22	25	25	21
Water mains (miles)	807	812	753	755	756	761	768	776	780	767
Wells in Service	99	99	99	99	99	98	98	98	94	92
Maximum daily well capacity (millions of gallons)	66.79	66.79	60.00	60.00	60.00	71.86	77.00	77.00	72.00	74.88
Storage capacity (millions of gallons)	17.80	17.80	15.10	15.10	15.10	15.10	15.10	15.30	15.30	17.45
Internal service										
Public works equipment (A)										
Utility and other vehicles	95	76	112	107	99	103	103	99	99	86
Public utilities equipment (B)										
Utility and other vehicles	130	115	89	81	79	84	84	92	92	91

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.

TABLE 19

CITY OF KALAMAZOO
SCHEDULE OF REVENUES AND EXPENDITURES FOR ACTIVITIES
RELATED TO THE STATE CONSTRUCTION CODE ACT
MICHIGAN PUBLIC ACT 245
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

REVENUES	
Building Permits	\$ 502,006
Electrical Permits	213,261
Mechanical Permits	262,927
Plumbing Permits	143,127
Other Permits and License Fees	<u>37,667</u>
TOTAL REVENUES	1,158,988
EXPENDITURES	
Wages, Salaries, and Benefits	803,082
Supplies	91,140
Services	1,253
Administrative Overhead*	<u>294,314</u>
TOTAL EXPENDITURES	<u>1,189,789</u>
EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES	<u><u>\$ (30,801)</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.

TABLE 20

**CITY OF KALAMAZOO
EMPLOYEES' RETIREMENT SYSTEM
REVENUE BY SOURCE AND EXPENSES BY TYPE
LAST TEN YEARS
(UNAUDITED)**

Revenue by Source					
<u>Year Ended December 31</u>	<u>Employee Contributions</u>	<u>Employer Contributions (B)</u>	<u>Employer Contributions as a % of Covered Payroll</u>	<u>Investment Income (Loss)</u>	<u>Total</u>
2012	\$ 1,199,113	\$ 905,746	\$ 0	\$ 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	-	0.00%	72,939,990	74,025,930
2017	1,086,258	-	0.00%	94,301,279	95,387,537
2018	1,209,623	-	-	(47,440,721)	(46,231,098)
2019	1,238,420	-	-	112,193,171	113,431,591
2020	1,285,845	-	-	57,798,914	59,084,759
2021	1,345,658	-	-	133,637,208	134,982,866

Expenses by Type				
<u>Year Ended December 31</u>	<u>Benefits</u>	<u>Administrative Expenses (A)</u>	<u>Refunds</u>	<u>Total</u>
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
2019	30,254,967	228,905	179,863	30,663,735
2020	31,375,608	224,903	46,733	31,647,244
2021	33,339,138	236,148	59,568	33,634,854

(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.

TABLE 21

**CITY OF KALAMAZOO
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
2011	2012	2012	\$ 1,504,880,068	\$ 29,962,169	\$ 1,534,842,237	-9.26%
2012	2013	2013	1,485,634,988	24,847,940	1,510,482,928	-1.59%
2013	2014	2014	1,482,368,086	29,600,663	1,511,968,749	0.10%
2014	2015	2015	1,506,388,780	30,107,186	1,536,495,966	1.62%
2015	2016	2016	1,462,323,703	19,985,624	1,482,309,327	-3.53%
2016	2017	2017	1,493,291,518	19,211,958	1,512,503,476	2.04%
2017	2018	2018	1,526,454,237	15,000,119	1,541,454,356	1.91%
2018	2019	2019	1,593,012,675	11,435,906	1,604,448,581	4.09%
2019	2020	2020	1,665,092,583	10,866,235	1,675,958,818	4.64%
2020	2021	2021	1,724,739,669	8,752,032	1,733,491,701	3.59%
Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2021 (3)						\$ 23,553.52

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.

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

(3) Based on the City's 2021 census of 73,598.

TABLE 21

**CITY OF KALAMAZOO
TAXABLE VALUE (CONCLUDED)
LAST TEN YEARS
(UNAUDITED)**

TOTAL TAXABLE VALUE BY USE AND CLASS										
Use	Years Ended December 31									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commercial	\$ 509,160,806	\$ 496,887,366	\$ 487,837,784	\$ 495,694,299	\$ 497,082,445	\$ 507,506,210	\$ 533,395,918	\$ 563,065,239	\$ 596,480,576	\$ 622,118,583
Industrial	257,078,469	241,670,513	251,912,978	252,055,024	170,554,616	166,053,319	138,437,989	128,457,376	123,220,852	119,156,416
Residential	764,362,718	760,483,770	763,340,056	776,157,346	787,374,141	806,386,916	831,394,149	862,339,314	897,626,408	927,899,246
Utility	31,812,400	34,142,600	36,559,200	40,787,600	45,404,800	49,645,800	51,298,700	59,728,200	66,715,800	72,081,700
	<u>\$ 1,562,414,393</u>	<u>\$ 1,533,184,249</u>	<u>\$ 1,539,650,018</u>	<u>\$ 1,564,694,269</u>	<u>\$ 1,500,416,002</u>	<u>\$ 1,529,592,245</u>	<u>\$ 1,554,526,756</u>	<u>\$ 1,613,590,129</u>	<u>\$ 1,684,043,636</u>	<u>\$ 1,741,255,945</u>
Class										
Real	\$ 1,308,871,893	\$ 1,289,236,999	\$ 1,297,776,318	\$ 1,321,922,169	\$ 1,330,865,302	\$ 1,357,875,745	\$ 1,390,289,956	\$ 1,443,101,929	\$ 1,511,530,436	\$ 1,573,007,345
Personal	253,542,500	243,947,250	241,873,700	242,772,100	169,550,700	171,716,500	164,236,800	170,488,200	172,513,200	170,248,600
	<u>\$ 1,562,414,393</u>	<u>\$ 1,533,184,249</u>	<u>\$ 1,539,650,018</u>	<u>\$ 1,564,694,269</u>	<u>\$ 1,500,416,002</u>	<u>\$ 1,529,592,245</u>	<u>\$ 1,554,526,756</u>	<u>\$ 1,613,590,129</u>	<u>\$ 1,684,043,636</u>	<u>\$ 1,743,255,945</u>
PERCENT OF TOTAL TAXABLE VALUE BY USE AND CLASS										
Use	Years Ended December 31									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commercial	32.59%	32.41%	31.68%	31.68%	33.13%	33.18%	34.31%	34.90%	35.42%	35.73%
Industrial	16.45%	15.76%	16.36%	16.11%	11.37%	10.86%	8.91%	7.96%	7.32%	6.84%
Residential	48.92%	49.60%	49.58%	49.60%	52.48%	52.72%	53.48%	53.44%	53.30%	53.29%
Utility	2.04%	2.23%	2.37%	2.61%	3.03%	3.25%	3.30%	3.70%	3.96%	4.14%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>44.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Class										
Real	83.77%	84.09%	84.29%	84.48%	88.70%	88.77%	89.43%	89.43%	89.76%	90.23%
Personal	16.23%	15.91%	15.71%	15.52%	11.30%	11.23%	10.57%	10.57%	10.24%	9.77%
	<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>

TABLE 22

**CITY OF KALAMAZOO
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
2011	2012	2012	\$ 1,554,085,714	\$ 30,360,000	\$ 1,584,445,714	-9.16%
2012	2013	2013	1,533,026,202	25,245,611	1,558,271,813	-1.65%
2013	2014	2014	1,557,339,300	30,023,505	1,587,362,805	1.87%
2014	2015	2015	1,603,667,252	30,582,223	1,634,249,475	2.95%
2015	2016	2016	1,573,848,720	20,479,741	1,594,328,461	-2.44%
2016	2017	2017	1,673,583,796	19,949,507	1,693,533,303	6.22%
2017	2018	2018	1,700,749,306	15,553,589	1,716,302,895	1.34%
2018	2019	2019	1,847,688,738	12,385,324	1,860,074,062	8.38%
2019	2020	2020	2,047,236,882	12,076,905	2,059,313,787	10.71%
2020	2021	2021	2,186,104,330	9,584,683	2,195,689,013	6.62%
Per Capita Total SEV for the Fiscal Year Ending December 31, 2020 (3)						\$ 29,833.54

(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.

(2) Abated SEV Value is the equivalent state equalized value of property granted tax abatement under Act 198.

(3) Based on the City's 2021 census of 73,598.

TABLE 22

**CITY OF KALAMAZOO
STATE EQUALIZED VALUATION (CONCLUDED)
LAST TEN YEARS
(UNAUDITED)**

Total SEV by Use and Class										
Years Ended December 31										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Use										
Commercial	\$ 526,797,000	\$ 510,655,940	\$ 519,565,900	\$ 530,117,600	\$ 529,093,000	\$ 582,129,960	\$ 607,493,600	\$ 662,546,700	\$ 747,872,400	\$ 807,275,968
Industrial	259,553,278	244,041,700	254,342,700	254,647,200	173,331,600	171,329,300	142,322,700	132,570,233	133,000,300	128,190,900
Residential	793,857,236	792,134,862	804,607,000	837,001,552	864,730,520	907,877,736	928,268,606	1,014,914,005	1,120,464,582	1,198,384,562
Utility	31,812,400	34,142,600	36,559,200	40,787,600	45,404,800	49,645,800	51,298,700	59,728,200	66,715,800	72,081,700
	<u>\$ 1,612,019,914</u>	<u>\$ 1,580,975,102</u>	<u>\$ 1,615,074,800</u>	<u>\$ 1,662,553,952</u>	<u>\$ 1,612,559,920</u>	<u>\$ 1,710,982,796</u>	<u>\$ 1,729,383,606</u>	<u>\$ 1,869,759,138</u>	<u>\$ 2,068,053,082</u>	<u>\$ 2,205,933,130</u>
Class										
Real	\$ 1,358,471,314	\$ 1,337,044,452	\$ 1,373,272,700	\$ 1,419,877,652	\$ 1,443,105,420	\$ 1,539,350,196	\$ 1,565,235,306	\$ 1,699,349,838	\$ 1,895,597,582	\$ 2,035,745,130
Personal	253,548,600	243,930,650	241,802,100	242,676,300	169,454,500	171,632,600	164,148,300	170,409,300	172,455,500	170,188,000
	<u>\$ 1,612,019,914</u>	<u>\$ 1,580,975,102</u>	<u>\$ 1,615,074,800</u>	<u>\$ 1,662,553,952</u>	<u>\$ 1,612,559,920</u>	<u>\$ 1,710,982,796</u>	<u>\$ 1,729,383,606</u>	<u>\$ 1,869,759,138</u>	<u>\$ 2,068,053,082</u>	<u>\$ 2,205,933,130</u>
Percent of Total SEV by Use and Class										
Years Ended December 31										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Use										
Commercial	32.68%	32.30%	32.17%	31.89%	32.81%	34.02%	35.13%	35.43%	36.16%	32.95%
Industrial	16.10%	15.44%	15.75%	15.32%	10.75%	10.01%	8.23%	7.09%	6.43%	14.94%
Residential	49.25%	50.10%	49.82%	50.34%	53.62%	53.06%	53.68%	54.28%	54.18%	52.11%
Utility	1.97%	2.16%	2.26%	2.45%	2.82%	2.90%	2.97%	3.19%	3.23%	0.00%
	<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>100.0%</u>	<u>100.0%</u>
Class										
Real	84.27%	84.57%	85.03%	85.40%	89.49%	89.97%	90.51%	90.89%	91.66%	88.74%
Personal	15.73%	15.43%	14.97%	14.60%	10.51%	10.03%	9.49%	9.11%	8.34%	11.26%
	<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>

TABLE 23

**CITY OF KALAMAZOO
MAXIMUM AND ACTUAL TAX RATES
DECEMBER 31, 2021
(UNAUDITED)**

Millage Classification	Millage Authorized	Cumulative Millage Reduction Fraction (A)	Maximum Allowable Millage	Actual Millage Levied
Operating	20.0000	18.8933	18.8933	12.0000
Refuse Collection and Disposal	<u>2.8906</u>	2.8339	<u>2.8339</u>	<u>1.8000</u>
	<u><u>22.8906</u></u>		<u><u>21.7272</u></u>	<u><u>13.8000</u></u>

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

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

TABLE 24

**CITY OF KALAMAZOO
REVENUE SHARING PAYMENTS FROM THE STATE OF MICHIGAN
LAST TEN YEARS
(UNAUDITED)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Constitutional	\$ 5,376,641	\$ 5,451,748	\$ 5,619,666	\$ 5,591,705	\$ 5,650,526	\$ 6,113,479	\$ 6,234,855	\$ 6,496,509	\$ 6,390,741	\$ 6,853,490
Statutory	<u>2,517,264</u>	<u>2,517,264</u>	<u>2,855,788</u>	<u>2,913,327</u>	<u>2,913,324</u>	<u>2,933,365</u>	<u>2,973,344</u>	<u>2,956,061</u>	<u>2,534,605</u>	<u>3,102,357</u>
Total payments received	7,893,905	7,969,012	8,475,454	8,505,032	8,563,850	9,046,844	9,208,199	9,452,570	8,925,346	9,955,847
Disbursement to other governmental units (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue sharing	<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>	<u>\$ 9,452,570</u>	<u>\$ 8,925,346</u>	<u>\$ 9,955,847</u>
% of General Fund revenue (2)	16.1%	16.1%	16.6%	16.0%	16.0%	15.6%	14.6%	14.6%	13.8%	15.4%

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

(1) The City receives revenue sharing payments on behalf of the Kalamazoo Library, Parchment Library, Metro Transit, and Downtown Development Authority.

(2) The percentage of General Fund revenue is calculated using the non-GAAP, budgetary basis of actual revenues.

TABLE 25

CITY OF KALAMAZOO
RECEIPTS FROM THE MICHIGAN TRANSPORTATION FUND
LAST TEN YEARS
(UNAUDITED)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash Basis										
Major Streets	\$ 3,970,573	\$ 4,058,818	\$ 4,142,990	\$ 4,305,689	\$ 4,364,625	\$ 5,681,289	\$ 5,655,318	\$ 7,184,681	\$ 7,029,151	\$ 7,559,569
Local Streets	1,119,306	1,144,434	1,170,270	1,216,344	1,233,421	1,605,587	1,735,940	1,873,912	1,976,621	2,130,684
	<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>	<u>\$ 9,058,593</u>	<u>\$ 9,005,772</u>	<u>\$ 9,690,253</u>
Accrual Basis										
Major Streets	\$ 3,982,120	\$ 4,064,225	\$ 4,144,079	\$ 4,336,895	\$ 4,458,804	\$ 5,811,846	\$ 6,091,576	\$ 7,092,786	\$ 7,022,117	\$ 7,785,158
Local Streets	1,122,618	1,146,275	1,170,571	1,225,244	1,260,035	1,642,573	1,720,581	2,002,761	1,974,531	2,197,015
	<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>	<u>\$ 9,095,547</u>	<u>\$ 8,996,648</u>	<u>\$ 9,982,173</u>

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

TABLE 26

**CITY OF KALAMAZOO
LABOR CONTRACTS
DECEMBER 31, 2021
(UNAUDITED)**

<u>Bargaining Unit</u>	<u>Membership</u>	<u>Contract Expiration Date</u>
American Federation of State, County and Municipal Employees	120	October 2, 2022
Kalamazoo Municipal Employees Association	96	December 31, 2022
Kalamazoo Police Supervisors Association (Captains, Lieutenants and Sergeants)	49	December 31, 2026
Kalamazoo Police Officers Association (Officers and Detectives)	212	December 31, 2026
<u>Non-Union</u>	<u>151</u>	<u>Not Applicable</u>
Total Employees	<u><u>628</u></u>	

Source: City of Kalamazoo, Human Resources

TABLE 27

**CITY OF KALAMAZOO
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
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%
2019	36,147	1,263	37,410	3.4%	4,747,000	175,000	4,922,000	3.6%
2020	33,813	2,761	36,574	7.5%	4,455,000	401,000	4,856,000	8.3%
2021	33,516	2,228	35,744	6.2%	4,496,000	280,000	4,776,000	5.9%

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.

TABLE 28

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
WATER SUPPLY FRANCHISES
(UNAUDITED)**

<u>Franchisor</u>	<u>Effective Date</u>	<u>Year of Renewal</u>
Comstock Township	15-Mar-21	2061
Cooper Township	15-Mar-21	2061
Kalamazoo Township	15-Mar-21	2061
Oshtemo Township	15-Mar-21	2061
Pavilion Township	15-Mar-21	2061
City of Portage	1-Oct-12	2042
Richland Township	15-Mar-21	2061
Richland Village	15-Mar-21	2061
Texas Township	15-Mar-21	2061

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.

TABLE 29

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
APPROXIMATE NUMBER OF WATER SUPPLY CUSTOMERS
BY LOCATION AND USER CLASSIFICATION
LAST FIVE YEARS
(UNAUDITED)**

Customer Location and Classification	2017		2018 (2)		2019 (2)		2020		2021	
City										
Residential	17,399	36.17%	17,748	37.02%	17,884	40.39%	18,014	40.79%	18,077	40.50%
Commercial / Industrial	6,053	12.58%	5,175	10.79%	4,088	9.23%	4,148	9.39%	4,140	9.28%
Total City	23,452	48.76%	22,923	47.81%	21,972	49.63%	22,162	50.18%	22,217	49.78%
Out City										
Residential	18,178	37.79%	18,547	38.68%	19,071	43.08%	18,685	42.31%	19,066	42.72%
Commercial / Industrial	6,467	13.45%	6,477	13.51%	3,230	7.30%	3,316	7.51%	3,350	7.51%
Total Out City	24,645	51.24%	25,024	52.19%	22,301	50.37%	22,001	49.82%	22,416	50.23%
Total System										
Residential	35,577	73.97%	36,295	75.70%	36,955	83.47%	36,699	83.10%	37,143	83.22%
Commercial / Industrial	12,520	26.03%	11,652	24.30%	7,318	16.53%	7,464	16.90%	7,490	16.78%
Total System	48,097	100.00%	47,947	100.00%	44,273	100.00%	44,163	100.00%	44,633	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.

(2) The means of figuring stats was updated starting with FY2021. Prior data was adjusted to be consistent with revised calculation.

TABLE 30

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
APPROXIMATE NUMBER OF WATER CUSTOMERS BY LOCATION
AND SIZE OF METER OR FIRE PROTECTION LINE/HYDRANT
LAST FIVE YEARS
(UNAUDITED)**

		2017		2018		2019		2020		2021	
<u>Meter Location and Size</u>											
City											
	5/8" - 3/4"	16,440	34.97%	15,158	34.85%	16,801	37.95%	16,872	38.20%	16,910	37.89%
	1"	2,494	5.31%	2,991	6.88%	2,628	5.94%	2,705	6.13%	2,748	6.16%
	1 1/2"	253	0.54%	233	0.54%	273	0.62%	282	0.64%	283	0.63%
	2"	1,061	2.26%	1,181	2.72%	1,089	2.46%	1,086	2.46%	1,081	2.42%
	3"	208	0.44%	211	0.49%	212	0.48%	212	0.48%	212	0.48%
	4"	103	0.22%	113	0.26%	105	0.24%	118	0.27%	112	0.25%
	6"	0	0.00%	1	0.00%	2	0.00%	13	0.03%	11	0.02%
	8"	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total City		20,559	43.73%	19,888	45.73%	21,110	47.68%	21,288	48.20%	21,357	47.86%
Out City											
	5/8" - 3/4"	8,406	17.88%	9,718	22.34%	9,427	21.29%	8,845	20.03%	8,802	19.72%
	1"	9,839	20.93%	9,830	22.60%	9,837	22.22%	10,705	24.24%	600	1.34%
	1 1/2"	361	0.77%	351	0.81%	375	0.85%	376	0.85%	10,909	24.44%
	2"	939	2.00%	1,150	2.64%	994	2.25%	1,004	2.27%	965	2.16%
	3"	115	0.24%	122	0.28%	779	1.76%	127	0.29%	183	0.41%
	4"	50	0.11%	57	0.13%	56	0.13%	63	0.14%	66	0.15%
	6"	12	0.03%	13	0.03%	15	0.03%	13	0.03%	17	0.04%
	8"	0	0.00%	0	0.00%	0	0.00%	2	0.00%	2	0.00%
Total Out City		19,722	41.95%	21,241	48.84%	21,483	48.52%	21,135	47.86%	21,544	48.28%
Total Meters		40,281	85.69%	41,129	94.56%	42,593	96.20%	42,423	96.06%	42,901	96.13%

TABLE 30

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
APPROXIMATE NUMBER OF WATER CUSTOMERS BY LOCATION
AND SIZE OF METER OR FIRE PROTECTION LINE/HYDRANT (CONCLUDED)
LAST FIVE YEARS
(UNAUDITED)**

		2017		2018		2019		2020		2021	
Location and Size of Fire Protection Line/Hydrant											
City											
	4"	218	0.46%	223	0.52%	238	0.54%	244	0.55%	244	0.55%
	6"	169	0.36%	158	0.37%	183	0.41%	186	0.42%	187	0.42%
	8"	85	0.18%	77	0.18%	87	0.20%	90	0.20%	84	0.19%
	10"	2	0.00%	2	0.00%	2	0.00%	2	0.00%	2	0.00%
	Hydrants	2,418	5.14%	311	0.73%	354	0.80%	352	0.80%	341	0.76%
Total City		2,892	6.15%	771	1.80%	864	1.95%	874	1.98%	858	1.92%
Out City											
	4"	184	0.39%	263	0.61%	207	0.47%	209	0.47%	209	0.47%
	6"	97	0.21%	110	0.26%	115	0.26%	118	0.27%	123	0.28%
	8"	68	0.14%	75	0.18%	77	0.17%	83	0.19%	82	0.18%
	10"	5	0.01%	34	0.08%	5	0.01%	5	0.01%	5	0.01%
	Hydrants	3,483	7.41%	412	0.96%	414	0.94%	451	1.02%	449	1.01%
Total Out City		3,837	8.16%	894	2.09%	818	1.85%	866	1.96%	868	1.95%
Total Fire Protection		6,729	14.31%	1,665	3.89%	1,682	3.80%	1,740	3.94%	1,726	3.87%
Total Service Connections		47,010	100.00%	42,794	100.00%	44,275	100.00%	44,163	100.00%	44,627	100.00%

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

TABLE 31

**CITY OF KALAMAZOO
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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City (Quarterly Billed Accounts)					
5/8" Meter	\$ 21.98	\$ 25.72	\$ 27.03	\$ 30.70	\$ 35.45
1" Meter	29.18	34.14	36.03	41.19	47.48
1-1/2" Meter	36.39	42.58	45.06	51.70	59.52
2" Meter	56.19	65.74	69.82	80.54	92.60
City (Monthly Billed Accounts)					
5/8" Meter	9.97	11.66	11.90	13.18	15.38
1" Meter	12.37	14.47	15.00	16.69	19.40
1-1/2" Meter	14.77	17.28	18.00	20.19	23.41
2" Meter	21.37	25.00	26.27	29.82	34.45
3" Meter	69.99	81.89	87.09	100.65	115.66
4" Meter	88.01	102.97	109.63	126.89	145.74
6" Meter	130.03	152.14	162.19	188.10	215.92
8" Meter	178.05	208.32	222.24	258.03	296.12
City (Monthly Fire Protection Charge)					
4" Detector Check	23.32	27.28	29.73	34.16	39.85
6" Detector Check	29.08	34.02	36.67	41.64	47.90
8" Detector Check	40.59	47.49	50.56	56.83	64.44
10" Detector Check	86.45	101.15	106.48	120.88	136.79
Fire Hydrant	3.33	3.33	-	3.33	3.33

TABLE 31

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
WATER SUPPLY READY-TO-SERVE CHARGES BY METER LOCATION AND SIZE (CONCLUDED)
LAST FIVE YEARS
(UNAUDITED)**

Meter Location and Size	2017	2018	2019	2020	2021
Out City (Quarterly Billed Accounts)					
5/8" Meter	30.19	30.64	30.82	33.51	37.04
1" Meter	40.67	41.28	41.55	45.30	49.79
1-1/2" Meter	51.16	51.93	52.29	57.09	62.55
2" Meter	80.01	81.21	81.82	89.52	97.62
Out City (Monthly Billed Accounts)					
5/8" Meter	12.70	12.89	12.93	13.86	15.77
1" Meter	16.20	16.44	16.51	17.79	20.02
1-1/2" Meter	19.70	20.00	20.09	21.72	24.28
2" Meter	29.31	29.75	39.93	32.53	35.98
3" Meter	100.12	101.62	102.40	112.13	122.07
4" Meter	126.34	128.24	129.23	141.60	153.96
6" Meter	187.52	190.30	191.85	210.38	228.35
8" Meter	257.45	261.31	263.42	288.99	313.38
Out City (Monthly Fire Protection Charge)					
4" Detector Check	36.64	37.19	37.50	39.88	43.06
6" Detector Check	44.73	45.40	45.52	48.10	51.48
8" Detector Check	60.65	61.56	61.43	64.71	68.77
10" Detector Check	121.74	13.57	123.73	133.52	143.81
Fire Hydrant	3.33	3.33	3.33	3.33	3.33

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

TABLE 32

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
WATER SUPPLY COMMODITY CHARGES BY METER
LOCATION AND CLASSIFICATION (1)
LAST FIVE YEARS
(UNAUDITED)**

<u>Meter Location and Classification</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City					
Residential	\$0.292	\$0.342	\$0.465	\$0.496	\$0.617
Multifamily	0.264	0.309	0.465	0.405	0.482
Commercial/Industrial	0.294	0.344	0.465	0.454	0.541
Fire Protection - First 15 M3	0.288	0.337	0.370	0.449	0.539
Fire Protection - Over 15 M3	0.864	1.012	1.110	1.346	1.615
Seasonal Uses	0.451	0.532	0.611	0.741	0.877
Out City					
Residential	\$0.598	\$0.607	\$0.870	\$0.660	\$0.711
Multifamily	0.401	0.407	0.870	0.465	0.516
Commercial/Industrial	0.449	0.456	0.870	0.522	0.580
Fire Protection - First 15 M3	0.442	0.449	0.459	0.518	0.578
Fire Protection - Over 15 M3	1.326	1.345	1.377	1.555	1.737
Seasonal Uses	0.932	0.946	0.941	0.988	1.012

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

(1) per cubic meter

TABLE 33

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
HISTORY OF SYSTEM RATE INCREASES
(UNAUDITED)**

Date Increase Effective	Percent Increase (1)
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%
February 4, 2019	4.00%
March 2, 2020	14.00%
March 2, 2021	14.00%

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

TABLE 34

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
WATER SUPPLY VOLUME AS PUMPED AND BILLED (1)
LAST FIVE YEARS
(UNAUDITED)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Pumped	26,237,085	27,186,486	27,797,406	26,723,103	26,723,103
Billed	<u>22,238,541</u>	<u>21,137,276</u>	<u>21,612,091</u>	<u>21,851,721</u>	<u>22,245,676</u>
Unaccounted (2) (3)	<u>3,998,544</u>	<u>6,049,210</u>	<u>6,185,315</u>	<u>4,871,382</u>	<u>4,477,427</u>
Unaccounted as a Percent of Pumped (3)	<u>15.24%</u>	<u>22.25%</u>	<u>22.25%</u>	<u>18.23%</u>	<u>16.75%</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.

(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.

TABLE 35

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
WATER VOLUME AS BILLED BY METER
LOCATION AND CLASSIFICATION
LAST FIVE YEARS
(UNAUDITED)**

Meter Location and Classification	2017		2018		2019		2020		2021	
City										
Residential	4,067,472	18.29%	3,779,291	17.88%	3,972,491	18.38%	4,076,141	18.65%	4,001,334	17.99%
Multifamily	1,704,537	7.66%	1,726,211	8.17%	1,623,242	7.51%	1,706,516	7.81%	1,766,798	7.94%
Commercial/Industrial	4,961,615	22.31%	5,092,378	24.09%	5,115,857	23.67%	4,761,521	21.79%	4,966,027	22.32%
Fire Protection	5,959	0.03%	20,687	0.10%	5,277	0.02%	48,731	0.22%	73,823	0.33%
Seasonal Uses (1)	551,001	2.48%	450,164	2.13%	437,715	2.03%	455,152	2.08%	536,704	2.42%
Total City	11,290,584	50.77%	11,068,731	52.37%	11,154,582	51.61%	11,048,061	50.55%	11,344,686	51.00%
Out City										
Residential	5,730,535	25.77%	5,146,635	24.35%	5,604,885	25.93%	5,915,697	27.07%	5,922,394	26.62%
Multifamily	1,619,700	7.28%	1,659,616	7.85%	1,692,317	7.83%	1,701,525	7.79%	1,777,071	7.99%
Commercial/Industrial	2,976,469	13.38%	2,854,022	13.50%	2,791,302	12.92%	2,724,781	12.47%	2,747,044	12.35%
Fire Protection	1,743	0.01%	3,662	0.02%	5,206	0.02%	41,851	0.19%	-23,782	-0.11%
Seasonal Uses (1)	619,510	2.79%	404,610	1.91%	363,799	1.68%	419,806	1.92%	478,263	2.15%
Total Out City	10,947,957	49.23%	10,068,545	47.63%	10,457,510	48.39%	10,803,660	49.44%	10,900,990	49.00%
Total System										
Residential	9,798,007	44.06%	8,925,926	42.23%	9,577,376	44.31%	9,991,838	45.73%	9,923,728	44.61%
Multifamily	3,324,237	14.95%	3,385,827	16.02%	3,315,559	15.34%	3,408,041	15.60%	3,543,869	15.93%
Commercial/Industrial	7,938,084	35.70%	7,946,400	37.59%	7,907,158	36.59%	7,486,302	34.26%	7,713,071	34.67%
Fire Protection	7,702	0.03%	24,349	0.12%	10,483	0.05%	90,582	0.41%	50,041	0.22%
Seasonal Uses (2)	1,170,511	5.26%	854,774	4.04%	801,515	3.71%	874,958	4.00%	1,014,967	4.57%
Total System	22,238,541	100.00%	21,137,276	100.00%	21,612,091	100.00%	21,851,721	100.00%	22,245,676	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.

TABLE 36

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
AVERAGE AND PEAK DAILY WATER SUPPLY VOLUME (1)
LAST FIVE YEARS
(UNAUDITED)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Average Daily Water Supply	18.970	15.750	19.740	19.340	19.040
Peak Daily Water Supply	37.220	34.440	28.290	36.240	34.070
Peak as a Percent of Average	196.20%	218.67%	143.31%	187.38%	178.94%

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

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

TABLE 37

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
WATER SUPPLY REVENUE AS BILLED BY METER
LOCATION AND CLASSIFICATION
LAST FIVE YEARS
(UNAUDITED)**

Meter Location and Classification	2017		2018		2019		2020		2021	
City										
Residential	\$ 2,755,750	17.90%	\$ 3,099,630	19.53%	\$ 3,274,009	20.17%	\$ 4,168,819	21.61%	\$ 4,938,420	22.25%
Multifamily	669,148	4.35%	789,785	4.98%	808,837	4.98%	972,447	5.04%	1,177,460	5.31%
Commercial/Industrial	1,975,748	12.83%	2,361,881	14.88%	2,533,640	15.61%	2,820,185	14.62%	3,480,593	15.68%
Fire Protection	170,342	1.11%	214,603	1.35%	217,255	1.34%	315,932	1.64%	405,789	1.83%
Seasonal Uses	286,083	1.86%	280,139	1.76%	303,193	1.87%	379,820	1.97%	520,468	2.35%
Total City	5,857,071	38.05%	6,746,038	42.50%	7,136,935	43.97%	8,657,203	44.88%	10,522,730	47.42%
Out City										
Residential	5,943,255	38.61%	5,705,270	35.94%	5,739,965	35.36%	6,793,436	35.22%	7,455,208	33.59%
Multifamily	947,815	6.16%	977,053	6.15%	1,002,793	6.18%	1,102,803	5.72%	1,256,650	5.66%
Commercial/Industrial	1,840,893	11.96%	1,830,144	11.53%	1,770,489	10.91%	1,980,244	10.27%	2,227,636	10.04%
Fire Protection	206,255	1.34%	216,700	1.37%	221,747	1.37%	316,286	1.64%	221,017	1.00%
Seasonal Uses	598,942	3.89%	399,424	2.52%	360,705	2.22%	437,116	2.27%	507,600	2.29%
Total Out City	9,537,160	61.95%	9,128,591	57.50%	9,095,699	56.03%	10,629,885	55.12%	11,668,111	52.58%
Total System										
Residential	8,699,005	56.51%	8,804,900	55.47%	9,013,974	55.53%	10,962,255	56.83%	12,393,628	55.86%
Multifamily	1,616,963	10.50%	1,766,838	11.13%	1,811,629	11.16%	2,075,250	10.76%	2,434,110	10.97%
Commercial/Industrial	3,816,641	24.79%	4,192,025	26.41%	4,304,129	26.52%	4,800,429	24.89%	5,708,229	25.72%
Fire Protection	376,597	2.45%	431,303	2.72%	439,003	2.70%	632,218	3.28%	626,806	2.82%
Seasonal Uses	885,025	5.75%	679,563	4.28%	663,898	4.09%	816,936	4.24%	1,028,068	4.63%
Total System	\$ 15,394,231	100.00%	\$ 15,874,629	100.00%	\$ 16,232,634	100.00%	\$ 19,287,088	100.00%	\$ 22,190,841	100.00%

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

TABLE 38

**CITY OF KALAMAZOO
WATER SUPPLY SYSTEM
TEN LARGEST WATER CUSTOMERS BY VOLUME AND REVENUE
YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

Customer	Principal Product or Service	Water Volume (cubic meters)	Percent of Total (1)	Water Revenue	Percent of Total (2)
Graphic Packaging	Paper Products	1,126,216	5.1%	\$ 613,529	2.8%
Western Michigan University	Higher Education	563,900	2.5%	486,756	2.2%
Pfizer Corporation/Zoetis	Pharmaceuticals	426,153	1.9%	281,476	1.3%
Bronson Methodist Hospital	Hospital	411,538	1.8%	295,714	1.3%
Borgess Medical Center	Hospital	401,270	1.8%	252,186	1.1%
Kalsec Inc.	Food Grade Flavoring	233,057	1.0%	145,188	0.7%
MIMG	Property Management	191,246	0.9%	127,411	0.6%
Yes Woodland Estates	Property Management	187,745	0.8%	129,257	0.6%
Concord Place Apartments	Apartments	138,263	0.6%	80,887	0.4%
Continental Linen	Uniform Cleaning	124,347	0.6%	70,830	0.3%
		<u>3,803,735</u>	<u>17.0%</u>	<u>\$ 2,483,234</u>	<u>11.3%</u>

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

(1) Based on water volume of 22,245,676 cubic meters.

(2) Based on Water System billed revenue of \$22,190,841.

TABLE 39

**CITY OF KALAMAZOO
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

TABLE 40

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
APPROXIMATE NUMBER OF WASTEWATER CUSTOMERS
BY LOCATION AND USER CLASSIFICATION
LAST FIVE YEARS
(UNAUDITED)**

Customer Location and Classification	2017		2018		2019		2020		2021	
<u>Retail Customers</u>										
<i>In-City Retail Customers</i>										
Residential	17,000	50.43%	17,008	49.15%	17,012	48.27%	16,978	48.17%	17,044	48.01%
Commercial	2,427	7.20%	2,512	7.26%	2,514	7.13%	2,702	7.67%	2,699	7.60%
Industrial	92	0.27%	306	0.88%	103	0.29%	107	0.30%	107	0.30%
Sub-Total	19,519	57.90%	19,826	57.30%	19,629	55.70%	19,787	56.14%	19,850	55.91%
<i>Out-City Retail Customers</i>										
Residential	11,029	32.72%	11,711	33.85%	12,335	35.00%	12,133	34.43%	12,274	34.57%
Commercial	1,531	4.54%	1,594	4.61%	1,651	4.68%	1,685	4.78%	1,701	4.79%
Industrial	26	0.08%	29	0.08%	29	0.08%	32	0.09%	30	0.08%
Sub-Total	12,586	37.34%	13,334	38.54%	14,015	39.77%	13,850	39.30%	14,005	39.45%
Total Retail Customers	32,105	95.24%	33,160	95.84%	33,644	95.46%	33,637	95.44%	33,855	95.36%
<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%	7	0.02%	7	0.02%	8	0.02%
Dewatering Accounts	4	0.01%	4	0.01%	4	0.01%	4	0.01%	4	0.01%
Septage Haulers	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sub-Total	14	0.04%	14	0.04%	13	0.04%	13	0.04%	14	0.04%
<u>Flat Rate Customers</u>	1,591	4.72%	1,427	4.12%	1,586	4.50%	1,592	4.52%	1,633	4.60%
Total Sewer Customers	33,710	100.00%	34,601	100.00%	35,243	100.00%	35,242	100.00%	35,502	100.00%

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

TABLE 41

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
NUMBER OF RETAIL CUSTOMERS BY METER SIZE
LAST FIVE YEARS
(UNAUDITED)**

Meter Size	2017		2018		2019		2020		2021	
5/8" - 3/4"	22,517	70.13%	22,828	68.84%	23,003	68.37%	23,109	68.69%	23,159	68.41%
1"	7,263	22.62%	7,200	21.71%	7,459	22.17%	7,996	23.77%	8,167	24.12%
1-1/2"	460	1.43%	482	1.45%	480	1.43%	496	1.47%	500	1.48%
2"	1,497	4.66%	1,655	4.99%	1,686	5.01%	1,598	4.75%	1,594	4.71%
3"	254	0.79%	839	2.53%	840	2.50%	287	0.85%	287	0.85%
4"	103	0.32%	136	0.41%	156	0.46%	137	0.41%	132	0.39%
6"	12	0.04%	21	0.06%	20	0.06%	13	0.04%	15	0.04%
8"	0	0.00%	0	0.00%	0	0.00%	1	0.00%	1	0.00%
	<u>32,106</u>	<u>100.00%</u>	<u>33,161</u>	<u>100.00%</u>	<u>33,644</u>	<u>100.00%</u>	<u>33,637</u>	<u>100.00%</u>	<u>33,855</u>	<u>100.00%</u>

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

TABLE 42

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
WASTEWATER READY-TO-SERVE CHARGES BY
WATER METER LOCATION AND SIZE
LAST FIVE YEARS
(UNAUDITED)**

Meter Location and Size	2017		2018		2019		2020		2021	
	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly
City										
5/8"	\$ 6.38	\$ 7.41	\$ 6.75	\$ 7.84	\$ 7.14	\$ 8.29	\$ 6.97	\$ 9.41	\$ 7.67	\$ 10.35
3/4"	6.43	7.56	6.80	7.99	7.19	8.45	7.09	9.77	7.80	10.75
1"	6.59	8.03	6.97	8.49	7.37	8.98	7.45	10.87	8.20	11.96
1-1/2"	6.80	8.65	7.19	9.15	7.60	9.68	7.94	12.33	8.73	13.56
2"	7.36	10.34	7.78	10.93	8.23	11.56	9.28	16.36	10.21	18.00
3"	11.52	22.82	12.18	24.13	12.88	25.52	19.16	45.98	21.08	50.58
4"	13.06	27.45	13.81	29.03	14.60	30.70	22.82	56.96	25.10	62.66
6"	16.66	38.24	17.62	40.44	18.63	42.77	31.35	82.56	34.49	90.82
Flat Rate	-	42.69	-	45.14	-	47.74	-	55.61	-	61.17
Dewatering	5.52	-	5.38	-	6.18	-	6.54	-	6.33	-
Septage	5.52	-	5.38	-	-	-	-	-	-	-
Our City										
5/8"	\$ 7.16	\$ 10.56	\$ 7.69	\$ 11.34	\$ 8.26	\$ 12.18	\$ 8.51	\$ 14.20	\$ 9.47	\$ 15.77
3/4"	7.32	11.07	7.86	11.89	8.44	12.77	8.80	15.05	9.79	16.72
1"	7.84	12.60	8.42	13.53	9.04	14.53	9.65	17.61	10.74	19.56
1-1/2"	8.52	14.65	9.15	15.73	9.83	16.89	10.80	21.02	12.00	23.34
2"	10.39	20.27	11.16	21.77	11.99	23.38	13.92	30.41	15.47	33.75
3"	24.19	61.68	25.98	66.24	27.90	71.14	36.94	99.47	41.00	110.33
4"	29.31	77.02	31.48	82.72	33.81	88.84	45.47	125.05	50.45	138.70
6"	41.24	112.81	44.29	121.16	47.57	130.13	65.36	184.74	72.51	204.89
Flat Rate	-	74.15	-	79.64	-	85.53	-	92.40	-	102.74
Municipalities	5.52	-	5.38	-	6.37	-	5.75	-	6.33	-
Dewatering	5.52	-	5.38	-	6.37	-	5.75	-	6.33	-
Septage	5.52	-	5.38	-	6.37	-	-	-	-	-

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.

TABLE 43

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
WASTEWATER TREATMENT CHARGES BY CUSTOMER CLASSIFICATION (1)
LAST FIVE YEARS
(UNAUDITED)**

Commodity Charges (per cubic meter) (1)						
Fiscal Years Ended December 31		2017	2018	2019	2020	2021
	In-City Retail Customers	0.420	0.444	0.465	0.544	0.598
	Out-City Retail Customers	0.757	0.813	0.870	0.911	1.013
	Wholesale Municipal Customers	0.492	0.492	0.532	0.584	0.694
	City of Galesburg (3)	0.547	0.547	0.594	0.710	0.835
	In-City Dewatering Customers	0.395	0.418	0.465	0.544	0.598
	Out-City Dewatering Customers	0.764	0.821	0.870	0.911	1.013
Additional Quantity and Quality Wastewater Treatment (2)						
Fiscal Years Ended December 31		2017	2018	2019	2020	2021
	Additional Quantity Charge \$/CM					
	Pfizer	0.165	0.165	0.170	0.189	0.306
	Graphic Packaging	0.070	0.070	0.070	0.067	0.140
	Dewater - Industrial Outside City	0.433	0.433	0.505	0.503	0.360
	In-City Industrial	0.130	0.130	0.148	0.216	0.360
	Out-City Industrial	0.430	0.430	0.494	0.503	0.648
	BOD Charge (4) \$/KG					
	Pfizer	0.511	0.511	0.510	0.522	0.282
	Graphic Packaging	0.468	0.468	0.470	0.490	0.262
	In-City Industrial	0.468	0.468	0.518	0.490	0.262
	Out-City Industrial	0.531	0.531	0.612	0.615	0.287
	SS Charge \$/KG (5)					
	Pfizer	0.565	0.565	0.570	0.696	0.861
	Graphic Packaging	0.506	0.506	0.510	0.626	0.809
	In-City Industrial	0.506	0.506	0.571	0.626	0.809
	Out-City Industrial	0.576	0.576	0.666	0.788	0.862
	NH3 Charge \$/KG (6)					
	Pfizer	2.609	2.609	2.610	2.599	3.347
	Graphic Packaging	2.518	2.518	2.520	2.623	3.143
	In-City Industrial	2.518	2.518	2.813	2.623	3.145
	Out-City Industrial	2.715	2.715	3.136	3.082	3.431

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
WASTEWATER TREATMENT CHARGES BY CUSTOMER CLASSIFICATION (1) (CONCLUDED)
LAST FIVE YEARS
(UNAUDITED)**

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.

TABLE 44

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
WASTEWATER TREATMENT VOLUME AS BILLED BY
CUSTOMER AND USER CLASSIFICATION (1)
LAST FIVE YEARS
(UNAUDITED)**

<u>Retail Customers</u>	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021</u>	
Residential	5,341,135	19.44%	5,205,459	18.23%	5,221,975	18.63%	5,171,265	18.76%	5,136,297	18.90%
Commercial	7,458,072	27.15%	7,576,651	26.54%	7,419,528	26.47%	6,851,871	24.86%	6,989,149	25.72%
Industrial	2,050,196	7.46%	2,221,252	7.78%	2,072,896	7.39%	2,085,731	7.57%	2,375,579	8.74%
Sub-Total	<u>14,849,403</u>	<u>54.06%</u>	<u>15,003,362</u>	<u>52.55%</u>	<u>14,714,399</u>	<u>52.49%</u>	<u>14,108,867</u>	<u>51.19%</u>	<u>14,501,025</u>	<u>53.37%</u>
<u>Wholesale Customers</u>										
Industries	4,310,417	15.69%	4,735,170	16.59%	4,885,811	17.43%	4,823,031	17.50%	4,952,580	18.23%
Wholesale Municipal	8,110,055	29.52%	8,608,753	30.15%	8,222,822	29.33%	8,437,145	30.61%	7,567,359	27.85%
Dewatering Accounts	198,662	0.72%	202,935	0.71%	208,523	0.74%	192,312	0.70%	152,131	0.56%
Septage Haulers	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Sub-Total	<u>12,619,134</u>	<u>45.94%</u>	<u>13,546,858</u>	<u>47.45%</u>	<u>13,317,156</u>	<u>47.51%</u>	<u>13,452,488</u>	<u>48.81%</u>	<u>12,672,070</u>	<u>46.63%</u>
Total Wastewater Billed	<u><u>27,468,537</u></u>	<u><u>100.00%</u></u>	<u><u>28,550,220</u></u>	<u><u>100.00%</u></u>	<u><u>28,031,555</u></u>	<u><u>100.00%</u></u>	<u><u>27,561,355</u></u>	<u><u>100.00%</u></u>	<u><u>27,173,095</u></u>	<u><u>100.00%</u></u>

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

(1) Measured in Cubic Meters.

TABLE 45

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
WASTEWATER VOLUME AS TREATED AND BILLED (1)
LAST FIVE YEARS
(UNAUDITED)**

	2017	2018	2019	2020	2021
Metered Wastewater Volume	38,410,863	40,432,778	39,626,836	37,754,807	35,168,774
Wastewater Consumption as Billed	27,468,537	28,550,220	31,573,592	27,561,355	27,173,095
Difference (2)	10,942,326	11,882,558	8,053,244	11,252,088	7,995,679
Difference as a % of Metered Wastewater Volume	28.5%	29.4%	20.3%	27.0%	22.7%

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.

TABLE 46

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
AVERAGE AND PEAK DAILY WASTEWATER TREATMENT VOLUME (1)
LAST FIVE YEARS
(UNAUDITED)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Average Daily Sewage Disposal Volume	27.8	29.3	28.7	27.3	25.5
Peak Daily Sewage Disposal Volume	63.7	77.4	61.8	48.0	38.6
Peak as a Percent of Average	229.06%	264.47%	215.55%	176.33%	151.73%

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

(1) Measured in millions of gallons per day.

TABLE 47

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
TEN LARGEST CUSTOMERS
BY WASTEWATER SYSTEM REVENUE AND VOLUME AS BILLED
YEAR ENDED DECEMBER 31, 2021
(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)
Pfizer Corporation	Pharmaceuticals	3,659,934	13.5%	\$ 855,844	\$ 2,768,890	\$ 3,624,734	14.6%
City of Portage	Municipality	5,364,403	19.7%	3,604,184		3,604,184	14.6%
Graphic Packaging Corporation	Paper Products	2,055,759	7.6%	516,741	1,810,481	2,327,222	9.4%
Kalsec, Inc.	Food Grade Flavoring	230,778	0.8%	127,313	690,973	818,286	3.3%
Kalamazoo Brewing Company	Brewery	191,104	0.7%	105,261	407,917	513,179	2.1%
Gull Lake Sewer & Water Athrty	Municipality	1,157,966	4.3%	781,584		781,584	3.2%
Zoetis, Inc	Pharmaceuticals	195,188	0.7%	118,800	125,475	244,275	1.0%
Allnex Usa, Inc	Chemicals	487,535	1.8%	114,167	196,700	310,867	1.3%
Village Of Mattawan	Municipality	410,987	1.5%	277,273		277,273	1.1%
Western Michigan University	University	356,211	1.3%	206,904		206,904	0.8%
		<u>14,109,865</u>	<u>51.9%</u>	<u>\$ 6,708,071</u>	<u>\$ 6,000,437</u>	<u>\$ 12,708,508</u>	<u>51.4%</u>

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

(1) Based on wastewater treatment volume of 27,173,095 cubic meters.

(2) Based on Wastewater System billed revenue of \$24,769,307

TABLE 48

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
WASTEWATER TREATMENT REVENUE AS BILLED
BY METER LOCATION AND CLASSIFICATION
LAST FIVE YEARS
(UNAUDITED)**

<u>Meter Location and Classification</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City					
Residential	\$ 1,848,364	\$ 1,890,660	\$ 1,613,189	\$ 2,151,739	\$ 2,362,851
Commercial	2,064,670	2,196,673	2,235,247	2,392,118	2,675,473
Industrial	328,629	362,788	364,730	450,137	601,789
Industrial Monitored	297,402	355,030	363,627	369,181	446,689
Contract	1,346,269	1,452,408	1,549,594	1,623,987	1,906,317
Dewatering	<u>71,090</u>	<u>67,923</u>	<u>84,184</u>	<u>87,248</u>	<u>76,722</u>
Total City	<u>5,956,424</u>	<u>6,325,482</u>	<u>6,210,571</u>	<u>7,074,410</u>	<u>8,069,841</u>
Out City					
Residential	2,572,651	2,735,308	3,021,625	4,767,145	3,063,793
Commercial	2,329,114	2,545,458	2,660,406	2,721,639	3,071,664
Industrial	144,729	152,879	221,746	144,411	206,450
Industrial Monitored	242,830	1,761,331	1,231,604	1,152,212	1,606,182
Contract	4,325,343	3,594,361	3,588,863	3,270,167	3,624,734
Municipalities	3,236,659	4,514,981	4,314,328	4,686,263	5,111,116
Septage Haulers	-	-	-	-	-
Dewatering	<u>8,770</u>	<u>15,379</u>	<u>13,585</u>	<u>13,892</u>	<u>15,527</u>
Total Out City	<u>12,860,096</u>	<u>15,319,697</u>	<u>15,052,157</u>	<u>16,755,729</u>	<u>16,699,466</u>
Total System					
Residential	4,421,015	4,625,968	4,634,814	6,918,884	5,426,644
Commercial	4,393,784	4,742,131	4,895,653	5,113,757	5,747,137
Industrial	473,358	515,667	586,475	594,548	808,239
Industrial Monitored	540,232	2,116,361	1,595,231	1,521,393	2,052,871
Contract	5,671,612	5,046,769	5,138,457	4,894,154	5,531,051
Municipalities	3,236,659	4,514,981	4,314,328	4,686,263	5,111,116
Septage Haulers	-	-	-	-	-
Dewatering	<u>79,860</u>	<u>83,302</u>	<u>97,769</u>	<u>101,140</u>	<u>92,249</u>
Total System	<u>\$ 18,816,520</u>	<u>\$ 21,645,179</u>	<u>\$ 21,262,728</u>	<u>\$ 23,830,139</u>	<u>\$ 24,769,307</u>

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

TABLE 49

**CITY OF KALAMAZOO
WASTEWATER SYSTEM
HISTORY OF WASTEWATER 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%
February 4, 2019	5.00%
March 2, 2020	10.00%
March 1, 2021	10.00%

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